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(GC(VII)/226)

## THE FINANCING OF THE AGENCY'S ACTIVITIES

### Recommendation by the Board of Governors for amendment of Article XIV. B. 1 of the Statute

#### Records of the Board's discussions

The Board of Governors has requested the transmission to the General Conference of the records of its discussions in February and June of the current year on the question of financing the Agency's activities. [ 1 ] The relevant extracts from the official records in question are consequently reproduced below. Attention is drawn to the fact that the circulation of all documents bearing the symbol GOV/... referred to therein is restricted to Members of the Agency for their official use.

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[ 1 ] See paragraph 3 of the Board's resolution of 18 June reproduced in document GC(VII)/236, Appendix A.



EXTRACTS FROM THE OFFICIAL RECORDS OF THE BOARD OF GOVERNORS

A. 307th meeting: 20 February 1963

(GOV/OR.307, paragraphs 1-66)

THE QUESTION OF FINANCING THE AGENCY'S ACTIVITIES (GOV/848, 848/Add.1 and 2, 861, 870; GOV/INF/7C)

1. Mr. MICHAELS (United Kingdom) recalled that Resolution GC(VI)/RES/123, adopted by the General Conference at its sixth regular session, requested the Board to study the question of financing the Agency's activities. In order to facilitate the Board's study, the United Kingdom had submitted further proposals (GOV/861) based on the amendment submitted to the General Conference<sup>1/</sup>. The document in question set out the reasons why Article XIV of the Statute should be amended and tried to dispel the misgivings expressed by various Member States with regard to the draft amendment.
2. Although the United Kingdom proposals might not be perfect, they would serve as a basis for logical discussion and a fruitful exchange of views in the Board.
3. Some Governors had opposed the adoption of the United Kingdom amendment because they did not consider that any problem existed. That reluctance to face realities would merely paralyse the Agency's activities. Those who recognized the existence of the problem were, on the whole, in favour of the solution proposed by the United Kingdom.
4. A technical assistance programme financed exclusively by the Agency from voluntary contributions would never constitute more than a series of projects whose implementation was doubtful. It was easy just to go on repeating that technical assistance had necessarily to be financed wholly from voluntary contributions, without ever questioning the principle involved in regard to certain basic technical assistance activities. The fact that such a practice had always been followed did not mean that it should be maintained.
5. He requested Governors to refer to Annex I to the Director General's letter dated 18 October 1962<sup>2/</sup>, which showed that some of the regular technical assistance activities of the main specialized agencies were financed from assessed contributions. His delegation did not suggest that the Agency should try to carry out a complex technical assistance programme exclusively financed from assessed contributions, but it believed that the Agency's regular programme

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<sup>1/</sup> See document GC(VI)/205, Annex I.

<sup>2/</sup> Letter L/119-1.

should be designed to supplement the assistance provided under the United Nations Expanded Programme of Technical Assistance (EPTA), which was financed from voluntary contributions.

6. It had also been stated that the proposed system of financing would impose considerable burdens on the less-developed countries, but that, too, was an argument which was reiterated without taking account of the facts. Annex II to the Director General's letter clearly showed that the effect of combining the regular budget and a hypothetical operational budget of \$1 750 000 would be quite trivial as far as the contributions of the great majority of Member States were concerned. In order to make the point clearer, he had prepared another table in which he had classified Member States in ascending order, according to the size of their contribution. The table set out, in respect of each Member State, the particulars which appeared in the table in Annex II to the Director General's letter. That form of presentation made it quite clear that the increase in the assessed contributions of the various Member States would amount only to some few hundred dollars in the case of countries which paid the lowest contribution and would begin to be appreciable only in the case of the countries mentioned in the second half of the list.

7. Some Governments maintained that there was no financial problem confronting the Agency. In order to refute that argument, it would suffice to refer to Annex IV to the Director General's letter, which enumerated, separately for each year, all the contributions in cash, services and kind that the Agency had received from Member States ever since its establishment. That data made it perfectly clear that the Agency could not obtain the necessary funds to carry out all the activities under its own technical assistance programme.

8. Many Member States feared that if the Agency had a combined budget its operational expenditure would increase very rapidly. His delegation did not fully share those views for the reasons stated in its memorandum. Some Member States, however, were afraid that the Agency might be induced to make large gifts of equipment which could be regarded as capital aid rather than technical assistance. Undoubtedly the Agency's task should continue to be confined to the provision of technical assistance, and those two concepts should not be confused. In order to allay those fears - which were partly due to the fact that the Statute did not clearly define the nature of the technical assistance

to be provided - and for the reasons stated in its memorandum, his delegation proposed that the Statute be amended with a view to defining what types of technical assistance should be provided. Some less-developed countries might consider that the proposed definition was too narrow. He believed, however, that it would be preferable to have an assured revenue available for the financing of a specific programme of technical assistance rather than to undertake more ambitious projects without ever knowing whether the funds required to carry them out would be forthcoming.

9. Apart from the voluntary contributions, which might not materialize, some gifts in kind had been offered to the Agency, but those offers seemed to be based on a principle to which he could not subscribe. He quoted, as an example, the following extract from the comments received from the Byelorussian Soviet Socialist Republic (GOV/848/Add.2, section 2): "The Agency should concentrate its main attention on ensuring that better use is made of the available funds, by employing them in a more rational manner for carrying out the basic tasks for which the Agency is responsible under its Statute and not permitting their dispersal on secondary or altogether superfluous activities." That seemed to imply that the less-developed countries were regarded as sheep who did not know what they were doing and had to be tended by a good shepherd. The less-developed countries, however, were entitled to request whatever they wanted, even if other countries preferred to offer them something which they considered more suited to their needs, but which they did not necessarily want.

10. His delegation recognized that some countries could not pay even small additional contributions in convertible currencies. The Agency must, however, know in advance what use it could make of the local currency to be made available and, in order to determine what proportion of the contributions could be paid in non-convertible currencies, it should try to find out what amount it could spend. In Annex A to its memorandum, his delegation was submitting a proposed amendment of Financial Regulation 6.05<sup>3/</sup> which would permit Member States eligible to receive technical assistance to pay the whole or part of their contribution in their national currency without having to request the Board's authorization in each case. It also proposed that, under Article XIV of the Statute, it should

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3/ INFCIRC/8/Add.1.

be possible to identify the expenditure on technical assistance, so that the contributions which the less-developed countries might wish to pay in national currency for that purpose could be determined.

11. Thus the United Kingdom proposals formed a logical and interconnected whole. The effect of defining the nature of the technical assistance which could be provided by the Agency would be twofold: it would allay the fear that operational expenditure would increase excessively and it would also provide a basis for precisely determining the expenditure on technical assistance. The United Kingdom authorities recognized that the proposal regarding the payment of part of the contributions in local currency did not solve the problem for countries which did not receive technical assistance, and that that problem required careful study.

12. Referring to the transitional period, he pointed out that the amendment of the Statute relating to the increased representation of the area of Africa and the Middle East in the Board<sup>4/</sup> had come into effect only on 31 January 1963, i.e. 16 months after its adoption by the General Conference. A similar waiting period was to be expected before the entry into force of the United Kingdom amendment, if it was adopted; and in his view, close on two years would represent an adequate transitional period.

13. He did not intend to ask the Board to take a decision on the United Kingdom proposals; rather, he proposed that they should be referred to the Administrative and Budgetary Committee, with the request that the Committee study at the same time any other proposals that might be put forward, suggest any amendments it saw fit to make and report to the Board in June. The Committee's report should contain a draft recommendation which could be submitted directly to the General Conference, should the occasion arise.

14. Mr. EMEL'YANOV (Union of Soviet Socialist Republics) pointed out that for the third time within a short period the very important question of financing the Agency's activities was up for discussion. The matter was again on the agenda because of a United Kingdom proposal to amend Article XIV of the Statute so as to have a combined budget in the form of a regular budget, to be financed by regular contributions and to which technical assistance expenditure would be charged.

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4/ GC(V)/RES/92.

15. In statements in the Board and at the General Conference the representatives of many countries had expressed concern at the inadequacy of the Agency's work. A great many proposals had been made with a view to improving the functioning of the Agency and especially its financial situation. Many delegates to the General Conference had opposed the suggested amendment to Article XIV on grounds of international law and political considerations, as well as the practice of the United Nations and its specialized agencies.

16. The Soviet delegation's views on the United Kingdom proposal were set forth in detail in the records of the sixth session of the General Conference<sup>5/</sup>. The Soviet delegation had opposed the proposal because it would change the character of the Statute fundamentally, and was in fact tantamount to a review of the Statute. It was contrary to the principle that the grant of assistance to the developing countries should be a matter of free consent, a principle on which the work of all organizations in the United Nations family was based. It would transform freely offered technical assistance into an international obligation, which was quite contrary to international law. It would entail unlimited growth of the Agency's budget in the future and an unjustified increase in the assessed contributions of Member States.

17. The Soviet delegation had already pointed out that there was no sound economic justification for the proposal to merge the Agency's two budgets. The insufficiency of its financial resources or the fact that it had two budgets did not account for the mediocre nature of the Agency's achievements; the true cause was not a lack of means but the fact that the Agency was departing from its statutory functions and concentrating its efforts on matters which were of interest only to a small group of Western countries. As one of its promoters, the Soviet Union considered that the Agency's long-term programme of activities could be carried out with relatively modest resources, the budget being kept at a steady level.

18. Study of the United Kingdom proposal in the Board and at the General Conference had shown that the vast majority of countries were hostile to it. Thus it was not a matter of chance that the proposal had been formally withdrawn from the agenda by the United Kingdom delegation itself.

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<sup>5/</sup> See, inter alia, document GC(VI)/COM.2/OR.27, paras. 68 to 97.

19. The new proposal (GOV/861) was, in principle, not a whit different from its predecessor. The purpose of the amendment to Article III of the Statute was to provide in the Statute for the financing of technical assistance, and the amendment to Article XIV provided that the funds should come from the regular budget.

20. In his opinion, a solution should be sought acceptable to all or at least the great majority of the Agency's Member States. No good could come out of an imposed decision. In financing technical assistance the Agency should follow the practice of the United Nations, which was based on voluntary contributions, and it should do more to obtain such contributions. For example, it should lose no time in implementing the socialist countries' proposal concerning a programme of technical assistance to the developing countries,<sup>6/</sup> under which the equipment and apparatus needed for medical centres and physics laboratories, as well as free fellowships, would be furnished. It might request Member States to undertake certain research and to pass on the results obtained.

21. The Soviet Union's attitude on that subject had been clearly explained in a letter from the Resident Representative of the Soviet Union, dated 27 December 1962 and was reproduced in section 14 of the Annex to the Director General's memorandum (GOV/848), which he would read out.

22. The main effect of the United Kingdom proposal would be to force Member States to furnish, as it were, obligatory technical assistance to other countries. Such a step would be utterly senseless, since any grant of assistance should be a voluntary act.

23. For all those reasons it seemed to him that the only proper way of solving the problem was to maintain the existing system of providing assistance; consequently there was no need to study the proposed amendments to the Statute.

24. Mr. STEWART (South Africa) called the Board's attention to paragraph 9 of the Director General's memorandum and to note 13, according to which the Government of South Africa was among those that considered it unnecessary to amend the Statute at present. That did not reflect precisely the opinion of

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<sup>6/</sup> GC(VI)/COM.1/67/Rev.1; see also GC(VI)/RES/131.

his Government, which had always emphasized the need to find ways and means of improving the Agency's financing of its operational expenditure, and had indicated its willingness that that should be done by way of amendment, provided the amendments were accepted by a large majority. In its observations on the subject the Government of South Africa had added that it would be easier to find a solution once the United Nations General Assembly had taken a decision on the somewhat similar but not directly related problem before it, concerning the establishment of a scale of contributions for expenses not attributable to the Regular Budget. With regard to certain questions of detail in the United Kingdom proposals, there were a number of matters on which he had views. But if, as seemed possible, there was going to be an opportunity of putting those forward on a later occasion - particularly when one of the preoccupations to which he had referred might have been disposed of - he would not risk confusing the issue by raising them at the present stage. He reserved the right to do so later if the discussion entered into the substance of the United Kingdom's proposed amendment.

25. Mr. DAS GUPTA (India) said he recognized that the problem of financing the Agency's activities was in urgent need of thorough study, and that a way of putting the existing situation right had to be found quickly. The problem had been raised indirectly at the previous meeting, during the Board's study of the interim report on long-term planning<sup>7/</sup>.

26. The delegation of India had already had occasion to express doubts about the advisability of amending the Statute and abandoning the system of voluntary contributions. In that spirit, he had himself made an appeal to Member States to come forward with voluntary contributions and, when possible, to increase them<sup>8/</sup>. However, that appeal had not evoked any substantial response. The situation was therefore such as, if allowed to continue indefinitely, would adversely affect the Agency's planning and future activities.

27. The Government of India considered that the problem deserved serious consideration. If the technical assistance programme could not be financed out of voluntary funds, recourse must be had to a system of assessed contributions.

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<sup>7/</sup> GOV/OR.306, paras. 1-49.

<sup>8/</sup> GOV/OR.301, para. 9.

That would not imply any fundamental change, since Member States already paid part of their contributions on an assessment basis. It would have to be remembered, however, that some States had balance-of-payment difficulties and must therefore be allowed to pay part of the assessed quota in their own currency.

28. The draft resolution submitted by the United Kingdom did not envisage an immediate solution, since it merely proposed that the question should be referred to the Administrative and Budgetary Committee for further examination of the "ways and means of resolving this problem". It would be difficult to oppose that proposal, but on the other hand he would welcome a further clarification of the Committee's mandate by the addition of the words "in the light of the views and proposals that have been or may be put forward".

29. The Governor from South Africa had recalled that the United Nations was at present faced by a similar problem. It might, therefore, be useful to await the results of its work before taking a decision; the United Nations had more members than the Agency, particularly among the developing countries, and the Agency could doubtless profit by knowing what solution the United Nations adopted.

30. Mr. CARGO (United States of America) said that his delegation strongly supported resolving of the Agency's financial difficulties as quickly as possible. The United States view of the matter had been explained at length on a number of occasions, but he wished to emphasize again that the financing of the Agency's activities was clouded with uncertainty and that it was in the interests of all Member States, especially the developing countries, that measures should be taken to remedy the situation in a way that would provide some guarantee that the approved programme could be implemented. The United States continued to endorse the principle that financial support for the Agency should be on a fully assessed basis which would assure that all Member States contributed equitably. In that connection the fact that the United States alone furnished 50% of all voluntary contributions should be noted.

31. The principle involved was not a novel one. The United Nations budget included several million dollars for technical assistance financed from assessed contributions and the specialized agencies, for their part, devoted a large proportion of their regular budgets to technical assistance.

32. He had listened with much interest to the comments of the Governor from India, who had recognized the seriousness of the problem and quite rightly linked it to the problem of long-term planning. Whatever the scope of the Agency's long-term programme was to be, it was important to devise a method of financing it which would be reliable.

33. While the United States delegation agreed fully with the objectives set forth in the United Kingdom memorandum (GOV/861), it did not endorse all the points made there. Was it really necessary to amend Regulation 6.05 of the Financial Regulations to achieve the objective -- one which his delegation endorsed -- of allowing payment of a part of assessed contributions in national currencies? So far as he could see the provisions of that regulation, which was in disuse, seemed adequate to enable countries to contribute in local currencies to the extent that those could be used by the Agency. The United States delegation also had some question as to the necessity of amending the Statute in order to define technical assistance.

34. The question of financing the Agency's activities was clearly important, and he supported further examination of the various suggestions in the Administrative and Budgetary Committee. It was to be hoped that the Director General would receive many more replies to his circular letter. For its part, the United States delegation would consider with interest any new suggestions as to how the problem might be solved. It was in favour of the draft resolution submitted by the United Kingdom (GOV/870), as well as the substance of the addition suggested by the Governor from India.

35. Mr. McKNIGHT (Australia) said that the views of his Government were very close to those expressed by Canada in its letter of 3 January 1963, reproduced in paragraph 2 of the Annex to the Director General's memorandum (GOV/848). The principle of financing the operational programme from voluntary contributions should be maintained; that was a conviction proceeding from the concern felt by States Members of all the organizations at the tendency towards a sharp increase in their budgets. The goals which should be set for the financing of realistic Agency programmes would have a better chance of being achieved by means of voluntary contributions once the long-term programme had been drawn up and approved.

36. He would not oppose the United Kingdom proposals being referred to the Administrative and Budgetary Committee, though the Committee's task in examining them would not be precise.

37. Mr. FERRÓ (Hungary) emphasized that there was a divergence of opinion regarding the advisability of altering the structure of the Agency's budget. One group of countries (which included Hungary) still felt that there was no need to change the financial provisions of the Statute. Another group supported the United Kingdom proposal which envisaged a complete revision of the Statute. A third group proposed reforms, contending that the Agency was experiencing financial difficulties and that in one way or another it had to be assured of regular and sufficient financial and other resources if it was to carry out its operational programme as planned.

38. In order to justify amending the financial provisions of the Statute, the latter two groups of States argued, first, that the Agency's financial difficulties were an inevitable consequence of the system of voluntary contributions and, secondly, that the Agency must have sufficient means to carry out its long-term programme and to expand its programme of technical assistance to the developing countries.

39. However, so far as the Hungarian delegation could see, there was no proof that the difficulty of financing the operational budget was due to the system of voluntary contributions. If it were, EPTA and the major programmes of other organizations affiliated to the United Nations involving, in one form or another, the provision of technical assistance to developing countries would face a financial crisis every year.

40. In the Agency, as elsewhere, the financial anomalies were not due to the "operational" budget, which was based on the sacrosanct principle of voluntary contributions, but to the gulf between the operational programmes and the funds provided to finance them. Thus, the problem was one of planning, and of adapting the programmes to the material resources available to the Agency. It seemed reasonable to suppose that the reason why the General Conference had adopted, at its fifth regular session, a resolution regarding a long-term programme for the Agency's activities<sup>2/</sup> was that it understood the importance

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<sup>2/</sup> GC(V)/RES/105.

of such planning. It was difficult to understand, therefore, why the United Kingdom delegation and those supporting it maintained that the elaboration of a long-term programme and the extension of the technical assistance provided to developing countries justified the adoption of the United Kingdom proposal.

41. With regard to the long-term plan, the Agency would like to be able to determine precisely, in advance, what it could supply to developing countries during the next five or ten years and what contribution it could expect from the more advanced Member States. The main purpose of the United Kingdom proposal was to increase the dollar contribution of each Member State. The proposal should be considered from that point of view and not from the point of view of the assistance which the Agency could some day provide to developing countries under its long-term programme. His delegation was convinced that the problem was not basically one of the system of financing but of long-term planning. Those were two entirely different questions.

42. He realized there was a difference between technical assistance and economic assistance. The technical assistance provided to developing countries met present needs. The atomically advanced Member States - which, with the exception of a few Powers, were themselves at different stages of development - must join forces so that the whole world could enjoy the benefits provided by the use of atomic energy for peaceful purposes. But each country was entitled to decide for itself what amount it could allocate for that purpose. International life would become wholly capricious if one country were to attempt to interfere in the affairs of another and to dictate how and to what end it should act. No international organization would tolerate such unwarrantable interference. The United Kingdom proposal was, however, directed to that end.

43. His Government had always felt obliged to contribute, insofar as its resources permitted, to the provision of technical assistance under bilateral or multilateral agreements. In that connection he recalled the resolution which had been adopted at the sixth regular session of the General Conference on the initiative of the socialist countries<sup>10/</sup>. The unanimous adoption of that resolution proved clearly that means other than those advocated by the United Kingdom could be used to develop the "Agency's operations" and, in particular,

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10/ GC(VI)/RES/131.

to expand the technical assistance programmes. Those means were based on the principle of voluntary contributions and satisfied the needs of the developing countries, as well as being effective and acceptable to those countries.

44. There was no real justification for the United Kingdom proposal and the reference it made to developing countries was somewhat arbitrary. It might well be asked why it had been submitted and why its adoption - admittedly with a few minor amendments - was being urged so insistently. The reply to that question could be found in the letter sent by the United States Government to the Director General on 21 December 1962 (GOV/848, Annex, section 15), where it was stated that "... it is the United States view that it is of great importance to place the Agency on a firmer financial basis than it now enjoys. The strong support of my Government for efforts directed to this end derives in part from a general examination by my Government of management problems of all agencies within the United Nations system". The expression "management problems" discreetly reflected a tendency which was becoming increasingly obvious in the United States. Its real purpose was to impose some of the financial obligations undertaken by the United States on other countries.

45. An analysis of the table in Annex II to the Director General's circular letter of 18 October 1962<sup>2/</sup> clearly hinted that the United States would be the principal beneficiary of the proposal under discussion. The table showed plainly that that country's contribution to the technical assistance programme would be appreciably reduced. According to that table the new budgetary structure would offer advantages to 24 countries, but it should be noted that in the case of 20 of them those advantages would be insignificant, whereas they would be substantial in the case of the United States. Apart from the small group of States which would benefit, the dollar contributions of all other countries, including the Western and socialist countries, would be very considerably increased. If the United States Government considered that its contribution to the programme of technical assistance to developing countries exceeded its means, it was entitled to reduce it.

46. His delegation was opposed to the United Kingdom proposal, since there was no good reason for it and it favoured the interests of a small group of Member States which were trying to free themselves of their obligations at the expense of other countries, even though that involved an infringement of

the Statute. His Government would continue to urge that the Agency's technical assistance programme should be based on the voluntary contributions of Member States, so that the resources already available to the Agency could be distributed under long-term plans.

47. Mr. KRAWCZYK (Poland) said that his delegation was strongly opposed to the United Kingdom amendment. The adoption of that amendment would be manifestly at variance with the voluntary character of technical assistance and would also lead to a reduction in the volume of technical assistance provided to developing countries, whereas the aim of one side of the Agency's activities was to provide such countries with the maximum possible amount of assistance.

48. Mr. HENAO-HENAO (Colombia) recalled his delegation's satisfaction at the decision taken at the sixth regular session of the General Conference to continue examination of the question<sup>11/</sup>. From the strictly financial point of view, the United Kingdom proposals did not appear to be without justification, since their purpose was to simplify the methods by which the Agency's activities were financed. They were, however, incompatible with the very spirit of technical assistance and he was therefore unable to support them. Technical assistance was designed mainly for the developing countries and any increase in their assessed contributions would constitute a very heavy burden, even if it were made possible for them to pay partly in national currency. Such countries did not have the requisite funds, either in dollars or in their own currencies, to meet any increase, and that was the chief reason why they were against the United Kingdom proposals. Owing to their present economic circumstances, developing countries were unable to undertake any commitments for the future. On the other hand, if technical assistance continued to be financed on a voluntary basis, then the door would be left open to take advantage of any change in those circumstances.

49. Mr. AMAMOO (Ghana) said that young Africans everywhere had listened with interest to those who proclaimed their countries' intention to assist less-developed countries, of which Ghana was one, but had had occasion to note that the actual grant of assistance for a given project always involved a great deal of discussion in practice. As far as he was concerned, the United Kingdom

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<sup>11/</sup> GC(VI)/RES/123.

proposals offered those who did intend to help a wonderful opportunity to show the world that their promises were not merely empty phrases.

50. Morally speaking, voluntary contributions might be said to be based on a duty on the part of economically advanced countries to assist countries which were not so well-off. No country had denied that moral obligation, although there was as yet no legal bond to reinforce it. If the advanced countries were honest when they promised substantial contributions, it was hard to see what difficulties were created by the United Kingdom proposals. From the financial viewpoint the only result would be that contributions hitherto paid into two distinct funds would henceforth be replaced by contributions to one single budget.

51. He would not enter into any detailed discussion as to the advantages or disadvantages involved in the proposals from the political standpoint, since his own country was one of those that came requesting assistance which would one day enable it to become an advanced country. That made it still more difficult to understand the lukewarm attitude to the United Kingdom proposals displayed by Governments which claimed to be sincerely desirous of assisting the developing countries was that the latter were also to have the amount of their contributions increased and were prepared to accept the increase, despite the sacrifices it would entail, in view of their own urgent needs.

52. Inasmuch as developing countries considered they had a moral obligation to increase their contribution to the Agency's budget in proportion to their modest resources, it was to be hoped that advanced countries would not refuse to increase their contribution so much the more, and would accordingly accept the United Kingdom proposals.

53. His delegation, for its part, fully endorsed the draft resolution as well as the suggestions put forward by the Governor from India.

54. Mr. PHUONG (Viet-Nam) recalled that at the sixth regular session of the General Conference his country had been one of the co-sponsors of a resolution referring the matter to the Board for study. That attitude had stemmed from the desire to make a thorough study of all suggestions which might result in the important problem of financing the Agency's activities being settled in a manner acceptable to all Member States. It was a matter of some

urgency that methods of financing technical assistance should be improved, that being one of the Agency's fundamental activities. For that reason his delegation approved the United Kingdom draft resolution.

55. If adopted, the United Kingdom proposals would, of course, result in a certain increase in assessed contributions, which, however limited, would constitute a heavy additional burden for developing countries. Nevertheless, as Member States, such countries would have to make some sacrifices in order to demonstrate their willingness to stand shoulder to shoulder for a common purpose. His Government's sole concern was that it should be able to pay in its own currency whatever it had to pay over and above its present assessed contribution. That possibility would alleviate the additional financial burden falling upon developing countries.

56. Mr. BOUKIS (Greece) stated that in its letter addressed to the Secretariat on 3 December 1962 - annexed to document GOV/848 - his Government had acknowledged the need for one single budget. There had been no change in its attitude and he would therefore support the United Kingdom draft resolution, amended as suggested by the Governor from India.

57. Mr. FRANCO-NETTO (Brazil) recalled that his delegation had already explained its attitude at an earlier meeting of the Board and at the General Conference.<sup>12/</sup> The rapid growth of the Agency's activities brought with it financial problems. Most Members were of opinion that it had become necessary to revise the methods of financing such activities, but the solutions put forward differed.

58. When the Agency had been set up, Brazil had been one of the first Member States to support the idea of voluntary contributions, to be paid along with the assessed contributions designed to cover administrative expenditure. Time had shown, however, that that approach had serious disadvantages, which must now be overcome, particularly since the matter had been raised by the Governor from the United Kingdom. His delegation realized that the decision ultimately taken might be influenced by such factors as the results of the United Nations forthcoming examination of somewhat similar problems, and the long-term planning exercise on which the Agency was actively engaged. Nevertheless, Brazil, as a recipient of technical assistance from the Agency, was already fully convinced that one side of the problem would be partly solved

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<sup>12/</sup> GOV/OR.300/Add.1, paras. 50 and 51; GC(VI)/OR.28, paras. 42 - 47.

by allowing Member States to pay their contributions in national currency; and it hoped that the Agency would be in a position to give it a larger measure of assistance as a result. He therefore supported the United Kingdom draft resolution and wished to associate himself with the remarks of the Governor from India.

59. Mr. MICHAELS (United Kingdom) thanked the delegations from developing countries which had supported his proposals, and particularly the Governors from Brazil, India and Viet-Nam and the representative of Ghana.

60. He was unable to see any connection between the long statement made by the Governor from Hungary on the subject of contributions payable in dollars and the documents before the Board or the statements just made by the Governor from the United States and by himself. He had incidentally omitted to mention that the amendment to the Statute which he had proposed left Member States free, if they so desired, to pay voluntary contributions over and above their assessed contributions to the single budget. Should the proposed amendment be rejected, there would in his opinion be an increased tendency to make voluntary contributions to bilateral programmes, outside the framework of multilateral assistance altogether, although that was precisely the principle that must be upheld.

61. Developing countries, it had been said, would no longer be able to pay their contributions. He thought he had dealt adequately with that argument by showing, with the help of the table mentioned in paragraph 6 above, that increased contributions from such countries would in fact be extremely small.

62. In conclusion, he declared his readiness to amend his draft resolution so as to take account of the suggestions put forward by the Governor from India and other speakers.

63. Mr. SALVETTI (Italy) recalled that his Government had always considered technical assistance to be one of the most important of the Agency's activities. He would therefore support the United Kingdom draft resolution.

64. Mr. QUIHILLALT (Argentina) said his delegation had already made its position clear in the past<sup>13/</sup> and fully supported the United Kingdom proposal. Having re-examined the question, it could now see its way, at the cost of

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<sup>13/</sup> GOV/OR.301, paras. 1 - 4.

being prepared to make a certain sacrifice, to surmounting the obstacles which had prevented it hitherto from lending its full support to a proposal whose acceptance could not but be of considerable benefit to the Agency.

65. The CHAIRMAN read out a revised text of the United Kingdom draft resolution, amended in line with the suggestions that had been made during the meeting:

The Board of Governors,

(a) Recalling General Conference Resolution GC(VI)/RES/123 on the financing of the Agency's activities,

(b) Taking into account the comments of Governments reproduced in documents GOV/848, 848/Add.1 and 848/Add.2 and the views expressed during its discussions, and

(c) Noting the revised proposals put forward by the United Kingdom of Great Britain and Northern Ireland in document GOV/861,

Requests the Administrative and Budgetary Committee, in the general context of the problem of financing the Agency's activities, further to examine ways and means of resolving this problem in the light of the views and proposals that have been or may be put forward, and to submit its recommendations to the Board in June 1963.

66. The draft resolution thus amended was adopted.

EXTRACTS FROM THE OFFICIAL RECORDS OF THE BOARD OF GOVERNORS

B. 322nd meeting: 18 June 1963

(GOV/OR.322, paragraphs 4-49)

THE PROBLEM OF FINANCING THE AGENCY'S ACTIVITIES (GOV/861, 904/Rev.2, 904/Rev.2/Add.1, 912)

4. Mr. CARGO (United States of America) considered it unnecessary to comment on the proposals submitted by his delegation (GOV/904/Rev.2 and Rev.2/Add.1). He felt that they were perfectly clear and that the various aspects of the matter had been thoroughly discussed at previous meetings of the General Conference and the Board. He was convinced that the proposed amendment to the Statute (GOV/904/Rev.2, Annex I) would result in the budget being placed on a sounder basis. So that the amendment should not place an excessive financial burden on the developing countries, the United States delegation proposed an amendment to Financial Regulation 6.05, under which Member States could pay part of their assessed contributions in their local currencies (GOV/904/Rev.2, Annex II). In addition, believing that the meaning of the term "non-capital equipment" should be defined, his delegation was submitting a second amendment to the Financial Regulations (GOV/904/Rev.2/Add.1). He emphasized that those proposals were a "package" which had been developed through extensive informal consultations with many delegations.

5. Mr. McKNIGHT (Australia) recalled that he had often stated the Australian opposition to the principle of financing technical assistance by means of a scale of assessment, for if that procedure became widespread in the specialized agencies and the Agency itself, the co-ordination of technical assistance through the intermediary of the Expanded Programme of Technical Assistance (EPTA) would be endangered. He believed that the principle of voluntary contributions should be retained in that field of activity.

6. He greatly valued the efforts of the United States delegation clearly to delimit the sphere of technical assistance in order to eliminate excessively large projects. However, the proposals which had been made for that purpose

proved how difficult the task was. For example, he was unable to see how an exact definition could be given of services or equipment forming "an integral part of the project of technical assistance" or of "services of the Agency's laboratories at Headquarters for the provision of assistance" (GOV/904/Rev.2, Annex I). The second amendment to the Financial Regulations (GOV/904/Rev.2/Add.1) was intended to define "non-capital equipment", but he would point out that that definition, like any of the Financial Regulations, could be amended by the Board by a simple majority vote.

7. Mr. SALVETTI (Italy) believed that a single budget financed by means of a scale of assessment would make it possible to prepare a satisfactory technical assistance programme and would help the Agency to do its work better.

8. Mr. ERRERA (Belgium) said that, in spite of the additional financial burden which would result, he would vote for the United States draft resolution, which served the interests of the developing countries and facilitated sound administration in the Agency.

9. Mr. STEWART (South Africa) said that he was aware of the need to introduce an element of stability into the Agency's budget if it was to be able to plan its work. He would recall that it had been at his Government's proposal that the advanced countries had been invited to make voluntary contributions to the General Fund of amounts which bore the same ratio to the target as did their assessed contributions to the Regular Budget (GC(V)/RES/100).

10. If a statutory amendment of the type proposed was to answer its purpose, it would have to fulfil certain essential conditions. First, it would have to enjoy very wide support among the main groups of States represented in the Agency; the fact was, however, that such did not seem to be the case with regard to the proposals before the Board. Secondly, it would have to offer reliable safeguards against any inflation of the budget.

11. Under the proposals before the Board, all expenditure at present regarded as operational would be included in the same budget as other expenditure. Now, it was true that for some items in the technical assistance budget there were few grounds for fearing an inordinate increase; that was true, for example, of fellowships (the number of fellowships was tending to level out, and in any case their importance for the peaceful uses of atomic energy in the developing countries was such that it seemed desirable to secure the necessary funds in future by means of a Regular Budget appropriation), the training of scientists and experts, and also perhaps advisers' or experts' services. However, the situation was not the same with regard to requests for equipment and supplies, the number and scope of which did not automatically tend towards a ceiling as was the case with fellowships. The latter type of request also came more directly under technical or financial assistance than under technical or scientific training, and it would therefore be better to continue including the relevant programmes in the Operational, and not in the Regular, Budget.

12. The expenditure connected with the laboratories likewise could not be entirely provided for in the Regular Budget without the risk of budgetary inflation. The new departure involved in setting up a laboratory attached to an organization belonging to the United Nations family had been accepted mainly because it had been agreed that the major part of the expenditure connected therewith would be charged to the Operational Budget, which was financed largely by voluntary contributions. Reference to the Director General's report on the financing of the Laboratory<sup>1/</sup> and to the draft of the long-term programme<sup>2/</sup> would show that there was quite good reason for fearing inflation.

13. The United States amendment did not provide sufficient guarantee against inflation of the budget as a whole, from which every Member of the Agency would suffer, including the developing countries and particularly the more advanced among them, which did not yet possess the large resources of the Great Powers.

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<sup>1/</sup> GOV/902, para. 8.

<sup>2/</sup> GOV/890, Annex, paras. 193 to 200.

14. Although he had not had time to study it very closely, he considered that the draft amendment to explain what was understood by "non-capital equipment" forming an integral part of a technical assistance project had a certain value, but he would emphasize that it was much easier to amend the Financial Regulations than the Statute - as the Governor from Australia had said - and that no provision in those Regulations could be as effective as statutory safeguards.

15. Looking at another aspect of the matter, it appeared that retention of the Operational Budget would make it possible fully to implement the proposals by a number of countries for medical and physics centres.

16. His Government was not trying to evade its financial responsibilities - the level of its voluntary contributions amply proved that - and it was endeavouring, as were the sponsors of the draft resolution, to find a solution to the problem of financing the Agency's activities. It believed that a scheme should be evolved by which a limited part of the expenditure at present coming under the Operational Budget could be charged to the Regular Budget, but it was unable to agree that all laboratory expenditure and all outlay on technical assistance should be financed from a single budget funded from assessed contributions. If members of the Board were interested in hearing specific proposals along the lines he had indicated, he would be prepared to put them forward. As he had already intimated, his Government would be willing to have expenditure on post-graduate fellowships for training or research, on the exchange of scientists, and perhaps on the services of scientific or technical experts included in the Regular Budget. As for the Laboratory, expenditure on research in connection with the Agency's regulatory functions, as described in Articles III.A.5 and III.A.6 of the Statute, could also be charged to the Regular Budget.

17. Some Governors might consider also that the time had not yet come to take a decision as to the detailed wording of an amendment to the Statute. The results of the study at present being undertaken by the United Nations General Assembly on a similar problem were not yet known. Again, although

the question of an amendment to the Statute had been raised over a year ago, the Board had not yet studied the various difficulties involved in any such amendment. Furthermore, the relevant documents had been distributed comparatively late, and many Governments had not yet been able thoroughly to examine all the implications of the amendments proposed.

18. In his view there was still time to evolve a system for financing the Agency's activities which would meet with the approval of the principal groups of countries represented. That possibility should be borne in mind, and the Board should not be asked to take a highly controversial decision at the present series of meetings. A small working group might be set up, with instructions to consider the problem in the light of the observations and suggestions made during the discussion and to report to the Board at its September meetings. He hoped that the proposal he had just made would be favourably received, because it might enable the Board to submit a resolution to the General Conference - probably in 1964 - commanding the widest possible support among the different groups of countries on the Board.

19. Turning to the proposed amendment to Financial Regulation 6.05, he said that he was in favour of rendering the Agency's financial arrangements more flexible by making it possible, within reason, to pay assessed contributions in local currency. He could not agree, however, that such facilities should be confined to Member States receiving technical assistance under EPTA. The problem of non-convertible currency was not directly linked with the question of economic development, which was the determining criterion applied under EPTA. Most of the developing countries, it was true, experienced real difficulty in making payment in convertible currency, i.e. in currency other than their own, but that was not universally the case. Certain advanced countries had similar difficulties also and there was no reason why they should be the object of discrimination. His delegation was not opposed to the Board's continuing to determine the proportion of contributions payable in non-convertible currencies. The Board must be allowed to request the advice of a competent authority if it thought fit - the International Monetary Fund, for example, or the Bank for International Settlements - since the criteria they might recommend would certainly be more applicable than those of EPTA.

20. Mr. FRANCO-NETTO (Brazil) said that he appreciated the work done by the United Kingdom and the United States in preparing the draft resolution before the Board. The draft was satisfactory, not only because it made due allowance for the requirements of the developing countries, but also because it provided the advanced countries with an assurance that the budget - henceforth a single one - would not expand unduly. The total amounts already paid by the developing countries as voluntary contributions were evidence of the importance which they attached to the Agency's technical assistance activities and also showed that they were prepared themselves to take part in the financing of such activities. In supporting the draft resolution those countries were manifesting their spirit of co-operation, the more so since they often had considerable difficulties in paying their assessed contributions in hard currency and the single-budget system would increase those difficulties.

21. As had been pointed out by the Governor from South Africa, the question of equipment was closely linked with the draft resolution. The question had often been raised - most recently in the Technical Assistance Committee - whether it would not be possible for the Agency to supply equipment without the stipulation that such assistance be accompanied by the services of an expert; as everybody knew, there was now a clear tendency to seek greater flexibility in the procedure for the supply of equipment. That tendency was reflected in the very constructive conclusions at the end of the Director General's review of assistance provided in 1962, which stated that "The need for equipment in some cases is such that Member States tend to consider the experts as secondary in importance to it"<sup>3/</sup>.

22. The supply of equipment was also closely linked with long-term planning; the Secretariat itself recognized that it would be desirable to consider whether "under appropriate conditions it could supply equipment without sending an Agency expert"<sup>4/</sup>. Moreover, it could be seen from the documents on technical assistance already granted that 70% of the funds from the Agency's own resources and from EPTA had been used for experts and only 30% for equipment. Furthermore, analysis of the Agency's technical assistance

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<sup>3/</sup> GOV/900, para. 70.

<sup>4/</sup> GOV/890/Add.2, para. 162.

programmes showed that a large percentage of experts' services and equipment had been allotted to developing countries which had already reached a relatively advanced stage in the peaceful uses of atomic energy. The technological progress of those countries was itself an indication that equipment was needed more than experts.

23. In that connection, the United States amendment to Article XIV.B.1 of the Statute (GOV/904/Rev.2, Annex I) provided a new sub-paragraph (c)(ii) which would improve the technical assistance situation. If the United States draft resolution were adopted, it would be possible to reduce expenditure on experts and devote the amounts thus saved to the supply of equipment. Its adoption might also ensure that the requesting countries received assistance corresponding to the needs they had expressed and not assistance imposed on them, as had sometimes been the case.

24. It also had to be remembered that the Soviet Union and other States had made generous offers of equipment; however, such offers should be kept separate from the equipment supplied by the Agency, because two quite different types of assistance were involved.

25. For the reasons he had explained, the Brazilian delegation approved the draft resolution submitted by the United States.

26. Mr. PONOMARENKO (Union of Soviet Socialist Republics) recalled that the proposal to amalgamate the two budgets had received detailed consideration at the most recent meetings of the Technical Assistance Committee but that not enough votes had been cast for it to secure its adoption. What the Board now had before it, therefore, was not a recommendation by the Committee but one proposal by the United Kingdom and another by the United States. Although the two documents in question had been discussed at length, there were still quite a number of questions which had not yet been sufficiently clarified, but which nevertheless showed that suggestions of that kind were unacceptable.

27. Referring to the question of the allocation of the Agency's present and future resources, he pointed out that if a table were to be drawn up indicating the use made of all the funds received by the Agency since its establishment, it would be seen that only one third had been allocated to technical assistance.

Even then, certain activities would have to be included under that heading which, strictly speaking, did not belong there, such as the study of cases of Mongolism or malformation among young girls, to take only two examples among many. Actual technical assistance to the developing countries represented in fact a substantially lower percentage. The Governor from Brazil was indulging in illusory hopes if he thought that the proposed resolution would make it possible to increase assistance to developing countries to any extent.

28. It was impossible to consider the question of financing technical assistance in isolation and without regard to the other activities financed under the Regular Budget, such as the organizing of conferences, which were extremely numerous; the award of research contracts, some of which were superfluous; the upkeep of laboratories, etc. The Agency was trying to set up its own laboratories and research centres in the hope that it would be able to carry out work which might perhaps be useful, forgetting that in the United States and the Soviet Union as well as many other countries there were large and highly efficient laboratories in existence which might take over a certain amount of research free of charge.

29. It was difficult to understand why the United States proposal was to be regarded as an alternative to the United Kingdom proposal, when it too was based on the principle that the two budgets should be merged. The claim was made that technical assistance must be placed on a more solid financial foundation and it was pointed out that the target fixed for voluntary contributions was never reached, Member States contributing \$1 million instead of \$2 million. Even Resolution GC(V)/RES/100 inviting Member States to make voluntary contributions in amounts proportional to their assessed contributions to the Regular Budget had not brought about any change in the situation. It was not by conferring a compulsory character on contributions which might be made voluntarily that an attempt should be made to solve the problem. International co-operation could not be based on such a principle.

30. The proposals, which would result in making momentous changes in the Statute, were therefore in no way justified, but unnecessary and unacceptable. At the sixth regular session of the General Conference, in Board meetings and in the comments it had forwarded to the Secretariat<sup>5/</sup>, the Soviet Union had

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<sup>5/</sup> GOV/848, Annex, pp. 10 and 11.

clearly set forth its attitude in the matter. On several occasions it had pointed out that the difficulties in financing technical assistance were not due to any lack of funds but to the fact that no use was being made of many extremely important possibilities, which would involve no increase either in the budget or in assessed contributions.

31. In that connection he drew the Board's attention to the programme of technical assistance to developing countries which the Soviet Union and other socialist countries had proposed at the sixth regular session of the General Conference<sup>6/</sup>. The socialist countries had announced that they would undertake to furnish over a period of two to three years one third of the funds required for implementing the programme. The fate of that programme depended henceforth entirely on the Western Powers and on their willingness to take part in financing it. His delegation could quote many other examples to show how the problem of technical assistance could be dealt with, without prejudice to the Statute or to established financial practice, based as it was on voluntary contributions. In the comments it had made, at the Secretariat's request, on the financing of the Agency's activities, the Soviet Union had suggested that "In order to prevent the duplication of research the Agency could appeal to Member States to pass on free of charge the results of research done by national institutes engaged in work on the peaceful uses of atomic energy"<sup>7/</sup>. That was another way of granting extremely valuable technical assistance without altering the current principles of financing. It was evident from what he had said that many sources of assistance were available to the Agency within the present system of financing, and that those sources were far from being exhausted. If those countries which were at present attempting to alter the Statute were really concerned about technical assistance to developing countries, why, it might be asked, had none of them as yet declared its willingness to share in financing the programme proposed by the Soviet Union and the other socialist countries?

32. At the sixth regular session of the General Conference and in the Board of Governors, when the United Kingdom delegation had formally proposed modification of Article XIV of the Statute, the Soviet delegation had pointed

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<sup>6/</sup> GC(VI)/COM.1/67/Rev.1.

<sup>7/</sup> GOV/848, section 14, para. 3.

out that the modification concerned, which affected other articles of the Statute as well, was not an amendment, as its sponsors termed it, but a general revision of the Statute and of its basic provisions. In the revised version of the United Kingdom proposal (GOV/361), which had now been withdrawn in favour of the United States proposals, changes would be made not only in Article XIV of the Statute but also in Article III, and in Financial Regulation 6.05. That fully confirmed the Soviet view, which several other countries shared, that the United Kingdom proposal implied a general review of the Statute.

33. The same must be said of the United States proposals. Whether the Agency's technical assistance functions were mentioned in Article III of the Statute, as the United Kingdom had proposed, or in Article XIV, as was now proposed by the United States, made not a whit of difference. The only thing that could be said was that the present proposal was less logical, since Article XIV did not deal with functions but with financing and it was quite out of place to include a provision dealing with the Agency's functions in an article relating to the financing of its activities. The sole motive apparently inspiring the United States delegation in the present instance was the desire to find a more acceptable and less offensive way of putting forward the proposed changes in the Statute, in order to dispose of the argument that a review and not an amendment of that instrument was intended. Basically, however, the United States proposal was in no way distinguishable from that of the United Kingdom and it was useless therefore to pretend, as did their sponsors, that the one could "replace" the other.

34. In actual fact, the United Kingdom and United States proposals brought up a question of principle. Was it the Agency's intention to abide by the spirit and the letter of its Statute or to use the arithmetical majority in order to twist it at will?

35. On more than one occasion the Soviet delegation had drawn the attention of the General Conference and the Board to the juridical aspects of the question under discussion, and it reserved the right to ask that those aspects be given the most careful and profound consideration. Since it was not necessary at present to make any changes in the Statute or in the financial provisions, the financing of technical assistance must continue on the basis

of voluntary contributions. In the Soviet Union's view, any change in the financial provisions of the Statute which would result in including in the Regular Budget the expenditure hitherto financed by voluntary contributions would be illegal; and were any such amendment to be adopted, it would refuse to pay the resulting increase in its assessed contribution, whilst continuing to seek ways of increasing the assistance it was furnishing to the developing countries.

36. Only 27 countries, or about one third of the Agency's Members, had replied to the Secretariat's questions on the financing of the Agency's activities, and one of those countries had offered no comments. It was therefore clear that Member States were not very interested in revising the existing arrangements for financing technical assistance. Moreover, as almost half of the countries which had submitted comments had opposed, or had not supported, the proposal to replace voluntary contributions by assessed contributions, it was clear that the idea was not popular amongst the Members of the Agency. Only a few of the developing countries which had been notified of the two Powers' proposals to modify the method of financing had expressed their agreement. The overwhelming majority of the developing countries - the countries directly concerned - had given no evidence of support.

37. It was therefore questionable whether there was any point in the Agency's spending further time and money studying a proposal which was apparently of interest to only a small number of countries and particularly to those who had introduced it. The Soviet delegation considered that the Board had every reason to stop the discussion at that point and recommend the General Conference not to adopt any change in the existing method of financing technical assistance.

38. Mr. PHUONG (Viet-Nam) said he considered the matter from a purely objective point of view. In that connection he noted that the number of developing countries which were Members of the Agency was constantly increasing; that, in spite of the many appeals made by the General Conference at its successive sessions, the level of voluntary contributions had always been inadequate to meet all requests for technical assistance; and, finally, that the percentage of requests for experts and equipment which it had been possible to satisfy was continually decreasing and was currently less than 50%, whereas in 1959 it had been 89.6%. These were the considerations which led the Viet-Nam delegation to give unreserved support to the United States draft resolution.

39. The Board had frequently been reminded that several provisions of the Statute stressed the assistance which the Agency should give the developing countries, and it had also been urged that the Agency's various activities should truly reflect the resources at its disposal. The importance of the problem was therefore clear. As matters stood, the draft resolution afforded the best way out of the Agency's difficulties.

40. He realized that the solution proposed in the draft resolution would lead to some increase in the assessments of the developing countries, but those countries were aware of their responsibilities and their actions would show that they were prepared to do more than merely seek aid. It was to be noted in that connection that the authors of the draft resolution had laid down that those countries might pay part of their assessed contributions in local currencies. Some members of the Administrative and Budgetary Committee had urged that the percentage of assessed contributions which could be paid in that way should be fixed, but it was certainly preferable not to establish rigid limits, but merely to lay down the principle.

41. There was clearly a great disparity between the assistance given in the form of the services of experts and in the form of equipment. The proportion of funds spent on equipment, in relation to that spent on experts, had decreased continually since 1958. In 1960, for example, expenditure on equipment had represented little more than 6% of the combined expenditure on experts and equipment. Experience showed that the Agency's difficulties in recruiting qualified experts had often made it impossible to carry out properly projects approved by the Board. The rules governing the supply of equipment ought therefore to be made more flexible and, from that standpoint, the draft resolution would have benefited from amplification. With particular reference to the amendment to Article XIV.B.1 of the Statute, it would have been desirable for the text of the new sub-paragraph (c)(ii) to contain the same proviso as the amendment to Financial Regulation 6.05, so that it read:  
" ... forming, insofar as possible, an integral part of the project of technical assistance;". If the clause were made more flexible in that way, the Board would avoid making the provision of an expert an essential condition governing the supply of equipment, which made it more difficult to implement technical assistance projects within a reasonable time.

42. He recalled that by its Resolution GC(VI)/RES/123, the General Conference had requested the Board to report the results of its study on the financing of the Agency's activities to the General Conference at its seventh regular session; the Board, therefore, could no longer postpone its study.

43. Mr. KEMAL REHEEM (Pakistan) agreed that Article XIV of the Statute set certain limits to the financing of the Agency's activities which might impede the Director General in implementing the long-term programme. The United States amendment (GOV/904/Rev.2, Annex I) offered a satisfactory solution, but it could be improved in the manner proposed by the Governor from Viet-Nam. It might also be made clear that the various types of technical assistance mentioned in the new sub-paragraph (c) did not constitute an exhaustive list.

44. Mr. DASGUPTA (India) pointed out that the General Conference had the power to amend the Statute at any time it considered it necessary to do so. Thus there was no valid legal objection to the United States amendment.

45. Some Governors had raised the question whether the principle of voluntary contributions to the General Fund was not inviolable. That principle had always been upheld by India in the interest of international co-operation. His Government had repeatedly appealed to all Member States to pay and, if possible, increase their voluntary contributions and had expressed its willingness to pledge its own contribution for two or three years ahead. Unfortunately that appeal had been virtually ignored and thus the problem of financing the Agency's activities was still unsolved. Some Governors had said that economies could be effected on certain items but, in view of the expansion in the Agency's activities, the future expenditure on long-term planning and the fact that 77% of Member States were less-developed countries in Asia, Africa and Latin America which the Agency would be obliged to help to an increasing extent, any savings made would not be sufficient to solve the financial problem. However, it was clear that, in order to enable the Agency to carry out the work to which he had just referred and satisfy the needs of the less-developed countries, a serious effort must be made to stabilize the method of financing the Agency's activities.

46. A number of Governors thought there was no financial problem, some Governors recognized its existence and the need for a solution, while others considered the situation could be remedied without amending the Statute.

He sympathized with those Governors who thought the United States amendment would not provide the best solution to the problem, but pointed out that, although the problem had been considered for some years, the only solution proposed so far was, in fact, the United States amendment. In the circumstances he supported that amendment and hoped the Board would adopt it.

47. The Governor from South Africa had said that he had no objection to financing fellowships from the Regular Budget, but that the laboratories should be financed from the Operational Budget. He (Mr. Dasgupta) considered that, as laboratory services and fellowships came under technical assistance, they should both appear in the same budget.

48. Other Governors believed that economies could be made by abolishing the Agency's Laboratory, seeing that the advanced countries had excellent laboratories which could be placed at the disposal of the developing countries. The answer to that was that economies by the Agency in that direction should not mean asking the less favoured countries to rely solely on laboratory services provided by the rich ones. If economy was taken too far there was a risk of jeopardizing the execution of the long-term programme and of seriously impeding industrial and scientific development in the less-developed countries.

49. The United States proposals had been submitted after consultation with a number of Governors and could be expected to win the approval of a large majority in the Board. Some small amendments might be in order; for example, the reference to the United Nations Expanded Programme of Technical Assistance might well be deleted from the amendment to Financial Regulation 6.05.

The meeting rose at 1.25 p.m.

EXTRACTS FROM THE OFFICIAL RECORDS OF THE BOARD OF GOVERNORS

C. 323rd meeting: 18 June 1963

(GOV/OR.323, paragraphs 1-57)

THE PROBLEM OF FINANCING THE AGENCY'S ACTIVITIES (GOV/861, 904/Rev.2,  
904/Rev.2/Add.1, 912) (continued)

1. Miss MEACHER (Canada) remarked that the Canadian position was well known to the Board. Budgeting for the operational programme would be simpler and programming more efficient if the Agency could know in advance what funds it would have at its disposal during the budget year. Unfortunately, the failure or inability of several Member States to make voluntary contributions to the General Fund on the scale of their assessment under the Regular Budget had resulted in a most unsatisfactory financial situation, and many Member Governments felt that the only way to provide the necessary funds and ensure stability was to amend the Statute and cover normal Agency activities under a single assessed budget.
2. Although in principle not happy with that solution, the Canadian authorities had studied the United States proposals (GOV/904/Rev.2) with a view to determining whether action along the lines of the proposed amendment to Article XIV of the State could be reconciled with the Canadian position. Certain strictly limited technical assistance activities might be financed from the Regular Budget on the grounds that they could reasonably be regarded as constituting a normal function of the Agency, but the proposed amendment in its present form was not acceptable.
3. The Agency's essential duty, so far as technical assistance was concerned, was to provide facilities for training, i.e. fellowships, and expert or advisory services. Substantial assistance in the form of equipment or capital aid must come from other sources. Canada would not object to the provision of the small amounts of supplies or equipment needed to carry out expert assignments, but the provision of equipment as such was not a normal responsibility of the Agency; more strict control would be necessary if the provision of equipment was to be financed from assessed contributions instead of - as hitherto - from voluntary contributions.

4. Sub-paragraph (c)(ii) of the draft amendment (GOV/904/Rev.2, Annex I) would seem to allow equipment to be provided separately from expert services, although the equipment must be "non-capital" and, under the proposed new Financial Regulation (GOV/904/Rev.2/Add.1), an upper limit of \$30 000 was imposed on all requests for such equipment. In the Canadian view, "Services of advisers or experts together with provision of non-capital equipment and supplies ....." would be a more acceptable form of wording.

5. Canada would prefer the South African formula more strictly limiting the assistance to be financed from assessed contributions, while leaving the way open for other types of assistance that could be paid for by voluntary financing<sup>1/</sup>. That interesting compromise deserved further study. Perhaps a generally acceptable solution could be found somewhere between the South African suggestion and the United States proposal.

6. Certain aspects and implications of the United States proposal required clarification. Was the list of activities given in sub-paragraph (c)(iii) intended to be comprehensive, now and for the future? If not, how were any additional activities to be financed, since presumably the entire Laboratory budget was to be transferred to the Regular Budget? Was the Agency's contribution to the international centre for theoretical physics and any similar institutions which might be established to be financed entirely from the Regular Budget? The bulk of research contracts was financed from the Regular Budget at present but a significant item for that purpose was included under the operational programme. Would all research contracts be transferred to the Regular Budget and, if so, under which heading?

7. Presumably, under the proposed new Financial Regulation, any Member State would have the right to ask for equipment up to a value of \$30 000 in any one year so long as it formed an integral part of a technical assistance project. How would such requests be processed? What would be the criteria for acceptance or rejection? On what basis would the total budget for such assistance be calculated? The total outlay would be substantial if, for example, some 30 or 40 requests involving the maximum grant were received in any one year; in fact, taking into account the cost of fellowships, expert and advisory services, laboratory costs, research

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<sup>1/</sup> GOV/OR.322, para. 16.

contracts and so on, the budget for the operational programme could easily be doubled. What means were proposed to prevent such inflation? What order of magnitude was proposed in the normal yearly budget to cover all such activities?

8. The proposed new Financial Regulation was obviously designed to allay the concern that the provision of equipment might take on undue proportions, but it was doubtful whether it entirely succeeded in doing so. Moreover, financial regulations were easier to change than the Statute. At some future date, the \$30 000 maximum could be raised simply by revising the regulation.

9. To maintain a brake on the programme, the proposed amendment to the Statute and the proposed new Financial Regulation both stipulated that the assistance, irrespective of the form it took, should be an integral part of a technical assistance project. Would the brake in fact be effective? As the Governor from Australia had pointed out, the wording was open to differing interpretations.<sup>2/</sup> More than one Governor had spoken of the technical assistance programme in terms of equipment with accompanying advisers; but surely equipment was normally provided for the purpose of enabling the expert to do his job.

10. Even if the United States proposal were approved and the Statute subsequently amended, the Canadian Government would pay under assessment no more than it had been paying voluntarily so long as the budget for the programme of assistance covered by the amendment remained below \$2 million a year. It had regularly contributed to the budget of \$2 million for the operational programme at the rate at which it was assessed under the Regular Budget, and had asked for nothing in return. It was not because Canada was unwilling to bear its fair share of the financial cost of a reasonable programme that it had reservations on the principle of financing all Agency assistance from assessed contributions. Canada's record spoke for itself and did not need to be defended; if all other Member States which were in a position to do so had contributed to the General Fund on the same scale, the proposed amendment would not have been necessary.

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<sup>2/</sup> GOV/OR.322, para. 6.

11. The Canadian delegation still hoped that a final decision on the United States proposals could be deferred and a compromise solution found. The issue was a very important one, involving principles which could not easily be abandoned. In the last analysis, the deciding factor would not be a vote in the Board, but the number of Member States that were prepared to ratify an amendment to the Statute.

12. Mr. KRAWCZYK (Poland) stated that the United States proposals, like the United Kingdom proposals (GOV/861), were tantamount to a complete revision of the Statute and would constitute a departure from the principle of voluntary assistance, a principle upheld by Poland in all international organizations. Such proposals tended to make international co-operation more rather than less difficult. Sovereign States could not be compelled in international organizations to act against their own fundamental principles.

13. It was hard to understand why a proposal which, for all practical purposes, had been rejected by the General Conference should be resuscitated. General Conference Resolution GC(VI)/RES/123 said nothing about amending the Statute. Some countries wished to differentiate among Member States by limiting the rights of some to receive certain types of assistance from the Agency. On the one hand, an attempt was being made to compel all Member States to contribute a set amount to the technical assistance programme and, on the other, every effort was being made to deprive a number of countries of such assistance. The position was clearly inadmissible and wholly wrong.

14. The pretext was the desire to give assistance to the developing countries. The present proposals would lead to precisely the opposite result. A number of countries would cease to make voluntary contributions and technical assistance would be channelled through bilateral arrangements from which the Agency was excluded. The only right and fair attitude was to strive for conditions that would lead to an increase in voluntary contributions; and the way to do that was indicated by Resolution GC(VI)/RES/131, adopted on the proposal of the socialist countries.

15. The Polish Government was most concerned about the financial difficulties of the Agency and was keeping a watchful eye on developments. As a constructive gesture it was prepared, under the terms of Resolution GC(VI)/RES/131, to place at the disposal of the Agency the complete equipment for a physics research laboratory to be established in a less-developed country; full specifications and technical data had already been sent to the Secretariat.

16. Mr. MICHAELS (United Kingdom) remarked that the prospects for a wide measure of agreement on the best way to provide for the financing of the Agency's activities did not seem particularly bright. However, in the event of its being unable to agree on any specific amendment to the Statute, the Board would still be required under Resolution GC(VI)/RES/123 to make some report to the General Conference at its seventh regular session on the question of how the problem should be overcome.

17. The Governor from the Soviet Union had maintained that some of the difficulties were due to bad use of present resources. The expenditure to which he took exception, however, had in part been incurred to meet requests of Member States and had been approved by a large majority of the total membership. The Governor would therefore seem to be disagreeing with the majority - an attitude that was unlikely to advance matters. He had further referred to requests for technical assistance which had been made to the Agency at one time or another. Those were requests from sovereign Member States and the conclusion to be drawn was, in fact, that the Soviet Union considered that those sovereign States did not best know their own business. It was not known whether countries wanted the type of help offered by the socialist countries. What was plain was that offers of that kind did not necessarily add to the Agency's capacity for meeting varied requests from Member States. The result might in fact be to reduce that capacity and limit the available choice, because the manner in which the Agency's resources were to be used would have been predetermined to a greater proportion than at present by the type of help offered.

18. It was true that only 27 Member States had replied to the Director General's letter inviting comments on the problem of financing activities; but only seven had submitted comments regarding the offer made by the socialist countries and, of those seven, two had been the United States and the United Kingdom, two countries that would in no event be taking advantage of the offer.

19. The Agency's task was to provide technical assistance on a multi-lateral basis, and the desire of the less-developed Member States to receive help on such terms was entirely understandable since they themselves would have a part in making the requisite decisions. It would be a misuse of the Agency to have it act in the matter of technical assistance largely as a channel for the passage of bilateral gifts. Technical assistance of that nature could be arranged on a bilateral basis.

20. Fears had been expressed that amendment of the Statute would lead to inflation of the budget, particularly in the provision of technical assistance. He would point out that the method of approving the Agency's budget was subject to a number of procedural limitations, to which there was no parallel in any existing specialized agency. For instance, the Board and not the Director General was responsible for submitting the budget to the General Conference, after it had been approved by a two-thirds majority of the Members. In many other comparable governing organs approval could be by simple majority, so there was no reason to fear inflation in the Agency's budget just because of the tendency to inflation in the budgets of other international organizations. However, in order to meet those fears, the United Kingdom had made, in its revised amendment (GOV/861), an attempt to define the nature of the technical assistance to be provided by the Agency under a unified budget.

21. He was basically in sympathy with the Canadian and South African comments on the United States draft amendment; the function of technical assistance was fundamentally to transfer skill and knowledge, while the transfer of equipment was merely ancillary. In its annual report to the Technical Assistance Committee of the Economic and Social Council of the United Nations for the year 1962 the United Nations Technical Assistance Board had recently reiterated the same view with regard to the function of the Expanded Programme of Technical Assistance (EPTA).

22. On the other hand, some less-developed countries sometimes wished to obtain equipment under the Agency's programme in circumstances that did not involve the transfer of skill and knowledge. Any regular programme of technical assistance operated by the Agency under a unified budget would have to be integrated with the much larger EPTA programme, and the application of different rules might cause an infringement of the relationship agreement with the United Nations. The object of the Board should be to try to find some compromise reconciling the various interests. The desires of the less-developed countries would have to be weighed against the fear of some of the more advanced countries that technical assistance, if governed by a more lax set of rules, might tend to degenerate into a gift programme and lead to an inflation of the unified budget. It would be unwise to press the interpretation of the proposed amendment put forward by the Governor from Brazil<sup>3/</sup>, since that might lead to a failure to secure ratification from the requisite number of States, notwithstanding possible approval of the amendment by both the Board and the General Conference.

23. The choice would rest particularly with the less-developed States in the General Conference. He would appeal to those countries to exercise restraint in pressing for flexibility in the amendment on the question of the supply of equipment. It would be better to have a technical assistance programme which was financed from a unified budget on a larger scale than the existing one but did not meet their desires in full than to aim for something more and fail to achieve it. In other words, half a loaf was better than no bread.

24. It would be apparent that the United Kingdom was not entirely happy with the United States proposal. The need for action was such, however, that the United Kingdom would withdraw its own proposal in favour of the United States proposal. Its decision had been influenced, inter alia, by the definition of non-capital equipment to be included in the Financial Regulations. The argument that the Board might modify the Financial Regulations by a simple majority was in fact unfounded, since Rule 37 of the Provisional Rules of Procedure would undoubtedly be invoked to have a matter of such importance decided by a two-thirds majority.

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<sup>3/</sup> GOV/OR.322, para. 23.

25. Because of the 90-day rule, action would have to be taken immediately if the matter were to be referred to the General Conference at its seventh regular session. He would accordingly suggest that the Board approve the United States draft amendment to the Statute and the accompanying draft new Financial Regulation for transmission to the General Conference. There would be an opportunity there for re-discussion of all the issues involved, as well as of points in the wording of the draft amendment such as that put forward by the Governor from Canada.

26. A compromise, by its very nature, meant that all sides must give in on some point or other. If the major contributing States were to press hard at the General Conference for the inclusion of a provision in the amendment on the lines of that suggested by Canada, the result would not bear too hardly on the developing countries. They would still stand to gain. A number of devices existed whereby their wishes in regard to the supply of equipment might be acceded to in special cases. So as not to confuse the issue, he would not go into that matter in detail.

27. The United Kingdom Government was prepared to support the United States proposal and hoped it would secure widespread support in the General Conference. Were it not approved, there would be a danger that the position in regard to the provision of technical assistance might be worse in the years to come than it had been in the immediate past.

28. Mr. PARTLI (Hungary) said the Hungarian delegation had several times stated its views on the United Kingdom proposal to amend the Statute; even with the amendments made to it, that proposal was unacceptable. The United States proposal differed from the United Kingdom proposal in form only.

29. The United States proposal was not financial but political. The proposed amendment to Article XIV involved the amendment of other provisions and so would entail a general revision of the Statute; Member States could not be deprived of their right to consider all its implications.

30. In all international organizations, including the Agency, the term "ordinary expenses" related only to administrative activities. The obligations on Member States were limited to such expenditure, the only expenditure they were legally obliged to cover by contribution to the budget. Any State was, of course, free to contribute more than its assessed share. If the proposed amendment to the Statute were adopted, the meaning of the term "ordinary expenses" would no longer be limited and it could be enlarged in scope any time if the interests of certain States so required. That would not be in the general interest but would contravene the universal character of the Agency.

31. It was common practice to finance programmes by voluntary contributions. In its resolutions establishing the United Nations International Children's Emergency Fund (General Assembly resolution 57 (I)) and the Expanded Programme of Technical Assistance (General Assembly resolution 304 (IV)), the United Nations had specifically stated that resources would be provided by voluntary contribution. The resolution creating the United Nations Relief and Works Agency for Palestine Refugees in the Near East (General Assembly resolution 302 (IV)) specified that voluntary contributions could be made in funds or in kind and that all expenses other than administrative ones would be financed by voluntary contributions; and the resolution setting up the Special Fund (General Assembly resolution 1240 (XIII)) specified that the Fund's financial resources would come from voluntary contributions. Similarly, Article X of the Agency's Statute provided that Members might make available to the Agency services, equipment, and facilities which might be of assistance in fulfilling the Agency's objectives and functions. Likewise Articles V.E.8 and XIV.G referred to voluntary contributions.

32. If the United States amendment were accepted, it would be necessary to modify, at the same time, a series of fundamental principles contained in other provisions of the Statute. It would have been simpler if the United States delegation had merely proposed an increase in the assessed contributions. The only possible reason it could have had for not doing so was that it wished to attack the bases of co-operation that had served the Agency up to the present.

33. Each time a State made a voluntary contribution, a bilateral agreement was established between it and the Agency. Under the terms of Article III.D and in accordance with international practice, the Agency had to take the necessary action to ensure that the agreement remained in force and was applied. Good faith on both sides was an indispensable condition for maintaining the validity of the agreement, and good faith was excluded by any kind of unilateral action. Voluntary contributions to the Agency could not be transformed into obligations except by bilateral agreement, in which case the State concerned would have the right to make its own decision. Recognition of the fact that the sovereign rights of States must be respected was one of the fundamental principles governing the Agency's activities. Could those rights conceivably be said to be respected if the voluntary contributions of a sovereign State could arbitrarily be made obligatory by the unilateral action of an international organization or institution? The States concerned would have an indisputable right to take steps to protect themselves against such action. It would be setting a dangerous precedent for any international organization to make such a claim; in fact, it would be a breach of existing international law. An international organization was certainly not a State, its rights were not those of a State; far less was it a super-State.

34. To prevent misunderstandings, he wished to stress again that his delegation was not attempting to avoid any sacrifice which was necessary for the common good; it merely wished to draw attention to the dangers of adopting the United States proposal. The Hungarian Government had always responded, as far as it possibly could, to demands made upon it and would continue to do so as long as the burdens were to be equally shared. It had always been, and intended to continue being, the faithful friend of the newly independent countries, but friendship could not always be expressed in dollars, or in monetary terms at all. It did not agree that everything must be viewed in terms of the dollar.

35. Assistance should always be effective and efficient. When making voluntary contributions, the Hungarian Government had never failed to take into account the needs and the special wishes of the developing countries, and had managed to meet them when the available resources permitted. Its traditional good relationship with those countries had thereby been strengthened; it had been possible to make joint studies of requirements and possibilities and of the best methods of providing assistance. All that risked being transformed into a pecuniary, mechanical relationship, into an arid payment of dollars, by the United States proposal. However, the Hungarian Government would continue to welcome students from the developing countries into its institutions and was prepared to give those countries whatever it could in the way of the assistance they needed.

36. The proposed amendment to Article XIV of the Statute could not but upset a series of valuable provisions, and it was impossible to foresee the consequences of the violation of the principles and practices of international law which that would entail. Those who wanted to help the developing countries would do better to help give effect to Resolution GC(VI)/RES/131, unanimously adopted by the General Conference. The Hungarian delegation could not support the United States proposal.

37. Mr. de ARAOZ (Mexico) said he did not think that the atmosphere was propitious for adopting an amendment to the Statute, but the problem of stabilizing the Agency's finances must be solved. Efforts had been made; Member States had been invited to make voluntary contributions in amounts that were at least the same percentages of the target for each year as were their assessed contributions to the Regular Budget. Not all Member States had responded; some had contributed more than the requested percentage, 25 Member States (including Mexico) had contributed the requested percentage, some had contributed less and 35 Member States had not contributed at all. The annual deficit continued. His Government believed that further efforts should be made to persuade Member States to increase their voluntary contributions and that, when drafting the programme, account should be taken of the fact that some Member States had

indicated that they would be unwilling to increase their contributions consequent on an amendment of the Statute, but were prepared to increase their technical assistance contributions in the form of fellowships and equipment. His Government would analyse the situation in the light of developments, and it reserved its position until the problem had been considered at the General Conference.

38. Mr. BOUKIS (Greece) said his Government's views were well known; the principle of financing the Operational Budget by voluntary contributions was a good one but did not work in practice and since, in the interests of long-term planning, the Agency must have a unified and stable budget, his delegation would support the United States proposal.

39. Mr. QUIHILLALT (Argentina) remarked that the United States proposal was an improvement over the United Kingdom proposal and was generally acceptable to his Government.

40. He wished, at the present stage, to mention a matter which was not directly connected with the subject under discussion. The United Nations was at present studying methods of financing operations for the maintenance of peace, and it was possible that a new scale of assessments would be introduced. Since the Operational Budget was, in a sense, similar to the United Nations operations for the maintenance of peace, his Government would support the application by the Agency of any new scale introduced by the United Nations for financing those operations.

41. Mr. CARGO (United States of America) expressed gratification at the support given to the United States proposal. In his view, the text was well balanced; it offered much to the developing countries and provided at the same time reasonable safeguards for all against radical policies and inflationary budgets. The Agency would be able to plan with greater certainty. The developing countries would not face excessive increases in their contributions, and part could be paid in local currency.

42. The Governor from the United Kingdom had dealt very thoroughly with the question of inflationary budgets and he himself had little to add. Safeguards already existed in the nature of the Agency's budgetary process.

The amendments proposed to the Financial Regulations by the United States delegation would provide the Board - which to a far greater extent than in other United Nations agencies was responsible for budgetary and financial matters - with a sufficient degree of flexibility of action.

43. As the Governor from the United Kingdom had indicated, the General Conference would have no basis for action at its seventh regular session unless the Board took some decision at its present meetings. He appealed to Governors to accept the text submitted by the United States as a reasonable basis upon which the General Conference could take action.

44. Mr. PONOMARENKO (Union of Soviet Socialist Republics) said that the Board had not yet heard anything to convince it that the United States proposal was in any way right or juridically well-founded. His delegation still objected to the proposal and reserved the right to take the matter up in the General Conference.

45. Mr. KFMAL REHEEM (Pakistan), referring to the Governor from the United Kingdom's injunction to remember that half a loaf was better than no bread, recalled that under the terms of Article IV.C of the Statute the Agency was based on the principle of the sovereign equality of all its Members, who were expected to fulfil in good faith the obligations assumed by them in accordance with the Statute; under Article III.B.3, the Agency was required to allocate its resources in such a manner as to secure efficient utilization and the greatest possible general benefit in all areas of the world, bearing in mind the special needs of the under-developed areas of the world. The developing countries expected the Statute to be adhered to in good faith; and crumbs were not what they expected.

46. His Government was prepared to accept the United States proposal to amend Article XIV but could not agree to the proposed new Financial Regulation (GOV/904/Rev.2/Add.1). The limitation of \$30 000 on the amount which could be spent on supplying equipment was unacceptable; in many cases the equipment required might cost, say, \$31 000, and everyone knew that the type of equipment involved would be of no use if supplied only in part. Allowance should be made for marginal adjustments. Furthermore, the setting of a rigid limit was unrealistic; prices might increase, and such rigidity would limit the usefulness of the technical assistance programme.

47. Mr. DASGUPTA (India) said he shared the views just expressed. The United States proposal for amendment of Article XIV had been submitted only after lengthy consultations and prolonged discussion of all the aspects of the problem and, if further restrictions were introduced, it would no longer be acceptable to the developing countries. The fact that the Technical Assistance Committee and the Board would both consider each application for the supply of equipment was sufficient safeguard against the misuse of funds or undue inflation of budgets.

48. The proposed amendment of the Statute called for a greater sacrifice from the developing countries and obviously implied a more severe strain on their meagre resources, particularly in terms of foreign exchange. Nonetheless, the developing countries were prepared to move forward in their collective interest. He hoped the big countries, which could virtually be termed the donor countries, would also consider that point and try to move forward. He appealed to Governors, especially to those representing the more advanced countries, to accept the proposal in question, as he felt that it was in the common interest of all that the Agency's finances should be placed on a firm and steady basis.

49. The CHAIRMAN put to the vote the draft resolution contained in document GOV/904/Rev.2 and the proposed new Financial Regulation contained in document GOV/904/Rev.2/Add.1.

50. At the request of Mr. Cargo (United States of America), a roll-call vote was taken.

Indonesia, having been drawn by lot by the Chairman, was called upon to vote first.

The result of the vote was as follows:

In favour: Iran, Italy, Japan, United Kingdom of Great Britain and Northern Ireland, United States of America, Viet-Nam, Argentina, Belgium, Brazil, Colombia, Denmark, Greece

Against: Pakistan, Poland, South Africa, Union of Soviet Socialist Republics, Hungary

Abstaining: Indonesia, Mexico, Australia, Canada, France, India

51. There were 12 votes in favour and 5 against, with 6 abstentions. The draft resolution contained in document GOV/904/Rev.2 and the proposed new Financial Regulation contained in document GOV/904/Rev.2/Add.1 were adopted.

52. Mr. KURINO (Japan) explained that he had voted in favour of the United States proposal because his Government was in general agreement with it. Many factors had been taken into account, including the fact that several Governors representing the developing countries sympathized with the proposal. During the discussion, the representatives of the advanced countries had spoken of certain principles and, in particular, of the principle that technical assistance should be financed from voluntary contributions. There were, however, other possible principles, one of which was that technical assistance should be financed from the Regular Budget. In the view of the developing countries, however, the most important principle of all was that the funds for technical assistance should be augmented by all possible means. He hoped that the aims of the draft resolution just adopted would soon be realized, but that the budget would not be unduly increased in the process.

53. Mr. KEMAL REHEEM (Pakistan) explained that he had been unable to vote in favour of the United States proposal because it included the addition of a new Financial Regulation which was unacceptable to his Government. He would have been prepared to vote in favour of the draft resolution alone.

54. Mr. SASRADIPOERA (Indonesia) explained that he had abstained because he wished to reserve his Government's position. His Government was aware of the Agency's financial difficulties and viewed the United States proposal with sympathy as being a sincere effort to solve them. It would welcome the possibility of paying its contribution to the Agency in local currency.

55. Mr. DASGUPTA (India) remarked that a two-thirds majority decision should have been called for on such an issue.

56. Mr. CARGO (United States of America) observed that the United States proposal had, in fact, obtained a two-thirds majority. He recalled that all the Board's decisions were taken by a majority of the Governors present and voting. Rule 38 of the Provisional Rules of Procedure defined the term "Governors present and voting" as meaning Governors casting a valid affirmative or negative vote; Governors who abstained were to be considered as not voting.

57. The CHAIRMAN agreed.

