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COMMITTEE OF THE WHOLE

RECORD OF THE FOURTEENTH MEETING

Held at Vigyan Bhavan, New Delhi,  
on Wednesday, 5 December 1979, at 3.30 p.m.

Chairman: Mr. COSTA ALONSO (Mexico)

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\*/ A provisional version of this document was issued on 16 January 1980.

\*\*/ GC(XXIII)/620.

The composition of delegations attending the session is given in document GC(XXIII)/INF/188/Rev.5.

ELECTION OF VICE-CHAIRMEN AND ORGANIZATION OF WORK

1. The CHAIRMAN said that following the consultations that had taken place a consensus had been reached on the choice of two Vice-Chairmen in accordance with Rule 46 of the Rules of Procedure of the General Conference and he therefore proposed the delegates of the German Democratic Republic and Indonesia as Vice-Chairmen.

2. If there were no objections he would take it that the Committee of the Whole designated the delegates of the German Democratic Republic and Indonesia as Vice-Chairmen.

3. It was so decided.

4. The CHAIRMAN pointed out that document GC(XXIII)/COM.5/9 listed the items of the agenda referred to the Committee by the General Conference. He proposed that the five items should be considered in the order in which they appeared in that document, except for item 17, which could be taken after item 8.

5. It was so agreed.

6. In order for a report to be made on the work and the conclusions of the Committee of the Whole to the General Conference, the Chairman proposed that he himself should present an oral report at a plenary meeting on the deliberations of the Committee, which would also be the subject of detailed summary records.

7. It was so decided.

THE AGENCY'S ACCOUNTS FOR 1978 (GC(XXIII)/611)

8. Mr. SIAZON (Philippines), referring to paragraph 35 of the External Auditor's report to the Board (Part II of document GC(XXIII)/611), wondered what action had been taken in connection with the observations made by the External Auditor. As for the comments in paragraph 36, he felt that a distinction between funds financing the safeguards programme and those financing other Agency programmes should in fact be maintained when cash surpluses were utilized in 1981.

9. Mr. SILVA ARANDA (Peru), agreeing with the delegate of the Philippines, considered that the distinction should show up clearly in the draft budget too.

10. The CHAIRMAN took it that, if there were no objections, the Committee was prepared to approve the draft resolution set out in Part I of document GC(XXIII)/611.

11. It was so decided.

THE AGENCY'S BUDGET FOR 1979 (GC(XXIII)/618)

12. Mr. OSREOKAR (Yugoslavia) recalled that Yugoslavia had repeatedly stressed the need to establish a proper balance between the Agency's role of promoting nuclear power and its activities in respect of safeguards. Comparison of the budgetary allocations for safeguards and for technical assistance showed, however, a clear bias towards the former. His delegation considered that technical assistance should be financed entirely from the Regular Budget and that the allocations for that purpose should be at least equal to those for safeguards.

13. Mr. LEE (Republic of Korea) said that, in formulating and implementing the Agency's programmes, the main emphasis should be placed on promotional activities. Trust and confidence in the Agency on the part of all Member States were needed if the Agency was to be successful in implementing its future programmes.

14. Mr. KHLESTOV (Union of Soviet Socialist Republics), re-emphasizing his country's views on the Agency's budget, said that the Soviet Union had always advocated economy. However, he approved the draft resolution contained in document GC(XXIII)/618 as its sole aim was to cover, out of the cash surplus, the deficit due to the decline in the value of the United States dollar. He fully realized, of course, that the countries which would have benefited from that surplus would no longer do so.

15. Mr. GILLON (Belgium), endorsing the draft resolution contained in document GC(XXIII)/618, expressed the hope that the practice of covering deficits out of cash surpluses would not become established, especially as the Agency's financial regulations required such surpluses to be refunded to Member States.

16. Mr. HABASHI (Sudan) joined the delegate of Yugoslavia in calling for a rectification of the existing imbalance between the Agency's safeguards and promotional activities.

17. Mr. SILVA ARANDA (Peru) pointed out that the countries belonging to the Group of 77, while deploring the lack of balance between the Agency's safeguards and technical assistance budgets, did not wish to convey the impression that they attached no importance to the safeguards activities. He inquired whether the

purpose of the supplementary appropriation requested in document GC(XXIII)/618 was only to cover the deficit arising from the fall in the value of the dollar.

18. Mr. HALL (Deputy Director General for Administration) confirmed that the document under discussion dealt only with the financial problems raised by fluctuating rates of exchange and did not in any way alter the allocations of funds in the draft budget for 1979, as approved by the Board.

19. Mr. ADEBARI (Nigeria) shared the views expressed by the delegates of Peru, Sudan and Yugoslavia. In that connection, he considered that it was not enough simply to provide technical assistance: the Agency should have a team of experts to monitor the utilization of such assistance by the recipient countries.

20. The CHAIRMAN, noting that the discussion was at an end, took it that the Committee wished to recommend the draft resolution contained in document GC(XXIII)/618 for adoption by the General Conference.

21. It was so decided.

THE AGENCY'S BUDGET FOR 1980 (GC(XXIII)/612 and Mod.1)

22. The CHAIRMAN observed that the modifications set out in document GC(XXIII)/612/Mod.1 were necessitated by the decline in the value of the United States dollar.

23. Mr. POPP (Federal Republic of Germany), recalling his country's views concerning the Agency's budget for 1980, expressed his approval of the draft resolution set forth in document GC(XXIII)/612/Mod.1.

24. His delegation thought that three aspects of the Agency's programme deserved special emphasis. In the first place, the Federal Republic of Germany attached great importance to internationally co-ordinated efforts in the area of nuclear safety, and therefore strongly supported the Agency's enhanced activities in that sphere, which deserved high priority in future budgets also. He considered that co-operation in nuclear safety research should also be included in the programme. As regards the International Tokamak Reactor (INTOR) project, he recalled that already at the 1978 session of the General Conference he had uttered a word of caution. His country was prepared to participate in the definition phase of the project, taking into account the recent decision of the Fusion Advisory Committee of the European Community. In view of the great scientific and technical risks involved and the extraordinary financial dimensions of the project, however, decisions should be approached prudently and gradually. The involvement of the

Agency should be strictly limited to the investigations needed for the definition phase. Thirdly, the International Nuclear Fuel Cycle Evaluation (INFCE) study had provided the basis for a more rational approach to certain technical, economic and institutional problems. That being so, it should be followed up in a systematic and co-ordinated manner. He hoped the Agency would continue to play a central role in dealing with such new tasks as might emerge at the end of the INFCE exercise, when the final results were submitted to the INFCE plenary meeting early in 1980.

25. Mr. SI AZON (Philippines) observed that the proposed increase in the Regular Budget for 1980 was very large - indeed, the overall rise by comparison with 1979 was much larger than the target for voluntary contributions to the General Fund. In a time of economic stress like the present, the Director General should carry out a desk-to-desk evaluation of work efficiency in the Agency with a view to bringing about reductions in personnel. Moreover, the work on nuclear explosions for peaceful purposes (PNE) no longer provided the incentive it had earlier provided to encourage countries to sign the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). His delegation would not object to it in the 1980 programme, but believed that serious consideration must be given to discontinuing PNE work in the near future.

26. A question which caused him grave concern was the inadequate allocation of support costs. It should not be too difficult to allot to the Department of Safeguards the cost of its share of the space occupied in the Permanent Headquarters by applying the net-floor-space principle indicated in paragraph P.10 of document GC(XXIII)/612. While in the past other costs had been correctly allocated to safeguards, those pertaining to administration, general services and the transfer to the Permanent Headquarters had still to be attributed to the various functional programmes. That must be done, as it was the only way of giving practical effect to the principles of safeguards costing set out in Resolutions GC(XV)/RES/283 and GC(XX)/RES/341. The developing countries must be protected against increasing support costs, and he suggested that the detailed "step-down" method of cost accounting applied in hospitals in the United States of America could usefully be applied in the Agency. With respect to the costs of administration, general services and the transfer to the Vienna International Centre (VIC), the best method would be to compare the number of personnel involved in safeguards activities with the total number involved in the functional programmes of the Agency.

27. He was also concerned by the Professional staffing of the Agency. Document INF/CIRC/22/Rev.18 clearly showed that the developing countries were at a great disadvantage in respect of the number of senior posts held by their nationals. They had referred to that matter during the June meetings of the Board in 1977, but the situation had improved little since then despite the resolution on the subject adopted in the General Assembly of the United Nations and in the Fifth Committee. It was all too clear that there was strong resistance at senior levels in the Agency to enhanced representation of developing countries on the Agency's Professional staff. It would be interesting to hear from the Deputy Director General for Administration what formula was applied by the IAEA in defining the range and number of Professional personnel per Member State.

28. Mr. SULTAN (Egypt) said the Agency budget should aim at promoting nuclear energy throughout the world. A 20% jump in the safeguards budget between 1978 and 1980 would be justified if strenuous efforts were made to create an effective system. Indeed, safeguards represented an indirect contribution to nuclear energy programmes in that they provided security against the misuse of nuclear facilities. The technical assistance programme should not be ignored, however, because it was so badly needed to promote nuclear programmes in the developing countries. Proper training to ensure safety at nuclear plants was vital and should be given due emphasis in technical assistance planning, on an individual country or regional basis.

29. Another serious problem was that allocations for scientific supplies and equipment were not keeping pace with the actual rise in costs.

30. Finally, it was probable that the budget for 1980 would show a deficit because of exchange rate fluctuations. One must hope that the Board would consider that problem in the coming year with a view to finding a formula which would allow the burden to be shared equitably.

31. Mr. DE PEYSTER (France) said that his delegation had made it clear during the June meetings of the Board that a 15% increase in contributions from 1979 to 1980 was unacceptable, especially when it followed a considerably higher rise from 1978 to 1979. Document GC(XXIII)/612/Mod.1 showed that the 1980 budget now entailed an increase of 21%. Of the \$13 million which that percentage represented, \$9 million were needed merely to compensate for the exchange rate fluctuations forecast for 1980. He was deeply concerned at that and felt that the time had come to rectify a situation which, though undoubtedly serious, must nevertheless be susceptible of analysis. If the Secretariat furnished all

the statistical, financial and legal information necessary, the Administrative and Budgetary Committee could study the issue thoroughly early in the new year.

32. In a period of austerity the Agency's activities should evolve in the direction of enhanced productivity rather than towards increases in staff and costs. Safeguards and technical assistance remained priority programmes in his delegation's view, but even these costs should be kept as low as possible. His delegation was very worried about the initial estimates of operating costs for the Permanent Headquarters.

33. As to the 1981 budget, the advance estimates in document GC(XXIII)/612 had at first indicated an increase of 14% over 1980 - a reasonable basis for discussion. Now, however, an increase of 21% was forecast in document GC(XXIII)/612/Mod.1, and his delegation was deeply concerned at seeing the mistakes of previous years being repeated, especially as regards the cost of travel and meetings. The determination of the Director General in his opening statement to review those forecasts had afforded some comfort, and he hoped the spirit of strict economy seen in 1979 would prevail during the execution of the 1980 budget and the preparation of the budget for 1981.

34. Mr. SILVA ARANDA (Peru) said his delegation had only recently pointed out, in the Board, the importance of technical assistance to the developing countries. It had proposed then that a special committee be set up to review questions relating to the budget and, more specifically, its technical assistance component. In the end, however, the budget had been approved more or less blindly, without due cognizance being taken of specific requirements within the technical assistance programme. Voluntary contributions must continue, but they must not form the whole basis of finance for technical assistance, which should become a fixed part of the Regular Budget. It was wrong to think that the receiving countries could rely entirely on generous contributions, especially in view of the dismissive attitude sometimes adopted.

35. The importance of safeguards was such that its budget must not be decreased, but there was a disturbingly large difference between the safeguards and the technical assistance budgets for 1980 and 1981. There was also a large discrepancy in the number of posts, with safeguards having 103 and technical assistance far fewer posts at the P-4 level in the preliminary draft for 1981.

36. Finally, he felt that more Professional posts in the Agency should go to suitably qualified persons from developing countries. The fact that the General Conference was being held in India gave ample proof that the developing countries had people who were well qualified for senior posts.

37. Mr. TEODORANI FABBRI POZZO (Italy) recalled that the Governor from Italy had pointed out in the Board in June that the increase in the 1980 budget over the 1979 budget was excessive. The Agency should effect every economy which was possible without jeopardizing high-priority programmes.

38. Mr. KENYERES (Hungary) stressed his delegation's concern at systematic increases in the budget which were not matched by a corresponding expansion of programmes. It was prepared to support the modified budget for 1980, but felt obliged to reiterate the need to effect savings and to redistribute resources within the Agency. Every effort should be made in that direction.

39. Mrs. DAVIDOVA (Czechoslovakia) said her delegation gave its full support to the Agency's activities, especially in the fields of safeguards, nuclear power, nuclear safety, the uses of radionuclides and the International Nuclear Information System (INIS). It recognized the difficult circumstances in which the budget had been drawn up, which included notably the decline of the dollar and the increased costs associated with the Permanent Headquarters. Reassurance had been found in the promises of the Director General to review expenditure. Savings might be effected in unproductive areas, but must not be allowed to affect the Agency's substantive programmes.

40. The work being done in nuclear power and nuclear safety was especially important. All the practical difficulties facing a number of industrially developed countries as a result of the nuclear debate could not obscure the fact that nuclear power offered the only viable alternative to rapidly vanishing conventional energy resources; the nuclear debate should not be allowed to weaken the Agency's role in the field of nuclear power.

41. Nuclear power could be developed on an industrial scale only with proper safety standards to protect the installations as well as man and his environment. The Agency, whose operations in the realm of safety had been reviewed in the wake of the Three Mile Island incident, should pay close attention to the practical technological and organizational work which would be required to prevent further accidents.

42. As the Board had said in June, the nuclear safety standards programme should continue without modification. Efforts should be made to turn the experience gained in power station operation and accident prevention to the best practical account, and more attention should be given to the training of operating personnel.

43. Mr. GILLON (Belgium) noted that about 66% of the budget for 1980 was represented by staff costs. That was a high proportion, especially since there had been a reduction of 88 in maintenance personnel. In addition, the new maintenance contract would cost more than \$1 million per annum. It should have been possible to rationalize the use of staff with the move to the VIC, but that had apparently not been done.

44. It had been observed in Belgium that the inspection of a certain facility under the Agency's safeguards programme involved four days of an inspector's time for a job which Belgian experts believed could be completed in six hours. The Agency clearly needed to obtain greater efficiency from its staff.

45. Mr. KHESTOV (Union of Soviet Socialist Republics) noted that the draft budget had been considered twice by the Board and that the supplementary estimates had been discussed at the meeting on 30 November 1979. The Soviet delegation believed that the Secretariat had achieved the correct balance in the budget between the various Agency programmes covering the main areas of nuclear power and safety, safeguards, research activities and technical assistance. It was in agreement with the proposals contained in document GC(XXIII)/612.

46. The increases detailed in document GC(XXIII)/612/Mod.1 were the subject of some concern. There had been a 24% increase over the 1979 budget. The reasons for the supplementary estimate were clear to all but, while the Soviet delegation agreed to the additional amount, it had to regard it as representing an exceptional case; and although substantial economies of almost 7% had already been achieved the Secretariat should try to effect further savings, especially in the form of an increase in the productivity of work.

47. Mr. CUMES (Australia) said that the budget for 1980 had been formulated, studied and discussed in the Administrative and Budgetary Committee and in the Board. The final proposals entailed a 22% increase in Australia's contribution over 1979.

48. The Australian delegation believed that the utmost economies should be made. The budgets of international organizations should be cut back to the same extent

as national budgets. Ideally, a no-growth budget was desirable, although the safeguards, nuclear safety and technical assistance programmes could be treated as exceptions, since they were of vital importance. Australia had already pledged its contribution to the \$10.5 million technical assistance target for 1980.

49. A maximum effort should be made to reduce administrative costs, which, together with the transfer to the new Headquarters, were largely responsible for the increase in the budget. Economies should be made in staffing and also in travel, where it seemed that the Agency was not getting the best rates available. Further savings could be made in the number of meetings and in service costs. In that way the essential programmes would not be endangered.

50. The Australian delegation believed that extra expenses caused by exchange rate fluctuations should be absorbed by the Agency as far as possible. In addition, the Board should examine ways in which the effect of the fluctuations could be neutralized, whether by earlier payment of contributions, changes in the way in which funds were held or re-examination of investment policy.

51. Australia would consider carefully any further proposals for reducing the budget which did not affect the substantive programme of the Agency.

52. Mr. THOMAS (German Democratic Republic) expressed the sincere gratitude of his delegation to the Director General and his staff for their work in preparing a budget which presented a clear picture of the Agency's programme. His delegation fully supported the budget since it was directed towards the promotion of the peaceful uses of nuclear energy, especially in developing countries, and the strengthening of the conditions required for non-proliferation. The expenditure on safeguards was both justified and necessary but the resources allocated to that programme should be used to increase its effectiveness.

53. Though the actual increase in the budget was extremely high, it was largely due to exchange rate changes, for which the Agency was clearly not responsible. The distribution of resources in the budget was acceptable and in accordance with the Statute. At the same time a further effort was needed to reduce unproductive costs.

54. Mr. PICTET (Switzerland) associated his delegation with earlier comments on the need for economy. The Agency had no control over inflation or exchange rates and a more important consideration was the increase in real terms as

represented by the Agency's activities. That increase had fallen to little more than 1% for 1980. The Director General was to be congratulated on achieving a level of stabilization which one might hope could be maintained. It was important to establish a ceiling on expenditure, and in that connection the forecast for 1981 gave rise to some concern. In other respects, the Swiss delegation approved the budget for 1980.

55. Mr. GRINBERG (Bulgaria) noted that his delegation had approved the Agency's budget for 1980 in the Board. All Member States derived benefit from the Agency's activities and realized that adequate financial resources were required, but his delegation wished to voice its concern at the trend for the budget to increase at such a high rate. The problem was not of course confined to the Agency, but the Secretariat should make every effort to seek new possibilities for savings.

56. Mr. COELHO (Brazil) said that, though repeated requests had been made over the past four years for cuts in administrative costs, nothing had been done. As the Brazilian delegation had remarked before, the Agency could not live in isolation, cushioned from the difficulties that Member States were experiencing.

57. One of the problems which was constantly arising was the allocation of safeguards expenses. It was not correct for the Secretariat to claim that an increase in safeguards staff simply meant an increase in the cost of salaries. Extra service costs were also involved and an adequate share of the associated administrative expenses should be allocated to safeguards. Perhaps the true costs could be calculated on the basis of the floor space used or from a fixed percentage value. It was for the Secretariat to devise an acceptable formula.

58. On the question of the inefficient use of Agency staff, everyone could quote examples similar to that already mentioned by the Belgian delegate. The Safeguards Department needed more equipment and an advanced system of data evaluation rather than more personnel. The progress that had been made in that direction was to be welcomed.

59. As many delegates had pointed out, considerable savings could be achieved in travel costs. The return fare between Vienna and Rio de Janeiro, for example, was 45% lower if the tickets were purchased in Brazil.

60. The composition of the Secretariat needed to be revised, with an increase in the proportion of staff from developing countries. When the present Deputy Director General for the Department of Technical Assistance and Publications retired, there would not be a single post in the Agency at the level of Director or above held by a national from Latin America.

61. One solution to the various problems might be to revise the way in which the budget was prepared. The members of the Administrative and Budgetary Committee should be involved right from the start, and in that connection the Director General's announcement of meetings to be arranged between the Committee and Heads of Departments was to be welcomed.

62. Finally, there was a problem concerning the payment of the additional assessment by Brazil, where the financial year ended on 30 November and Congress had already approved payment of the contribution at the original level. The new situation would cause serious legislative difficulties and the Agency ought to make every effort in future to absorb the effects of exchange-rate fluctuations without requesting additional payments.

63. Mr. KIRK (United States of America) said his Government believed the Conference should approve the budget for 1980. While it preferred zero net programme growth in United Nations system budgets, it had made an exception in the case of the Agency because of its growing responsibilities, its capable administration, and the economies made by the Director General in the preliminary budget estimates.

64. The large sums needed to cover inflation, exchange rate fluctuations and the first full year of operating expenses for VIC made it difficult to provide adequate funding for the Agency's substantive programmes, some of which actually experienced negative real growth. That was to be regretted, because the Agency's programmes were the reason for its existence. It was important to make every possible economy in the administrative and general-service areas and in low-priority programmes and to control the exceptionally high costs of operating the Permanent Headquarters. The estimates for 1981 were disturbing and it was to be hoped that they would be substantially reduced by the Director General before being presented to the Administrative and Budgetary Committee.

65. The significant decline in the dollar-schilling exchange rate since the budget estimates in June had meant that an additional \$4.98 million was needed. The United States delegation supported the request for those funds.

66. Mr. PERELOM (Ukrainian Soviet Socialist Republic) said his delegation was prepared to approve the Agency's budget for 1980 but was concerned about the continuing increase. In that connection, the financial position would be improved if the outstanding contributions of about \$2 million shown in Schedule B.2 of document GC(XXIII)/611 were paid.

67. Mr. ARAI (Japan) expressed sympathy with the Secretariat over the difficulties it was facing in connection with currency fluctuations. The problem should be solved by reducing expenses rather than modifying estimates. Should a small addition to the estimates seem to be required in 1980, however, it should not be too late to discuss the matter in the Board during its June series of meetings.

The meeting rose at 5.55 p.m.

