

International Atomic Energy Agency

# GENERAL CONFERENCE

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Thirty-fourth regular session  
Agenda item 13  
(GC(XXXIV)/914)

## THE FINANCING OF SAFEGUARDS

### Report by the Board of Governors

1. On 15 June 1990, the Board of Governors considered a progress report by the Chairman of the Informal Working Group established by the Board in response to General Conference resolution GC(XXXIII)/RES/513.
2. The Board took note of the progress report, which it decided to submit to the General Conference together with the summary record of its discussion on 15 June under the item "The financing of safeguards".
3. The progress report is reproduced in the Annex hereto. The summary record will be issued in an Addendum to the present document.

3452Y/239Y  
90-02945



## THE FINANCING OF SAFEGUARDS

### Report of the Chairman of the Informal Working Group

1. In September 1989 the General Conference, in resolution GC(XXXIII)/RES/513, requested the Board of Governors "to establish, as soon as possible and within the framework of existing budgetary resources, an informal working group open to all Member States to consider various proposals for arrangements that can be agreed upon as a basis for a long-term solution" to the question of safeguards financing and "to report to the General Conference at its thirty-fourth session on the progress made by the working group".

2. On 2 October 1989 the Board established the Informal Working Group on the Financing of Safeguards, with the mandate foreseen in the General Conference resolution, and on 13 December it appointed Ambassador T. Strulak of Poland as Chairman of the Group; Ambassador J.-P. Vettovaglia of Switzerland was appointed as Vice-Chairman. The Group has held three meetings - on 8 February, 4 April and 14 May 1990.

3. At the first meeting it was agreed that the Group's work would be carried out in three phases. In the first phase, a set of principles was to be established to serve as a basis for considering any future arrangements for the financing of safeguards. In the second phase, the elements specifying how these principles would be applied in defining arrangements for the financing of safeguards would be developed. The third phase would deal with the details of the safeguards financing arrangements.

4. An informal paper submitted by Cuba formed the main basis for discussion.<sup>1/</sup> In addition, the Group was provided with a historical summary prepared by the Secretariat and outlining the main proposals made in the past – those of Venezuela, the United States, Belgium (supported by Spain) and the Chairman of the Board in 1985–86 (Ms. Sudirdjo of Indonesia).<sup>2/</sup> During the meetings, further proposals were submitted by India and Italy<sup>3/</sup> and a commentary on its proposal was submitted by Belgium<sup>4/</sup>.

5. At the meeting on 14 May, a list of six principles was discussed and accepted by consensus. They are as follows:

1. All Member States have the right and the duty to contribute to the financing of safeguards.
2. Preferential treatment would be granted to certain Member States in the form of shielding, according to their ability to pay.
3. Specific criteria and factors would be identified to determine the degree of financial participation of Member States.
4. Acceptance of preferential treatment would be voluntary.
5. Any new financing arrangement would operate for a reasonable period of time and would possess dynamic features.
6. Costs of certain safeguards activities could be met through voluntary contributions.

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1/ See Attachment 1.

2/ See Attachments 2–5.

3/ See Attachments 6 and 7.

4/ A revised version of the commentary by Belgium is included in Attachment 4.

6. On the basis of this list of principles and the informal paper submitted by Cuba, the Group agreed to begin consideration of the next phase at its meeting to be held in October 1990.

7. In compliance with a request by the Group, the Director General submitted long-term budget projections for the Agency's "Safeguards" programme based on the information currently available from Member States on facilities and materials to be safeguarded during the ten-year period 1991-2000.<sup>5/</sup> During the discussions on 14 May, it was requested that the Board's attention be drawn to the importance of assuring safeguards effectiveness and efficiency in the long term.

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<sup>5/</sup> See Attachment 8 for an updated version of the projections.



**SOME CONSIDERATIONS REGARDING THE FINANCING OF SAFEGUARDS**

**Informal paper submitted by Cuba**

I. General considerations

- I.1 Determine the principles constituting the basis for the safeguards financing mechanism before embarking on an examination of any specific mechanism.
- I.2 On the basis of the principles, identify the elements of the mechanism (or arrangement), specifying the nature of each element.
- I.3 Use the elements – once they have been identified -- in defining the mechanism, which should reflect the interests of Member States in a fair and reasonable manner.

II. Possible principles

- II.1 Responsibility of all States to participate in (contribute to) the financing of safeguards.
- II.2 Quantification of economic factors (indicators) and of other factors.
- II.3 Shielding or some other form of preferential treatment for States with limited financial capacity.
- II.4 Acceptance of such shielding or other form of preferential treatment by such States should be voluntary.
- II.5 Any arrangement for safeguards financing should be dynamic and at the same time relatively stable.

II.6 Linkage between, on one hand, the foreseen expenses of safeguards implementation and, on the other hand, the efficiency and effectiveness of safeguards implementation.

III. Elements relating to each of the foregoing principles

III.1 Responsibility of all States to participate in (contribute to) the financing of safeguards.

- Degree of participation and criteria for the contribution of each State.

III.2 Quantification of economic factors (indicators) and of other factors.

- Assessment of States on the basis of the criteria generally accepted by the United Nations.
- Allowance for inflation (price increases).
- Factor (or factors) for making adjustments in the light of the economic indicators.
- Special factors – for example, the nuclear capacity of States (possession of nuclear weapons; number of nuclear power plants or other facilities requiring safeguards; percentage of electricity generated by nuclear power plants; percentage of the nuclear facilities under safeguards; man-days of inspection, etc.).<sup>\*/</sup>

III.3 Shielding or some other form of preferential treatment for States with limited financial capacity.

- List of countries benefiting from shielding or some other form of preferential treatment.

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<sup>\*/</sup> Separate consideration would have to be given to cases where safeguards are applied at facilities not located in Agency Member States.

- Shielding criterion and threshold.
- Level of the benefit enjoyed by the shielded countries.
- Creation of a fund or some other mechanism for meeting the costs of certain safeguards activities.
- Extrabudgetary financing of certain safeguards activities.

III.4 Acceptance of such shielding or other form of preferential treatment by such States should be voluntary.

- Possibility of waiving the shielding or other form of preferential treatment.

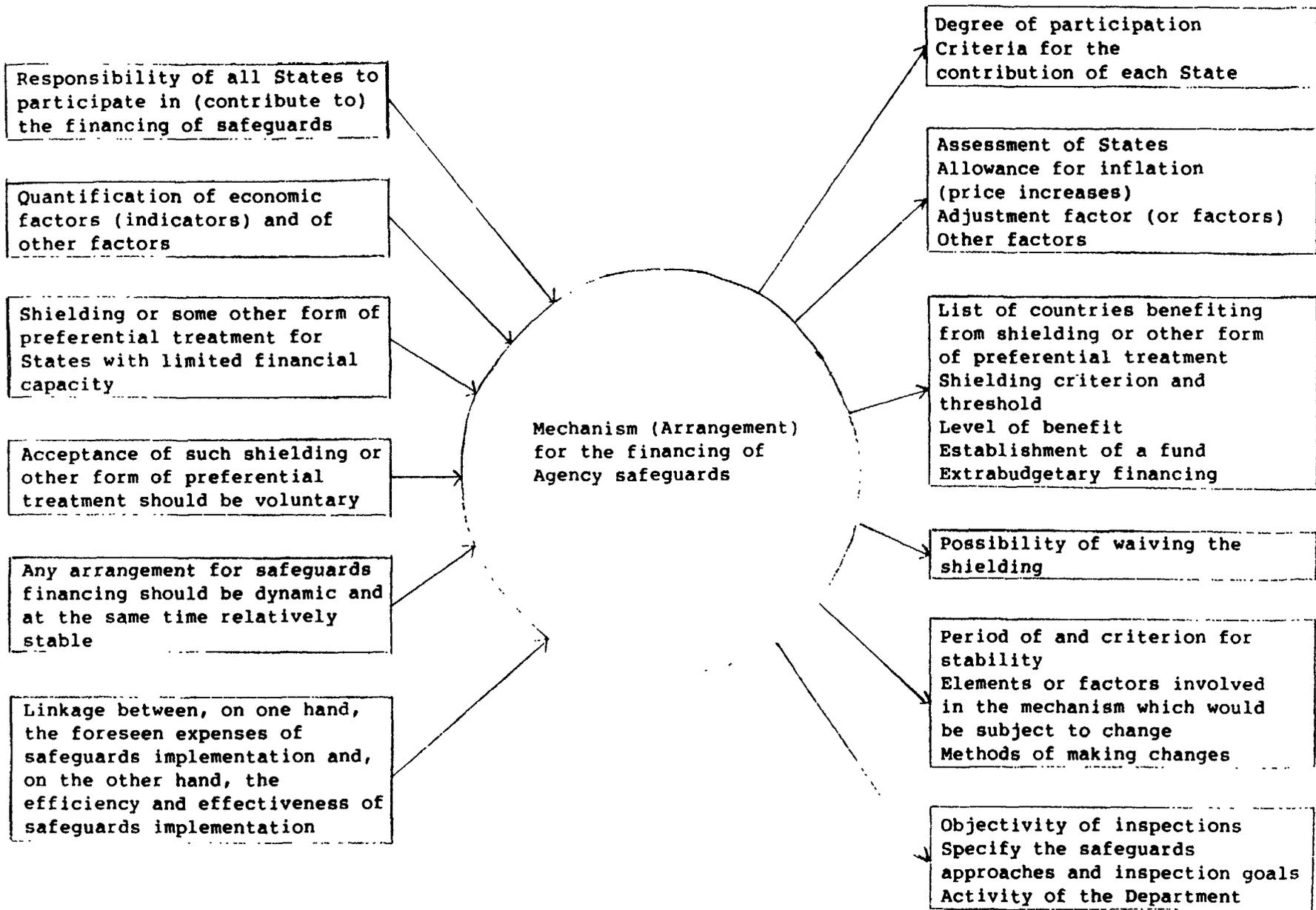
III.5 Any arrangement for safeguards financing should be dynamic and at the same time relatively stable.

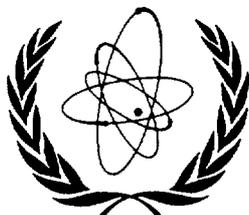
- Period of and criterion for stability.
- Elements or factors involved in the mechanism which would be subject to change or review.

Method of making changes (must be virtually automatic).

III.6 Linkage between, on one hand, the foreseen expenses of safeguards implementation and, on the other hand, the efficiency and effectiveness of safeguards implementation.

- Objectivity of inspections (volume).
- Safeguards approaches and inspection goals.





International Atomic Energy Agency

**BOARD OF GOVERNORS**

GOV/2181

21 September 1984

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## FINANCING OF SAFEGUARDS

Draft resolution proposed by VenezuelaREVISED ARRANGEMENTS FOR THE ASSESSMENT OF MEMBERS'  
CONTRIBUTIONS TOWARDS THE AGENCY'S REGULAR BUDGETThe General Conference,

- (a) Recalling its resolutions embodying principles for the assessment of Members' contributions towards the Agency's Regular Budget[1],
- (b) Being informed of a revised set of arrangements providing for the financing of safeguards activities of the Agency which the Board of Governors has endorsed, and
- (c) Considering it desirable to revise the arrangements for the financing of safeguards which it established by resolution GC(XXIV)/RES/376,

Establishes the following revised arrangements for the assessment of Members' contributions towards the Agency's Regular Budget to supplement those it approved by resolution GC(III)/RES/50, as amended by resolution GC(XXI)/RES/351, and to replace those it approved by resolution GC(XXIV)/RES/376, GC(XXVII)/RES/416;

1. Each Member's contribution towards the Agency's Regular Budget shall comprise a non-safeguards component and a safeguards component, corresponding respectively to that Member's assessment in respect of:
  - (a) Non-safeguards expenses, which shall include all expenses required to be apportioned among Members in accordance with Article XIV.D of the Statute except safeguards expenses; and
  - (b) Safeguards expenses, which shall include all expenses relating to the Agency's safeguards activities.
2. Non-safeguards expenses shall be borne by Members in proportion to their respective base rates of assessment calculated by application of the principles set forth in resolution GC(III)/RES/50, as amended by GC(XXI)/RES/351.

3. Safeguards expenses, after deduction of such amounts as are recoverable under agreements relating to safeguards between the Agency and parties to such agreements that are not members of the Agency, shall be borne by Members as follows:
- (a) The contribution of each Member not included in 1984 in the list referred to in sub-paragraph 3(b) and of each other Member qualified to receive relief in 1984 shall continue to be frozen at the amount for which that Member had been assessed for 1976;
  - (b) Each of the 36 Members included in the list contained in Table 3 of document GC(XXVII)/691/Mod.1 and which accordingly contributed to the safeguards component in 1984 pursuant to the provisions in sub-paragraphs 3(b) of resolution GC(XXVII)/RES/416, and any Member notifying the Director General that it does wish to be included in the list shall continue to contribute on a scale to be determined, taking into account sub-paragraph (c)(ii) below, by proportionally increasing its base rate of assessment applicable for the year of assessment in such a way that the total contributions of those Members make up the balance of the safeguards component; and
  - (c)
    - (i) in the case of the admission of a new Member which is qualified to receive relief, that Member shall contribute an amount equal to that which it would have had to contribute if it had been a Member during 1984;
    - (ii) a new Member qualified to be included in the list of payers shall contribute together with and on the same basis as the Members referred to in sub-paragraph (b) above. The amount to be paid by a new Member shall be determined by the Director General in accordance with the Agency's established method of computation.

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[1] GC(III)/RES/50, as amended by GC(XXI)/RES/351; GC(XV)/RES/283, GC(XX)/RES/341, GC(XXIV)/RES/376 and GC(XXVII)/RES/416.

Table 3

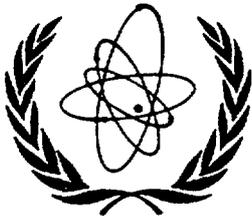
Member	Base rate of assessment (%)	Base rate of assessment increased by application of the coefficient 1.093137 [a] (\$)	Required share of safeguards expenses in 1984 (\$)
(1)	(2)	(3)	(4)
Australia	1.57	1.71623	555 423
Austria	0.75	0.81985	265 328
Belgium	1.28	1.39922	452 830
Byelorussian Soviet Socialist Republic	0.36	0.39353	127 358
Canada	3.09	3.37779	1 093 154
Czechoslovakia	0.76	0.83078	268 865
Denmark	0.75	0.81985	265 328
Finland	0.48	0.52471	169 812
France	6.52	7.12725	2 306 592
Gabon	0.02	0.02186	7 074
German Democratic Republic	1.39	1.51946	491 743
Germany, Federal Republic of	8.55	9.34632	3 024 749
Holy See	0.01	0.01093	3 537
Iceland	0.03	0.03279	10 612
Ireland	0.18	0.19677	63 681
Israel	0.23	0.25142	81 367
Italy	3.75	4.09926	1 326 643
Japan	10.33	11.29211	3 654 465
Kuwait	0.25	0.27328	88 442
Libyan Arab Jamahiriya	0.26	0.28422	91 982
Liechtenstein	0.01	0.01093	3 537
Luxembourg	0.06	0.06559	21 227
Monaco	0.01	0.01093	3 537
Netherlands	1.78	1.94578	629 713
New Zealand	0.26	0.28422	91 982
Norway	0.51	0.55750	180 424
Qatar	0.03	0.03279	10 612
Saudi Arabia	0.86	0.94010	304 245
Spain	1.93	2.10976	682 782
Sweden	1.32	1.44294	466 979

Member	Base rate of assessment (%)	Base rate of assessment increased by application of the coefficient 1.093137 [a] (\$)	Required share of safeguards expenses in 1984 (\$)
(1)	(2)	(3)	(4)
Switzerland	1.10	1.20245	389 149
Ukrainian Soviet Socialist Republic	1.32	1.44294	466 979
Union of Soviet Socialist Republics	10.55	11.53260	3 732 295
United Arab Emirates	0.16	0.17490	56 603
United Kingdom of Great Britain and Northern Ireland	4.68	5.11588	1 655 652
United States of America	25.00	27.32843	8 844 300
<b>TOTAL</b>	<b>90.14</b>	<b>98.53537</b>	<b>31 889 001</b>

[a] The coefficient is obtained by dividing the percentage of the safeguards component remaining to be financed (98.53537%) by the total of the base rate of assessment of the 36 Members listed in the table above (90.14%).

6. The individual share of each Member in the safeguards component of the total assessment having thus been determined, the next step is to calculate each Member's share of the non-safeguards component. This is done by applying each Member's base rate of assessment to the non-safeguards component (\$ 56 423 000) [9]. The results are set forth in Table 4 below, which shows in column (6) the total assessment of each Member State. Column (7) shows the resulting scale of assessment for 1984, the percentage assessments being expressed to five places of decimals in order to reflect each Member's share of the Regular Budget to the required accuracy.

[9] Pursuant to the draft resolution in document GC(XXVII)/687/Mod.1, para. 2.



International Atomic Energy Agency

# BOARD OF GOVERNORS

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GC(XXXIV)/921  
Annex  
Attachment 3  
page 1

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21 September 1984  
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## FINANCING OF SAFEGUARDS

### Draft resolution submitted by the United States of America

#### EXPLANATION

1. The current arrangement for assessing Members' contributions towards safeguards expenses was established by resolution GC(XXIV)/RES/376. (The last resolution approved, GC(XXVII)/RES/416, was a one-year freeze (for 1984) of the arrangements established by resolution GC(XXIV)/RES/376).
2. It should be noted that all Member States contribute towards safeguards expenses. Members whose per capita net national incomes have been below a given figure (which the Board established from time to time) have been given substantial relief. Both developing and industrialized countries with high per capita net incomes are full payers, and both developing and industrialized countries with low per capita net incomes receive relief. Because nations' relative per capita incomes have changed over time, the list of those eligible for relief has also changed: some have become full payers, while some have become eligible for relief.
3. The following explanation addresses the proposed formulation in those areas where it is different from the formulation used in resolution GC(XXIV)/RES/376.
  1. Sub-paragraph (a)

For the vast majority of States on the list, their 1984 contribution is the same as their 1976 contribution. The updating to 1984 is necessary because new Members have been added to the list since 1976.

The proposed formulation would not require any increases in assessments for States on the list to cover the increases in safeguards expenses from 1976 to 1984, but these Members would share, on a percentage basis, any such increases in the future.
  2. Sub-paragraph (b)

The upper limit of the low per capita income allowance formula is used as a basis for establishing which Members are eligible to be placed on the list and thereby receive substantial relief from bearing safeguards expenses. This "upper limit" is established every three years by the United Nations General Assembly as the

appropriate criterion for determining which countries should be granted special relief in the United Nations scale of assessment.

3. Sub-paragraph (c)

In the case of Members that might come off the list and therefore lose the relief previously granted, a five-year period is established for gradually increasing successive assessments so as to minimize any associated financial difficulties.

PROPOSED SAFEGUARDS FINANCING FORMULA

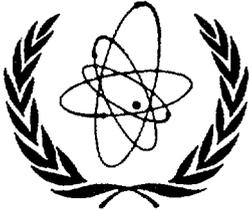
(This would be operative para. 3 of a resolution along the lines of GC(XXIV)/RES/376).

Safeguards expenses, after deduction of such amounts as are recoverable under agreements relating to safeguards between the Agency and parties to such agreements that are not members of the Agency, shall be borne by Members as follows:

- (a) Each Member included in the list referred to in sub-paragraph (b) below shall contribute an amount based on what that Member had been assessed for 1984, this base amount being adjusted by percentage of safeguards expenses increases after 1984;
- (b) The list, which shall be drawn up by the Director General (and will be kept under review by the Board of Governors), shall comprise Members, except the ten Members with the highest base rates of assessment and those that have notified the Director General that they do not wish to be included, having per capita net national incomes less than the upper limit of the low per capita income allowance formula established by the United Nations General Assembly, the per capita net national incomes being identified by examination of the documents used by the Committee on Contributions of the General Assembly of the United Nations;
- (c) Any Member not included in the list during any given year shall contribute on a scale to be determined for that year by proportionately increasing its base rate of assessment in such a way that the total contributions of such Members make up the balance of the safeguards expenses, except that, for any Member that is hereafter for the first time not included in the list, the resulting increases in required contributions shall be gradated over a five-year period; [1]
- (d) In the case of the admission of a new Member which is to be included in the list, that Member shall contribute, in the year in which its membership becomes effective and in succeeding years, an amount equal to that which it would have to contribute if it had been a Member during 1984; the determination of that amount shall be made by the Director General in accordance with the Agency's established method of computation.

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[1] (A footnote will be included giving the exact method of calculation for this five-year period.)



International Atomic Energy Agency

# BOARD OF GOVERNORS

GOV/2222  
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Item 8 of the provisional agenda  
(GOV/2219)

## THE FINANCING OF SAFEGUARDS

### Draft resolution proposed by Belgium

#### REVISED ARRANGEMENTS FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE AGENCY'S REGULAR BUDGET

##### The General Conference,

- (a) Recalling its resolutions embodying principles for the assessment of Members' contributions towards the Agency's Regular Budget[1],
- (b) Being informed of a revised set of arrangements providing for the financing of safeguards activities of the Agency which the Board of Governors has endorsed, and
- (c) Considering it desirable to revise the arrangements for the financing of safeguards which it established by resolution GC(XXIV)/RES/376,

Establishes, for the period 1987-1991, the following revised arrangements for the assessment of Members' contributions towards the Agency's Regular Budget to supplement those it approved by resolution GC(III)/RES/50, as amended by resolution GC(XXI)/RES/351, and to replace those it approved by resolutions GC(XXIV)/RES/376 and GC(XXVII)/RES/416:

1. Each Member's contribution towards the Agency's Regular Budget shall comprise a non-safeguards component and a safeguards component, corresponding respectively to that Member's assessment in respect of:
  - (a) Non-safeguards expenses, which shall include all expenses required to be apportioned among Members in accordance with Article XIV.D of the Statute except safeguards expenses; and

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[1] GC(III)/RES/50, as amended by GC(XXI)/RES/351, GC(XV)/RES/283, GC(XX)/RES/341, GC(XXIV)/RES/376 and GC(XXVII)/RES/416.

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- (b) Safeguards expenses, which shall include all expenses relating to the Agency's safeguards activities.
2. Non-safeguards expenses shall be borne by Members in proportion to their respective base rates of assessment calculated by application of the principles set forth in resolution GC(III)/RES/50, as amended by GC(XXI)/RES/351.
  3. Safeguards expenses, after deduction of such amounts as are recoverable under agreements relating to safeguards between the Agency and parties to such agreements that are not Members of the Agency, shall be borne by Members as follows:
    - (a) The contribution of each Member not listed in Table 3 of document GC(XXVII)/691/Mod.1 shall continue to be frozen at the amount for which that Member was or would have been assessed for 1976;
    - (b) Each of the 36 Members which are listed in Table 3 of document GC(XXVII)/691/Mod.1 and which accordingly contributed to the safeguards component in 1986 pursuant to the provisions in sub-paragraph 3(b) of resolution GC(XXVII)/RES/416, and any Member notifying the Director General that it wishes to be included among the Members listed in the above-mentioned table shall contribute on a scale to be determined, taking into account sub-paragraph (d) (ii) below, by proportionally increasing its base rate of assessment applicable for the year of assessment in such a way that the total contributions of those Members amount to the safeguards component for 1986 minus the total amount contributed by the Members referred to in sub-paragraph (a) above, such difference being adjusted to take into account price increases - with 1986 (100) as a base - as identified by the Board when recommending the Regular Budget to the General Conference;
    - (c) The rest of the expenses shall be borne in proportion to their base rates of assessment by the following Members: the Byelorussian Soviet Socialist Republic, France, the Ukrainian Soviet Socialist Republic, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, and by any other Member notifying the Director General that it wishes to contribute also to those expenses during any given year; and

- (d) (i) in the case of the admission of a new Member which is qualified to receive relief, that Member should contribute an amount equal to that which it would have to contribute if it had been a Member during 1986;
- (ii) a new Member qualified for inclusion in Table 3 of document GC(XXVII)/691/Mod.1 shall contribute together with and on the same basis as the Members referred to in sub-paragraph (b) above. The amount to be contributed by a new Member shall be determined by the Director General in accordance with the Agency's established method of computation.

Explanatory note

1. This proposal contains all the provisions of the proposal made by Venezuela in document GOV/2181 of 21 September 1984. However, it would limit their duration to a period of five years (1987-91).
2. As from 1987, the cost of those increases in the safeguards budget relative to 1986 which are over and above the increases attributable to inflation would be payable by the countries referred to in sub-paragraph 3(c) and by countries wishing to contribute voluntarily.
3. As from 1987, the proposal would limit the contributions of the other industrialized countries to the amount of the safeguards budget for 1986 as increased on the basis of the inflation rate.

**Commentary by Belgium on its 1985 proposal**

In the light of the discussion in the Informal Working Group, Belgium would like to confirm that its 1985 proposal is still on the table.

However, while the essence of the proposal remains unchanged, paragraphs 1 and 3 should be brought up to date:

- re. para. 1, following the consensus arrived at in 1989, the contributions of the shielded countries would be frozen at the 1990 level except in so far as they increased with inflation;
- re. para. 3, China would be added to the six States named in sub-paragraph 3(c).

The Belgian proposal distinguishes between three types of contributors:

1. The shielded countries, whose contributions would be frozen at the 1990 level except in so far as they increased in subsequent years as a result of inflation;
2. The 36 main contributors, whose contributions would cover the rest of the safeguards budget and also increase as a result of inflation; and
3. The Byelorussian SSR, China, France, the Ukrainian SSR, the USSR, the United Kingdom and the United States, which would cover any safeguards budget increases over and above those due to inflation.

The rationale of the Belgian proposal is economic, not political. The countries mentioned in paragraph 3 above are not subject to full-scope safeguards. Moreover, according to the Agency's Secretariat, the additional cost of applying full-scope safeguards in these countries would be \$ 75 million.

Our experience of full-scope safeguards inspections indicates that for each dollar spent by the Agency at least one dollar has to be spent by the inspected country. Hence, the countries mentioned in paragraph 3 "save" at least \$ 75 million. This is the economic justification for our proposal.

RESTRICTED

The "Indonesian proposal" worked out by Ambassador Sudirdjo of Indonesia (Chairman of the Board in 1985-86) and Messrs. Hoehne (GDR), Kelso (Australia), Morales (Cuba), Shash (Egypt) and Van Gorkom (Netherlands)

1986-05-23

FINANCING OF SAFEGUARDS

1. It is recognized that any arrangements for the financing of safeguards should incorporate certain basic elements, and these may be identified as follows:
  - (a) All Member States have a joint responsibility for the efficient and effective operation of safeguards and therefore for contributing towards the safeguards expenses;
  - (b) However, relief needs to be given to those Member States whose financial/economic capacity is limited;
  - (c) Any new financing arrangements agreed upon should operate for a reasonable period of time and also possess certain dynamic features.
  
2. In the light of these basic elements, it is concluded that the present arrangements for the financing of safeguards need to be revised with effect from 1987 and that the principal features should be as follows:
  - (a) The list of "shielded" members will remain as at present for the duration of the revised arrangements and then be reviewed;

- (b) The shielded members will together contribute 2.5% of the safeguards budget. The assumption is that the total contribution of the shielded members would not at any time during the operation of the revised arrangements exceed a sum between 1.2 and 1.5 million U.S. dollars;
  - (c) The assessment of all Member States of the Agency will be made on the basis of the currently applicable base rates in respect of the Agency's Budget;
  - (d) The revised arrangements will operate for a period of 5 years and be reviewed one year before they expire, with a view to reaching agreement on arrangements for the period thereafter.
3. The Chairman will hold informal consultations with Governors and other interested persons on these proposed arrangements for the financing of safeguards. It is expected that they will then be discussed in the regional groups before the meetings of the Board in June 1986. The Chairman's consultations will commence after the Administrative and Budgetary Committee has concluded its meetings.

SUGGESTED PRINCIPLES

Proposal by India

Principles

- II.1 Responsibility of all States to participate in the financing of safeguards as in previous years.
- II.2 Preferential treatment for certain States in the form of shielding from enhanced contributions in accordance with resolution GC(XX)/RES/341 of 1976.
- II.3 The identification of criteria, economic factors (indicators) and other factors (indicators), for both "shielded" and "unshielded" countries, should be precise and unambiguous.
- II.4 Acceptance of "shielding" should be voluntary.
- II.5 Any new agreed financing arrangements should operate for a reasonable period of time and should possess certain dynamic features subject to II.2 above.
- II.6 Costs of certain safeguards activities to be met through voluntary contributions.
- II.7 Need for economy in safeguards expenses through efficiency and effectiveness in safeguards implementation.

4 April 1990

3459Y/4/239Y



## THE FINANCING OF SAFEGUARDS

### Draft resolution proposed by Italy

#### REVISED ARRANGEMENTS FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE AGENCY'S REGULAR BUDGET

#### The General Conference

(a) Recalling its resolutions embodying principles for the assessment of Members' contributions towards the Agency's Regular Budget (1),

(b) Being informed of a revised set of arrangements providing for the financing of safeguards activities of the Agency which the Board of Governors has endorsed, and

(c) Considering it desirable to revise the present arrangements for financing of safeguards in order to arrive at stable arrangements

Establishes the following revised arrangements for the assessment of Members' contributions towards the Agency's Regular Budget to supplement those it approved by resolution GC(III)/RES/50, as amended by resolution GC(XXI)/RES/351, and to replace those it approved by resolutions GC(XXIV)/RES/376 and GC(XXVII)/RES/416, GC(XXX)/RES/462 and GC(XXXIII)/RES/512.

1. Each Member's contribution towards the Agency's Regular Budget shall comprise a non-safeguards component and a safeguards component, corresponding respectively to that Member's assessment in respect of:

(a) Non-safeguards expenses, which shall include all

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1) GC(III)/RES/50, as amended by GC(XXI)/RES/351, GC(XV)/RES/283, GC(XX)/RES/341, GC(XXIV)/RES/376 and GC(XXVII)/RES/416, GC(XXX)/RES/482 and GC(XXXIII)/RES/512.

expenses required to be apportioned among Members in accordance with Article XIV.D of the Statute except safeguards expenses, and

- (b) Safeguards expenses, which shall include all expenses relating to the Agency's safeguards activities.

2. Non-safeguards expenses shall be borne by Members in proportion to their respective base rates of assessment calculated by application of the principles set forth in resolution GC(III)/RES/50, as amended by GC(XXI)/RES/351.

3. Safeguards expenses, after deduction of such amounts as are recoverable under agreements relating to safeguards between the Agency and parties to such agreements that are not Members of the Agency, shall be borne by Members as follows:

- (a) The contribution of each Member included in the list of Member States qualifying to receive partial relief in respect of their assessments for the safeguards component of the Regular Budget shall continue to be frozen at the amount for which that Member was or would have been assessed for 1976, increased by percentages equal to the price increase percentages on which the Regular Budgets are based;
- (b) Each of the other Members which are not included in that list and which accordingly contributed to the safeguards component in 1989 pursuant to the provisions of resolution GC(XXX)/RES/462, and any Member notifying the Director General that it wishes not to be included among the Members listed in the above-mentioned list shall contribute on a scale to be determined, taking into account sub-paragraph (d) (ii) below, by proportionally increasing its base rate of assessment applicable for the year of assessment in such a way that the total contributions of those Members amount to the safeguards component for 1989 minus the total amount contributed by the Members referred to in sub-paragraph (a) above, such difference being adjusted to take into account price increases - with 1989 (100) as a base - as identified by the

Board when recommending the Regular Budget to the General Conference;

(c) The rest of the expenses shall be borne in proportion to their base rates of assessment by the Members designated annually for membership on the IAEA Board of Governors in accordance with art. VI.A.1 of the Statute - with the exception of those qualifying to receive partial relief -, and by any other Member notifying the Director General that it wishes to contribute also to those expenses during any given year; and

(d) (i) in the case of the admission of a new Member which is qualified to receive relief, that Member should contribute an amount equal to that which it would have to contribute if it had been a Member during 1989, increased in accordance with the provisions set out in para. 3a above;

(ii) a new Member not qualified for receiving partial relief shall contribute together with and on the same basis as the Members referred to in sub-paragraph (b) above. The amount to be contributed by a new Member shall be determined by the Director General in accordance with the Agency's established method of computation.

Commentary on the draft resolution  
proposed by Italy

The Italian proposal is aimed at establishing arrangements for the financing of safeguards in a medium-term, stable perspective. We are of the opinion that any stable arrangements would have to incorporate generally acceptable criteria and possess dynamic features, thereby ensuring their implementation for a number of years.

The criteria on which this proposal is based can be resumed as follows:

- safeguards are a joint responsibility of the entire international community,
- contributions towards safeguards expenses have to be proportionate to the ability of Member States to pay,
- account must be taken of the particular responsibility of some members of the Board of Governors which, by virtue of their indefinite tenure in this governing body, should assume corresponding responsibilities. In this respect, it is to be emphasized that the above is not a political criterion, but rather a technical and economic indicator. Indeed, designated members are, in accordance with Article VI.A.1 of the Statute, by definition the most advanced in the technology of atomic energy and therefore those which derive the greatest advantages from the use of nuclear energy.

These criteria are reflected in the various parts of the proposal:

1. The ability of Member States to pay is recognized in sub-paragraph 3(a), maintaining the difference between shielded and unshielded Members.

The fact that we recognize the validity of this approach does not, however, imply recognition of the lists as they appear in Tables 2 and 3 of document GC(XXXIII)/884/Rev.1 ("Scale of assessment of Members' contributions for 1990"). It is therefore necessary to review and update these lists. The criteria and parameters taken into consideration at the time when the lists were drawn up (1971) and subsequently modified (1976 and 1980) were somewhat arbitrary, and since 1983 they have been practically nullified through the decision to simply freeze the lists (GC(XXVII)/RES/416).

2. The main part of the Agency's safeguards expenses would be financed by the industrialized Member States up to the level of the 1989 budget. They would also pay for increases attributable to inflation. In addition, it is foreseen that developing Member States wishing to do so might participate in full in the financing of safeguards, on the basis of their perception of the importance of the Agency's safeguards activities as a means of pursuing non-proliferation and fostering international co-operation in the peaceful uses of nuclear energy and of their conviction that safeguards expenditures are justified.

The proposal to take as a basis the safeguards budget for 1989 stems from the consideration that the arrangements adopted last September were not accepted by all Member States.

3. The particular responsibilities of some members of the Board with regard to the Agency's policy and its financial implications is taken care of in sub-paragraph 3(c). These Board members (and other Member States wishing to do so voluntarily) would pay for increases due to both programme and price increases.

4. As to the dynamic features of the proposal, they are embodied in the provisions which foresee the participation of Member States in the expenses resulting from price increases and of all Member States so wishing to participate also in the expenses arising from programme increases.



NOTE BY THE DIRECTOR GENERAL

LONG TERM BUDGET PROJECTIONS FOR THE AGENCY'S SAFEGUARDS PROGRAMME

On May 14, 1990 during the 3rd Meeting of the informal Working Group on the "Financing of Safeguards" under the chairmanship of H.E. Ambassador T. Strulak a Note by the Director General with the above mentioned title was distributed. After a brief examination of the document the Working Group requested the Secretariat to provide additional information. This Note is the Director General's response to that request.

The Working Group will recall that in the earlier Note on this subject the Secretariat explained that it was gathering information for presentation of estimates under two scenarios. These scenarios are

1. No fundamental change in the safeguards agreements and subsidiary arrangements currently in effect will occur;
2. Those non-nuclear weapon States which have not accepted full scope safeguards on their entire nuclear programmes by virtue of ratification of the NPT or by some other means will accept full scope safeguards.

The attachments to this Note include:

1. an overall summary of the estimated costs of implementing IAEA safeguards under the two scenarios outlined above over the 10 year period 1991 - 2000;
2. a more detailed break-down of the 10 year cost estimates -  
scenario 1;
3. a more detailed break-down of the 10 year cost estimates -  
scenario 2;
4. workload estimates covering the 10 year period - scenario 1;
5. workload estimates covering the 10 year period - scenario 2;
6. projected budget increase assuming changes in the level of safeguards in the nuclear weapon states.

In the attached cost estimates the expected safeguards inspection workload for each year is shown as PLARIE. PLARIE is the planned actual routine inspection effort prepared by the Secretariat on the basis of information supplied by Member States and takes into account the actual inspection effort expended during previous years.



SCENARIO 1: No fundamental change in existing safeguards agreements and subsidiary arrangements	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>Workload</b>										
Plarie	10,900	11,200	11,200	11,200	11,300	11,500	12,000	13,500	13,700	13,700
Number of installations	982	993	1,000	1,007	1,016	1,024	1,035	1,043	1,050	1,053
<b>Budget requirements</b>										
- Verification	35,557,000	37,322,000	35,000,000	34,000,000	35,000,000	36,000,000	38,000,000	44,000,000	43,000,000	43,000,000
- Negotiation/Liaison with State Authorities	3,227,000	3,251,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Nuclear material accountancy	3,674,000	3,681,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
- Support and development	12,808,000	13,869,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
- Safeguards management	2,151,000	2,144,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Safeguards Programme	57,417,000	60,267,000	58,000,000	57,000,000	58,000,000	59,000,000	61,000,000	67,000,000	66,000,000	66,000,000

SCENARIO 2: Existing safeguards workload plus additional workload which would arise if full scope safeguards were applied in all non-nuclear weapon States	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>Workload</b>										
Plarie	13,900	14,200	14,200	14,200	15,100	15,300	16,100	17,800	18,300	18,300
Number of installations	1,039	1,050	1,057	1,064	1,077	1,087	1,102	1,111	1,126	1,129
<b>Budget requirements</b>										
- Verification	45,365,000	44,401,000	45,000,000	44,000,000	47,000,000	47,000,000	52,000,000	58,000,000	57,000,000	57,000,000
- Negotiation/Liaison with State Authorities	3,414,000	3,438,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Nuclear material accountancy	3,723,000	3,730,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
- Support and development	13,869,000	13,869,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
- Safeguards management	2,151,000	2,151,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Safeguards Programme	68,522,000	67,589,000	68,000,000	67,000,000	70,000,000	70,000,000	75,000,000	81,000,000	80,000,000	80,000,000

SCENARIO 1: No fundamental change in existing safeguards agreements and subsidiary arrangements

Workload

Plarie  
Number of installations

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	10,900	11,200	11,200	11,200	11,300	11,500	12,000	13,500	13,700	13,700
	982	993	1,000	1,007	1,016	1,024	1,035	1,043	1,050	1,053
<u>Resource requirements</u>										
<u>Staff</u>										
- Inspectors	194	194	194	194	196	200	210	239	243	243
- Inspection assistants	21	21	21	21	21	21	21	21	21	21
- General service inspection support staff	73	73	73	73	74	75	78	88	89	89
- Professional support staff	99	99	99	99	99	99	99	99	99	99
- General service support staff	113	113	113	113	114	114	114	114	114	115
	500	500	500	500	504	509	522	561	566	567
<u>Budget</u>										
- Verification										
- Staff costs	19,271,000	19,728,000	20,000,000	20,000,000	20,000,000	20,000,000	21,000,000	24,000,000	24,000,000	24,000,000
- Travel costs	5,733,000	5,904,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	7,000,000	7,000,000	7,000,000
- Equipment and expendables	5,818,000	6,946,000	5,000,000	4,000,000	5,000,000	6,000,000	6,000,000	8,000,000	7,000,000	7,000,000
- Sample analysis	3,322,000	3,322,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Other directly related activities	1,413,000	1,422,000	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	35,557,000	37,322,000	35,000,000	34,000,000	35,000,000	36,000,000	38,000,000	44,000,000	43,000,000	43,000,000
- Negotiation/Liaison with State Authorities *	3,227,000	3,251,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Nuclear material accountancy *	3,674,000	3,681,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
- Support and development *	12,808,000	13,869,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
- Safeguards management *	2,151,000	2,144,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Safeguards Programme	57,417,000	60,267,000	58,000,000	57,000,000	58,000,000	59,000,000	61,000,000	67,000,000	66,000,000	66,000,000
Percentage increase in the budget compared with the base year 1991		5.0%	1.0%	-0.7%	1.0%	2.8%	6.2%	16.7%	14.9%	14.9%

SCENARIO 2: Existing safeguards workload plus additional workload which would arise if full scope safeguards were applied in all non-nuclear weapon States

Workload

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Plarie	13,900	14,200	14,200	14,200	15,100	15,300	16,100	17,800	18,300	18,300
Number of installations	1,039	1,050	1,057	1,064	1,077	1,087	1,102	1,111	1,126	1,129

Resource requirements

Staff

- Inspectors	254	254	254	254	272	276	292	325	335	335
- Inspection assistants	21	21	21	21	21	21	21	21	21	21
- General service inspection support staff	93	93	93	93	99	100	105	117	120	120
- Professional support staff	99	99	99	99	99	99	99	99	99	99
- General service support staff	114	114	114	114	116	116	116	116	116	117
	581	581	581	581	607	612	633	678	691	692

Budget

- Verification										
- Staff costs	25,880,000	26,337,000	27,000,000	27,000,000	28,000,000	28,000,000	30,000,000	34,000,000	34,000,000	34,000,000
- Travel costs	7,311,000	7,485,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	9,000,000	9,000,000	9,000,000
- Equipment and expendables	7,050,000	5,454,000	6,000,000	5,000,000	7,000,000	7,000,000	8,000,000	9,000,000	8,000,000	8,000,000
- Sample analysis	3,322,000	3,322,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Other directly related activities	1,802,000	1,803,000	1,000,000	1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	45,365,000	44,401,000	45,000,000	44,000,000	47,000,000	47,000,000	52,000,000	58,000,000	57,000,000	57,000,000
- Negotiation/Liaison with State Authorities *	3,414,000	3,438,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
- Nuclear material accountancy *	3,723,000	3,730,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
- Support and development *	13,869,000	13,869,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
- Safeguards management *	2,151,000	2,151,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Safeguards Programme	68,522,000	67,589,000	68,000,000	67,000,000	70,000,000	70,000,000	75,000,000	81,000,000	80,000,000	80,000,000
Percentage increase in the budget compared with the base year 1991 under scenario 1	19.3%	17.7%	18.4%	16.7%	21.9%	21.9%	30.6%	41.1%	39.3%	39.3%

SCENARIO 1: No fundamental change in existing safeguards agreements and subsidiary arrangements		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
A: Power reactors	No. Plarie	216 3,000	227 3,100	233 3,100	239 3,100	245 3,100	253 3,200	263 3,400	270 3,500	277 3,600	278 3,600
B: Research reactors and critical assemblies	No. Plarie	175 900	175 900	175 900	175 900	178 900	178 900	179 900	179 900	179 900	181 900
C: Conversion plants	No. Plarie	8 400	8 400	8 400	8 400	8 400	8 400	8 400	8 400	8 400	8 400
D: Fuel fabrication plants	No. Plarie	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300	47 3,300
E: Reprocessing plants	No. Plarie	6 1,200	6 1,200	7 1,200	8 1,200	8 1,300	8 1,400	8 1,600	8 2,900	8 3,000	8 3,000
F: Enrichment plants	No. Plarie	9 500	9 600	9 600	9 600	9 600	9 600	9 600	10 700	10 700	10 700
G: Separate storage facilities	No. Plarie	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200	48 1,200
H: Other facilities	No. Plarie	55 300	55 300	55 300	55 300	55 300	55 300	55 300	55 300	55 300	55 300
I: Other locations	No. Plarie	416 100	416 100	416 100	416 100	416 100	416 100	416 200	416 200	416 200	416 200
J: Non-nuclear installations	No. Plarie	2 0	2 100	2 100	2 100	2 100	2 100	2 100	2 100	2 100	2 100
<b>TOTAL</b>	No. Plarie	<b>982 10,900</b>	<b>993 11,200</b>	<b>1,000 11,200</b>	<b>1,007 11,200</b>	<b>1,016 11,300</b>	<b>1,024 11,500</b>	<b>1,035 12,000</b>	<b>1,043 13,500</b>	<b>1,050 13,700</b>	<b>1,053 13,700</b>

(All financial figures are shown at an exchange rate of 12.70 and at 1991 price levels)

SCENARIO 2: Existing safeguards workload plus additional workload which would arise if full scope safeguards were applied in all non-nuclear weapon States

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
A: Power reactors	No.	219	230	236	242	250	260	273	281	291	292
	Plarie	3,200	3,300	3,300	3,300	3,500	3,600	4,000	4,200	4,400	4,400
B: Research reactors and critical assemblies	No.	182	182	182	182	185	185	186	186	190	192
	Plarie	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,300	1,300
C: Conversion plants	No.	16	16	16	16	16	16	16	16	16	16
	Plarie	500	500	500	500	500	500	500	500	500	500
D: Fuel fabrication plants	No.	58	58	58	58	59	59	60	60	61	61
	Plarie	3,600	3,600	3,600	3,600	3,700	3,700	3,700	3,700	3,700	3,700
E: Reprocessing plants	No.	14	14	15	16	16	16	16	16	16	16
	Plarie	2,100	2,100	2,100	2,100	2,300	2,400	2,600	4,000	4,100	4,100
F: Enrichment plants	No.	17	17	17	17	18	18	18	19	19	19
	Plarie	1,200	1,300	1,300	1,300	1,700	1,700	1,800	1,900	1,900	1,900
G: Separate storage facilities	No.	48	48	48	48	48	48	48	48	48	48
	Plarie	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
H: Other facilities	No.	55	55	55	55	55	55	55	55	55	55
	Plarie	300	300	300	300	300	300	300	300	300	300
I: Other locations	No.	416	416	416	416	416	416	416	416	416	416
	Plarie	100	100	100	100	100	100	200	200	200	200
J: Non-nuclear installations	No.	14	14	14	14	14	14	14	14	14	14
	Plarie	600	700	700	700	700	700	700	700	700	700
<b>TOTAL</b>	No.	1,039	1,050	1,057	1,064	1,077	1,087	1,102	1,111	1,126	1,129
	Plarie	13,900	14,200	14,200	14,200	15,100	15,300	16,100	17,800	18,300	18,300

PROJECTED BUDGET INCREASE ASSUMING CHANGES IN THE LEVEL  
OF SAFEGUARDS IN NUCLEAR WEAPON STATES

	1991	1992
Option 1: (Safeguard all nuclear material in all peaceful facilities in all nuclear weapon States)	75 000 000	75 000 000
Option 2: (Safeguard all nuclear material in all facilities on Voluntary Offer lists)	60 000 000	60 000 000
Option 3: (Full reporting plus inspection of all unirradiated direct-use material)	15 150 000	15 150 000
Option 4: (Full reporting on status of and changes in nuclear material in all peaceful nuclear facilities).	150 000	150 000