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THE FINANCING OF TECHNICAL ASSISTANCE

On 13 September 1994, the Board of Governors considered a report by the Chairman of the Informal Working Group on the Financing of Technical Assistance and decided that the report should be submitted to the General Conference. The report is reproduced in the Annex hereto.

THE FINANCING OF TECHNICAL ASSISTANCE

Report by the Chairman of the Informal Working Group

I. MANDATE

1. In September 1991 the General Conference, in operative paragraph 1 of resolution GC(XXXV)/RES/562, requested the Board of Governors "to establish, with no financial implications, an informal working group on the financing of technical assistance, with a view to advising the Board on ways and means to implement fully resolution GC(XXV)/RES/388, in which the Conference requested the Board, inter alia, to take the necessary measures so that technical assistance is funded through predictable and assured resources"; at its meeting immediately after the Conference's 1991 session the Board established the Informal Working Group on the Financing of Technical Assistance. In December 1991 the Board appointed Ambassador Eugino Anguiano, the Governor from Mexico, as Chairman of the Informal Working Group.

2. Last year the General Conference decided that the Informal Working Group should continue its work, and in December the Board appointed Ambassador Agus Tarmidzi, the Governor from Indonesia, as the Group's new Chairman.

3. From the report of the former Chairman of the Informal Working Group, it was clear that the task entrusted to the new Chairman would not be an easy one. However, when Indonesia agreed to provide the Chairman of the Group, it did so in the belief that continued efforts should be made to explore ways and means of increasing the Technical Assistance and Co-operation Fund (TACF) and thereby making it an effective instrument for the transfer of technology for the peaceful utilization of nuclear energy.

II. OBJECTIVES

4. In conformity with part of its mandate the Informal Working Group has been seeking to increase the level of voluntary contributions towards the TACF targets by persuading Member States to pledge appropriately and fulfil their pledges.

5. Also, both recipient and donor States should endeavour to induce recipient States to pay assessed programme costs.

III. METHODOLOGY

6. In an effort to attain the above-mentioned objectives, the Chairman of the Group prepared an "informal paper" with 1991, 1992 and 1993 data as the basis for discussions with Member States.

7. The data, collected after discussions with the Director of Budget and Finance and his staff, included:

- (a) The total amount of the voluntary contributions (target) and the payments (pledges) of Member States (both donor and recipient countries).
- (b) The total amount of the regular contributions beyond regular contributions for the safeguards component (non-safeguards component) for recipient countries.
- (c) The total amount of the technical assistance received by recipient countries.
- (d) The total and outstanding amounts of assessed programme costs.
- (e) The total amount of the extrabudgetary fund of each programme of activities.

8. During preparation of the informal paper, discussions were held with Mr. Edward Polansky, the former Secretary of the Informal Working Group, and later with Mr. Ali F. El-Saiedi, the successor to Mr. Polansky. Discussions were also held with the Deputy Director General for Technical Co-operation, Mr. Qian Jihui, and other senior members of the Secretariat.

9. The discussions focused on five alternative proposals aimed at attaining the objectives. The proposals are:

- (a) To change the term "voluntary contribution" to "contribution to the TACF".
- (b) To increase the cash flow in the current budget year, the Regular Budget cash surplus normally reimbursed to Member States being utilized as advance payment of voluntary contributions.
- (c) The Department of Technical Co-operation, in evaluating countries receiving technical assistance, should give special consideration to recipient States which make full and timely contributions to the TACF and pay assessed programme costs.
- (d) Recipient States which do not make contributions in accordance with the target amount and do not pay assessed programme costs should, in the following year, receive a sum of technical assistance deducted from an amount stated in the target plus the assessed programme costs which it failed to pay in the years before.
- (e) To maintain the existing system of a purely voluntarily funded TACF.

10. The raison d'être of the proposals is as follows:

- (a) Some Member States have difficulties in paying their contribution simply because of the voluntary nature of the contribution. It is hoped that deletion of the word "voluntary" will induce the relevant financial institutions to be more lenient in paying this contribution. In legal terms, however, this change does not mean that the nature of the contribution would become an obligatory one.
- (b) Owing to delays in the payment of contributions to the TACF, the Department of Technical Co-operation is often faced with cash flow difficulties. It is considered that use of the Agency's cash surplus as an advance payment of contributions might help to reduce the problem.
- (c) Although contributions to the TACF from recipient countries in 1993 accounted for 11.5% of the TACF target, it is assumed that the provision of incentives to Member States which pay their contributions in a timely manner might increase the contributions to the TACF.
- (d) To discourage recipient States which do not pay their contributions and assessed programme costs, technical assistance to them will be reduced by an amount in the target equal to the sum which they have failed to pay.
- (e) If there is no consensus, the existing system of funding the TACF should be maintained as the most feasible alternative.

11. The informal paper was later forwarded to the Secretariat of the Agency for distribution to Member States. It was distributed on 4 May 1994. In its introduction, Member States were requested to submit their comments in writing not later than 31 May 1994, in order to give sufficient time to the Chairman to conduct bilateral consultations.

12. Five sets of written comments were sent to the Chairman before 31 May 1994. They reflected the following viewpoints:

- (a) Two States prefer to maintain the existing system (alternative (e)).
- (b) Two States are in agreement with alternatives (c) and (d). One State opposes alternatives (a) and (b).
- (c) One State disagrees with alternatives (a) and (b).

13. Bilateral consultations with representatives of Member States' Permanent Missions were conducted from 11 to 29 July 1994.

IV. BILATERAL CONSULTATIONS

14. The original plan of the bilateral consultations was to invite 62 countries - 24 donor and 38 recipient countries. However, owing to the summer holiday season, the representatives of only 54 countries (21 donor and 33 recipient countries) could be reached by telephone.

15. Of these 21 donor countries, 13 had paid their pledges towards the TACF target in full, two had paid less than 50% of their pledges towards the target and six had not made any pledge towards the target.

16. The position of these 33 recipient countries was as follows:

- 17 had paid their pledges to the target in full
- 3 had paid more than 50% of their pledges towards the target
- 4 had paid less than 50% of their pledges towards the target
- 9 had not made any pledge towards the target.

17. The degree of response of the 21 donor countries may be illustrated as follows:

- 13 accepted the invitation to bilateral consultations
- 2 sent comments in writing
- 3 did not respond to the invitation
- 2 accepted the invitation but gave no comments (their representatives had no instructions)
- 1 gave its comments via telephone.

18. The degree of response of the 33 recipient countries may be illustrated as follows:

- 18 accepted the invitation to bilateral consultations
- 5 accepted the invitation but gave no comments (their representatives had no instructions)
- 1 gave its comments via telephone
- 9 did not respond to the invitation.

19. A table with the results of the bilateral consultations is attached to this report.

20. A number of thoughtful comments and proposals were made by some Member States during the bilateral consultations, as follows:

- (a) Some countries stated that they could support alternative (b) if cash surpluses could be used on a case-by-case basis for projects already approved by the Board.
- (b) Cash surpluses should be treated not as advance payments but as extra contributions.

- (c) Alternative (d) needs further consideration - its wording should be toned down to adjust to specific situations or case-by-case principles. In this context, some countries proposed that a decision to impose sanctions on countries which do not pay their contribution be delayed for several years.
- (d) One country suggested that, in applying alternative (d), the Department of Technical Co-operation should inform the Board when it considered that certain countries have acceptable reasons for not being able to pay their contributions. On the basis of the information provided by the Department of Technical Co-operation, the Board could take further decisions regarding certain countries which cannot pay their contributions for a number of consecutive periods (for example, three).
- (e) One country suggested that the TACF not be used for big projects (such as the construction of nuclear power plants) which could have an impact on the Agency's financial system.
- (f) There is a considered view that the Agency should find ways and means to communicate with Member States in order to convince them to pay their contributions.
- (g) If Member States are in agreement only with alternative (e), they should also consider the possibility of managing the cash surplus of the Agency.

V. CONCLUSION

21. The results of bilateral consultations have revealed that a consensus cannot be reached on the various alternative proposals submitted for discussion.

22. In general, most donor countries and some recipient countries had doubts about the effectiveness of deleting the word "voluntary".

23. However, some donor countries expressed their willingness to support alternatives (a) and (b) provided that a consensus can be reached on these alternatives.

24. In the absence of a consensus, the most feasible alternative is to maintain the existing system.

25. Finally, it may be assumed that, while no consensus was achieved on the various alternative proposals, the overall responses of Member States during the bilateral consultations were very constructive and fruitful. However, there is concern about whether the general positive trend in TACF contributions in 1993 will continue in 1994.

26. Given the high awareness of many donor and recipient countries that technical assistance continues to be essential to the peaceful utilization of nuclear energy and given also the wish of the United Nations to increase the effectiveness of technical co-operation, continued efforts should be made to explore ways and means of increasing the contributions to the TACF and making the funding of technical co-operation predictable and assured.

TABLE

**ALTERNATIVE (A)
DONOR COUNTRIES**

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	1	3	7
less 1/2 pledge to target	–	–	–
more 1/2 pledge to target	–	–	–
no pledge	1	3	1
total	2	6	8

RECIPIENT COUNTRIES

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	11	1	2
less 1/2 pledge to target	–	2	–
more 1/2 pledge to target	–	–	1
no pledge	2	–	–
total	13	3	3

**ALTERNATIVE (B)
DONOR COUNTRIES**

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	–	7	4
less 1/2 pledge to target	–	–	–
more 1/2 pledge to target	–	–	–
no pledge	2	1	2
total	2	8	6

RECIPIENT COUNTRIES

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	12	–	2
less 1/2 pledge to target	–	–	1
more 1/2 pledge to target	–	2	–
no pledge	2	–	–
total	14	2	3

**ALTERNATIVE (C)
DONOR COUNTRIES**

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	7	1	3
less 1/2 pledge to target	–	–	–
more 1/2 pledge to target	–	–	–
no pledge	2	–	3
total	9	1	6

RECIPIENT COUNTRIES

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	12	–	2
less 1/2 pledge to target	–	2	–
more 1/2 pledge to target	–	–	1
no pledge	1	1	–
total	13	3	3

**ALTERNATIVE (D)
DONOR COUNTRIES**

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	4	1	6
less 1/2 pledge to target	–	–	–
more 1/2 pledge to target	–	–	–
no pledge	2	1	2
total	6	2	8

RECIPIENT COUNTRIES

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	5	7	2
less 1/2 pledge to target	–	2	–
more 1/2 pledge to target	–	–	1
no pledge	–	1	1
total	5	10	4

**ALTERNATIVE (E)
DONOR COUNTRIES**

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	10	-	1
less 1/2 pledge to target	-	-	-
more 1/2 pledge to target	-	-	-
no pledge	4	-	1
total	14	-	2

RECIPIENT COUNTRIES

	IN FAVOUR	AGAINST	NEUTRAL
full pledge to target	3	-	11
less 1/2 pledge to target	2	-	-
more 1/2 pledge to target	1	-	-
no pledge	-	-	2
total	6	-	13

SUMMARY:

ALTERNATIVE (A)

	IN FAVOUR	AGAINST	NEUTRAL
DONOR	2	6	8
RECIPIENT	13	3	3
TOTAL	15	9	11

ALTERNATIVE (B)

	IN FAVOUR	AGAINST	NEUTRAL
DONOR	2	8	6
RECIPIENT	14	2	3
TOTAL	16	10	9

ALTERNATIVE (C)

	IN FAVOUR	AGAINST	NEUTRAL
DONOR	9	1	6
RECIPIENT	13	3	3
TOTAL	22	4	9

ALTERNATIVE (D)

	IN FAVOUR	AGAINST	NEUTRAL
DONOR	6	2	8
RECIPIENT	5	10	4
TOTAL	11	12	12

ALTERNATIVE (E)

	IN FAVOUR	AGAINST	NEUTRAL
DONOR	14	–	2
RECIPIENT	6	–	13
TOTAL	20	–	15