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Thirty-ninth regular session  
Items 12 and 13 of the provisional agenda  
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**THE FINANCING OF TECHNICAL ASSISTANCE  
AND  
THE FINANCING OF SAFEGUARDS**

The summary records of the discussions in the Board of Governors in June and September 1995 (GOV/OR.874, 875, 877, 879, 880 and 881) on "The financing of technical assistance" and "The financing of safeguards" are reproduced in the Annex.



EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 874th MEETING

OTHER MATTERS ARISING FROM RESOLUTIONS AND DECISIONS OF THE  
GENERAL CONFERENCE

THE FINANCING OF TECHNICAL ASSISTANCE

12. The CHAIRMAN said that the item was included in the agenda pursuant to General Conference resolution GC(XXXVIII)/RES/11.

13. Mr. DOSHI (India), speaking in his capacity as Chairman of the informal working group on the financing of technical assistance, said that the group had met three times since the Board's last series of meetings. The subject of a target for voluntary contributions for 1996 had been discussed at great length on all three occasions, and the issue of creating a more dependable and predictable system for financing technical co-operation had been raised at the first meeting. The Secretariat had provided the group with a useful study of the pros and cons of a proposal to fund technical co-operation from the Agency's Regular Budget.

14. No decisions had been reached, and progress had been made only on the target. Though a precise figure had not been set, the discussion had raised four possibilities. One important donor country had been in favour of zero nominal growth, in other words no increase over the figure for 1995. The most important donor country had agreed to a figure US \$1 million higher than the figure for the current year. Most of the other donor countries had been prepared to accept a figure reflecting zero real growth, which according to the Secretariat's calculations, could mean a figure increased by \$2.2 million to offset inflation. The Group of 77 had proposed an increase by \$5 million, including both the \$2.2 million for inflation and a further \$1.8 million to cover fluctuations in the rates of exchange of major currencies. The Group of 77 had also proposed that matching increases should be made in the indicative planning figures for 1997 and 1998. Given that situation, the informal working group now sought the Board's advice on how it should pursue the two issues it was working on in the months ahead.

15. Speaking as the representative of his Government, he pointed out that India, though receiving no share of the TCF, did contribute to it because, as a founder member of the Agency, it fully supported the objectives set out in Article II of the Statute. India's own nuclear programme had been launched in the early 1950s with the exclusive goal of harnessing atoms for peaceful purposes. However, many statements heard recently had given the impression that the Agency's central objectives were, first, safeguards, and secondly, promotion. That understanding of the objectives was erroneous, indeed dangerous, as even a cursory reading of Article II showed that the safeguards responsibilities stemmed from the promotional aims.

16. Believing as it did that international co-operation was an indispensable part of development, India was dismayed to find that at some point during the last few years, the developed countries had lost interest in assisting developing countries. The phenomenon of "donor fatigue" had arisen at a particularly unfortunate time for the Agency's technical co-operation programme, when the Agency was doing outstanding work and had the capacity to do much more. The only real constraint was lack of funds. There were many possible causes for donor fatigue, ranging from changed cultural values and obstructions in the decision-making process to new tactical considerations. The cause most frequently advanced was lack of money, but in his view, that could not be a valid reason since countries which could cheerfully part with large amounts of money to strengthen safeguards could certainly spare some dollars for technical co-operation.

17. There was a need for balance and harmony in the Agency's activities. Lately a tendency had evolved to reduce the Agency's functions to simply policing the world. That tendency needed to be corrected. In order to survive, the Agency needed the strength offered by both safeguards and promotion. There was really only one permanent solution to a problem that was beginning to become a threat: to make the financing of technical co-operation as obligatory, and therefore as dependable and predictable, as the financing of safeguards.

18. Mr. EL HUSSEIN (Sudan)\* confirmed that the Group of 77 wished to recommend an annual increase in the indicative planning figures by \$5 million over the next three years.

19. Mr. MEADWAY (United Kingdom) thanked the Governor from India for the hard work he had done as Chairman of the informal working group. With an effort of good will, he believed the Board could soon reach consensus on the most urgent aspect of the financing of technical assistance, namely recommending a target for the TCF for 1996. That goal was within the Board's grasp now but might be more difficult to attain in September.

20. Although the total contributions to be made by his country would be influenced by the outcome of the debate on a number of items yet to be discussed, his Government could agree to an increase of \$3 million in the figure for 1996 and to further increases by \$3 million for 1997 and 1998.

21. Mr. RAZAK (Indonesia) said that since one of the Agency's main roles was to assist developing countries in the use of nuclear technology for peaceful purposes in accordance with Article II of the Statute, the financing of such technical assistance should be placed on the same footing as the financing of safeguards. Paragraph 19 of the principles and objectives for nuclear non-proliferation and disarmament adopted by the recent NPT Review and Extension Conference<sup>2</sup> called for every effort to be made to ensure that the Agency had the financial and human resources necessary in order to meet effectively its responsibilities in the areas of technical co-operation, safeguards and nuclear safety. As long ago as 1981, in resolution GC(XXV)/RES/388, the General Conference had called for technical assistance to be funded through predictable and assured resources. The possibility of financing technical co-operation from the Regular Budget should therefore continue to be discussed.

22. Turning to the issue of indicative planning figures he said Indonesia supported the Group of 77 proposal of a \$5 million increase for 1996, consisting of a net increase by

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\* Member States not members of the Board of Governors are indicated by an asterisk.

<sup>2</sup> See document NPT/CONF.1995/32/DEC.2.

\$2 million plus \$3 million to offset inflation. He hoped that net increases by \$2 million would also be achieved with regard to the indicative planning figures for 1997 and 1998 but was flexible and would support any consensus on that matter.

23. Ms. KSENTINI (Algeria) said that the proposal by the Group of 77 to increase the target by \$5 million for 1996 was in line with resolution GC(XXXVIII)/RES/8 on the strengthening of the Agency's technical co-operation activities. Other recent General Conference resolutions, notably GC(XXXVIII)/RES/11 on the financing of technical assistance, had recommended action for the rapid implementation of the call, in resolution GC(XXXV)/RES/388, for technical assistance to be funded either through the Regular Budget or through other comparably predictable and assured resources, which was necessary in order to establish a balance between technical assistance and the Agency's other main activities. The status quo was clearly not an adequate response to those resolutions, and the Board should continue to seek an acceptable overall solution.

24. While it had generally been acknowledged that no direct link should be established between the deliberations of the informal working group on the financing of safeguards and on the financing of technical assistance, a number of delegations, including her own, expected an equitable treatment and parallel development of the two issues.?

25. Mr. HODEL (Switzerland) said that his delegation had wished to avoid the impression of donor fatigue in the working group and had indicated its readiness to accept a real increase in the target, albeit a small one. In the interests of a compromise, therefore, and taking into account the good results already achieved, Switzerland could agree to the suggested increases of \$3 million over the next three years.

26. It was essential, however, that all countries should pledge their proper share of the target and pay their contributions in full and on time.

27. Mr. ARROUCHI (Morocco) pointed out that while there had been widespread support for the new directions in the technical co-operation programme, contributions to the TCF had decreased in 1994 by comparison with 1993. The downward trend in pledges and payments in relation to the agreed targets was a major obstacle to meeting the important

needs of developing Member States, and therefore resolving the issue of the financing of technical co-operation should be among the Agency's immediate priorities.

28. The financing of technical assistance should be approached in the light of resolution GC(XXV)/RES/388, which recognized in its preambular paragraph (b) that both technical assistance and safeguards constituted two main activities of the Agency and should receive equal emphasis.

29. The same resolution suggested two possible options for funding, either through the Regular Budget or through other comparably predictable and assured resources. The Secretariat was consequently invited to explore ways of implementing the second option so as to make TCF resources truly predictable, assured and adequate for the needs of the developing countries. In so doing, the Secretariat should bear in mind the other provisions of that resolution, and in particular those of operative paragraph (2).

30. As that resolution had been adopted in good faith and with expectations of implementation in the early 1980s and had since been invoked repeatedly, it was time that the Agency found a proper response to it.

31. In conclusion, Morocco fully supported the Group of 77's proposal to increase the indicative planning figures by \$5 million over the next three years.

32. Mr. JAMEEL (Pakistan), supporting the proposal of the Group of 77 and recalling the drop in pledges to 72.5% of the target in 1994, agreed that one way of making technical co-operation resources predictable and assured would be to include technical co-operation in the Agency's Regular Budget, while allowing for extrabudgetary inputs as in other programmes. If that was not feasible, its financing should at least be need-based, as in the case of safeguards. The need was obvious from the number of approved projects and footnote-a/ projects, all of which had undergone the strict screening procedures of the Department of Technical Co-operation. It was as much a statutory obligation of the Agency to address those needs as it was to administer safeguards. It was therefore to be hoped that Member States would show a spirit of co-operation and accommodation and enable the informal working group on the financing of technical assistance to agree upon an effective formula.

33. Mr. ARCILLA (Philippines) endorsed the view of the United Kingdom delegation that it might be in the Board's interest to agree a solution on only part of the problem.

34. Article II of the Statute stated quite clearly that the Agency had been established to promote the peaceful uses of nuclear energy. As a consequence, the resources devoted to the promotion of those peaceful uses should be at least equal to those provided by Member States for the programme. Given that there was at present a continuing imbalance in the resources available to the Agency for its various activities, it would seem best to secure obligatory, predictable and dependable resources for the financing of technical assistance by inclusion in the Regular Budget.

35. While endorsing the views of the Group of 77 on that issue, his delegation was encouraged by the spirit of compromise shown by donor countries in respect of the indicative planning figures. In view of the offer now before the Board, it might be worth while exploring the possibility of more acceptable figures for the next three years, e.g. with a gradual increase of \$3 million for the current year, \$4 million for the following year and \$5 million for the third year.

36. Mr. WALKER (Canada) noting that his country had for years been a major contributor to the TCF and, other means of pursuing the objectives of the Agency as set out in Article II of the Statute, stressed that the TCF should be viewed in a wider perspective, bearing in mind that the vast majority of technical co-operation in the nuclear area took place under bilateral and commercial auspices.

37. All the same, Canada was concerned about the recurring need to increase resource flows to the TCF without any strategy for breaking the continued dependency of the Fund on a small number of contributors and expanding the resource base by spreading contributions over more countries.

38. Expectations about funding levels should also be kept in line with the budgetary situations of Member States. Canada's aim with regard to the indicative planning figures was the same as for the Regular Budget, namely zero nominal growth.

39. While Canada would not stand in the way of a consensus, its contribution to the TCF might be subject to the effects of budgetary reviews of Canada's Federal Government expenditures.

40. Mr. KASEMSARN (Thailand), expressed deep concern at the drop in pledges to the TCF by almost 20% over the past ten years and at the fact that in the past two years almost 60% of footnote-a/ projects had not been funded. It was consequently important to make arrangements whereby the Agency's technical assistance would be funded through the Regular Budget or through other comparable, predictable and assured resources, in line with resolution GC(XXV)/RES/388 and the recommendation of the 1995 NPT Review and Extension Conference<sup>3</sup>. The informal working group was to be commended for its efforts in that connection.

41. Taking into account inflation and the progressive increase in demand for technical assistance resources, Thailand supported the Group of 77 proposal that the indicative planning figures should be increased by \$5 million over the next three years.

42. Mr. KHALIL (Tunisia) suggested that the informal working group should continue its commendable efforts to find a global, acceptable solution which would accommodate the recommendation of the Group of 77, the General Conference and the 1995 the NPT Review and Extension Conference.

43. Mr. BENTANCOUR (Uruguay) said that while his Government unreservedly supported the activities of the informal working group, it remained convinced that the best way to finance technical assistance was by voluntary contributions. It was true that problems had arisen with regard to the collection of contributions in recent years, but changing the system of contributions would not necessarily improve matters and might also make it even more difficult to reach agreement on the resources to be made available for technical co-operation.

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<sup>3</sup> See document NPT/CONF.1995/32/DEC.2.

44. Uruguay would continue to participate actively in the informal working group with a view to reaching a solution acceptable to all. In the meantime, it fully associated itself with the proposal in respect of the indicative planning figures made by the Group of 77.

45. Ms. LETTS (Australia) said that the indicative planning figures for technical assistance should as a maximum be kept to zero real growth, with efforts being made to increase the amounts pledged and paid instead of the targets. However, even if a consensus were reached on zero real growth, Australia could not at the present stage make any commitment to the eventual level of its contribution.

46. The Board needed and should be able to find a solution to the key financing problems at its present session, bearing in mind the logistic difficulties to be faced if a decision were left to the General Conference. While there should be no numerical link between the financing of technical assistance and the financing of safeguards, there was a political link and the resolution of one issue depended on the resolution of the other. In order to maintain the positive momentum generated by the 1995 NPT Review and Extension Conference, the Board should try to approach the problem creatively by seeking a joint solution to both issues - probably one that encompassed the ideas mentioned by the Director General in his introductory statement, namely that assistance should be given as a matter of preference to countries meeting their target for contributions and that countries which failed to pledge their fair share and meet that target should be excluded from consideration in the procurement of equipment and services for technical co-operation.

47. Mr. AKAO (Japan) said that while Article II of the Statute set out the Agency's two main objectives, the Board should bear in mind that technical assistance was only one way of promoting the peaceful uses of nuclear energy. Many countries, including Japan, promoted the peaceful uses of nuclear energy without any assistance from the Agency, but benefited from the exchange of information through the Agency, a facility which was valuable to all countries. Furthermore, the Agency was engaged in very important work in the area of nuclear safety and nuclear waste management, both of which were inseparable aspects of the peaceful uses of nuclear energy. That fundamental point should be taken into account when considering the arguments of some developing countries, particularly those in favour of equal budgets for safeguards and technical co-operation.

48. That having been said, the Agency's technical assistance was clearly important for the developing countries, which was why Japan firmly supported the technical co-operation programme and paid its share of the technical co-operation resources in full.

49. The Board's approach should be to set the target figure at its present session and continue, now and in September, to consider ways of ensuring full and timely payment by all Member States. His delegation had already expressed its views on the issue during the discussion of agenda item 4, but he wished to stress that some points made by the Director General deserved further consideration, particularly the proposal that assistance should be given as a matter of preference to countries which met their target for contributions in full, and that preference should also be given in the procurement of equipment and services to fully paid-up Member States.

50. Mr. RITCH (United States of America), endorsing the views expressed by the Governor from Japan, said that despite the commendable efforts of the informal working group, he feared that the differing opinions on the relation between safeguards and technical co-operation would make it impossible for the Board to achieve a full consensus on the issue before it. Governors would agree, however, that both activities were very valuable to the world community; safeguards were crucially important to the non-proliferation regime, while technical co-operation from the Agency was an extraordinarily cost-effective contribution to sustainable development. Members should therefore work together to maximize the Agency's contribution in both areas.

51. The United States was about to enter a period of extraordinary budgetary retrenchment which might cause considerable disappointment to countries that had hitherto looked to the United States to lead the way in both assessed and voluntary contributions. Indeed, some decisions from the budget process currently under way in Washington might be very unpleasant - particularly for other agencies, whereas the IAEA could expect to be spared the full effect of those decisions. In fact, in the interests of a compromise, his country was willing to go along with the suggested \$3 million increase in the indicative planning figures for the next three years.

52. The record of the United States in the past had been a particularly good one: in the period 1991-94 it had contributed \$50 million to the TCF and it had always pledged its full share and met its pledges. The failure of all countries to do that had resulted in the United States carrying more than one third of the technical co-operation programme - or more if certain in-kind contributions not factored into the statistics were taken into account. In view of future uncertainties, it was extremely important that all countries should participate not only in accepting technical co-operation but also in providing resources for that process: while there were several prosperous countries which did not participate in the way that might be expected of them, there were also dozens of Member countries which received technical assistance but did not make even a modest contribution to the TCF.

53. The question of participation fatigue deserved serious consideration. Given that all countries benefited enormously from the global safeguards system which the Agency was striving to perfect, it was disappointing to see so many different rationales being put forward for not contributing to the process at even half the base rate. He therefore urged the Governments concerned to reconsider the proposition that all countries should contribute in some reasonable measure to a system from which all benefited.

54. Mr. OKONKWO (Nigeria)\* supported the Group of 77's position and also endorsed the views expressed by India.

55. The question of the financing of technical assistance deserved urgent attention more than ever, in view of the decline in pledges over the past ten years. Whereas in 1984 pledges had reached 92.2% of the target, that figure had fallen to 72.5% in 1994. Steps accordingly needed to be taken to arrest the steep decline in pledges and payments to the TCF, which was putting the very foundation and credibility of the Agency in jeopardy.

56. His delegation was convinced that the Agency's technical co-operation activities deserved more resources than they were now receiving. He appealed to all Member States, but particularly traditional donors, to pledge more - as well as ensuring timely payment of their pledges.

57. Promotional activities, and particularly technical assistance and co-operation, from which the majority of Member States benefited, should, like the safeguards system, be

financed from dependable resources. He therefore urged Member States to respond to the call made at the recent NPT Review and Extension Conference for every effort to be made to ensure that the Agency had the resources it needed to meet its growing responsibilities in all its main areas of activity.

58. The time had come to incorporate the TCF into the Regular Budget, which would allow the necessary adjustments to be made for inflation and currency fluctuations. If that were done, just as in the case of safeguards funding, there would no be need to deal with technical co-operation funding separately, and the various operations needed at every level would thus be eliminated. He was confident that agreement would soon be reached on the indicative planning figures, and urged both donor countries and developing countries to agree on a compromise which would be reasonable and acceptable to all.

59. Ms. LETTS (Australia), supported by Mr. RITCH (United States of America), proposed that consideration of agenda items 7(b) and (c) be suspended to allow the Chairman to meet with the Chairmen of the two informal working groups and other interested parties in an effort to find a joint proposal which could be put to the Board as a whole later in the day.

60. The CHAIRMAN asked whether the Board wished to defer further consideration of items 7(b) and (c) pending informal consultations.

61. Mr. DOSHI (India) said that a number of views had been expressed and valuable suggestions made following the report he had presented as Chairman of the informal working group on the financing of technical assistance. He therefore proposed that a similar opportunity to comment be given to Governors after listening to the report of the Chairman of the informal working group on the financing of safeguards.

62. Ms. KSENTINI (Algeria) supported that suggestion, since it would facilitate the task of any working group that might later be set up if Governors had had the opportunity to express their views on both issues.

63. Mr. HOBEICA (Lebanon) also supported the Indian proposal.

64. Ms. LETTS (Australia) explained that the point of her proposal had been to facilitate the finding of a solution. She had not intended to impede discussion on the following item.

65. The CHAIRMAN, noting that the list of speakers on item 7(b) was now exhausted, suggested that further consideration of that item be deferred pending the outcome of consultations of the informal working groups, and that meanwhile Governors should be given an opportunity to comment on item 7(c).

66. It was so agreed.

#### THE FINANCING OF SAFEGUARDS

67. The CHAIRMAN recalled that at the Board's March meeting the Chairman of the informal working group on the financing of safeguards had reported on progress achieved. Since then there had been three further meetings of the group, as well as informal consultations. Early agreement on the issue was necessary in order to enable the Secretariat to prepare the scale of assessment of member's contributions to the safeguards component of the Agency's Regular Budget for 1996.

68. Mr. AKAO (Japan), speaking as Chairman of the informal working group on the financing of safeguards, reported that after initial consultations, he had presented four formulas to the group for discussion: further formulas had been proposed by delegations. Although the debate was still inconclusive, the general feeling in the group had been that safeguards was a global responsibility, and that its cost should be shared equitably between Member States; that the ability of a State to pay its assessed share was of paramount importance; and that it would be difficult to devise a financing formula based on the size of a country's nuclear activity or the absence thereof. The group had also considered that the concept of "shielding" should be retained, but should be revised in the light of present day realities, and that although there should be no direct linkage with the resources for technical co-operation, there might be a need to evolve a new financing arrangement.

69. Formula II, which made use of the half-rate, seemed to enjoy wide support. Under that formula, the list of "shielded" members was based on the "shielding" threshold criteria established in 1981, whereby members a per capita income of less than one third of the

average for the 15 highest per capita income members qualified for "shielding". In addition, the ten members with the highest base rate of assessment were not qualified for "shielding". Applicable per capita income figures were the latest available figures provided by the United Nations Committee on Contributions. Implementation of that compromise formula, if finally agreed, was to be phased in over five years to enable countries to adjust to the consequent changes in their assessed contribution. For "shielded" countries which became "unshielded" under the new formula, a ten year transitional period would be applied for the same reason, although "shielded" countries could choose to be "unshielded" at any time. After five years, or a shorter period, the arrangements could be further reviewed, taking into account the views presented during the consultations.

70. No consensus had yet been reached on the matter. Some delegations had wanted more time before abandoning the current formula, particularly in the light of the requirements of Programme 93+2. Others had favoured a formula based on the nuclear activities of Member States and on their possession of nuclear weapons. Others had preferred that only developing countries without nuclear activities should be "shielded", while others still had preferred to adopt the United Nations scale of assessment as a basis. Many had considered that there was no further need for discussion, and that the time had come to agree on a new formula.

71. There was an urgent need to reach agreement on the matter so that the 1996 safeguards budget could be finalized. He was therefore proposing for the Board's consideration Formula II, which had been circulated in a Note to Member States dated 13 June 1995. In so doing, he wished to make clear that the formula was not his personal preference, but rather one which had evolved from discussions over the past five months, and from deliberations on the issue which went back some 23 years.

72. Mr. HOBEICA (Lebanon), speaking on behalf of the Arab Group, commended the Governor from Japan for the able manner in which he had guided the informal working group's deliberations.

73. The Arab Group believed that the criterion of per capita income, also known as the economic criterion, was discriminatory when assessing the share of countries in the financing

of safeguards. That share should be based on other criteria, which remained to be determined. Currently, five Arab countries were unshielded, and the Group considered that all should be included in the "shielded" category. Any new formula agreed on should be implemented in a gradual manner.

74. Mr. DOSHI (India) said that the whole question of reviewing the principle of "shielding" was based on the mistaken notion that that principle was wrong or outdated. The principle had been introduced because of the peculiar discriminatory circumstances which had come into being some 25 years ago, and which in fact still existed. A valid case could be made for extending the "shielding" concept indefinitely.

75. The most important criterion for including countries in the "shielded" category was the economic one, but there could well be others, and India was willing to consider opening the list to include other deserving countries. His delegation was not in a position either to abandon the principle of "shielding" or, at the present stage, to agree to any increase in contributions to the Agency's safeguards activities.

76. While he was always ready to help in evolving a compromise, that compromise had to be a fair one. Once the principle of "shielding" had been abandoned, it would never be restored, and the commitment of Member States was likely to become open-ended because the total cost of strengthening safeguards was not yet known. In contrast, as the discussion on the previous subitem had shown, it was proposed to do nothing about the essentially voluntary nature of the funding of technical co-operation. Thus the current system, which discriminated against technical co-operation and in favour of safeguards, would be perpetuated. Moreover, the proposed \$3 million increases in the indicative planning figures did not seem to his delegation to be a workable basis for a new formula.

77. Mr. ARCILLA (Philippines) endorsed the main thrust of Formula II, which would appear to take into account the important concerns just outlined. His delegation hoped to see a solution that would place the funding of both technical assistance and safeguards on a footing which would do full justice to those two major statutory functions of the Agency.

78. Mr. BENATTALLAH (Algeria) said the report just presented by the working group's Chairman showed that there were fundamental divergencies of view both on the subject of the advisability of introducing a revised system and on the various proposals put forward. Algeria was ready to contribute to a compromise solution, but would prefer a graduated formula based on the principle of ability to pay which would not jeopardize the "shielding" concept, since the reasons for that concept's introduction were still valid.

79. Despite intensive negotiations, no consensus formula had yet been found, and he believed the Board had no choice but to recommend to the General Conference that the current system be continued meanwhile. However, his delegation was ready to support renewal of the working group's mandate to allow time for wider consultations on the issue, which he feared was likely to be further complicated by the financial implications of Programme 93+2.

80. Mr. JAMEEL (Pakistan) shared the view that the current formula for financing safeguards had served the Agency well and that there seemed no reason to tamper with it. His delegation would continue to participate in efforts to work out a revised formula which addressed the concerns of certain affluent Member States without imposing a substantial or open-ended commitment on currently "shielded" States. At the present stage, he was not in a position to endorse any deviation from the existing arrangement, except to the extent of revising the list of "shielded" countries in the light of current realities. Nevertheless, he looked forward to further discussions with interested Member States on the issue.

81. Ms. LAJOUS VARGAS (Mexico) cautioned against overlooking certain elements which needed to be taken into account in discussing the financing of safeguards. One was the precise cost implications, both short- and medium-term, of the new measures proposed in connection with Programme 93+2. Another was the link between the inspection effort undertaken by the Agency in each country and the contributions of Member States to the safeguards budget. A third was the special arrangements for financing the voluntary-offer agreements of nuclear-weapon States.

82. The Board should first and foremost consider whether there was consensus on changing the current system for financing safeguards, and whether such a change was

justified. Her delegation could not for the present agree to the proposed Formula II, in view of Mexico's current financial difficulties. However, it could accept an alternative formula which would include certain specific components.

83. The first would be a component financed by nuclear-weapon States, whose contributions should not at any given moment be less than they were currently paying. That would represent some 50% of the total safeguards component of the Regular Budget. The second would be a component representing payments made to the Agency by all States which received safeguards inspections, taking into account the costs incurred by the Agency in carrying out those inspections. Costs would be determined on the basis of the volume of safeguards work undertaken by the Agency under bilateral or multilateral arrangements. The third component would be made up of safeguards expenditure not included in the previous components to be financed by all Member States of the Agency with the exception of the nuclear-weapon States, which would already have made their contribution to indirect costs under the first component. Quotas under the third component would be determined on the basis of the United Nations scale of assessment.

84. Her delegation believed that a modernized system embracing those three components would retain the benefits of the shielding system while at the same time ensuring that safeguards costs were fairly distributed.

85. Mr. RYZHOV (Russian Federation) said that his country attached high priority to the Agency's regulatory activities and to normal and efficient financing of the safeguards system. The recent NPT Review and Extension Conference, in extending the Treaty, had confirmed the important role of the Agency and its safeguards system in creating the atmosphere of transparency, confidence and security from the threat of proliferation without which there could be no fruitful co-operation in the peaceful uses of nuclear energy.

86. However, the safeguards system could not function effectively without reliable financing, and over the past two decades the arrangements for financing it had clearly been outstripped by events. Thus, the proportion of Agency safeguards activities in shielded countries had risen from 19.5% to 35.8% between 1971 and 1994, while the contributions of those countries had dropped from 12.89% to 1.3%. A balanced and equitable long-term

financing formula was therefore required. Given that the scale of assessment used for the Regular Budget provided an objective and uncontroversial measure of countries' ability to pay, his delegation was in favour of gradually phasing in a formula based on the normal scale of assessment.

87. Mr. FITZGERALD (Ireland) expressed surprise at the magnitude of some of the changes in contributions foreseen in the Note to Member States dated 13 June 1995: his own country would face an increase by 15% between 1995 and 1996, and a further increase in 1997, at a time when its budgetary situation was worsening. Nevertheless, he was willing to accept as a reasonable compromise the formula whereby shielded countries would pay at half the base rate, with any adjustments being phased in gradually. There was, however, one anomaly in the proposed arrangements. When a country moved from shielded to unshielded status it was protected for a ten-year transition period, but when it moved in the other direction it obtained the full benefit of shielding without any delay. If its economic circumstances were to improve and it again became unshielded, therefore, it would have the benefit of a further ten-year transition period even though its status had only changed for a year or two.

88. Mr. de YTURRIAGA (Spain) said that safeguards benefited all Member States and were therefore the responsibility of all Member States. All discrimination and distortions in the financing of safeguards should be eliminated and the scale of assessment used in the United Nations applied instead. Since a radical change in the mechanisms currently in place would not be advisable because of the economic impact it might have on some shielded countries, his delegation could associate itself, in a spirit of compromise, with the formula proposed by the Chairman of the informal working group, which would allow gradual application of the changes.

89. Mr. COELHO (Brazil) said that although Article XIV.C of the Statute provided for the recovery of safeguards costs from the countries concerned, the Board had opted for a system protecting certain countries, including Brazil, from the main effects of the increasing costs of safeguards. Nevertheless, in the interests of reaching consensus, Brazil was prepared to accept the formula proposed by the Chairman of the informal working group.

90. Mr. RITCH (United States of America) said his delegation believed that shielding should be abandoned entirely. It had been created 25 years previously on the basis of two incorrect premises, namely that there would be an explosive expansion in nuclear power generation throughout the world entailing greater safeguards costs, and that safeguards activities would be mainly confined to developed countries. The formula proposed by the Chairman of the informal working group, whereby some LDCs would pay at half the base rate, represented a return to the original concept of shielding and as such would constitute a possible compromise between those countries favouring the abandonment of shielding and those wishing to retain it.

91. Mr. KHALIL (Tunisia), while endorsing the statement made by the Governor from Lebanon on behalf of the Arab countries, felt that it should be possible to agree on a more realistic system for financing safeguards once the financing of technical assistance was reliably assured. He therefore urged the informal working group to continue its efforts to find an equitable solution in accordance with the recommendations of the NPT Review and Extension Conference.

92. Mr. LI (China), agreed that there should be a balance between the promotional and regulatory activities of the Agency, and hence between the financing of technical assistance and of safeguards. He hoped that Programme 93+2 would enhance the cost-effectiveness of the safeguards system and welcomed the long-term approach to strengthening safeguards advocated by the Director General which would involve neither increased financing requirements nor an additional burden on Member States.

93. In the view of his delegation, ability to pay was the only acceptable criterion where the financing of safeguards was concerned. Since the 1970s nothing fundamental had changed in the way safeguards efforts were distributed, and maintenance of the shielding system therefore seemed fair and expedient. Moreover, the system of classification on the basis of overall economic performance was clear and easy to apply. On the other hand, criteria such as the level of utilization of nuclear power, size of the nuclear fuel cycle, existence of nuclear power plants, or years of service on the Board should not be applied, as they had no direct bearing on the financing of safeguards and would only complicate the issue. A pragmatic approach should be taken in order to reach a formula acceptable to all.

94. Mr. POLUREZ (Ukraine) said that the application of safeguards was the most important function of the Agency and was of relevance to all Member States. It therefore required a stable and long-term financing system, ideally one based on the United Nations scale of assessment. However, he understood the reluctance of some Member States to change the current shielding system and was therefore able to go along with the interim formula proposed in the Note of 13 June 1995.

95. Mr. BENMOUSSA (Morocco) endorsed his support for the comments made on behalf of the Arab countries by the Governor from Lebanon, said that the Agency must be guided by General Conference resolution GC(XXV)/RES/388 and the recent recommendations of the NPT Review and Extension Conference. Believing as a matter of principle that the financing of safeguards was a burden to be shared by all States, both nuclear and non-nuclear he was able to support the formula proposed in the Note to Member States.

96. Mr. PAPADIMITROPOULOS (Greece)\* said that despite some reservations he was willing to accept the proposed changes in the existing formula as a compromise on the understanding that assessment would be made purely on an economic basis and that currently shielded countries would remain so. He appealed to the Board to accept that formula by consensus.

97. Mr. OKONKWO (Nigeria)\* said that his country supported all efforts to maintain a credible safeguards regime as long as a clear and reasonable balance was struck between the Agency's promotional and regulating activities. While welcoming the modest progress made by the informal working group, he felt the present system of safeguards financing should be retained until factors such as the savings from the partnership with EURATOM and the expected long-term benefits of Programme 93+2 became effective. If a new arrangement was made, it should assign most financial responsibility to States with significant nuclear activities, although non-nuclear Member States should also contribute reasonable but lesser amounts, as safeguards benefited all countries. No new arrangement would be workable unless Member States were capable of meeting their financing commitments, which was why he considered the current method of shielding to be the most sensible.

98. Mr. PROČKA (Slovakia) said that the financing of safeguards being a global responsibility, the proposed formula was acceptable provided that it was phased in over a period of five years and that careful consideration was given to the shielding threshold.

99. Mr. DASQUE (France) considered that the system for financing safeguards should be based on economic considerations. Safeguards were an instrument of global importance and more complex calculation methods were not appropriate. His delegation would have preferred a formula using the United Nations assessment mechanisms but was willing to go along with the proposals made by the Chairman of the informal working group.

100. Mr. Seung Kon LEE (Republic of Korea)\* said that his country supported the retention of shielding as a temporary measure applicable to countries which did not have the capacity to pay. He shared the view that all Member States with significant nuclear activities should ultimately move to an unshielded status and trusted that those Member States with greater responsibility and privileges, including designated members of the Board, would set an example in that respect. The proposal by the Chairman of the informal working group that shielded countries should pay at half the base rate was a realistic suggestion and a practical interim step for countries moving to the unshielded group.

101. On the other hand, he could not agree with the idea of linking a Member State's share in the financing of safeguards to the actual cost of safeguards activities in that country. Safeguards activities benefited not only the State receiving them but also all others seeking assurance of its compliance with non-proliferation commitments.

102. Mr. NORDIN (Malaysia)\* considered that if the system of financing safeguards had to be changed it should be based on the following principles: nuclear-weapon States should pay more; payment should be commensurate with technological development in the field of nuclear energy; the status of Board members - designated or elected - should be taken into account; the change should not result in a reduction in Member States' contributions; LCD contributions should be shielded; and Member States should reimburse the Agency for safeguards measures deployed in their countries. However, Malaysia would not insist on the acceptance of all those principles and was willing to consider any equitable formula and to join any emerging consensus.

103. The CHAIRMAN suggested that since there were no more speakers on item 7(c), further discussion of that item should be deferred pending the outcome of informal consultations on items 7(b) and (c).

104. It was so agreed.

EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 875th MEETING

OTHER MATTERS ARISING FROM RESOLUTIONS AND DECISIONS OF THE  
GENERAL CONFERENCE (resumed)

THE FINANCING OF TECHNICAL ASSISTANCE (resumed)

THE FINANCING OF SAFEGUARDS (resumed)

161. The CHAIRMAN drew the Board's attention to a non-paper that had just been circulated.<sup>2</sup> It had been prepared by Ambassador Doshi of India, Chairman of the Informal Working Group on the Financing of Technical Assistance, and Ambassador Akao of Japan, Chairman of the Informal Working Group on the Financing of Safeguards, with the help of a number of colleagues.

162. Mr. DOSHI (India), pointing out that the non-paper contained no figure for recommended annual increases in the Indicative Planning Figures (IPFs), said that the recommendations in the non-paper were necessarily tentative and non-binding as not all interested Member States had been represented throughout the meeting at which the non-paper had been drafted.

163. He hoped that discussions in the various area groups would lead to agreement on a recommended TCF target for 1996 and on IPFs for 1997 and 1998.

164. Mr. AKAO (Japan) said that the non-paper was not a consensus text but would, he hoped, constitute a good basis for further discussions.

165. With regard to procedure, he suggested that the two Informal Working Groups hold a joint session - perhaps early in July.

166. The CHAIRMAN, thanking Ambassador Doshi and Ambassador Akao for their efforts, said he was sure the Board welcomed the idea of a joint session of the two Informal Working Groups, which should meet well before the September session of the Board, to which they would presumably submit a report for consideration in September.

167. It was so agreed.

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<sup>2</sup> The non-paper is reproduced in Attachment 1 to this document.

168. Mr. BENMOUSSA (Morocco), recalling what he had said earlier in the week about the possibility of transferring the interest earned by the Working Capital Fund to the TCF, said that such transfers would help to bridge the gap between the views of major donor countries and those of developing countries with regard to IPF increases.

169. The CHAIRMAN said that such a possibility would - he was sure - be considered at the Informal Working Groups' joint session.

EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 877th MEETING

MATTERS ARISING FROM RESOLUTIONS OF THE GENERAL CONFERENCE  
(continued)

THE FINANCING OF TECHNICAL ASSISTANCE

THE FINANCING OF SAFEGUARDS

The CHAIRMAN recalled that at the Board's June session the Chairman of the Informal Working Group on the Financing of Technical Assistance (Ambassador Doshi of India) and the Chairman of the Informal Working Group on the Financing of Safeguards (Ambassador Akao of Japan) had reported on the deliberations of the two Groups. As a result of a continued divergence of views relating to the target for voluntary contributions to the Technical Co-operation Fund for 1996 and the Indicative Planning Figures for 1997 and 1998, the Board had requested the Chairmen of the two Groups to hold informal consultations in the hope that a consensus would be reached on the twin issues of technical assistance financing and the financing of safeguards.

He further recalled that, after extensive negotiations on the final day of the Board's June session, the two Groups had reached an informal understanding on a "package", which had not, however, included an agreed target or agreed Indicative Planning Figures. The report reflecting the informal understanding was contained in the Attachment to document GOV/OR.875.

Subsequently the two Groups, acting on a suggestion made by the Board in June, had held a joint session with a view to facilitating the achievement of a consensus on both issues, and he now proposed giving the floor to Ambassador Doshi and to Ambassador Akao in order that they might report to the Board.

Mr. DOSHI (India), speaking as Chairman of the Informal Working Group on the Financing of Technical Assistance, said that at the joint session of the two Groups - held early in July - no consensus had been reached on a target for 1996 or on Indicative Planning Figures for 1997 and 1998. It had therefore been decided that a number of major donors and some members of the Group of 77 should pursue the matter through informal discussions. Regrettably, those discussions had also proved inconclusive.

Mr. AKAO (Japan), speaking as Chairman of the Informal Working Group on the Financing of Safeguards, said that there was a safeguards financing formula which appeared to be attracting wide support. The main elements of the formula, which was a modified version of the one circulated under cover of a Note to Member States on 13 June 1995, were as follows:

- The concept of shielding would be maintained.
- The list of shielded Members would be based on the shielding threshold criteria established in 1981, whereby Members having less than one third of the per capita income of the average of the 15 highest-per-capita-income Members would qualify for shielding. In addition, the ten Members with the highest base rates of assessment would not qualify for shielding. Moreover, those Members which had notified the Director General that they did not wish to be included in the list of shielded countries would not be shielded.
- Applicable per capita income figures would be the latest available figures provided by the United Nations Committee on Contributions.
- Each shielded Member would be assessed for Regular Budget contributions towards safeguards expenses at half of its base rate (i.e. its rate of assessment for Regular Budget contributions towards non-safeguards expenses).
- Implementation of the formula would be phased in over five years in order to enable countries to adjust gradually to the consequential changes in their assessed contributions. For currently shielded countries which became "unshielded" under the formula, there would be a ten-year transitional period for the same reason.
- None of the currently shielded countries would be obliged to contribute towards any increase in the safeguards budget beyond zero real growth during the five-year transitional period.
- The arrangements would be reviewed by the Board in the year 2000 at the latest. The review would include the consideration of changes in the

contributions of shielded countries and other relevant issues which had been raised during the recent consultations.

He emphasized that, while there was still time for delegations to propose additional elements for inclusion in the formula, the Board needed to agree very soon on a formula for the financing of the safeguards component of the 1996 Regular Budget as the current financing arrangements would cease to apply at the end of 1995.

The CHAIRMAN, acting on a proposal made by Mr. EL HUSSEIN (Sudan)\*, as Chairman of the Group of 77 and supported by Mr. SIEVERING (United States of America), asked whether the Board wished to postpone further discussion of sub-items 2(b) and (c) until later in the current session in order to enable further consultations to take place.

It was so agreed.

EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 879th MEETING

MATTERS ARISING FROM RESOLUTIONS OF THE GENERAL CONFERENCE  
(resumed)

THE FINANCING OF TECHNICAL ASSISTANCE

THE FINANCING OF SAFEGUARDS

The CHAIRMAN recalled that the Chairmen of the Informal Working Groups on the Financing of Technical Assistance and on the Financing of Safeguards had reported to the Board briefly the preceding day, but discussion of those issues had been adjourned in order to enable consultations to take place in the interests of reaching a consensus during the Board's current series of meetings.

Mr. EL HUSSEIN (Sudan)\*, speaking on behalf of the Group of 77 and apologizing for the delay which had been caused in the Board's consideration of two very important issues, said that the Group of 77 was very disappointed that an annual increase in the indicative planning figures (IPFs) of \$5 million was not acceptable to the developed countries. After much deliberation and in a spirit of compromise, the Group - several members of which had reservations about some aspects of the package of 16 June - had agreed to reduce the figure to \$4 million. It had further agreed that, if due to budgetary problems in some countries that reduced figure was not found feasible for immediate implementation, the increase could be staggered from \$3 million in 1996 to \$4 million in 1997 and \$5 million in 1998.

Several members of the Group had also had serious reservations concerning the provisions relating to the financing of safeguards in the package proposed at the end of the Board's meetings in June. However, in a spirit of compromise, the Group of 77 as a whole had agreed to accept the package without any change, on the understanding that at the time of the review of the formula on the financing of safeguards, an important issue to be addressed would be the criterion for shielding, including the shielding of all developing countries.

Mr. AL-GHAIS (Kuwait)\* associated himself fully with the comments which had been made by the Chairman of the Group of 77 and supported the idea of a package deal. However, he had been unable to consult with his Government on the issue to obtain final approval and his agreement was therefore dependent upon the receipt of such approval.

Mr. AKAO (Japan) said that some of the concerns expressed by the representative of Kuwait during informal discussions and some of the views of the Group of 77 could perhaps be reflected in the draft resolution which would have to be submitted to the General Conference in order to obtain official approval for all the elements of the proposed package.

Mr. MACKINNON (Canada), addressing the issue of the financing of technical assistance, said that his Government was committed to a policy of zero nominal growth. His country was one of the six whose contributions amounted to 80% of the budget for the technical co-operation programme. Canada's commitment to technical assistance could not be questioned and it would continue to work together with other States to improve technical assistance activities. However, given its commitment to zero nominal growth, it was difficult for it to approve an increase in the level of financing for technical assistance. In view of the small number of contributors to the Technical Co-operation Fund (TCF), it was highly desirable that the resource base be broadened to include a larger number of donors, thus alleviating the burden on the current donors. Even if new donors could only make small contributions, the overall level of resources would still be increased. He also reminded Governors that the funding of technical assistance was organized on a voluntary basis and no States could be expected to give more than they could afford.

Turning to the issue of the financing of safeguards, he said that his delegation would like to see a consensus on that issue as soon as possible. The safeguards system was a global system which underpinned technical co-operation and technology transfer for the peaceful uses of nuclear energy. Canada supported a transitional procedure for States which had been formally shielded and would support flexibility to accommodate their unique problems in adapting to a new financing formula. However, in the final analysis, the United Nations scale of assessment was the most equitable formula for apportioning costs among Member States.

Mr. BENATTALLAH (Algeria), having endorsed the statement made by the Chairman of the Group of 77, pointed out that the formula for the financing of safeguards proposed by the Governor from Japan had major financial implications for developing Member States, even if the system of shielded countries was retained. The safeguards component of the obligatory contributions of a large number of developing countries to the Agency's Regular Budget would increase to over ten times its current level.

If there was agreement on the formula for the financing of safeguards, it would involve considerable effort on the part of developing Member States and it was only fair that a similar effort on the part of developed Member States should be forthcoming with regard to the financing of technical assistance. The Group of 77 had also shown flexibility with respect to its initial request for an IPF of \$5 million. Furthermore, he pointed out that the NPT Review and Extension Conference had confirmed that technical co-operation was intimately linked to the non-proliferation issue and said that he looked forward to a clear signal that States were committed to all the conclusions of that Conference, including the technical co-operation element, as well as the other elements such as the conclusion of a comprehensive test ban treaty.

Mr. SIEVERING (United States of America) said that his delegation could support the safeguards component of the package that had been arrived at in June on the understanding that the technical assistance part of the package would be based on an IPF of \$3 million.

His Government was an enthusiastic supporter of the Agency's technical co-operation activities and over the past ten years, its contributions to those activities had exceeded \$200 million. The United States had a long-standing practice of pledging and paying its full share of the TCF target. In recent years, his country's contributions had accounted for approximately one third of the TCF resources, as other donors had fallen short of paying their pledges. His Government would like to be able to continue its good record in the future, but the resources available to it for foreign assistance were becoming increasingly limited.

Other Governments were in a similar predicament and the impact of that situation on the TCF had become increasingly noticeable and distressing. Donors who had pledged in the past were no longer pledging and donors who had pledged their full share in the past were pledging less. That was a serious problem and he realized the impact that it would have on the less developed countries which had benefited from the TCF in the past and hoped to do so in the future. He therefore urged all Member States of the Agency to pledge and pay their full share of the TCF.

The future funding of international organizations was a topic of great concern to the United States Congress and it was still by no means clear what funding levels would ultimately be agreed upon. Every indication suggested that there would be very substantial reductions in funding in all areas. His delegation could therefore not agree to any increases in the IPFs in excess of \$3 million per year and its agreement to an increase of \$3 million was contingent upon acceptance of the safeguards financing formula.

Mr. ADEKANYE (Nigeria)\* stressed the importance of the predictability and adequacy of funding for technical co-operation activities. For its part, Nigeria had striven over the years to meet its assessed share of the TCF target despite competing demands and its difficult economic situation. He was therefore very disturbed to note that, whereas in 1984 pledges to the TCF had stood at 92.2% of assessed contributions, that figure had declined to 72.5% in 1994. That decline did not reflect the commitment to technical co-operation activities which Member States had voiced in the Board.

His delegation had consistently argued that the technical co-operation programme should be protected against such funding uncertainty by incorporating technical assistance funding into the Regular Budget. He was still convinced of the wisdom of that approach, which would ensure greater predictability, permit adequate adjustments for inflation and currency fluctuations, and spare the Director General and his staff the problem of monitoring the TCF month by month and the unenviable task of pleading with Member States to pay their pledges. The number of Member States requesting technical assistance had increased, reflecting the confidence of those States in the Agency's work and the growing appreciation of the benefits of nuclear technology for developing countries. That fact had been duly recognized by the recent NPT Review and Extension Conference, which had encouraged an

even more vigorous pursuit of promotional activities in developing countries. He therefore strongly urged all Member States to endeavour to meet their obligations by paying their pledges in full.

It was a matter of concern that Member States still did not know how much their assessed contributions to the TCF would be just a week before the start of the General Conference. It was essential that all Member States, both developed and developing, demonstrate goodwill and flexibility in order to reach agreement on the IPFs for the period 1996-98. Agreement on a financing formula would be a vote of confidence in the competence and capability of the Department of Technical Co-operation and would give a positive signal to those developing countries whose primary benefit from Agency membership derived from those activities.

With regard to the financing of safeguards, Nigeria recognized the importance of an effective safeguards system for the peace and security of the world and the positive effect of Agency verification activities on peace and stability in the African region following South Africa's accession to the NPT. That development had paved the way for the creation of an African nuclear-weapon-free zone, the draft agreement on which had been approved by African Heads of State and Governments at the last Summit of the Organization of African Unity. That agreement envisaged a continuing verification role for the Agency and his country therefore unflinchingly supported a strong and effective safeguards system with proper and adequate financing. In the formula which was currently being considered, the developing countries would be called upon to bear more of the costs of safeguards activities than had hitherto been the case. However, the principle of the ability to pay, on which the safeguards cost-sharing arrangements had been based, should continue to be preserved and any commitment to provide more resources for safeguards activities should be matched by clear and unambiguous support for the Agency's promotional activities.

Mr. BENMOUSSA (Morocco) pointed out that all countries had budgetary problems to deal with and that his own country had just experienced an extremely severe drought, resulting in a dramatic drop in agricultural revenue. Despite such problems, the developing countries had agreed to accept the safeguards formula proposed by the Governor from Japan.

Turning to the financing of technical assistance, he recalled that resolution GC(XXV)/RES/388 recognized that technical assistance and safeguards constituted two main activities of the Agency and should receive equal emphasis. It also stated that there was a need for progress in technical assistance to keep pace with progress in other main activities of the Agency. He had difficulty in understanding why that resolution, which had been adopted by consensus after lengthy negotiations, was not being respected and implemented. Furthermore, he recalled that the recent NPT Review and Extension Conference had highlighted the importance of providing additional technical assistance through the Agency to developing countries.

With a view to reconciling the two seemingly contradictory positions which had arisen, he reiterated his earlier proposal, which had subsequently been supported by the Group of 77, that the interest accruing on the Working Capital Fund (WCF) be transferred to the TCF. His calculations suggested that that increase would bridge the gap between the annual increase in IPFs acceptable to the major donors and that acceptable to the recipient countries. The Agency's financial officials would of course need to be consulted and agreement would have to be reached on a minor amendment to the Agency's Financial Regulations.

Mr. BORCHARD (Germany) noted that the Chairman of the Group of 77 in his statement had given the first indication that the Group might be able to reach agreement on the text of the package worked out at the end of the Board's meetings in June. That package was particularly important because of the new element it contained relating to capping with respect to the financing of safeguards and the new criterion it proposed for determining the allocation of resources for projects and for procurement of equipment and expert services for technical co-operation activities.

Of course, the package was not satisfactory to all delegations on all counts. His delegation would have preferred the abolition of the system of shielded countries and the introduction of the regular United Nations scale of assessment as the basis for the financing of safeguards. Nevertheless, the proposals worked out under the able leadership of Ambassador Akao, although not completely satisfactory, were a step in the right direction. The present system was out of date and out of touch with the reality of the world today.

Turning to the IPFs, he pointed out that it was very difficult for some donors to go beyond the level of zero real growth that would have corresponded to an increase of \$2.2 million. In his own country, the national budget was to be cut in nominal terms by more than 2% in 1996, which, assuming modest inflation, meant a cut of 4-5% in real terms. His delegation could agree to an increase of \$3 million provided the whole package was accepted, but could not agree to any higher figure. As the gap between pledges and payments to the TCF had widened over the past 10 years, a realistic figure and a greater commitment from donors would be preferable to an unrealistic target that was not met. He also agreed with the representative of Canada that contributions should be spread over more countries.

With regard to the proposal put forward by the Governor from Morocco, he noted that it had already been discussed in the Informal Working Group, but had not, as he recalled, met with the approval of the donor countries. His delegation, for its part, could not agree to it because it would infringe the Financial Regulations and violate the clear-cut division between voluntary contributions and the Regular Budget. Furthermore, it would set an unfortunate precedent for the future.

Mr. DOSHI (India) pointed out that in accepting the changes in the shielding system for Member States proposed in the package, developing countries had voluntarily agreed to a major shift in principle with regard to the financing of safeguards, although, as all developing countries knew, safeguards were not yet of global benefit.

However, in the case of technical co-operation, which clearly was of global benefit, the only commitment on the part of the donor countries contained in the package was to approve the IPFs. The rest of the package's provisions with regard to technical assistance were merely expressions of desire and in five years' time the situation might be exactly the same, with the international community still hoping that all Member States would pledge and pay their targeted shares of contributions to the TCF in full, still hoping that some kind of inducement or penalty system would be worked out, still hoping that imbalance in the main activities of the Agency would be avoided and still hoping that the question of predictable and dependable pledging and payments to the TCF would be kept under review.

The increase in the IPF for the past three years had been \$3 million. Inflation and fluctuating exchange rates could in themselves justify an annual increase of \$4 million. Furthermore, that figure should be seen in the context of the increase of \$0.7 million which shielded countries would be contributing to the financing of safeguards following adoption of the package.

It was important to bear in mind the fact that there was a recognized need to harness nuclear energy for developmental, health and environmental reasons and the Agency clearly had the capacity to be a great catalyst for change. Development and prosperity were indivisible. It was impossible to create an island of prosperity in one part of the world while the rest of the world suffered from drought. Sustainable development was essential and, unlike many international agencies, the Agency had the capacity to bring about real changes. Every million dollars it spent could go a long way.

Developing countries had voluntarily taken a major step in the hope of reaching a compromise and sought a matching commitment on the part of the developed countries. He therefore urged Member States to do more, not less than had been done in the past - to agree on an increase of \$3 million in the IPFs would be to do less than had been done in the past.

Mr. HOBEICA (Lebanon) requested the Secretariat to inform the Board of any legal obstacles which would prevent the implementation of the proposal made by the Governor from Morocco.

Mr. WALLER (Deputy Director General for Administration) pointed out that Financial Regulation 7.01 specified that the Regular Budget Fund should be credited with all miscellaneous income, unless otherwise provided in the Financial Regulations. Financial Regulation 8.02(a) specified that the Technical Co-operation Fund should be credited with miscellaneous income of that Fund. Finally, Regulation 9.04 indicated that income derived from investments should be credited as miscellaneous income as provided in the Financial Regulations. More specifically, Financial Rule 109.07(a)(i) and (ii) stated that income from investments of the Regular Budget Fund and the Working Capital Fund should be credited as miscellaneous income to the Regular Budget Fund and that income from investments of the TCF should be credited as miscellaneous income to the TCF.

There would also be budgetary impacts, as mentioned by the representative of Germany. If changes were made in the Financial Regulations to permit interest from the WCF to be transferred to the TCF, the corresponding reduction in the Regular Budget would have to be made up in some other way. Furthermore, at the end of the year, the surplus to be returned to Member States would have to be reduced by a corresponding amount.

The CHAIRMAN suggested that the Board suspend discussion of the present item until the next meeting in order to allow delegations time to discuss the matter in smaller groups or to consult their Governments.

It was so agreed.

EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 880th MEETING

MATTERS ARISING FROM RESOLUTIONS OF THE GENERAL CONFERENCE  
(resumed)

THE FINANCING OF TECHNICAL ASSISTANCE (resumed)

THE FINANCING OF SAFEGUARDS (resumed)

The CHAIRMAN, reporting that there was still no agreement on a target for voluntary contributions to the Technical Co-operation Fund for 1996 or on the Indicative Planning Figures for 1997 and 1998, said that the Group of 77 seemed, in a spirit of compromise, to be thinking in terms of figures representing annual increases of US \$4 million, while the major donors seemed to be thinking in terms of figures representing annual increases of not more than US \$3 million. He hoped that figures representing generally acceptable annual increases would be agreed on soon after further informal consultations.

EXCERPT FROM THE SUMMARY RECORD OF THE BOARD'S 881st MEETING

MATTERS ARISING FROM RESOLUTIONS OF THE GENERAL CONFERENCE  
(continued)

THE FINANCING OF TECHNICAL ASSISTANCE (continued)

THE FINANCING OF SAFEGUARDS (continued)

The CHAIRMAN said that consultations had taken place during the lunch break and were still under way. He therefore suggested that the meeting be suspended until the consultations were concluded.

The meeting was suspended at 3.15 p.m. and resumed at 5.20 p.m.

The CHAIRMAN said he understood that in the consultations which had been taking place agreement had been reached that the Board should recommend to the General Conference a target for voluntary contributions to the Technical Co-operation Fund (TCF) for 1996 which would be US \$3 million higher than the 1995 target and that the Indicative Planning Figures (IPFs) for 1997 and 1998 should provide for target increases of at least \$3.5 million in each of those years.

He therefore assumed that the Board wished to recommend a target of \$64.5 million for voluntary contributions to the TCF for 1996 and that it agreed that the IPFs for 1997 and 1998 should provide for target increases of at least \$3.5 million in each of those years.

He further assumed that the Board wished to recommend to the General Conference that it:

- (a) urge all Member States to pay and pledge in full their shares of the targets for voluntary contributions to the TCF and urge the Agency to take due account of the extent to which Member States had paid their TCF target shares when determining the allocation of resources for technical co-operation (TC) projects and for the procurement of equipment and expert services for TC activities;

- (b) urge that all Member States, in approving future Agency budgets and contributing funds for the activities of the Agency, seek to avoid the creation of an imbalance among the main activities of the Agency; and
- (c) note that the question of predictable and dependable pledging and payments to the TCF would be kept under review.

With regard to the financing of safeguards, he took it that the Board wished to recommend to the General Conference:

- (a) that it adopt the formula proposed by the Chairman of the Informal Working Group on the Financing of Safeguards contained in the Note by the Secretariat dated 13 June 1995 (a copy of which would be attached to the summary record of the present meeting), with the proviso that no shielded country would be obliged to contribute towards any increase in the safeguards budget beyond zero real growth; and
- (b) that it decide that the formula would be reviewed at an appropriate time in order to determine a formula for safeguards financing beyond the year 2000, the review to include consideration of changes in the contributions of shielded countries and other relevant issues.

It was so decided.

In the light of what had been decided regarding the financing of technical assistance, he took it that the Board wished to recommend the adoption of resolution B in Annex VI to the budget document (GC(39)/4) with a figure of US \$64.5 million inserted as the target for voluntary contributions to the TCF for 1996.

It was so decided.

What had been decided regarding the financing of safeguards should, he believed, be fully reflected in a draft resolution to be submitted to the General Conference for adoption.

It was so decided.

The Board now had to agree on a report to the General Conference. The two issues - i.e. the financing of technical assistance and the financing of safeguards - had initially been discussed separately, but of late they had come to be discussed together, and furthermore the decisions which the Board had just taken dealt with them both together.

He therefore suggested that there be a single report to the General Conference on the two issues setting out the decisions just taken. The positions of individual countries and groups would, of course, be reflected in the summary records of the Board's discussions (in June and at the present session), which would also be transmitted to the General Conference.

It was so decided.

Finally, he wished to express to Ambassadors Akao and Doshi the Board's appreciation of their skill and indefatigable efforts in chairing the two Informal Working Groups and facilitating the resolution of those important issues through consensus in a spirit of friendliness and compromise.

Ms. LAJOUS VARGAS (Mexico), having thanked Ambassador Akao of Japan and Ambassador Doshi of India for their efforts, said that Mexico, which was a firm supporter of the Agency's safeguards system, believed that the fairest way of financing safeguards was to link the contribution of each Member State towards the safeguards component of the Regular Budget to the cost of safeguards implementation in that State, but with all Member States making a basic contribution for the maintenance of safeguards - from which all States benefited.

In the Informal Working Group on the Financing of Safeguards, her delegation had therefore proposed a formula with the following features: the contributions of the nuclear-weapon States towards the safeguards component of the Regular Budget should account for at least the same percentage of the safeguards component as at present; the contributions towards the safeguards component of the Regular Budget made by States where safeguards were being implemented should be directly linked to the costs which the Agency incurred for safeguards implementation in those States; and each non-nuclear-weapon State should contribute in accordance with its base rate of assessment towards covering the Agency's safeguards administration and research costs and similar safeguards-related Agency costs.

The Informal Working Group had taken a direction different from that advocated by her delegation, however, and in view of Mexico's economic situation her delegation found it difficult to accept the compromise formula ultimately arrived at, which would entail additional expense for Mexico as a shielded country. Her delegation's acceptance of the compromise formula was subject to approval by her Government on the understanding that the contributions towards the safeguards component of the Regular Budget made by the shielded countries would not rise as a result of inflation during the next five years.

The points which her delegation had raised in the Informal Working Group continued to be valid, and they should therefore be considered again by the Group in due course.

Mr. SABURIDO (Cuba), having commended the work done by the two Informal Working Groups and their Chairmen, said that the donor countries had over the years unquestionably made decisive contributions in support of the Agency's technical assistance activities and that Cuba - as a developing country - had benefited from those activities and was duly grateful. However, the annual increases in the TCF which were implied by what the Board had just decided would not ensure even zero real growth in the Agency's resources for technical co-operation.

Despite the importance which his delegation attached to the Agency's safeguards activities, it did not feel that the changes taking place in the safeguards area warranted basic modifications to the present safeguards financing arrangements. It therefore had reservations about the proposed new safeguards financing formula, which would - incidently - apply for a period extending beyond the 1996-98 period in respect of which the Board had taken decisions regarding technical assistance financing.

Despite its reservations, however, his delegation would not oppose a consensus to which the Group of 77 subscribed.

Mr. HUANG (China) said that his delegation was deeply concerned about the problems of technical assistance financing. Many developing Member States wished to start making use - or to make greater use - of nuclear technology, and there had been a resulting increase in the number of technical assistance requests being submitted to the Agency, but

the overall level of contributions to the TCF was falling. All Member States should pledge and pay their full shares of the TCF target in a timely manner.

Mr. de YTURRIAGA (Spain), noting that the Chairman of Spain's Council for Nuclear Safety had recently informed the Secretariat that in 1996 and subsequent years Spain would be making a contribution to the TCF of US \$200 000 over and above its normal contribution, said that, as all contributions to the TCF were voluntary, his delegation had reservations about the Board's recommending to the General Conference that it "urge the Agency to take due account of the extent to which Member States had paid their TCF target shares when determining the allocation of resources for technical co-operation (TC) projects and for the procurement of equipment and expert services for TC activities". However, it had decided not to oppose the consensus in the Board.

With regard to the financing of safeguards, his delegation could go along with the five-year transition arrangement provided for by the proposed new financing formula, but it had reservations about "the proviso that no shielded country should be obliged to contribute towards any increases in the safeguards budget beyond zero real growth". Again, however, it had decided not to oppose the consensus in the Board.

Ms. LETTS (Australia) said her delegation welcomed the "package" which had permitted agreement on a new safeguards financing formula. She congratulated Ambassador Akao on the success of his efforts and commended the co-operative spirit displayed by the Group of 77.

Her delegation had not opposed the consensus in the Board despite the fact that US \$3 million had been the largest amount which it had been authorized to accept as an annual increase in the TCF target.

Australia did not believe that growth of the TCF target could be sustained indefinitely. Member States should focus more on measures which would increase the rate of pledging and payment by all Member States and on measures which would raise the level of utilization of the available funds. Her delegation therefore welcomed the incentives to pledge and pay in full which were contained in the "package".

Her country's payment record of over 100% for the years 1990-95 demonstrated a strong commitment to the Agency's technical co-operation programme. However, she could not guarantee that Australia would be able to pay its share of the TCF targets for 1996, 1997 and 1998. Unrealistic demands for higher TCF targets could backfire. Countries might pledge higher amounts, but their ability to meet their pledges might be impaired by domestic budgetary problems. Moreover, the moral strength of the argument that countries should - like Australia - pledge and pay their TCF target shares in full might be undermined, with negative consequences for the Agency's technical co-operation programme.

Mr. MACKINNON (Canada) said that - as he had stated previously - every Member State benefited from safeguards, which underpinned all technical co-operation and technology transfer in the nuclear field. No Member State could seriously maintain, particularly in the face of various developments since August 1990, that the danger posed by the diversion of nuclear material and the development of clandestine nuclear weapons programmes was somehow less significant to the developing world than to major donor countries. The argument that technical co-operation was a quid pro quo for safeguards ran counter to the long-term interests of the international community in general and of the Agency's technical co-operation programme in particular.

His country's own commitment to technical co-operation could not be questioned, particularly as Canada was one of the six countries which together accounted for over 80% of the Agency technical co-operation resources.

All agreed that there was a problem with the TCF. Many Member States - from all groups - did not pledge their full shares of the TCF targets and/or did not meet their pledges. Some of them preferred to finance footnote-a/ projects or to channel their development through UNDP, but some had simply decided to reduce the resources devoted by them to developmental assistance. A solution had to be found, but given the performance of the Department of Technical Co-operation in recent years his delegation was optimistic. It did not believe, however, that the solution lay in insisting that the TCF target be raised to beyond the paying capacity of the States which were shouldering the main burden.

Mr. BORCHARD (Germany) said his delegation was pleased that a consensus had been reached and was grateful to all those who had helped in reaching it. However, while progress had been made towards abolishing the present, long outdated method of financing safeguards, the solution agreed on in the matter of IPFs for the years 1997 and 1998 was less realistic, and his delegation had reservations about that part of the consensus.

Mr. SIEVERING (United States of America), welcoming the consensus reached on the "package", thanked Ambassadors Akao and Doshi for their efforts.

As he had indicated previously, owing to developments in Congress the ability of his Government to make voluntary contributions to organizations of the United Nations family - and hence to the Agency's TCF - might become seriously impaired. His delegation could therefore not make any firm commitments at present in respect of the years 1996, 1997 and 1998.

Mr. MAFFEI (Argentina) expressed satisfaction with the consensus reached and commended Ambassadors Akao and Doshi for their excellent work.

Like many other Member States, however, as a result of the consensus Argentina would have to contribute substantially more towards the safeguards component of the Regular Budget and, again like many other Member States, would have difficulty - because of serious domestic economic problems - in meeting its increased obligations.

Nevertheless, in view of the importance which Argentina attached to Agency safeguards, his Government would make every effort to meet those obligations, although there might be delays in the payment of contributions.

Mr. BENATTALLAH (Algeria) said that the consensus reached on the financing of technical assistance and of safeguards would help to boost the Agency's activities in both areas and enhance the Agency's credibility. The skill and patience of Ambassadors Akao and Doshi were to be commended.

The Group of 77 had shown great restraint and a great sense of responsibility in the consultations leading to the consensus, for the technical assistance resources made available as a result of the consensus would not be assured, and they would be far from sufficient to

restore the balance among the Agency's main activities. One could only hope that all Member States, and particularly the major donors, would contribute to the TCF their full shares of the targets set on the basis of the consensus.

Mr. MEADWAY (United Kingdom), having congratulated the Chairman and everyone else who had helped in reaching the consensus, said his delegation hoped that it would provide a firm basis for the stable development of both technical co-operation and safeguards during the next three years.

His Government was currently facing serious public expenditure problems, however, and could therefore not enter into any binding commitments as regards voluntary contributions for those years. The envisaged TCF target increases of at least \$3.5 million in 1997 and 1998 seemed rather high given the financial difficulties which many donor countries were making, and he feared that the result of the consensus might be a reduction - not an increase - in the resources available for technical co-operation. At all events, he would recommend to his authorities that they do their utmost to pay the United Kingdom's shares of the TCF targets for 1996, 1997 and 1998.

The meeting rose at 6 p.m.

**REPORT BY WORKING GROUP**  
**(FIN. TA, FIN. SG)**  
**16 June 1995**

Mr. Chairman,

We have the honour to report back to you on the outcome of the informal open-ended consultation group which the Board entrusted this morning with the task of working out a possible compromise on the twin issues of the financing of technical assistance and financing of safeguards. We are glad to report that we were able, with the spirit of good will, to reach compromise on the issues. We recommend that these may be presented to the Board at its next session.

With regard to the financing of technical assistance, we recommend that the Board:

- (a) approves an annual increase of [\$. million] as targets for the IPFs for the next cycle, 1996-98;
- (b) urges all Member States to pledge and pay in full their targets to the Technical Co-operation Fund and recommends that the Agency should pay due regard to the extent to which Member States have met their targeted shares of contributions to the TCF, while determining the allocation of resources for projects and for procurement of equipment and expert services for TC activities;
- (c) urges that all Member States, in approving future Agency budgets and contributing funds for the activities of the Agency, should seek to avoid the creation of an imbalance among the main activities of the Agency; and
- (d) the question of predictable, dependable pledging and payments to the Technical Co-operation Fund may be kept under review.

With regard to the financing of safeguards, it was agreed that

- (a) the Board recommends to the General Conference to adopt the formula proposed by the Chairman of the Informal Working Group on financing of safeguards as contained in the Note by the Secretariat dated 13 June 1995 with the proviso that no shielded country shall be obliged to pay any increase in the safeguards budget beyond zero-real growth; and
- (b) at an appropriate time, the formula will be reviewed to determine the safeguards financing formula beyond the year 2000. The review shall include consideration of changes in the contributions of shielded countries and other relevant issues.

Mr. Chairman,

We hope that these proposals would be acceptable to the Board.

Let us add here that we wish to extend to all the distinguished Governors and representatives who took part in the informal consultations my sincere thanks for their co-operation and assistance in resolving these important issues.

We thank you, Mr. Chairman.



INTERNATIONAL ATOMIC ENERGY AGENCY  
AGENCE INTERNATIONALE DE L'ENERGIE ATOMIQUE  
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## NOTE TO MEMBER STATES

### FINANCING OF SAFEGUARDS

#### **Agenda Item 7(c) of the Board Meetings starting on Monday, 12 June 1995**

At the request of the Chairman of the Informal Working Group on the Financing of Safeguards, Ambassador N. Akao, please find attached herewith for consideration and discussion under the above agenda item a table showing Members' contributions towards the safeguards component of the Agency's Regular Budget under a proposed new formula.

Attachment

13 June 1995



## **Proposed formula for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget**

### **Explanatory notes**

#### **A. Principal features of the formula:**

1. The concept of "shielding" a group of Members remains; the freezing of "shielded" Members as well as of their contributions is discontinued.
2. The list of "shielded" Members is based on the "shielding" threshold criteria established in 1981, whereby Members having less than one third of the per capita income of the average of the fifteen highest per capita income Members qualify for "shielding". In addition, the ten Members with the highest base rate of assessment are not qualified for "shielding". Applicable per capita income figures are the latest available figures provided by the UN Committee on Contributions.
3. Each "shielded" Member is assessed for Regular Budget contributions towards safeguards expenses at half of its base rate (i.e. its rate of assessment for Regular Budget contributions towards non-safeguards expenses).
4. To mitigate the burden of sudden increases for Members, contributions of "shielded" Members will be gradually raised over a phase-in period of five years.
5. The five years' phase-in period will be extended to ten years for "shielded" Members moving to the "unshielded" group.

#### **B. Calculation method applied for the phase-in period:**

In each of the years 1996 through 1999 the contribution of each "shielded" Member is initially calculated at half of its base rate and then compared with its contribution paid for 1995. In the first year one fifth of the difference, in the second year two fifths, in the third year three fifths and in the fourth year four fifths of the difference between these two amounts are calculated and added to the contribution for 1995. In the fifth year (2000), each "shielded" Member will contribute at its full share, i.e. at its half base rate. For those Members that move from the "shielded" to the "unshielded" category, the above calculation will be extended to ten years, i.e. in the tenth year those Members will be assessed at their full base rate.

#### **C. The table has been prepared on the following assumptions:**

1. The safeguards component of the assessment amounts to US\$ 74,696,000 for each of the years shown. This corresponds to the proposed 1996 budget, using an exchange rate of AS 12.70. For illustrative purposes the 1996 budget figure is also used as basis for the contributions relating to the years 1997 through 2000.
2. The base rate percentages for 1996, 1997 and 1998 are based on the approved UN rates for the years 1995, 1996 and 1997, adjusted for differences in membership. Since the UN rates for 1998 and 1999 are not yet available, the approved UN rates for 1997 have been used for these two years for illustrative purposes.

PROPOSED FORMULA FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET

GRADUAL ADJUSTMENT OF SHIELDED MEMBERS' CONTRIBUTIONS OVER 5 YEARS \*

	1995 amount (current) (a)	1996			1997			1998			1999		2000	
		base rate % (b)	"shielded" Members at half base rate amount (c)	"shielded" Members at half base rate 5-year phase-in [(c)-(a)]/5+(a) (d)	base rate % (e)	"shielded" Members at half base rate amount (f)	"shielded" Members at half base rate 5-year phase-in [(f)-(a)]/5*2+(a) (g)	base rate % (h)	"shielded" Members at half base rate amount (i)	"shielded" Members at half base rate 5-year phase-in [(i)-(a)]/5*3+(a) (j)	"shielded" Members at half base rate amount (k)	"shielded" Members at half base rate 5-year phase-in [(k)-(a)]/5*4+(a) (l)	"shielded" Members at half base rate amount (m)	"shielded" Members at half base rate 5-year phase-in (n)
"Shielded Members"				1/			2/			3/		4/		5/
Afghanistan	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Albania	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Algeria	3 657	0.16	59 757	14 877	0.1600	59 757	26 097	0.16	59 757	37 317	59 757	48 537	59 757	59 757
Argentina	39 290	0.48	179 270	67 286	0.4800	179 270	95 282	0.48	179 270	123 278	179 270	151 274	179 270	179 270
Armenia	5 940	0.08	29 878	10 728	0.0550	20 541	11 780	0.05	18 674	13 580	18 674	16 127	18 674	18 674
Bangladesh	4 569	0.01	3 735	3 735	0.0100	3 735	3 735	0.01	3 735	3 735	3 735	3 735	3 735	3 735
Belarus	390 444	0.37	138 188	138 188	0.2925	109 243	109 243	0.28	104 574	104 574	104 574	104 574	104 574	104 574
Bolivia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Bulgaria	6 852	0.10	37 348	12 951	0.0825	30 812	16 436	0.08	29 878	20 668	29 878	25 273	29 878	29 878
Cambodia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Cameroon	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Chile	6 852	0.08	29 878	11 457	0.0800	29 878	16 062	0.08	29 878	20 668	29 878	25 273	29 878	29 878
China	251 280	0.72	268 906	254 805	0.7350	274 508	260 571	0.74	276 375	266 337	276 375	271 356	276 375	276 375
Colombia	7 767	0.11	41 083	14 430	0.1000	37 348	19 599	0.10	37 348	25 516	37 348	31 432	37 348	37 348
Costa Rica	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Cote d'Ivoire	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Croatia	5 940	0.10	37 348	12 222	0.0900	33 613	17 009	0.09	33 613	22 544	33 613	28 078	33 613	33 613
Cuba	5 025	0.07	26 144	9 249	0.0525	19 608	10 858	0.05	18 674	13 214	18 674	15 944	18 674	18 674
Cyprus	1 003	0.03	11 204	3 043	0.0300	11 204	5 083	0.03	11 204	7 124	11 204	9 164	11 204	11 204
Czech Republic	19 188	0.32	119 514	39 253	0.2600	97 105	50 355	0.25	93 370	63 697	93 370	78 534	93 370	93 370
Dominican Republic	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Ecuador	1 003	0.02	7 470	2 296	0.0200	7 470	3 590	0.02	7 470	4 883	7 470	6 177	7 470	7 470
Egypt	5 482	0.07	26 144	9 614	0.0700	26 144	13 747	0.08	29 878	20 120	29 878	24 999	29 878	29 878
El Salvador	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Estonia	3 198	0.05	18 674	6 293	0.0425	15 873	8 268	0.04	14 939	10 243	14 939	12 591	14 939	14 939
Ethiopia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Gabon	16 270	0.01	3 735	3 735	0.0100	3 735	3 735	0.01	3 735	3 735	3 735	3 735	3 735	3 735
Ghana	1 828	0.01	3 735	2 209	0.0100	3 735	2 591	0.01	3 735	2 972	3 735	3 354	3 735	3 735
Greece	15 077	0.37	138 188	39 699	0.3800	141 922	65 815	0.38	141 922	91 184	141 922	116 553	141 922	141 922
Guatemala	1 369	0.02	7 470	2 589	0.0200	7 470	3 809	0.02	7 470	5 030	7 470	6 250	7 470	7 470
Haiti	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Hungary	38 217	0.15	56 022	41 778	0.1400	52 287	43 845	0.14	52 287	46 659	52 287	49 473	52 287	52 287
India	56 653	0.31	115 779	68 478	0.3100	115 779	80 303	0.31	115 779	92 129	115 779	103 954	115 779	115 779
Indonesia	9 138	0.14	52 287	17 768	0.1400	52 287	26 398	0.14	52 287	35 027	52 287	43 657	52 287	52 287
Iran, Islamic Republic of	23 607	0.60	224 088	63 703	0.4675	174 602	84 005	0.45	168 066	110 282	168 066	139 174	168 066	168 066

PROPOSED FORMULA FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET

GRADUAL ADJUSTMENT OF SHIELDED MEMBERS' CONTRIBUTIONS OVER 5 YEARS \*

	1995 amount (current) (a)	1996			1997			1998			1999		2000	
		base rate % (b)	"shielded" Members at half base rate (c)	"shielded" Members at half base rate 5-year phase-in [(c)-(a)]/5 + (a) (d)	base rate % (e)	"shielded" Members at half base rate (f)	"shielded" Members at half base rate 5-year phase-in [(f)-(a)]/5*2 + (a) (g)	base rate % (h)	"shielded" Members at half base rate (i)	"shielded" Members at half base rate 5-year phase-in [(i)-(a)]/5*3 + (a) (j)	"shielded" Members at half base rate (k)	"shielded" Members at half base rate 5-year phase-in [(k)-(a)]/5*4 + (a) (l)	"shielded" Members at half base rate (m)	"shielded" Members at half base rate 5-year phase-in (n)
				1/		2/		3/		4/		5/		
Iraq	2 283	0.14	52 287	12 284	0.1400	52 287	22 285	0.14	52 287	32 285	52 287	42 286	52 287	52 287
Jamaica	1 256	0.01	3 735	1 752	0.0100	3 735	2 248	0.01	3 735	2 743	3 735	3 239	3 735	3 735
Jordan	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Kazakhstan	15 992	0.26	97 105	32 215	0.2000	74 696	39 474	0.19	70 961	48 973	70 961	59 967	70 961	70 961
Kenya	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Korea, Republic of	5 025	0.80	298 784	63 777	0.8175	305 320	125 143	0.82	306 254	185 762	306 254	246 008	306 254	306 254
Lebanon	1 369	0.01	3 735	1 842	0.0100	3 735	2 315	0.01	3 735	2 789	3 735	3 262	3 735	3 735
Liberia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Libyan Arab Jamahiriya	195 226	0.21	78 431	** 78 431	0.2025	75 630	** 75 630	0.20	74 696	** 74 696	** 74 696	** 74 696	74 696	74 696
Lithuania	6 855	0.11	41 083	** 13 701	0.0850	31 746	** 16 811	0.08	29 878	** 20 669	** 29 878	** 25 273	29 878	29 878
Madagascar	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Malaysia	3 198	0.14	52 287	13 016	0.1400	52 287	22 834	0.14	52 287	32 651	52 287	42 469	52 287	52 287
Mali	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Marshall Islands	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Mauritius	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Mexico	40 663	0.78	291 314	90 793	0.7875	294 116	142 044	0.79	295 049	193 295	295 049	244 172	295 049	295 049
Mongolia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Morocco	2 741	0.03	11 204	4 434	0.0300	11 204	6 126	0.03	11 204	7 819	11 204	9 511	11 204	11 204
Myanmar	1 369	0.01	3 735	1 842	0.0100	3 735	2 315	0.01	3 735	2 789	3 735	3 262	3 735	3 735
Namibia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Nicaragua	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Niger	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Nigeria	4 569	0.16	59 757	15 607	0.1150	42 950	19 921	0.11	41 083	26 477	41 083	33 780	41 083	41 083
Pakistan	6 852	0.06	22 409	9 963	0.0600	22 409	13 075	0.06	22 409	16 186	22 409	19 298	22 409	22 409
Panama	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Paraguay	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Peru	3 198	0.06	22 409	7 040	0.0600	22 409	10 882	0.06	22 409	14 725	22 409	18 567	22 409	22 409
Philippines	8 680	0.06	22 409	11 426	0.0600	22 409	14 172	0.06	22 409	16 917	22 409	19 663	22 409	22 409
Poland	147 252	0.38	141 922	** 141 922	0.3375	126 050	** 126 050	0.33	123 248	** 123 248	** 123 248	** 123 248	123 248	123 248
Portugal	7 310	0.24	89 635	** 23 775	0.2750	102 707	** 45 469	0.28	104 574	** 65 668	** 104 574	** 85 121	104 574	104 574
Romania	14 163	0.15	56 022	** 22 535	0.1500	56 022	** 30 907	0.15	56 022	** 39 278	** 56 022	** 47 650	56 022	56 022
Saudi Arabia	789 024	0.80	298 784	** 298 784	0.7200	268 906	** 268 906	0.71	265 171	** 265 171	** 265 171	** 265 171	265 171	265 171
Senegal	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Sierra Leone	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Slovak Republic	5 940	0.10	37 348	** 12 222	0.0825	30 812	** 15 889	0.08	29 878	** 20 303	** 29 878	** 25 090	29 878	29 878

PROPOSED FORMULA FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET

GRADUAL ADJUSTMENT OF SHIELDED MEMBERS' CONTRIBUTIONS OVER 5 YEARS \*

	1995 amount (current) (a)	1996			1997			1998			1999		2000	
		base rate % (b)	"shielded" Members at half base rate amount (c)	"shielded" Members at half base rate 5-year phase-in [(c)-(a)]/5+(a) (d)	base rate % (e)	"shielded" Members at half base rate amount (f)	"shielded" Members at half base rate 5-year phase-in [(f)-(a)]/5*2+(a) (g)	base rate % (h)	"shielded" Members at half base rate amount (i)	"shielded" Members at half base rate 5-year phase-in [(i)-(a)]/5*3+(a) (j)	"shielded" Members at half base rate amount (k)	"shielded" Members at half base rate 5-year phase-in [(k)-(a)]/5*4+(a) (l)	"shielded" Members at half base rate amount (m)	"shielded" Members at half base rate 5-year phase-in (n)
			1/			2/			3/		4/		5/	
Slovenia	73 208	0.07	26 144	** 26 144	0.0700	26 144	** 26 144	0.07	26 144	** 26 144	26 144	** 26 144	26 144	26 144
South Africa	23 757	0.34	126 983	44 402	0.3225	120 447	62 433	0.32	119 514	81 211	119 514	100 363	119 514	119 514
Sri Lanka	1 369	0.01	3 735	1 842	0.0100	3 735	2 315	0.01	3 735	2 789	3 735	3 262	3 735	3 735
Sudan	1 256	0.01	3 735	1 752	0.0100	3 735	2 248	0.01	3 735	2 743	3 735	3 239	3 735	3 735
Syrian Arab Republic	1 003	0.05	18 674	4 537	0.0500	18 674	8 071	0.05	18 674	11 606	18 674	15 140	18 674	18 674
Thailand	5 025	0.13	48 552	13 730	0.1300	48 552	22 436	0.13	48 552	31 141	48 552	39 847	48 552	48 552
TF Yugoslav Rep of Macedonia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Tunisia	1 003	0.03	11 204	3 043	0.0300	11 204	5 083	0.03	11 204	7 124	11 204	9 164	11 204	11 204
Turkey	13 706	0.34	126 983	36 361	0.3750	140 055	64 246	0.38	141 922	90 636	141 922	116 279	141 922	141 922
Uganda	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Ukraine	1 529 245	1.49	556 485	** 556 485	1.1400	425 767	** 425 767	1.09	407 093	** 407 093	407 093	** 407 093	407 093	407 093
United Republic of Tanzania	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Uruguay	2 741	0.04	14 939	5 181	0.0400	14 939	7 620	0.04	14 939	10 060	14 939	12 499	14 939	14 939
Uzbekistan	11 879	0.19	70 961	23 695	0.1375	51 354	27 669	0.13	48 552	33 883	48 552	41 217	48 552	48 552
Venezuela	15 077	0.40	149 392	41 940	0.3375	126 050	59 466	0.33	123 248	79 980	123 248	101 614	123 248	123 248
Viet Nam	2 741	0.01	3 735	2 940	0.0100	3 735	3 139	0.01	3 735	3 337	3 735	3 536	3 735	3 735
Yemen	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Yugoslavia	5 939	0.11	41 083	12 968	0.1025	38 282	18 876	0.10	37 348	24 784	37 348	31 066	37 348	37 348
Zaire	1 256	0.01	3 735	1 752	0.0100	3 735	2 248	0.01	3 735	2 743	3 735	3 239	3 735	3 735
Zambia	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
Zimbabwe	1 003	0.01	3 735	1 549	0.0100	3 735	2 096	0.01	3 735	2 642	3 735	3 189	3 735	3 735
<b>Sub-total, "Shielded" Members</b>	<b>3 903 915</b>	<b>12.44</b>	<b>4 646 100</b>	<b>2 534 087</b>	<b>11.4250</b>	<b>4 267 019</b>	<b>2 785 545</b>	<b>11.29</b>	<b>4 216 592</b>	<b>3 236 778</b>	<b>4 216 592</b>	<b>3 726 701</b>	<b>4 216 592</b>	<b>4 216 592</b>
<b>"Unshielded" Members</b>														
Australia	1 236 413	1.47	1 176 033	1 233 339	1.4800	1 176 798	1 220 613	1.48	1 175 850	1 208 731	1 175 850	1 198 077	1 175 850	1 187 424
Austria	618 210	0.85	680 016	713 157	0.8650	687 788	713 400	0.87	691 206	710 533	691 206	704 271	691 206	698 008
Belgium	870 367	0.99	792 019	830 617	1.0075	801 094	830 924	1.01	802 436	824 878	802 436	817 608	802 436	810 338
Brazil *	36 551	1.62	1 296 035	162 499	1.6200	1 288 118	286 864	1.62	1 287 081	411 710	1 287 081	536 763	1 287 081	661 816
Canada	2 546 035	3.08	2 464 068	2 584 131	3.1000	2 464 916	2 556 695	3.11	2 470 874	2 539 967	2 470 874	2 517 579	2 470 874	2 495 193
Denmark	528 732	0.70	560 014	587 302	0.7175	570 510	591 751	0.72	572 032	588 029	572 032	582 846	572 032	577 663
Finland	463 653	0.61	488 017	511 796	0.6175	490 996	509 276	0.62	492 588	506 357	492 588	501 894	492 588	497 431
France	4 904 986	6.33	5 064 138	5 310 895	6.4025	5 090 846	5 280 404	6.41	5 092 694	5 235 104	5 092 694	5 188 961	5 092 694	5 142 820
Germany	7 304 597	8.96	7 168 192	7 517 478	9.0375	7 186 024	7 453 596	9.05	7 190 154	7 391 218	7 190 154	7 326 070	7 190 154	7 260 927
Holy See	8 135	0.01	8 000	8 386	0.0100	7 951	8 248	0.01	7 943	8 167	7 943	8 094	7 943	8 022

PROPOSED FORMULA FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET  
GRADUAL ADJUSTMENT OF SHIELDED MEMBERS' CONTRIBUTIONS OVER 5 YEARS \*

	1995 amount (current) (a)	1996			1997			1998			1999		2000	
		base rate % (b)	"shielded" Members at half base rate amount (c)	"shielded" Members at half base rate 5-year phase-in [(c)-(a)]/5+(a) (d)	base rate % (e)	"shielded" Members at half base rate amount (f)	"shielded" Members at half base rate 5-year phase-in [(f)-(a)]/5*2+(a) (g)	base rate % (h)	"shielded" Members at half base rate amount (i)	"shielded" Members at half base rate 5-year phase-in [(i)-(a)]/5*3+(a) (j)	"shielded" Members at half base rate amount (k)	"shielded" Members at half base rate 5-year phase-in [(k)-(a)]/5*4+(a) (l)	"shielded" Members at half base rate amount (m)	"shielded" Members at half base rate 5-year phase-in (n)
			1/			2/		3/		4/		5/		
Iceland	24 405	0.03	23 999	25 167	0.0300	23 854	24 745	0.03	23 836	24 499	23 836	24 283	23 836	24 068
Ireland	146 416	0.20	160 001	167 801	0.2100	166 980	173 193	0.21	166 846	171 510	166 846	169 999	166 846	168 497
Israel	187 091	0.26	208 006	218 141	0.2675	212 696	220 621	0.27	214 511	220 509	214 511	218 566	214 511	216 622
Italy	3 514 015	4.80	3 840 108	4 027 224	5.1925	4 128 730	4 282 467	5.24	4 163 141	4 279 555	4 163 141	4 241 834	4 163 141	4 204 116
Japan	10 184 138	13.97	11 176 300	11 720 889	15.4275	12 266 926	12 723 690	15.63	12 417 915	12 765 166	12 417 915	12 652 652	12 417 915	12 540 144
Kuwait	203 360	0.20	160 001	167 801	0.1900	151 077	156 703	0.19	150 953	155 177	150 953	153 810	150 953	152 442
Liechtenstein	8 135	0.01	8 000	8 386	0.0100	7 951	8 248	0.01	7 943	8 167	7 943	8 094	7 943	8 022
Luxembourg	48 803	0.07	56 005	58 727	0.0700	55 660	57 731	0.07	55 615	57 172	55 615	56 669	55 615	56 165
Monaco	8 135	0.01	8 000	8 386	0.0100	7 951	8 248	0.01	7 943	8 167	7 943	8 094	7 943	8 022
Netherlands	1 228 278	1.58	1 264 036	1 325 625	1.5875	1 262 278	1 309 275	1.59	1 263 245	1 298 570	1 263 245	1 287 124	1 263 245	1 275 679
New Zealand	195 226	0.24	192 007	201 361	0.2400	190 834	197 938	0.24	190 675	196 010	190 675	194 282	190 675	192 554
Norway	447 390	0.55	440 012	461 456	0.5600	445 273	461 855	0.56	444 915	457 358	444 915	453 327	444 915	449 296
Qatar	40 675	0.04	31 999	33 560	0.0400	31 806	32 986	0.04	31 779	32 666	31 779	32 378	31 779	32 090
Russian Federation	5 490 648	5.69	4 552 123	4 773 933	4.4450	3 534 366	3 665 970	4.26	3 384 534	3 479 183	3 384 534	3 448 517	3 384 534	3 417 853
Singapore *	1 828	0.14	112 003	12 846	0.1400	111 320	23 726	0.14	111 231	34 649	111 231	45 589	111 231	56 530
Spain	1 618 723	2.25	1 800 051	1 887 761	2.3600	1 876 517	1 946 385	2.38	1 890 892	1 943 764	1 890 892	1 926 631	1 890 892	1 909 500
Sweden	911 042	1.22	976 026	1 023 584	1.2275	976 026	1 012 372	1.23	977 225	1 004 555	977 225	995 701	977 225	986 847
Switzerland	951 717	1.21	968 027	1 015 198	1.2100	962 109	997 938	1.21	961 339	988 215	961 339	979 505	961 339	970 795
United Arab Emirates	170 821	0.19	152 008	159 414	0.1900	151 077	156 703	0.19	150 953	155 177	150 953	153 810	150 953	152 442
United Kingdom	4 107 819	5.28	4 224 114	4 429 945	5.3100	4 222 161	4 379 370	5.31	4 218 757	4 336 727	4 218 757	4 298 503	4 218 757	4 260 280
United States of America	20 335 744	25.00	20 000 542	20 975 108	25.0000	19 878 348	20 618 520	25.00	19 862 302	20 417 732	19 862 302	20 237 768	19 862 302	20 057 812
Sub-total, "Unshielded" Members	68 342 088	87.56	70 049 900	72 161 913	88.5750	70 428 981	71 910 455	88.71	70 479 408	71 459 222	70 479 408	70 969 299	70 479 408	70 479 408
TOTAL	72 246 003	100.00	74 696 000	74 696 000	100.0000	74 696 000	74 696 000	100.00	74 696 000	74 696 000	74 696 000	74 696 000	74 696 000	74 696 000

NOTE: Exchange rate AS 12.70/1US\$.

- 1/ First year (1996) = one-fifth of difference between 1995 contribution and half base rate 1996 added to 1995 contribution.
- 2/ Second year (1997) = two-fifths of difference between 1995 contribution and half base rate 1997 contribution added to 1995 contribution.
- 3/ Third year (1998) = three-fifths of difference between 1995 contribution and half base rate 1998 contribution added to 1995 contribution.
- 4/ Fourth year (1999) = four-fifths of difference between 1995 contribution and half base rate 1999 contribution added to 1995 contribution.
- 5/ Fifth year (2000) = contribution at half base rate 2000

\* For Members moving from "shielded" to "unshielded" group, gradual adjustment is over 10 years.

\*\* No gradual adjustment required.