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FINANCING OF TECHNICAL ASSISTANCE

Note by the Board of Governors

In compliance with a request made by the General Conference last year [1], the Board of Governors is presenting to the Conference in the Annex hereto a report by the Director General on the financing of technical assistance.

[1] In Resolution GC(XVII)/RES/307, para. 2.

ANNEX

A STUDY OF THE FINANCING OF TECHNICAL ASSISTANCE

Report by the Director General

INTRODUCTION

1. In June 1973 the Board of Governors requested the Director General to make a study of the possibilities and implications of all modes of financing the provision of technical assistance by the Agency, including in particular financing from the Regular Budget, to report the results of the study to the Board for further consideration, and to bring the existence of the study to the attention of the General Conference at its session in September. The latter step has been taken[1], and Governors will recall that the Conference requested the Board to present a report on the matter for consideration at its session this year[2].

BACKGROUND

2. The nature of the financial clauses to be included in the Agency's Statute was discussed extensively from 1954 to 1956, first by a working group consisting of representatives of eight States and subsequently, on the basis of a draft Statute which the working group had prepared, by a 12-State "Working Level Meeting". The present text of the financial clauses corresponds closely to the recommendations of the Working Level Meeting, which were accepted almost in their entirety by the Conference on the Statute of the Agency held at United Nations Headquarters in 1956.

3. It was expected that the Agency would participate in projects designed to further peaceful atomic energy programmes in countries requiring external assistance for such programmes and that it would thereby incur expenditures in connection with the provision of materials, services, equipment and facilities. It was also expected that countries providing assistance through the Agency would normally be reimbursed by the receiving countries and that the Agency would be paid a handling charge, in this manner accumulating revenues to be placed in a general fund and used in ways approved by the General Conference. This thinking is reflected in Articles XIII and XIV of the Statute.

4. In addition, the view was advanced in the Working Level Meeting that, in the light of the Agency's objectives, the Statute ought to contain specific reference to the problems and needs of the underdeveloped areas of the world. This thinking is reflected in various places in the Statute, including Articles III. A. 2, III. A. 4, III. B. 3 and XI. B.

[1] GC(XVII)/OR.160, para. 62.

[2] GC(XVII)/RES/307, para. 2.

5. In the light of the legislative history of the Statute, the Preparatory Commission, which was created in October 1956 by the Conference on the Statute, mentioned in its report the desirability of the Agency's providing technical assistance in connection with the use of radioisotopes and radiation sources and with reactor programmes. [3]

6. As the Preparatory Commission did not expect any excess of revenues to be available to the General Fund immediately[4], it recommended that the General Conference adopt a resolution calling on the Agency to arrange as soon as possible to provide fellowships "in view of the shortage, particularly in the underdeveloped areas of the world, of scientists and technicians having specialized education or training in nuclear technology for peaceful purposes" and, provided funds were available, to appropriate an amount not exceeding \$250 000 for this purpose, and also inviting all Member States to make voluntary contributions to the General Fund to finance such fellowships[5]. The resolution was adopted as Resolution GC.1(S)/RES/6 by the Conference at its first special session in October 1957.

7. Article XIV.B.2 of the Statute might be quoted as the basis on which technical assistance costs are incurred. [6] As regards the financing of these costs, no excess of revenues of the kind referred to in Article XIV.E of the Statute has ever become available for transfer to the General Fund, and the voluntary contributions provided for in Article XIV.F accordingly constitute the main part of the Agency's resources for financing the provision of technical assistance. A target for such voluntary contributions has been fixed each year since 1958, when a target of \$1.5 million was approved for 1959[7], and, in accordance with Article XIV.F of the Statute, they are placed in the General Fund.

8. As early as 1961 it had become clear that no excess of revenues was likely to materialize, and the General Conference accordingly adopted a resolution inviting the economically developed Member States

"to make voluntary contributions to the General Fund for 1962 and succeeding years in amounts that are at least the same percentages of the target for each year as are their assessed contributions to the Regular Budget"[8].

9. In 1962 the United Kingdom suggested to the Board that Article XIV of the Statute be amended in such a way that all the activities of the Agency as authorized under its Statute, including the provision of technical assistance, might be financed from one common budget. The suggestion was discussed both by the Board and by the General Conference during the period 1962-64, but the views of Member States could not be reconciled. Those in favour of amending Article XIV considered that a firmer financial basis was necessary for the long-term planning of technical assistance operations and for avoiding a backlog of unfulfilled requests, while those who were opposed considered that all technical assistance should be provided on a voluntary basis and that amendment of the Statute in the manner proposed might lead to a radical change in the functions of the Agency. No decision to amend Article XIV was reached, a situation to which the Board drew the Conference's attention in its annual report for the period 1 July 1963-30 June 1964[9].

[3] GC.1/1, paras 38 and 39.

[4] Ibid., para. 187.

[5] Ibid., Annex I, draft resolution C.

[6] Szasz, Paul C., *The Law and Practices of the International Atomic Energy Agency*, Vienna (1970), p. 467.

[7] See General Conference Resolution GC(II)/RES/25, part B, para. 1.

[8] GC(V)/RES/100. This resolution was amended through the adoption of Resolution GC(XV)/RES/286 in 1971, but the amendment has no bearing on the question under study here.

[9] GC(VIII)/270, para. 6.

TECHNICAL ASSISTANCE IN OTHER ORGANIZATIONS OF THE UNITED NATIONS FAMILY

10. Of the organizations belonging to the United Nations family about which details are given in the Appendix to this report, the table below shows those which have regular programmes of technical assistance financed from assessed contributions and the amounts available for those programmes in 1964 and 1974.

Organization	Amount available for the regular programme (in United States dollars)	
	1964	1974
United Nations Office of Technical Co-operation	6 399 000	7 233 000 ^{a/}
United Nations Conference on Trade and Development (UNCTAD)	b/	500 000 (approx.)
United Nations Industrial Development Organization (UNIDO)	b/	2 000 000
International Labour Organisation	1 331 000	1 230 000 ^{c/}
Food and Agriculture Organization of the United Nations	110 000	110 000
United Nations Educational, Scientific and Cultural Organization	1 800 000	3 000 000
World Health Organization (WHO)	13 500 000	52 500 000
World Meteorological Organization (WMO)	1 500 000 ^{d/}	e/

a/ This figure includes approximately \$500 000 for projects carried out by UNCTAD (see the entry for UNCTAD in the Appendix).

b/ The date of establishment of this organization did not allow it to have a programme in 1964.

c/ This amount was for the year 1972.

d/ Spread over four years.

e/ WMO no longer has such a programme, but a voluntary fund has been set up (see the entry for WMO in the Appendix).

11. The great majority of organizations in the United Nations family act as executing agencies in providing technical assistance with funds made available by the United Nations Development Programme (UNDP), which in fact is the main source of such funds except in the case of WHO. The latter organization has a unique position as regards the provision of technical assistance, having assumed the extensive "technical collaboration" functions of the Health Organization of the League of Nations; its Constitution provides for it to assist Governments, upon request, in strengthening health services, to furnish appropriate technical assistance and, in emergencies, to render necessary aid if a Government requests or is prepared to accept it. Further, WHO has large programmes and UNIDO small programmes financed from voluntary contributions. Finally, most of the organizations listed in

the Appendix also have programmes financed from "multi-bilateral"[10] funds - Danish International Development Aid, the Norwegian Agency for International Development, the Swedish International Development Authority (SIDA), etc. - and from Funds-in-Trust.

12. The technical assistance financed from assessed contributions is generally directed to the initiation of activities which are not normally eligible for support from UNDP; in fact, it is stipulated in certain cases that assessed contributions may not be used for projects which qualify for financing from UNDP or from bilateral sources. The common denominator of regular programmes is that they provide technical assistance in the form of exploratory and preparatory missions, consultants and textbooks and also for pilot or experimental projects, surveys, regional activities and participation in seminars.

MODES OF FINANCING TECHNICAL ASSISTANCE

13. The points set forth in paragraphs 14-22 below should be borne in mind in considering the question of financing the provision of technical assistance by the Agency from its Regular Budget.

14. The universality of multilateral technical assistance would be achieved through assessments on all Member States.

15. As voluntary contributions to international organizations tend to be among the first expenditures reduced by a State in the event of a national or international financial crisis, uncertainty as regards the continued inflow of funds for the provision of technical assistance would be removed to some extent if Members were required to pay assessed contributions for that purpose.

16. With an increased degree of assurance as regards the continued inflow of funds, programme planning could, of course, be improved and it might be possible to contemplate the provision of assistance for longer-term projects under the Agency's regular programme.

17. It seems reasonable to assume that, if the provision of technical assistance were financed from the Regular Budget, the technical assistance programme would grow in step with the Agency's programme as a whole.

18. Within the framework of the Agency's financial regulations, assessed contributions are paid in United States dollars or Austrian schillings, whereas voluntary contributions may be paid in national currencies, which are not always fully convertible. Financing of the provision of technical assistance from assessed contributions would accordingly create difficulties for many contributors to the General Fund.

19. Some Members that make large voluntary contributions to finance the provision of technical assistance object to the concept of a collectively determined assessment on all Members for this purpose. That objection is reflected in a current trend in organizations in the United Nations family to eliminate financing from assessed contributions. This trend is discernible even in the case of those organizations which, from the inception of their technical assistance programmes, have used a composite system of financing, obtaining the funds required partly from voluntary and partly from assessed contributions[11]. It would seem inadvisable for the Agency to go against this trend. Apart from that consideration, the collection of some of the assessed contributions might constitute a problem; the financial

[10] "Multi-bilateral" is a term used by UNDP to describe funds made available by a national authority for a multilateral aid programme.

[11] See the information presented in the Appendix; the situation in WHO is exceptional.

difficulties which have arisen in comparable situations are too well known to require elaboration in this report. Furthermore, for the reasons given in the following paragraph, the introduction of any kind of composite system of financing would be liable to reduce the sizable volume of gifts in kind which the Agency now receives for each year's technical assistance programme.

20. At present, the Agency's resources for providing technical assistance consist of voluntary contributions to the General Fund, funds made available by UNDP and gifts in kind; in addition, certain activities of a technical assistance nature are financed from multi-bilateral funds made available by such bodies as SIDA[12]. Although the value of gifts in kind fell from 48% (\$600 000) of the total resources made available for the technical assistance programme in 1960 to 25% (\$860 000) in 1972, even in the latter year such gifts clearly constituted a very important supplement to the financial resources, and they continue to represent one of the ways in which Members, recognizing the inadequacy of the funds available for providing technical assistance, can - and do - supplement those funds. The cost of gifts in kind is often met from a section of a Member's national budget other than that out of which its assessed contribution to the Regular Budget and its voluntary contribution to the General Fund are paid, and it need hardly be underlined that in such cases the Member might well not find it possible to make an extra contribution in cash to the Agency as a substitute for gifts in kind. A further consideration is that, if a Member were obliged, under assessment, to contribute to the technical assistance programme, it is questionable whether it would feel any inclination voluntarily to increase its total contribution by making gifts in kind as well.

21. Recently some three quarters of the increase in the Agency's Regular Budget each year has merely balanced cost increases resulting from inflation and exchange rate fluctuations, and that part of the Agency's programme which is financed under the Regular Budget from assessed contributions has accordingly tended to grow at a decreasing rate; in fact, there was even a contraction in one year, as shown below.

Year	Percentage change in the programme financed from the Regular Budget
1970	+4.2
1971	+6.1
1972	+5.8
1973	-0.1
1974	+3.0

Had the funds available for technical assistance also increased by only 3% from 1973 to 1974, the Agency would have been able to provide additional assistance equivalent to no more than the services of three experts for one year each.

22. If the situation described in the previous paragraph continues, it seems likely that increases in the Regular Budget in the immediate future will do little more than compensate for inflation and provide for only minimal growth in that part of the Agency's programme which is financed from assessed contributions. The requirements of developing Member States will, however, call for a considerable increase in technical assistance, especially during the next few years, when more countries are expected to embark on nuclear power programmes and to expand the use of nuclear technology in their development.

[12] See para. 11 above.

THE TARGET FOR VOLUNTARY CONTRIBUTIONS TO THE GENERAL FUND

23. Most speakers on the subject of voluntary contributions to the General Fund at the meetings of the Board's Administrative and Budgetary Committee in May 1973, and of the Board itself in June, and at the General Conference in September, expressed themselves in favour of setting a higher target for such contributions for 1975, particularly because the real value of the money contributed was being steadily reduced by inflation.

24. In this context it may be of interest to note that as early as December 1972 the General Assembly of the United Nations took steps to cope with a similar situation in UNDP by inviting Governments to increase their contributions by at least 15% annually, "in order to promote the objective of doubling the total resources available to the Programme by 1975"[13]. Contributions pledged for 1974 are 18% higher than for 1973, which is the largest increase from one year to the next in a decade, and as a result the funds available to UNDP are now increasing at a rate faster than the 9.8% a year established earlier for planning purposes.

25. With regard to the matter of the ever-increasing cost of providing technical assistance, the Board's Technical Assistance Committee provided it in February this year with facts and figures in its report on the experts and equipment to be provided in 1974 from the Agency's own resources - the price of equipment is rising at the rate of about 12% a year, and over the past ten years or so the annual average cost of providing a fellowship has risen from \$3300 to \$8400 and the annual cost of providing an expert from \$17 400 to \$30 000. UNDP is now of the opinion that even the latter figure may be substantially increased from January 1975, and although UNDP assumed an annual inflation rate of 8% for programming purposes, the true rate may well have been as high as 10%.

[13] Resolution 2973 (XXVII).

APPENDIX

Technical assistance (experts, equipment and training) provided by
other organizations in the United Nations family
(situation on 1 January 1974)

Organization	Financed from assessed contributions	Financed from voluntary contributions (other than to UNDP)
United Nations Office of Technical Co-operation	<p>The aim of the United Nations Regular Programme of Technical Assistance is to provide a flexible and speedy response to the requests of developing countries for assistance in various fields of importance to the development process. The Regular Programme complements and strengthens assistance available to developing countries under other programmes and provides a means whereby substantive recommendations of the Economic and Social Council of the United Nations and the Industrial Development Board can be given operational content, particularly at the regional and country level.</p> <p>The Regular Programme consists of three main components: (a) economic development, social development, public administration, human rights, advisory services and narcotics drugs control; (b) regional and sub-regional advisory services; and (c) industrial development.</p>	<p>There are a number of projects supported from Funds-in-Trust.</p>
United Nations Conference on Development and Trade (UNCTAD)	<p>The United Nations Regular Programme of Technical Assistance includes projects in the field of international trade and invisibles which are carried out by UNCTAD. The programme is financed under Part V of the United Nations budget. No separate section or specific portion of the budget is earmarked in advance for projects in this field, such projects continuing to be part of the "economic development" component of the Regular Programme. An amount of \$257 528 was obligated in 1971 and of \$446 418 in 1972.</p>	<p>The International Trade Centre is financed from Funds-in-Trust and from funds made available by the United Nations Development Programme (UNDP).</p>
United Nations Industrial Development Organization (UNIDO)	<p>The United Nations Regular Programme of Technical Assistance makes available funds for the provision of fellowships in a variety of industrial fields, advisory missions, regional advisers attached to the regional economic commissions, interregional advisers and new types of operational activities (with special emphasis on the needs of the least developed countries).</p>	<p>In addition to assistance financed from a voluntary fund, in which about \$2.6 million is available for 1974, there are a number of projects supported from funds provided by the Swedish International Development Authority (SIDA). UNIDO's Special Industrial Services are financed from UNDP funds.</p>
International Labour Organisation (ILO)	<p>There is a programme providing for: (a) exploratory, preparatory or follow-up missions; (b) pilot or experimental projects essentially aimed at perfecting or trying out new methods or programmes specially adapted to the needs of countries at different levels of development; (c) field studies or surveys and other action in support of field operations, including general project support (covering technical aids to be developed for use in field projects); and (d) technical assistance to regional or other intergovernmental organizations.</p> <p>Technical assistance under the regular programme takes the form of expert assignments at both the national and the regional level, group training courses (including seminars and study tours), fellowships and equipment.</p> <p>As a means of ensuring the maintenance and the continual improvement of the quality of the assistance provided by ILO, part of the resources made available for technical co-operation in the regular budget is used to finance: (a) selective evaluation activities, with a view to improving the methods used by the beneficiary countries and by ILO in the preparation and implementation of technical co-operation programmes; and (b) opportunities for experts who have been with the organization for some time, and whose services are expected to continue, to become acquainted with the latest developments in their technical field.</p>	<p>There are a number of projects supported from SIDA funds and from Funds-in-Trust.</p>

Organization	Financed from assessed contributions	Financed from voluntary contributions (other than to UNDP)
Food and Agriculture Organization of the United Nations (FAO)	While FAO has no programme of field operations financed from assessed contributions, it is currently receiving \$75 000 annually to finance research fellowships for fellows from advanced and developing Member States and \$70 000 every two years for an agricultural planning course.	There are programmes supported from Funds-in-Trust and from funds provided by - among others - Danish International Development Aid, the Norwegian Agency for International Development, SIDA, and the Freedom from Hunger Campaign.
United Nations Educational, Scientific and Cultural Organization (UNESCO)	There is a programme under which assistance is provided, on request, for selected activities in Member States so as to facilitate their participation in UNESCO's programme, particular emphasis being given to those activities where new experience and initiatives are needed. Such assistance, while of direct benefit to Member States, is to be increasingly concentrated on projects and other activities which: (a) help to lay a basis for future, continuing international activities; (b) encourage multi-country co-operation, especially among National Commissions; and (c) encourage experimentation and innovation.	There are a number of projects supported from SIDA funds and Funds-in-Trust.
World Health Organization (WHO)	Direct technical assistance and services to Governments are provided through its regional offices at all stages in the process of raising levels of health, and emergency aid to Governments is provided upon request or acceptance (a special fund, used at the discretion of WHO's Board, exists for meeting emergencies and unforeseen contingencies).	There are projects of definite and limited scope financed from the Voluntary Fund for Health Promotion (established in 1960) and designed to stimulate national efforts in such fields as medical research and community water supply, to provide accelerated assistance to developing countries and to help in combating smallpox, leprosy, yaws, cholera and malaria. For 1974 a total of \$11 683 000 is available in the Fund. The Health Assembly or the Board acting on behalf of the Health Assembly may accept and administer gifts and bequests. In addition to a special co-operation programme with the United Nations Children's Fund, there are a number of programmes supported by SIDA and other trust funds.
International Civil Aviation Organization	There is no regular programme of technical assistance financed from assessed contributions.	There are a number of projects supported from Funds-in-Trust (about \$2 million) and contributions made by the International Air Transport Association.
Universal Postal Union	There is no regular programme of technical assistance financed from assessed contributions.	Various activities - mainly training - are financed to the extent of some 200 000-300 000 Swiss francs annually from a voluntary fund established in 1966 and assistance is provided with the help of contributions received in kind.
International Telecommunication Union	There is no regular programme of technical assistance financed from assessed contributions.	There are a number of projects supported from Funds-in-Trust.

Organization	Financed from assessed contributions	Financed from voluntary contributions (other than to UNDP)
World Meteorological Organization	Long-term fellowships (\$400 000 for the period 1972-75).	Various activities not eligible for support from UNDP and not likely to find support elsewhere are financed under the Voluntary Assistance Programme, which was established in 1968 to assist the World Weather Watch Programme and which superseded the New Development Fund and - previous to that - a system of assessed contributions. By the end of 1972, requests representing \$32 million had been received. By the end of 1973, equipment worth approximately \$14 million had been received from donor countries. In addition, about \$400 000 annually has been contributed voluntarily for use in assisting with the operation and installation of equipment.
Inter-Governmental Maritime Consultative Organization	There is no regular programme of technical assistance financed from assessed contributions.	There are a number of projects supported from Funds-in-Trust.

