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Item 14 of the provisional agenda
(GC(XXIX)/746)

THE FINANCING OF SAFEGUARDS

Report by the Board of Governors

1. In 1984, the General Conference, by resolution GC(XXVIII)/RES/433:
 - (a) Decided that the arrangements for the assessment of Members' contributions towards the Agency's Regular Budget which it had approved by resolution GC(XXVII)/RES/416 to supplement those contained in resolutions GC(III)/RES/50 and GC(XXI)/RES/351 should continue to be applicable for the years 1985 and 1986; and
 - (b) Further decided that the Board should review those arrangements, initiating appropriate consultations immediately after the end of the twenty-eighth regular session of the General Conference, and make a recommendation thereon to the General Conference at its twenty-ninth regular session.
2. In the light of General Conference resolution GC(XXVIII)/RES/433, the Board of Governors agreed on 1 October 1984 that consultations on the financing of safeguards should be held by the Chairman.
3. The Chairman, reporting to the Board in February 1985 on the extensive consultations which had been held, primarily within the framework of three proposals, one made informally by Spain, and two made formally by the United States of America and Venezuela, stated that members had expressed the wish to arrive at a mutually acceptable and lasting solution. In the light of

the views expressed during the consultations, and because it was recognized that a broad consensus was essential on any formula to be adopted, the Board agreed that the consultations should continue and that the Chairman should report to the Board in June.

4. The Board resumed its consideration of the matter in June, when the Chairman reported on the consultations held between its February and June sessions. The Chairman stated that the consultations had taken place in a constructive atmosphere and had shown the genuine concern of all members to arrive at a mutually acceptable solution, but that they had not produced a consensus on any single formula for the financing of safeguards; aspects of this very complex matter still required examination at an informal level and in the Board.

5. In September the Board had before it three specific proposals for the financing of safeguards: a proposal submitted since the June meetings by Belgium and the above-mentioned proposals of the United States of America and Venezuela. The Chairman reported to the Board on the further consultations which he had held, stating that they had not produced a consensus either. The real capacity of Member States to pay had again been identified as a principal factor to be taken into account in any arrangements for the financing of safeguards, as had the existing United Nations scale of assessment and the outcome of the work of the United Nations General Assembly's Committee on Contributions, which was still engaged in formulating proposals for new methods of determining future scales of assessment.

6. The Board agreed to report to the General Conference at its twenty-ninth regular session accordingly and to continue its review of the present arrangements with a view to submitting a recommendation to the General Conference in 1986. The summary records of the Board's discussions on the matter of safeguards financing in February, June and September 1985 are reproduced in the Annex.

7. In the light of the foregoing information, the Board suggests that the General Conference adopt the draft resolution set out overleaf.

Draft resolution

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

The General Conference

(a) Recalling resolution GC(XXVIII)/RES/433 adopted in 1984, by which it:

- (i) Decided that the arrangements for the assessment of Members' contributions towards the Agency's Regular Budget which it had approved by resolution GC(XXVII)/RES/416 to supplement those contained in resolutions GC(III)/RES/50 and GC(XXI)/RES/351 should continue to be applicable for the years 1985 and 1986; and
- (ii) Further decided that the Board should review those arrangements, initiating appropriate consultations immediately after the end of the twenty-eight regular session of the General Conference, and make a recommendation thereon to the General Conference at its twenty-ninth regular session, and

(b) Taking note of the report of the Board of Governors set forth in document GC(XXIX)/760,

Requests the Board of Governors to continue immediately after the end of the Conference's twenty-ninth regular session with its review of the present arrangements for the assessment of Members' contributions towards the Agency's Regular Budget and to submit to the Conference at its thirtieth regular session a recommendation on the arrangements to be applicable after 1986.

A N N E X

Summary records of the discussion on the item
"The financing of safeguards"
at meetings of the Board of Governors
held in February, June and September 1985

RECORD OF THE 633rd MEETING (held on 20 February 1985)

(1.) THE FINANCING OF SAFEGUARDS (GC(XXVIII)/RES/433)

61. The CHAIRMAN said that when, in 1984, the General Conference had decided, by adopting resolution GC(XXVIII)/RES/433, that the arrangements applicable in that year for the assessment of Members' contributions towards the Regular Budget should continue to be applicable in 1985 and 1986, it had also decided that the Board should review those arrangements, initiating appropriate consultations immediately after the end of the twenty-eighth regular session of the Conference, and that the Board should make a recommendation thereon to the General Conference at its twenty-ninth regular session. Since the last session of the Conference he had held extensive consultations on the matter. In those consultations, which had been held primarily within the framework of three specific proposals, made by Spain, the United States of America and Venezuela, Members had expressed their wish to arrive at a mutually acceptable and lasting solution.

62. Mr. VERMA (India), noting that no consensus had emerged from the informal consultations conducted by the Chairman on the question of the financing of safeguards, recalled that at a meeting of the Board of Governors in September 1984 his delegation, speaking on behalf of the Group of 77, had indicated that the Group of 77 believed that the Venezuelan draft resolution on the financing of safeguards represented an appropriate and equitable formula which would protect the interests of developing countries and was in conformity with the principles they espoused.^{1/}

^{1/} See GOV/OR.629, para. 2.

63. India had consistently held that the capacity to pay should be one of the basic determining factors for the assessment of safeguards costs. The current list of countries which had been granted relief was based on valid criteria fairly applied. Any proposed formula should be equitable and should not depart from the practice followed in the past few years. When considering the financing of safeguards, care needed to be taken not to act too hastily and not to encourage any indiscriminate expansion in safeguards activities and expenditure on the basis of subjective concepts such as "inspection goals" and "levels of assurance". The enormous expansion in safeguards costs in the past fifteen years, which had far exceeded world inflationary trends, was a serious matter, especially for countries with a limited capacity to pay and for those which had never encouraged the Agency to take on responsibilities devolving from a certain treaty rather than from the Statute directly.

64. He pointed out that the bulk of the safeguards budget was spent in industrialized countries, which also had most of the safeguarded facilities. Account should also be taken of the expenditure incurred as a result of so-called voluntary offers by nuclear-weapon States. It was unfair to make developing countries pay such costs, which were continually increasing.

65. Finally, he suggested that serious efforts be made by all delegations to find an early solution on the basis of the Venezuelan proposal and pledged his delegation's co-operation in that connection.

66. Mr. BRADY ROCHE (Chile) said that, if the will to modify the system for financing safeguards were not forthcoming, the most appropriate solution would be found in resolution GC(XXVIII)/RES/433, whereby the system in force in 1984 should continue to be applied in 1985 and 1986. That would be especially appropriate in view of the fact that the world economic recession had been having a severe impact on developing countries, which would be unwilling to devote larger sums to the safeguards budget when their resources were already scarce.

67. If any increase in the safeguards budget were nevertheless to be considered, that should be done only with a view to meeting the objective of making all nuclear facilities - or at least all non-military facilities - in all countries subject to safeguards. If that objective were met, all countries would be treated equally and maximum use would be made of the Agency's potential.

Furthermore, the criteria behind any formula proposed for the redistribution of safeguards costs should be relevant and not arbitrary or randomly selected; the criterion of per capita income was not one, he felt, which bore any reasonable relationship to the nuclear development of a country.

68. Mr. LOOSCH (Federal Republic of Germany) was in favour of further discussions, to be held by the Chairman in co-operation with the Vice-Chairmen; however, he felt that the United States proposal represented the most appropriate basis for such discussions.

69. The CHAIRMAN said that, in the light of the views expressed during the consultations he had held, and because a broad consensus on the formula to be followed for the financing of safeguards was clearly essential, he assumed that the Board would wish him, in co-operation with the Vice-Chairmen, to continue to hold consultations with interested Members until the Board met in June, on which occasion he would report to it again. At that time the Board could also consider what recommendation it wished to make to the General Conference at its twenty-ninth regular session.

70. It was so agreed.

RECORD OF THE 640th MEETING (held on 14 June 1985)

THE FINANCING OF SAFEGUARDS (GC(XXVIII)/RES/433)

35. The CHAIRMAN said that in resolution GC(XXVIII)/RES/433 the General Conference had decided that the arrangements applicable in 1984 for the assessment of Members' contributions towards the Regular Budget should continue to be applicable in 1985 and 1986 and had requested the Board to review those arrangements, initiating appropriate consultations immediately after the end of the twenty-eighth regular session of the General Conference, and to make a recommendation thereon to the General Conference at its twenty-ninth regular session.

36. In February, he had reported to the Board on the extensive consultations which had been conducted since September 1984 and the Board had requested him to continue his consultations with interested Members and to report to it in June.

37. As many Governors were aware, he had held further consultations on the matter since February, again within the framework of the three specific proposals which had been put forward by Spain, the United States of America and Venezuela. As always, those consultations had been held in a constructive atmosphere and he had been encouraged by the genuine concern of all Members to arrive at a mutually acceptable solution. Nevertheless, for the time being he could see no consensus on any single formula for the financing of safeguards and there remained aspects of that very complex matter which required further discussion at an informal level.

38. Mr. SINGH (India) noted that, in spite of the Chairman's sincere and commendable efforts, no consensus had emerged on the financing of safeguards. Operative paragraph 2 of resolution GC(XXVIII)/RES/433 had urged the Board to review the existing arrangements by initiating appropriate consultations immediately and to make a recommendation on the financing of safeguards to the General Conference at its twenty-ninth regular session. In view of the short time available for arriving at a definitive decision, it was imperative for all to display a greater political will to work out a consensus.

39. Members of the Board belonging to the Group of 77 had clearly outlined their position on the subject at the meetings of the Board held in September 1984. In their opinion, the Venezuelan draft resolution embodied an appropriate and equitable formula which protected the interests of developing countries and upheld the principles they valued. He wished to reiterate his Government's position as set forth in its statement to the Board in February 1985, which had underlined the basic determinants of a solution.

40. It was clear that safeguards costs in the preceding 15 years had grown far beyond the level that could be justified by global inflationary trends and that no rational explanation in keeping with the letter and spirit of the Statute had been provided. The capacity to pay of a large majority of Member States was limited and many of them had in any case never encouraged the Agency to assume responsibilities devolving from a certain treaty. Furthermore, it would be unfair to make developing countries contribute to those ever-increasing costs when the bulk of the money under the safeguards budget was spent in industrialized countries. In view of the poor cost-benefit ratio of the cosmetic exercise called voluntary offers by nuclear-weapon States, the Agency's safeguards expenditure was liable to get out of hand.

41. He urged that the Board face the problem squarely and arrive at an early, realistic and equitable solution along the lines suggested in the proposal submitted earlier by Venezuela.

42. The CHAIRMAN assumed that it was the Board's wish to revert to the matter in September, when he would report on the further consultations which he intended to hold in the meantime and the Board could decide on the nature of its report to the General Conference.

43. It was so agreed.

PROVISIONAL RECORD OF THE 642ND MEETING (held on 19 September 1985)

THE FINANCING OF SAFEGUARDS (GOV/2222, GC(XXVIII)/RES/433)

The CHAIRMAN recalled that the financing of safeguards had been discussed by the Board at its February and June 1985 sessions and that in June it had been agreed that the Board would revert to the matter in September, at which time he was to report on the consultations conducted in the meantime.

Before reporting on the consultations held since the June session, he wished to draw the Board's attention to document GOV/2222 containing a draft resolution, proposed by Belgium and co-sponsored by Spain, on revised arrangements for the assessment of Members' contributions towards the Regular Budget. Altogether three draft resolutions on that subject had now been put forward, the other two having been tabled last year by Venezuela and the United States of America in documents GOV/2181 and GOV/2182 respectively.

The consultations held had brought out once again the importance of the matter and the wish of all to arrive at a mutually acceptable and lasting solution. The real capacity of Member States to pay had again been identified as a principal factor to be taken into account in any arrangements for the financing of safeguards, as had the existing United Nations scale of assessment and the outcome of the work of the United Nations General Assembly's Committee on Contributions, which was still engaged in formulating proposals for methods of determining future scales of assessment.

Regrettably, however, no single formula for the financing of safeguards had received sufficient support, and thus no recommendations thereon could be made to the General Conference at its forthcoming session.

Since the present arrangements for the assessment of Members' contributions towards the Regular Budget would continue to apply in 1986, he proposed that the Board suggest to the General Conference that it request the

Board to continue, immediately after the end of the Conference's forthcoming session, its review of the present arrangements and to submit to the Conference at its thirtieth regular session a recommendation on arrangements to apply after 1986.

He had circulated a draft report along those lines containing a draft resolution for consideration by the General Conference. Also, he suggested that the summary records of the discussions on that question since the previous session of the Conference be attached to the report.

Mr. ERNEMANN (Belgium) said that the draft resolution proposed by his country and contained in document GOV/2222 put on an official footing the informal exchanges of view that had taken place in the past three years on the financing of safeguards. At present all Member States were called upon to make at least a symbolic contribution to safeguards and, under his delegation's proposed formula, all Member States would continue to provide tangible support for the international safeguards system. Those Member States - the majority - whose contributions towards the safeguards component of the budget had been frozen would continue to pay exactly the same amount. There was thus agreement between the Belgian proposal and the Venezuelan one contained in document GOV/2181. Thirty-six Member States would pay annual contributions based on the amounts contributed in 1986, those amounts being adjusted for inflation. From 1987 onwards, the costs of any real increases in safeguards compared with 1986 would be borne by the six countries named in sub-paragraph 3(c) of document GOV/2222 and by any other countries wishing to make voluntary contributions for that purpose. In addition to having the capacity to pay, those six countries at present accepted safeguards on their civilian nuclear facilities in only a symbolic manner. Those six countries were thus invited to recognize not only that safeguards served the international community but that it was other countries which were really subject to safeguards. The formula was also based on the notion that there should be financial compensation for countries which accepted safeguards on all their facilities.

His delegation's formula was a compromise between the proposal of Venezuela, that of the United States, ideas put forward in the past by Spain and Belgium's own ideas. He wished to thank the Spanish delegation for co-sponsoring his country's draft resolution, which encompassed the Venezuelan formula as well as the substance of the United States formula and added, in sub-paragraph 3(c), a third category of States. The Venezuelan proposal was largely valid, but his delegation was in favour of restricting the period foreseen for the proposed arrangements to five years. The United States formula did not contain the elements contained in sub-paragraph 3(c) of the Belgian proposal.

The implementation of proposals such as the Swedish one regarding the complete separation of civilian from military nuclear facilities in nuclear-weapon States and the submission of all the civilian facilities to safeguards might go a long way towards meeting the objectives he had outlined. However, during the period in which his delegation's proposed formula was intended to cover (five years) the situation regarding the symbolic or limited submission to safeguards of facilities in the six States in the third category was unlikely to undergo any dramatic change.

Mr. LOOSCH (Federal Republic of Germany) said that, of all the proposals tabled on the subject, he favoured that put forward by the United States the previous year since it best took into account the real capacity of Member States to pay, the general considerations of the United Nations scale of assessment and the joint responsibility of Member States for the effective and proper operation of the safeguards system.

He was somewhat concerned about the wording of the draft resolution attached to the draft report. In every case where arrangements for the assessment of Members' contributions towards the Agency's Regular Budget were mentioned, they related to the safeguards part of the budget. While that was clear in sub-paragraph (a)(i) because of the specific reference to resolution GC(XXVII)/RES/416, it was much less evident in subsequent parts of the draft resolution.

Mr. KENNEDY (United States of America) said his Government had submitted a proposal for a comprehensive, long-term solution to the question of safeguards financing which defined the category of States that should receive relief from major increases in safeguards costs using criteria defined by the United Nations General Assembly.

His delegation's proposal provided a fair mechanism for cushioning any major increases that might result if a Member State ceased to appear on the relief list. It avoided all inappropriate or politically motivated criteria that had no relevance to decisions on how much countries would pay, and thereby satisfied the requirements of the Agency's Statute.

His Government was firmly opposed to any proposal for changing the Agency's safeguards financing system which was based, explicitly or implicitly, on the view that safeguards were of benefit only or chiefly to a certain class of States. Safeguards made an indispensable contribution not only to worldwide nuclear commerce but also to international security. It was one of the most concrete and important confidence-building measures for the world community. All States benefited from the enhanced confidence that resulted from safeguards and all should therefore provide tangible support for them. His delegation would welcome any suggestions for improving its proposal which were consistent with those principles.

In conclusion, he supported the comments made by the Governor from the Federal Republic of Germany regarding the need for clarity in the wording of the draft resolution.

The CHAIRMAN said that altering the wording of the draft resolution might lead to complications at the forthcoming session of the General Conference. Confusion need not arise with the present wording since the agenda item under which the draft resolution would be discussed was "The financing of safeguards".

Mr. ZHOU (China) said that in recent years the budget for safeguards had grown much more rapidly than that for promotional activities, with the result that there was an imbalance between those two areas of the

Agency's work. His delegation was concerned that allowing that trend to continue would jeopardize the overall fulfilment of the objectives set out in the Statute. If the Agency was to increase the trust of developing countries in its safeguards activities, it must make greater efforts to assist developing countries in raising the level of their nuclear knowledge and technology.

To fulfil their duty in respect of safeguards, developing countries must make a contribution to them. However, it was necessary to be realistic and to take into account their capacity to pay. A limit on the burden to be borne by developing countries must therefore be established. The existing arrangements for the financing of safeguards fulfilled those requirements, as had been shown by their application in recent years. That was why his delegation supported the Venezuelan proposal, which was reasonable and had been endorsed by the majority of Member States.

Finally, he hoped that the current discussion on safeguards would lead to a consensus in the near future.

Mr. SEMENOV (Union of Soviet Socialist Republics) said that reliable safeguards were a prerequisite for international co-operation in the peaceful uses of nuclear energy and hence served the interests of all Member States. That being so, it was only logical that all Member States should share in the financing of safeguards. His delegation, which had always attached the greatest importance to safeguards, believed that it was vital to find a long-term solution to the financing problem as soon as possible. That solution should be equitable and acceptable for all States so that the Board could approve it by consensus.

His delegation was prepared to play a constructive part in the forthcoming consultations on that question. The formula suggested by the United States delegation, which seemed to command wide support within the Board, might be a reasonable basis from which to work out long-term arrangements for the financing of safeguards.

Mr. ERRERA (France) said that, as a priority activity of the Agency, safeguards should be supported – and supported financially – by all Member States. In the past the Board had accepted the establishment of a separate scale of assessment for the financing of safeguards, the main feature of which was that the greatest financial burden was placed on countries with a high income while other countries received relief. That system, however, had constituted no more than a modification to the scale of assessment and had not altered the rules regarding contributions in force in the United Nations system in general. That was why his Government had agreed to its adoption. His Government's position had not changed: it could endorse only a proposal which conformed with the principles he had outlined and which did not introduce new and contentious concepts. Consultations should therefore continue and, in that respect, his delegation supported the draft resolution distributed by the Chairman.

Mr. HIREMATH (India) noted with regret that the consultations conducted by the Chairman since the June session of the Board had not produced any tangible results. At that session, his delegation had pointed out that time was short and that there was a need for all concerned to display greater political will if a consensus was to be reached. Clearly, the necessary will was still lacking. Resolution GC(XKVIII)/RES/433 instructed the Board to review the arrangements for the financing of safeguards by immediately initiating consultations on that subject and to make a recommendation to the twenty-ninth session of the General Conference. Unfortunately, the Board would not be in a position to make such a recommendation.

His delegation wished to reaffirm the support which it – along with other members of the Group of 77 – had repeatedly expressed in 1984 and 1985 for the Venezuelan draft resolution on safeguards financing. That resolution contained an appropriate and equitable formula which protected the interests of developing countries.

In the last 15 years safeguards costs had spiralled far beyond global inflation without there being any rational explanation which was in line with the letter and spirit of the Statute. The capacity to pay of a large majority

of Member States was limited and many had never encouraged the Agency to assume responsibilities which clearly originated from outside its Statute. The unfairness of making developing countries pay more for safeguards when most of the money in the safeguards budget was spent in industrialized countries was obvious. Moreover, the voluntary offers of nuclear-weapon States were merely of cosmetic value and would only result in a further escalation of safeguards costs without commensurate benefits.

His delegation was disappointed that a realistic and equitable solution still eluded the Board. Further consultations should be held in order to find, as soon as possible, a solution based on the proposal submitted earlier by the Venezuelan delegation. Meanwhile, he understood that the General Conference had decided the previous year that the present arrangements for the assessment of Members' contributions were to be applicable also in 1986.

Mr. BUCKLEY (Canada) said that the safeguards system contributed to the security and prosperity of both individual States and the whole world community. To the extent that the system helped to demonstrate that States' nuclear programmes were devoted exclusively to peaceful purposes and that it provided a framework for large-scale international commerce in peaceful nuclear goods and services, all Member States benefited from it. It was only fair that those who benefited from the system should contribute to making it work. While money was clearly an important way of contributing, the system also required scientific, intellectual and technical contributions from Member States. Of at least equal importance was the political commitment of States. His country believed it had contributed to the system by opening up its full fuel cycle to INFCIRC/153 safeguards. As Canada was not a nuclear-weapon State and as it had a large, complex and complete fuel cycle, Agency safeguards had a direct and extensive impact on it. If the safeguards system was an endeavour to be shared, no country bore a larger share than his own. One reason why it was willing to do so was that it believed it was thereby contributing directly both to its own well-being and to that of the world as a whole.

It was, of course, true that a ceiling had been placed on the safeguards contributions of most of the Agency's Members. Principle and practice were not inconsistent, however, because the latter simply recognized the realities of States' varying capacities to pay. Indeed, the financing arrangement approved in 1976 - the first occasion on which relief had been extended - was consistent with the recommendations of the Final Declaration of the First NPT Review Conference in 1975, which stated that the parties to the Treaty should seek measures that would restrict within appropriate limits the respective shares of developing countries in safeguards costs. Clearly, however, no derogation of the principle was intended since the same Conference in the same final document had expressed its strong support for effective IAEA safeguards and had recommended that intensified efforts be made towards achieving standardization and universality of application of Agency safeguards.

Against that background his delegation had substantial difficulty in supporting the Belgian or Venezuelan formula. While those proposals would leave open the possibility of all States' contributing something to the system, they would progressively reduce the shares of the economically fortunate non-nuclear-weapon States even though their capacity to pay remained intact. In doing so, the Belgian formula would establish a new and not necessarily productive categorization of States, diminish rather than enhance the principle that a system which benefited all should be tangibly supported by all, reduce the political as well as the financial bases of support for the system and gradually change the safeguards system from a freely accepted and voluntarily supported pledge among States into something more closely resembling an obligation imposed by a few upon many.

His strong preference was for a formula along the lines of that circulated earlier by the United States delegation. That formula deserved careful and sympathetic study, principally because, of the several possible arrangements discussed formally and informally, it was best in keeping with the principle on which the safeguards system as a whole should rest.

Mr. MORPHET (United Kingdom) welcomed the request in the draft resolution circulated by the Chairman that the Board should continue its discussion of the matter in hand immediately after the end of the forthcoming

session of the General Conference, since that matter should not be permitted to remain unsolved indefinitely. Due attention should be given in those discussions to certain principles, however. The first was that all Member States should contribute to the cost of safeguards on a fair and logical basis. Secondly, it was unacceptable that a small group of States should be asked to bear the increased costs of activities which were of benefit to all Member States. The third principle was that contained in Article XIV.D of the Statute, namely that, in fixing a scale of charges, it was essential to be guided by the principles adopted by the United Nations in assessing contributions of Member States to the Regular Budget of the United Nations.

In the light of those considerations, his delegation would have difficulty in supporting the Belgian proposal. The proposal put forward earlier by the United States related economic performance to the low per capita income allowance formula which had been established by the United Nations General Assembly. Hence there seemed to be some consistency between that proposal and Article XIV.D of the Agency's Statute. A further major advantage of that approach was that, if adopted, it would provide a long-term solution which would not have to repeatedly renegotiated.

Mr. BELTRAMINO (Argentina), speaking on behalf of the Group of 77, reiterated support for the Venezuelan proposal put forward in September 1984. The debate so far had revealed that there had been insufficient time for the Board to reach a consensus, but the arrangements provided for in General Conference resolution GC(XXVIII)/RES/433 would remain valid during 1986, so that the Board could continue to review those arrangements.

Mr. NOE (Italy) reaffirmed the views his delegation had expressed on the subject during the Board's session in September 1984. Future arrangements for the financing of safeguards should provide for a major share of increases in expenditure to be covered through the voluntary contributions of interested Member States. Such an approach would make it possible not to alter the principle of general participation in the financing of safeguards.

Mr. ROSALES (Cuba) said that, as no solution to the problem of the financing of safeguards could be reached during the present session, efforts should continue so that a concrete proposal could be submitted to the General

Conference in 1986 whereby the matter could finally be resolved. Such a proposal could be based on those already submitted, and in particular on those aspects which would be likely to receive the approval of all interested countries. None of the current proposals could command sufficient support individually. That notwithstanding, his delegation favoured the formula submitted by Venezuela. At all events, any solution must be based on the principle that the developing countries must not pay more towards safeguards than they already did.

Mr. CLADAKIS (Greece) supported the proposal put forward by the Governor from Belgium. The experience of the previous three years showed that only a formula which was based on the proposals advanced previously by Belgium, Spain and Venezuela would have any chance of being adopted by the Agency's governing bodies. The Belgian proposal was a combination of the other proposals and was based on a system which had proved successful in the past. Furthermore, it took into account the proposal made by the United States. The criteria used to define the six countries in paragraph 3(c) could perhaps be discussed further and some could be added or dropped. With that reservation, his delegation fully supported the Belgian proposal. However, it was worth pointing out that the Venezuelan proposal was not without merit either.

Mr. SITZLACK (German Democratic Republic) said that the atmosphere of mutual confidence created by the safeguards system throughout the world was in the interests of all Member States and that they should all therefore contribute to the cost of that system. There were a number of proposals on the matter, including the United States proposal, which deserved careful consideration. His delegation hoped that the issue could be brought to a speedy conclusion.

Mr. KELSO (Australia) said his country supported the principle of providing financial relief for developing countries in connection with safeguards costs. The increase in safeguards expenditure was fully understandable because the Agency's obligations had increased as a result of the commitments undertaken by Member States in safeguards agreements with the Agency.

Mr. GOMAA (Egypt) said that the growing use of nuclear energy for peaceful purposes made it all the more necessary to have an effective safeguards system. The question of how to finance safeguards was of crucial importance and, in view of the lack of consensus, required further examination and consultation so that a generally acceptable formula could be found. Any such formula should take into consideration two elements: first, the fact that the safeguards system was at the core of the Agency's activities and was therefore of vital importance to all Member States; and secondly, Member States' capacity to pay.

Mr. ERNEMANN (Belgium) said he was deeply disappointed that the Board action foreseen in the draft resolution distributed by the Chairman was identical with that foreseen the previous year in resolution GC(XXVIII)/RES/433 and that no recommendation was being made by the Board to the General Conference. No real consultations on safeguards financing had taken place in the past year, as Member States had been unwilling to compromise. Consequently, the words "to continue ... with its review" in the draft resolution attached to the draft report circulated by the Chairman should be replaced by the words "to review" since the Board could not be asked to continue a process which it had not even begun.

The proposal tabled by his delegation was an attempt at compromise. He recalled that, for the purposes of financing safeguards, there were three categories of State. The first was those which had no nuclear facilities but paid as a matter of principle. The second was those which had both civilian and military nuclear facilities and which had made the symbolic gesture of placing one or two facilities under safeguards; those States did not pay as much as they ought to and they were not really subject to safeguards. The third category consisted of States which had nuclear facilities or complete fuel cycles subject to safeguards and which paid a full contribution towards safeguards. Belgium and other countries did not share Canada's altruistic attitude and were unwilling to accept the present situation.

The CHAIRMAN, replying to the Governor from Belgium, said that in his view there had indeed been consultations on safeguards financing during

the past year and that in his introductory remarks he had tried to reflect faithfully the efforts made by Board Members in reviewing the present arrangements.

He assumed from the discussion that the Board wished to submit to the General Conference the draft report which he had distributed for its consideration together with the summary records of the Board's discussions on the matter since the last session of the Conference.

It was so agreed.

The meeting rose at 6.25 p.m.

