



International Atomic Energy Agency

GENERAL CONFERENCE

GC(XXXV)/957/Add.2
10 September 1991

GENERAL Distr.
Original: ENGLISH

Thirty-fifth regular session
Item 14 of the provisional agenda
(GC(XXXV)/952)

THE FINANCING OF SAFEGUARDS

Note by the Secretariat

1. The Annex to document GC(XXXV)/957 contains a report by the Chairman of the informal working group on the financing of safeguards.
2. In paragraph 7 of that report, reference is made to a proposal submitted by Sweden during one of the informal working group's meetings.
3. Since the circulation of document GC(XXXV)/957, Sweden has requested – and the Chairman of the informal working group has agreed – that the Swedish proposal be circulated in an Addendum to that document.
4. The Swedish proposal is accordingly set forth in the Attachment to this Note by the Secretariat.

ATTACHMENT

PROPOSAL FOR A NEW SAFEGUARDS FINANCING ARRANGEMENT
SUBMITTED BY SWEDEN TO THE INFORMAL WORKING GROUP

on 18 April 1991

1. Article III, subparagraph A-5, of the Agency Statute authorizes the Agency to establish and administer safeguards for Agency projects and to apply safeguards - on request - to any bilateral or multilateral arrangement or to any State's nuclear activities. Article XIV, subparagraph B-1 b), stipulates that administrative expenses shall include costs of implementing the safeguards referred to above. In addition, Article XIV C states: "In fixing the expenditures under sub-paragraph B-1 (b) above, the Board of Governors shall deduct such amounts as are recoverable under agreements regarding the applications of safeguards between the Agency and parties to bilateral or multilateral arrangements".
2. After the coming into force of the NPT and the subsequent transfer of a great number of bilateral and regional arrangements to Agency safeguards the question of financing soon emerged as a special problem. In 1971 the General Conference decided that safeguards expenses should be assessed according to a special formula providing relief for Members having per capita net national products below a certain level. This arrangement has been in force with certain modifications since then but has resulted in a rather arbitrary distribution of shares between the Members enjoying relief. According to Article XIV D the expenses shall be apportioned in a scale guided by the principles adopted for the regular budget of the United Nations.

3. The acceptance by the present 35 Members sharing nearly 99 percent of the costs of Agency safeguards reflects the recognition by those Members of the obligations implied in Article XIV C to secure financing of the safeguards undertakings of the Agency. Any future arrangement for the financing of safeguards must be based on confirmations of these commitments. On the other hand, all Members share the view that Agency safeguards are to the benefit of all mankind. In principle all Members should therefore continue to make a contribution to its financing. The agreement that has been reached on basic principles for the future financing of safeguards was endorsed by the XXXIVth General Conference.
4. The administrative budget for safeguards is directly related to legal obligations of the Agency contained in bilateral and multilateral agreements. The volume of work can be expected to increase through the fulfilment of present commitments. The maintenance of the quality and reliability of Agency safeguards is absolutely necessary and many Members consider further improvements essential.
5. An increasing safeguards budget is obviously impossible to accommodate within the Agency's Regular budget unless it is either allowed to expand or is changed in order to absorb increasing safeguards costs through re-allocations. However, a reduction of the resources allocated for other Agency activities, such as nuclear safety and technical assistance, can not be expected to achieve acceptance by a majority of Members.

6. A simple and logical solution seems to be the creation of a "Safeguards core programme" consisting of the following budget items: general development of instruments and of data processing, system studies and approaches, standardization and statistical analysis. This would largely be independent of the changing size of the safeguards field operations and could therefore be expected to remain constant in real terms for a period of 5 to 10 years. For the next few years it can be estimated to be in the order of 10M\$/year. The core programme should be an integral part of the Agency's Regular budget and all Members should contribute in accordance with their respective Base rates. It would leave essentially unchanged the total contribution to the Agency's Regular budget from the Members now enjoying relief with regard to the financing of safeguards.

7. The remainder of the costs for Agency safeguards should be financed via a "Safeguards operations budget" which would form a separate part of the Regular budget. Only Members not enjoying relief should contribute to this budget in accordance with their Base rates.

Extra-budgetary contributions should continue to be used in order to reduce the costs for the core programme as well as the safeguards operations programme, provided that they are based on binding commitments by Members.

8. In summary, the following arrangement is proposed:

a) Starting from the year 1993 a "Safeguards core programme" is established within the Regular

budget at a level which is proposed to be fixed at approximately 10M\$/year for a 6-year period, subject only to adjustments for cost inflation.

- b) All Members will contribute to the "Safeguards core programme" part of the Regular budget according to their respective Base rate assessments.
- c) The remaining part of the safeguards programme is to be financed over a "Safeguards operations budget" which forms a separate part of the Regular budget. The resources needed for this part of the safeguards programme are determined in the regular biannual programme and budget process in accordance with the actual commitments of the Agency.
- d) Only the present 35 non-shielded Members will contribute to the Safeguards operations budget in proportion to their respective Base rates.
- e) Initially many of the shielded Members will face an increase of their contributions to the financing of safeguards. In order to soften the impact it is proposed that the share for such Members is increased gradually over a 5-year period.
- f) A few shielded Members will have a share of the Safeguards core programme which is considerably less than their present contributions to the safeguards budget. It is proposed that any such difference is assessed as a contribution to the Safeguards operations budget.