



Foreign &
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London SW1A 2AH

From The Minister of State

Lord Hannay
House of Lords
London
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Deo David

Thank you for your letter of 10 July to Lord Malloch-Brown on behalf of the Board of Directors of the UN Association of the UK (UNA-UK) expressing your concern at the position the Government is taking on the International Atomic Energy Agency's budget (IAEA). Lord Malloch-Brown has now left the government and I am replying as the Duty Minister.

Let me firstly underline the strength of our commitment to reinvigorating the nuclear non-proliferation regime and the importance of an effective and efficient IAEA in achieving that goal. As the Government made clear in "The Road to 2010 plan" launched by the Prime Minister on 16 July, the IAEA is and must remain the lynchpin of the international community's efforts to ensure a safe and secure nuclear future. But we believe that reform is an indispensable element of ensuring the IAEA is fit to face the challenges of the 21st Century, especially at a time of global economic downturn, in which many member states feel unable to support a significant increase in their contributions. Our focus is therefore on improving overall effectiveness and efficiency in the IAEA through rigorous prioritisation and optimisation of structures and systems. I believe that this is a focus that you and the UNA-UK share.

Adequate funding is clearly essential if the IAEA is to carry out its mission. We will ensure that the Agency has the financial resources it needs. We have in the past agreed to a one-time increase in the safeguards budget and would not rule out an increase in the regular budget, provided it was clearly justified. At present however, we do not believe that a convincing case has been made.

The IAEA safeguards budget was underspent last year and the information we have is that it would have difficult absorbing increased funding. Neither the timeframe of the ongoing construction of nuclear power plants and nuclear-fuel cycle related facilities in Non-Nuclear Weapons States, nor the pursuit of the Agency's verification mission in countries of concern suggests that an immediate and significant increase in the safeguards budget for 2010-2011 is necessary. We also believe that both the Agency's ongoing effort to strengthen the effectiveness and improve the efficiency of the safeguards system, which we encourage it to continue, and the IAEA's commitment to more robust and rigorous prioritisation within the whole regular budget, focussing on those areas where it can add most value, should benefit the



safeguards programme. This should free resources to cover the proposed increases and to ensure that high priority work, such as safeguards, is adequately resourced.

As you mentioned in your letter, the UK is far from isolated in questioning the need for a significant uplift of IAEA funding at this time. Most Geneva Group partners support our view, as well as member states in other groups.

We have offered in "The Road to 2010" to host a conference of the group of major donors later this year to discuss the IAEA's funding and staffing requirements with the aim of establishing convergence on the human and financial resources the Agency will require in order to meet the challenges in the years ahead. I will make sure that the UNA-UK is informed of the conclusions of this conference.

A handwritten signature in cursive script that reads "Ivan Lewis".

IVAN LEWIS