



VIENNA CHAPTER

STATEMENT BY THE GROUP OF 77 AND CHINA DURING THE 31ST SESSION OF WORKING GROUP A OF THE PREPARATORY COMMISSION FOR THE COMPREHENSIVE NUCLEAR-TEST-BAN TREATY ORGANIZATION (CTBTO), DELIVERED BY H.E. AMBASSADOR SAYED GALAL E. ELAMIN PERMANENT REPRESENTATIVE OF SUDAN, 4-6 JUNE 2007, VIENNA

Mr. Chairman,

At the outset, let me express the sincere appreciation of the State Signatories of the Group of 77 and China in seeing you chairing the 31st session of Working Group A.

The Group would also like to thank the Executive Secretary for his oral and written reports as contained in document CTBT/WGA-31/INF.2 and INF.3.

Agenda Item 2: Report of the Executive Secretary

Mr. Chairman,

The Group takes note that nearly 50 percent of the Budget for 2006 has been devoted only to one element of the verification regime, namely, the IMS. The Group expresses its concern that one element of the verification regime has been highlighted and the balance between all elements of the verification regime has not yet been established.

The Group reiterates its concern that the overall representation of developing countries in the Provisional Technical Secretariat (PTS) remains unbalanced. It is critical that the PTS continue its efforts to increase the presence of staff members from developing countries in the PTS. The Group calls upon the Secretariat to give due attention to this criteria in the recruitment process of new staff members who will replace those who have reached their service limit.

The Group urges the PTS to observe the policy of establishing a seven-year service limit for professional and internationally recruited General Service staff members. The Group reiterates its view that it is important that the seven-year limit is strictly adhered to in spirit and letter. In this context the Group commends the Executive Secretary for his detailed report on the distribution of the posts and requests the Executive Secretary to continue his efforts to ensure the equitable geographical representation of the staff in the PTS and report on the progress made concerning the staff recruited from developing countries, particularly on the professional level, in comparison to previous years. The Group expresses its concern that some countries are over represented in the PTS and believes that a limitation should be put on the recruitment of the staff for each State Signatories.

Agenda Item 3: Accounts of the Preparatory Commission for 2006

Mr. Chairman,

The Group would like to thank Sir John Bourn for introducing the External Auditor's report on the accounts of the PTS and welcomes his unqualified opinion on the financial statement of the PTS. The Group has reviewed the accounts for 2006 as contained in document CTBT/PTS/INF/879 and would like to make the following preliminary comments, as more in depth comments will be made when discussing the Advisory Group Report.

The Group takes note that in terms of the External Auditor's report, the Commission does not face any short-term cash flow problems. However, the Group believes that if the selective and political approach of a major

contributor toward the PrepCom continues, an approach, which has led to a large amount of US\$15 million in non-payment, this could even create a greater challenge in the short term.

Agenda Item 4: 2006 Programme and Budget Performance Report

Mr. Chairman,

The Group takes note of the 2006 Programme and Budget Performance report as contained in document CTBT/PTS/INF.881 and thanks the PTS for preparing this document. The Group takes note that a total of 244 stations or 76% of the IMS have been established at the end of 2006 and 190 (59%) of IMS stations are in IDC operations.

The Group also takes note that more than US\$15 million of the 2006 Budget has not been spent, which is US\$3 million more than 2005 unspent Budget. The Group is of the view that the increasing rollover amount of unspent budget accrued over the previous years indicates that the PTS would need to prepare a more realistic and reasonable draft programme and budget for 2008 and future years.

On the lapse rate, the Group takes note that the actual lapse rate for 2006 has been 7.1% instead of the budgeted rate of 5.5%. The Group shares the view of the Advisory Group that the actual lapse rate be included in the 2006 PBPR and next years.

Agenda Item 5: Review of the Advisory Group's Report

Mr. Chairman,

The Group takes note of the Part I and II of the Advisory Group report as contained in documents CTBT/AG-28/1 and INF.4. The Group commends the Advisory Group on the timely distribution of its reports as requested by the PrepCom, and its impartial and independent work, in particular its comprehensive review of the budgetary issues. The Group expresses its views on this report as follows:

Mr. Chairman,

The Group noted that US\$7.9 million has been saved as a result of cancellations of Unliquidated Obligations (ULOs) in CIF in the period 1999-2004, and that US\$3 million of this amount is still under review by the PTS. In this regard the Group expresses its views as follows:

- It is a matter of concern that since 1999 such a review has not been implemented by the PTS and External Auditor, as it should be done on an annual basis,
- the above mentioned savings should come back to the States Signatories in accordance with the financial rules and regulations, so it should not be considered in the 2008 Programme and Budget,
- Regarding the US\$3 million amount, the Group believes that no decision should be taken, until this review is completed.

The Group shares the view of the Advisory Group that the External Auditor should review and express its opinion on the budget in its entirety, including the legitimacy of expenditures, and expresses its concern that the budget controls review had only been done partially by the External Auditor. It is also a matter of concern that as indicated by the Advisory Group there may be insufficient independent control by the PTS over CIF budgets and costs.

Mr. Chairman,

The Group takes note that the External Auditor in its review of the ULOs has reported some difficulties and problems including, inter alia, that "some important contracts, financial and accounting information might be no longer available or at least difficult to locate", or in some cases, "a contract concluded before access to land". The Group expresses its concern on such a situation and urges the PTS to do the following in this

regard:

- to clarify why such a situation has happened, including the performance of the certifying and approving officers,
- to take corrective measures, remedy the situation and report back to the Advisory Group, WGA and PrepCom.
- to review the financing mechanism of the CIF including putting an expiry date for the contracts and a time limit on carry forwards and report to the Advisory Group and WGA for further consideration.

The Group is also of the view that the review of the ULOs and CIF by the Internal Auditor should be undertaken within existing resources. 15- The Group welcomes the beginning of cost breakdown on a station-by- station basis, implemented by the PTS and believes that in the improvement of this new approach on budgeting the stations and defining the criteria for the costs, the "provisional operation" of the stations should also be taken into account, in which further to annual cost estimates, the daily and monthly cost of each station be evaluated.

Mr. Chairman,

The Group takes note that as estimated by the PTS the total cost of the IMS network would be US\$328 million, which presented an increase of US\$43 million over the previous projection of US\$285 million. In this regard, the Group would like to know the following:

- how the PTS justifies such a large increase,
- how much of this US\$43 million is spent and how much is going to be spent in the future, and
- how much has already been invested in the IMS.

Mr. Chairman,

On the possible implementation of IPSAS, the Group supports the Advisory Group's view that before introducing this new system, its financial implications for the Commission should be examined and reported to the PMOs for further consideration.

On the issue of consultants, the Group believes that consultants should only be used for temporary gaps caused by the current staff turn over, and not on a permanent basis. In this context, the Group also recommends that equitable geographical distribution and gender balance be taken into account.

Regarding the record of annual declarations of interests for participants in WGB meetings, the Group expressed its view in the 21 May 2007 joint meeting of WGA and B. The Group believes that further consideration of this issue is required taking into account, inter alia, the legal implications of such a decision and the status of the participants from States Signatories in WGB meetings.

Mr Chairman,

Regarding the proposed new multiyear financial mechanism for sustaining the IMS, the Group would rather prefer to postpone approving the changes to the Financial Regulations and Rules until a final decision on this mechanism is taken. In particular so, in light of the ongoing discussions on the 2008 Budget initial draft, the results of the Internal Audit review of ULO processes as well as the final decision on the potential introduction of International Public Sector Accounting Standards (IPSAS), which also provide for equipment amortizing.

Agenda Item 6: Review of the initial draft 2008 Programme and Budget Proposals

Mr. Chairman,

Regarding the draft Budget proposals for 2008 as contained in document CTBT/PTS/INF.880, the Group

expressed its general views in the joint meeting of the WGA and B on 21 May 2007. However, the Group would like to reiterate its position with some complementary remarks as follows:

The Group believes that we need to take a realistic and reasonable approach towards the Programme and Budget in general, rather than an ambitious or conservative approach. To avoid future budgetary challenges, we need to review and change our assumptions, taking into account the following realities:

- the current status of the verification system,
- the mandate of the PrepCom, and
- the actual prospect of entry into force of the Treaty.

Regarding the current status of the verification system, 10 years after the establishment of the PrepCom, the Group underlines that the advanced phase of the build-up of the verification system is in place and that through an incremental and smooth approach, the verification regime could be improved.

On the mandate, the Group believes that if the mandate of the PrepCom regarding the "provisional operation" of the verification system be fully observed, the heavy burden on the Programme and Budget would be substantially removed. This is a reality that the system now operates almost in full rather than provisional, therefore it has put a great financial burden on Signatory States.

Regarding the prospect of entry into force of the Treaty, since there is no specific timeline for it, therefore no specific timeframe has been defined for the completion of the verification regime. Saying so, it is up to the States Signatories to have an estimate on this issue, taking into account the international political environment and current realities. As indicated before, the verification regime has been nearly completed and we are now in the process of its improvement.

We should also consider this reality that speeding up the completion of the system and making it fully operational would lead to more costs not only for the completion but also for the post-certification activities (PCA) which is mainly maintenance of the system. This could be confirmed as we are faced with new proposals to create a new capital investment fund for sustainment of the system in addition to the recapitalization.

The Group believes that if this realistic and reasonable approach be taken, the PTS will be released from the budget burden. The PTS would also not be under pressure regarding the human resources and difficulties in the turn over of staff.

The Group also believes that a balance should be established between all elements of the verification regime.

Mr. Chairman,

The Group noted that the overall proposed increase in the initial draft 2008 Budget proposal amounted to more than US\$7 million, which includes the programmatic increases (about US\$5 million) and the price increases.

The Group re-emphasizes that the zero real growth budget is most important to the Group and should be applied to the 2008 Programme and Budget. In the light of the above mentioned realities and review of the assumptions, the Group even expects that the Budget for 2008 and for the following years could be decreased.

In conclusion, the Group is at this stage is not in a position to accept the 2008 Programme and Budget pending a reduction and identification of savings in the budget. The Group also expects that the 4 days reduction of the meetings of some policy-making organs which has resulted in some savings, be reflected in the 2008 Budget. The Group would also expect that US\$ 7.9 million of savings as a result of cancellations of

the ULOs be paid back to the States Signatories for their further decision.

Regarding the budget for recapitalization and sustainment, the Group believes that a decision on these issues should be postponed pending the availability of more precise estimates, taking into account the "provisional operation" of the IMS, that could form the basis of further discussion.

The Group also takes note that the budget document did not contain the projected lapse rate for 2008. In light of the 2006 experience, the 2.5% lapse rate seems not to be realistic, since the actual lapse rate for 2006 has been more than 7%. Hence the Group calls on the PTS that a realistic projected lapse rate be introduced in the draft 2008 Programme and Budget.

Agenda Item 9: Review of issues relating to the application of the UN scale of assessment of the PrepCom

Mr. Chairman,

The Group thanks the PTS for providing an information paper on the scale of assessment and the Advisory Group for reviewing this paper. The Group notes that there is no common practice on this issue in other international organizations. The Group also believes that in making a linkage between unpaid assessed contributions and the assessment rate, would create a precedent which the Commission should avoid. In this regard, the Group believes that the current scale of assessment of the PrepCom could be continued.

Agenda Item 11: Restructuring of the PTS

Mr. Chairman,

The Group takes note that the restructuring of the PTS is ongoing and would be finalized at the end of 2007. In this regard, the Group expresses its concern that in spite of the previous briefings of the PTS to States Signatories, indicating that the restructuring of the PTS would lead to a reduction of the Budget, the initial draft Programme and Budget for 2008 has been increased.

Any Other Business

Mr. Chairman,

The Group welcomes the new item on voluntary contributions in the 2006 Programme and Budget Performance Report, and encourages all States Signatories to continue their voluntary contributions to the PrepCom and support the wider participation of developing countries in the technical meetings of the PrepCom, in particular WGB meetings.

The Group is concerned that as indicated by the PTS the budget for financing the pilot project for participation of technical experts from developing countries in the technical meetings of the PMOs in particular WGB meetings is only sufficient for 2007. The Group recalls the decision of the PrepCom in its 27th meeting that the PTS report to the PrepCom "shall include also recommendations to the PrepCom on how to improve project performance, including sufficient and sustainable funding". The Group also recalls the appeal of the PrepCom to the States Signatories to provide voluntary contributions for this project, and inviting the Executive Secretary to utilize his good offices to this end.

In this context, the Group would like to remind that the deficit in the participation of developing countries in WGB meetings as recognized by the PrepCom and its expectation that at least 9 experts be financed for this project. Hence, the Group calls on the PTS to work on a feasible proposal for predictable and sustainable funding for this project to ensure its continuity.

Thank you, Mr. Chairman.

