



STATEMENT OF THE GROUP OF 77 AND CHINA AT THE MEETING OF THE PROGRAMME AND BUDGET COMMITTEE OF THE IAEA BOG, 2-3 MAY 2011, DELIVERED BY H.E. AMBASSADOR ALI ASHGAR SOLTANIEH, PR OF IR IRAN

**Agenda item: 2 The Agency's Accounts for 2010, including the External Auditor's Report**

Mr. Chairman,

1. The Group of 77 and China wishes to thank DDG David Waller for his introductory remarks and for arranging the informative workshop on financial and administrative matters held on 19th April 2011. The Group would like to commend the Secretariat for the preparation of document GOV/2011/13 containing the Agency's Accounts for the Year 2010. The Group would also like to thank Mr. Norbert Hauser, the External Auditor, and his staff for the report contained in Part I of the document.
2. The Group is again pleased to note that there were no material weaknesses that affected the audit opinion and that an unqualified opinion has been placed on the Agency's financial statements. The External Auditor has made several observations and recommendations for the improvement of the Agency's financial practices. While appreciating the work of the External Auditor and his team, the Group reiterates that the Secretariat should take a cautious approach when considering these recommendations and, when appropriate, consult Member States prior to taking any measures, especially in light of the possible sensitivities surrounding some of these recommendations, as explained in the succeeding paragraphs.
3. The Group notes with concern that a few Member States significantly increased their outstanding 2010 assessed contributions to the Regular Budget. The Group concurs with the External Auditors recommendation that those Member States should do their utmost to fulfil their obligations.
4. The Group also agrees that voluntary contributions with unacceptable conditions are problematic for the Agency's finances. Therefore, the Group would like to reiterate its strong support for the single audit principle and its request that the Secretariat bring any further attempts to impose conditions of a separate audit exercise, which is in contradiction to the Agency's financial regulations, to the attention of the Board as early as possible. The Group concurs with the External Auditor that such costly and time-consuming audit exercises at the expense of all Member States are unnecessary, while the required assurance of accountability has already been provided by the appointed External Auditor.
5. Regarding the External Auditor's observations on Human Resources Management, the Group shares the view of the External Auditor in encouraging the Secretariat in its efforts to streamline the recruitment process. Therefore, the Group concurs with the External Auditor in recommending the Secretariat to Report on the implementation and effects of this improving efficiency exercise by the end of 2011.
6. While welcoming the recent appointments at managerial level as announced by the Director General, the Group is of the opinion that attention should still be given to increase the recruitment of staff members from developing countries, including those which are unrepresented or underrepresented.
7. Regarding the External Auditor's observations on the Nuclear Fuel Bank, as approved by the Board of Governors on 3rd December 2010, the Group is of the view that the Secretariat should carefully consider all risks for the Agency connected with the implementation of the above mentioned bank, as well as, in consultation with Member States clearly define the Agency's role.
8. As for the financial scheme of the Nuclear Fuel Bank, as approved by the Board of Governors, the Group

reiterates that this initiative should not continue to be a donor-driven decision. Member States who make voluntary financial contributions to any proposal relating to "assurance of supply" should not have any influence on the decision-making process related thereto.

Mr. Chairman,

9. The External Auditor has raised extensive observations and recommendations regarding the Agency's TC programme. These include questions and issues related to building partnerships, cooperation and synergy with other UN organizations, project monitoring and evaluation, improvements in regional TC projects, and applications of safety and security measures during project implementations. The Group stresses that these recommendations require a very careful analysis as the Agency is a unique technical international organization and it is not a development aid Agency. Hence, the development aid criteria should not be imposed in the context of IAEA. Any changes to the established TC programmatic approach by the Secretariat should only be considered in close consultation with developing Member States. The Group has the following comments on the recommendations related to TC:

a. The Group maintains the view that the Agency's Technical Cooperation Programme needs sufficient, assured and predictable (SAP) resources, and is convinced that the sufficiency, assurance and predictability of the Technical Cooperation Fund (TCF) are jeopardized by the voluntary nature of its contributions and by the ad hoc process of negotiating the TCF targets.

b. The Group would like to highlight that while the TC programme is funded through voluntary contributions, it is based on a mutually beneficial partnership among member states for the fulfillment of Agency's main statutory objective i.e. the promotion of peaceful uses of nuclear science and technology. All IAEA Member States are expected to contribute to the TCF under an indicative scale of assessment in accordance with their capacity to pay.

c. The Group takes note of the External Auditor's recommendation that calls for "an increase in efforts to join the United Nations Development Assistance Framework (UNDAF) process as designed by the United Nations Development Group (UNDG) as a consequence of the idea of 'delivery as one'" and "to consider the Agency to be a development organization and act as such". The Group believes that, while partnerships could be built where they clearly multiply impact, these must not be pursued as an end in itself, and should not be used as pre-requisites for approval of Member States' TC projects. The Agency needs to enhance activities related to its unique core competencies to be able to independently implement its statutory functions related to the TCP and respond to the requests of Member States. Therefore, the Group finds it necessary that the Agency maintains a sufficient level of in-house expertise and capabilities in all areas of nuclear technology. In its core areas of competence, where the Agency is unparalleled with any other international institution, it should be able to respond to Member States needs on a standalone basis.

d. The Group wishes to highlight that the planning of the TCP which is essentially based on the needs and evolving priorities of the recipient Member States, its implementation, monitoring and evaluation involve close cooperation between the Member States and the Secretariat. The Programme Management Officer (PMO), who is the direct interface between the Agency and the Member State, acts as the Agency's resident expert on a Member State's needs, interests and priorities. In view of the specialized nature of the work of the Agency, this close interfacing between the Permanent Missions in Vienna, the PMO, who is the contact point for the overall management of a Member States' TCP, and Member State's National Liaison Officers (NLOs) and Project Counterpart, cannot be delegated to UN resident representatives.

e. Taking note of the Auditor's comment on the 'Quadripartite Forum' as the means for information exchange and establishing synergies in implementation between all Regional Cooperative Agreements, the Group would like to draw attention of the Secretariat to the recommendation that the communications should be followed by appropriate activities, and the Group supports the recommendations as it brings benefits to Member States. The Group notes that discussions about cooperation between Regional Cooperative Agreements has been going on for some time and believe that the Secretariat would be in the best position to facilitate these cooperation.

f. With regard to the mechanism for monitoring and assessing project progress, the Group believes the Programme Cycle Management Framework (PCMF) is a detailed and comprehensive platform that functions as a project design, implementation, monitoring and evaluation tool. The Group concurs with the assessment

that the PCMF has not been used to its full potential. Taking into account that the Secretariat is making an effort to make the PCMF user-friendly, the Group would like to stress that this platform should continue to be utilized exclusively to enhance transparency among national stakeholders and to be accessible only to relevant project counterparts. While the Group welcomes the trainings given to Counterparts, NLOs and NLAs in order to improve the understanding of the Logical Framework Matrix (LFM) methodology and the use of PCMF in Latin America as standard practice, the Group believes that such programme should also be extended to other regions. The Group is of the view that the Project Progress Report (PPR) feature could be further improved by proper trainings of CPs (Counterparts) and NLOs and further improvement to PCMF for more user friendliness and ease of use. The Group emphasizes that all measures taken in this regard should preserve and enhance the ownership of technical cooperation projects by recipient Member States.

g. The Group takes note of the comments and recommendations by the External Auditor with respect to the issues concerning implementation of regional TC projects and the inconsistencies that arise as a result of current Agency's practices and trust that the Secretariat will endeavor to improve this situation and to keep Member States informed of any procedural changes in the Agency's implementation of TC projects.

h. The External Auditor observes that there is a systemic weakness in the implementation of some TC projects involving provisions of radioactive sources. In this context, we take note with appreciation the Secretariat's announcement to take immediate action to strengthen the process to prevent the occurrence of such events. The Group would however reiterate to the Secretariat that the strengthening measures should not in any way jeopardize the implementation of TC projects in developing countries.

10. The Group remains confident that the Secretariat continues to develop the TC programme in a professional, impartial and non-discriminatory manner, following a well-established agreed process, based on Member States' needs, in line with the Agency's Statute. It is fundamental for the credibility of the Agency that technical assistance and cooperation, as stipulated in Article III C of the Agency's Statute, is not subject to any political, economic, military or other conditions incompatible with its provisions.

11. The Group reiterates that the present guidelines and criteria as provided for in INFCIRC/267 for the screening of TC project proposals, programme implementation and subsequent evaluation are sufficient and effective, and there is no need to introduce additional mechanisms for fulfilling the above objectives.

12. With these comments, the Group of 77 and China takes note of the Agency's accounts for 2010 and the External Auditor's Report.

Mr. Chairman,

13. Allow me now to turn to 2010 Programme Evaluation Report.

14. The Group of 77 and China would like to thank the Director General, the external evaluation experts and the Office of Internal Oversight Services for the 2010 Programme Evaluation Report as contained in document GOV/2011/18.

15. Regarding the "safety review services", we concur with Recommendation 7 that the Secretariat should develop a programme of strengthening the legal and regulatory infrastructure in countries operating research reactors that do not plan to construct a nuclear plant in order to better understand the interface between safety and security. That exercise should be carried out upon request by the concerned State. The Group understands that a thorough review and the strengthening of all the safety review services pertaining to nuclear installations will be undertaken by the Agency, in light of the lessons emanating from the Fukushima Daiichi nuclear accident.

16. Regarding the "evaluation of the Agency support for uranium exploration and production", the Group concurs that the Secretariat should develop a comprehensive uranium programme similar to that currently applied to newcomer countries wishing to initiate reactor programmes.

17. The Group supports Recommendation 2 that the Secretariat should consider the development of a uranium production guidance document, including uranium production standards in uranium production cycle, in particular for new countries.

18. On the evaluation of the contribution and role of the FAO/IAEA Agriculture and Biotechnology Laboratory (ABL), the Group takes note with appreciation of the valuable services provided by the ABL in areas of work where nuclear science and technology is applied in food and agriculture, such as: i) soil and water management and crop nutrition; ii) plant breeding and genetics; iii) animal production and health; iv) insect pest control; and v) food and environmental protection.

19. The Group attaches great importance to the above mentioned activities which are directly related to the promotional activities of the Agency, fulfilled through the Technical Cooperation Programme (TCP). Member States, in particular developing countries, have benefited from activities focused on strategic and applied research, methods development, capacity building, technology transfer and technical services.

20. Regarding recommendations 3 and 4, while appreciating the activities carried out by the ABL, the Group reiterates that the Agency is primarily a technical international organization and it is not a development aid Agency. Therefore, the Group stresses that the development aid criteria should not be imposed in the context of IAEA.

21. Finally, on the Evaluation of Human Resources management processes, the Group is of the view that further improvements could be done regarding the reduction of the amount of time for the selection of candidates.

22. The Group also concurs with Recommendation 3 in the sense that the Secretariat should increase the capacity to conduct talent acquisition activities, both within the Secretariat and beyond the Secretariat's usual networks. In this effort, special attention should be given to increasing the recruitment of staff members from developing countries including those which are unrepresented or underrepresented.

23. With these comments, the Group of 77 and China takes note of the 2010 Programme Evaluation Report as contained in document GOV/2011/18.

Thank you Mr. Chairman.

### **Agenda item 3: The Agency's Draft Programme and Budget for 2012-2013**

Mr. Chairman,

1. The G77 and China takes note of the Agency's Draft Programme and Budget 2012 - 2013 and its corrigenda, as contained in documents GOV/2011/1 and GOV/2011/1/corr.1, respectively. The Group appreciates the efforts of the Secretariat in preparing these documents, as well as the information provided during the Workshop on Financial and Administrative Matters held on 19 April 2011. The Group would also like to thank DDG Waller for introducing this agenda item.

2. The Group takes note of the document 2011/Note 23, containing the Director General's recommendation for changes to the draft 2012-2013 programme and budget subsequent to the event at the Fukushima Daiichi nuclear plant in Japan, which contemplates an increase in the budget assigned to Major Programme 3, a reduction in Major Programme 5 and an internal re-prioritization within Major Programme 1.

3. Furthermore, the Group appreciates the efforts undertaken by H.E. Ambassador Marjatta Rasi, Permanent Representative of Finland, for her informal consultations before the session of the PBC and thanks her for presenting a revised "budgetary scenario" based on her consultations with various groups, as contained in document 2011/Note 31, dated 20th April 2011. The Group has considered the document presented by H.E.

Ambassador Rasi as basis for Budget 2012-2013 and has the following initial comments to offer, and will provide its detailed comments in due course.

4. The Group has clearly pronounced its position during the meeting of the Working Group on the Financing of Agency's Activities on 11th March 2011, and remains concerned by the lack of balance between the resources allocated to the promotional and non-promotional activities of the Agency.

5. The Group also reaffirms what has been stated in previous meetings of the Working Group in the sense that any budget proposal to gain our support should include the following two elements:

- a. Sufficient funding from the Regular Budget for Major Programmes 1, 2, and 6, as well as Nuclear Safety to respond to the growing needs of developing countries; and
- b. Meaningful steps towards making the resources of the Technical Cooperation Fund (TCF) Sufficient, Assured, and Predictable (SAP), including an agreement to increase the resources of the TCF in the future cycles in a manner that matches the overall increase in the regular budget.

6. The Group reaffirms that these elements represent necessary steps in the right direction in order to restore the missing balance between the Agency's promotional and non-promotional activities and between the voluntary and assessed contributions.

7. In addition to that, while reaffirming the support given by the Group to the Director's General initiative to convey a Ministerial Conference on Nuclear Safety in June 2011, the Group will look carefully at any possible budgetary implications that this meeting or its outcome could have on the proposed budget under discussion or on the future activities of the Agency.

8. Finally, the Group believes that the discussions in the Working Group on the Technical Cooperation Fund targets for 2012-2013 should be guided by the previous decisions of the Board on the funding of the Technical Cooperation Fund, among others the budget packages approved in 2003 (GOV/2003/48), 2010-2011 (GOV/2009/52/Rev.1) and, of course, the budget package approved in 2010 (GOV/2010/37), which established that: "With respect to the targets for voluntary contributions to the TCF, the 2005 decision to synchronize the TC programme cycle with the regular programme and budget cycle provides a framework to consider increases to the resources for the TC programme, including the TCF target, beginning in 2012. Such adjustments would take into account the changes in the level of the regular operational budget from 2009 onwards, the price adjustment in the corresponding years, and all other relevant factors".

Thank you, Mr. Chairman.