



STATEMENT OF THE G-77 AND CHINA AT THE PROGRAMME AND BUDGET COMMITTEE MEETING OF THE IAEA BOARD OF GOVERNORS STARTING ON 2 MAY 2005, DELIVERED BY H.E. AMBASSADOR T.A. SAMODRA SRIWIDJAJA, PERMANENT REPRESENTATIVE OF THE REPUBLIC OF INDONESIA

Madam Chair,

At the outset, allow me to express my Group's appreciation for your conduction of this Programme and Budget Committee meeting and assure you of our full support during this session. I would also like to thank Mr. David Waller for delivering the Director-General's introductory statement on his behalf.

Agenda item 2 - The Agency's Accounts for 2004

1. The Group wishes to thank the Secretariat for preparing the Agency's Accounts for 2004, as contained in document GOV/2005/20. The Group also wishes to thank the External Auditor for his report on the accounts of the Agency which is included in the same document. We thank DDG Mr. David Waller for presenting the document.
2. The Group is pleased to note that the audit examination revealed no weaknesses or errors on the accuracy, completeness and validity of financial statements, and that the External Auditor has placed an unqualified audit opinion on the Agency's financial statements for the period from 1 January to 31 December 2004.
3. The Group notes that the External Auditor's annual report includes observations and recommendations intended to contribute to the improvement of the Agency's performance, financial management and control. The Group would like to comment on these recommendations as follows:
4. The Group fully supports the External Auditor's recommendation that the Agency should conclude payment plans with the Member States that have outstanding contributions in the regular budget fund, as a means to assist those States in paying their contributions. The Group believes that, through the proposed payment plans, the concerned Member States will be encouraged to pay their dues and the Agency will be able to collect outstanding assessed contributions, a considerable portion of which dates back to more than a decade.
5. As for the TCF, the Group wishes to emphasize that the Secretariat should make every effort possible to ensure that Member States are committed to paying their contributions in a timely and full manner. In that regard, we request the Secretariat to keep Member States informed of the progress towards meeting the target for 2005 set by the Board of Governors. The Group wishes to stress that timely and full payment of contributions will facilitate the complete implementation of the approved programmes.
6. As for the harmonization of the TC and Regular Budget Fund cycles, the Group reiterates its position that they should be synchronized to ensure compatibility and consistency. That position was part of the "Package Proposal" approved by the Board in July 2003. As the Board agreed in its September 2004 session, additional information is needed with a view to taking a decision on this matter.
7. The Group of 77 and China is of the opinion that paragraph 137 of the External Auditor's report does not rightly reflect the situation in the Agency, as it focuses only on TC expenditures borne by the regular budget. We believe that it fails to recognise the one-house approach, the balance that must be maintained between all statutory activities and the fact that TC activities are as important as any others.

8. While, on one hand, we agree that such additional costs are expenditures related to the use of the expertise of staff members of the Technical Departments in appraising or implementing TC projects, the Audit report fails to recognize that the implementation of some major TC projects funded by the TCF - in particular those related to nuclear safety, radiation protection or to strengthening Member States regulatory infrastructure in this field, including safeguards - also contributes to achieving regular budget programme goals. Although these projects, regional training courses for example, should have been borne by regular budget funds, they are not. Therefore, from the minimal regular budget support spent for these TC projects, the IAEA regular programmes projects derive many-fold benefits. Both these fundings must be seen as complementary rather than separate.

9. As regards the Support Cost Mechanism, the Group is not certain about the utility of such mechanism to charge programme support costs of TC project planning and implementation, which ultimately aid the achievement of regular programme goals. If we were to apply the same logic, then the TC Programme, in turn, would have to charge the regular budget for projects that help achieve regular budget goals.

Madam Chair,

10. With regard to the NPC's system, the Group shares the view expressed by the External Auditor in paragraph 161 that "considering the relatively small amounts per project that were due from all 85 Member States concerned, it appears questionable whether delaying the start of the project is the appropriate reaction to the failure to pay NPCs in full".

11. Finally, the G-77 and China supports the External Auditor's opinion that donor conditions tied to voluntary contributions should not have a detrimental effect on the execution of the Agency's mandate. Furthermore, we share his view that restrictions on voluntary contributions should be consistent with the relevant IAEA's Rules and should not diminish the organization's integrity, independence and impartiality. These conditions put forward by some donors should not, in any way, affect Technical Cooperation.

12. With these remarks, the Group takes note of the Agency's Accounts and of the External Auditor's report.

Agenda item 2 - The 2004-2005 Mid Term Progress Report

1. The Group of 77 and China thanks the Director General for his Mid-Term Progress Report contained in document GOV/INF/2005/1 and the Secretariat for all the efforts made to implement all major programmes during 2004. In general, the Group is satisfied with the impressive outcomes achieved, as detailed in the document additional to GOV/INF/2002/5 and also acknowledges the thorough review and assessment undertaken to ensure that the delivery of outputs under the Agency's 2004-2005 Programme is on track and that necessary adjustments continue to respond to priorities identified by Member States.

2. The Group is aware of the important activities undertaken by the Agency to develop Major Programme 1 and will closely follow the enhancements made to programmes C and D in order to facilitate capacity building, the maintenance of nuclear knowledge and the development of nuclear sciences.

3. In regard to Major Programme 2, the G-77 and China is pleased with the outcome of the activities undertaken in 2004, although it is concerned about delays and cancellations affecting activities planned under programmes E and F, due to reliance on extrabudgetary resources which did not fully materialize and staff recruitment delays.

4. The G-77 and China considers that substantive progress was made in Major Programme 3, through the development of safety standards and guidelines and provision of safety services. The Group encourages the Secretariat to further improve planning and coordination for better implementation of programmes and action plans as well as to continue developing consistent methodologies to assist member States in dealing

with nuclear security issues.

5. As for Major Programme 4, the Group notes that verification activities were carried out as required under safeguards agreements and additional protocols in force and that some changes were introduced to programmed activities which the Group expects should lead to savings on the overall level of this Programme.

6. Regarding Major Programme 5, the Group notes with satisfaction that the Agency has been proactive in raising public awareness about global problems and developmental issues related to its work and encourages the Secretariat to continue enhancing its information support services within available resources.

7. The Group of 77 and China is encouraged by measures to improve TC delivery, such as the wider role that the Country Programme Framework played in project selection for the 2005-2006 cycle and by better accountability procedures during all stages of TC projects management. However, the Group, in particular its members from the Asian Region, regret that Major Programme 6 was also affected by the postponement of recruitment of senior managers for the Asian region sections viz. West Asia and East Asia and the Pacific, as well as by the delay of staff training initiatives, resulting in a reduction in the number of activities delivered and a decrease in the overall implementation rate of the TC programme in 2004. While the Group notes the ongoing restructuring of the TC Department, it requests assurances from the Agency that programme quality for this region is maintained and that the pace of project delivery is restored once the restructuring exercise is completed. Furthermore, the Group strongly urges the Secretariat to allocate, in a timely manner, adequate financial and human resources to both Major Programmes 2 and 6, due to their direct impact on the implementation of the TC Programme.

8. Regarding the recent proposal to modify the TC programme management framework, the Group is of the opinion that this is not a re-engineering process, but, rather, the maturing or the evolution of a successful programme. Therefore, the term "re-engineer" is perhaps not so accurate. The Group also requests that regional project formulation be given more attention when modifying the future programme framework and is of the view that the restructuring process should be concluded as soon as possible so as to allow the adequate implementation of the TC Programme.

9. Finally, on Major Programme 7, the G77 and China highly values the considerable efforts put in place by the Secretariat under Programme U, in order to provide legal services, apply the results based approach and participate in the preparation of the Medium Term Strategy 2006 - 2011. In addition, the Group attaches great importance to measures under Programme V to simplify, streamline and automate processes in order to increase transparency, efficiency and effectiveness in the management of financial and human resources, as well as the provision of administrative and support services.

10. With these comments, the G77 and China takes note of the Mid- Term Progress Report and looks forward to the report to be submitted at the end of the biennial cycle, in 2006.

Thank you, Madam Chair.

Agenda item 3 - The Agency's Draft Programme and Budget 2006-2007

Madam Chair,

1. The Group of 77 and China wishes to thank the Secretariat for the preparation of The Agency's Draft Programme and Budget 2006-2007, as contained in documents GOV/2005/1 and GOV/2005/1/Mod.1. The Group would also like to thank DDG David Waller for presenting this agenda item.

2. The Group of 77 and China notes with appreciation that the Secretariat has based the development of the programme and budget on the "package proposal" adopted in 2003 after extensive and complex negotiations

and that, in general terms, it does not affect the level of real budgetary growth envisaged then. The Group also notes that, according to the Secretariat, the proposed programme for 2006-2007 is consistent with the new MTS.

3. The G-77 and China finds it somehow odd that in paragraph 15, which relates to CAURBs, a difference is made in terms of the funding of activities in general and the funding of "some activities related to Major Programme 4". In the first case, according to the document, that set of activities should be part of the regular budget programme "if funding permitted", whereas in the second case, activities should be funded "if need arises".

4. We note with satisfaction that a new subprogramme in Major Programme 1 includes the project on nuclear desalination and a project on hydrogen production, which are of great importance for members of our Group. In MP 2, the Group is appreciative of the continuation of work in key areas identified by the 2002 World Summit on Sustainable Development (WSSD) and of the furtherance of the Millennium Development Goals. Furthermore, we note with satisfaction the intention to increase support for the Programme of Action for Cancer Therapy (PACT). We also notice the shift in the programme on human health and hope this will translate in even better results. The Group takes note of the new projects on "Sterile insect technique" and encourages the Secretariat to develop research activities in this field.

5. The G-77 and China notices that direct reference to the Agency's statutory mandate is included in the text on MP 4: Nuclear Verification and wishes to express the view that similar language should also be used when referring to other statutory activities concerning the Agency's promotional role, including, in particular, Technical Cooperation.

6. As for the reference to integrated safeguards, contained in paragraph 64, as a major instrument for achieving greater efficiency, the Group is interested in knowing more about the current stage of its implementation, the results achieved and the savings obtained by the Agency.

7. In light of the assertion in paragraph 66 that "a number of activities will continue to have a significant impact on resources", the Group is of the view that, after the substantial budget increases approved in 2003, the Agency should programme and implement such activities within the budgetary levels agreed for MP 4 in 2003.

8. In what relates to MP6: Management of Technical Cooperation for Development, the Group stresses the importance of North-South Cooperation for developing countries, in addition to South-South cooperation. We expect that the pursuit of self-reliance will not result in fewer resources being allocated to the Agency's TC Programme. In that respect, the G-77 and China shares the opinion expressed in paragraph 82 that it is necessary "to ensure that adequate resources, both human and financial, are available to respond to Member State needs".

9. The Group of 77 and China would like these comments to be reflected in the final programme and budget proposals for 2006-2007.

Thank you, Madam Chairperson.

Agenda item 5 - Use of the Equipment Replacement Fund 2005 and Establishment of the Equipment Replacement Fund 2009

Madam Chair,

1. The Group of 77 and China wishes to express its appreciation to the Secretariat for preparing and presenting the document "Use of Equipment Replacement Fund 2005 and establishment of Equipment Replacement Fund 2009", as contained in GOV/2005/22.

2. Bearing in mind that the objectives of the Document are to obtain Board approval for: (a) the use for the Equipment Replacement Fund 2005 (ERF 2005), and (b) the establishment and funding for the next Equipment Replacement Fund (ERF 2009) covering a period of four years (2006-2009), the Group wishes to make the following comments:

3. The Group recognizes that "the increasing dependency of the Agency's programmes on information and communication technology (ICT) services for effective and efficient delivery of their activities has increased the necessity of acquiring and updating the ICT infrastructure and services in a timely and cost effective manner".

4. The Group notes that the proposed ERF 2009 differs from the ERF 2005 in three aspects: amount increased to Euro 4.8 million every four years instead of \$ 2 million every five years; flexibility in utilizing the ERF by adopting best practices; and, finally, the proposal to carry over unused funds at the end of each biennium from any major programmes.

5. With regard to the level of Euro 4.8 million proposed for the ERF 2009, to be financed from any major programmes through savings and unused funds, the Group considers that these resources should first be used to implement CAURBs in each MP before being diverted to the ERF. The Group expresses concern about how the funding will affect the balance between promotional and other statutory activities of the Agency, particularly in relation to MPs 2 and 6, which rely heavily on extrabudgetary funds and whose CAURBs cannot be fully financed. Furthermore, the Group believes that technical and legal difficulties might arise, since the financial rules that are applied to the Regular Budget funds would also have to be applied to extrabudgetary funds, if the two are combined.

6. With these comments, the Group of 77 and China supports the recommendation that the Board approve the use of the ERF 2005, as specified in paragraphs 4 and 6 of document GOV/2005/22.

Thank you, Madam Chair.