



STATEMENT OF THE G-77 AND CHINA FOR THE IAEA BOARD OF GOVERNORS MEETING, PROGRAMME AND BUDGET COMMITTEE, 2-5 MAY 2006, DELIVERED BY H.E. AMBASSADOR HORACIO BAZOBERRY, PR OF BOLIVIA

Agenda Item 2: The Agency's Accounts for 2005 and the Programme Evaluation Report for 2005

The Group of 77 and China wishes to thank DDG, Waller, for his informative introductory statement and the presentation highlighting the various items for the Programme and Budget Committee Meeting.

The Group would like to commend the Secretariat for the preparation of document GOV/2006/20 that contains the Agency's Accounts for the Year 2005, and the report thereon by the External Auditor.

The Group is pleased to note that the External Auditor placed an unqualified opinion on the Agency's financial statements for the year 2005. While appreciating the work of the External Auditor and his staff, the Group notes that he has made certain observations and recommendations on financial and administrative matters for the improvement of the Agency's financial management and control.

The Group notes with satisfaction that in deference to the recommendation made last year by the External Auditor, the Agency has stepped up efforts to accelerate project planning and the implementation of underutilized resources from the Nuclear Security Fund (NSF) that suffered due to donor conditions. In this regard, we encourage the Agency to carry out further discussions on donor conditions to gain more flexibility and to improve the implementation of the projects.

The Group appreciates the Agency's efforts to optimize the organizational structures of the procurement function, and to establish a strategic approach with procurement planning.

The Group agrees with the recommendation that efforts be made by the Member States to complete the ratification process of the amendment of the Article XIV of the statute to enable the Secretariat to implement biennium budgeting.

The Group also notes the recommendation of the External Auditor about the adoption of the International Public Sector Accounting Standards (IPSAS). The Group notes the External Auditor's opinion that this step will improve accounting framework and further enhance accountability and transparency. The Group looks forward to being informed about the full implications of the implementation of IPSAS.

The Group has viewed with great interest, the observations of the External Auditor on Technical Cooperation activities. The Group shares the view that the Project Progress Reports are important for management and monitoring of TC projects, and their submission in a comprehensive and timely manner is the responsibility of the recipient national organization. The Group is of the view that the national TC Liaison Officers and the Agency should enhance their coordination to this end.

The Group wishes however to stress that the related recommendation, as contained in Paragraphs 29 and 177 of the External auditor's report, should not be implemented until due considerations is given to its implications especially with regards to the ownership of the national TC projects.

The Group takes note of the External Auditor's observation that the recipient MS relied on the Agency's assistance even after the closing of project, or that the TC projects were discontinued for lack of national funds, but is of the view that these statements need detailed study by the Agency, bearing in mind that these

conclusions were drawn based on visits to only three Member States. Technically, new projects seemingly quite similar to the ones previously undertaken are possible in view of multidisciplinary nature of the nuclear technology. Similarly, it may appear in some cases that further work on projects was stopped, while it may have been a component of, or having application in a bigger project. While it is generally understood that the Agency is following Central Criterion, and that all projects are formulated in the light of defined national priorities, the observation of the Auditor, nevertheless, merits consideration by the Agency.

The Group wishes also to underline that assessment of TC activities cannot be based only on restrictive administrative and financial considerations. A broader approach including also the impact on technology transfer is needed. The Group looks forward to further clarifications and discussions when a more detailed report will be presented.

The Group notes that, as pointed out in the previous report of the Auditor, the Agency is making efforts to avoid donor's conditions on voluntary contributions. The availability of funds without extensive donor conditions is necessary to ensure sound project delivery. The Group lends its voice to the recommendation of the Auditor to the donors to accept the Model Agreement, which will minimize imposition of onerous conditions attached to the donations.

The Group noted also the findings of the External Auditor on the Agency's IT organization, and in this regard, encourages the Secretariat to address the shortcomings identified. In the same vein, the Group emphasizes the importance of maintaining and enhancing information confidentiality and security of the Agency, and is of the view that any projected reform in the IT organization should not compromise those aspects. The Group looks forward to the External Auditor's next report in which he will further investigate this issue and provide more detailed information.

While the follow-up to audit recommendations from the report of 2004 is generally satisfactory, the Group expresses the expectation that remaining recommendations can be implemented in an adequate and timely manner.

With these comments, the Group of 77 and China takes note of the Agency's Accounts and of the External Auditors Report as contained in the Document GOV/2006/20.

Mr. Chairman,

Let me now turn to the 2005 Programme Evaluation Report.

The Group of 77 and China thanks the Director General for his 2005 Programme Evaluation Report, contained in Document GOV/INF/2006/6, as well as the evaluation panels experts and the Office of Internal Oversight Services for the work carried out regarding the assessment of the regular programme and of the Agency-wide evaluation in 2005.

In this regard, the Group notes with satisfaction the exhaustive and pertinent analysis and recommendations made to enhance further the Agency's partnerships and the activities undertaken in the following areas:

- Programme H. Protection of the Marine and Terrestrial Environment,
- Programme F: Human Health.

The Group also notes that the evaluations of Major Programme 3 and the Agency's coordination of cross-cutting activities which were initiated in 2005, have not been completed at the time of the elaboration of this report and that they will therefore be included in 2006 Programme Evaluation Report.

Mr. Chairman,

As far as the evaluation of Programme H, Protection of the Marine and Terrestrial Environment is concerned, the Group notes that the assessment covered the results achieved since 2001 and is pleased to register that the Agency's programme has been implemented effectively and produced valuable impact on Member States.

The Group considers highly important the recommendations relating to:

- The strengthening of the role and authority of the Internal Environmental Liaison Group (ENALG) in order to foster real coordination and collaboration between Departments of the Agency involved in environmental activities,
- The exploration of additional mechanisms to help developing Member States, who may have difficulties in accessing the diversity of scientific publications in open literature, to obtain information with regard to protection and management of the marine and terrestrial environments,
- The establishment of a mechanism for the periodic updating and expansion of GLOMARD/MARIS system, used in the verification of models and assessment of environmental impacts,
- Increasing the number of participants in Analytical Laboratories Monitoring Environmental Activity (ALMEIRA), in order to reinforce the prevention of risks of accidental or intentional release of radioactivity.

In the same vein, the Group considers useful the recommendation relating to the support of the training programme on preventive maintenance and repair of nuclear equipment.

Regarding the recommendation for setting up an adequate pricing and cost recovery policy for the Agency's reference materials, the Group is of the view that any change in this regard should take into consideration the financial capacities of developing countries and should be made in consultation with concerned Member States

Mr Chairman,

Concerning the Evaluation of the Agency's Human Health Programme, the G.77 and China is pleased to note that a large number of relevant activities have been undertaken, including technology transfer and adaptation.

With respect to the proposal made for the establishment of a specific medium term strategy in human health with assessments and objectives and outcomes clearly defined, which should contain provision for the needs of countries of all economic levels, the Group would like to make the following comments:

- Any effort to create a better synergy between different departments of the Agency and between the Agency and member States is appreciated,
- However, the strategy mentioned above should be in line with the Medium Term Strategy of the Agency for 2006-2011, and should be in accordance with the Country Programme Framework, which identifies and sets up the needs and priorities of each country,
- The Group considers that the IAEA should continue assisting Developing countries in the area of Human Health taking into consideration their limited financial resources, growing needs and the lack of medical equipments and technologies,
- Finally, the Group reiterates its support to the Programme of Action for Cancer Therapy and encourages the Agency to continue its efforts in collaboration with other international organisations with a view to mobilising financial resources for its implementation.

Mr Chairman,

With regard to the Evaluation of IAEA Partnerships, the Group notes with satisfaction the progress achieved in the previous years and supports the recommendations proposed by the Office of the Internal Oversight Services and in particular those regarding the establishment of a central repository for partnership agreements and of a mechanism for reporting progress in meeting targets and commitments of the Agency,

as well the setting up of a mechanism for handover and transfer of partnership managerial responsibilities within the Agency.

The Group agrees that the Secretariat should ensure that the objectives of its partnership agreement are SMART and welcomes the recommendation that the Secretariat should ensure that Member States are informed on the establishment of partnerships and on their accomplishments.

Finally, with regard to the status of recommendations from Programme evaluations completed during the period 2001-2004, the Group commends the Secretariat for the progress achieved in implementing the recommendations concerning the years 2001, 2002 and 2003, and encourages it to continue its efforts to implement those relating to the year 2004.

Thank you Mr. Chairman,

Agenda Item3: the Agency's Draft Budget update for 2007

Mr. Chairman,

The Group of 77 and China would like to thank the Secretariat for preparing the Agency's Draft Budget update for 2007 as contained in GOV/2006/1 and presented by DDG David Waller.

The Group notes that, as underlined in the document, the budget update does not contain any programmatic changes and that, however, "operational changes" can be expected. In this regard, the group encourages the Secretariat to do its utmost to limit financial implications of such changes to the minimum.

As regards the new issues with possible financial resources implications, the Group wishes to renew its appreciation that the Agency's share of the monetary award of the Nobel Peace Prize will be used for human resources development in developing countries in cancer management and nutrition.

Regarding the cost of the meetings of the Advisory Committee on Safeguards and Verification within the framework of the IAEA statute, the Group, bearing in mind the Programme and budget Package of 2003, stresses the importance of reaching an agreement of funding such costs taking into account the additional financial burdens it may bring about for developing countries in particular.

Mr. Chairman,

Regarding the price adjustment, the Group notes that the Secretariat applied an average rate of 2.9% and that staff costs are the principal element that contribute to the adjustments.

Finally, the Group wishes to draw the attention to the complexity of the methodology for determining the price rate.

With these comments the Group agrees to the submission by the Board to the General conference of the Agency's budget estimate for 2007 and the related draft resolutions.

And now Mr. Chairman, I would like to turn to the issue of Financing of the Programme of Action on Cancer Therapy (PACT)

The Group of 77 and China would like to thank the DG for all actions taken to strengthen PACT, as well as Member States that have been making contributions to this programme and the PACT Management Office for the progress achieved so far to start implementing in a systematic way this important programme with the scarce resources available up to now and to establish a network of international and regional organizations and agencies committed to the same cause. The Group also encourages Member States to

enhance their donations for a better and more efficient implementation of the programme.

The Group has been fully committed to the development and implementation of the Programme of Action on Cancer Therapy (PACT) since its inception and approval by the Board of Governors in 2004 and as such proposed the resolutions approved by consensus by the 48th and 49th General Conferences, which highlight that PACT is one of the priorities of the Agency.

The Group highlights that PACT embodies in a clear way the peaceful use of atomic energy for civilian and humanitarian purposes. If this Programme is implemented in a timely manner to enable Member States to develop their own capacities to fight cancer in a comprehensive way, the Group has no doubt that it will have a decisive impact on the health and development of all regions, which in turn will help raise the international public profile of the Agency.

Bearing in mind the unity expressed by the Board when PACT was approved and when we allocated the Nobel Prize financial component to this Programme it will be a great loss if the Agency had to suspend this programme.

Considering that in the past the Board of Governors has authorized the use of regular budget surpluses to finance various initiatives in the field of safeguards and the security of the VIC premises, the Group supports the proposal to use 1.5 million € of the 2004 cash surplus to partly finance PACT in 2006 and 2007, especially considering that payments of arrears have increased the level of such surplus.

To this effect, the G-77 and China considers that this meeting of the Board should approve the proposed draft resolution as contained in document GOV/2006/25/Mod.I and authorises the exceptional waving of regulation 7.03 b) of the Financial Rules.

Thank you Mr. Chairman.

Agenda Item 4: Planning for the Programme and Budget Proposals for the 2008-2009 and 2010-2011 biennia

The Group of 77 and China would like to thank the Secretariat for the preparation of the Planning for the 2008-2009 and 2010-2011 Programme and Budget Proposals, as contained in document GOV/2006/21 and the Deputy Director-General for Management for the presentation of this agenda item.

The Group underlines the great importance of the Planning, since it constitutes part of the process to develop the details of the Agency's Programme and Budget for the 2008-2009 and 2010-2011 cycles. The Group understands that the Planning represents a very preliminary stage of this process and looks forward to engaging in further discussions with a view to arriving at a final Programme and Budget proposal that appropriately reflects the needs and interests of Member States. In this context, the Group recalls that "an appropriate balance shall be maintained between promotional and other statutory activities of the Agency, as well as across all major programmes", as contained in the Package agreement of 2003 (document GOV/2003/48). The Group further recalls other basic principles and positions emphasized during the extensive discussions that took place in 2003 and led to the formulation of the Package.

The Group shall carefully examine the programmatic and budgetary proposals that are being made. The Group is particularly interested in the financial implications of the proposals, since the document mentions that budgetary increases are foreseen. In this connection, the Group would like to recall the need to take into consideration the financial constraints faced by many developing countries. The Group suggests that the chart containing resources estimates for 2008-2011 include a "grand total" for the year 2007, so that Member States can have a better picture of the total increases that are being proposed. It might also be useful to compare the budget being proposed for the next two biennia to the budget for 2003, when the last comprehensive discussions on budgetary issues occurred. Furthermore, the Group deems it important to

discuss further the implications of having a separate category for "essential elements". In the same line, the Group stresses the relevance of discussing the new accounting standards, the recognition of after-service liabilities, common staff costs, the Agency-wide Information System for Programme Support (AIPS) and support costs related to extrabudgetary contributions, as well as the implications of all these issues.

Mr. Chairman,

Allow me now to make preliminary comments about specific parts of the report:

In relation to paragraph 10, the Group believes that the other reports produced by the Secretariat - and not only the Safeguards Implementation Reports - should be included in the list of reviews to be used in the formulation of the detailed 2008-2009 and 2010-2011 programmes and budgets, so as to better reflect the needs and the situation of all areas of activities of the Agency. The Group is interested in learning more about the changes mentioned in paragraph 17, related to the presentation of the management and administrative functions, and their implications. The Group is pleased to note that efficiencies and productivity improvements will continue to be pursued by the Secretariat and has the expectation that this will translate into financial savings.

As regards Major Programme 1, G77 and China notes the observations contained in paragraphs 34 and 35 on the continuing rise in expectations for nuclear power and energy security concerns, and on the global long-term trend in nuclear power development towards increased sustainability. The Group is of the view that some elements in the two paragraphs require further clarification and discussions.

The Group notes with appreciation that Major Programme 2 will continue to focus on and give priority to the topics identified by the World Summit on Sustainable Development and the relevant areas of the Millennium Development Goals. The Group also notes that important areas of interest for developing countries will continue to be contemplated, such as food and agriculture, human health, water resources, the production of radioisotopes and the use of nuclear and radiation technologies. The Group is of the view that further discussion is needed on the proposal to decrease the overall number of projects in the food and agriculture programme, as mentioned in paragraph 53.

Mr. Chairman,

In the area of safety, the Group welcomes the enhanced perception of review services and the new initiatives related to the radiological protection of patients, including support to regional and sub-regional institutions as collaborative training and reference centres.

As for paragraph 81 of the Report, the Group of 77 and China notes the inclusion of the Code of Conduct on the Safety and Security of Radioactive Sources as part of a "set of international instruments that contain obligations for Member States". In this connection, the Group once again recalls that the code of Conduct is not a legally binding instrument and should neither hamper the wide use of radioactive sources in medicine, agriculture, industry and education, especially in developing countries, nor be used to deny the peaceful uses of atomic energy or the export of these sources for use in developing Member States. The Group requests the Secretariat to change the corresponding parts of the Report accordingly. Furthermore, since this issue has been repeatedly mentioned in recent years, the Group suggests that the Secretariat use uniform language when referring to the Code of Conduct, utilizing the expression "not a legally binding instrument", as mentioned in resolution GC(49)/RES/10.

In relation to paragraph 82 of the Report, where it is said that "the implementation of the Nuclear Security Plan 2006-2009 is foreseen to be primarily financed through voluntary contributions to the Nuclear Security Fund", the Group recalls that, as reflected in the Chairman's conclusion on item 4 of the September 2005 session of the Board of Governors, when the Plan was approved, Member States were called upon to "to contribute on a voluntary basis to the Nuclear Security Fund". The same understanding is included in

resolution GC(49)/RES/10 and should also be taken into account in the Planning.

The Group welcomes the fact that the Agency plans to intensify its assistance to Member States to enhance the capacity of personnel tasked with the implementation of States obligations under their safeguards obligations, as reflected in Para 92 of the report.

As to paragraph 94 of the report, about the revised Small Quantities Protocol (SQP), G 77 and China wishes to recall document GOV/2005/33, which highlights that "since nuclear material is not expected to exist in large quantities in most SQP States, and very few facilities are likely to exist in such States, the Secretariat does not foresee regular verification activities in such States and therefore does not foresee any measurable increase in safeguards costs to the Agency should SQPs be rescinded or revised". Furthermore, in the briefing by the Director of the Division of Concepts and Planning of the Department of Safeguards, which took place in September 2005, it was affirmed that the revised SQPs would have "no effect on the overall safeguards budget". In this connection, the Group requests that the Secretariat reformulate paragraph 94 accordingly.

With reference to paragraphs 95 and 96 of document GOV/2006/21, without prejudice to the recommendations of the Advisory Committee on Safeguards and Verification within the Framework of the IAEA Statute, the Group believes that it is best left to the Board, after having received the recommendations of the Advisory Committee, to decide on whether it is appropriate at this time for the Agency to acquire expensive equipment in support of verification activities.

The Group notes with satisfaction that paragraph 106 mentions the fact that "the implementation of integrated safeguards has resulted in savings of around 10% inspection effort in the field". The Group would appreciate it if the Secretariat could provide a cost analysis of the implementation of integrated safeguards and how the estimated additional savings will impact the overall budget for safeguards. On the other hand, the Group seeks additional information on paragraph 109, where it reads "safeguards activities of an unpredictable nature may require additional funding between Euro 15 and Euro 18 million per annum" and on how this would be financed.

Mr Chairman,

As to Major Programme 6, Management of Technical Cooperation for Development, G77 and China wishes to reiterate the great importance that it attaches to the Agency's technical cooperation activities, as they are the main statutory vehicle for transferring nuclear technology to developing countries for their socio-economic development, in keeping with the IAEA's Statute. Over the years, the Group has actively participated in the discussions and negotiations regarding the TC Programme. By doing so, our membership has sought to ensure that the IAEA technical cooperation activities are strong, efficient and effective in meeting national needs in a sustainable manner and that they continue to keep up with the growing needs of developing countries in key areas for their sustainable development, such as the peaceful applications of nuclear technology in human health, power generation, industry, water management and agriculture.

In this connection, and bearing in mind the growing number of Member States and their needs, the Group considers that resources for TC management should be sufficient to avoid any workload that might hamper the quality of programme formulation and delivery, and looks forward to engaging in discussions on the TC components of the programmes and budget proposals for the next two biennia.

Regarding the paragraph 132, The Group calls on the TC Department to provide Permanent Missions in Vienna a higher access to the PCMF web site enabling them to have a better involvement in the web based platform for projects formulations.

As regards the communication strategy, mentioned in Para 133, the Group considers that further communication efforts are needed on the role of TC. This should include more space for success stories in

the main page of the website of the Agency and an enhanced presence of TC in the Agency's Bulletin. It should be noted, in this regard, that prolonged debates in the Board of Governors on other issues tend to overshadow the fundamental role of peaceful applications of nuclear energy.

With these comments, the Group of 77 and China takes note of document GOV/2006/21.

Thank you Mr. Chairman.