



STATEMENT OF THE GROUP OF 77 AND CHINA AT THE MEETINGS OF THE PROGRAMME AND BUDGET COMMITTEE OF THE IAEA BOG, 27 APRIL 2009, DELIVERED BY H.E. AMBASSADOR EUGENIO MARÍA CURIA, PR OF ARGENTINA

Agenda Item 2: The Agency's Accounts for the Year 2008 and the External Auditor's Report

Madam Chair,

The Group of 77 and China wishes to thank DDG David Waller for his introductory remarks and for arranging the very informative workshop on financial and administrative matters on 17 April. The Group would like to commend the Secretariat for the preparation of document GOV/2009/18 containing the Agency's Accounts for the Year 2008. 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.

The Group is 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 requests the Secretariat to consider these recommendations carefully and, when appropriate, consult Member States prior to taking any measures, especially in light of the possible sensitivities surrounding some of these recommendations.

In the report, the External Auditor points out that the Extrabudgetary Programme Fund's cash increased, although voluntary income was lower than expenditure. The reason for this is that some Member States made prepayments for projects, which are not yet approved by the Board of Governors, or where final approval by Governments is still pending, and these payments cannot be considered as income. The Group is of the view that the Agency should avoid this kind of situation and to that end should not accept any contributions for activities or projects for which it is not mandated by Member States. The Group stresses the importance of strictly adhering to the financial rules and regulations regarding the Acceptance of Voluntary Contributions to the Agency as approved by the General Conference on 21 September 2001 that offers of voluntary contributions of money to the Agency with limitation on their use shall be referred by the Director General to the Board of Governors for decision.

Once again the External Auditor has addressed the issue of the unpredictable volatility in purchasing power to which the TCF is exposed due to the fluctuations between currencies. This resulted in a decrease of 10% in the income and expenditure of the TCF during 2008. In this connection, the Group would like to recall that, in accordance with Resolution GC(51)/RES, the resources for the Technical Cooperation Fund must be sufficient, assured and predictable (SAP). The Group remains convinced that without adequate financial resources, the TC Programme cannot achieve its objectives as mandated in Article II of the Statute, namely "to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world".

To meet the currency fluctuations challenge, the External Auditor recommends the Secretariat to investigate options for a higher proportion of Euro contributions to the TCF to match as closely as possible the level of expenditures in this currency. While positively considering this recommendation as one among other options, the Group would like to recall last year's report, which in a broader sense encouraged the Secretariat to consider a mechanism which ensures that voluntary contributions to the TCF are hedged against losses of purchasing power as far as possible. The Group would also like to recall the Board's decision of 1 August 2008 to request the Secretariat to examine possible mechanisms, including a hedging mechanism, in order to protect the resources of the fund, to the extent possible, against the effects of currency fluctuations in the

future and to report to the Board thereon as soon as possible in order to enable it to take an early decision.

On the single audit principle, the Group welcomes the positive results produced by the Working Group on Financial and Administrative Framework Agreement (FAFA) between the UN and the European Commission established to deal with the issue of third-party audits, which have been burdening Member States with additional unnecessary costs. The Group is concerned, however, that the External Auditor reports on another audit layer being created by new verification requirements. 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 welcomes the recommendation made by the External Auditor that the statutory objectives of the organization should be funded by assessed contributions. This corroborates the longstanding position of the developing countries that the resources for the TCF should be sufficient, assured and predictable, as the TC programme is the most important vehicle for attaining the main statutory objective of the Agency, which is the promotion of the peaceful uses of nuclear energy. The Group is convinced that the sufficiency, assurance and predictability of the TCF are jeopardized by the voluntary nature of its contributions and by the debilitating process of negotiating the TC targets.

The Group is surprised by the External Auditors presumption, expressed in Para 24, that the Agency's core activities are safeguards inspections and nuclear safety and security. The Group underscores that the promotional activities of the Agency, fulfilled through technical cooperation, are the main statutory functions of the Agency, while nuclear security, despite being an important element, is NOT a statutory function of the Agency. As regards safety, the Group stresses that all promotional activities undertaken under the aegis of the IAEA are by definition safe and that, if safety aspects are inherent in all IAEA projects, part of the resources allocated to all promotional activities are to some extent related to safety. As regards security, the Group stresses the non-statutory nature of these activities, which justifies the voluntary basis of its funding. Furthermore, the Group once again recalls that the primary responsibility for nuclear safety and security remains with Member States.

Moreover, the Group also takes exception to the External Auditor's personal opinion, as stated in Paragraph 115, that the threat of nuclear terrorism warrants predictable and assured resources, in the form of regular budget funding, for the Nuclear Safety and Security programme of the Agency. The Group is of the view that the Agency's Technical Cooperation Programme is in a greater need of sufficient, assured and predictable (SAP) resources as compared to the Nuclear Security programme.

The Group is particularly concerned with the recommendation that indicative shares of Member States should be fixed for extrabudgetary contributions. The Group believes this would affect the delicate balance between the three pillars of the Agency, which in our opinion has been already compromised by increases in some areas that were not matched in others. It would furthermore lead every Member State to pay for what are the priorities of a few.

As regards the situation of the Seibersdorf Analytical Laboratories, the Group believes it is necessary to maintain the capacity of the Agency to provide independent and timely analysis of safeguards samples. Therefore, the Group is of the view it is time to consider various options to provide sufficient funds for enhancing the capabilities of the SAL.

The Group notes that the improvements at the laboratory should include adequate assurance of continuous specialized expertise that allows the best operation of the new SAL. Furthermore, the Group points the need to support national programs in developing countries of safeguards analytical capabilities. In this context more safeguards laboratories in developing countries should be encouraged to form part of the Agency's group of safeguards laboratory network.

In relation to the inventory control for safeguards inspection equipment, the Group notes with satisfaction that the number of "not found" items of equipment decreased from 850 to 229, as a result of the efforts made by the Department of Safeguards after the External Auditor's recommendations in 2008. The Group supports this year's recommendation that the Secretariat should consolidate the procedures required and emphasize the principle of personal responsibility with a view to maintain the improved situation that has been reached.

The Group concurs with the External Auditor's observation that the Secretariat should formulate a clear and appropriate IT policy. The Group reiterates its position on the importance of maintaining and enhancing information confidentiality and security of highly confidential safeguards-related data. The Group is of the view that the External Auditor's recommendation on the separation of IT and Information Management and/or Knowledge Management Committee merits consideration by the Agency.

In the field of human resources, the Group shares the External Auditor's concerns about cases of consultants recruitment for purposes that are not in line with the Agency's regulations. The Group believes that excessive or unnecessary reliance on consultants may compromise the independence and the quality of the Agency's services. Therefore the Group supports the External Auditor's opinion that consultants should only be employed if the needed know-how is missing and on a short-term basis. In particular, the Group concurs with the External Auditor's view that consultants should not be engaged for the purpose of representing the Agency. This is a matter of concern for the Group.

Regarding paragraph 57 on the Country Programme Framework (CPF), the Group would like to emphasize that this is a non-legally binding document and is also subject to revisions as Member States' priorities evolve. Hence, the CPF should not be used as a basis for restricting Member States requests for technical support, nor should it be a definitive reference for the approval of Member States TC projects.

The Group also supports the External Auditor's views on the vital role of the National Liaison Officers in TC project implementation, while keeping in mind the responsibilities of respective Member States in the designation of the NLOs. In order to fully achieve the objectives of the Programme Cycle Management Framework (PCMF) to improve project planning and supervision, the Group would like to reiterate its request to the Secretariat to provide the necessary training on the PCMF procedures to the concerned personnel in Member States. In addition, in order to improve project monitoring, the Secretariat's efforts to facilitate submission of Project Progress reports are praiseworthy.

As regards the amendment to Article XIV.A of the Statute, the Group notes that to date only 44 Member States have concluded the process of ratification. The Group reiterates its support to the External Auditors recommendation that efforts be made by Member States to complete their internal processes, so as to allow the implementation of biennial budgeting.

The Group notes with concern the External Auditor's view on challenges facing the Regional Agreement AFRA in discharging its responsibilities, as required by the AFRA Strategic Action Plan. In this connection, the Group urges the Agency to continue supporting AFRA taking ownership of its TC projects to ensure that it fulfills its mandate, as required by the Strategic Action Plan. The Group also deems it important that the Agency works together with the regional arrangements such as AFRA to achieve a consistent methodology in reporting in-kind contributions in line with the Agency's rules and regulations as highlighted by the External Auditor.

The External Auditor pointed out that counterparts in AFRA generally felt uncomfortable because they were uncertain about the amounts available to them from project budgets and that they were not aware of the methods applicable for the allocation of project funds among participating counterparts. In this regard, the Group invites the Secretariat to take the opportunity of the meeting of the AFRA representatives during the General Conference to organize a briefing highlighting the methods of funding AFRA projects.

Regarding the External Auditor's view on coordination of international cooperation activities in developing countries, the Group would like to reiterate its position that the "One UN" approach may have a negative impact on the TC programme in many areas, including resource mobilization, on account of the fact that the Agency is an autonomous international organization related to the United Nations system, and of the nature, character and specificity of the TC programme.

In the field of mutation breeding, the Group is concerned with the fact that neither the Secretariat nor the counterparts involved have taken measures for protecting intellectual property rights over varieties brought about through projects under the TC programme. The Group supports the recommendation that the Secretariat should raise awareness for legal issues related to this issue.

The External Auditor recalls his recommendation relating to a system of surcharges and discounts applied to assessed contributions and points out that no decision was made in this regard. The Group would like to reiterate its position that this issue deserves a more detailed assessment of the impacts such a mechanism could have on the budget, as well as of the implications resulting from distinct fiscal years in different Member States.

The Group understands that Programme Support Costs will not be applicable to the Technical Cooperation Fund, including government cost sharing contributions placed at the disposal of the Agency to support the TC programme.

With these comments, the Group of 77 and China takes note of the Agency's accounts for 2008 and the External Auditor's Report.

Madam Chair, allow me now to turn to 2008 the Programme Evaluation Report

Regarding the Programme Evaluation Report, the G77 and China would like to thank the Director General for his 2008 Programme Evaluation Report as contained in document GOV/INF/2009/3 as well as the external evaluation experts and the Office of Internal Oversight Services for the work carried out.

As regards Annex-1, the Group is pleased to note that the implementation of the Sub-programme on the intensification of crop production systems has increased the Agency's image and visibility in the international community in activities related to plant breeding and soil, water and plant nutrient management. The Group believes that further dissemination of information about the activities and achievements of the Sub-programme to national agriculture research systems and stakeholders in Member States will enhance its impact. The Group also endorses the recommendation that the Secretariat take necessary steps to rectify the inadequate technical capacity on water management issues.

The Group agrees with the findings that the activities conducted by FAO and those of the Sub-programme have complementary functions and this complementary relationship should provide the necessary support at all levels to Member States. Such findings provide strength to the Group's position calling for the retention and strengthening of the Joint FAO/IAEA Division. The Group also endorses the recommendation that the Secretariat should ensure that the coordination with and involvement of FAO is strengthened at the early stage of planning and implementation of Sub-programme activities.

In order to address the issue of conditions imposed for extra-budgetary contributions, the Group concurs with the recommendation of the evaluators that the Secretariat should approach emerging non-traditional donors for extrabudgetary funding that would be in compliance with the Agency's policies and legal framework.

With regard to Annex-2, the Group notes that the publication of the Agency's non-legally binding Code of Conduct on the Safety and Security of Radioactive Sources could have had an impact on strengthening the regulatory control of radioactive sources in the Member States that have given their political commitment to

implement it. The Group, however, stresses that the application of such codes of conduct should not be a precondition on exporting such radioactive sources. The Group also endorses the evaluator's recommendation for having better coordination among various departments of the Agency in ensuring that the Agency activities pertaining to the control of radioactive sources do not overlap or conflict with each other and there is a better internal sharing of database information.

With regard to Annex-3, the Group notes the challenge arising from increased radioactive waste management demands worldwide, and the need for strengthened efforts on the prioritization of competing needs. The Group appreciates the role of the coordination committee for the activities, which combines safety and technology functions under the programme and endorses the recommendation for further formalization of this structure in order to achieve further streamlining of resources. Furthermore, the Group believes that concerns related to radioactive waste management should not be used to discourage Member States from developing their nuclear power capabilities.

Coming to the status of recommendations made during previous evaluations, the Group notes the good progress made on all the recommendations and in particular to the nine evaluations completed in 2007. The Group notes that a total of five recommendations were rejected by the Secretariat and requests the secretariat to provide a list of those recommendations and underlying reasons for their rejection.

Agenda item 3: The Agency's Programme and Budget for 2010-2011

Madam Chair,

The Group of G77 and China takes note of the Agency's Draft Programme and Budget for 2010/11 as contained in document Gov/2009/1. The Group appreciates the efforts of the Secretariat in preparing this document and thanks DDG Waller for presenting its contents.

The Group also appreciates the efforts undertaken by H.E. Ambassador Cornel Feruta the Permanent Representative of Romania to facilitate the informal consultations before this session of the PBC. The Group would like to express the following remarks and views regarding the contents of the Draft Budget.

The Group notes the significant increases suggested for the regular budget. While the Group recognizes and supports the need to maintain the Agency's capabilities to properly implement its statutory functions, the Group stresses that there is a clear need to avoid placing excessive financial burdens on developing countries.

However, given the paramount importance that the Group attaches to the main statutory role of the Agency in promoting nuclear science and technology for sustainable socioeconomic progress in developing countries as well as the attainment of the Millennium Development Goals (MDGs), the Group might consider the suggested increases to the Regular Budget for Major Programmes 6, 1 and 2.

Considering the importance of technical cooperation (TC) activities as the main statutory vehicle for transferring nuclear science and technology to developing countries, the Group remains convinced that without sufficient, assured and predictable (SAP) financial resources, the TC Programme cannot achieve its objectives as mandated in Article II of the Statute. In this regard, the Group still looks forward to discussions on constructive proposals by the Secretariat and Member States with a view to addressing the long-term funding issues of the TC Programme, especially those related to changing the voluntary nature of TC funding.

In this connection, the Group reiterates its call for adequate resources from the Regular Budget to alleviate the increasing burden faced by the TC Department. The Group supports some of those proposed increases that are directly related to raising the capability of the TC Department in order to ensure effective and efficient delivery of the TC Programme.

The Group wishes to stress that nuclear security is not a statutory function of the Agency and that the sole responsibility of implementing nuclear security measures rests in the hands of the Member States. Therefore, the Group believes that it is fully justifiable for the activities undertaken in the area of nuclear security to continue to be financed through voluntary and extrabudgetary resources.

The Group would like to express its disappointment regarding the discriminatory approach in proposing the integration of nuclear security activities into the regular budget while at the same time not proposing any similar mechanisms to remedy the longstanding problems caused by the voluntary nature of funding TC activities which, by contrast, are the core statutory function of the Agency.

The Group notes that some core activities under Major Programmes 1 and 2, especially under Major Programme 1, inherently relate to nuclear safety. The Group is of the view that in order to achieve the necessary cost efficiency it is important to eliminate any possible redundancies or overlapping between these abovementioned activities and some of the similar activities suggested under Major Programme 3.

The Group also stresses that any cost saving should not be made at the expense of decreasing the necessary levels of involvement of the Technical Departments and their technical experts in the relevant Technical Cooperation activities. The Group believes that the Technical Departments play an indispensable role in ensuring the efficiency of the implementation of programmes and the delivery of TC projects.

The Group takes note of the request for an amount of €1.67 Million for the Programme of Action for Cancer Therapy (PACT). The Group recalls that this amount merely approximates the level of funding that was originally requested for PACT in the previous budget, in which it ended up receiving only about half of the requested amount. The Group is of the view that allocating sufficient funding for PACT will show the strong commitment of the Agency to sustain such an important humanitarian programme which directly contributes to addressing the global cancer crisis, and which has relied on extrabudgetary resources and donations to implement its activities. Therefore, the Group strongly supports the requested budget for PACT as proposed in the Draft Programme and Budget.

The Group takes note of the reported risks facing the Agency's ability to provide independent and timely analysis of safeguards samples because of ageing technical infrastructure and analytical equipment at the Safeguards Analytical Laboratory (SAL) and the resources required to tackle these risks as envisaged in Phase 1 of the overall SAL improvement plan which will address the sustainability and enhancement of the Agency's particle analysis capabilities for environmental samples. However, the Group is of the view that other related activities including the acquisition of new land and the future development of the Seibersdorf site could be postponed, financed through extrabudgetary resources, or through negotiations with the host country.

The Group would like to recall the Package agreement which was reached in the year 2003, particularly the decision on achieving a balance between increases for the resources directed to the activities of safeguards and safety on the one hand and the resources directed to activities of technical cooperation on the other. The package has also established a shielding mechanism for developing countries against the surges in safeguards related expenditures. In this regard, the Group is disappointed that in the proposed Programme and Budget this principal of balance between the promotional and other statutory activities has not been observed. The role of the Agency in promoting nuclear science and technology for peaceful purposes through technical cooperation is the main statutory function of the Agency and should not be relegated to a secondary role.

The Group finds it necessary to urgently launch informal consultations with the aim of arriving at a more equitable distribution of safeguards related costs, and therefore, the Group believes that the shielding mechanism must be revisited in order to accommodate the repeated surges in the safeguards budget and protect the developing countries against the subsequent excessive financial burdens.

The Group takes note of the substantial amounts of funding required for security enhancement and/or building management and maintenance for the Vienna International Center (VIC). The Group is of the view that most of these activities can be postponed, financed through extrabudgetary funding, or settled through renegotiating the host country agreement with the relevant Austrian authorities.

The Group notes the substantial amount of additional resources required for the suggested capital fund, which are primarily for Major Programmes 3, 4, and 5, and requests the Secretariat to provide further explanations and details regarding the purpose and functions of this fund.

Finally, in light of the substantial increases suggested in the Draft Budget, there is a clear need for the Secretariat to reprioritize in order to give utmost importance to the financing of activities related to the core statutory functions of the Agency, namely those activities related to the promotion of nuclear science and technology. The Secretariat is also requested to present a revised draft, which would address the Group's above-mentioned concerns.