



STATEMENT OF THE GROUP OF 77 AND CHINA AT THE MEETINGS OF THE PROGRAMME AND BUDGET COMMITTEE OF THE IAEA BOG, 3-7 MAY 2010, DELIVERED BY H.E. AMBASSADOR TAOUS FEROUKHI, PR OF ALGERIA

Agenda item: 2 The Agency's Accounts for 2009, 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 on 20 April. The Group would like to commend the Secretariat for the preparation of document GOV/2010/20 containing the Agency's Accounts for the Year 2009. 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 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. In addition, he has also suggested changes to Agency's programmatic aspects. While appreciating the work of the External Auditor and his team, the Group requests the Secretariat to 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 that apart from the Agency's accounts and budgetary matters, the External Auditor has also made substantive remarks on one major programme i.e. Technical Cooperation (TC) and one sub-programme i.e. Nuclear Security.
4. The Group agrees with the call upon those Member States with significant arrears to do their utmost to fulfill their obligations.
5. The External Auditor previously raised concerns about the loss of purchasing power in the TCF when the US dollar exchange rate against the Euro is unfavourable. This issue was addressed by the Board which decided that the target for voluntary contributions to the TCF will - effective 2011 - be set in Euro and US dollars to match the expected expenditures in these two currencies ("split indicative share system"). The appropriate changes to the financial regulations are being prepared. The Group welcomes this decision and requests the External Auditor to continue to monitor whether this measure will mitigate the problem of declining purchasing power.
6. 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.
7. The Group is disappointed by the External Auditor's presumption that the Agency's core activities are safeguards inspections and nuclear safety and security. The Group underscores that promotional activities of the Agency, fulfilled through the Technical Cooperation Programme (TCP), is its main statutory mandate, while nuclear security is not a core statutory function, 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.

8. 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. 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.

9. Regarding the External Auditor's recommendation that (I quote) "TC and other programmes financed by voluntary contributions and executed by the Agency should be carried out on the basis of a thematic approach. The donors could choose to contribute to a programme within the organization's planning and priorities. I would like to point out that this work should first of all be done by the Department of TC" (unquote), the Group is of the view that this is in contradiction to the provisions of INFCIRC/267 and the Agency's mandate. The Group would like to highlight that while unfortunately the TC programme is funded through voluntary contributions, it is not based on a donor-recipient relationship geared on development aid criteria; it is 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 contribute to the TCF under an indicative scale of assessment in accordance with their capacity to pay. The TC programme and projects are formulated through an established procedure. The Group does not see any need to alter this model by borrowing ideas from development aid organizations that are not appropriate in the IAEA context.

10. The Group notes that as of June 2009 about 25 % of the short-term employment contracts and at least 7 % of the medium-term contracts exceeded the time limits of two and seven years respectively. The Group joins the External Auditor in welcoming the Secretariat's reform of its HR post and contract management system. We concur with the External Auditor that the Secretariat should report on the measures as well as the financial and management implications of the HR post and contract management reform to Member States.

11. Regarding the External Auditor's observations on the staff rotation policy and representation of women in the Agency, the Group believes that greater attention should be given to increasing the recruitment of staff members from developing countries including those which are unrepresented or underrepresented. The Group is particularly concerned that the representation of developing countries at the senior and policy-making levels continues to be inadequate.

12. The Group concurs with the External Auditor's recommendation that the Secretariat should report biennially to the Member States on the implementation of the Rotation Policy and its associated costs. The report should not only provide key figures on the Rotation Policy, but also include figures on recruitment of nationals of developing countries particularly at senior levels.

13. The External Auditor has raised extensive observations and recommendations regarding the TC programme. These include questions related to field representation, project monitoring and evaluation, building partnerships and cooperation with other UN organizations, updating of manuals and guidelines, and improvements in regional TC projects. The Group stresses that these recommendations require a very careful analysis. Any change in 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. Regarding the quantitative estimation of the actual socio-economic impact of TC projects, the Group would like to recall the OIOS observation that it is an extremely difficult exercise. The Group believes this is not only due to lack of data but also because it is not possible to attribute the actual contribution of the TC project component to Member States' overall national development outcomes. The Group therefore believes that it is beyond the capability and competence of the Secretariat and is best addressed by individual Member States.

b. 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 be accessible only to relevant project counterparts. The Group also emphasizes that all measures taken in this regard should preserve and enhance the ownership of technical cooperation projects by recipient Member States.

c. 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 NLOs and Project Counterpart, cannot be delegated to UN resident representatives.

d. Endeavors pertaining to building partnerships with other UN organizations and participation in UNDAF processes must not jeopardize or reduce the capabilities and resources available to the Agency for activities related to TC. These endeavors should in no way dilute the existing mechanisms to deliver the technical cooperation to member states. 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. While partnerships could be built where they clearly multiply impact, these must not be pursued as an end in itself, and cannot be used as pre-requisites for approval of MSs' TC projects.

e. The External Auditor has recommended that the outdated TC Manual and the Guidelines should be revised and completed providing tools, techniques and best practices for managing TC projects. The Group notes that the Secretariat stated that both documents are in the final stages of revision. The Group would expect such important documents to be in accordance with the provisions of INFCIRC/267.

14. 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.

15. The Group stresses that the Agency is a unique 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.

16. 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.

17. The Group is concerned with issues related to Intellectual Property Rights of entities in developing member states arising from Agency's TC projects. In this regard, the Group takes note of the findings of the External Auditor that the Secretariat should increase the level of awareness of Member States on the protection of rights over new mutant varieties generated from projects on mutation breeding, and that neither the Secretariat nor majority of the counterpart institutions involved have taken measures to protect intellectual property rights. The Group requests the Secretariat for background information on the legal issues related to the protection of intellectual property rights arising from Agency's TC projects.

18. With these comments, the Group of 77 and China takes note of the Agency's accounts for 2009 and the External Auditor's Report.

19. Mr. Chairman, allow me now to turn to 2009 Programme Evaluation Report.

20. Regarding the Programme Evaluation Report, the G77 and China would like to thank the Director General for his 2009 Programme Evaluation Report as contained in document GOV/INF/2010/6 as well as the external evaluation experts and the Office of Internal Oversight Services for the work carried out.

21. That Group notes with satisfaction that the evaluation of Agency's research reactor related cross-cutting activities concluded that the reviewed subprogrammes address the goals and objectives specified in the Medium Term Strategy 2006-2011 and are directly relevant to the current and emerging needs of Member States. The scope and accomplishments of the respective projects have been impressive and they had a real impact. The accomplishments in the areas of the removal and return of nuclear material and the safe operation of research reactors, including isotope production, ensure enduring societal benefits to the Member States. However, the Group notes with concern that the current staffing level is inadequate to meet the demands of the current programme objectives, let alone the anticipated challenges associated with the worldwide nuclear renaissance.

22. We concur with the "Recommendation 3" that the Secretariat needs to develop a comprehensive strategy for the production of all important isotopes in research reactors and review this periodically.

23. On the evaluation of Agency support to countries considering embarking on a Nuclear Power Programme, the Group concurs with "Recommendation 1.2" that the Secretariat should initiate internal consultations to consider introducing major changes to the Agency's programmatic and organizational structure to increase operational efficiency in responding to newcomer countries, including the creation of a special unit for newcomer countries.

24. The Group also believes that it will be useful that, in accordance with Recommendation 3.1, the Secretariat should define a catalogue of Agency services to respond to the needs of newcomer countries as a function of the level of infrastructure development in a country, which should also clarify what services should be provided by Agency staff and what services could be contracted to external experts.

25. The Group stresses that while increasing its operational efficiency in responding to newcomer countries, the Agency should not scale down its function in supporting nuclear power plants in operation, including issues related to aging reactors, decommissioning, waste management and disposal of radioactive waste.

26. The Group believes that "Recommendation 4.2" on the need for the Agency to support multinational mechanisms to assure access for all countries to nuclear fuel is beyond the scope of the evaluation which should have remained limited to the programmatic aspects. The Group has consistently stated that there is a need for caution while addressing thoroughly the associated technical, legal and economic aspects, as well as the underlying political dimensions of this issue, so that any proposal that eventually emerges in this regard is in full accordance with the Statute and takes into account the respective legal obligations of Member States, and the principle of non-discrimination. The Agency should enhance its capabilities in providing the full range of expert advice and services regarding all aspects of a nuclear power programme, including the nuclear fuel cycle. The Member States' decisions with regard the development of national nuclear power programmes and fuel cycles should be fully respected and the Agency should stand ready to assist in an objective manner where requested.

27. Regarding the evaluation of the implementation of Integrated Safeguards, the Group supports "Recommendation 6" that the Secretariat should continue to emphasize the importance of being able to produce realistic cost figures for the implementation of safeguards in a State and to demonstrate how the

costs are distributed between activities at Headquarters and those in the field.

28. The Group concurs with the OIOS that the dissemination and exchange of information are essential responsibilities of the Agency, as outlined in its Statute. In this context, the Group also recalls the evaluation carried out in 2007 by the OIOS. It had concluded that the exchange of information through Agency publications such as TECDOCs, Technical Reports, conference proceedings, etc. are very useful outputs for all interested Member States. The Group supports all measures aimed at further improving and streamlining the Agency's procedures in this regard.

29. With these comments, the Group of 77 and China takes note of the 2009 Programme Evaluation Report as contained in document GOV/INF/2010/6.

Thank you Mr. Chairman.

Agenda item: 3 Proposed Amendments to the Agency's Financial Regulations

Mr. Chairman,

1. The Group of G77 and China takes note of the document GOV/2010/21 entitled "Amendments to the Financial Regulations - IPSAS". The Group notes that this document contains recommended changes to the Financial Regulations that are consequent upon the adoption of the International Public Sector Accounting Standards (IPSAS). Accordingly, the Group concurs with the action recommended for the Board to approve the amendments to the Financial Regulations set out in the Annex, to come into effect on 1 January 2011.

Agenda item: 4 The Agency's Draft Budget Update for 2011

Mr. Chairman,

1. The Group of G77 and China takes note of the Agency's Draft Budget Update for 2011 as contained in document GOV/2010/9. The Group appreciates the efforts of the Secretariat in preparing this document and thanks DDG Waller for presenting its contents.

2. The Group also appreciates the efforts undertaken by H.E. Ms. Marjatta Rasi, the Permanent Representative of Finland for her informal consultations before the session of the PBC and thanks her for presenting a revised "budgetary scenario" as contained in Note 2010/27. The Group is still in the process of considering the document of the Permanent Representative of Finland as a basis for the 2011 budget and will provide its detailed comments in due course. The initial reaction of the Group is as follows.

3. The Group had clearly pronounced its position on the "Agency's draft budget update for 2011" during the meeting of the Working Group on the Financing of Agency's Activities on 5 March 2010, and remains concerned by the asymmetry that exists between the promotional and non-promotional activities of the Agency as reflected in the increases of the proposed regular budget directed towards non-promotional activities.

4. The Group reaffirms what it had stated in the previous meetings of the Working Group that any budget proposal should include the following elements:

- a. Sufficient funding from the Regular Budget for Major Programmes 1, 2, and 6 to respond to the growing needs of developing countries;
- b. Meaningful discussions towards addressing the issue of making the resources of the Technical Cooperation Fund (TCF) Sufficient, Assured, and Predictable (SAP), prior to the approval of the 2011 regular budget;
- c. An increase in the resources of the TCF in the future cycles in a manner that matches the overall increase in the budget; and
- d. Launching consultations to explore a mechanism that can protect developing Member States against

budget increases for non-promotional activities of the Agency.

Thank you Mr. Chairman.