



STATEMENT OF THE GROUP OF 77 AND CHINA DURING THE IAEA PROGRAMME AND BUDGET COMMITTEE MEETING, STARTING ON 4 MAY 2015, DELIVERED BY H.E. AMBASSADOR ARMIN ANDEREYA, PR OF CHILE

Agenda item 2: The Agency's Financial Statements for 2014 including the External Auditor's report

Madam Chairperson,

1. At the outset, allow me to express our deepest condolences, sympathy and solidarity to the people and Government of Nepal for the loss of many lives and properties due to the devastating earthquake. I have the honour to speak on behalf of the G-77 and China under this agenda item.
2. The Group of 77 and China thanks the Deputy Director General and Head of the Department of Management for her introductory statement, and the staff of the Secretariat for the presentations delivered in the course of the workshop on financial and administrative matters, which took place on 23 April 2015.
3. With regard to the Financial Statements of the Agency for 2014 including the External auditor's report, as contained in document GOV/2015/19, the Group would like to make the following comments:
 - 3.1 The Group is pleased to note that "an unqualified opinion" has once again 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 these comments, the Group reiterates that the Secretariat should take a cautious approach when considering these recommendations and, where appropriate, consult Member States prior to taking any measures in that regard.
 - 3.2 The Group is also pleased to note that the recommendations contained in the report of the External Auditor for 2014 cover a broad spectrum of activities falling under the Regular Budget, such as Financial Matters, Nuclear Energy, Safeguards, Safety and Information Technology.
 - 3.3 The Group notes with concern that the level of outstanding assessed contributions increased by approximately 60 % in 2014. This is of particular concern when taking into account that, as illustrated in the Report on the Implementation of Programme Support Costs (PSC), extrabudgetary revenue have increased by three times that of the Regular Budget since 2008. The Group would like to caution against the over reliance on extra budgetary funds as this could negatively impact the effectiveness and independence as well as long term sustainability of the Agency. The Group therefore calls on all Member States to pay their contributions to the Regular Budget and the Technical Cooperation Fund on time and in full.
 - 3.4 The Group notes recommendation 19 of the External Auditor with regard to reducing the timeframe between the receipt of request from a Member States and the actual Integrated Regulatory Review Service (IRRS) mission. As the Group attaches great importance to regulatory infrastructure safety and the support provided by the Agency to Member States, upon their requests, through its IRRS missions, the Group requests the Secretariat to take the necessary measures to implement this recommendation.
 - 3.5 The Group further concurs with the recommendations made to strengthen the management of Information Technology in the Agency. In view of the substantial investment made by the Agency in its IT Systems, the Group would welcome the introduction of measures to monitor the implementation of significant IT investments, as well as mechanisms to track IT related costs and expenditure for all projects. Aligning the IT strategy with the Agency's business plans should also receive immediate attention and the Group requests the Secretariat to develop an IT and Information Management strategy for this purpose, in

consultation with Member States.

4. With these comments, the Group of 77 and China takes note of the Agency's financial statements for 2014 as contained in document GOV/2015/19 and documents GOV/INF/2015/5, GOV/INF/2015/6 and GOV/INF/2015/3.

Thank you Madam Chairperson.

Agenda Item 3: The 2014 Internal Audit Activity Report and the 2014 Programme Evaluation Report

Madam Chairperson,

1. The Group of 77 and China thanks the Secretariat for the 2014 Internal Audit Activity Report and the 2014 Programme Evaluation Report, contained in documents GOV/2015/20 and GOV/2015/22, respectively.

2. The Group welcomes the information provided to Member States in the 2014 Internal Audit Activity Report, and requests that the specific reports be made available to interested Member States, upon request.

3. On the summary of results of the 2014 Audit Plan contained in section E of the Report, the Group would like to make the following comments, and urges the Secretariat, where applicable, to take required actions, in consultation with Member States, to address the issues highlighted in the report:

3.1 On the audit carried out by the Office of Internal Oversight Services (OIOS) of the short term and temporary assistance staff, the Group notes that the audit identified a number of findings relating to the recruitment of short-term and temporary-assistance staff and takes note of the issuance of a revised set of rules by the Secretariat to address the OIOS findings.

3.2 On the audit of Resource Mobilization (RM)/extra-budgetary funding process, the Group takes note of the finding that the Agency does not have an RM strategy in place and that in-house coordination is limited. The Group concurs with OIOS that the shortcomings of Resource Mobilization listed by the OIOS may impact the efficiency and effectiveness of the RM efforts.

3.3 The Group welcomes the fact that, in the activities conducted in the field in 2014 to assess sampled technical cooperation projects, the audits revealed that the assistance provided by the Agency positively contributed towards the development of nuclear energy-related activities and areas in the recipient institutions, and that it was highly appreciated and valued by project counterparts.

3.4 On the audit of the use of third parties in information technology, the Group notes with concern the OIOS finding that the whole area of outsourcing IT work and services is not sufficiently regulated. In this regard, the Group reiterates that the IT Security is a first step to safeguarding confidentiality and calls on the Secretariat to implement the audit recommendations to strengthen the existing controls and therefore further reduce the risks.

3.5 Regarding the audit of Agency-wide security governance, the Group notes the OIOS's observation that the audit revealed significant issues and exposures which require immediate action. The Group expects the Secretariat to take measures necessary to address the findings identified by the OIOS, in consultations with Member States, and looks forward to the strategic plan to be developed by the OIOS in this regard.

3.6 The Group also wishes to reiterate its concern over the rate of implementation of recommendations, as reflected in the table in section F of the report. The Group notes that 125 recommendations from audit reports issued from the year 2000 onwards were closed by 2013, and that 92 from this period are still outstanding. The Group calls again on the Secretariat to take all necessary steps to address this issue, in

consultation with Member States where appropriate. The Group further requests the Secretariat to provide more detailed information in the future on outstanding recommendations.

3.7 In view of the substantive investment made in the mosaic project, the Group welcomes its inclusion in the 2015 Audit Plan and requests that the compliance audit of the LEU bank also verifies that the project related activities are cost neutral with regard to the Regular Budget.

4. Turning to the 2014 Programme Evaluation Report, the Group takes note of the evaluations. Regarding the evaluation of the Support of Human Resource Development for Nuclear Security in the Agency's Member States, the Group takes note of the OIOS findings, especially those related to the attainment of training objectives and raising of awareness in the Member States' nuclear security activities. The OIOS has made a number of recommendations to improve effectiveness, efficiency, impact and sustainability of the Agency's HRD activities in nuclear security. The Group looks forward to the Secretariat's response and actions on the recommendations proposed by the OIOS.

5. Regarding the evaluation of Programme and Project Performance Assessment, the Group would like to highlight the OIOS's observation on the diverse nature of the Agency's work and difficulties associated with its quantification for measurement purposes. The Group maintains that the OIOS recommendations in this regard should be taken into account for further improving the Agency's programme and project assessment practices, and RBM system, while bearing in mind that, as stated in conclusion 2, a sound RBM system is a resource intensive and lengthy process.

6. Regarding the Agency's Safety Standards for Operation of Nuclear Power Plants and Research Reactors and their Role in the Safety Infrastructure of Member States, the Group notes the OIOS's findings and recommendations. The Group would underscore that the Agency's safety standards, though non-binding, are important for the promotion of nuclear energy for peaceful purposes. The Group recognizes the Agency's key role in the development of these standards. The Group is of the view that the implementation of the OIOS's recommendations, in consultation with the Member States, where appropriate, would improve timely introduction and thus relevance and effectiveness of the IAEA safety standards.

7. With these comments, the Group of 77 and China takes note of the 2014 Internal Audit Activity Report and contained in document GOV/2015/20, and the 2014 Programme Evaluation Report, contained in document GOV/2015/22.

Thank you Madam Chairperson.

Agenda item 5: The Agency's Draft Programme and Budget 2016-2017

Madam Chairperson,

1. The Group of 77 and China wishes to thank DDG Janice Dunn Lee for her introductory statement and thanks the Secretariat for making Part 1 and Part 2 of the Agency's draft Programme and Budget for 2016-2017 available, well in advance of the Programme and Budget Committee to allow for more in-depth discussion on the elements of the budget proposal. The Group also takes note of the revised proposal in Note 28 issued by the Agency on 21 April 2015 as well as Note 32 containing additional information on the revised proposal.

Madam Chairperson,

2. With regard to the Agency's Draft Programme and Budget for 2016-2017, the Group takes note of the Director General's priorities for the biennium, which support the continuing priorities for the 2014-2015 biennium. With regard to the priorities identified and the proposed budget estimates for the Major Programmes for the coming biennium, the Group would like to offer the following comments.

3. The Group maintains its principled position with regard to the Regular Budget, which calls for a balanced distribution of the budget so as to reflect the equal importance of the three pillars of the Agency, namely the promotion of peaceful uses of nuclear technology, including technical cooperation, safety and safeguards.

4. To achieve this balance and in order to respond to the growing needs of developing countries, the increased number of Member States making use of nuclear applications and embarking on nuclear energy, the Group has long been of the opinion that sufficient funding from the Regular Budget must be secured for Major Programmes 1, 2 and 6.

5. The Group takes note of the proposed increases for these Major Programmes. With regard to the reductions put forward by the Secretariat in its revised proposal, the Group encourages the Secretariat to ensure that these proposed reductions will not adversely affect the quality of the expected results of MP1 and MP2.

6. Whilst the Group is pleased to note that the allocation for MP6 has not been reduced in the Secretariat's revised proposal, the Group reiterates its view that the proposed increase of 2.9 % is not sufficient if the TC Department is to deliver a Technical Cooperation Programme that meets the needs and requirements of all Member States. In this regard it should be recalled that in 2016, 126 Member States would have TC programmes, as compared to 120 in the previous cycle. These countries require the TC Departments' support in establishing a country programme. In addition the growing number of countries that are embarking on or expanding their nuclear power programmes will require assistance from the TC Department as well as those requiring support with regard to radiation safety and regulatory infrastructure. The Group believes that more effort should be made to provide sufficient resources, including staff, for the continued effective management and delivery of the Technical Cooperation Programme.

7. The Group takes note of the prioritisation of PACT within MP6 and reiterates that this should not diminish the importance given to other relevant focus areas such as Food and Agriculture, Health and Nutrition, Industrial Applications/Radiation Technology and Water and Environment. The Group also looks forward to receiving a briefing from the Division of PACT on the process to integrate it into the TC Department.

8. The Group supports the completion of the ReNuAL project as a key priority for MP2 and calls on all Member States to provide where possible financial contributions, so as to ensure that construction of the laboratories can begin at the earliest. The Group welcomes the proposal to increase support for the application of the Sterile Insect Technique (SIT) to mosquito control, in line with the 2014 GC Resolution on the development of the SIT for the control or eradication of malaria-, dengue- and other disease-transmitting mosquitoes. The Group further welcomes the increased outreach to promote the contribution of nuclear sciences and applications to socio-economic development and takes note of the other priorities for MP 2.

9. Whilst the Group notes the allocation of 2.5 million EURO from the Capital Regular Budget for 2016 and 2017 to the ReNuAL project, the Group notes with concern the prioritisation of funding within the 2016 Capital Regular Budget. As the key statutory function of the Agency is to seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world, the Group strongly believes that the ReNuAL project should receive a larger portion of the Capital Regular Budget for 2016 and 2017.

10. The Group looks forward to the removal of paragraph 72 in Part One of the Draft Programme and Budget, from the final document of the Agency's Programme and Budget for 2016-2017. As pointed out by the Group on previous occasions, this attempt to quantify the estimated Regular Budget support to the Technical Cooperation Programme gives a distorted picture of the funding for TC Programme.

11. Turning to the TCF Targets for the biennium 2016-2017 the Group would like to make the following comments:

12. The Group believes that the discussions in the Working Group on the Regular Budget and TCF Targets for the biennium 2016-2017 should be guided by the previous decisions of the Board on the funding of the Technical Cooperation Fund, the most notable being the decision on the Budget Proposal for 2009, as contained in document GOV/2009/52/Rev.1, which established that: "With respect to the targets for voluntary contributions to the Technical Cooperation Fund, the 2005 decision to synchronize the Technical Cooperation 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".

13. As reflected in paragraph 62 of the recommendations by the "Working Group on Financing the Agency's Activities including the ways and means to render resources for the TCF sufficient assured and predictable" (WGFAA) this Board decision has not been fully implemented, as the TCF target has not been adjusted to reflect the changes in the level of the Regular Budget since 2009.

14. At the first meeting of the Working Group on the Regular Budget and TCF Targets for the biennium 2016-2017, the Group of 77 and China endeavored to arrive at a better understanding of what would constitute a sufficiently funded TC Programme in the coming biennium. The Group noted its concerns that "despite the growing number of developing countries that are recipients of technical cooperation, the resources of the Technical Cooperation Fund have remained stagnant over the years, resulting in a net-loss in funds available for TC implementation."

15. The Group notes in this regard that the TCF Target has not been adjusted to take into account the changes in the level of the regular operational budget from 2009 onwards. The Group further notes that, among other relevant factors that have not been taken into account during the negotiations on the TCF target in the past, is the increase in the number of Member States that draw on the TC Fund. In this regard, the Group would like to highlight the fact that in the coming Biennium, as confirmed by the Secretariat, there will be six such states.

Madam Chairperson,

16. On 29 April 2015, the Group of 77 and China put forward a Non-Paper on TCF Targets as a basis for discussion in the Working Group on the Regular Budget and the TCF Target. In it, the Group stated that Member States should not only be guided by previous Board decisions on their determination of the TCF Target for the biennium 2016-2017, but also by the recommendations of the Working Group on Financing the Agency's Activities (WGFAA), as well as established practices of the Agency. The Group also proposed that the target for voluntary contributions for the TCF for 2016 be set at the level of 93.36 million USD and that the target for 2017 be set at 93.45 million USD with the understanding that, when converting the targets into Euros, the Agency is to apply the rate of exchange of the day on which the Board agrees on the Regular Budget and TCF Targets.

Chairperson,

17. The Group wishes to stress that the Indicative Planning Figure is essential for the predictability of the Fund and enables the advanced planning of the TC Programme by the Secretariat. The Group is of the view that the IPF for 2018 should be based on the Target for 2017 and should be appropriately increased, as was the case in 2013. Furthermore, the IPF for 2019 should take into account the price adjustments.

18. In conclusion, Chairperson, the members of the Group of 77 and China that are states party to the NPT, would like to recall that the IAEA is the only intergovernmental organization promoting peaceful uses of

nuclear energy, one of the pillars of the Treaty. The Group highlights that as the Technical Cooperation Fund is the vehicle for the delivery of nuclear applications and technology, all Member States are encouraged to support the Agency in its objective to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world by making their contributions to the TCF in full and on time.

I thank you, Madam Chairperson.