



STATEMENT OF THE G-77 AND CHINA AT THE PROGRAMME AND BUDGET COMMITTEE MEETING OF THE IAEA BOARD OF GOVERNORS STARTING ON 5 MAY 2003 DELIVERED BY H.E. AMBASSADOR ROBERTO ABDENUR, PERMANENT REPRESENTATIVE OF BRAZIL

Item 1: Introductory statement by the Director General/or other business

Madam Chairman,

The Group of 77 and China wishes to thank the Director General for his very informative introductory statement in which he highlighted the items for the IAEA Programme and Budget Committee Meeting.

Agenda item 2: The Agency's Accounts for 2002

Madam Chairman,

The Group of 77 and China would like to commend the Secretariat for the preparation of document GOV/2003/25 which contains the Agency's Accounts for 2002 and the External Auditor's report.

The Group is glad to note that the External Auditor has placed an unqualified audit opinion on the Agency's financial statements for 2002.

The Group notes that the External Auditor's report includes observations and recommendations intended to contribute to the improvement of the Agency's financial management and control in three areas; results based management, information technology project management and the Agency's currency base for financial accounting and reporting. The Group has carefully reviewed the full scope of recommendations placed under these areas and wishes to highlight the following comments:

1- On the results-based management, the Group supports the Auditor's recommendation mentioned in item 13, that the Agency should give greater priority to the development of an organization wide system to record project start and completion dates, and any approved changes which are made to them. The Group believes that the creation of this system will have a positive impact on the project assessment given the fact that at present there is no computerised organisation- wide system for recording projects.

2- The Group also supports the recommendation that the Agency should continue to refine and improve performance indicators to ensure that they are relevant, efficient, timely, reliable and accurate.

3- On Euro - based accounting, the Group is aware that the Agency has considered the merits of moving from primarily dollar - based accounting to an accounting system that uses the Euro. However, the Group is of the opinion that the Agency should undertake a detailed assessment of the proposed system changes, incorporating UNIDO's experience. The Group shares the Auditor's recommendation that the Agency should obtain further legal advice to confirm the general legality of any proposed changes to the existing financial accounting and reporting arrangements.

In relation to the follow - up of audit recommendations made in 2001, the Group welcomes the presence of this useful part in the External Auditor's report and encourages this trend in the future annual reports for assessment purposes.

With these comments the Group of 77 and China takes note of document GOV/2003/25 and requests the Secretariat to provide more information on the legality of the proposed changes.

Item 2: The Agency's Accounts for 2002 and the 2002 - 2003 Mid-Term Progress Report

The 2002 - 2003 Mid-Term Progress Report (GOV/INF/2003/9)

Madam Chairman,

The Group of 77 & China has carefully studied the 2002 - 2003 Mid-Term Progress Report as contained in document GOV/INF/2003/9. The Group appreciates the usefulness of this report to inform Member States about the outputs delivered and resources utilized on the basis of the planned activities which were implemented. The Group believes that this is important for formulating adjustments to ensure the planned outcomes for the biennium.

The Group takes note of the fact that most of the planned activities funded from the Regular Budget in 2002 have been implemented, some were cancelled or postponed and a very small number were added.

In Major Programme 1, the Group regrets that the preparation of the technical document on the socio-economic impact of nuclear desalination plants was cancelled upon the recommendation of the International Nuclear Desalination Advisory Group (INDAG) and the Group requests further explanation on this matter.

In Major Programme 6, the Group requests clarification on when the e-commerce systems for field procurement could be implemented and why, if the e-commerce environment was not sufficiently developed among suppliers, the Agency had planned this activity in the first place.

In compliance with the Board of Governors approval for the recommended action contained in the document GOV/1999/23 on the "Proposed changes to the Agency's Programme and Budget Process towards Biennial Programming", the Group takes note of the carryover of the 2002 unobligated balances of the appropriations.

The Group also notes with appreciation the extrabudgetary funds received from major donors for Major Programme 6 to strengthen formulation and delivery of technical co-operation programme in Europe as well as in the East Asia and Pacific regions and also to support the evaluation of TC Programme Planning Process.

In Major Programme 6, the Group notes that the Programme is still relying on short-term consultants or interns to address the increased workload. The Group agrees with the findings that although outputs were delivered, there is a considerable stretch of existing human resources and long-term over-dependence on temporary assistance.

Agenda item 3: The Agency's Draft Programme and Budget for 2004 - 2005 and the Modifying Document Thereto

The Group of 77 and China appreciates the Secretariat's intensive efforts to produce the Modifying Programme and Budget Document for 2004-2005 (GOV/2003/Mode.1) after consultations with Member States.

The Group notes that the modified document has adhered generally to the budgetary proposals of the original draft programme and budget and confined its revisions of those proposals to a relatively small number of adjustments which do not change the overall budgetary level. The Group also notes that the proposed increases continue to represent a drastic departure from the Zero Real Growth policy which has been applied for a decade and half, and that the proposed overall increase of about 11% is heavily tilted towards Major Programme 4.

Several important proposals were made by the Group on various programme items like performance indicators, prioritisation, programme links and outcomes. Some of these have been reflected to a certain extent in the modified document. However, the Group believes that its concerns, as reflected in the letter of

the Chairman of the Group of 77 dated 24 February 2003, regarding the overall level of the budget and the balance between verification and other statutory activities, have not yet been adequately dealt with.

There are aspects of the budget proposal which acquire importance due to the widespread economic problems faced by the Group's Member States. These aspects need a serious and thorough discussion. In this context, the Group sincerely hopes that there will be a positive outcome to these discussions, which the Group hopes will continue in an atmosphere of understanding, prudence, transparency and flexibility, so that consensus is reached for the benefit of all the Member States.

Finally, the Group wishes to thank Madam Chairman for taking timely notice of this issue and for constituting an informal and open-ended Working Group under the leadership of the distinguished Ambassadors of Australia and Peru. The Group of 77 and China will be actively participating in the aforestated discussions.

Item 5: Appointment of the External Auditor for 2004-2005

In 2001, the Group of 77 and China had endorsed the candidature of India for appointment as the External Auditor of the Agency for the term 2002-2003. However, in view of the prevailing circumstances at that time, India withdrew its candidature in favour of the existing External Auditor, the UK, in the expectation that the post would come to a developing country for the subsequent period. The Group of 77 and China is pleased to note that India is now a candidate for the post for the period 2004-2005. It is appropriate that, in keeping with past practice, an important post such as that of the External Auditor rotates between the developed and developing Member States of the Agency. India has the requisite experience and expertise in the area. Further, a comparative assessment of the bids submitted by the two remaining candidates reveals that the Indian bid is more competitive. Keeping in mind these factors, the Group of 77 and China extends its support to the candidature of India to the post of External Auditor of the Agency.

I thank you Madam Chairman.