



STATEMENT OF THE GROUP OF 77 AND CHINA AT THE MEETINGS OF THE PROGRAMME AND BUDGET COMMITTEE OF THE IAEA BOG, 5 MAY 2008, DELIVERED BY H.E. AMBASSADOR SHAHBAZ, PR OF PAKISTAN

Agenda Item 2: The Agency's Accounts for the Year 2007 and the External Auditor's Report

Mr. Chairman

The Group of 77 and China wishes to thank DDG Waller for his introductory remarks and for arranging a very informative workshop on Financial and Administrative matters. The Group would like to encourage the Secretariat to hold such workshops well ahead of the meeting so as to make them even more useful.

The Group would also like to commend the Secretariat for the preparation of the document GOV/2008/9 containing the Agency's Accounts for the Year 2007, and the report thereon by the External Auditor. The Group is pleased to note that an unqualified opinion has been expressed on the Agency's financial statements. The External Auditor has also made several observations and recommendations for the improvement of the Agency's financial and management matters. While appreciating the work of Mr. Norbert Hauser and his team, the Group would like to request the Secretariat to consider these recommendations carefully and, if appropriate, consult Member States before taking any measures.

The Group stresses the importance of the External Auditor's observation regarding the reducing purchasing power of the Technical Cooperation Fund affecting the implementation of the TC Programme. In this regard the Group requests the Secretariat to propose appropriate hedging mechanisms against such fluctuations.

We also support the External Auditors view that in-kind contributions should be appropriately valued by the application of a uniform criterion and reported in the financial statements.

The Group notes with satisfaction the progress achieved with the implementation of the National Participation Costs, and taking into account its previous position on the need for flexibility in applying the mechanism, looks forward to its review for possible improvements in the near future.

The Group also supports the External Auditor's views on strengthening the 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. The Group stresses the importance of providing national counterparts with adequate resources and equipment. The observation of the External Auditor regarding the availability of sufficient electronic infrastructure with all project counterparts merits consideration. The Group would like to call upon the Secretariat to consult with the concerned Member State, in order to find an alternative solution to solve this problem on an interim basis. Furthermore, the observations regarding complaints of supply of unsuitable or unserviceable equipment needs attention of the Secretariat.

The Group took note of the recommendations of the External Auditor on the need for an accurate formulation of projects as regards the content and a realistic design, and believes that the implementation should be consistent with the project's formulation. In this regard, a comprehensive training programme in project design for all stakeholders, including NLOs, is highly desirable. In order to improve project monitoring, the Secretariat's efforts to facilitate submission of Project Progress Reports are praiseworthy. These measures will certainly help in addressing the deficiencies in project monitoring as pointed out by the

External Auditor. The Group has also taken note of the planned introduction of a conventional project document with the phase IV of the PCMF, to permit better consolidation and effective utilization of the project data and information.

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

The Group strongly supports the External Auditor's recommendation on establishing an appropriate IT policy. It is understood that the Secretariat has taken some steps towards a centralization of common IT services. In this regard, we support the recommendation that the Secretariat should centralize the funding and budgeting of the common IT functions in a separate IT programme. The Group reiterates its position on the importance of maintaining and enhancing information confidentiality and the security of the highly confidential safeguards-related data. The Secretariat should follow the recommendations made by the External Auditor in his report for last year as well.

The Group expresses its deep concern regarding the reported discrepancies in the inventory control of safeguards inspection equipment. The reported 850 "missing" items, at a total purchase value of more than 2 million Euros, include electronic devices that are susceptible to theft, IT equipment with data storage media, and electronic seals for safeguards verification purposes. Maintaining an accurate equipment inventory should be a matter of utmost priority and it is essential that the concerned departments take immediate action in this regard.

The Group of 77 and China endorses the External Auditor's views regarding the requirement by one donor of extrabudgetary funds for separate audits for its voluntary contributions. The Group would like to reiterate its strong support for the single audit principle and that the Secretariat should bring any further attempts to impose conditions of a separate audit exercise, in contradiction to the Agency's financial regulations, to the attention of the Board as early as possible.

As regards the introduction of a Programme Support Cost Scheme for extra-budgetary funds to core programmes, the Group welcomes the development of a policy proposal for implementation in 2008. However, the Group understands that this will not apply to the already meager Technical Cooperation Fund including extra-budgetary resources and government cost sharing contributions placed at the disposal of the Agency to support TC programme.

The External Auditor has refrained from commenting upon the concept of essential investments and the principle of zero real growth. The Group is, however, of the view that the annual budget is the sum total of all the funding requirements of the Agency. In this regard, essential investments and the recurring portion of the budget make up the annual Agency budget.

The Group calls upon the Secretariat to disclose in a transparent and timely manner all accrued savings, such as those arising from the application of integrated safeguards so as to allow Member States to decide on their allocation.

Referring to the recommendations on a system of surcharges and discounts applied to assessed contributions in order to protect the Agency against exchange rate risks, the Group is of the view that this issue deserves further consideration and a more detailed assessment of the impacts such a mechanism could have.

The Group reiterates its support that efforts be made by Member States to complete the ratification process of the amendment to the Article XIV of the Statute, to enable the Secretariat to implement the biennium budgeting.

Upon the recommendations of the External Auditor, the Secretariat has taken necessary steps to improve the workflow for the publication of the Proceedings Series of the Conferences. The consolidation of all publishing coordination processes will ensure timely availability of the scientific literature for the benefit of interested Member States. The Group encourages the Secretariat to continue its efforts in this regard.

With these comments, the Group of 77 and China takes note of the Agency's accounts for 2007 and the External Auditor's Report.

2007 Programme Evaluation Report

Allow me now to turn to the Programme Evaluation Report. The G77 and China would like to thank the Director General for his 2007 Programme Evaluation Report as contained in document GOV/INF/2008/3 as well as the external evaluation experts and the Office of Internal Oversight Services for the work carried out.

The Group is pleased to note that the Evaluators found the Agency staff to be very committed to their work and displayed dedication and responsiveness towards achieving programme objectives. At the same time, the Group supports the recommendation for the need to improve staffing planning, taking into account the relevant GC resolutions, and succession planning to assure effective programme implementation.

As regards Annex 1, the Group notes with appreciation that the evaluation Panel has strongly supported the INPRO Programme, with several positive recommendations to strengthen it, inter alia, through streamlining and simplification of its organizational structure and management to facilitate effective planning and execution of its activities. The Group also notes the recommendation for a public information campaign on this project.

As regards Annex 2, Recommendation 8, the Group is of the firm view that any expansion of Major Programmes and/or change of priority should only be implemented after thorough consideration by all Member States.

Referring to the background part of this annex, the group wishes to reiterate its position on the issue of multilateral approaches to the nuclear fuel cycle. This concept is a complex mechanism that has various technical financial economic political aspects and that it should not be considered until all such aspects are thoroughly discussed by Member States. Therefore, the Group is surprised to see specific programmatic recommendations regarding this sensitive issue without prior consultations with Member States, and in this respect, wishes to reiterate its stance on the need for such consultations.

As regards Annex 4, the Group wishes to recall its statement during the March 2008 BoG meeting urging the retention and strengthening of the Joint FAO/IAEA Division. The Group believes that the recommendations contained in the annex, specifically conclusion 3, recommendation 3 and conclusion 10, recommendation 10 are a further proof of the necessity to retain and strengthen the Joint Division.

Referring to Recommendation 6, the Group notes that OIOS encourages the participation of the TC department, inter alia, in the development of CRPs in the field of Animal Health, Nutrition and Reproduction, and would like to call upon the Secretariat to ensure that such participation shall not have an impact on the TCF and MP-6.

As regards Annex 5, the Group notes with satisfaction the positive evaluation of Programme 1, Radioisotope Production and Radiation Processing, which indicated high programme productivity and successful applications of radiation technology in Member States, particularly in applications for healthcare, environmental protection and agriculture.

Referring to Recommendation 8 on the provision of additional resources to support programme implementation particularly for backstopping TC Projects including enhanced use of existing mechanisms for using external experts for the Agency's Programme on Radioisotope Production and Radiation Technology, the Group would like to call upon the Secretariat to ensure that there is no impact on the TCF and MP6.

As regards Annex 8 and the recommendations on hiring of outside experts and external organisations for research and analysis of open source technical and scientific literature and information, the Group is of the view that it will not be in line with Agency's mandate and would lack legal basis. Confidentiality of safeguards related information could be compromised by hiring of external experts. In addition to that, correctness of open source information and its analysis can never be guaranteed. Moreover, element of bias cannot be excluded when external organisations involved in this field are engaged. The Group wishes to emphasize that the any such recommendations should not be implemented before all their implications with regards to information confidentiality and the security of the confidential safeguards related data are fully considered.

As regards Annex 9, it was pointed out by the Evaluators that there has been focus on safeguards and non-proliferation issues by the media. The Group is of the view that this has resulted in the Agency being known as a "nuclear watchdog" and has overshadowed the main activities of the Agency in promoting peaceful applications, of which there is growing interest among Member States. In this regard, the Secretariat's description of the Agency's role "as the world's nuclear inspectorate" on its website and in its publications encourages such distorted perceptions. The Group would therefore like to see greater efforts being made under the Agency's Programme on Public Information and Communication to give a more balanced image of the Agency. The Secretariat is also encouraged to report on these greater efforts and the results thereof.

Agenda Item 3: The Agency's Draft Budget Update for 2009

Allow me now to turn to the Agency's Draft Budget Update for 2009. The Group of 77 and China would like to thank the Secretariat for preparing the update, as contained in the document GOV/2008/1.

The Group notes that there have been no significant changes in the programme and budget proposals for 2008-2009 as outlined in GC(51)/2. However, minor operational changes can be expected, apart from some emerging issues, which could have programmatic and financial resource implications.

Regarding the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture, the Group reiterates its deep concern over the possible termination of the provision of resources to this Joint Division. The Group appreciates the crucial role played by the IAEA in supporting both technically and financially the activities of the Joint Division, in particular by means of the scientific expertise of its Laboratory in Seibersdorf, as well as by providing almost 85% of the unit's total funding. Nevertheless, the Group underscores that the current framework of cooperation with FAO provides the Joint Division with a combination of mandates, capabilities and institutional contacts that is ideal for the effective pursuit of its objectives. The Group is concerned not only with the near-term impact on the activities currently undertaken by the Joint Division, but also with the longer term consequences deriving from the loss of institutional links and synergy of mandates. It is understood that the Secretariat, in close consultation and cooperation with the Agency's Member States, is working with the FAO Secretariat to retain and reinforce the current partnership and cooperation arrangements between the IAEA and FAO.

The Group welcomes the introduction of Common Programme Support Costs on extra-budgetary resources. This measure will enable a clear separation between the actual costs of administering extra-budgetary programmes from the regular budget, and enhance the transparency of reporting on the extra-budgetary activities. The Group understands that this measure will not apply to the already meager Technical Cooperation Fund including extra-budgetary resources and government cost sharing contributions placed at the disposal of the Agency to support TC programme.

With these comments, the Group takes note of the Agency's Budget estimates for the year 2009 and the related draft resolutions.

Thank you Mr. Chairman.

G-77 and China Statement on Programme Support Costs delivered by H.E. Ambassador Saurabh KUMAR, PR of India on 6 May 2008

Mr. Chairman,

The Group of 77 and China would not oppose adoption of the draft budget update for 2009, provided that the proposal by the Secretariat to apply Programme Support Cost (PSC) to extra-budgetary contributions is implemented in the following manner:

Programme Support Costs will not be applicable to the Technical Cooperation Fund since the activities under the TCF are managed through MP-6, as part of the regular budget. Voluntary contributions for promotional activities such as for the implementation of footnote a/ projects, are a part of the overall Technical Cooperation Programme of the Agency.

According to the External Auditor, "the Government cost sharing is generally a good means to improve funding of the Agency's TC programme and to increase national commitment". The Government Cost Sharing demonstrates a Member State's government commitment to the Agency's technical co-operation activities.

As Member States' national TC programmes have been approved to be managed under MP6 and government cost sharing are contributions that provide additional support towards the implementation of national TC projects, it is therefore unjustifiable that programme support costs be imposed upon them.

Programme Support Costs should only apply to extra-budgetary contributions that are going towards non-promotional activities implemented through the TC mechanism.

With regard to the Secretariat's proposals on the funding of the Agency-wide Information System for Programme Support (AIPS) project, the Group of 77 and China would like to propose that no decision be taken at this meeting to allow thorough analysis of the document and consultations with their respective national authorities.

Thank you Mr. Chairman.