



STATEMENT OF THE G-77 AND CHINA FOR THE IAEA BOARD OF GOVERNORS MEETING,  
PROGRAMME AND BUDGET COMMITTEE, 7-11 MAY 2007, DELIVERED BY H.E. AMBASSADOR  
SAYED GALAL E. ELAMIN, PR OF SUDAN

Mr. Chairman,

Allow me, on behalf of the Group of 77 and China to congratulate Your Excellency, Ambassador Milenko Sknoknic on your election as chair of the PBC. I would also like to congratulate the other members of your Bureau on their election. The Group stands ready to working closely with you as we deliberate on various items in our agenda.

**Agenda Item 2: THE AGENCY'S ACCOUNTS FOR 2006**

Mr. Chairman,

The Group of 77 and China wishes to thank Deputy Director-General David Waller for his informative introductory statement and the presentation highlighting the various items for the Programme and Budget Committee Meeting. The Group would like to commend the Secretariat for the preparation of document GOV/2007/13 that contains the Agency's Accounts for the Year 2006. The Group thanks Mr. Norbert Hauser, the External Auditor and his colleagues for the report included in part I of the document.

The Group is pleased to note that the External Auditor placed an unqualified opinion on the Agency's financial statements for the year 2006. While appreciating the work of the External Auditor and his staff, the Group notes that his report includes comments on both the positive aspects as well those requiring improvement in the overall financial situation of the Agency. The Group would like to request Secretariat to consider carefully the Auditor's recommendation, in order to enhance the effectiveness and efficiency of its activities, and to undertake necessary measures to implement these recommendations.

The Group notes that, as pointed out last year as well, the Agency should make efforts to minimize imposition of onerous conditions to the extra-budgetary contributions. The External Auditor has pointed out another serious condition pertaining to separate audit for the voluntary contributions that is rather contrary to the principle of single audit as stated in the financial regulations. The Auditor has recommended revisiting the verification clause in the Financial and Administrative Framework Agreement (FAFA), to the extent of even refusing acceptance of voluntary contribution under the condition of separate audit exercise. The Group supports the Auditor's recommendation that the Agency should bring such attempts to the notice of the Board of Governors for decision.

The Group notes that over 90% of the funding for the implementation of the NSP continues to be provided through extra-budgetary contributions to the Nuclear Security Fund. The Group commends the Agency for entering into an enhanced dialogue with Member States to reduce conditions placed on donations. The Group believes that Member States should not impose conditions on extra-voluntary contributions, which could severely impede the Agency's work.

The Group notes with concern the delays in the publication of the Proceedings Series of IAEA Conferences. In this regard, the Auditor has pinpointed certain redundant steps in the workflow that need re-consideration for making the publication processes and procedures more efficient and timely. We encourage the Secretariat to take necessary corrective measures since timely publication of scientific literature is essential for securing maximum benefits by the developing Member States.

The Group views with great interest, the observation of the External Auditor on improvement in the coordination of international cooperation in the Developing Countries. The Group encourages the Secretariat to step up its efforts to seek greater financial and technical contributions towards the Technical Cooperation Programme.

The Group takes note of the External Auditor's observation that the Technical Cooperation projects should be formulated more accurately as these were not always completed within the planned timeframe, and without achieving the planned objectives. The Group is of the view that the recently-introduced Programme Cycle Management Framework (PCMF) may help in improving the quality of the project formulation and implementation, and also enable the Secretariat to monitor outcomes effectively. As regards deficiencies pointed out by the Auditor in the project monitoring, we urge the counterparts to submit Project Progress Reports properly and in a timely manner. The Group urges the national TC Liaison Officers, the recipient national organizations and the Agency to enhance their coordination towards this end.

As regards the observation on recurring projects based on similar requests, the Group reiterates that technically, new projects seemingly quite similar to the ones previously undertaken are possible in view of multidisciplinary nature of nuclear technology. While it is generally understood that all projects are formulated in the light of defined needs and national priorities, the observation of the Auditor regarding Country Programme Framework merits consideration by the Agency.

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 the highly confidential safeguards-related data. The Group is of the view that the External Auditor's recommendation on separation of IT and Information Management/Knowledge Management Committee merits consideration by the Agency.

The Group notes with satisfaction the Auditor's observation regarding the implementation of the National Participation Costs mechanism, and supports his recommendation to keep the scheme under review for possible improvements. We also support his recommendation that inconsistencies in the application of the Due Account Mechanism should be eliminated and request the Secretariat to provide additional detailed information in this regard. As regards the consideration of Support Costs System for Extra-budgetary Programme, the Group is of the firm view that the already meager Technical Cooperation Fund should not be affected by this scheme.

The Group agrees with the recommendation that efforts be made by the Member States to complete the ratification process of the amendment of the Article XIV of the Statute to enable the Secretariat to implement biennium budgeting.

12. The Group encourages all Member States to pay their assessed contribution to the Agency in full and on time, and calls upon Member States with outstanding contributions, to enter into negotiation with the Secretariat and to conclude a reasonable payment plan agreement.

While the follow-up to audit recommendations from the report of 2005 is generally satisfactory, the Group expects that the remaining recommendations can be implemented in an adequate and timely manner.

As regards the Mid-term Progress Report, 2006-2007 and the 2006 Programme Evaluation Report, the Group reserves the right to give its position at a later stage.

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

### **Agenda Item 3: THE AGENCY'S DRAFT PROGRAMME AND BUDGET FOR 2008-2009**

Mr. Chairman,

The Group of 77 and China would like to thank Deputy Director General David Waller for introducing this item and the Secretariat for Preparing "The Agency's Draft Programme and Budget 2008-2009," as contained in document GOV/2007/1.

The Group notes that the vision, goals and strategic objectives under the Medium Term Strategy 2006-2011 have guided the preparation of this document and that lessons learned from various Agency reports, in addition to the recommendations by the Standing Advisory Groups and the Member States have also been taken into account in its development.

The draft Programme and Budget shows huge disparities in the budget allocations between the various Major Programmes. In this regard, The G-77 and China is calling for a more balanced distribution of the budget so as to reflect the equal importance of the three pillars of the Agency.

Mr. Chairman,

The Group of 77 and China has noted that a request has been made for allocation of funds during 2008-2009 for undertaking "Essential Investments." The Group, in principle, supports the Agency in upholding and maintaining its competence and enhancing its capabilities and independence. At the same time, however, if there are resource constraints, there would be need for further prioritization and cost efficiency. The Group is prepared to actively participate in any negotiations in a transparent manner on this issue.

#### **Major Programme 1: Nuclear Power, Fuel Cycle and Nuclear Science**

With regard to Major Programme 1, the Group notes with appreciation the three important goals guiding the formulation of priorities, namely: the needs of interested Member States in improving their national nuclear programmes and infrastructure; to act as a catalyst for innovation; and to manage, preserve and enhance nuclear expertise, knowledge and competence in Member States.

The Group notes that the Nuclear Power Programme has been expanded from five to six sub-programmes by elevating activities on nuclear power infrastructure from a project to a sub-programme.

While the Group endorses all activities envisaged within the six sub-programmes under Nuclear Power, the Group particularly welcomes the introduction of a new sub-programme on 'Infrastructure and Planning for the introduction of Nuclear Power' established in response to General Conference Resolution GC.

(50)/Res/13 Part B2 since several developing countries are planning to introduce Nuclear Power as part of their energy mix. The Group believes that the allocated budget for this sub-programme may not be sufficient to cover all the planned activities.

4. The Group has always been supportive of sub-programme 1.1.4 on: 'Coordination of INPRO' and attaches great importance to its success. The Group believes that INPRO provides a common platform for bringing together Industrialized and Developing Countries for exchange of views on nuclear issues and commends the Agency for the successful implementation of Phase- 1 of its activities. The Group also notes with appreciation the continuing growth in its Membership and supports its accelerated growth. Towards this end and especially since it is in an advanced Phase- 2 implementation stage, the Group believes that INPRO merits significantly enhanced Regular Budgetary support apart from Extra-budgetary funds, in the current biennium Programme and Budget formulation.

The Group takes note of the rationale and objectives of all the four sub-programmes under Programme 1.2 'Materials and Fuel Cycle Technologies' and endorses all activities envisaged under these sub-programmes. The Group requests to be kept informed of the progress under sub-programme 1.2.4 on: 'Topical issues of

nuclear fuels and fuel cycles for Advanced 'innovative reactors' periodically.

With regard to proposals on Multilateral approaches to the fuel cycle, the Group is of the view, that this is more of a political decision of Member States, and highlighting it in the programme and budget document appears to be out of context. Moreover, assurances of fuel supply is an issue with complex technical, legal and economic aspects. Therefore the Group underlines that it is premature for this issue to be considered before the various aspects and concerns have been adequately addressed.

The Group supports all activities envisaged under the Programme 1.3 'Capacity Building and Nuclear knowledge Maintenance for Sustainable Energy Development.' However, the Group would like to request for a larger share of funds to be allocated to the sub-programmes 1.3.1 and 1.3.2 on: 'Energy Modeling, Data and Capacity Building' and 'Energy, Economics and Environment (3E) Analysis'.

The Group has always been supportive of activities related to the use of Research Reactors and Accelerators and, conscious of the importance of Atomic and Nuclear Data and Fusion Research through ITER, approves all activities planned under the five sub-programmes within Program 1.4: 'Nuclear Science'.

### **Major Programme 2: Nuclear Techniques for Development and Environmental Protection**

Mr. Chairman,

The Group wishes to highlight the continuing importance of the Programme of Action on Cancer Therapy (PACT) as mandated by General Conference resolutions, the latest being GC(50)/RES/13. In this regard, the Group urges Member States to prioritize the approval of € 600,000 for each year of the biennium within the draft Programme and Budget for 2008-2009. The Group also urges the Member States to continue providing PACT with sufficient funds to enable the PACT Programme Office to operate at an optimum level and beyond the minimum level during the biennium to fulfill its mandate arising from Board decisions and General Conference resolutions.

The Group wishes to emphasize that it is important to ensure that funds allocated to Technical Cooperation are not diverted into PACT, and that PACT activities do not overlap with those already being undertaken by the Technical Cooperation. The Group also welcomes the inclusion of PACT under Major Programme 2.2, sub-programme on human health.

### **Major Programme 3: Nuclear Safety and Security**

Mr. Chairman,

The G-77 and China is of the view that nuclear safety and security aspects are interlinked and should be addressed simultaneously. The Group believes that the publication of the Fundamental Safety Principles was an important step in the completion of the action plan for safety standards. The Group calls on Member States to establish an effective legal and governmental framework for safety in all phases of nuclear activities. The Group welcomes the launch of the Agency's newly Integrated Regulatory Review Service (IRRS) and the pilot Safety Culture Assessment Review Team mission on safety culture.

Mr. Chairman,

The Group welcomes the on-going Revision of the International Basic Safety Standards for the Protection against Ionizing Radiation and for the Safety of Radiation Sources. The Group concurs with the Agency's assessment that technical assistance should be provided to Member States, in order to strengthen the Member States' infrastructures in all areas of radiation safety and waste safety.

The Group is of the view that the Agency plays an important role in assisting Member States in the Management of radioactive waste.

Mr. Chairman,

Concerning nuclear security, the Group notes that the information on progress in the implementation of the Nuclear Security Plan (NSP) 2006-2009, was included in the report to the meeting of the Board of Governors (GOV/2006/46) in September 2006. The Group is of the view that the Agency concentrates a significant proportion of its activities in meeting Member States' obligations under the new binding and non-binding international instruments. The Group is concerned that increasing financial and human resources of the TC Department are being dedicated to implementation of the Nuclear Security-related activities.

#### **Major Programme 4: Nuclear Verification**

As for Major Programme 4, the Group notes the importance of maintaining and enhancing the Agency's analytical capabilities in order to ensure its independence and credibility. In this regard, the Group encourages the prioritization of budget allocations towards the expansion of the capacity and capability to process and analyze environmental samples at Safeguards Analytical Laboratory (SAL) in Seibersdorf and the expansion of the capacity and capability of the Network of Analytical Laboratories (NWAL) through the qualification of additional environmental sampling laboratories as part of NWAL in the developing countries.

The G-77 and China notes that the proposed regular budget resources for Major Programme 4 remains the same as in 2007 and only an amount of 1.2 million Euro has been shifted from Subprogrammes 4.1.1 into Subprogramme 4.1.2. The Group further notes the savings resulting from the implementation of integrated safeguards and would like to know the impact of such savings on Major Programme 4.

The G-77 and China notes that the Agency expects to start implementing safeguards at several additional facilities in various Member States, in particular, the development and implementation of safeguards approach for a large mixed fuel fabrication plant in Japan (JMOR). It appears that funds have been sought for this purpose under the regular budget and extra-budgetary resources, and would therefore like to seek further clarification for requests of 3.7 million Euro in 2008 and 7.7 million Euro in 2009 under the Essential Investments.

#### **Major Programme 5: Policy, Management and Administration**

Mr. Chairman,

The Group wishes to highlight the important functions including leadership and the essential coordination for all Agency activities to ensure a one-house approach particularly with respect to overall policies, interactions with Member States, development of programmes and evaluation and assessment of performance. The Group notes that Major Programme 5 and Major Programme 7 have been merged into one Major Programme 5.

The Group notes that an important undertaking essential to more effective functioning of the Secretariat has been introduced under the ICT Solutions subfunction, to plan and implement an Agency-wide information system for programme support.

The Group welcomes any reasonable cost reduction measures taken by the Secretariat, and wishes the Secretariat to continue to increase its efficiency and transparency in operating Major Programme 5 at an optimum level with no increase or additional funding.

## **Major Programme 6: Management of Technical Cooperation for Development**

The G-77 and China recalls the IAEA's General Conference Resolution, GC.(50)/RES/12 of September 2006 on strengthening the Agency's technical co-operation activities adopted by the 50th Regular Session of the General Conference in September 2006. The Resolution mandated the Secretariat to explore means to ensure that resources to the Technical Cooperation Programme are sufficient, assured and predictable.

The G-77 and China reiterates the great importance that the Group attaches to the Agency's technical cooperation activities, as they are the main statutory vehicle for transferring nuclear technology to developing countries for their socio-economic progress through the peaceful application of atomic energy.

The G-77 and China is aware that the continuously expanding TC programme with increased quality requirements and a growing number of Member States pose challenges for the management of the programme, particularly with regard to human resources. Since 2003, the size of the Technical Cooperation programme has increased from \$105 million to \$144 million and the number of Member States from 137 to 143. Technical Cooperation programme management officers managed an average programme size of \$2.6 million in 2003 per officer, while the average programme size in 2006 was \$3.4 million.

The G-77 and China is of the view that the present level of resources is not adequate to support this increasing workload and the Group is therefore concerned that this will have an impact on the level and quality of programme delivery. While the use of IT-based systems may result in partial efficiency gains, it may not be sufficient to compensate for the workload due to the expansion of the scope of TC activities. Furthermore, the IT-based PCMF is still in Phase 1 of its implementation and Member States would need to receive training on the application software through the Technical Cooperation staff. In this regard, the G-77 and China would like to recommend that the financial resources for Major Programme 6 in 2008-2009 include the costs in training Secretariat staff and participants from Member States in the use of these relatively new IT-based project management systems.

As noted earlier, the draft Programme and Budget shows huge disparities in the budget allocations among the various Major Programmes. The G-77 and China is calling for a more balanced distribution of financial resources, so as to reflect the equal importance of the three pillars of the Agency's mandate.

## **Agenda Item 4: PROPOSAL TO ADOPT IPSAS BY THE AGENCY**

The Group wishes to thank Deputy Director General Waller for introducing this agenda item on IPSAS implementation and for introducing document GOV/2007/10.

The Group notes the Secretariat's statement that International Public Sector Accounting Standards (IPSAS) would have no negative impact on the delivery and implementation of Technical Cooperation Programmes.

The Group also urges the Office of the Deputy Director General for Administration, to fully implement financial obligations of the Secretariat to Member States, including procurement, purchase and delivery of equipment. Moreover, particular emphasis should be placed on effects in the situation of accounts receivables in the new system, as pointed out by the External Auditor.

The Group notes the External Auditor's recommendation that Member States of IAEA may consider the adoption of IPSAS, as a goal for an improved accounting framework to further enhance accountability and transparency. However, the Agency should consider all aspects including costs, and other implications of its implementation, particularly those where the External Auditor has offered his comments.

Thank you, Mr. Chairman.

## **Agenda Item 5: APPOINTMENT OF THE EXTERNAL AUDITOR FOR 2008-2009**

Mr. Chairman, The Group believes that the External Auditor plays an important role in evaluating the Agency's financial accounts and activities. The Group expresses its appreciation to Mr. Norbert Hauser, the External Auditor, for his contribution and exhaustive work in identifying both positive aspects as well as shortcomings in the Agency's overall activities. His comments and candid opinion, and recommendations for improvement, would certainly go a long way in enhancing the effectiveness and efficiency of the activities of the Agency.

The Group therefore recommends that the term of the External Auditor be extended for another term, to audit the Agency's accounts for 2008/2009.

The Group believes that for the next term starting in 2009, consideration should be given to appoint a candidate from a developing country as the External Auditor of the IAEA.

Thank you Mr. Chairman.