



STATEMENT OF THE G-77 AND CHINA AT THE PROGRAMME AND BUDGET COMMITTEE MEETING OF THE IAEA BOARD OF GOVERNORS STARTING ON 8 MAY 2000 DELIVERED BY H.E. AMBASSADOR FRUCTUOSO PITTALUGA-FONSECA, PERMANENT REPRESENTATIVE OF URUGUAY

Item 2: The Agency's Account for 1999 & the Programme and Budgetary Performance Report for 1999

Mr. Chairman, On behalf of the Group of 77 and China I would like to convey to the Director General, Mr. ElBaradei, our appreciation for his important introductory statement on the Agenda of the current Programme and Budget Committee's meeting. We also thank the Deputy Director General for Administration for his comprehensive briefing regarding the Agency's Programme and Budget. Our group had suggested last year that the External Auditor's report could include Major Programme 4. Accordingly, we are glad to note that the Auditor had made detailed findings on performance on strengthened safeguards. In this connection, they had examined the Agency's performance in two areas, in particular: - progress in introducing strengthening measures; and management of the process to encourage cost efficiency.

The Auditor has welcomed the priority the Agency is now giving to the development of integrated safeguards and recommended that the Agency seek to develop its framework as quickly as possible. It was unfortunate, however, that the Auditors were unable to verify satisfactorily all the costs of implementing the strengthened safeguards process against the estimates contained in several Board papers where potential cost efficiencies were put to and approved by Member States. The report states that there was a lack of hard information about the costs of introducing strengthened safeguards activities. The Auditor considers that this information is of interest both to Member States and essential for good accountability by the Agency, and he recommends that the Agency improve its management information systems to remedy these weaknesses and allow detailed budgeted and actual expenditure information to be made readily accessible for analysis. Regarding the use of staff resources, the Auditors have observed that the Agency does not record and monitor the amount of staff time spent on particular activities on a comprehensive basis. It was therefore impossible to quantify the staffing costs of strengthened safeguards activities. The Auditors have found the introduction of a system at the beginning of 1999 for inspectors to record time spent by inspectors on Inspection Related Activities at Headquarters (IRAH) as being useful and have recommended that the Agency consider the benefits of extending a time recording system to staff throughout the safeguards department to facilitate monitoring of how the Agency uses its resources.

The Auditors have observed that the Agency did not have an overall implementation plan for strengthened safeguards until September 1999, when a plan was prepared for the process of developing integrated safeguards. Before this date the Agency had presented a number of papers to the Governing Board outlining its broad plans but had not proceeded to establish detailed targets or performance indicators to enable it to demonstrate progress to Member States against an agreed baseline.

To improve accountability further, the Auditor has recommend that the Agency makes a simplified version of key deliverables available to Member States and updates them regularly on progress made.

Improved cost efficiency has been stated to be and is an important objective of the strengthened safeguards system. The Agency had told the Board (GOV/2863) that after an initial period of increased costs, savings were expected to lead to cost neutrality. The Agency hoped to realize its most significant cost savings through the use of more advanced technology i.e. Remote monitoring and unattended verification. But progress towards achieving this end seems to be depressingly slow!

The Auditors have further observed that the Agency had no corporate memory and was unable to provide a comprehensive update of what progress had been made, and that no savings have yet been achieved using remote monitoring technology. In relation to unattended verification technology, the Agency was unable to quantify at the time of the audit whether any savings had been achieved. Some unattended verification systems are now operational and the Agency is trying to assess their impact on its traditional inspection activities.

Mr. Chairman, to conclude, the group feels that the Auditor's report contains several points on which the

Secretariat can and must act without delay. The group strongly feels that the Secretariat should explore all the possibilities to contain and reduce the expenses for this Major Programme 4 without reducing the importance or effectiveness of this programme. The External Auditor's comments on the Agency's performance in the safeguards area will no doubt have an impact on our consideration of the Budget estimates in respect of Major Programme 4 (which presently consumes 36.9% of the Regular Budget). We wonder whether there is a case for increases in respect of Major Programme 4 before the concerns expressed in the External Auditor's report are satisfactorily addressed. We request the Auditor to review as a matter of priority in the coming years action taken by the Secretariat on his recommendations and to report to the Policy Making Organs on his findings.

Item 3: The Agency's Draft Budget for 2001

Mr. Chairman,

I wish to express to the Secretariat the Group's appreciation for its efforts in the preparation of the 2001 draft budget contained in document Gov/2000/1 and its supplementary documents, and document GOV/2000/1 Mod.1.

Mr. Chairman,

The Group has conducted a series of meetings with all DDGs and members of the Secretariat representing the six major programmes of the Agency. The Group has forwarded its comments and questions on the Major Programmes to Mr. Waller and has gratefully received the answers and clarifications from the different departments on those questions and comments, and would like to express its appreciation to all DDGs and the Secretariat. There will be no need in going in specific observations on each and every programme since the Group's comments were already circulated to all members of the Agency.

Mr. Chairman,

After reviewing all the previous documents and stages of the formation of the draft Programme and Budget, the Group would like to underline the following observations and conclusions in that regards:

1. The Group welcomes the new "result-oriented" approach adopted, for the elaboration of the budget of the Agency. The Group encourages the secretariat to pursue this approach more vigorously in the future. The Group has always held the position that the Agency should adopt a Programme driven, and not a structural-financial driven budget. Such a methodology would eventually spare the Agency the discussions on artificial financial barriers.
2. The Group positively views the application of "Performance Indicators " for the Major Programmes (MPs). However, the Group perceives that in order to rightly and effectively serve their purpose, those indicators should be set for a longer term and for a larger context of the outcome of the programme. They should be quantitatively and qualitatively fine tuned.
3. The Group feels that General Conference resolutions and the Board of Governors recommendations should be given more emphasis for guiding the work of several programmes. While affirming the importance of internal advisory groups for the guidance to the work of the different departments, priority should be given to PMO's decisions and recommendations for all obvious legal and procedural reasons. In the same vein, departments are encouraged to carry out their own programme studies guided by the related advisory groups.
4. There is a need to pay due consideration to the inconsistency in the financing arrangements between interrelated MPs inside and outside the regular budget in order to further enhance the efficient implementation of the credible " one-house approach " adopted by the DG. Since almost all MPs intercross with aspects related to the TC programme, better coordination and parallelism in the financing cycles of the programmes is urgently required.
5. The general theme deduced by the Group from all DDGs and members of the Secretariat is that, despite the continued review and examination process conducted for the different MPs and which have lead to further efficiency and more savings in them, however, the long-held fixed amount of resources for the regular budget has led to the following:
 - a) A growing increase in number of URPA's
 - b) A growing dependency on extra-budgetary resources, which are not predictable nor assured, and the fact that the Agency does not have the final say in their channeling and utilization and creates a situation which is negatively viewed by the Group.
 - c) An increasing over-load of work on the staff of the different departments, due to lack of resources to hire

additional personnel - resulting to the inability, or at least, slowing down planning and execution of additional projects.

Mr. Chairman,

These were general points on the stand of the Group of 77 on the structure and approach of the draft 2001 Programme and Budget. More specifically and on the modified draft contained in document GOV/2000/1/Mod.1, the Group positively notes the re-allocation of \$140,000 to Major Programme 2. While this did not respond to the Group's view to restore the sum of \$270,000 to Major Programme 2, the Group wishes to express its appreciation to the Secretariat for its endeavours to accommodate the request of the Group. It is hoped that additional resources would be provided in the next biennium in order to increase the number of CRPs. However, the Group observed that several of its questions and comments have not been adequately accommodated or clarified. The Group would urge the Secretariat to take into account such observations, especially three related long term implications, in due account into future Programmes and Budgets.

Finally, Mr. Chairman,

Regarding the present proposed level of the budget it is perceived that a limit to the elasticity and flexibility exercised by the secretariat in the allocation of the fixed amount of resources for an increasing scope of activities of the Agency will soon reach its optimal limit, and consequently affecting adversely the implementation of the core programmes. Such a limit has reportedly been crossed in the case of several Major Programmes, as has been explicitly and implicitly indicated by the secretariat for these MPs. The current process of "squeezing savings" to maintain a certain financial ceiling may exacerbate the process of prioritization and hamper the delicate balance between the different activities of the Agency.

Having said all that, the Group would be prepared to go along with a consensus on the proposed level of the 2001 budget as contained in document GOV/2000/1/Mod.1. Thank you!

Item 4: The Agency's New Approach to Programme Development

Mr. Chairman,

The G-77 and China would like to express its appreciation to the Deputy Director General Mr. Waller and the Department of Administration for preparing and introducing the issue contained in document GOV/2000/13. The Group would like also to express its appreciation to Mr. Cherif's efforts and briefings in that regard.

Mr. Chairman,

After carefully reviewing the document, the G-77 has the following observations.

1. The Group coincides with the Secretariat's motives for the initiations of the new approach to programme development, in a manner that will clearly manifest what are the concrete activities and objectives carried out and implemented by the Agency for the benefit of its Member States.
2. The Group regards the steps in the process of programme formulation as coherent and appropriate for the sake of clear identification of the Agency's activities and objectives. This will undoubtedly assist the competent national authorities in Member States to further its precise identification of needs, and scrupulous implementation of activities by the Agency in coordination with the national authorities.
3. Results based programming and budgeting should reflect the real needs of Member States, particularly needs of developing countries which are required as an integral part of their developmental schemes.
4. In the same vein, differentiation between the type of results expected from the delivery of the programme should be made. Results from R&D activities are different from the results of exchange of information on training activities. Performance indicators should therefore be adjusted accordingly.
5. The needs of Member States must be assessed with their full participation. The Secretariat should therefore arrange for their attendance in any preparatory meetings, and should provide assistance to experts from developing Member States for that purpose.
6. The programme and budget document to be submitted to Member States for approval should contain all the information required for taking a decision. The information should be presented in a clear and transparent way. The Group of 77 and China looks forward and is ready to discuss with the Secretariat in due time.
7. The Group is of the belief that a result based programming and budgeting should not be obstructed by the debate on artificial financial barriers. In fact, such a debate would represent a serious limitation to the essence and objectives of the new approach.

Mr. Chairman,

In light of all the above considerations the G-77 welcomes the implementation of the new approach in the development of the Programme and Budget 2002-2003. Thank you!

Item 5: Initial Planning for the Programme and Budget 2002-2003

Mr. Chairman,

The Group wishes to commend the Secretariat for the preparation of the document GOV/2000/10. The Group notes, however, that the document has been received late, yet we understand that such a delay is due to the application of the new initiative and approach.

In light of this, the Group would like to mention the following general observations:

1. Due to the delayed issuance, the Group is not in a position to give a thorough comment on the document at this stage.
2. However, as a first step in the development of the programme and budget for 2002-2003, the Group welcomes the initiative of the Secretariat in presenting initial considerations on the 2002-2003 budget.
3. The Group noted that there are big increases envisaged for safeguards and safety activities, while no similar real increases are envisaged for the other promotional activities. The Group reiterates its firm position on the necessity to maintain a balance between verificational and promotional activities of the Agency.
4. The Group understands that the estimates of resources requirements are preliminary, and no party is in a position to determine now the exact amount of money necessary for the programme.
5. The document has made important proposals entailing re-structuring of technical programme. For example, it suggests shifting of nuclear sciences to Major Programme 1 in order to improve coordination, as well as the concentration of waste management activities under Major Programme 3. Similarly, it proposes the division of Major Programme 6 into two separate entities. At a first glance these modifications seem to improve the working of the Agency. However, before drawing final conclusions, such major changes need serious consideration in the capital and further elaboration by the Secretariat.
6. Finally, Mr. Chairman, the Group is tentatively ready to go along with the approach but reserves its right to present its specific views and comments in the June Board as well as in later stages of the formulation of the final document. Thank you!

Item 7: Reports on financing of Technical Cooperation and Safeguards

Mr. Chairman,

Allow me at the outset to express the Group's appreciation to the distinguished Ambassador of Spain for the report on his consultations on the issue of safeguards financing, and also to the distinguished Ambassadors of Mexico and Finland for the report they presented on the consultations they conducted on the issue of technical cooperation financing.

Mr. Chairman, After listening to both reports, the G-77 and China would like to underscore the following fundamental points:

1. On financing of Technical Cooperation:

The Group regards the necessity to address the following three issues:

a) The new level of the IPF:

- The group is aware that the target figure is essentially a political figure, and does not correspond to the real needs of Member States for technical cooperation.
- In that regard, and since the current IPF witnessed a Zero Nominal Growth in the last two years, and in conformity with the recommendation of the chairman of the informal working group on TC financing in June 1998, it is just appropriate to have a real increase every year in the new IPF.

b) The cycle of the IPF:

- The Group stresses the necessity for the accurate implementation of the arrangement of 2+2 reached in 1998 for the IPF cycle.
- The present situation contradicts this arrangement which was negotiated by all member states and approved by the Board and the General Conference.
- Therefore, it is imperative to reach an agreement not only on the 2001-2002 IPF, but also on the approximate IPF for 2003-2004.
- The budgets for all major activities of the Agency should be equally predictable within a fixed cycle, for purposes of effective planning and implementation, and to maintain the balance between the mandatory and

promotional activities.

c) The third issue is the measures and mechanisms that should be developed to render the resources for TC predictable and assured, in conformity with the provisions of GC resolutions, starting by resolution 388 and subsequent pertinent resolutions as well as the results of the Working Group on Financing of Technical Assistance contained in document GOV/2940 of August 1997, which call for rendering the resources for Technical Cooperation predictable and assured. Any long term solution to the issue of financing Technical Cooperation should take into account the 3 above mentioned points.

2. On financing of Safeguards:

· It is the understanding of this Group that the mandate of the pertinent present exercise is confined to exploring ways and means for financing the Agency's safeguards within the context of the regular budget, and not the level of financing of safeguards.

· The ways and means for financing safeguards cannot be considered just a financial or legal exercise, as it involves much wider considerations of both political and economic nature, which in fact were the basis for the application of the shielding principle.

· The Group is convinced that such wider considerations should be taken fully into account in the present exercise, in order to be able to reach an acceptable agreement on the issue. The Group views that any other approach emphasizing financial or legal aspects while neglecting the other considerations will be eventually counterproductive.

· It is the belief of the Group that resources for safeguards should continue to be fully predictable and assured as being proposed in the Agency's regular budget. In that context the Group believes that the maintaining of present safeguard funding arrangement and freezing the present level of contributions of shielded countries for the next 5 years would ensure the attainment of that objective.

· The Group would like to stress that all the above considerations do not prejudice the right of any shielded state to offer voluntarily to be unshielded, partially or completely, according to its respective considerations. Finally, the Group is willing to extend its full cooperation to the Chairman of the Board of Governors in his coming consultations with the aim of reaching an acceptable and objective agreement to continue the predictable financing for the vital activity of safeguards within the regular budget.

Mr. Chairman, These were just general elements to further clarify the position of the Group at this stage on those two important issues and would be further elaborated during the coming consultations.

Thank you!