



VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA AT THE IAEA BOARD OF GOVERNORS, 18 JULY 2003 DELIVERED BY H.E. AMBASSADOR ROBERTO ABDENUR, PERMANENT REPRESENTATIVE OF BRAZIL

Madam Chairperson,

I have the honour to speak on behalf on the Group of 77 and China. Let me at the outset express our most sincere thanks to Ambassadors Javier Paulinich of Peru and Antonio Nuñez of Spain for the very able manner in which they have steered the activities of the informal Working Group on the Programme and Budget for 2004/2005. Their keen sense of diplomacy and their proved commitment to the advancement of the Agency's goals always represented the best assurances that our intensive process of discussions and negotiations would eventually succeed in bringing about a set of balanced and adequate decisions.

Madam Chairperson,

The Group of 77 and China is pleased to join the consensus, which, we trust, will result from this meeting, to endorse the package recommendations emanating from the informal Working Group.

During the past few months, this exercise offered us the opportunity not only to have a thorough and illuminating exchange of views and conduct negotiations on various issues pertaining to the budget and overall financing of the IAEA, but also to renew our firm commitment and support to the broad statutory mission entrusted to the Agency by its Member States.

As we considered the many implications entailed by the proposal for a substantial real increase in the regular budget of the Agency, the Group of 77 and China never ceased to approach this exercise with an open mind and a constructive spirit.

We have emphasized from the very beginning that any discussion on such an eventual increase would of necessity imply the need to address a broader set of issues, which went beyond the purely quantitative question of the amount of resources eventually to be approved for the Agency's budget.

From the very first moment in these negotiations we stressed that in dealing with such a major increase, it was imperative to preserve the profile of the Agency, in terms of the balance between its statutory missions. At this particular juncture, it was, from our point of view, of decisive significance to secure balance between verification and promotional activities.

We also reiterated the Group's initial preference, in this context, for the continued application, for still some time, of the principle of zero real growth, in view of the very severe economic, financial and budgetary constraints faced by most developing countries, and also not a few developed countries.

The Group was never insensitive to the fact that changing circumstances and needs might require certain flexibility in dealing with budget issues. In this spirit, even the sectors of the G-77 and China that were most reluctant to consider any move away from the policy of zero real growth did not object to the launching of a negotiating process. The Group engaged this process in good faith and in a constructive attitude. It thus showed a readiness to consider the possibility of a certain increase in the budget, provided that our broad concerns in terms of ensuring adequate attention to technical cooperation and proper balance among the statutory activities of the Agency would be duly reflected in the resulting package.

Madam Chairperson,

The Group of 77 and China's willingness to negotiate the budget proposals was first made clear in a letter sent to you on February 24, 2003, in which we welcomed your wise initiative to establish an informal

working group to seek agreement on how best to ensure the balanced funding and programming of the Agency's statutory activities. This initiative had enjoyed widespread support within the G-77 and China.

In another letter sent on the same day to Mr. David Waller, who was at that moment the acting DG of the Agency, the G-77 noted that the draft programme and budget for 2004-2005, as presented by the Secretariat, represented a drastic departure from the Zero Real Growth policy and that the proposed overall increase was heavily skewed towards Major Programme 4, thus distressing the delicate balance between the funding of verification and that of other statutory activities of the Agency. Those increases would also bring about an added financial burden to the contributions of developing Member States, many of which were already faced with difficulties in meeting their current obligations.

The letter proceeded to remind that all major negotiations conducted on budgetary and financial issues over the recent years were based on the assumption of the continuity of the application of the ZRG criteria.

The proposed increases represented therefore a departure from a practice which had long been applied in the organization, and constituted a break with the whole negotiating context under which the G-77 and China had previously agreed to a phased de-shielding of their mandatory contributions for the financing of safeguards, and to important decisions relating to technical cooperation, including the mechanism of the rate of attainment and the definition of the TC programmes, as well as the definition of the TCF targets and its indicative planning figures.

Hence our insistence on the fact that we were not facing at this time a mere budgetary issue per se, but a much broader and fundamental question, involving the very fundamentals upon which the Agency's promotional role and international cooperation for the peaceful uses of nuclear energy is based.

The Group of 77 and China sees the Agency, indeed, as a very unique organization. On the one hand, it performs, in the broad framework of international endeavours towards promoting non-proliferation and nuclear disarmament, extremely important verification activities, which we strongly support. On the other hand, it is also entrusted with a fundamental function that cannot in any way be relegated to a secondary position, namely its promotional role.

The Group of 77 and China had very much in mind, furthermore, the fact that the negotiations could not proceed in abstraction of the current international context in its various aspects. These include, undeniably, certain pressing demands in the area of safeguards, to whose credibility we are no less committed than we are committed to that of the other statutory activities.

But we could not fail to take into account, on the other hand, that the promotional role of this organization is a mandate clearly established in many articles of its Statute (articles 2,3 and 11). That original mandate should now be seen in the light of important new commitments and endeavours undertaken by the international community at a series of recent Summits on economic, financial and social issues (including the Millennium Declaration). Those meetings called for greater synergy within the United Nations system with respect to international cooperation for development - a task with which there is clearly a need for greater involvement by the Agency through its promotional dimension.

This was all the more a reason for our negotiations to take duly into account another extremely important feature of the international context, which is, as I said before, the fact that the whole international economy is going through a very difficult period, with very serious, sometimes devastating, effects for many developing countries. These difficulties should inevitably have a bearing in our deliberations.

For developing countries, it was therefore essential that the negotiating process would be conducted against this background, and would achieve a set of decisions that would ensure the balance and credibility of all statutory activities of the Agency, both in terms of the allocation of resources within the regular budget programme, and between this one and the TCF, and would also provide, where appropriate, for a

minimisation of the financial impact of any increase on developing Member States.

We had also very much in mind the fact that, given the present economic and financial constraints, many Member States are already not able to fully pay their mandatory contributions to the regular budget. It is indeed a sad state of affairs that nearly thirty Member States, most of them developing countries, have accumulated arrears that entailed a deprivation of their voting rights.

We want this organization to be ever more inclusive. An organization in which poorer countries will always be ensured adequate access to its services, which are often of great significance to their efforts to meet their pressing human, social and economic needs. An organisation in which developing member States will enjoy full participation in the deliberations and decision-making processes.

Madam Chairperson,

During this extensive dialogue, we took very seriously the elements of information provided by the Secretariat, in which we recognise a body of hard-working, dedicated and very competent professionals, under the leadership of the respected Director-General, Mr. Mohamed ElBaradei.

But, as we said, while the Secretariat was discharging its most pressing responsibilities about the budget itself, it was for Member States to take the political decisions required to conform a package deal capable of adequately addressing the wide range of issues involved.

The G-77 and China is perfectly aware of the different sets of norms and procedures concerning the ways in which the various statutory activities are programmed, budgeted, financed and implemented.

Let me say, in very clear terms, that it has never been the Group's intention to undo what, in many ways, are valid, useful and necessary differences in the way these activities are managed. But, given the unprecedented scope of the increases and their heavy concentration in Major Programme 4, it was fundamental to ensure that a new plateau for the budget would not introduce a far-reaching element of imbalance between verification and the other statutory activities of the Agency.

Hence the decisive importance given by the Group to the inclusion, in the package that would result from negotiations, of certain decisions that would lay the ground for greater correlation and symmetry between changes in the regular budget and the TCF targets, as well as pave the way for an eventual better synchronisation between the decision-making processes on the two major aspects of the Agency's overall financing.

For the G-77, there were therefore two major areas of interest and concern: on the one hand, the preservation of an adequate balance among the statutory functions, and the assurance of the overall credibility of the Agency; and on the other hand, given the very substantial increase in the regular budget - which, by the way, is unparalleled in terms of the decisions currently being made on the budgets of all other United Nations agencies - it was indispensable to ensure financial relief for developing countries through a postponement of de-shielding for at least the phasing-in period, as well as a temporary suspension of APCs pending a final decision on the future of those payments.

We, members of the Board, are very much aware of the fact that the budget proposal essentially shifted a large amount of extra-budgetary activities towards the regular budget, especially in major programme 4. This resulted in a substantive transfer of financial responsibilities from the main donors towards the entire membership. While relieving a few Member States from their extra-budgetary commitments, the proposal would result in a particularly heavy burden for developing countries, the inequity lying basically in the fact that this redistribution of financial burden would take place in the context of de-shielding. Developing countries would therefore be doubly penalized, since the increase in the budget would affect them twice.

This is the reason why it was so essential for us to obtain a postponement of de-shielding. We are

appreciative of the good-will expressed by other parties in connection to this issue, following extensive negotiations.

Madam Chairperson,

Throughout the negotiations, the G-77 was always keen to show flexibility and sensitivity to the concerns of other parties, in addition to our regard for the Secretariat's requirements.

When it came to the negotiations on the figures for the budget, the G-77 made a remarkable departure from its original position. Although continuing to sustain the validity of ZRG in case of an impasse, the Group showed a very high level of flexibility by willing, in principle, to work on the basis of the original proposal by the Secretariat. Of course, given our great concern at the financial implications of such strong increase, we did accompany other parties in proposals aimed at a reduction in the scope of the proposed increase. We reacted constructively to those proposals, while making the case for a more even distribution of the additional resources among the various Major Programmes, so as to ensure that the MPs which contain important elements of promotional activities, such as MPs 1, 2, 3 and 6, could avail themselves in the years to come of an amount of resources adequate to make possible the basic continuity of important activities.

We were happy to see that in the prevailing spirit of mutual understanding and accommodation it was possible to agree on a 4-year phased-in increase which, while addressing the concerns on MP4, does provide for further progress on issues relevant for developing countries, such as nuclear power, applications, safety and management of technical co-operation.

Madam Chairperson,

As was stated by many delegations in the final stages of these negotiations, the package that was skilfully articulated by the two co-chairmen is undoubtedly unsatisfactory to all sides. This is precisely also the reason for its attractiveness.

From the point of view of the G-77, in several aspects the package goes well beyond what we would have ideally wished, especially in what regards the figures for the budget. On other aspects, on the contrary, the results fall well below our aims.

We have to bear in mind, for instance, that the final figures of the budget give MPs 1, 3 and 6 half of the increase initially proposed by the Secretariat itself. So we trust that in years to come all parties will unite efforts to ensure that those important programmes are adequately supported. Likewise, it is clear that the availability of resources for the TCF needs to be addressed in a positive spirit.

This statement of fact is not in any way intended as a complaint. The point I want to make is that this package, however frustrating it may be to all the parties involved in the negotiations, is a successful common achievement, which provides us with a sounder basis on which to continue over the years to carry out our common task of contributing to enhance the IAEA's standing as a major UN organisation, capable of properly conciliating, in a harmonious way, the different but equally important activities assigned to it by the international community.

We have very much in mind that the elements of this package will entail the need for successive exercises in dialogue and negotiation. The G-77 looks forward to engaging in an ever more active way an enhanced interaction with the Secretariat, as well as a smooth, fluid and productive dialogue with other parties. This dialogue should also allow for a thorough and systematic overview of the Agency's major lines of action, so as to make sure that the Medium Term Strategy for 2006-2011 will enable it to adequately respond to emerging new trends, challenges and needs.

We will remain vigilant to ensure that the spirit in which this package was negotiated and approved will not be abandoned or weakened. We still have much to accomplish. The task ahead is certainly not easy. But we are confident that the goodwill of all parties and their commitment to the elements of this package will not

fade away after the budget increase for safeguards begins to take place.

Madam Chairperson,

These negotiations have proved once again that through goodwill and in a spirit of compromise we can harmoniously find solutions acceptable to all parties.

We think this augurs well for the future. We thank our partners, we thank the Secretariat, and we particularly thank you and the two co-chairmen for the leadership you have shown throughout this process.

Thank you Madam Chairman.