



STATEMENT OF THE GROUP OF 77 AND CHINA DURING THE IAEA PROGRAMME AND BUDGET COMMITTEE MEETING, STARTING ON 6 MAY 2019, DELIVERED BY H.E. AMBASSADOR OMAR AMER YOUSSEF, PERMANENT REPRESENTATIVE OF EGYPT.

Agenda item 2: The Agency's Financial Statements for 2018, including the External Auditor's Report

Madam Chair,

1. The Group of 77 and China thanks the Deputy Director General and the Head of the Department of Management for her introductory statement, and the staff of the Secretariat for the presentations delivered in the course of the workshop on financial and administrative matters, which took place on 11th April 2019.
2. With regard to the Financial Statements of the Agency for 2018, including the External auditor's report, as contained in document GOV/2019/56, the Group would like to make the following comments:
3. The Group would like to express its appreciation to the Audit Board of the Republic of Indonesia for the professionalism in conducting the audit on the Agency activities for the third consecutive year, which will continue to compliment the efforts of the Agency towards efficiency and effectiveness in service delivery.
4. The Group is pleased to note that "an unqualified opinion" has once again been placed on the Agency's financial statements. The External Auditor has made several observations and recommendations for the improvement of the Agency's financial practices. The Group supports in this regard the implementation of relevant recommendations aimed at improving management and enhancing efficiency.
5. The Group is also pleased to note that the analysis performed of the recommendations contained in the report of the External Auditor for 2018 not only covers "Financial Matters", but also performance audit observations on the Agency's procurement and publication management so as to improve services to Member States.
6. The Group notes the recommendation No. 1 regarding the need for the Agency to develop its corporate anti-fraud policy as it supports the Agency's commitment to promoting an organizational culture that does not tolerate fraud and places an emphasis on accountability and integrity. The Group is of the view that this recommendation should be implemented and the Agency should formulate its corporate anti-fraud policy or anti-fraud framework, in close consultation with Member States, and approval of the PMOs, at the earliest.
7. Since the Group attaches special importance to the Technical Cooperation Programme which is the main vehicle through which the Agency fulfils its statutory mandate in promoting the peaceful uses of atomic energy, it is highly concerning that there has been an €11.3 million decrease in voluntary contributions made in support of the Technical Cooperation Programme. This underscores the fact that TC activities continue to lack sufficient, assured and predictable resources. Similarly, the total outstanding Regular Budget contributions from 2018 and prior years, representing 12% of the total Regular Budget assessment for 2018, are also a matter of concern. The Group therefore calls upon Member States to pay their assessed contributions in full and on time.
8. The Group also would like to underscore that the Technical Cooperation Fund has positive net assets, which indicates its overall health, as well as the fact that, the implementation of TC activities takes place over a period longer than one financial year. The Group requests the Secretariat to explain this fact in all

future financial statements of the Agency. Accordingly, the Group would like to dismiss any interpretation to the effect that the TCF resources exceed what can be implemented.

9. The Group notes that the Extrabudgetary Programme Fund experienced an increase of 1.3 million euros in its revenue. In this regard, the Group would like to caution against the excessive reliance on extra budgetary funds as this could negatively impact the effectiveness and independence, as well as long term sustainability of the Agency's activities.

10. The Group notes with concern the overall increase in the Agency's liabilities in 2018, on the amount of 47.2 million euros, and that this increase was primarily the result of increase in obligations related to long term employee benefit liabilities, in particular After Service Health Insurance (ASHI) which by the end of 2019 would represent a long term liability estimated at over 200 million euro. The Group also notes with concern that, as stated by the Director General in his summary, the Regular Budget Fund has a negative balance of 4.6 million euros.

11. In this context, the Group urges the Secretariat to continue consulting regularly with Member States about the relevant measures to be taken regarding the significant and continued growth in liabilities.

12. The Group emphasizes the importance of consistency and transparency in decisions that have an impact on staff costs. The Group requests that information regarding staff costs, and relevant items of expenditure, be included in the draft budget proposals and budget documents in such a way as to permit more meaningful discussions.

13. Finally, the Group reiterates its position that the Secretariat should fully consult Member States when considering recommendations to adjust activities related to its statutory mandate.

14. With these comments, the Group of 77 and China takes note of the Agency's financial statements for 2018, as contained in document GOV/2019/6, and documents GOV/INF/2019/4 and GOV/INF/2019/5.

Thank you, Madam Chair.

Agenda Item 3: The 2018 Internal Audit Activity Report and the 2018 Programme Evaluation Report

Madam Chair,

1. The Group of 77 and China thanks the Secretariat for the 2018 Internal Audit Activity Report and the 2017 Programme Evaluation Report, contained in documents GOV/2019/12 and GOV/2019/13, respectively, and for the briefing to Member States on the 30 April 2019. (Not to be read)

2. The Group would like to express its appreciation for the work conducted by the OIOS to assess management efficiency and programme effectiveness and to enhance accountability. The Group recognizes that the organizational independence of the OIOS is fundamental to fulfil the responsibilities of the internal audit activities and the OIOS must confirm it to the Board of Governors at least annually.

3. The Group is of the view also that, consistent with the 2018 GC Resolution the audit and evaluation carried by the OIOS should cover all Major Programmes and activities of the Agency in a balanced manner.

Madam Chair,

4. On the summary of results of the 2018 Audit Plan contained in section C of the Report, the Group notes that of the ten audits completed in 2018, two were found to be satisfactory while one was unsatisfactory

and four in need of improvement. The Group understands that the other three audits were in respect of Country Level Evaluation carried out in Jordan, Sri Lanka and Cambodia, all Members of the Group. The Group has also observed that the evaluations found the Agency's activities in these three countries to be relevant, reasonably well aligned, or broadly aligned to the development plans of the countries.

5. With regards to the audits, the Group would like to make the following comments, and urges the Secretariat, where applicable, to take the required actions, in consultation with Member States, to address the issues highlighted in the report:

6. On the Audit of the Agency's Business Continuity Management, the Group takes note that the purpose of the audit was to assess the overall implementation of the UN Organisational Resilience Management Systems, the official emergency management framework of the UN. While noting that the Audit on this area found the Agency's work to be "unsatisfactory", the Group welcomes the fact that all the recommendations raised on the subject have been accepted by the Secretariat. In this regard, the Group would urge the OIOS to brief the Member States on the outcome of its monitoring of the implementation of these recommendations by the Secretariat.

7. Regarding the Audit of the Agency-wide Information System for Programme Support (AIPS) post implementation review, the Group notes with concern the over-extended timeline since 2007 and the high running cost including annual maintenance. The Group also notes that there has been a lack of documented benchmarks to measure improvements before and after the implementation of the AIPS. Given the importance of AIPS for the work of the Agency, including for Technical Cooperation, the Group requests continued close monitoring by the OIOS and looks forward to how the Agency could draw lessons to improve future planning.

Madam Chair,

8. Regarding the Audit of the Planning and Funding of Capital Expenditures, it is observed that the OIOS made a number of recommendations to strengthen controls in this area including improving planning, management information and reporting all of which were accepted by Management. The Group requests the Secretariat to keep Member States informed on the implementation of these recommendations and its impact in the Programme and Budget process related to capital expenditures.

9. Regarding findings on the issue of results-based management in section D of the report, the Group takes note of the fact that "Significant work is still needed to ensure results oriented planning, budgeting and management" and that "particular emphasis should be placed on the development of necessary tools and appropriate awareness and capacity building activities to move from accountability for processes to accountability for results and to sustain these changes". Accordingly, the Group believes that these findings underscore the need for the Agency to do more to achieve results based management goals.

10. The Group welcomes the progress in the rate of implementation of recommendations, as reflected in the table in section E of the 2017 Internal Audit Activity report. The Group urges the secretariat to continue exerting all efforts to implement the overdue recommendations where applicable and requests the OIOS to include in the future reports a breakdown identifying the nature of these overdue recommendations.

11. Turning to the 2018 Programme Evaluation Report, the Group would like to make the following comments:

12. Regarding the Evaluation of the Agency's Work related to Nuclear Security of Materials out of Regulatory Control, the Group welcomes that the Agency's assistance to Member States in building their national capabilities has been found to be comprehensive, relevant and appropriate. Meanwhile, the Group notes that OIOS issued ten recommendations based on its findings, the Group requests the Secretariat to

implement the recommendations in a manner that enables it to continue delivering support to Member States, upon request and in line with the agreed documents of the Policy Making Organs.

13. Regarding the evaluation of the Agency's contribution to climate change adaptation and mitigation through the Use of Nuclear Applications, the Group notes that the evaluation found that most of the reviewed national TC Projects with a climate change focus were broadly aligned with key priorities of the national climate change strategies of Member States. However, the Group also noted that the Evaluation found that the Agency did not have an agreed strategy for the application of nuclear and isotopic techniques in climate change. There is, therefore, a need for a more uniform approach to this issue, particularly in view of the potential of nuclear technologies to assist Member States in meeting their climate change objectives.

14. The Group appreciates that the Agency's field operations have made tangible contributions to improving the safe and secure management of the Disused Sealed Radioactive Sources (DSRS). Recognising the high demand for Agency's assistance in this area which will only increase over time, the Group urges the Secretariat to implement the recommendations made by the OIOS in a timely manner.

Madam Chair,

15. The Group has also taken note of the common findings and cross cutting themes across the Evaluations completed in 2018, which can help improve governance and ensure that the Agency remains poised to effectively deliver on its mandate.

16. The Group requests the OIOS to continue informing Member States on the status of the implementation of all the recommendations raised in the Internal Audit Activity and Programme Evaluation Reports.

17. With these comments, the Group of 77 and China takes note of the 2018 Internal Audit Activity Report, as contained in document GOV/2019/12, and the 2019 Programme Evaluation Report, contained in document GOV/2019/13.

Thank you, Madam Chair.

Agenda item 4: The Agency's Draft Programme and Budget 2020-2021

Madam Chair,

1. The Group of 77 and China wishes to thank DDG Mary Alice Hayward for her introductory statement. The Group also takes note of the revised proposal contained in Note 33, issued by the Secretariat on 25 April 2019 on the Agency's Draft Programme and Budget 2020-2021. In this regard, the Group would like to urge that budget documents should be made available with adequate time for meaningful consultations among Member States and the Secretariat, including at the regional level, as needed. The Group wishes to thank the co-chairs of the Working Group on the Regular Budget and TCF Targets 2020-2021 for their report to this Committee.

Madam Chair,

2. With regard to the Agency's Draft Programme and Budget for 2020-2021, the Group would like to offer the following comments.

3. The Group reiterates its long-held view that the Agency's budget should reflect the balance between the three pillars of the Agency's work, namely the promotion of peaceful uses of nuclear technology including technical cooperation, safety and safeguards. To achieve this balance and in order to respond to the growing needs of developing countries, the increased number of Member States making use of nuclear applications and embarking on nuclear energy, the Group has long been of the opinion that sufficient funding from the Regular Budget must be secured for Major Programmes 1, 2 and 6.

4. The Group believes that the promotional activities of the Agency are its main statutory function and the Technical Cooperation Programme (TCP) is the main vehicle for delivering on this statutory function. The Group notes that in the biennium 2020-2021, 141 Member States, including 35 LDCs, will have a national TCP, representing an increase of 5 Member States compared to the previous biennium. This underscores the necessity of Sufficient, Assured and Predictable resources for the TCP in order to enable it to adequately respond to Member States' growing needs for the peaceful uses of nuclear technology for their sustainable development, and the achievement of Sustainable Development Goals (SDGs), in accordance with national priorities.

5. While taking note of the Secretariat's efforts to ensure prioritization, efficiencies and synergies, as well as the cross cutting savings and efficiencies identified in the present draft Budget, the Group remains of the firm opinion that such efforts should not negatively impact the Agency's ability to deliver on its statutory mandate or affect the desired balance between promotional and non-promotional activities.

Madam Chair,

6. With regard to the revised proposal presented on 25 April, the Group would like to reiterate the following elements:

7. While recognizing that verification activities are a statutory requirement of the Agency, the Group would like to draw the attention of the Committee to the fact that the revised proposed allocation to MP 4 is far greater than the total sum of allocations to MPs 1, 2 and 6. At the same time the total reductions proposed to MPs 1, 2 and 6 are larger than the reduction proposed for MP4. The Group is of the view that these proposed reductions would further negatively affect the desired balance in the Agency's statutory functions in promoting nuclear applications and technologies in meeting developing countries' needs and priorities. We therefore reiterate our call for the need to balance the Agency's promotional and non-promotional activities.

8. Further, the Group would also like to point out that in explaining the reduction in MP6, the language employed is too generic and vague. A more detailed breakup of this proposed reduction is necessary for the Group to better evaluate it.

9. While noting the creation of additional positions in MP3 and MP6, the Group would like to emphasize the need to maintain a balance across MPs in both numbers and level of staff. Further, recruitment to additional posts should be in line with the Secretariat's efforts to increase the representation of under-represented Member States and region, especially at the professional and managerial levels.

10. The Group notes that while the previously proposed price adjustment has been revised downwards in the light of the latest European Central Bank (ECB) forecasted inflation rate for 2020, the final price adjustment

to be applied still remains 1.9%. The Group, therefore, seeks further clarification on the calculation of proposed price adjustment in the revised budget proposal and its relation to increase in staff costs following the International Civil Service Commission (ICSC) promulgated increase in post adjustment.

Madam Chair,

11. Turning to the TCF Targets for the biennium 2020-2021 and the Indicative Planning Figures (IPFs) for 2022-2023, the Group would like to make the following comments:

12. To begin with, it is very clear from the past budget cycles that the evolution of TCF Targets in both financial and percentage terms has been significantly lower than the one of the Regular Budget. The Group recalls that the synchronization of the Technical Cooperation Programme (TCP) cycle with the regular Programme and budget cycle was meant to provide a framework to consider increases to the resources for the TC Programme, including the TCF target by taking into account the changes in the level of the regular operational budget.

13. Accordingly, the Group is of the view that a decision on the TCF Targets for 2020-2021 and Indicative Planning Figures (IPFs) for 2022-2023 should take into account the following elements:

- the relevant IPFs which should be taken as the starting point
- the increasing number of Member States with national TCPs, including 35 LDCs;
- the increasing number of Member States which will require full support under the 2020-2021 TCP;
- the evolution in the level of the Regular Budget in line with the Board's decision GOV/2014/49 and GC.58/Res.12;
- the need for the Agency to place the appropriate emphasis on its activities directly related to the achievement of the Sustainable Development Goals in Member States;
- the large unfunded components of Technical Cooperation projects in Member States, also termed as footnote-a/ projects;
- the price adjustments, and
- other relevant factors.

14. The Group has expressed its concern with respect to the liability related to the financing of health insurance of officials of the Agency, also known as After Service Health Insurance (ASHI). Given the long-term implications of any decision on this issue for the future budgets of the Agency and the assessed contribution of Member States, the Group requests the Secretariat to provide information on the discussions in and recommendations by the United Nations Inter-Agency Working Group on ASHI, before deciding on the way forward.

15. With regard to the issue of the Due Account Mechanism, the Group expresses its appreciation for the efforts and hard work by the co-facilitators, the Ambassadors of Morocco and Slovenia, and their commitment to inclusiveness and transparency and takes note of the recommendations contained in Note 2018/77. The Group holds that, in striving to achieve a positive impact on the rate of attainment, the principles of fairness, neutrality and universality should continue to be preserved. The Group also believes

that the application of the Mechanism should be done in a manner that does not adversely affect the TC Programme. The Group is of the view that any progress on this subject should depend on dialogue, consultations, consensus and the decisions of the Policy Making Organs. In this regard, the Group looks forward to engaging in consultations on the basis of the co-facilitators report.

16. Finally, the Group would like to stress that narratives contained in budget documents should be aligned with the language of General Conference resolutions and decisions of the PMOs.

Thank you Madam Chair.