



European Union

**Statement on the occasion of the IAEA Board of Governors
Vienna, 12-16 June 2017**

Agenda item 4: Report of the Programme and Budget Committee

Mr. Chairman,

1. At the outset, the EU and its Member States wish to take this opportunity to express once again their gratitude to the Ambassadors of Denmark and Brazil for their tireless efforts and commitment as Co-chairs towards reaching an agreement on the Regular Budget and TCF targets for 2018-19.
2. As a matter of principle, the EU and its Member States reiterate their support to the continued fulfilment by the Board of Governors of its prerogative in setting out and agreeing the IAEA's Programme and Budget.
3. In the Working Group sessions and at the meeting of the Programme and Budget Committee, the EU and its Member States expressed their views in a number of statements. In the context of considerable financial constraints and challenges faced by many member states, we expect the Agency to observe strict budgetary discipline. We note the fact that the Co-chairs have taken on board some of our concerns in the proposal. We understand that meeting the differing positions in the Working Group is no easy task. However, we note with regret that several important elements are not reflected in the proposal.
4. In this respect the EU and its Member States would like to highlight the following:
 - Against the wishes of the EU and its Member States the Secretariat has altered the balance of its initial proposal. In this light, we do regret that the Major Programme 4 "Nuclear Verification" is by far the major contributor to the net reductions of the initial proposal (€1.4 Mio from a total of €3.4 Mio). As stated already at several occasions, the EU and its Member States remain firmly committed to ensuring that the Agency's nuclear verification programme continues to receive the necessary resources to enable the Agency to provide assurances that States are complying with their obligations under relevant Safeguards agreements.

- We welcome the fact that the proposal to regularise the four positions in the Division for Nuclear Security is retained. Nuclear Security activities are currently mainly funded by extra budgetary contributions.
 - On the price adjustment, we welcome the agreement for the Secretariat to develop and implement a biennial price adjustment methodology which should be effective no later than for the biennium 2020-2021.
 - Regarding cost savings and efficiencies, we welcome the request put forward to the Secretariat for an annex document outlining further de-prioritisation and efficiencies, including through mobilization and utilization of additional extra-budgetary resources, operationalization of the one-house approach, and reprioritisation and, if necessary, delay or deferral of planned programme activities.
 - We also underline the importance of the Secretariat's continued efforts to fully achieve Results Based Management, including through developing improved performance indicators and drawing on the findings and recommendations of the Reports by the Director of the OIOS. We look forward to seeing concrete results in this field.
 - Concerning the TCF targets, the EU and its Member States still believe that the targets for 2018 and 2019 should have been no greater than the IPFs set in 2015, taking into account the €4.2 million unallocated balance. It is also our conviction that when Member States set the IPF for 2018 at the level of the TC target for 2017 this was part of the agreement to convert the then dollar-expressed IPFs into euro-expressed targets which led to the “unprecedentedly high increase” in the TCF targets. Departing from this agreed target can only cause us into thinking that the very practice of setting IPFs should be discontinued in the future.
 - The Due Account Mechanism should be further strengthened in order to be effective. We look forward to the Chairs consultations with a view to submitting it for the Board of Governors’ approval as soon as possible and its application as of the 2020–2021 TC cycle.
5. With these comments, and noting that the Proposal does not reflect all of our concerns, the EU and its Member States are ready to join consensus on the Co-Chairs' Proposals (contained in GOV/2017/27) for the Regular Budget and TCF Targets for 2018-19 and on the basis of the language contained in Note 57. We request the Chair to fully reflect this statement in the summary records.
6. The EU and its Member States would also like to support the conclusions in the Report of the Programme and Budget Committee on its meetings held from 8 to 9 May 2017 on the appointment of the Audit Board of the Republic of Indonesia to audit the Agency's Financial Statements for the financial years 2018 and 2019, as well as that the appointment of the Agency's External Auditor shall be made through a competitive selection process for a non-renewable six-year term starting from the audit of the financial statements for the financial year 2022, with another appointment possible only after a break of at least one term.

Thank you, Mr. Chairman.