

**SUMMARY OF THE DIRECTOR GENERAL'S COMMENTS MADE AT THE END  
OF THE DISCUSSION  
OF THE BOARD OF GOVERNORS ON AGENDA ITEM 5  
(“Report of the Programme and Budget Committee”)**

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**Mohamed ElBaradei  
Director General**



INTERNATIONAL ATOMIC ENERGY AGENCY



Thank you Mr. Chairman.

I do not usually get engaged directly in the discussion of the budget. I would like, however, to share some concerns with you. Needless to say, I am distressed that it has not been possible to reach agreement. This does not augur well for the Agency, in terms of either our function or our credibility.

The budget is essentially a political statement. The basic question is: What kind of Agency do you want to have? You can easily have a mediocre Agency. Or you can have an effective and efficient Agency capable of carrying out the functions assigned to it: functions that are crucial to development and security — indeed to survival.

There is no personal gratification involved in the way that my colleagues and I continue to advocate an increase in the budget. Not a single cent of the increase will go to the staff. We get the same remuneration whether we have a zero growth budget, a 5% increase or a 10% increase. But my colleagues and I cannot sit here and tell you that the Agency is able to fulfil its functions if in fact it cannot.

We can do only what you are able to finance. You could finance a less effective Agency and we will tell you what that would mean — less than credible verification assurance, less than the best safety advice, a less than perfect security function, and less than adequate development assistance.

The External Auditor gave us an absolutely clean bill of health. The high level panel of the former United Nations Secretary-General Annan singled out the Agency as “an extraordinary bargain”. The United States Office of Management and Budget, which regularly looks at broader aspects of the UN system from a US perspective, has singled out the Agency as providing 100% value for money. But with all this our ability to carry out our essential functions is being chipped away.

The safeguards function is being eroded over time. Today we cannot consistently do environmental sampling analysis ourselves due in part to the unreliability of an instrument that is 28 years old. We have to rely on a very small number of external laboratories. And this puts into question the whole independence of the Agency’s verification system. This is a reality.

In the case of safety, our Emergency Response Centre is far from being adequate for what we are supposed to do in fulfilment of the Notification and Assistance Conventions. If an accident were to happen tomorrow, we would be hard pressed to carry out core functions. This is a reality.

In the nuclear security area where every world leader is saying that it is a number one priority, the External Auditor — *your* External Auditor — has mentioned that we continue to rely for 90% of our security funding on extrabudgetary contributions that are heavily conditioned and highly unpredictable.

In the Department of Nuclear Safety, which we created after Chernobyl, we continue to have 45% of the staff financed by extrabudgetary funds simply because we don't have sufficient regular budget funds. This means that we have not much say in their selection. The result naturally undermines the concept of geographical distribution embedded in our Statute.

Both the External Auditor and the Internal Auditor have come to the conclusion that we will not be able to continue to be efficient or effective without integrating our information systems and introducing an Agency-wide system for programme support.

You have therefore to make a fundamental choice: is the Agency going to be demand driven or are we going to work on the basis of so-called zero growth? If you tell us in advance that you have a ceiling, and no matter what the priorities are there will not be more money, then so be it. But then we will tell you that we can do programme items one, two and three but not four or five; and that items one, two and three also will be at best reduced. The concept of zero growth runs counter to the whole concept of an Agency that has been increasingly asked to do more, increasingly asked to carry out activities that are critical to development and international peace and security.

We also have the issue of balance: we have to give equal priority to all activities. There is so much humanitarian work that is needed in developing countries. You have to go and visit to understand what is being done in the area of cancer control or food production. We can continue to do as much as we are doing, or we could choose to do much more. In the verification area, however, we have no option at all. If a country comes and asks us for verification, that is an obligation under our Statute; we have to do it and we can't do it half-heartedly or cut corners. The problem is that verification is very expensive. If a facility is going to cost \$17 million in terms of safeguards equipment, I can't find that money through so-called efficiency gains.

Balance does not of course mean dollar for dollar. Balance to me means that we have to give equal priority to all the activities of the Agency, but it does not mean that we have to have exactly the same budget for verification and for development activities because the cost for each one is quite different. If, for example, the Agency moved in the future to verifying new arms control agreements, we might have a very large verification budget. Whether you want to have another system for financing verification, this is something for you to decide. Whether you want to have a look at the whole funding of the Agency, again this is something for you to consider. But what I fear right now is an increasing erosion of the Agency's ability to perform its functions.

The present discussion is not about half a million dollars, or a million dollars, it's about what kind of Agency you want to have. What kind of programme do you want us to deliver? I understand and appreciate that many of you have financial constraints back home. But every Member State has to determine priorities. You have to differentiate between spending on health, on culture, or on defence. Equally, you have to decide on priorities about how much you want to spend on which international organizations.

Every Member State is asked to contribute to our budget. There are major donors and there are so-called small donors. But all States contribute according to their capacity to pay and therefore assume the same pain.

I have to tell you that the proposed budget is one that does not by any stretch of the imagination meet our basic, essential requirements. It is your decision to make but I need to make the implications clear for you because I do not want in the future to see a clandestine nuclear weapon programme in some place, or a safety accident in another, that we have failed to pre-empt because we did not take the measures that were needed as we have seen in the case of the weapons programme in Iraq and the case of Chernobyl.

Thank you very much.