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XIX Special Session of the General Conference  
Item 4 of the Agenda  
Mexico City, November 19<sup>th</sup>, 2008

**REPORT OF THE COMMITTEE ON CONTRIBUTIONS AND  
ON ADMINISTRATIVE AND BUDGETARY MATTERS**

The Committee on Contributions and Administrative and Budgetary Matters (CCAAP) presents to the 19<sup>th</sup> Special Session of the General Conference, a Report containing the results of its activities during the year 2008.

**CCAAP Members**

1. Article 12 of the OPANAL Financial Regulations states that: "The General Conference shall elect the members of the CCAAP. Five members of the CCAAP will be elected for a period of four years and could be re-elected for a period of an additional 4 years. Other countries who express the desire to participate shall be elected by the General Conference to the CCAAP as full members for the period of one year."
2. During the 20th Regular Sessions of the General Conference held in Mexico City on the 22<sup>nd</sup> of November 2007; Belize, Brazil, Cuba, Guatemala and Nicaragua were elected for a period of four years and will conclude their mandate on the 31<sup>st</sup> of December 2011. (Resolution CG/Res.501 (XX)).

**CCAAP Deliberations**

3. The Commission held 8 work meetings (February 27, March 27, April 30, June 4, July 31, August 28, September 25 and October 28), which appear in the Records CCAAP/AR/70, 71, 72, 73, 74, 75, 76 y 77.
4. The Representatives of Argentina, Bolivia, Honduras, Jamaica, Mexico, Paraguay and Uruguay, participated in the meetings as Observers.

5. The Deputy Secretary General, Ambassador Perla Carvalho was present during all meetings.

According to CCAAP mandates, the following topics were considered:

### **Election of the President**

6. In its February 27 Session (CCAAP/AR.70), the Commission elected the Representation of the Republic of Guatemala before the CCAAP; assumed by Mr. Antonio Escobedo Sanabria, Minister Counselor of the Embassy of Guatemala.

Throughout the meetings the following topics were discussed:

### **PRECEDENTS / BACKGROUND**

With the resolutions 496, 497, 501, 502, 503 y 504 the 20th Regular Sessions of the OPANAL entrusted to the Secretary General and to the Committee on Contributions and Administrative and Budgetary Matters to define the procedure for propitiating the reorganization and definitive rehabilitation of the economical and financial situation of the Agency.

### **Resolution CG/Res.497**

#### **DISCOUNT PROGRAM FOR CONTRIBUTION PAYMENTS CONTINGENCY/EMERGENCY FUND**

7. The General Conference approved this resolution in the 20th Regular Sessions held in Mexico City in November 2007, where it was decided:

**“To approve** the discount program for the Member States which, prior to March 31, 2008, inform the Council in writing of their commitment to settle their debts with the Agency under one of the following modalities:

- a) An **80-percent** discount on payments of the contributions owed up to the year 2007 for countries historically in arrears. The first payment, equivalent to 30 percent of the overdue debt, is to be made before March 31, 2009, without failing to make timely payment of its contribution for the year 2008. (Dominican Republic, El Salvador and Haiti).
- b) A **50-percent** discount on payments of the contributions owed up to the year 2007. The first payment, equivalent to 30 percent of the overdue debt, is to be made before March 31, 2009, without failing to make timely payment of its contribution for the year 2008. (Antigua and Barbuda, Dominica, Grenada, Paraguay, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia).

- c) A **30-percent** discount on payments of the contributions owed up to the year 2007. The first payment, equivalent to 30 percent of the overdue debt, is to be made before March 31, 2009, without failing to make timely payment of its contribution for the year 2008. (Peru and Uruguay).
- d) The Member State itself shall determine the amount of time in which it will cover the total amount of its payments with the discount within a maximum period of three years; that is, up to December 31, 2010.
- e) If a Member State does not fulfill the terms of the discount program which it joins voluntarily; that is, if it does not make the initial payment of 30% or does not fulfill the deferred payment proposal presented by the State itself, then all the discounts on its original debt shall be suspended. If a Member State has paid some amount that falls under this discount program, its value shall be deducted from the total amount of that State's debt as of the day on which this Resolution is adopted.

Also, request the Secretary General that the resources gathered under the Discount Program, to present a proposal to establish a Contingency/Emergency Fund and the regulations of its functions during the transition period.

- 8. The Secretary General informed the Committee on Contributions and Administrative and Budgetary Matters of the payments made by Antigua and Barbuda on October 29 and by the Oriental Republic of Uruguay on the 7<sup>th</sup> of November 2007, accepting the resolutions CG/E/Res.463 (E-XVII) and CG/E/Res.492 (E-XVIII), paying Antigua and Barbuda with a 50% discount and Uruguay 30%, settling the total debt. After making their payment in the year 2007 they didn't enter in the discount scheme approved by Resolution CG/Res.497 (XX).
- 9. The CCAAP requested the Secretary General to make a new call for the susceptible States to claim on the discount program and after the new administrations of the Secretary General there was no response of the interested Member States. On the 31<sup>st</sup> of March 2008 the term established had expired for claiming on the program and it wasn't possible to create the Contingency/Emergency Fund.
- 10. On the 70th Session of the Committee on Contributions, Administrative and Budgetary Matters the existence of a Reserve Sub-fund approved in the "General Standards to Govern the Operations of the General Secretariat of the Agency" was debated and the Secretary General presented a document for their possible reactivation. Also, the "**Financial Regulations Article 6: Collection of contributions**" was addressed for considering the possibility of extending the due date for contribution. The Financial Regulations state that: "Contributions may be payable during the first 30 days of January of each year..." and given that for many countries it is impossible to pay the contributions on the first month of the year due to administrative reasons, the CCAAP accepted the suggestion from the Secretary General to extend the period to 6 months. The "**Bank fee**" that are charged by the bank when it receives the contributions which

is registered as debt in the States accounts was also addressed. It was approved that these contributions would be assumed by the Agency in regards to deposits made in Mexico to avoid as much as possible that the States that make contributions on time, appear with small debts.

11. In the 71st Session the following subjects were studied: **“Modernization of the Financial Statements”** The Secretary General presented a *Aide Memoire* about the subject and invited the Public Accountant Auditor Luis A. Cámara from the BDO Hernández Marrón and Company Firm, to inform the Member States of the need for modifications to the documents that register the Financial Statements, to make them more legible and adapt them to the current situation; among the modification proposals are the composition and characteristics of the Peaceful Uses of Nuclear Energy Fund, the Financial Regulations and the General Standards to Govern the Operations of the General Secretariat of the Agency. The Auditor highlighted the problems that would result in the disappearing of some of the funds, remembering that there are contributions pending to be collected that have a specific objective in the Peaceful Uses of Nuclear Energy Fund and that the accounts receivable are the right of the Agency; however, are subject to the compliance of the obligations by the Members State.

The CCAAP identified the following tasks:

- Establish an accounting procedure for controlling the restricted funds such as the Reserve Sub-fund;
  - Adjust the presentation of the Financial Statements to the International Financial Reporting Standards: a) In the Financial Statements (General Balance Sheet) the “contributions pending: accounts receivable as part of the Equity item will be reclassified and b) In the Statement of Income and Expenditures of the General Fund the debt from the office lease corresponding to the year 2007 will be registered.”
  - Review the seniority premium to register the Agency’s commitments to the personnel.
  - Presentation of the documents based on an understandable language according to international standards.
  - Reclassification of the existing Funds.
12. Also the CCAAP considered the: **“Report of the Council President concerning the meeting with the Ambassador of the Bolivarian Republic of Venezuela, regarding the headquarters of the OPANAL.”** The Ambassador of Bolivia and President on duty of the Council informed about the meeting held with the Deputy Secretary General with the

Ambassador of the Bolivarian Republic of Venezuela, His Excellency Mr. Roy Chaderton Matus on March 19 to examine the existing debts from leasing. Some alternatives were analyzed for the reconciliation of the contribution from Venezuela and the possibility for a new contract was evaluated which could contain three clauses:

- 1) Take for granted the leasing of the offices currently used by the OPANAL for the 2006/2007 period on a “good faith” basis.
- 2) Renewal of the leasing contract from the 1<sup>st</sup> of January 2008 for an undetermined period and;
- 3) Notice of termination of contract within 30 days.

A project for “Leasing Agreement” was presented and the willingness of the Mexican Secretary of Foreign Affairs to carry out the procedures for obtaining some premises was discussed, for which an “Addendum to the Headquarter Agreement” was elaborated (Doc. S/Inf.971). Both documents were prepared by the First Secretary of the Embassy of Bolivia, Mr. Waldo Alvarado. The CCAAP thanked the Ambassador and the First Secretary from the Republic of Bolivia for their good work.

13. The CCAAP was informed of the “**Personnel annual contract signing**”. The Deputy Secretary General requested authorization for signing annual contracts with three members of the Secretary and a contract for less time for one of the employees with the intention of her termination. The Auditors determined the obligations of the Agency related to labor so that the termination was according to the Mexican labor legislation. The CCAAP took note of an *Aide Memoire* based on the Federal Labor Law of Mexico regarding the termination of the 10 years of work of Mrs. Guadalupe Menchero Negrete, who served until the 30<sup>th</sup> of June 2008.
14. During the 72nd meeting, the CCAAP took cognizance that the Public Accountant Auditor Luis Alberto Cámara will not assist due to professional difficulties and studied the “**Financial Position of the Organization, possibility to deposit the Reserve Sub-Fund with a Funds Operator.**” The Deputy Secretary General presented documents for the annualized return on a fixed term of the Actinver, Vector and Banco HSBC Funds Operators. After several proposals and the interchanging of opinions it was concluded that it wasn’t the best time for investing in the Stock Market due to the exchange instability. It was recommended to deposit the Reserve Sub-Fund on fixed terms in Banco HSBC. Also, it was requested to the Secretary General the preparation of chart explaining the contribution received in 2007 for which 15% will be

accredited to the Reserve Sub-Fund according to Article 51 b) of the General Standards to govern the operations of the General Secretariat. It was agreed that the Council will be informed of this concern as a political organization.

15. Likewise, the CCAAP received a Memorandum from the Secretary General about the **“Request from the Ambassador of the Bolivarian Republic of Venezuela to try compare the contributions with the leasing”** and presented an *Aide Memoire* (CCAAP/Mem.10 Rev.) on which the CCAAP based the approval, stating that the President on Duty of the Council will continue with the proceedings with the Embassy of Venezuela. The response from Venezuela was received on the 17<sup>th</sup> of September stating that it is not possible to consent to this request, since “... in the opinion of the Legal Consultancy of the Ministry of the People’s Power for Foreign Affairs they could not proceed to such discount or rebate without previous notice to the National Assembly; that is to say, the amount received for the rent of the property ‘is delivered to the national revenue service as a credit in its favor, and is pending the income which is incorporated to the Annual Budget Law of the Republic. In accordance with the budgeting legality principle, it is not possible to alter the balance between the income and the expenses because that would modify the Law approved by the National Assembly”.
  
16. In the 73rd Session, the CCAAP received the Representative from the BDO Hernández Marrón and Company Auditing Firm, Public Accountant Luis Alberto Cámara who presented the document “Financial Statements and External Auditors’ Report as of 31<sup>st</sup> of December 31 2007” (Doc. CG/E/621) where the financial position of the Agency is explained in detail. He informed that the General Balance Sheet is composed of assets, liabilities and equity of the Agency; he reminded that the Peaceful Uses of Nuclear Energy Fund is composed of the Contributions from the Agency, the Contributions from the Member States, by the Working Capital Fund and by the Unused Items. He indicated that the receivable contributions add up to \$886,695.33 USD and constitute the total of non-paid contributions. He highlighted also that such contributions are integrated to the Peaceful Uses of Nuclear Energy Fund and that all the budgeted items were directed to an operative control. He specified that by not paying the salary of the Secretary General, the benefits and travel expenses approved for the year 2007, a surplus was created adding to the payments received for the contributions corresponding to the previous years. The balance in the bank increased by the end of 2007 and the concept for contributions receivable decreased. Afterwards, he informed that changes were carried out to the General Balance Sheet and the Statement of Income and Expenditures of the General Fund with the purpose of following the International Financial Reporting Standards and making the

accounts of the Agency clearer. He indicated that within the changes made to the General Balance Sheet is the division of the total amount up to 2007 of the Unused Items between the Peaceful Uses of Nuclear Energy Fund and the General Fund, according to the guidelines set by the Financial Regulations in effect and the breakdown of the total amount for the Unused Items reflected in the Budgetary Position of Expenditures Statement. He stated also that with the changes done within the Statement of Income and Expenditures of the Fund, the real execution of the expenses carried out can be observed as well as the provision for expenses not done during the 2007 term.

### **Financial Statements and External Auditors' Report as of 31<sup>st</sup> of December 2007**

17. According to Article 15 of the Financial Regulations, CCAAP received the Financial Statements and External Auditors' Report as of 31<sup>st</sup> of December 2007, where the following is expressed:

"H. General Conference  
Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL);

We have examined the financial situation of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean up to the 31<sup>st</sup> of December 2007 including the income and expense situation of the General Fund related to it; following the principles that dictate the activities of the External Auditor in accordance with articles 13, 14, and 15 and others applicable from the Financial Regulations of the OPANAL. Our responsibility consists of expressing an opinion of the same, based on our audit.

In our opinion, except for the accounts receivable not covered by the OPANAL by the Member States for \$886,695.33 USD, the enclosed financial statements as identified in the letter of introduction for Mrs. Deputy Secretary General of the OPANAL, that according to regulations are expressed in United States Dollars reasonably showing the financial position of the OPANAL and the corresponding application of funds on the approved Budget items for the year 2007.

WE CERTIFY that the financial statements here referred to and their annexed account statements "A", "B", "C" and "D", are presented in agreement with the data in the accounting records.

In the report attached to this advisory opinion the supplementary data are provided for the better interpretation of the financial statements and their corresponding account statements.

BDO Hernández Marrón y Cía., S.C  
C.P.C. Luis Alberto Cámara Puerto  
(Partner)  
Mexico, D.F., April 23, 2008"

18. The Auditor also presented a document of the Reserve Sub-Fund requested by the CCAAP to study the possibility of increasing it with the surplus registered in the bank. Considering the savings in salary and benefits of the Secretary General and the late payment of contributions at

the end of 2007. The subject was broadly discussed, based on what is stipulated in Article 55 of the General Standards to Govern the Operations of the General Secretariat which states "...To the extent that the Subfund exceeds 15 percent of the total of the annual quotas of the member states, the excess shall be available in subsequent years to finance partially the budget ...". The Representative from Brazil presented a *Aide Memoire* proposing to extend the maximum of 15% to 100%, a proposal which was backed by the Contribution Commissions. Based on different proposals, the CCAAP suggested preparing a draft resolution to be approved by the Council, in which it is proposed as a temporary measure to use the total surplus of the fiscal years 2007, 2008 and 2009 for the Reserve Sub-Fund.

19. In its 74<sup>th</sup> Session the CCAAP received two documents presented by the Mexican Delegate "Modernization of the Financial Statements of the OPANAL, Peaceful Uses of Nuclear Energy Fund" (FUPEN) and "Financial Situation, Measures designed to encourage the timely payment of contributions." Concerning the first matter, the following alternatives were presented:

- "Reinstate to the FUPEN the voluntary contributions which it originally had;
- Reactivate it during the transition period, from the amounts that represent economies from the annual budget: the salary of the Secretary General, specific expenses not executed or leasing of the venue;
- Finance it with voluntary contributions and by the allocation of resources corresponding to 20% of the surplus in banks at the end of each fiscal year for 2007, 2008, and 2009 (leaving 80% for the Reserve Sub-Fund)."

The document also proposes the following:

- "During the transition period, the Secretary General will carry out consultations with the Member States in order to know the specific subjects they are interested in, to consolidate a subject agenda in coordination with the Council, which eventually could be presented to the next Secretary General of the OPANAL.
- State Members, who are up to date with their contributions by the end of the transition period, will have priority for the benefit of the diffusion projects that were financed by the FUPEN.
- Once the transition period is concluded, the General Conference will evaluate the need to assign another percentage of the surplus in the bank (10 or 15%).

Following the proposal, the Agency will maintain available resources for the following term (Reserve Sub-Fund); they will save Money to promote substantive activities and in the Financial Statements they will decrease the balance of the FUPEN."

The Secretary General prepared a draft resolution, which was approved with modifications from the Mexican Delegate (C/L.46 Rev.1) presented to the Council in its 237<sup>th</sup> Session.

20. **"Rearrangement of the Items composing the Peaceful Uses of Nuclear Energy Fund"** It was agreed that this topic will also be included in the draft resolution that will be presented to



the Special Session of the General Conference as part of the Modernization process of the Financial Statements. The creation of a new Special Fund for Recovery was studied which includes the Working Capital Fund, the Contributions from the Agency and the Unused Item; as well as the reinstatement the voluntary contributions made by the Member States to the FUPEN for the amount of \$14,466.41 USD.

21. **“Financial Position, Measures to encourage the timely payment of contributions.”** The Commission studied the proposal from Mexico about the possibility of resolving historic debts and starting negotiations with those countries with more than two years of due contributions. Such negotiations could be held at the UN or the OAS where these countries have Embassies; the Deputy Secretary General will define the procedure considered convenient for the establishing of contact in writing or on her trips to such organizations. There was a general consensus and the subject was passed on to the Council.
22. The CCAAP analyzed the draft resolution for the **“Modification of the Financial Regulations”** for the payment term of contributions in which the first semester of the year will be extended. It was determined that the renegotiation of the due contributions can only be done with the approval of the Council. Also, the Secretary General presented the **“Draft Budget for the Fiscal Year of 2009 and the Scale of Contributions for the apportionment for the Expenses of the Agency’s for the year 2009.”**
23. In the 75<sup>th</sup> meeting of the Committee on Contributions, Administrative and Budgetary Matters, the **“Modernization of the Financial Statements of the OPANAL, Peaceful Uses of Nuclear Energy Fund”** was discussed and it was concluded that more time was necessary to reach an agreement on the resources assigned temporarily to the FUPEN of 20% of the surplus from the years 2007, 2008 and 2009. A mandate was given to the Secretary to consult the Member States concerning the possible activities to be carried out in regards to this fund. The creation of the Special Recovery Fund was approved.
24. Concerning the **“Measures to encourage the timely payment of contributions”**, it was agreed upon to prepare a draft resolution to be presented to the Council.
25. As for the **“Modifications of the Financial Regulations”**, the changes were approved and will be submitted to the Council.

26. The **“Draft Budget for the Fiscal Year of 2009 and the Scale of Contributions for apportionment of the Expenses of the Agency’s for the year 2009”** was approved. According to Article 2 of the Financial Regulations, in its 75th meeting held on the 28<sup>th</sup> of August, the CCAAP approved the Draft Budget based on the proposal presented by the Deputy Secretary General. It was agreed that the Budget should stay at \$324,000.00 USD and that the Scale of Contributions will remain unchanged. It is presented as document CG/E/626.

### **Financial Situation of the Agency**

27. The CCAAP received information in all its meetings about the financial position of the Agency; the balance as of the 31<sup>st</sup> of December 2007 went up to \$475,229.16 USD. Regarding 2008, as of the 29<sup>th</sup> of October the amount received was \$542,627.46 USD.
28. According to Article 6.04 of the Financial Regulations, the Member States received the quarterly Collection of Contributions reports ending on March 31, June 30 and September 30.

### **Other Business**

29. The Deputy Secretary General informed the CCAAP that in April he paid the owed leasing to the Embassy of the Bolivarian Republic of Venezuela for three months in 2006 and the total amount for 2007 for the amount of \$51,000.00 USD. The CCAAP took account of the payment for the leasing of the offices used by the OPANAL and thanked the Embassy of the Bolivarian Republic of Venezuela for its support and good will in waiting for the corresponding payment. As soon as the Venezuelan Government pays the remainder of this year's contributions, the OPANAL will settle the lease corresponding to 2008.
30. The CCAAP agreed to give privilege to the international presence of the OPANAL and reminded the Council that the Secretary General continues to participate in the international meetings governing the issues concerning the Agency. It was taken note of the invitations received during the year:
  - Hemispheric Security Commission of the OAS.
  - Towards 2010: The Role of the African Nuclear Weapons Free Zone Treaty in strengthening the Disarmament Objectives of the Non-Proliferation Treaty (NPT): a Southern African Regional Seminar.
  - Second Meeting of the Preparatory Commission of the VIII Review Conference of the TNP.
  - General Assembly of the OAS.
  - Regional Seminar on the IAEA's Strengthened Safeguards System for the States in the Greater Caribbean with Limited Nuclear Material and Activities
  - "The Nuclear Challenges" Seminar of FLACSO (Latin American Faculty of Social Sciences), sponsored by the Foreign Affairs Ministry from Chile and Norway.

- General Conference of the IAEA.
- First Committee of the General Assembly of the United Nations.

### **Recommendations of the CCAAP**

31. The Committee on Contributions and Administrative and Budgetary Matters presents for its consideration to the General Conference the following draft Resolutions:

- Report from the Committee on Contributions and Administrative and Budgetary Matters (CCAAP) (CG/E/L.527).
- Changes in the Financial Regulations (CG/E/L.528).
- Reactivation and Rearrangement of the Items composing the Peaceful Uses of Nuclear Energy Fund (CG/E/L.529).
- Measures Designed to encourage the timely Payment of Contributions (CG/E/L.530).
- Draft Budget and Scale of Contributions for the Apportionment of the Expenses of the Agency's corresponding to the year 2009 (CG/E/L.531).
- Financial Statements and External Auditors' Report as of December of 2007 (CG/E/L.532).