

GAO

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**NUCLEAR
NONPROLIFERATION**

**More Progress Needed in
Implementing
Recommendations for
IAEA's Technical
Cooperation Program**

Statement of Gene Aloise, Director
Natural Resources and Environment



G A O

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Highlights of [GAO-11-482T](#), a testimony before the Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

A key mission of the International Atomic Energy Agency (IAEA) is promoting the peaceful uses of nuclear energy through its Technical Cooperation (TC) program, which provides equipment, training, fellowships, and other services to its member states. The United States provides approximately 25 percent of the TC program's annual budget. While the vast majority of TC projects have not involved the transfer of sensitive nuclear materials and technology, TC assistance has been provided to countries of proliferation concern. In March 2009, GAO reported on potential proliferation and management concerns related to the program ([GAO-09-275](#)). This testimony discusses (1) GAO's findings and recommendations to the Department of State and IAEA in that report and (2) agency progress made to implement those recommendations to address these concerns. This testimony is based on GAO's 2009 report and updated in March 2011 by (1) reviewing documentation on actions taken by State and IAEA in response to the report's recommendations and (2) interviewing State and Department of Energy (DOE) officials.

GAO is making no new recommendations at this time and continues to believe that implementation of the recommendations in its March 2009 report could substantially reduce potential proliferation and management concerns related to the TC program.

View [GAO-11-482T](#) or key components. For more information, contact Gene Aloise at (202) 512-3841 or aloisee@gao.gov.

March 17, 2011

NUCLEAR NONPROLIFERATION

More Progress Needed in Implementing Recommendations for IAEA's Technical Cooperation Program

What GAO Found

As GAO reported in 2009, neither State nor IAEA seeks to systematically limit TC assistance to countries that (1) the United States has designated as state sponsors of terrorism—Cuba, Iran, Sudan, and Syria; (2) are not party to the Treaty on the Non-Proliferation of Nuclear Weapons—India, Israel, and Pakistan; and (3) have not completed comprehensive safeguards or additional protocol agreements with IAEA. The former head of the TC program told GAO that requests for TC assistance are evaluated strictly on technical merits. GAO found that the lack of sufficient and timely information provided by IAEA on project proposals limits the ability of DOE and the national laboratories to fully assess potential proliferation concerns associated with the program. In addition, GAO identified limitations in how the program is managed, including the failure of many member states to pay their full share of support to IAEA's Technical Cooperation Fund (TCF) and the use of outdated program metrics. GAO asked Congress to consider directing State to withhold a proportionate share of the U.S. voluntary contribution to the TC program that is equivalent to the amounts of TCF funding that would otherwise be made available to U.S.-designated state sponsors of terrorism, as the United States currently does with Cuba and has done in the past with other countries and territories. GAO recommended that State, working with IAEA, undertake eight actions to address proliferation and management concerns related to the program, such as establishing a mechanism to facilitate greater and more timely information sharing on proposals. GAO made two additional recommendations to State, including enhancing its record-keeping on project proposals identified as having potential proliferation concerns, and developing formal guidance to evaluate requests from TC fellows to study nuclear issues in the United States.

State and IAEA have made some progress in implementing several of the recommendations in GAO's report. This progress includes, among other things, (1) IAEA providing proposal information to the United States and other member states earlier in the project approval process; (2) IAEA pursuing efforts to promote results-based management of TC projects; (3) State doing better tracking of TC proposals that may contain proliferation concerns; and (4) State developing new guidance and criteria for accepting or denying requests by foreign TC fellows to study in the United States. State, however, continues to strongly oppose GAO's suggestion that Congress consider requiring State to withhold a proportionate share of U.S. voluntary contributions to the fund for TC program assistance provided to U.S.-designated state sponsors of terrorism. GAO continues to believe that Congress should give serious consideration to this matter because there is a precedent for such a withholding and because such action would foster a more consistent and cohesive U.S. policy toward such nations that the United States chooses not to engage directly in trade, assistance, and other forms of cooperation.

Madam Chairman and Members of the Committee,

I am pleased to be here today to discuss the findings and recommendations from our March 2009 report on the International Atomic Energy Agency's (IAEA) Technical Cooperation (TC) program and the actions the Department of State and IAEA have taken to implement the recommendations in that report.¹ In March 2011, we reviewed documentation provided by State and IAEA and interviewed State and Department of Energy (DOE) officials to obtain updated information on actions taken to implement our 2009 recommendations.

IAEA is an independent international organization based in Vienna, Austria, affiliated with the United Nations. It has the dual mission of promoting the peaceful uses of nuclear energy and verifying that nuclear technologies and materials intended for peaceful purposes are not diverted to weapons development efforts. The TC program is a main pillar of IAEA's mission to promote the peaceful uses of nuclear energy. To that end, the TC program helps IAEA member states achieve their sustainable development priorities by furnishing them with relevant nuclear technologies and expertise, and the program plays a role in facilitating Article IV of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), which affirms that all states party to the treaty have a right to participate in the exchange of equipment, materials, and scientific and technological information for peaceful uses of nuclear energy. Through the TC program, IAEA has supported the development of nuclear technology for peaceful applications in a variety of areas, including energy, human health, food and agriculture, and nuclear safety. TC projects have supported efforts to eradicate tsetse flies and other insect pests in certain regions, control communicable diseases in developing countries, and develop higher-yielding agricultural crops. In 2007, the TC program disbursed over \$93 million in nuclear technical assistance to 122 countries and territories. All IAEA member states are eligible for TC assistance; however, not all countries request assistance. The United States participates as a donor and is the largest financial contributor to the

¹GAO, *Nuclear Nonproliferation: Strengthened Oversight Needed to Address Proliferation and Management Challenges in IAEA's Technical Cooperation Program*, [GAO-09-275](#) (Washington, D.C.: Mar. 5, 2009).

TC program, providing approximately 25 percent of its budget, or approximately \$19.8 million, in 2007.²

In our 1997 report on the TC program, we found that while the vast majority of TC projects did not involve the transfer of sensitive nuclear materials and technologies, nuclear assistance had been provided to countries that posed proliferation risks.³ Proliferation concerns about the TC program have persisted because of the assistance it has provided to certain countries, including four countries—Cuba, Iran, Sudan, and Syria—that the United States has designated as state sponsors of terrorism, and because nuclear equipment, technology, and expertise can be dual-use—capable of serving peaceful purposes, such as the production of medical isotopes, but also useful in contributing to nuclear weapons development. For example, in 2006, IAEA refused to support a TC proposal from Iran requesting assistance for a heavy water reactor near the town of Arak. Iran stated that the reactor was intended for the production of medical isotopes, but the United States and other IAEA members objected due to concerns that the plant could serve as a source of plutonium for use in nuclear weapons.

Background

IAEA's policy-making bodies—the General Conference and the Board of Governors—set overall policy direction for the TC program. The United States is a permanent member of the Board of Governors. IAEA's Secretariat—led by a Director General and structured into six functional departments, including the Department of Technical Cooperation—is responsible for implementing policies established by the General Conference and the Board of Governors.⁴

Typically, the TC program develops and approves new projects on a 2-year cycle. Member states begin submitting project proposal concepts to IAEA in September of the year prior to approval. IAEA officials screen proposal

²In 2010, the United States' voluntary contribution to the IAEA Technical Cooperation Fund was \$21 million. In addition, the United States provided approximately \$10.3 million in technical cooperation extrabudgetary assistance in 2010.

³GAO, *Nuclear Nonproliferation and Safety: Concerns With the International Atomic Energy Agency's Technical Cooperation Program*, [GAO/RCED-97-192](#) (Washington, D.C.: Sept. 16, 1997).

⁴The other IAEA departments are the Departments of Management, Nuclear Sciences and Applications, Safeguards, Nuclear Energy, and Nuclear Safety and Security.

concepts through the fall, and member states develop and refine their proposals through March of the approval year. By July, IAEA's Secretariat comes to a final agreement on TC project proposals that it will back for approval by the Technical Assistance and Cooperation Committee and the Board of Governors. The TC project proposals are discussed with member states in bilateral and regional group meetings during IAEA's General Conference, which is held in September. In November, the Technical Assistance and Cooperation Committee and the Board of Governors give final approval to the proposed TC projects. This approval covers the entire life cycle of the project.

As of June 2008, 1,290 TC projects were under way, with each project lasting, on average, 3 to 4 years. A TC project typically has several components, including equipment procurement, provision of expert services, training, and fellowships. Each year, about 1,600 individuals around the world are granted fellowships by the TC program, allowing them to pursue specialized nuclear studies at universities, institutes, and other facilities outside their home countries.

Financing of TC projects is generally supported through the annual voluntary contributions of member states to IAEA's Technical Cooperation Fund (TCF).⁵ Each member state is expected to meet an annual financial pledge to the TCF, which is set as a percentage of the total TCF target budget. The U.S. target rate has been set at 25 percent of the TCF target budget, while many of the least developed countries are expected to contribute less than 1 percent of the TCF budget. Contributions to the TCF are fungible—that is, they are not designated for, and cannot be traced to, specific TC projects.

In the United States, State and DOE are the two principal agencies involved in TC issues. U.S. funding to the TC program—including its contribution to the TCF, extrabudgetary funding for specific projects, and “in-kind” contributions—is provided from State's budget as part of the overall annual U.S. “voluntary contribution” to IAEA.⁶ In addition to providing funding to IAEA, State coordinates U.S. policy toward the TC

⁵A TC project may be funded in whole or in part from the TCF, and can be supported through extrabudgetary funding provided by member states or international organizations.

⁶The U.S. voluntary contribution to IAEA also supports other IAEA programs and activities, including safeguards, nuclear safety, and nuclear security.

program by working through the U.S. Mission to International Organizations in Vienna.

In our 1997 report on the TC program, we asked Congress to consider requiring State to withhold a proportional share of its voluntary funds to IAEA that would otherwise go to countries of concern, as defined by section 307(a) of the Foreign Assistance Act of 1961, if it wished to make known that the United States does not support IAEA's technical assistance projects in those nations. In addition, we recommended that the Secretary of State direct the U.S. interagency group on IAEA technical assistance to systematically review all proposals for TC projects in countries of concern prior to their approval by IAEA to determine whether the projects are consistent with U.S. nuclear nonproliferation goals. In response, an interagency process was established, involving State, DOE, and the DOE national laboratories, to evaluate proposed and active TC projects for proliferation risks. State leads the reviews of TC project proposals and ongoing projects. DOE provides technical input to this process using the technical expertise of its national laboratories to assess the projects' proliferation risks and reports its findings to State.

GAO's 2009 Findings and Recommendations on Potential Proliferation and Management Concerns Surrounding the TC Program

In our 2009 report, we identified potential proliferation concerns with the TC program, including concerns about certain countries receiving TC assistance—such as those designated by the United States as state sponsors of terrorism—and lack of sufficient and timely information from IAEA on TC project proposals to allow the United States or other member states to assess the proliferation risks of the proposed projects. We also identified several limitations in how the TC program is managed, which could undermine its long-term effectiveness, including the use of outdated program metrics and financial resource constraints.

GAO's Findings on Potential Proliferation and Management Concerns in the TC Program

In our 2009 report, we found that neither State nor IAEA sought to systematically limit or prevent TC assistance to countries that (1) have been identified as sponsors of terrorism, (2) are not parties to the NPT, and (3) have not completed comprehensive safeguards or additional protocol agreements with IAEA. Specifically:

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- State officials told us that the United States did not systematically try to limit TC projects in Cuba, Iran, Sudan, and Syria—which the department designated as sponsors of terrorism. These four countries received more than \$55 million in TC assistance from 1997 through 2007. Moreover, IAEA officials told us that the agency did not seek to limit or condition TC assistance in countries such as Iran and Syria that have been found or suspected by IAEA of having violated their safeguards commitments and may be engaged in undeclared nuclear activities. Under U.S. law, however, State withholds a portion of its contributions, except for certain projects, to the TCF equal to the U.S. proportionate share of TC expenditures in Cuba. In addition, in the past, State has withheld a proportionate share of its TCF contribution for Iran, Libya, and the Territories Under the Jurisdiction of the Palestinian Authority. Regarding Iran, State reported in 2007 that three TC projects in that country were directly related to the Iranian nuclear power plant at Bushehr. IAEA’s former Deputy Director General for the TC program told us that requests for TC assistance are evaluated strictly on technical merits and the contributions of the proposed projects to a nation’s development priorities.
 - From 1997 through 2007, the TC program disbursed approximately \$24.6 million in assistance to India, Israel, and Pakistan, although these states are not party to the NPT. IAEA officials told us that NPT membership is not required for IAEA member states to receive TC assistance under the agency’s statute. State officials told us that the United States did not attempt to systematically limit TC program support to countries that are not signatories to the NPT.
 - According to IAEA, Article III of the NPT requires all nonnuclear weapon states to conclude comprehensive safeguards agreements with the agency, and the United States and IAEA have recognized an inherent linkage between nonnuclear weapon states’ rights to access peaceful nuclear technology and their obligation to accept safeguards on their nuclear activities.⁷ We found, however, that nonnuclear weapon state members of IAEA are not required to complete comprehensive safeguards or additional protocol agreements with IAEA to be eligible for TC assistance, even though U.S. and IAEA officials have stressed the need for all

⁷The NPT requires nonnuclear weapon state parties to the treaty (defined as those countries that had not manufactured and detonated a nuclear device before January 1, 1967) to accept IAEA safeguards on all nuclear material used in peaceful activities so that the agency can verify that their nuclear programs are not being used for weapons purposes. Most countries have concluded “comprehensive safeguards agreements” with IAEA, under which governments declare their nuclear materials and activities to IAEA. The agency then verifies and monitors these declarations.

countries to bring such arrangements into force as soon as possible.⁸ We found that 17 states and territories without comprehensive safeguards agreements in force in 2007 received approximately \$6.7 million in TC program assistance that year, while 62 states and territories without an additional protocol in force in 2007 received approximately \$43.2 million in assistance that same year.

We also found that the proliferation concerns associated with the TC program were difficult for the United States to fully identify, assess, and resolve for the following reasons:

- *Lack of sufficient and timely information on TC project proposals.* State, DOE, and national laboratory officials told us that there was no formal mechanism for obtaining TC project information from IAEA during the proposal development phase. Of the 1,565 proposed TC projects DOE and the national laboratories reviewed for possible proliferation risks from 1998 through 2006, information for 1,519 proposals, or 97 percent, consisted of only project titles. DOE and national laboratory officials told us that a TC project proposal title alone is generally insufficient to reliably assess proliferation risk. In addition, DOE and national laboratory officials told us that in recent years they had received less information about proposed TC projects and that the information they did receive is arriving closer to the time when such projects must be approved by IAEA's Technical Assistance and Cooperation Committee and the Board of Governors. State, DOE, and national laboratory officials told us that it is preferable to raise potential proliferation concerns about TC proposals with IAEA officials early in the development cycle, when project proposals can be modified more readily. Finally, while IAEA's Safeguards Department reviews TC proposals and ongoing projects, we were told the results of these reviews are confidential and are not shared with the United States or other governments. We were unable to assess the effectiveness of this IAEA internal review process because IAEA officials declined to provide us with certain basic information regarding the results of the review, including the total number of TC proposals the Safeguards Department identified as having potential proliferation concerns.
- *Limited State documentation on how proliferation concerns of TC proposals were resolved.* From 1998 through 2006, DOE and the national

⁸IAEA has sought to further strengthen its verification efforts through a complementary "additional protocol" to a country's comprehensive safeguards agreement. Under such protocols, states must provide IAEA with broader information and wider access rights on all aspects of their activities related to the nuclear fuel cycle.

laboratories identified 43 of the 1,565 TC proposals they reviewed as having some degree of potential proliferation risk. IAEA approved 34 of these 43 proposals. However, we were unable to determine if State addressed DOE's and the national laboratories' concerns because—with the exception of one case—State could not document how it responded to these findings. State officials told us that as a result of a 2005 reorganization of the department's arms control and nonproliferation bureaus, the office that monitors TC program issues has fewer staff to conduct IAEA oversight.

- *Shortcomings in U.S. policies and IAEA procedures related to TC program fellowships.* From 1997 through 2007, we found that of 1,022 TC program fellows who studied nuclear issues at universities or other organizations in the United States, 23 were from non-NPT member states, such as Israel and Pakistan, or from U.S.-designated state sponsors of terrorism, such as Syria. We found that State's Office of Multilateral Nuclear and Security Affairs lacked a formal policy and specific criteria to serve as the basis for approving or rejecting requests from TC fellows to study nuclear issues in the United States.⁹ In addition, we found shortcomings in the extent to which IAEA monitored the proliferation risks of TC fellowships. Specifically, IAEA did not systematically track individuals who completed fellowships to determine whether they were still working on peaceful nuclear programs in their home country, and how the knowledge and expertise they obtained is being applied.

In the 2009 report, we also identified management challenges limiting the TC program's long-term effectiveness in three areas: program performance metrics, financial resource constraints, and project and program sustainability. Specifically:

- *Inadequate program performance metrics.* IAEA did not have adequate metrics for measuring the TC program's impact. For example, IAEA officials told us that performance metrics developed in 2002 did not assess the impact of TC projects in meeting specific member state development and other needs, such as the number of additional cancer patients treated

⁹However, we noted that TC fellows must apply for a U.S. nonimmigrant visa in order to enter the United States and begin their studies. State's Bureau of Consular Affairs handles the adjudication of these visa applications, and in some cases, the consular officers will request a security advisory opinion, known as a Visa Mantis, if there are concerns that a visa applicant may engage in the illegal transfer of sensitive technology. According to State, the key role of the Visa Mantis process is to protect U.S. national security, particularly in combating the proliferation of weapons of mass destruction, their delivery systems, and conventional weapons.

or the number of new nuclear security safety regulations promulgated. IAEA's internal auditor also reported that the TC program lacked appropriate performance indicators.

- *Financial resource constraints.* Many member states did not pay their full share of support to the TCF but nevertheless received TC assistance, while some high-income countries also received support from the TC program. The TCF experienced a shortfall in 2007 of \$3.5 million, or 4 percent, of the \$80 million total target budget because 62 member states did not pay their full contributions, including 47 countries that made no payment at all. In addition, in 2007, 13 member states that the UN defined as high-income received a total of \$3.8 million in assistance from the program, or 4 percent of the total TC disbursements that year. While IAEA officials told us it would be helpful if more developed countries shifted from TC recipients to donors, IAEA had not developed a policy or criteria for determining when such countries should be graduated from assistance.
- *TC project and program sustainability challenges.* IAEA did not systematically review completed TC projects to determine or verify whether the host country is sustaining project activities and results. In addition, the TC program overall faced sustainability challenges because program funding was distributed across 18 different technical areas, making it difficult for IAEA to set clear program priorities and to maximize the impact of limited TC program resources. Finally, IAEA had developed outreach strategies to engage new potential partners and donors—primarily from international development organizations—to help sustain the TC program. However, this effort faced several limitations and shortcomings, including a focus on attracting TC program donors and partners in the economic and social development communities—rather than private sector partnerships—and failure to evaluate long-term commercial potential of TC projects.

GAO's Recommendations to Address Potential Proliferation and Management Concerns in the TC Program

Based on our findings, we asked Congress to consider directing State to withhold a proportionate share of future U.S. voluntary contributions to the TC program that is equivalent to the amounts of TCF funding that would otherwise be made available to U.S.-designated state sponsors of terrorism and other countries of concern, as it currently does with Cuba and has done in the past with Iran, Libya, and the Territories Under the Jurisdiction of the Palestinian Authority. Alternatively, we noted that if Congress wishes to obtain additional information before making this decision, it could require State to report to Congress explaining its rationale for not withholding a proportionate share of the U.S. contribution to the TCF for U.S.-designated state sponsors of terrorism.

In addition, we recommended that the Secretary of State, working with IAEA and member states through the Board of Governors, explore undertaking the following eight actions to address the range of proliferation and management concerns related to the TC program:

- Establish a formal mechanism to facilitate greater and more timely information sharing on TC project proposals between IAEA and the United States and other countries—including detailed information on the TC proposals themselves, as well as the results of IAEA’s internal proliferation reviews of the proposals—so that proliferation and other concerns can be identified and addressed early in the project development cycle.
- Promote a regular and systematic process for obtaining, retaining, and updating information on prior TC project fellows to better track where and how the knowledge and expertise they have obtained is being applied.
- Strengthen the TC program’s mechanisms for collecting member states’ contributions to the TCF to include withholding from nonpaying states a percentage of TC assistance equivalent to the percentage of their target rate that they fail to contribute to the TCF.
- Establish criteria for determining when member states, especially those defined as high-income countries, no longer need TC assistance in particular fields and when such states could be graduated from further TC support altogether.
- Seek to implement new results-based performance metrics for the TC program that establish specific national, regional, and interregional social and economic needs and measure the collective impact of TC projects in meeting those objectives.
- Focus the TC program on a more limited number of high-priority technical areas to maximize the impact of program resources.
- Encourage the TC program to reach out to private sector entities as part of its new partner and donor development strategy.
- Request member states to assess in their TC project proposals the prospects for commercialization of and private sector investment in the results of the projects. Such steps could include requiring information in the proposals on potential business plans, marketing strategies, and strategies for attracting commercial partners once IAEA support has concluded.

Finally, to clarify and improve U.S. oversight of the TC program, we recommended that the Secretary of State undertake the following two actions:

- Enhance record-keeping and formally document management actions regarding the discussion, action, and disposition of TC project proposals that DOE and the national laboratories identify as having potential proliferation concerns.
- Issue formal guidance with well-defined criteria—such as countries designated by State as sponsors of terrorism or gross human rights violators—that State should use as the basis for approving or rejecting TC fellowship requests for nuclear studies in the United States. This guidance could include, among other things, a list of specific countries from which State would not approve TC fellows that could be updated and revised annually, or as other circumstances warrant.

State Continues to Oppose Withholding a Proportionate Share of U.S. Funding for the TC Program, but State and IAEA have Made Some Progress in Implementing Our Other Recommendations

State officials told us that they continue to strongly oppose our matter for congressional consideration to require State to withhold a proportionate share of the U.S. voluntary contribution to the TC program that is equivalent to the amounts of TCF funding that would otherwise be made available to U.S.-designated state sponsors of terrorism and other countries of concern. In its comments on our 2009 report, State objected to the matter for a number of reasons, noting that (1) it would be counterproductive to a separate recommendation we made in the report encouraging all states to pay their full share to the TCF; (2) it would not stop TC projects in targeted countries because TCF funding is fungible; (3) Congress has exempted IAEA contributions from this type of proportionate withholding; (4) none of the TC projects in state sponsors of terrorism have been shown to have contributed to a WMD program; (5) there are adequate safeguards within IAEA's Secretariat to prevent TC projects from contributing to a WMD program; and (6) it would negatively impact the ability of the United States to achieve other critical objectives within IAEA.

We continue to believe that Congress should give serious consideration to this matter, and that it is not unique or unprecedented. As we noted in our report, U.S. law currently requires the withholding of a proportionate share of the U.S. contribution to the TCF for certain projects in Cuba, and has required withholding in the past for Iran, Libya, and the Territories Under the Jurisdiction of the Palestinian Authority. Moreover, we believe there is a fundamental principle at stake. As we described in our report,

the United States has applied several types of sanctions limiting foreign assistance and trade to states it has designated as sponsors of terrorism and to other countries. To avoid the appearance of an inconsistent approach and to foster greater cohesion in U.S. policy toward such nations, we believe that it is fair for Congress to consider requiring State to withhold a share of the U.S. contribution to the TCF for program activities in countries that the United States chooses not to engage directly in trade, assistance, and other forms of cooperation. The United States would almost certainly continue to be the largest donor to the TC program even with such a withholding, and State could deflect potential criticism from other member states by offsetting the amount of funding it withholds from the TCF by increasing the amount of funding provided through its extrabudgetary contribution for “footnote a/” TC projects.¹⁰ In this way, total U.S. financial support to the TC program—and U.S. political commitment to the IAEA mandate and the NPT—could be preserved. To give Congress greater flexibility and more information on this matter, we suggested that Congress could consider the alternative option of requiring State to report on its rationale for not withholding a proportionate share of the U.S. contribution to the TCF for U.S.-designated state sponsors of terrorism.

Despite its disagreement with our matter for congressional consideration, State has taken our other 2009 report recommendations seriously and has communicated directly with IAEA officials on their potential implementation. For instance, we reviewed correspondence from 2010 between State and IAEA officials in which State underscored its support for most of our recommendations. In addition, in March 2011, State officials told us they were optimistic that the new IAEA Director General and new Deputy Director General for the Technical Cooperation Program will continue to be receptive to changes to the management of the TC program. Nevertheless, State officials commented that while the United States remains the largest TC program donor, State has limited ability to influence IAEA’s decision-making and cannot direct or require IAEA to implement our recommendations. Moreover, in the correspondence between State and IAEA we reviewed, IAEA officials indicated that while they are supportive of some of our recommendations—such as phasing out highly-developed nations from further TC assistance—fully

¹⁰Projects that IAEA approves but that cannot be supported by available TCF resources are referred to as “footnote a/” projects. Extrabudgetary funding provided by member states or international organizations can be allocated directly to specific footnote a/ projects.

implementing them could require changes in IAEA policies that must be decided by IAEA's governing bodies, not by the Secretariat itself.

Nevertheless, State and IAEA officials were able to cite varying levels of progress concerning implementation of our recommendations.¹¹ Progress was reported by State and IAEA in 7 of our recommendations, as follows:

- *Establishing a formal mechanism to facilitate greater and more timely information sharing on TC project proposals between IAEA and the United States and other countries.* Although no formal mechanism has yet been established, according to State officials, IAEA's Secretariat took steps to ensure that descriptions of TC project proposals were provided to all IAEA member states during the September 2010 Board of Governors meeting. State officials told us that receiving the TC proposal descriptions 5 weeks in advance of the November 2010 Technical Assistance and Cooperation Committee and Board of Governors meetings, during which the proposals were approved, was a significant improvement from the previous practice, in which proposal information was typically made available to member states 2 weeks prior to these meetings. IAEA officials indicated in documentation provided to us in March 2011 that the Secretariat is aiming to provide proposals 5 to 6 weeks in advance of the 2011 November Technical Assistance and Cooperation Committee and Board of Governors meetings. A DOE official, who coordinates efforts by DOE and its national laboratories to assess proliferation concerns with the TC program, confirmed that information on TC project proposals was provided earlier by IAEA and that this additional amount of time was helpful to the U.S. proliferation review process. This official believed, however, that the amount and usefulness of information provided by IAEA about the proposed projects had not significantly improved since our report was issued in 2009. As a result, the DOE official told us that DOE generally considered TC proposal information alone to be insufficient to allow DOE and its national laboratories to reliably assess the proliferation risks of the TC proposals. The DOE official noted that the U.S. government has continued efforts to obtain more information from IAEA on TC proposals, although he said that it remains to be seen whether such efforts will bear fruit.
- *Promoting a regular and systematic process for obtaining, retaining, and updating information on prior TC project fellows.* Documentation

¹¹We did not independently verify the progress made by IAEA in implementing our recommendations given the time constraints in preparing this testimony.

IAEA provided to us in March 2011 highlighted a new IAEA system called the “InTouch Platform” launched in early 2011 that will allow IAEA to remain in contact with TC fellows. State officials told us that the usefulness of this system, however, depends on the willingness of TC fellows to voluntarily report and update information on their whereabouts and activities.

- *Seeking to implement new results-based performance metrics for the TC program.* According to State officials, IAEA officials in the TC Department have undertaken steps to foster results-based performance metrics for TC projects. These steps have included IAEA sponsorship of an interregional TC project and issuance of guidelines that are designed to promote results-based management of TC projects by IAEA member states. Documentation IAEA provided to us in March 2011 noted that the TC program is working on standard performance indicators for each of the TC program’s 30 fields of activities, and that the 2012-2013 cycle of TC projects will include strengthened monitoring and reporting requirements on project results.
- *Focusing the TC program on a more limited number of high-priority technical areas to maximize the impact of program resources.* In documentation provided to us in March 2011, IAEA reported that it has consolidated the field of activities covered by the TC program from 140 fields to 30 fields, notified member states that no more than 8 active TC projects will be supported per country, and undertaken a major management effort to close long-standing TC projects. According to IAEA, these steps are expected to lead to a smaller overall portfolio of TC projects.
- *Requesting member states to assess in their TC project proposals the prospects for commercialization of and private sector investment in the results of the projects.* While no formal mechanism for assessing commercialization or private sector investment potential appears to have been incorporated into the TC proposal development process, in documentation IAEA provided to us in March 2011 it was noted that there have been instances where TC project commercialization has been realized, including mutation breeding of rice varieties in Vietnam and Pakistan.
- *Enhancing State record-keeping and formally documenting management actions regarding the discussion, action, and disposition of TC project proposals having potential proliferation concerns.* State has implemented a new e-mail and cable management system since our report that State officials said they believe will improve storage and retrievability of their records regarding the discussion, action, and disposition of TC project

proposals that DOE and its national laboratories identified during the interagency review process as having potential proliferation concerns.

- *Issuing formal guidance with well-defined criteria that State should use as the basis for approving or rejecting TC fellowship requests for nuclear studies in the United States.* State has developed formal guidance establishing criteria for accepting or denying applications from TC fellows from foreign countries requesting opportunities to study nuclear issues at institutions in the United States. Among other things, this guidance states that TC fellowship applications for nuclear studies in the United States from countries listed as state sponsors of terrorism and from countries deemed gross human rights violators would not be approved.

We are making no new recommendations at this time. In preparing for this hearing, we interviewed State officials on how our recommendations have been implemented. We also interviewed a DOE official for his views regarding changes in the quantity and timeliness of information DOE has received on TC proposals since our 2009 report and whether this information has improved DOE's ability to assess proposed TC projects for potential proliferation concerns. We also reviewed documentation provided by State and IAEA concerning our recommendations and the steps taken to implement them. We discussed the factual information in this statement with State and DOE officials and incorporated their comments as appropriate. We conducted the performance audit work that supports this statement in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to produce a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our statement today.

Madam Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or other Members of the Committee may have at this time.

GAO Contact and Staff Acknowledgments

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