



G-77/IFCC-XI/A.4

**ELEVENTH MEETING OF THE INTERGOVERNMENTAL FOLLOW-UP
AND COORDINATION COMMITTEE ON ECONOMIC COOPERATION
AMONG DEVELOPING COUNTRIES (IFCC-XI)
Havana, Cuba, 21-23 March 2005**

**THE PEREZ-GUERRERO TRUST FUND
FOR ECONOMIC AND TECHNICAL COOPERATION
AMONG DEVELOPING COUNTRIES
(PGTF)**

**OFFICE OF THE CHAIRMAN OF THE GROUP OF 77
NEW YORK**

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**THE PEREZ-GUERRERO TRUST FUND
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AMONG DEVELOPING COUNTRIES
(P G T F)**

I. - WHAT IS THE PGTF?

1. The Perez-Guerrero Trust Fund (PGTF) was established by the United Nations in accordance with General Assembly resolution 38/201 of 20 December 1983, which provided for the liquidation of the United Nations Emergency Operations Trust Fund and allocation of its remaining balance.
2. The PGTF is aimed at supporting activities in economic and technical cooperation among developing countries (ECDC/TCDC) of critical importance to member countries of the Group of 77, in order to achieve national or collective self-reliance, according to the priorities set by them. It was named after the late Manuel Perez-Guerrero in 1986 and its resources are channeled through the United Nations Development Programme, following approval by the Group of 77.
3. The objective of the PGTF is to provide seed money for (i) financing pre-investment or feasibility studies and reports prepared by professional consultancy organizations in developing countries members of the Group of 77; and (ii) facilitating implementation of projects within the framework of the Caracas Programme of Action on ECDC.
4. Projects to be funded from PGTF resources should address the priority areas contained in the Caracas Programme of Action, namely Food and agriculture, Trade, Energy, Raw materials, Industrialization, Technology, Finance and Technical Cooperation among Developing Countries, as well as in the Havana Programme of Action in the areas of South-South cooperation.

II. - HOW IT WORKS

5. The Fund has been established for financing cooperative projects and not other type of development projects. Any project, in order to be eligible for PGTF assistance must necessarily have an ECDC or TCDC component, i.e. any activity which involves the deliberate and voluntary sharing, pooling or exchange of economic and technical resources, knowledge, experience, skills and capabilities among three or more developing countries for their individual or mutual development.
6. In this context, projects that are purely national in nature and bilateral projects will not qualify for funding. The Fund should not be used as a substitute for resources available to the United Nations agencies for undertaking activities in favor of economic cooperation among developing countries.
7. In the case of nationally executed projects, i.e. cooperative projects carried out entirely in a given country, the cooperative elements of the project should be established by means of written evidence of the interest of or participation by other developing countries as potential beneficiaries.

8. Before submitting proposals to the PGTF, governmental and non-governmental organizations, sub-regional and regional institutions of developing countries should obtain approval of their respective governing bodies and countries involved in the project. Project proposals should be forwarded through the host countries' designated national focal points for ECDC/TCDC or competent national authorities, as appropriate.
9. All project proposals submitted to PGTF should include inputs from other sources of an amount at least equal to the resources requested from PGTF. The sponsors should secure these inputs prior to submission of the proposal. Financial support to any project proposal in a given year cannot exceed one-seventh of the total resources available to PGTF for that year. An estimate of this figure is provided by the Office of the Chairman of the Group of 77 in New York at the beginning of each calendar year and included in the web page of the Group of 77. For 2005 the estimated ceiling per project is US\$ 40,000.
10. Proposals should be submitted to the Office of Chairman in line with the guidelines for utilization of PGTF resources and using a model format. Both are available in the web page of the Group of 77 in all the working languages of the Group and could also be requested to the Office of the Chairman.
11. Proposals are examined by a committee of six experts and if found appropriate are recommended for financing. The experts, two from each region, are selected for a five-year term. In order to strike the right balance between the principle of rotation and the need for benefiting from accumulated experience, mandates are structured so as to prevent replacement of both experts from a given region in the same year.
12. The deadline for submission of project proposals is 30 April of each year. The regular meeting of the Committee of Experts takes place in the second half of July of each year, and if necessary, an extraordinary meeting of the Committee may be convened. Final approval of the projects recommended by the Committee takes place at the Annual Ministerial Meeting of the Group of 77 held in September of each year at the beginning of the regular session of the United Nations General Assembly.

III. - HIGHLIGHTS OF 18 YEARS OF OPERATION OF PGTF (1986-2004)

13. In 1986, a High-level Meeting on ECDC held at Cairo defined the main features for launching operations of the PGTF, including the objective of the Fund, criteria for project eligibility, and operational arrangements for the submission, appraisal and approval of project proposals.
14. The Trust Fund was established with a core capital of US\$ 5 million and, according to the guidelines for its utilization, only interest accruing on the Fund could be used for project support so as to preserve intact the initial US\$ 5 million. In 2004, the core capital was increased to US\$ 6 million as a result of a US\$ 1 million contribution from Venezuela. The core capital plus unexpended resources in any given year constitute the interest-bearing resources, which have ranged between US\$ 6.2 and 7.2 million from 1986 to 2004.
15. From 1986 to 2004, 542 project proposals were submitted to PGTF and, according to the guidelines for its utilization, the Fund provided support to 146 projects with a total allocation of US\$ 8.8 million. Taking into account that project sponsors should secure matching funds from other sources, the aggregate mobilization of resources for PGTF-supported projects tripled this amount, i.e. US\$ 27.7 million.

16. A breakdown of the areas that have received the largest support from PGTF from 1986 to 2004 is as follows:

<u>Area</u>	<u>Number of projects</u>	<u>Share of allocated resources (%)</u>
Food and agriculture.....	44	30
Consulting services, training and other TCDC activities.	44	24
Trade.....	18	18
Technology.....	14	9
Information exchange and dissemination.....	13	8
Other (industrialization, energy, raw materials and finance).....	<u>13</u>	<u>11</u>
TOTAL	146	100

17. On the basis of country coverage, PGTF financial support was distributed in the following manner:

<u>Country coverage</u>	<u>Number of projects</u>	<u>Share of allocated resources (%)</u>
Interregional projects.....	46	42
Sub-regional projects.....	80	42
Regional projects.....	18	15
Action Committees.....	<u>2</u>	<u>1</u>
TOTAL	146	100

18. By mid-March 2005, the status of implementation for the 146 PGTF-funded projects was as follows:

<u>Status of implementation</u>	<u>Number of projects</u>	<u>Share of allocated resources (%)</u>
Completed.....	79	65
Under implementation.....	45	23
Under preparation still to be implemented.....	5	2
Not implemented/allocated resources reverted to PGTF.....	<u>17</u>	<u>10</u>
TOTAL	146	100

19. PGTF-funded projects have benefited directly or indirectly almost every member country of the Group of 77 in a large number of priority areas. For example, since 1986 PGTF-funded projects have benefited directly 104 developing countries members of the Group of 77 and, in the last seven years (1998-2004), PGTF-funded projects have benefited directly 84 member countries.

20. Collectively, all members have benefited through projects carried out by a large number of sub regional or regional institutions from developing countries (e.g. ALADI – Latin American Association of Integration, Amazon Cooperation Treaty, AELAC – Association of Educators and Latin America and the Caribbean, APPROTECH – Asian Alliance of Appropriate Technology

Practitioners, ASEAN – Association of South East Asia Nations, CAN - Andean Community, CCST – Caribbean Council for Science and Technology, CEPGL – Communauté des Pays des Grands Lacs, COMESA – Common Market for Eastern and Southern Africa, ECOWAS – Economic Community of West African States, MERCOSUR, NAM – Non-Aligned Movement, OUA – Organization of African Unity, SADC – Southern Africa Development Community, SELA – Latin American Economic System, SOPAC – South Pacific Applied Geosciences Commission, and TWN-Third World Network).

Yield of PGTF resources

21. Interest-bearing resources of PGTF include the core capital plus unexpended resources and, according to the information provided by UNDP, totaled US\$6.9 million as of mid-February 2005. The core resources have been invested as follows: 87 percent in securities, issued by supranational and government agencies, with staggered maturities from one to five years in order to smooth yield volatilities, and 13 percent in securities with longer maturities (up to nine years), so as to increase yield.

22. This investment strategy under the circumstances would maximize the yield of PGTF resources. For 2005 nominal interest rates are estimated at 4.65 percent and gross earnings would be US\$ 322,000, but after adjustment for the purchase price of the bonds, effective yield would be 3.48 percent and effective interest earnings would be only US\$ 241,000.

23. Total available resources for supporting new project proposals in 2005 would include the foregoing effective interest earnings and new contributions from member countries (US\$ 65,000 up to mid-March 2005).

Impact of PGTF-funded projects. Need for additional resources

24. A survey on the impact and benefits of the projects funded by PGTF was initiated in 1998, with a view to supporting the promotion of the Fund. Results achieved in eighteen years of operations prove that PGTF is a viable instrument for providing catalytic financial support to ECDC/TCDC activities. However, the modest size of PGTF has significantly limited its scope.

25. During the initial years of operation, the largest problem was insufficient awareness of PGTF existence and potential. In order to provide remedy to this shortcoming and facilitate preparation and submission of proposals, a continued dissemination effort has been undertaken since 1988 (brochures with guidelines and model formats for submitting proposals in all the working languages of the Group of 77, direct written communications and briefings to governments and relevant institutions and organizations, and a section in the web page of the Group of 77). However, increased awareness resulted in a larger number of eligible project proposals vis-à-vis insufficient resources.

26. In 1994 PGTF was only able to provide one third of the aggregate resources requested by eligible proposals. This perceived limitation discouraged many project sponsors and reduced the inflow of proposals in the following years.

27. In 1998 PGTF was able to support an all-time high number of projects (18) and allocate the all-time second largest amount of funds (US\$ 1.17 million). This reflects the quality of proposals submitted, mainly as a result of efforts by the Office of the Chairman aimed at approaching developing countries' regional and sub-regional institutions capable of preparing good project proposals. However, this level of support largely exceeds the regular availability of

PGTF resources and has only been possible because there were unexpended resources from previous years.

28. From 1999 to 2002, as indicated in the table below, available resources were again at the regular level of interest income, i.e. US\$ 400,000 to 500,000. In spite of these modest resources, PGTF supported a total of 49 projects (14 in 1999, 12 in 2000, 8 in 2001 and 15 in 2002), through funding of specific components of each project but was only able to provide some 60 percent of the resources requested by eligible projects.

29. In 2003 and 2004, as a result of the significant reduction in interest rates, available resources were reduced to some 50 to 60 percent of the regular level, thereby representing a significant limitation to PGTF activities. The Fund was nevertheless able to support 8 projects in 2003 and 10 in 2004.

<u>Year</u>	<u>Available resources</u> <u>(US\$)</u>	<u>Number of projects</u> <u>supported</u>
1999	462,000	14
2000	408,000	12
2001	796,000	8
2002	510,000	15
2003	246,000	8
2004	325,000	10

30. In order to enable PGTF to continue providing an adequate response to the increasing needs of developing countries, it is imperative that its resources be significantly expanded.

IV. - EXPANSION OF PGTF RESOURCES

31. The first initiative aimed at expanding PGTF resources was launched in 1996, when the Twentieth Annual Ministerial Meeting of the Group of 77 requested the Committee of Experts to present recommendations to this end. The Committee identified three areas, i.e. increase of PGTF core capital, increase of the yield of PGTF resources, and increase of the multiplier effect of PGTF resources. Recommendations made by the Committee were endorsed by the Twenty-first Annual Ministerial Meeting of the Group of 77 held in 1997.

32. While actions have been carried out in all three of these areas, it has been recommended to focus on actions aimed at increasing the core capital of PGTF, to be carried out by the Chairman of the Group of 77 in New York, in close coordination with the Chairmen/coordinators of the other chapters of the Group. The indicated target is to double the core capital to US\$10 million. In addition, regular contacts with institutions interested in co-financing projects with PGTF are undertaken so as to increase the multiplier effect of PGTF resources.

33. The Havana Programme of Action, adopted by the South Summit held in Havana, Cuba, from 10 to 14 April 2000, invited the member countries of the Group of 77 to contribute to the expansion of the resources of the PGTF.

34. The Marrakech Framework for South-South Cooperation, adopted by the High-level Conference on South-South Cooperation held in Marrakech, Morocco, from 16 to 19 December 2003, requested that immediate steps be taken to expand the resources of PGTF.

Contributions by member countries of the Group of 77

35. The initial approach undertaken by the Chairman of the Group 77 was to request small contributions from member countries (i.e. a notional figure of US\$ 2,000 per country was initially suggested), in order to get the largest possible number of developing countries to support PGTF, and to seek larger contributions from member countries in a position to contribute more.

36. As part of efforts to enlist larger contributions and pursuant to the mandate of the Marrakech High-level Conference, the Group of 77 sponsored General Assembly resolution 58/220 of 23 December 2003 in order to include PGTF in the United Nations Pledging Conference for Development activities. In the Pledging Conference held in November 2004, three member countries pledged contributions to PGTF.

37. PGTF has received from 1997 to mid-March 2005 a total of US\$ 1,141,830 through forty (40) contributions from twenty-one (21) member countries. This total includes 34 small contributions (up to US\$ 5,000) from 18 member countries, 5 larger contributions (more than US\$ 5,000) from 4 member countries (Algeria – two separate contributions, the Islamic Republic of Iran, Qatar and South Africa), and one US\$ 1 million contribution to the core capital from Venezuela. Since only interest accruing from this amount could be utilized for supporting projects, the contribution to the core capital would translate into a permanent input of some US\$ 35,000 per annum.

38. A complete list of contributions and pledges appears as Annex I. The table below shows a breakdown by size of contributions to PGTF:

	<u>Number of countries</u>	<u>Number of contributions</u>	<u>Contributions (US\$)</u>
Small contributions (up to US\$ 5,000)	18	34	85,065
Larger contributions (more than US\$ 5,000).....	4	5	56,765
Contributions to PGTF core capital (*)	<u>1</u>	<u>1</u>	<u>1,000,000</u>
TOTAL	21(**)	40	1,141,830

(*) Only interest accrued could be used to support projects

(**) Net number of contributing countries since some have made both small and larger contributions

39. In the light of the sizeable reduction in interest rates in the last few years, contributions have become critical in supplementing interest earnings and thus partially preserving the responsiveness of PGTF to the growing needs for support of South-South cooperation. As indicated in the table below, in 2004 contributions increased by 25 percent the availability of resources and in 2005 they have already increased it by 27 percent. On a year-to-year basis, the impact of the contributions to PGTF received in the last five years has been as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 (*)</u>
<u>New contributions</u>					
Total number of contributions.....	4	5	5	7	2
Small and larger contributions (US\$).....	7,000	14,300	16,600	46,000	30,000
Interest from contribution to core capital (US\$).....					<u>35,000</u>
SUB-TOTAL (US\$)	<u>7,000</u>	<u>14,300</u>	<u>16,600</u>	<u>46,000</u>	<u>65,000</u>
Interest earnings for initial core capital of US\$ 5 million (US\$)	284,000	212,000	176,000	190,000	241,000
TOTAL (US\$)	<u>311,000</u>	<u>216,300</u>	<u>192,600</u>	<u>236,000</u>	<u>306,000</u>
New contributions as percentage of interest earnings	2.5	6.7	9.4	24.2	27.0

(*) January-February 2005

40. It should also be noted that nine (9) countries have already made multiple contributions to PGTF, namely the Democratic People's Republic of Korea (six separate contributions), Venezuela (five contributions), Algeria (three contributions), Thailand (three contributions), Cyprus (three contributions), Egypt (two contributions), the Islamic Republic of Iran (two contributions), Singapore (two contributions), and South Africa (two contributions). Guided by this encouraging experience, an appeal should be made to all member countries to join this initiative and generously contribute to expand PGTF resources

Contributions by donor countries

41. In the light of the recommendation of the South Summit, the Chairman of the Group should undertake at an appropriate time to approach major donor countries with a view to enlisting their support. The excellent track record as well as the commitment expressed by member countries of the Group of 77 through their contributions to the PGTF could represent a powerful argument in discussions with donor countries.

Contributions by private foundations

42. While further definition and work are required on the implementation of this option, the strategy envisaged so far is to approach a limited number of major potential sources of funding with a view to establishing a durable relationship with these foundations in support of PGTF activities.

Co-financing with other institutions

43. In addition to the case-by-case approach that stems from the guidelines for utilization of PGTF, which requires that all proposals submitted to PGTF should include inputs from other sources of an amount at least equal to the resources requested from PGTF, efforts have been made to achieve more structured agreements with some institutions, aimed at providing continuity to co-financing activities.

44. As an example, in 2003 co-financing institutions provided a total of US 110,000 as their contributions to two pilot projects jointly supported with PGTF (UNIDO – US\$ 65,000, and the

Postal Union of the Americas, Spain and Portugal (UPAEP) – US\$ 45,000), within the framework of cooperative agreements under discussion with these institutions. However, progress regarding signature of formal agreements has been slow due to legal and procedural requirements.

V. - CONCLUSION

45. Results achieved in eighteen years of operations prove that PGTF is a viable instrument for providing catalytic financial support to ECDC/TCDC activities.

46. As a result of a multi-year dissemination effort, numerous developing countries' sub-regional and regional institutions capable of preparing good project proposals have been approached so far and a sizeable number of eligible proposals are being submitted to PGTF. However, the modest size of PGTF has significantly limited its ability to respond to this increased demand for support.

47. In order to enable PGTF to continue being responsive to the increasing needs of developing countries, it is imperative that its resources be significantly expanded and, in this regard, efforts should focus on ways and means to increase the core capital of PGTF. A target of doubling the core capital to US\$ 10 million has been indicated and a contribution of US\$ 1 million to this end has already been received.

48. While a number of possible sources of funds have been identified, it seems that contributions from member countries of the Group of 77 should lead these fund-raising efforts, both through smaller contributions from the largest possible number of member countries and larger contributions from member countries in a position to do so. Inclusion of PGTF in the United Nations Pledging Conference for Development Activities provides another opportunity for enlisting support to PGTF.

49. This initial effort by the member countries is probably a prerequisite to successfully approach other potential sources, such as major donor countries and private foundations for enlisting further support to PGTF resources.

**STATUS OF CONTRIBUTIONS
TO THE PEREZ-GUERRERO TRUST FUND FOR ECONOMIC AND TECHNICAL
COOPERATION AMONG DEVELOPING COUNTRIES (PGTF)*
(As of 11 March 2005)**

I. Contributions paid

	COUNTRY	AMOUNT (\$US)	DATE	TOTAL
1.	Algeria	2,000.00	June-1999	22,000.00
		10,000.00	April-2004	
		10,000.00	January-2005	
2.	Brazil	2,000.00	March-2004	2,000.00
3.	China	2,000.00	February-2000	2,000.00
4.	Cyprus	2,000.00	March-1999	7,775.00
		3,000.00	January-2002	
		2,775.00	May-2003	
5.	Democratic People's Republic of Korea	2,000.00	February-1999	12,000.00
		2,000.00	May-2000	
		2,000.00	March-2001	
		2,000.00	February-2002	
		2,000.00	December-2003	
		2,000.00	October-2004	
6.	Egypt	2,000.00	March-2001	4,000.00
		2,000.00	September-2002	
7.	India	2,000.00	August-1999	2,000.00
8.	Indonesia	2,000.00	March-2003	2,000.00
9.	Iran (Islamic Republic of)	3,000.00	January-1999	23,000.00
		20,000.00	February-2005	

* Pursuant to the provisions contained in para. 58 of the Declaration adopted by the Twentieth Annual Meeting of Ministers for Foreign Affairs of the Group of 77 (New York, 27 September 1996) as well as the decision contained in para. 47 of the Declaration adopted by the Twenty-seventh Annual Meeting of Ministers for Foreign Affairs of the Group of 77 (New York, 25 September 2003).

	COUNTRY	AMOUNT (\$US)	DATE	TOTAL
10.	Kuwait	3,000.00	April-2003	3,000.00
11.	Malaysia	2,000.00	May-1999	2,000.00
12.	Mauritius	500.00	December-1997	500.00
13.	Pakistan	1,000.00	April-1998	1,000.00
14.	Peru	2,000.00	August-2000	2,000.00
15.	Philippines	1,500.00	September-1999	1,500.00
16.	Qatar	10,000.00	January-2004	10,000.00
17.	Singapore	2,000.00	December-1998	4,000.00
		2,000.00	September-2001	
18.	South Africa	3,000.00	August-2001	9,765.90
		6,765.90	September-2003	
19.	Thailand	2,000.00	May-1999	6,289.90
		2,289.90	April-2002	
		2,000.00	February 2004	
20.	United Republic of Tanzania	5,000.00	January-2002	5,000.00
21.	Venezuela	1,000,000.00	September-2004	1,020,000.00
		5,000.00	September-2004	
		5,000.00	September-2004	
		5,000.00	November-2004	
		5,000.00	November-2004	
				1,141,830.80

II. Contributions pledged

	COUNTRY	AMOUNT (\$US)	DATE	TOTAL
1.	Namibia	1,000.00	November-2004	1,000.00
2.	Indonesia	5,000.00	November-2003	5,000.00
3.	Venezuela	5,000.00	November-2004	5,000.00
				11,000.00