

**Perez-Guerrero Trust Fund
for South-South Cooperation
(PGTF)**

January 2023

INTRODUCTION

- **PGTF was established in 1983 by UN General Assembly Resolution 38/201 with a core capital of US\$ 5 million, increased to US\$ 7 million through contributions from two member countries of the Group of 77 (G-77) made in 2004 and 2015. Only interest accrued on PGTF could be used to support projects so as to preserve intact the core capital.**
- **PGTF provides catalytic financial support to cooperative projects carried out by three or more developing countries. Preference is given to projects that have the largest impact and country coverage, in particular interregional or regional projects.**
- **Proposals submitted to PGTF should address the priority areas of the Caracas Programme of Action on ECDC adopted in 1981, namely food and agriculture, trade, energy, raw materials, technology, industrialization, finance and TCDC, as well as the priority areas for South-South cooperation of the Havana Programme of Action, adopted in 2000.**

INTRODUCTION

- **A Trust Fund Agreement was established by the UNDP in 1984 and the United Nations Office for South-South Cooperation (UNOSSC) is responsible for managing PGTF resources.**
- **A set of guidelines for utilization of PGTF resources was approved by the G-77 in 1986 and provides the decision-making framework with regard to project selection, follow up of approved projects, operational arrangements and mobilization of additional resources. The guidelines have been updated and improved throughout the years**
- **The guidelines established a six-member Committee of Experts, constituted by two representatives of each one of the regions of the G-77 acting in their personal capacities, responsible for selecting eligible project proposals and recommending them for approval by the Annual Ministerial Meeting of the G-77**

INTRODUCTION

- **The G-77 and UNOSSC have developed a long-lasting cooperation scheme regarding PGTF activities. On several occasions, improvements have been introduced aimed at streamlining processes and reducing operating costs.**
- **The G-77, through the PGTF Committee of Experts and the Executive Secretariat of the G-77, has been mainly responsible for project selection, approval and follow up, as well as mobilization of additional resources**
- **UNOSSC and UNDP have been responsible for the management of PGTF resources and for all the administrative processes related to the implementation of approved projects, including disbursement of funds to beneficiaries, administrative follow up and financial reporting**

PROJECT CYCLE AND HOW TO APPLY

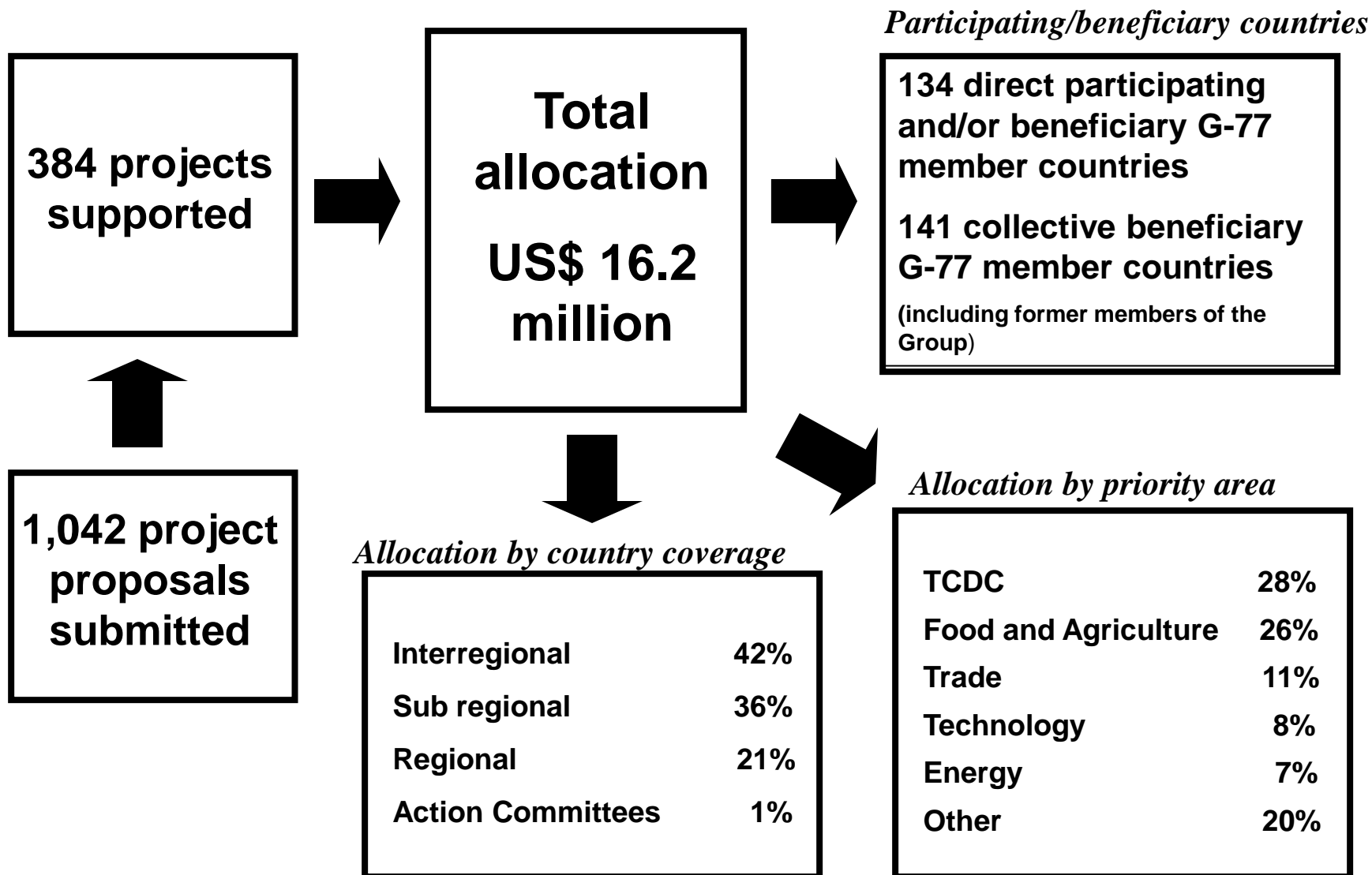
ANNUAL PROJECT CYCLE

| | |
|--------------------|--|
| January | Chair of the G-77 sends invitations to submit proposals |
| 30 April | Deadline for submitting proposals |
| July-August | Meeting of the Committee of Experts to consider proposals and recommend those that will be supported |
| September | Approval of proposals by the Annual Ministerial Meeting of the G-77, after review by the Senior Officials Meeting |
| October | Notification to beneficiaries |
| November+ | Beneficiaries complete formalities, up to 90% of approved funds are disbursed and implementation is launched |

HOW TO APPLY

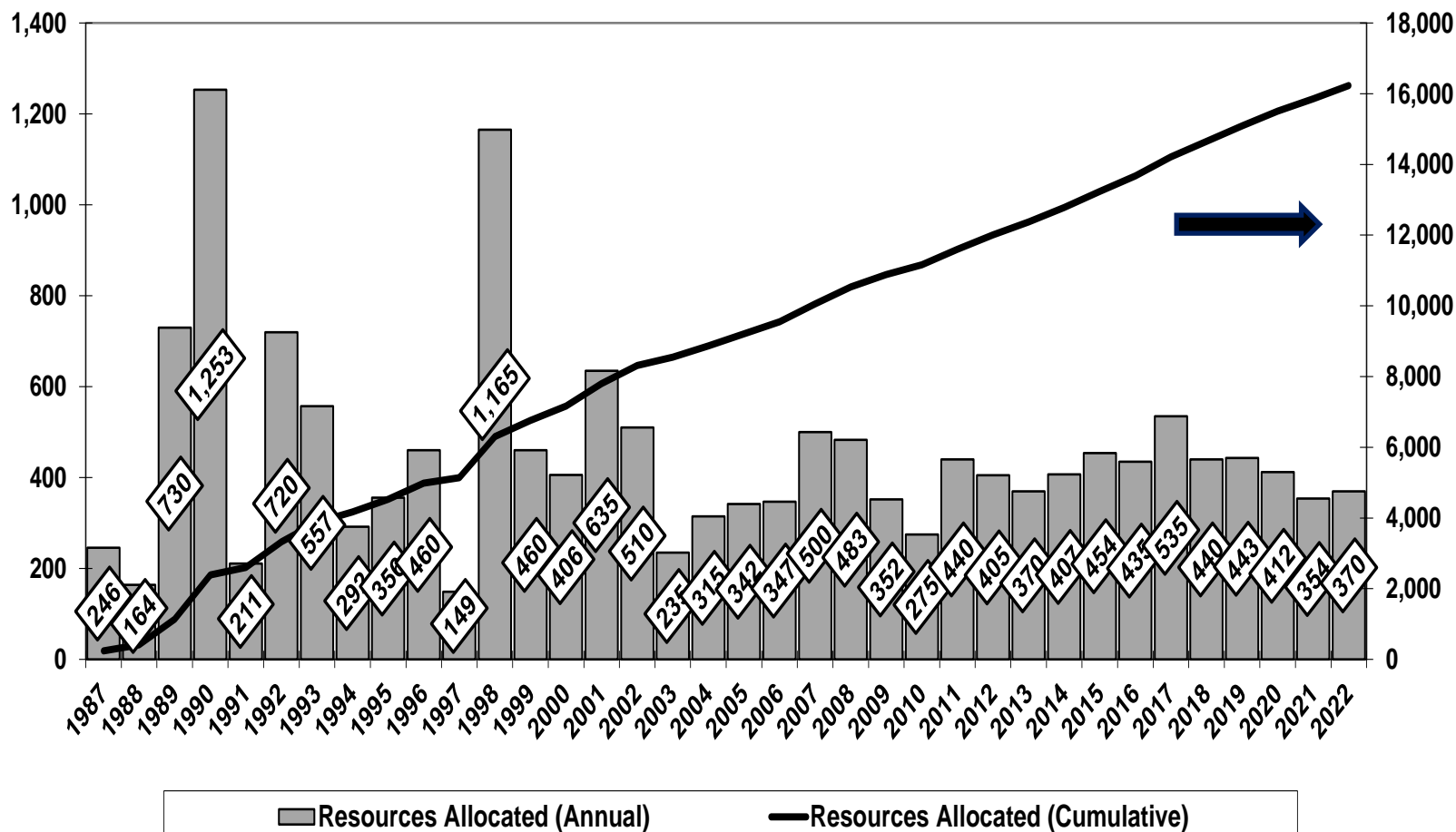
| | |
|---------------------|---|
| When | Before the 30 April deadline |
| Where | Send proposal to the Executive Secretariat of the G-77 |
| How | Follow guidelines and use model format and checklist |
| Instructions | G-77 website: www.g77.org |

PGTF activitiesat a glance (1986-2022)

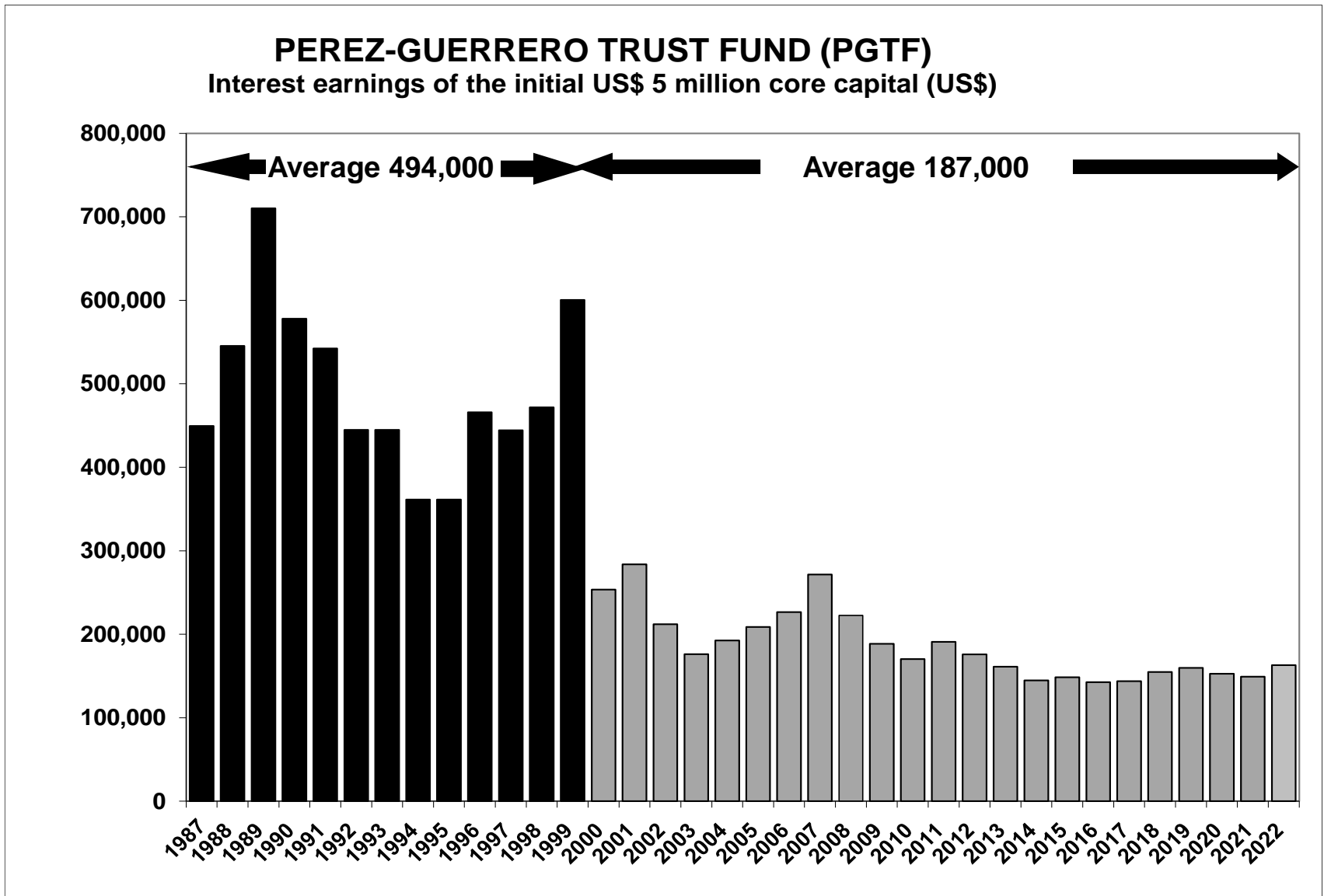


Cumulative allocation of resources 1987-2022 totals US\$ 16.2 million, more than 3 times the amount of the initial core capital ...

PEREZ-GUERRERO TRUST FUND (PGTF)
Annual and cumulative allocation of resources (thousand US\$)



Average interest earnings for 2000-2022 have been 62% lower than for 1987-1999



EXPANSION OF PGTF RESOURCES

- **Decided in 1996 by the 20th Annual Ministerial Meeting of the G-77, based on recommendations by the PGTF Committee of Experts**
- **Three (3) modalities were identified:**
 - **Increase of PGTF resources through contributions by G-77 member countries and other potential donors**
 - **Increase of the yield of PGTF portfolio through appropriate investment strategies**
 - **Increase of the multiplier effect of PGTF resources through cofinancing with other institutions**

INCREASE OF PGTF RESOURCES

- **Enlisting of contributions, both to the core capital and general resources of PGTF, from G-77 member countries and international institutions.**
- **Fund-raising effort launched in 1997 aims at:**
 - **Small contributions (notional figure US\$ 2,000) from the largest possible number of member countries, as evidence of commitment and support**
 - **Larger contributions from countries in a position to contribute more**
 - **Contributions from international institutions**
- **Member countries are invited to announce their contributions at the U.N. Pledging Conference for Development Activities. About 30% of contributions received in 2004-2020 were announced at the Pledging Conferences, while the rest were made directly.**

CONTRIBUTIONS TO PEREZ-GUERRERO TRUST FUND (PGTF)

(as of 23 January 2023)

| <i>Contributions by G-77 member countries</i> | Number of countries | Number of contributions | Contributions (US\$) | Average contribution (US\$) |
|---|---------------------|-------------------------|----------------------|-----------------------------|
| Smaller contributions (up to US\$ 5,000) | 45 | 110 | 321,113 | 2,930 |
| Larger contributions (more than US\$ 5,000) | 21 | 108 | 1,945,496 | 18,000 |
| Contributions to PGTF core capital (*) | 2 | 2 | 2,000,000 | 1,000,000 |
| | 53(**) | 220 | 4,266,609 | |

| <i>Contributions by international organizations</i> | | | | |
|--|--|---|---------|---------|
| International Fund for Agricultural Development (IFAD) | | 2 | 200,000 | 100,000 |

(*) Current yield aprox. US\$ 51,000 per annum

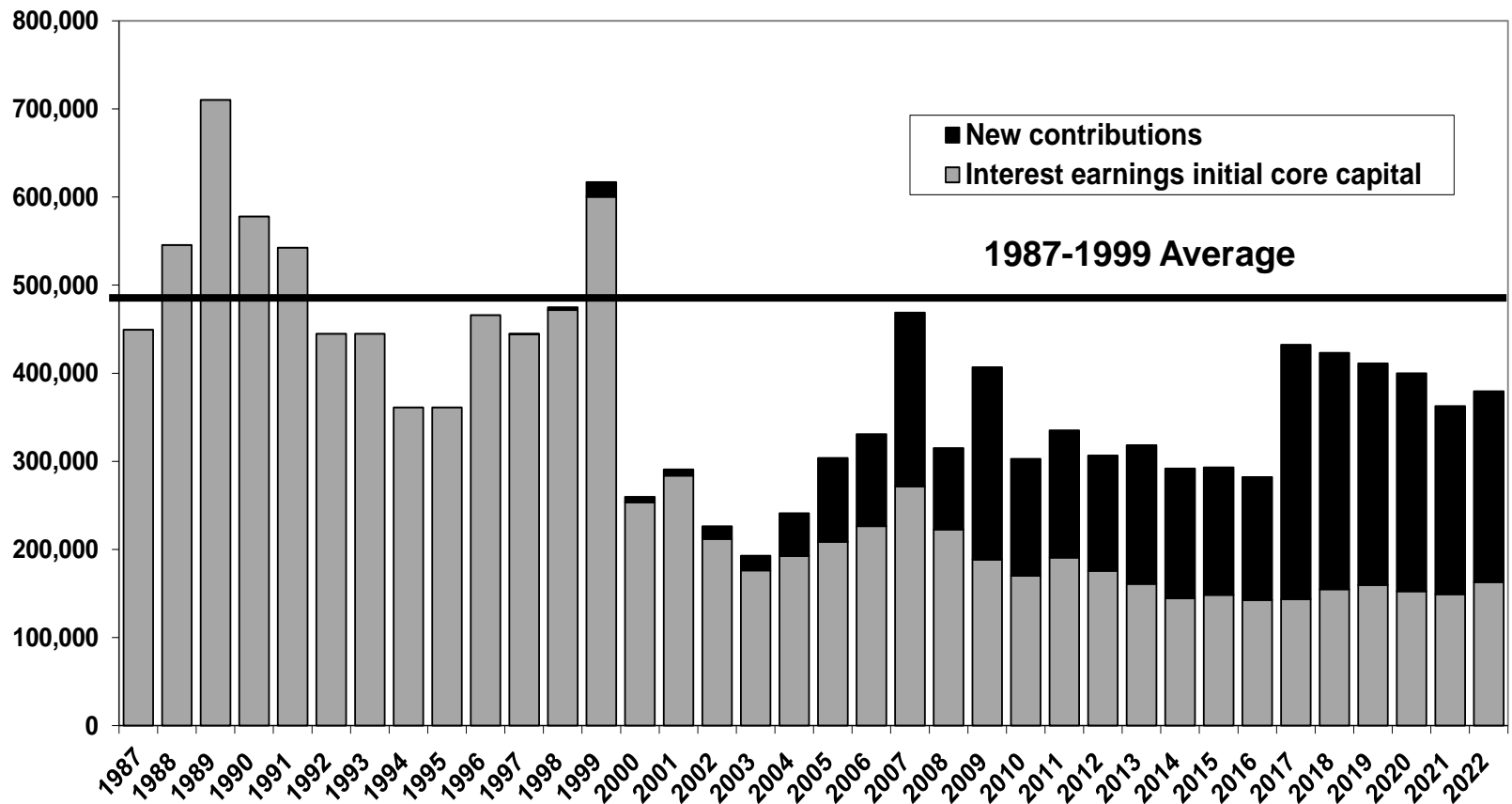
(**) Fifteen countries have made both smaller and larger contributions

IMPACT OF CONTRIBUTIONS ON PGTF RESOURCES

- **As of 23 January 2023, PGTF has received 220 contributions from 53 G-77 member countries totaling US\$ 4.27 million. 31 countries have made multiple contributions.**
- **Contributions by international institutions represent a new avenue for expanding PGTF resources. A Grant Agreement with IFAD (US\$ 200,000) provided support to six projects**
- **Contributions have permitted to partially restore the availability of resources of the 1990s (around US\$ 500,000 per annum). In 2021 and 2022 they increased respectively by 143% and 133% the availability stemming from the interest earnings of the initial core capital**

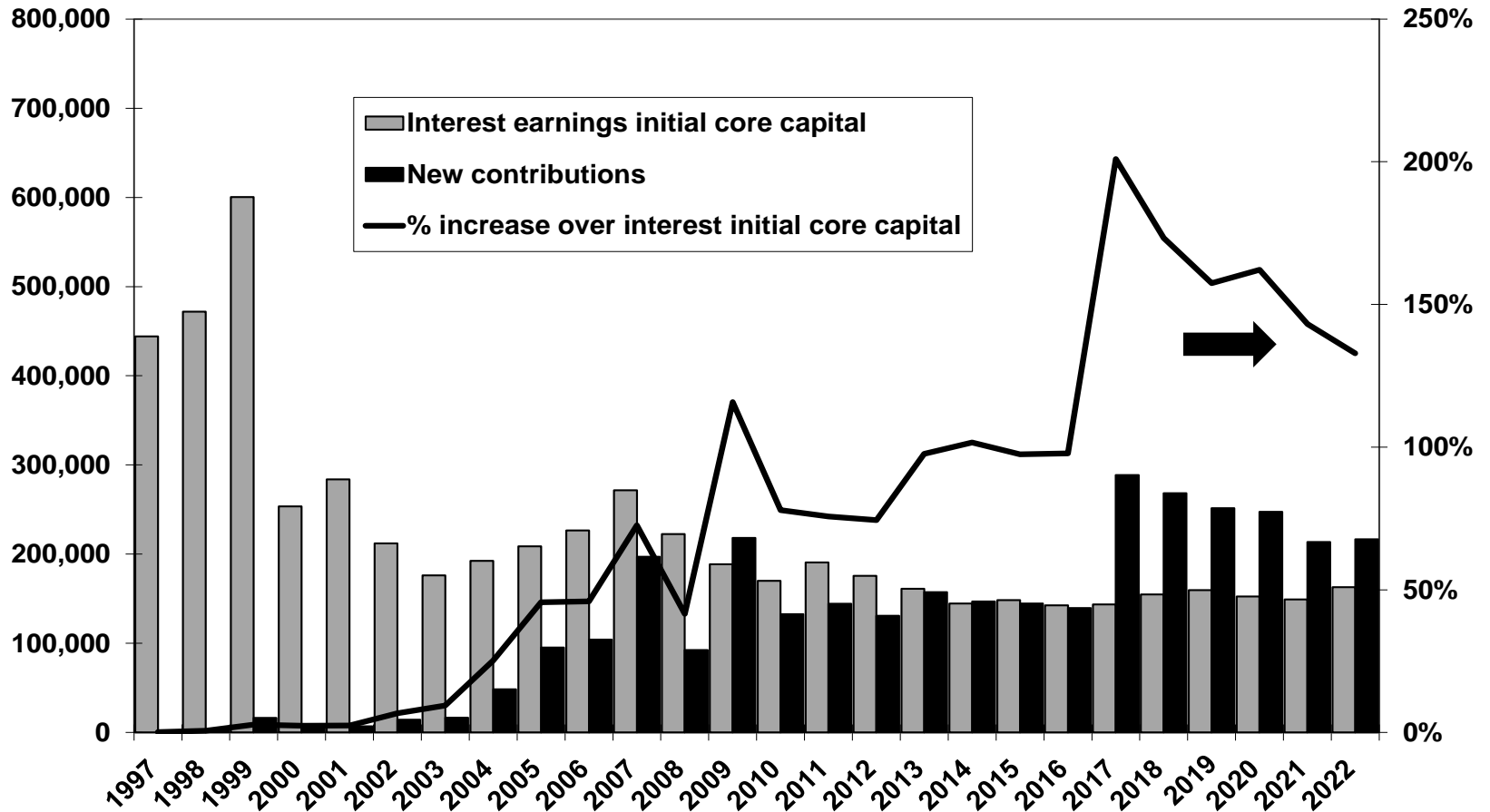
Contributions have permitted to partially reduce the gap with respect to the level of earnings of the 1990s

PEREZ-GUERRERO TRUST FUND
Impact of new contributions (US\$)



In 2022 new contributions increased by 133% the availability of resources vs. interest earnings of initial core capital

PEREZ-GUERRERO TRUST FUND (PGTF)
 Impact of new contributions on resource availability
 (US\$ and % increase over interest earnings of initial core capital)



INCREASE OF THE YIELD OF PGTF PORTFOLIO

- Preservation of PGTF resources is the paramount consideration when exploring investment options
- Investment strategy agreed upon with the UNDP Treasury Division, on the basis of a close monitoring of financial markets situation and outlook
- UNDP Investment Committee approved that the totality of PGTF portfolio could be invested in securities with maturities exceeding five years to increase yields (currently these investments represent 29% of PGTF portfolio)
- Effective yield of PGTF portfolio has been steadily decreasing due to lower interest rates, partially offset by investment strategy adopted

| | <u>Effective yield of PGTF portfolio (%)</u> |
|------|--|
| 2011 | 3.25 |
| 2012 | 3.06 |
| 2013 | 3.06 |
| 2014 | 2.67 |
| 2015 | 2.73 |
| 2016 | 2.50 |
| 2017 | 2.60 |
| 2018 | 2.71 |
| 2019 | 2.71 |
| 2020 | 2.55 |
| 2021 | 2.50 |
| 2022 | 2.50 |

COFINANCING OF PROJECTS

- **On a case-by-case basis, this has been a standard practice since PGTF guidelines require that project sponsors secure inputs from other sources of an amount at least equal to the resources requested from PGTF (this condition became mandatory in 1997).**
- **In this regard PGTF has worked with almost every regional or sub-regional institution from the South**
- **Aggregate amount of other sources contribution is US\$ 1.87 for every US\$ of PGTF resources**
- **In addition, consultations are being held with some institutions with a view to establishing multi-year collaboration frameworks**

PEREZ-GUERRERO TRUST FUND (PGTF) COFINANCING OF PROJECTS

| | Number of projects supported | PGTF contribution (US\$ million) | Others contribution (US\$ million) | | Projects overall cost (US\$ million) | Ratio of others to PGTF contribution |
|-----------|------------------------------------|--|--|---|--|--|
| 1987-1996 | 57 | 5.0 | 4.2 | ▶ | 9.2 | 0.84 |
| 1997-2020 | 327 | 11.2 | 26.2 | ▶ | 37.4 | 2.33 |
| 1987-2021 | 384 | 16.2 | 30.3 | | 46.6 | 1.87 |

Examples of cofinancing of projects

| Cofinancing institution | Number of projects cofinanced | Contribution by cofinancing institution (US\$) | PGTF contribution (US\$) |
|---|-------------------------------------|--|--------------------------------|
| International Center for Small Hydropower (IC-SHP) | 17 | 1,475,300 | 654,000 |
| Latin American Economic System (SELA) | 15 | 1,207,000 | 605,000 |
| Islamic Chamber of Comm., Indust.& Agricult. (ICCIA) | 15 | 767,900 | 466,000 |
| Latin American Integration Association (ALADI) | 4 | 710,000 | 225,000 |
| Mercosur Economic Research Network (MercoNet) | 8 | 683,000 | 220,100 |
| Third World Network (TWN) | 2 | 323,000 | 180,000 |
| Inter Press Service (IPS) | 4 | 194,600 | 265,800 |
| Caribbean Council for Science & Technology (CCST) | 5 | 184,500 | 150,000 |
| Interamerican Institute for Cooperation on Agriculture (IICA) | 3 | 170,700 | 135,000 |
| NAM Science & Technology Center | 4 | 170,000 | 127,000 |
| International Cooperative Alliance (ICA) | 2 | 164,000 | 126,500 |
| UNIDO | 2 | 148,000 | 87,000 |

CONCLUSION

- **PGTF has been in operation for 36 years and has proven to be a useful mechanism for supporting South-South cooperation**
- **It was originally conceived to operate solely based on interest earnings from its initial core capital. However, the decline in interest rates of the early 2000s called for action to expand its resources**
- **A sustained fund-raising effort launched in 1997 has permitted to preserve the responsiveness of PGTF by supplementing interest earnings with contributions from G-77 member countries and international institutions, and by increasing the multiplier effect of its resources through cofinancing with other institutions**
- **New avenues for expanding PGTF resources are being explored, especially through increase of the core capital and collaborative agreements with international institutions.**