

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

**September 2014**

# INTRODUCTION

- PGTF was established in 1983 by UNGA Resolution 38/201 with a core capital of US\$ 5 million, increased to US\$ 6 million in 2004 through a contribution from a G-77 member country. 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.

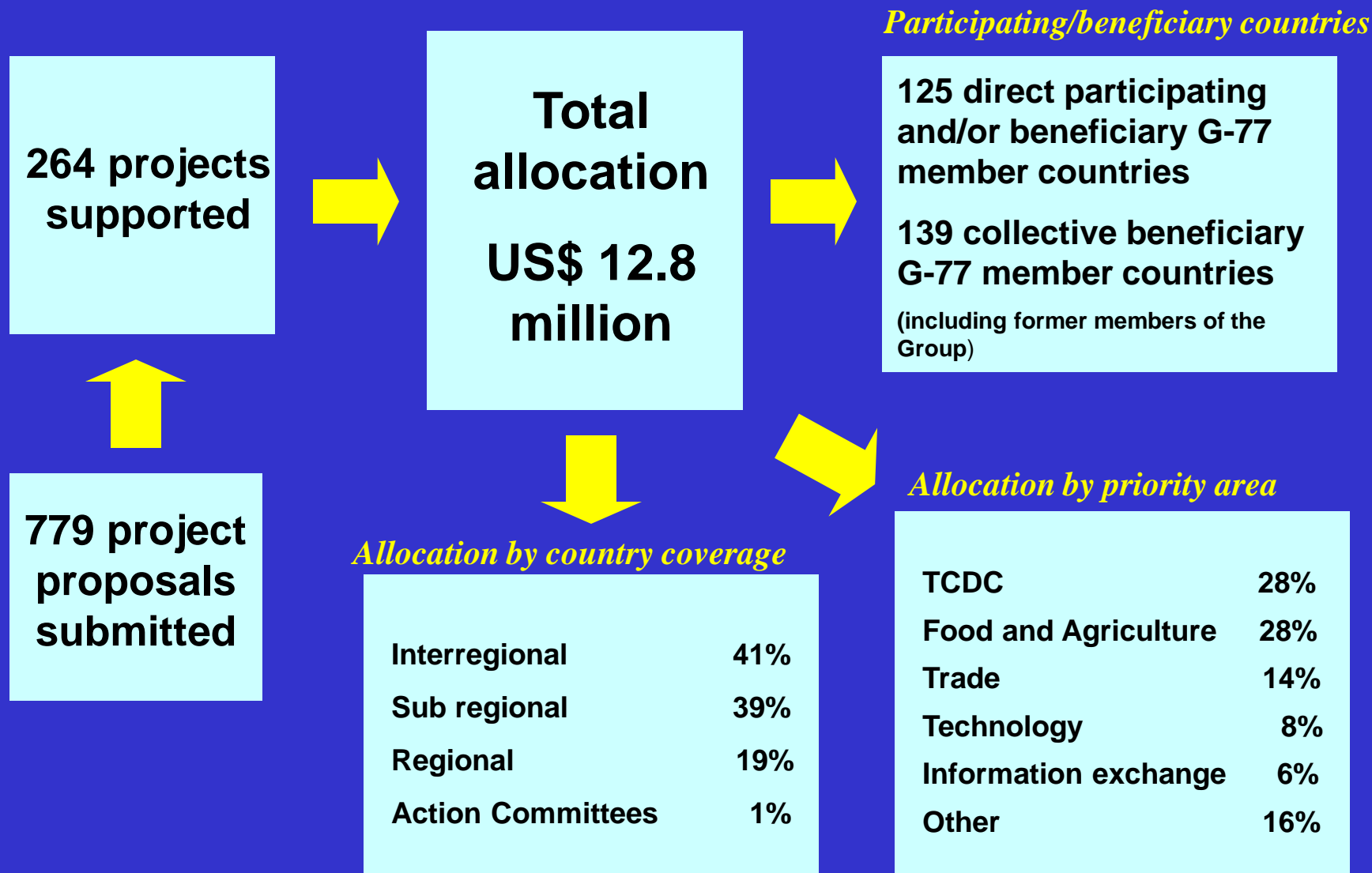
# INTRODUCTION

- 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 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

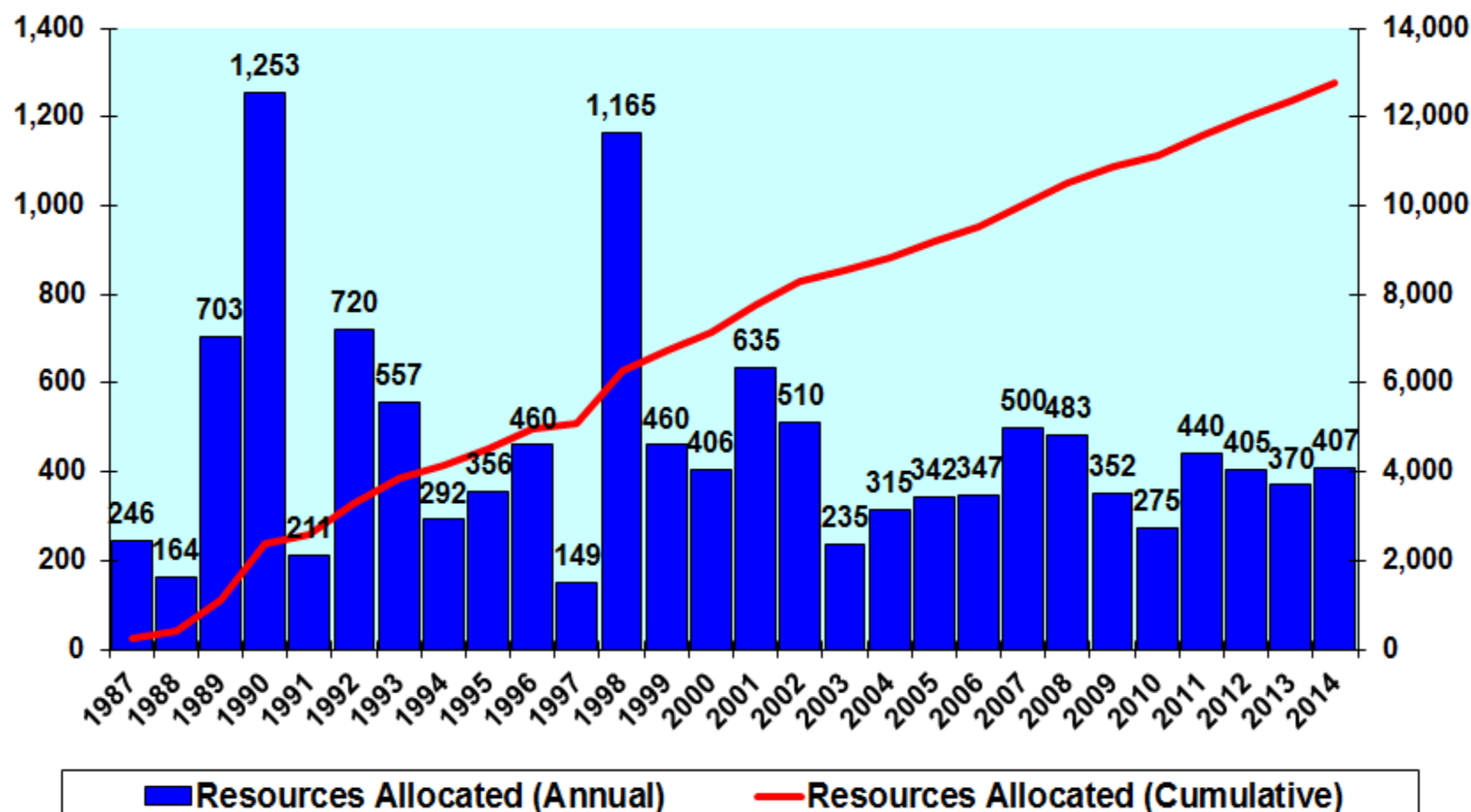
- The G-77 and the UNDP have developed a long-lasting cooperation scheme regarding PGTF activities. On several occasions improvements have been introduced aimed at streamlining processes and reducing operating costs.
- The G-77, through the PGTF Committee of Experts and the Executive Secretariat of the G-77, has been mainly responsible for project selection, approval and follow up, as well as mobilization of additional resources
- UNDP has 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

# PGTF activities .....at a glance (1986-2014)



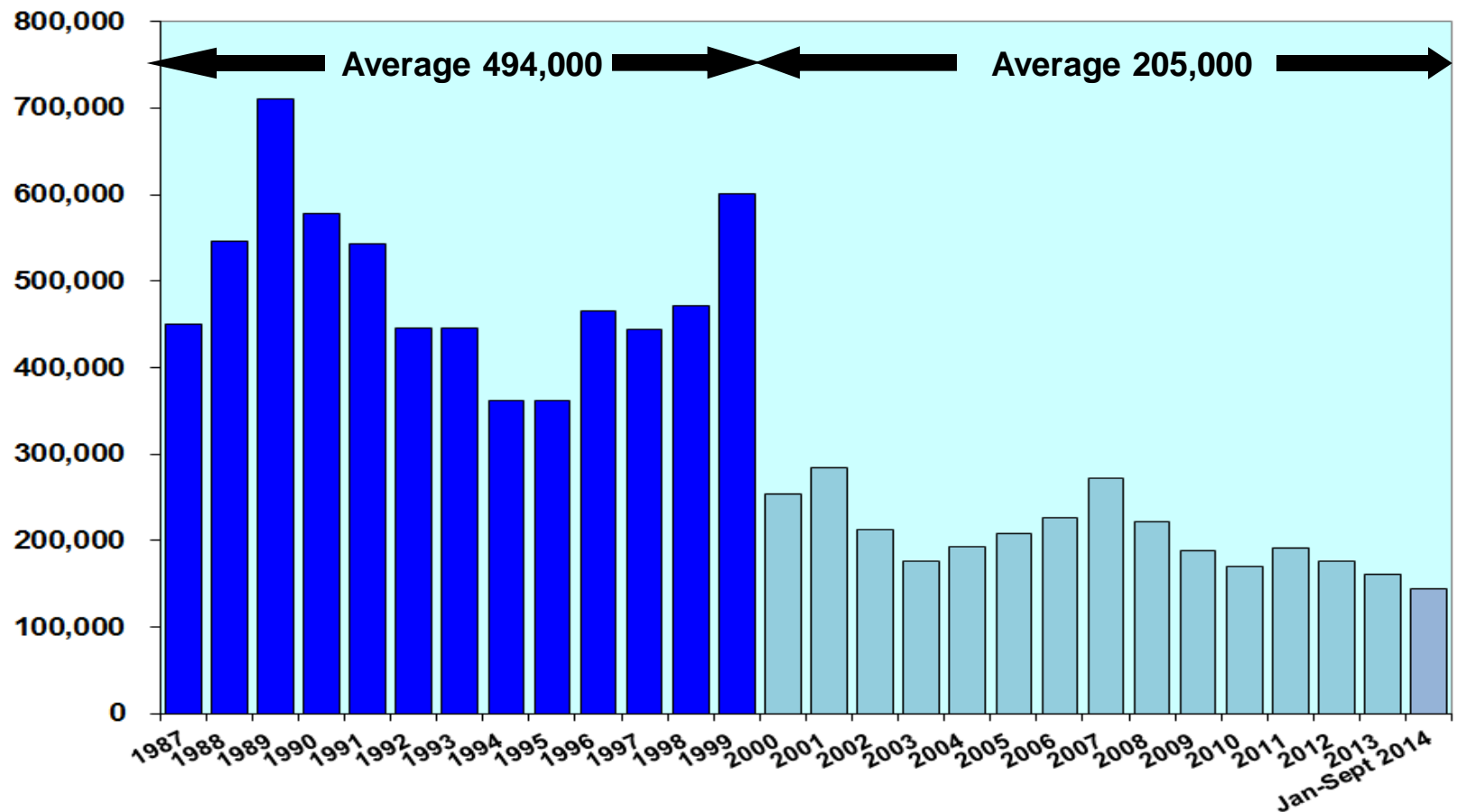
**Cumulative allocation of resources 1987-2014 totals US\$ 12.8 million, more than two and half times the amount of the initial core capital...**

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



**Average interest earnings for 2000-2014 have been 59% lower than for 1987-1999 .....**

**PEREZ-GUERRERO TRUST FUND (PGTF)**  
Interest earnings of the initial US\$ 5 million core capital (US\$)



# EXPANSION OF PGTF RESOURCES

- Decided in 1996 by the 20<sup>th</sup> 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 40% of contributions received in 2004-2013 were announced at the Pledging Conferences, while the rest were made directly.

## CONTRIBUTIONS TO PEREZ-GUERRERO TRUST FUND (PGTF)

(as of 25 September 2014)

<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)	39	77	218,171	2,835
Larger contributions (more than US\$ 5,000)	15	50	649,146	12,980
Contributions to PGTF core capital (*)	1	1	1,000,000	1,000,000
	43(**)	128	1,867,317	

### *Contributions by international organizations*

International Fund for Agricultural Development (IFAD)		2	200,000	100,000
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(\*) Current yield aprox. US\$ 38,500 per annum

(\*\*) Some countries have made both smaller and larger contributions

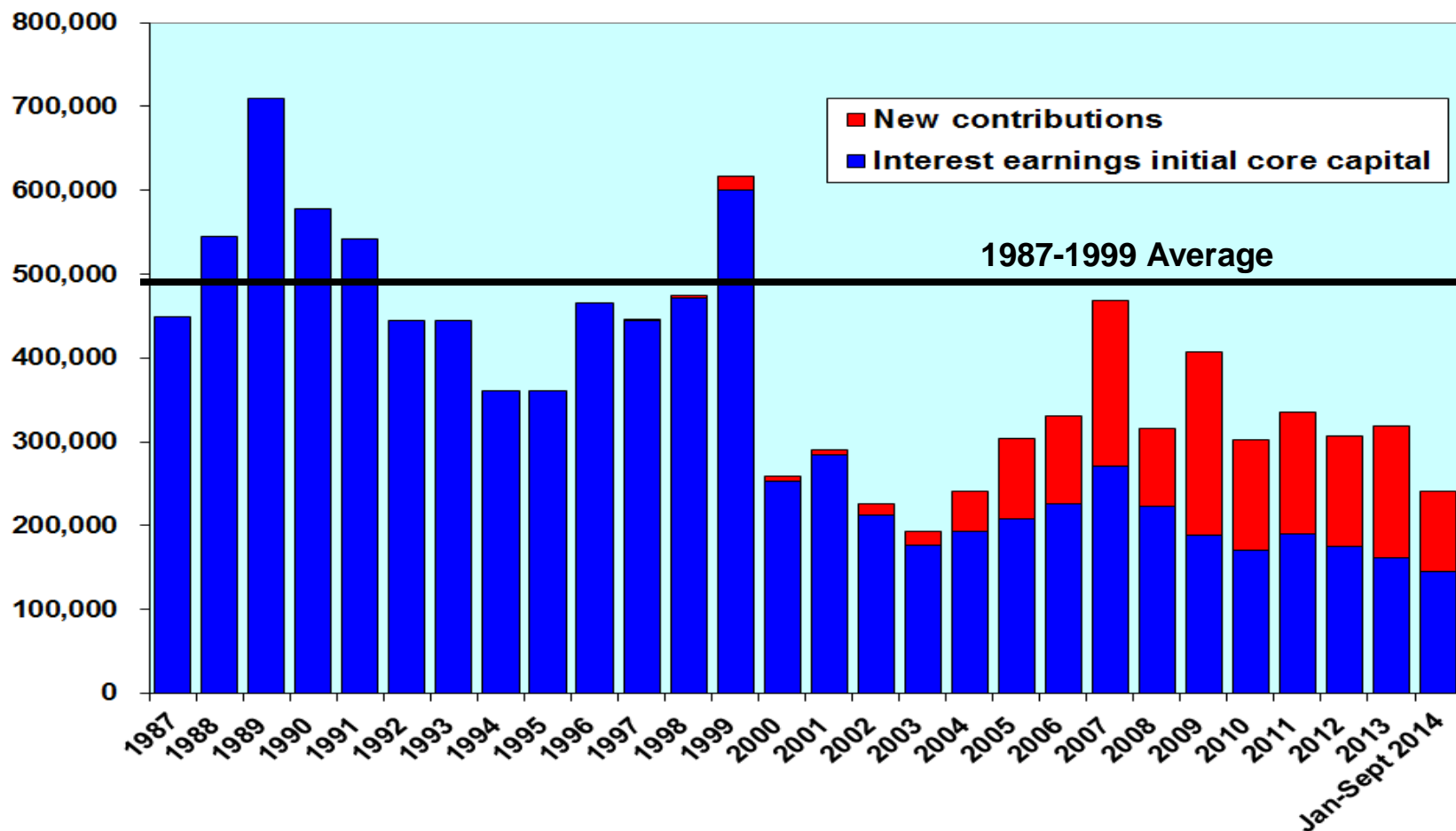
# IMPACT OF CONTRIBUTIONS ON PGTF RESOURCES

- As of 25 September 2014, PGTF has received 128 contributions from 43 G-77 member countries totaling US\$ 1.87 million. 25 countries have made multiple contributions and 3 countries made their first contribution in 2013-2014.
- A Grant Agreement with IFAD is a pilot experience that opens up a new avenue for expanding PGTF resources. Grant resources (US\$ 200,000) have 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 2012 and 2013 they increased respectively by 74% and 98% the availability stemming from the interest earnings of the initial core capital, while in Jan-Sept 2014 they have increased availability by 67%

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

## **PEREZ-GUERRERO TRUST FUND**

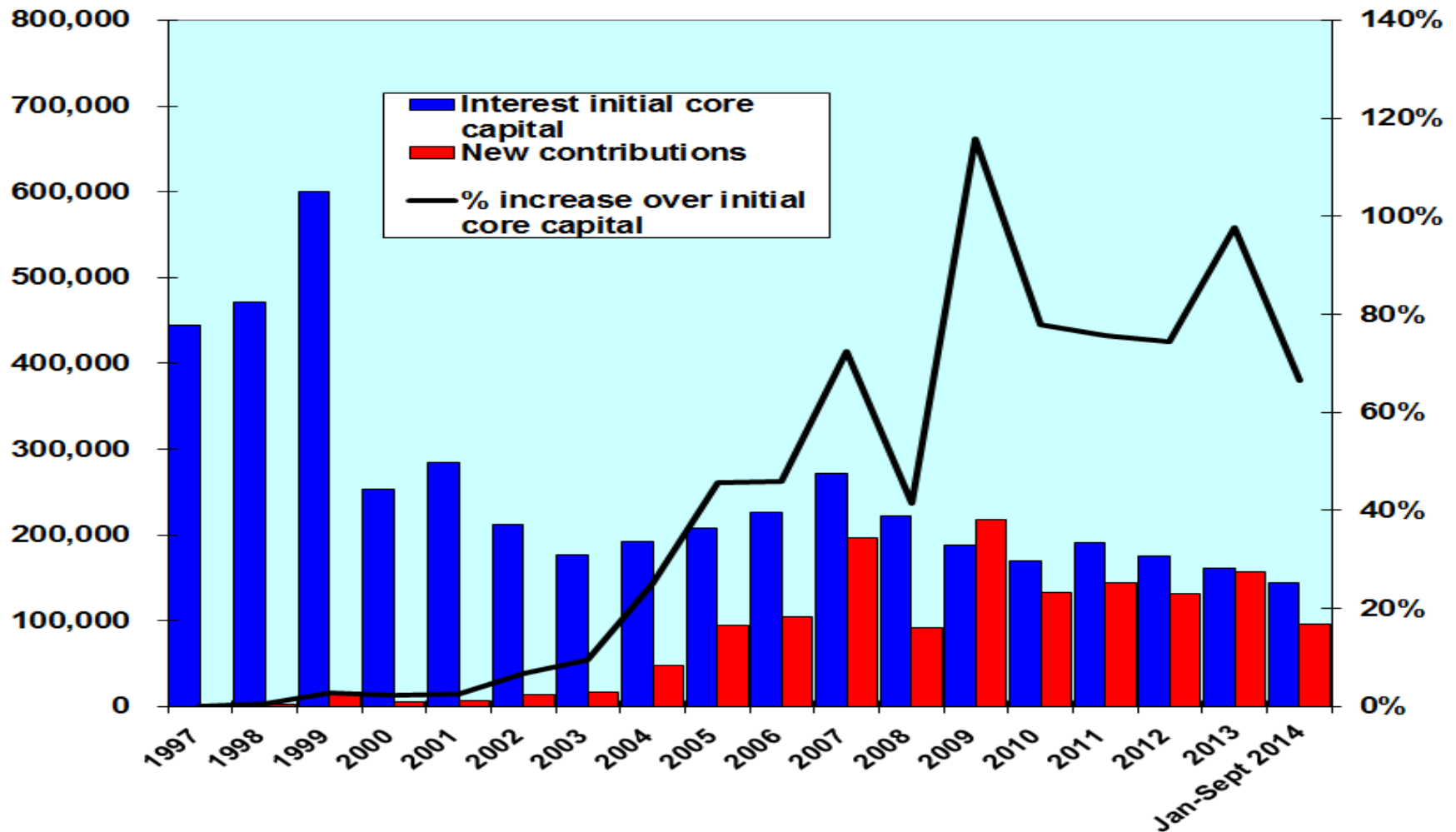
### **Impact of new contributions (US\$)**



**In Jan-Sept 2014 new contributions increased by 67% 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 up to 30% of PGTF portfolio could be invested in securities with maturities exceeding five years, so as to increase yields (currently these investments represent 30% of PGTF portfolio)
- Effective yield of PGTF portfolio has been steadily decreasing due to lower interest rates, partially offset by the investment strategy adopted

	<u>Effective yield of PGTF portfolio (%)</u>
2007	4.69
2008	4.09
2009	3.38
2010	3.02
2011	3.25
2012	3.06
2013	3.06
2014	2.78

# 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\$ 1.91 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	4.5	9.5	0.90
1997-2014	207	7.8	19.9	27.7	2.55
1987-2012	264	12.8	24.4	37.2	1.91

### Examples of cofinancing of projects .....

Cofinancing institution	Number of projects cofinanced	Contribution by cofinancing institution (US\$)	PGTF contribution (US\$)
Latin American Economic System (SELA)	10	1,254,000	479,000
International Center for Small Hydropower (IC-SHP)	10	969,000	452,000
Latin American Integration Association (ALADI)	4	710,000	225,000
Mercosur Economic Research Network (MercoNet)	8	644,000	198,000
Islamic Chamber of Commerce, Industry and Agriculture	10	607,700	318,000
Third World Network (TWN)	2	323,000	180,000
Caribbean Council for Science & Technology (CCST)	5	184,500	150,000
International Cooperative Alliance (ICA)	2	164,000	126,500
Inter Press Service (IPS)	3	159,600	235,800
UNIDO	2	148,000	87,000
NAM Science & Technology Center	2	71,000	67,000



# CONCLUSION

- PGTF has been in operation for 28 years and has proven to be a useful mechanism for supporting South-South cooperation
- It was originally conceived to operate solely on the basis of 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, in particular through collaborative agreements with international institutions.