



REPORT OF THE FIRST SPECIAL MEETING OF THE COMMITTEE OF EXPERTS  
OF THE PEREZ-GUERRERO TRUST FUND FOR ECDC/TCDC  
New York, 11-13 June 2003

OFFICE OF THE CHAIRMAN OF THE GROUP OF 77  
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## **I. INTRODUCTION**

1. At its seventeenth meeting held in New York in July 2002, the Committee of Experts of the Perez-Guerrero Trust Fund (PGTF) for ECDC/TCDC was informed by the Chairman of the Group of 77 of a requirement by the United Nations Development Programme (UNDP) aimed at recovering certain costs incurred in providing support to PGTF-funded projects. The Chairman sought the views of the Committee on this matter.

2. The Committee noted with concern that the above-mentioned situation could potentially translate into a sizeable reduction of the availability of resources for supporting projects, which was aggravated by the prevailing low level of interest earnings. In this regard, the Committee considered that this matter could not be addressed in isolation and that all aspects of PGTF procedures and processes should be examined, in particular bearing in mind that PGTF has been in operation for more than 15 years and that no comprehensive review of its operations has been undertaken so far.

3. In addition, the Committee considered that some guidance from governments as well as detailed preparatory work were necessary in order to be in a position to make meaningful recommendations that would contribute to making PGTF more effective in supporting South-South cooperation. UNDP support in the preparatory work would be of paramount importance for a successful exercise.

4. To this end, on the basis of the Chairman's request, the Committee recommended to hold a special meeting before the end of 2002, in order to duly consider these matters as well as to carry out an in-depth evaluation of PGTF past performance and operating procedures with a view to making appropriate recommendations to the Group of 77. The Committee's recommendation was adopted by the Twenty-sixth Annual Ministerial Meeting of the Group held in New York in September 2002.

5. Following consultations between the Office of the Chairman of the Group of 77 and the Chairman of the Committee of Experts, the special meeting was rescheduled to mid-March 2003, so as to give enough time for the preparations of the meeting. The meeting had to be rescheduled once again to mid-June 2003 due to the late submission of the UNDP inputs. The first special meeting of the Committee of Experts was finally held in New York from 11 to 13 June 2003.

6. The meeting was attended by five of the six members of the Committee, representing the three regions of the Group of 77. The meeting was chaired by Dr. Eduardo Praselj, chairman of the Committee for the biennium 2002-2003. The list of participants appears as Annex I.

7. The Deputy Director and other officials of the Special Unit for South-South Cooperation of the UNDP attended the meeting and introduced the UNDP inputs on PGTF relevant to the special meeting of the Committee.

## **II. AGENDA AND DOCUMENTATION**

8. The Committee adopted the following substantive agenda:

- a. Review of PGTF operations
  - PGTF portfolio
  - Expansion of PGTF resources
  - PGTF project life cycle
  - Performance of PGTF
- b. Costs associated to PGTF activities
- c. Review of the guidelines for utilization of PGTF resources

9. The Committee had before it the following documents:

- a. Guidelines for utilization of PGTF, and summary checklist and model format for submitting project proposals
- b. Note by the Chairman of the Committee of Experts on the main PGTF-related features and activities
- c. Letter by the Chairman of the Group of 77
- d. Letter by the Administrator of the UNDP
- e. Draft terms of reference for the operational review of PGTF to evaluate and recommend management options, prepared by the UNDP
- f. Reports of the seventeen regular meetings of the Committee of Experts (1987-2002)

10. The Chairman of the Committee introduced a note on the PGTF-related features and activities. This note appears as Annex II. It contains an overall review of all PGTF activities since the launching of its operations in 1987, including the status of the PGTF portfolio, efforts undertaken with regard to expansion of PGTF resources, a description of the PGTF project life cycle and of costs associated with PGTF activities, and an assessment of the performance of PGTF, both from the point of view of its ability to respond to the needs for supporting cooperation among developing countries and in terms of the quality of projects approved and implemented and their impact.

## **III. EXPANSION OF PGTF RESOURCES**

11. Results achieved in sixteen years of operations proved that the PGTF is a viable instrument for providing catalytic financial support to ECDC/TCDC activities. 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. This structural constraint has been compounded by the prevailing extremely low level of interest rates, which has significantly reduced the

revenues of PGTF so that at present they only represent about one-half of the regular levels.

12. 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. In 1996, the Twentieth Annual Ministerial Meeting of the Group of 77 decided to undertake efforts aimed at expanding PGTF resources and requested the Committee of Experts to present recommendations to this end. The Committee considered the matter at its twelfth meeting in 1997 and submitted its recommendations to the Twenty-first Annual Ministerial Meeting of the Group of 77 held in September 1997.

13. The Committee also recalled that in 2000, the South Summit invited member countries to contribute to the expansion of the resources of the PGTF in accordance with the relevant decision adopted by the above-mentioned Twenty-first Annual Ministerial Meeting, and invited the Chairman of the Group of 77 in coordination with the Chairman of the Committee of Experts of PGTF to intensify their efforts with the developed countries and relevant international organizations and private sector to support the expansion of the PGTF.

14. In light of the above, the Committee recommended that renewed efforts should be undertaken in two main areas with a view to expanding the PGTF resources, namely (a) increase of the core capital through contributions; and (b) increase of the multiplier effect of the Fund resources through co-financing with other institutions.

(a) Increase of the core capital through contributions

15. The Committee recommended that the Chairman of the Group of 77 with the support of the Office of the Chairman make an urgent appeal to the members of the Group of 77 to come forward with contributions to the core resources of the PGTF. In this regard, two mutually supporting approaches are recommended, namely (i) to continue requesting small contributions (i.e. a notional amount of US\$ 2,000) from all member countries so as to enlist support from the largest possible number, and (ii) to request larger contributions from member countries in a position to contribute more. While the former represents a continuation of ongoing efforts, the latter represents a new modality regarding mobilization of resources for PGTF.

16. The Committee acknowledged that the appeal for small contributions has rendered results as an indication of commitment and support to the Fund, and that so far twenty-six contributions from eighteen developing countries have been received for a total amount of US\$ 57,000. It is encouraging to observe that some countries have made more than one contribution and the Committee invited all members to follow this commendable example. The list of contributions appears as annex III.

17. In order to be effective, the effort for enlisting larger contributions would require a structured preparatory process involving, inter alia, advance notification to the member

countries, timely preparation of the relevant documents and convening of gatherings at an appropriate high level.

18. Governments of the member countries should be informed sufficiently in advance of this fund raising effort so as to enable them to make the necessary consultations, and be prepared to announce their contributions at the relevant gatherings convened to this end. Documentation for this endeavour should include, inter alia, background information on the activities of the Fund, benefits accrued to each member of the Group of 77, contributions received so far from member countries, and modalities for making contributions. The Chairman of the Committee of Experts should assist the Chairman of the Group of 77 in the preparation of the relevant documents.

19. The Committee recommended that the Chairman of the Group of 77 consider the following gatherings as scenarios for the fund-raising: (i) the Annual Ministerial Meeting of the Group to be held in New York in September 2003; (ii) the United Nations Pledging Conference for Development Activities to be held in New York in November 2003; (iii) the High-level Conference on South-South Cooperation to be held in Marrakech, Morocco in December 2003; and (iv) any other suitable gathering of the Group to be held in 2004 and beyond.

20. In addition, the Committee requested the Chairman of the Group of 77 to consider the appropriateness and timing of approaching major donor countries to enlist their support to the core resources of the PGTF as recommended by the South Summit. The Chairman of the Committee of Experts should assist the Chairman of the Group of 77 in the preparation of the relevant documents.

(b) Increase of the multiplier effect of the Fund resources through co-financing with other institutions

21. The Committee recommended that consultations and discussions currently underway with institutions interested in co-financing projects with the PGTF be continued, namely the OPEC Fund for International Development, UNIDO, UNEP, UNCTAD, UPAEP, and the Carrefour International Foundation. In addition, it was recommended that other institutions be approached to this end including developing countries' business and funding institutions.

#### **IV. COSTS ASSOCIATED WITH PGTF ACTIVITIES**

22. There are four main cost elements associated with PGTF activities, namely (i) support to the Committee of Experts; (ii) management of the PGTF portfolio; (iii) processing approved project documents for signature, reviewing subcontracts/work plans, recording approved budgets and authorizing disbursement of funds; maintaining a ledger; following up with relevant executing agencies/ implementing agencies on the status of implementation of projects and monitoring submission of all required financial and progress reports; and (iv) disbursement of funds to beneficiaries. The last three cost elements correspond to activities performed by the UNDP.

(a) Support to the Committee of Experts

23. The support mechanism was established in 1989 and covers travel and living expenses of the six experts to attend normally one meeting per year, even though a second meeting could be held if required; travel and living expenses of the Chairman of the Committee to present the reports of the Committee to the approving authorities and other activities requested by the Chairman of the Group of 77; as well as the costs of publication of brochures and translation of relevant documents.

24. Budgeted annual cost is in the order of US\$ 21,000 through a project designed to this end, but the actual cumulative cost between 1989 and 2002 (14 years) has been US\$ 179,500, i.e., an average of US\$ 12,820 per annum or less than 2 percent of total resources allocated by PGTF to projects in this period. Available resources by mid-June, after holding the first special meeting of the Committee of Experts, amount to US\$ 78,800, including a US\$ 10,000 provision to cover support costs incurred by the Office of the Chairman with regard the expansion of PGTF resources.

25. Future costs associated with the support to the Committee of Experts would depend on the evolution of air fares and per diems, which are very much outside of the control of PGTF. However, it is recommended to continue the current practice aimed at obtaining the lowest possible rates and costs for this support.

26. The Office of the Chairman plays an important role in the processes associated with each meeting of the Committee of experts as well as in the follow-up of the implementation of approved projects. Its activities include guidance to and communications with project sponsors; reception, compilation and dissemination of proposals; provision of secretariat support to the Committee meetings; communications with project beneficiaries; custody and filing of all PGTF-related documentation; and support in activities related to the expansion of PGTF resources. Costs associated with staff time and regular communications (telephone costs, faxes, emails, pouch and express deliveries, etc.) have so far been borne entirely by the Office of the Chairman.

(b) Activities performed by the UNDP

27. The Deputy Director of the Special Unit for South-South Cooperation of UNDP presented inputs regarding the requirement to recover certain costs incurred in providing support to PGTF related activities. This requirement, stemming from decision 98/2 of the Executive Board of UNDP and UNFPA, entails that additional costs resulting from non-core funded activities should be fully recovered.

28. In March 2003 the Chairman of the Group of 77 forwarded a letter to the Administrator of UNDP requesting that the fee resulting from the foregoing cost recovery be waived in the case of the PGTF. This letter appears as annex IV. In June 2003, the Administrator replied to this letter indicating that it was not possible for the UNDP administration to waive the recovery of these costs. However, the Administrator indicated

his willingness to support the PGTF activities by requesting the Special Unit to work closely with the Group of 77 in order to keep the costs associated with the handling of PGTF activities at a bare minimum, without compromising the quality and effectiveness of service to PGTF projects. The Administrator also indicated that he will encourage the large UNDP country offices that have the capacity to do so to make a special effort to try to accommodate services to the PGTF, without affecting their overall cost recovery schedule. Finally, the Administrator believed that it could be limited to the real cost of overhead, which would be minimum given the limited number of activities and amounts of funds handled by country offices. This letter appears as annex V.

29. The Committee recognized that the guidance provided by the Administrator on this matter and the spirit of cooperation expressed in his letter should be the framework for analyzing and identifying mechanisms for dealing with all the cost elements related to activities performed by UNDP.

30. The Deputy Director presented the draft terms of reference for an operating review of PGTF to evaluate and recommend management options. The proposed review addresses mainly the activities performed by the Special Unit in support of PGTF activities. The review, to be carried out by a consultant, was scheduled to start immediately and expected to be completed in six weeks. The draft terms of reference appear as annex VI.

31. The Committee considered that the review should focus on the following three issues, namely (i) identification of opportunities for streamlining the whole process of providing support to PGTF by the UNDP; (ii) identification of alternative modalities for carrying out this process; and (iii) assessment of the costs incurred in the streamlined support process.

32. The Committee reiterated that the framework for this review should be the spirit of cooperation embodied in the above-mentioned letter of the Administrator of UNDP and requested that the review be completed and submitted one week before the next regular meeting of the Committee of Experts that will be held in New York from 29 July to 1 August 2003. The timing is important so as to be able to embody the recommendations of the Committee in this regard in the report of the Committee that will be submitted for approval to the Annual Ministerial Meeting of the Group of 77 to be held in New York in September 2003. The Committee called upon UNDP to reformulate accordingly the terms of reference for the review and to fully reflect the UNDP Administrator's views in the revised terms of reference.

33. Finally, the Committee indicated that it was fully prepared to work closely with the UNDP in order to ensure a successful completion of the review. Following consideration of the findings of the review, the Committee would make the necessary recommendations regarding the agreed arrangements for providing support from UNDP to PGTF.



## V. REVIEW OF THE GUIDELINES FOR UTILIZATION OF PGTF

34. The Committee carried out a comprehensive review of the guidelines for utilization of PGTF resources with a view to providing a clearer guidance to project sponsors, and allowing for a more effective process in the examination, appraisal, approval and implementation of projects. The present guidelines appear as Annex VII. In this regard, the Committee recommended the following amendments to the guidelines:

35. The Committee recommended that section A of the guidelines should be entitled “Criteria for project eligibility” rather than “Project criteria”.

36. In the past, there has been some confusion regarding the minimum of participating countries required for a proposal to be eligible. Since the guidelines state that national and bilateral projects are not eligible (cf. guidelines A(f) and A(g)), the minimum would then be three countries. The Committee recommended to include a specific reference to this end in guideline A(g). In addition, guideline A(g) states that “... projects that are essentially of a bilateral nature are not eligible ....” . The Committee felt that the word “essentially” might lead to some confusion regarding eligibility of bilateral projects and recommended its deletion. As amended, guideline A(g) would read as follows:

*Cooperative projects can be carried out on a sub-regional, regional or interregional basis, with a minimum of three (3) participating countries. Therefore, projects that are of a bilateral nature are not eligible for funding.*

37. The Havana Programme of Action adopted at the South Summit held in Havana from 10 to 14 April 2000, in paragraph 9 of section VI , called upon the PGTF to “... support the implementation of the South Summit decisions in various relevant sectors taking into account the guidelines for the utilization of the PGTF.” This broadens the scope of priority areas that might be submitted to the PGTF. The Committee therefore recommended that this should be reflected in the guidelines, in particular in guideline A(l), which would read as follows:

*Project proposals submitted for funding from PGTF should address the sectoral priorities contained in the Caracas Programme of Action, that is Trade, Technology, Food and Agriculture, Energy, Raw Materials, Finance, Industrialization and Technical Cooperation among Developing Countries, as well as in the Havana Programme of Action in the areas of South-South cooperation.*

38. Guideline A(n) requires that proposals should be submitted through the National Focal Points for ECDC/TCDC. In some developing countries, these focal points have either not been designated or are inactive. So, the Committee recommended that this guideline should be amended in order to provide for other channels of submission of proposals. As amended, guideline A(n) would read as follows:

*Project proposals by governmental or non-governmental organizations should be submitted to PGTF through their respective National Focal Points for ECDC/TCDC or competent national authorities, as appropriate.*

39. The Committee recommended that in guideline A(o), the deadline for submission of proposals be indicated as April 30 rather than the last day of April. As amended, guideline A(o) would then read as follows:

*The deadline for submission of project proposals shall be April 30 of each year, so that the necessary consultations between the experts, the Office of the Chairman, governments, organizations and institutions submitting proposals should take place, so as to improve and expedite the process of examination of projects as well as to avoid duplication with the existing activities.*

40. Guideline A(p) establishes a ceiling to the financial support per project equal to one-fifth of the total resources available to PGTF in that year. Experience has shown that this indication encourages sponsors to mostly request an amount equal to the ceiling in their proposals, and the result is that whenever there are more than five eligible projects, PGTF could only provide partial financing to eligible projects. In order to provide more flexibility in the allocation of resources, the Committee recommended to reduce the ceiling to one-seventh (i.e. some 15 percent). As amended, guideline A(p) would read as follows:

*The financial support given to any project in a given year cannot exceed one-seventh of the total resources available to PGTF that year. The Office of the Chairman of the Group of 77 will inform at the beginning of each calendar year the corresponding availability of resources.*

41. Since the launching of operations of the PGTF, nomination and appointment of members of the Committee of Experts has been done through the regional groups in New York. However, the guidelines reflected a different procedure and an adjustment in the wording for guideline B(a) is therefore required. In addition, the terms of office of members of the Committee was extended from three to four years in 2001. A transitional provision was required in the guidelines to adjust the terms of experts already serving in the Committee to the new duration. This provision is no longer necessary since all members of the Committee are serving four-year terms. The wording of the guideline B(a) should be therefore amended and it would read as follows:

*A committee of six experts, two from each region of the Group of 77, acting in their personal capacities, is hereby established. The regional groups of the Group of 77 in New York shall nominate and endorse the names of the experts and submit them to the Chairman of the Group of 77 in New York. The terms of office of the experts shall be four years and shall be structured so as to avoid replacement of both experts from a given region in the same year.*

42. Guideline B(c) includes a request from one of the ministerial meetings to the Chairman of the Group of 77 regarding transition between outgoing and incoming groups of experts. The Committee recommended that the wording be adjusted to read as a guideline, as follows:

*At least four experts would constitute the quorum in any meeting of the Committee of Experts. A smooth transition should be ensured between the work of the outgoing group of experts and the group to be designated, inter alia, through the presence of the Chairman of the current Committee in the first meeting of the newly designated Committee.*

43. In various guidelines, reference is made to the Intergovernmental Follow-up and Coordination Committee (IFCC). In order to shorten the text of the guidelines, the full name of the Committee is only indicated the first time it appears in the guidelines (guideline B(d)). Thereafter, it is always referred to as IFCC.

44. The Committee recommended that the title of section C be modified from “Approving Authorities” to “Project Approval”.

45. In the early years of operation of PGTF, IFCC meetings were held on an annual basis and the reports of the Committee of Experts were submitted to IFCC. In 1987, it was decided to hold IFCC meetings every two years but experience has shown that these meetings are held on a less regular basis. This requires to adjust the reference to the timing of distribution of the report of the Committee of Experts (c.f. guideline C(a)). In addition, in the years when no IFCC meetings are held the report of the Committee of Experts is considered by the annual meeting of senior officials preparatory of the annual ministerial meeting of the Group in New York (c.f., guideline C(b)). Accordingly, guidelines C(a) and C(b) should be amended and would read as follows:

*The report of the Committee of Experts shall be circulated to governments by the Chairman of the Group of 77 in New York at least one month in advance of the next annual ministerial meeting of the Group of 77. Both the IFCC and the Ministerial Meeting of the Group of 77 would be empowered to approve the report of the experts.*

*In the year when no IFCC meetings are held, the report of the Committee would be considered by the annual meeting of senior officials of the Group of 77 which is entrusted with the preparation of the annual meeting of the ministers for foreign affairs held in New York. The report as amended by the annual meeting of senior officials will be submitted for consideration and approval to the ministerial meeting.*

46. The Committee recommended that the title of section D be modified from “Coordinating Agency” to “Coordination and follow-up”. It also recommended that the title of section E be modified from “Guidelines related to action committees” to “Action Committees”.

47. In order to provide the necessary reference to readers of the guidelines regarding action committees, the Committee recommended to insert an additional sentence in guideline E(a) indicating that the concept of action committees referred to in these guidelines is the one defined in the Caracas Programme of Action. Therefore, guideline E(a) would read as follows:

*Requests for the financing of projects by Action Committees as defined in the Caracas Programme of Action, existing or prospective, from the PGTF would be considered by the Committee of Experts on the same parameters that governed the approval for providing financial support to the Action Committee on consultancy, construction and engineering as a form of support to its preparatory phase in order to facilitate its early and effective launching (i.e., the Action Committee will receive the recommended amount only after it has received a matching contribution of the same amount from its members). The Committee of Experts shall apply norms and modalities concerning the procedure of submission of requests for support and/or projects by other Action Committees.*

48. Guideline F(a) referred to a recommendation by one of the Ministerial Meetings regarding the need to increase participation of competent intergovernmental organizations and research institutions of developing countries. This recommendation has been fully implemented and is no longer required as a guideline, and the Committee therefore recommended to delete guideline F(a). Accordingly, the numbering of guidelines F(b) to F(g) would be adjusted.

49. The wording of guideline F(e) which would now become guideline F(d), should be adjusted in order to better convey the thrust of the information dissemination effort undertaken regarding the PGTF. As amended, the new guideline F(d) would read as follows:

*In order to increase awareness of the PGTF, relevant information in all the official languages of the Group should be disseminated by the Office of the Chairman of the Group of 77 in New York through all appropriate channels, such as printed brochures and the web page of the Group. This information should include the guidelines as well as the standard format for submission of project proposals.*

50. The guidelines provided for an annual review of the utilization of PGTF at IFCC meetings. Since these meetings are no longer on an annual basis, guideline F(f) which would now become guideline F(e) would read as follows:

*The utilization of the PGTF shall be reviewed at the meetings of the IFCC.*

51. When PGTF was established with a core capital of US \$5 million, it was understood that only interest accruing on the Fund would be utilized. However, guideline F(g) which would now become guideline F(f), states that “normally only the interest

accruing on the Fund shall be utilized”. This wording may lead to believe that there are circumstances that would justify utilization of the core capital and the Committee considered that this should be clarified in the guidelines by deleting the word “normally”. The new guideline F(f) would then read as follows:

*Only the interest accruing on the Fund should be utilized. This would preserve intact the core capital.*

## **VI. IMPROVEMENTS IN THE OPERATING ARRANGEMENTS OF THE PGTF**

52. Improvements in the operating arrangements of the PGTF related to the activities performed by the UNDP will be derived from the results of the proposed review mentioned in para. 30.

53. The Committee recommended the following improvements to the arrangements regarding activities performed by the Office of the Chairman and the Committee of Experts:

- (i) Documentation regarding project proposals would be delivered to the members of the Committee of Experts using electronic means (emails or CDs) so as to minimize the use of hard copies and hence reduce printing and delivery costs.
- (ii) In order to reduce the time elapsed between approval of the projects and beginning of implementation, the notifications sent by the Office of the Chairman to project beneficiaries indicating that their proposals would be supported by PGTF and requesting them to prepare and submit the necessary documentation to the UNDP would include a specific reference that this documentation should be submitted by electronic means. Otherwise the documentation would not be considered by UNDP.
- (iii) The model format used for submitting proposals to the PGTF should be replaced by the format for preparing project documents required by UNDP, in order to eliminate or at least to reduce the current rework by the project sponsors and hence reduce the time elapsed between approval of projects and beginning of implementation. The Office of the Chairman will undertake to disseminate the updated model format through the web page of the Group and any other suitable means.

54. These improved arrangements could be implemented immediately. Any adjustments resulting from the review to be carried out by the UNDP would be incorporated in due course.

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FIRST SPECIAL MEETING OF THE COMMITTEE OF EXPERTS  
OF THE PEREZ-GUERRERO TRUST FUND FOR ECDC/TCDC  
New York, 11-13 June 2003

Note by Dr. Eduardo Praselj  
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OFFICE OF THE CHAIRMAN OF THE GROUP OF 77  
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## **I. INTRODUCTION**

2. At its seventeenth meeting held in New York in July 2002, the Committee of Experts of PGTF was informed by the Chairman of the Group of 77 of a requirement by the UNDP aimed at recovering certain costs incurred in providing support to PGTF-funded projects. The Chairman sought the views of the Committee on this matter.

3. The Committee noted with concern that the above-mentioned situation could potentially translate into a sizeable reduction of the availability of resources for supporting projects, in particular in light of the prevailing low interest earnings. In this regard, the Committee considered that this matter could not be addressed in isolation and that all aspects of PGTF procedures and processes should be examined, in particular bearing in mind that PGTF has been in operation for more than 15 years and that no comprehensive review of its operations has been undertaken so far. In addition, the Committee considered that some guidance from governments as well as detailed preparatory work were necessary in order to be in a position to make meaningful recommendations that would contribute to making PGTF more effective in supporting South-South cooperation. UNDP support in the preparatory work would be of paramount importance for a successful exercise.

4. To this end, on the basis of the Chairman's request, the Committee decided to hold a special session before the end of 2002. This meeting would serve to duly consider these matters as well as to carry out an in-depth evaluation of PGTF past performance and operating procedures with a view to making appropriate recommendations to the Group of 77.

5. Following consultations between the Office of the Chairman of the Group of 77 and the Chairman of the Committee of Experts, the special session was rescheduled to mid-March 2003, so as to give enough time for the preparations of the meeting. The meeting had to be rescheduled once again to mid-June 2003 due to the late submission of the UNDP inputs. In this regard, an assessment of PGTF operations requires understanding all the processes involved in the life cycle of a PGTF-funded project and identification of responsibilities of the various participating institutions.

6. This note attempts to provide an overall view of the main PGTF-related features and activities, namely:

- a. PGTF portfolio
- b. Expansion of PGTF resources
- c. PGTF project life cycle
- d. Performance of PGTF
- e. Costs associated to PGTF activities
- f. Guidelines for utilization of PGTF resources

## II. PGTF PORTFOLIO

7. Total PGTF resources are constituted by the core capital (US\$ 5 million) and unexpended resources. According to guideline F(g) for utilization of PGTF, the core capital should be preserved intact and only interest accrued and other earnings (i.e. additional contributions, reversion of allocated resources) could be used to support projects. Between 1987 and 2002, total resources have been in the range of US\$ 6.2 to 7.2 million.

8. PGTF resources are invested by the UNDP in accordance with its financial rules and regulations, and the investment policy is discussed and agreed upon with the PGTF Committee of Experts. In the current very low interest level environment, the core capital resources have been invested in five one million US\$ instruments in a structure with staggered maturities from one to five years. Every year, one of these instruments will mature, thereby enabling PGTF to take advantage of the best market conditions prevailing at that moment.

The PGTF portfolio by mid-February 2003 was constituted by the following securities:

Security	Face value (US\$)	Maturity date	Coupon rate (%)	Buy price (% of face value)	Coupon payment (US\$)	Effective Rate (%)	Effective yield (US\$)
Bond	500,000	12/15/2003	7.000	106.404	35,000	2.344	11,719
Bond	1,000,000	6/29/2004	9.000	111.757	90,000	2.870	28,696
Bond	1,000,000	6/23/2005	7.000	111.340	70,000	2.624	26,246
Bond	1,000,000	1/18/2006	5.375	106.760	53,750	3.431	34,306
Bond	1,000,000	10/03/2006	4.625	104.661	46,250	3.409	34,089
Bond	1,000,000	5/30/2007	5.125	107.080	51,250	3.556	35,555
Money market	941,889*	5/31/2003	1.310	100.000	12,339	1.310	12,339
Money market	241,888*	12/31/2003	1.310	100.000	3,169	1.310	3,169
Total	6,441,889		5.62		361,758	2.89	186,118

(\*) Assumes disbursements of US\$ 700,000 during 2003

9. Even though this investment strategy represents the best option under the circumstances, effective earnings for 2003 would be only US\$246,000 (comprised of US\$186,000 of interest earnings plus US\$52,000 reverted to PGTF from two approved projects that were not implemented within the established deadlines, plus US\$8,000 from contributions from member countries). This amount is significantly lower than the regular level that prevailed over the years, i.e. US\$ 400 to 500,000 per annum. This calls for a significant effort to expand the resources of PGTF if the Fund is to remain responsive to support the growing needs of South-South cooperation,

### **III. EXPANSION OF PGTF RESOURCES**

10. In 1996, the Annual Meeting of Ministers of Foreign Affairs of the Group of 77 decided to expand the resources of PGTF and, in this connection, requested the Committee of Experts to explore ways and means to make this possible. The Committee identified two main options: (a) contributions to the core resources of PGTF by governments and private institutions, and (b) co-financing of projects with other institutions.

11. Since the launching of its operations in 1987, PGTF has provided support to 128 projects, with a total allocation of US\$ 8.3 million. Guideline A (m) for utilization of PGTF requires that institutions submitting proposals to PGTF should include inputs from other sources of an amount at least equal to the resources requested from PGTF. As a result, contributions from other sources (including the project sponsors) for the 128 PGTF-funded projects amount to an estimated US\$ 16.6 million, i.e. US\$ 2 for every US\$ of PGTF resources.

12. This means that PGTF has regularly co-financed projects with other institutions, including the project sponsors. However, this cannot be construed as an expansion of the PGTF capacity to respond to the requests of projects sponsors but rather as a result of a requisite for providing funds to project proposals. Structured agreements with other institutions interested in co-financing projects would be required in order to provide a larger supply of funds to project sponsors.

#### Contributions by developing countries

13. The Committee of Experts suggested a notional amount of US\$2,000 for contributions by developing countries members of the Group of 77. So far PGTF has received twenty-six (26) contributions from eighteen (18) developing countries. Total contributions from these countries amount to US\$ 57,000. Because of the modest individual size of these contributions, they have been used directly to support projects.

#### Co-financing with other institutions

14. So far, discussions have been held with the OPEC Fund, UNIDO, UNCTAD and UNEP, in order to explore their interest and willingness to cooperate with the PGTF. Some private institutions have also expressed their interest in co-financing.

15. Several mechanisms have been explored with these institutions, namely:

- a. lump-sum single or regular contributions to co-finance all projects in a given year or period;
- b. lump-sum single or regular contributions to co-finance specific projects or project components according to previously agreed criteria; and

- c. specific contributions to specific projects following appraisal and approval by the co-financing institution.

15. According to the consulted institutions, in line with their respective charters and mandates, they are prevented from making lump-sum contributions and almost all of them require at least a broad review and approval of specific projects so as to be able to disburse funds. Therefore, it seems that the preferred option would be mechanism (c) and, to a minor extent, mechanism (b).

16. The PGTF annual project cycle entails a number of activities, including project proposal submission (before 30 April), appraisal and recommendation by the Committee of Experts (last week of July), approval by the Annual Ministerial Meeting of the Group of 77 (late September), and implementation of approved projects (following preparation and signature of a project document between the UNDP and the project sponsors).

17. This is a fairly rigid cycle since there is only one final recommendation point (in late July) and one approval point (in late September) throughout the year. Therefore, any interaction with and decision by a co-financing institution must take place on one of the following occasions:

- a. before the meeting of the Committee of Experts and the decision be included in the report of the Committee,
- b. after this meeting and prior to the Annual Ministerial Meeting, and the decision be submitted to the Ministers as an addendum to the report of the Committee.

18. Option (a) implies that PGTF would forward a list of proposals to the co-financing institution in May-June, immediately after the deadline for receiving proposals and before the meeting of the Committee of Experts, with an indication of requested contributions for each project proposal. The co-financing institution should make its decision on specific proposals and communicate it to PGTF before the meeting of the Committee. This option has a number of advantages and shortcomings, namely:

#### Advantages

- The Committee of Experts will have before it the final decision and financial commitment of the co-financing institution when it holds its regular meeting in late July. This in practice implies that the resources allocated by the latter could be added to the resources available to PGTF, and therefore increases total availability for that meeting. The Committee could then decide on the allocation of PGTF funds to eligible projects on a firm basis since the contribution of the co-financing institution would be known and firm;
- Since the co-financing institution would make its decision on the basis of the total gap of resources, i.e. the totality of resources requested from PGTF, this would likely tend to maximize the contribution of the co-financing institution.

## Shortcomings

- It would be necessary to make a preliminary screening of project proposals in order to eliminate those that obviously do not comply with the guidelines (e.g. national or bilateral proposals, proposals not related to the priority areas of the Caracas Programme of Action, incomplete proposals and the like). Since this would have to take place before the meeting of the Committee and the list should be forwarded immediately after the deadline in order to give the co-financing institution enough time (one and a half to two months) to make its decision, the screening would have to be made by the Office of the Chairman of the Group of 77 and the Chairman of the Committee of Experts. This screening may be complemented, when possible, with a quick consultation via e-mail with the other members of the Committee.
- For those projects supported by the co-financing institution, PGTF would be compelled to provide support as part of the understanding or agreement with this institution, thereby adding a constraint in the decision-making process of the Committee of Experts.
- Project proposals that may have merits but are not eligible for PGTF funding according to the guidelines would not have the opportunity to be considered by the co-financing institution. However, this might not be a shortcoming since it will give more focus and more effective use of resources for eligible project proposals.

19. Option (b) implies that PGTF would forward in early August to the co-financing institution the relevant sections of the report of the Committee of Experts, i.e. the list of project proposals recommended for adoption and the funds allocation for each one. The co-financing institution should make its decision on individual proposals and inform PGTF in this regard by early September. It might be necessary to make adjustments to PGTF contributions when the combined contributions of PGTF and the co-financing institution exceed the resources requested by the project sponsors. This option has advantages and shortcomings, namely:

### Advantages

- Only those project proposals that in the final analysis are eligible for funding according to guidelines for utilization of PGTF would be submitted to the co-financing institution.

### Shortcomings

- The co-financing institution will have only about a month to examine the proposals recommended for adoption by the Committee of Experts and make its decision on financial support and allocation of resources to specific projects;

- Since the report of the Committee of Experts would indicate the residual gap of resources for each project, i.e. the totality of resources requested from PGTF less the amount actually allocated by PGTF, the contribution from the co-financing institution would likely be lower than in option (a);
- In order to include the contribution from the co-financing institution in the documents submitted for approval to the Annual Ministerial Meeting, an addendum to the report of the Committee of Experts would have to be drafted. Since the Committee normally holds only its regular meeting every year, preparation of the addendum would have to be entrusted to the Chairman of the Committee of Experts, complemented by a quick consultation via e-mail with the other members of the Committee.

20. On the basis of their advantages and shortcomings, it seems that option (a) would render better results than option (b). Contributions from co-financing institutions would likely be greater and the Committee of Experts would be in a position to make a final recommendation on the basis of the combined resources of PGTF and co-financing institutions. Option (a) requires more preparatory work by the Office of the Chairman of the Group of 77 and the Chairman of the Committee of Experts, but avoids drafting of addenda to the report of the Committee of Experts for submission to the Annual Ministerial Meeting.

21. An additional matter to be considered is whether a memorandum of understanding or any other suitable document should cover an agreement with a co-financing institution. An argument in favor of signing a document is that this may provide more visibility to the co-financing institution and ensure that proper credit is given to its contributions. An argument against is that this may be construed as a forced commitment to make contributions even if the proposals are not attractive to the co-financing institution. In summary, this matter should be taken on a case-by-case basis, according to the policies and preferences of the co-financing institution.

#### Summary of discussions with prospective co-financing institutions

22. Discussions have been held so far with a number of institutions that would be interested in co-financing projects with PGTF. These institutions are the OPEC Fund for International Development, UNIDO, UNCTAD, UNEP and the Carrefour International Foundation, a private foundation.

23. Among them, the OPEC Fund and Carrefour are funding institutions, while UNIDO, UNCTAD and UNEP are not and their contribution would have to be brought under different modalities.

### The OPEC Fund for International Development

24. Contacts with the OPEC Fund started in 2001 during IFCC-X in Tehran and several meetings have been held with the Director-General and members of his staff. The OPEC Fund expressed in writing its interest and willingness to support PGTF activities, but clearly stated that its support could only be provided on a case-by-case basis, following their review and approval of individual projects.

25. In this context, the OPEC Fund does not feel the need for signing of a memorandum of understanding or formal agreement and considers sufficient a practical working arrangement. To this end, option (a) would be utilized and PGTF would forward to the OPEC Fund a list of proposals in June.

### United Nations Industrial Development Organization (UNIDO)

26. UNIDO indicated at IFCC-X its support to PGTF activities, and informed that an initial allocation of resources has been made to this end. Contacts have been held with UNIDO representatives, and they have indicated that since they are not a funding institution, they are prevented from making a financial lump-sum contribution to an outside institution. What UNIDO is able and willing to do is to establish a framework for cooperation with PGTF, formalized via a memorandum of understanding, and provide support to projects proposals submitted within this framework, which would cover areas and modalities for joint action. So far, the draft under discussion includes the following areas: (i) institution building for South-South cooperation in the field of technology cooperation, and (ii) South-South cooperation in the field of biotechnology. A pilot project proposal has been already submitted to the PGTF as part of this ongoing effort.

### United Nations Environment Programme (UNEP)

27. The approach suggested by UNEP has been to identify project proposals that could be supported both by UNEP/GEF and PGTF, as a basis for cooperation activities. The first example would be a project proposal prepared by the government of Brazil for an environmental initiative for Latin America and the Caribbean, which would be submitted to PGTF in 2004. A cooperation framework between UNEP/GEF and PGTF would be discussed later this year, probably in September.

### United Nations Conference on Trade and Development (UNCTAD)

28. UNCTAD was approached and the Deputy Secretary-General designated a focal point within the organization to follow up on this matter. A letter suggesting a cooperation scheme was sent to the focal point, but no further progress has been achieved.

### Carrefour International Foundation

29. Carrefour International Foundation is a private institution that provides financial support to developing countries in Latin America and Asia in the fields of education,



health, fight against exclusion and human rights. Following an initial indication of interest in exploring possibilities of co-financing with PGTF, the Foundation authorities were provided with basic information on PGTF activities and a meeting with the Director-General was held in mid-May 2003. Prospects for cooperation are promising and a list of selected proposals was submitted for consideration of the Foundation.

#### **IV. PGTF PROJECT LIFE CYCLE**

30. PGTF has established a uniform annual project cycle with a view to providing stability and predictability to the process of preparation, submission, examination and approval of project proposals. The main activities involved are as follows:

##### Project proposals preparation and submission

31. The Office of the Chairman of the Group of 77 sends invitations to submit project proposals to PGTF at the beginning of each calendar year. Recipients of these invitations are all member countries of the Group as well as a large number of governmental and non-governmental organizations and institutions of developing countries. Proposals should be prepared in accordance with the guidelines for utilization of PGTF and using a model format.

32. Project sponsors should submit proposals before 30 April. Proposals are compiled by the Office of the Chairman and distributed to the members of the Committee of Experts of PGTF in May-June.

##### Project proposals appraisal and approval

33. The Committee of Experts of PGTF holds its regular meeting in the last week of July and considers proposals received before the deadline. Consideration of proposals received after the deadline is deferred to the following session of the Committee. The Committee examines the proposals, ascertains their eligibility according to the guidelines, and recommends allocation of resources to eligible projects on the basis of their priority and within available resources for the year. The Committee of Experts prepares a report with its recommendations that is circulated by the Office of the Chairman to all member countries of Group of 77.

34. The Annual meeting of Ministers of Foreign Affairs of the Group of 77 considers the report of the Committee of Experts and approves its recommendations in the second half of September.

##### Implementation of approved projects

35. Project sponsors are informed in October of the decision of the Ministerial Meeting and sponsors of projects benefiting from PTF support are invited to prepare and submit to the UNDP the required project documentation.

36. Following review, amendment if needed and agreement of the respective project document, it is signed by the UNDP Special Unit for TCDC and by either an authorized government representative of the country where the project is to be implemented, or by the head of the intergovernmental organization responsible for implementing the project. When required, sub-contract agreements are signed with the implementing organizations.

37. The Special Unit for TCDC sends an authorization for disbursement of 90 percent of the funds allocation for each project –in one or more tranches according to the approved recommendation of the Committee of Experts- to the respective field office of UNDP. A token 10 percent of the total contribution is withheld until submission of documentation due upon completion of the project.

38. Implementation of the project starts and, according to the provisions established in the project document, progress and financial reports should be submitted to UNDP and the Office of the Chairman. In particular, timely submission of these reports is a prerequisite for disbursement of each subsequent tranche.

39. Upon completion of the project and submission of the relevant substantive and financial reports, the remaining 10 percent of the funds allocated are disbursed to the project sponsors.

40. The final report of the project is circulated by the Office of the Chairman to all member countries of the Group of 77.

## **V. PERFORMANCE OF PGTF**

41. Performance of PGTF should be assessed from two different perspectives. On the one hand, in terms of its ability to respond to the needs for supporting cooperation among developing countries. Two indicators could be used to this end:

- a) Ability to provide resources requested by eligible projects, and
- b) Ability to timely provide resources to approved projects.

While the first refers to the relative size of PGTF resources vis-à-vis the perceived demand for funds, the second refers to the efficiency of PGTF operations.

42. On the other hand, in terms of the quality of projects approved and implemented and their impact.

### Ability to provide resources requested by eligible projects

43. One measure of this factor is the ratio of resources allocated to resources requested by eligible projects. Values of this ratio throughout the years have been as follows:

Year	Proposals submitted	Resources available (US\$)	Projects approved	Resources allocated (US\$)	Resources requested by eligible projects (US\$)	Ratio
1987	5	307,000	5	245,640	245,640	1.00
1988	7	590,000	3	164,150	194,150	0.85
1989	46	1,342,000	10	703,000	951,800	0.74
1990	30	1,218,000	9	1,253,000	1,595,782	0.79
1991	51	644,000	2	210,800	210,800	1.00
1992	46	900,000	6	720,300	841,000	0.86
1993	39	600,000	7	556,501	556,501	1.00
1994	35	300,000	6	292,363	1,080,000	0.27
1995	25	880,000	3	356,120	356,120	1.00
1996	31	800,000	6	459,800	459,800	1.00
1997	16	843,000	4	148,910	148,910	1.00
1998	43	1,294,000	18	1,165,000	2,678,400	0.43
1999	36	462,000	14	460,000	1,038,600	0.44
2000	28	408,000	12	406,000	774,400	0.52
2001	18	796,000	8	634,600	671,100	0.95
2002	32	510,000	15	510,000	1,332,000	0.38
Total	488	11,894,000	128	8,286,184	13,135,003	0.63
Average	31	743,400	8	517,900	820,900	0.63

44. It can be noted that up to 1994, PGTF was able to provide either the totally or a large proportion of the resources requested by eligible projects. This probably reflected insufficient awareness on PGTF as a source of financial support and insufficient understanding of the guidelines for utilization of PGTF. As an example, from 1987 to 1993 only 19 percent of the proposals submitted were eligible and supported, while from 1998 to 2002 this figure increased to 43 percent.

45. Another evidence of the initial lack of awareness of the guidelines for utilization of PGTF was the very large share of national projects -which are not eligible according to the guidelines- among the proposals submitted. This share amounted to some 50 to 60 percent up to 1995 and even exceeded 30 percent by 1998, as shown in the table below. Since then, this problem has been in essence solved as a result of the consistent effort by the Office of the Chairman in disseminating the guidelines, through the web page of the Group of 77 as well as through printed brochures. One step further has been the translation of the guidelines and model format into the working languages of the Group of 77 and insertion of these texts in the web page of the Group in 2003.

Year	Proposals submitted	National projects (not eligible)	
		Number	Percent of proposals
1987	5	-	-
1988	7	1	14
1989	46	21	46
1990	30	17	57
1991	51	35	69
1992	46	21	46
1993	39	18	46
1994	35	14	40
1995	25	13	52
1996	31	11	35
1997	16	6	38
1998	43	14	33
1999	36	2	6
2000	28	8	29
2001	18	0	0
2002	32	0	0
Total	488	181	37
Average	31	11	37

46. In 1994, resources requested by eligible projects exceeded available resources by a ratio of 3 to 1. This perceived limitation of resources probably discouraged for some time presentation of proposals to PGTF, as seen from 1995 to 1997 when available resources significantly exceeded requests. The year 1998 represented the peak of PGTF activity in terms of projects approved (18) and the second largest allocation of funds (US\$ 1.17 million), but this only reflected accumulation of funds in PGTF accounts following low levels of requests in previous years. But even in this case, PGTF was only able to provide less than one half of the resources requested by eligible projects. This has been the case since then, with the exception of 2001, when an overall account review carried by the UNDP resulted in an increase of available resources beyond the prevailing levels of those years.

47. Coupled with the diminishing ability of PGTF to provide funds to eligible projects, there has been a reduction in the average allocation of funds to projects. This reflects a combination of lower availability of funds and a higher number of well-prepared project proposals by developing countries institutions and organizations. In particular, there has been a sharp reduction in large allocations to individual projects (e.g. allocation over US\$ 100,000), as shown in the table below:

Year	Projects approved	Resources allocated (US\$)	Average allocation per project (US\$)	Range of allocations per project (US\$)		Projects with allocations of at least (US\$)	
				Smallest	Largest	50,000	100,000
1987	5	245,640	49,128	15,000	82,140	2	0
1988	3	164,150	54,717	35,000	83,700	1	0
1989	10	703,000	70,300	25,000	120,000	7	3
1990	9	1,253,000	139,222	78,000	350,000	9	4
1991	2	210,800	105,400	60,800	150,000	2	1
1992	6	720,300	120,050	60,700	250,000	6	2
1993	7	556,501	79,500	38,500	150,000	5	2
1994	6	292,363	48,727	30,000	72,363	3	0
1995	3	356,120	118,707	51,120	165,000	3	2
1996	6	459,800	76,633	59,300	90,000	6	0
1997	4	148,910	37,228	24,850	61,500	1	0
1998	18	1,165,000	64,722	15,000	150,000	13	5
1999	14	460,000	32,857	22,000	38,000	0	0
2000	12	406,000	33,833	10,000	45,000	0	0
2001	8	634,600	79,325	17,500	110,000	7	1
2002	15	510,000	34,000	20,000	70,000	2	0
Total	128	8,286,184	64,736	10,000	350,000	67	20

#### Ability to timely provide resources to approved projects

48. This refers to the effectiveness of the process of providing funds to approved projects. As indicated above, following approval by the Annual Ministerial Meeting, the Office of the Chairman invites beneficiaries to prepare and submit to UNDP the necessary documentation. Beneficiaries and the Special Unit of TCDC of UNDP should sign a project document and then the respective field office of UNDP is given instructions to disburse funds to the beneficiaries (up to 90 percent of allocated resources). In the event of disbursement in more than one tranche, disbursement of the subsequent tranches is subject to the timely presentation of progress and financial reports. Upon completion of the project and submission of the relevant substantive and financial reports, the remaining 10 percent are disbursed and the project is considered as closed.

49. Since signature of the project document is a prerequisite for disbursement of funds, one indicator of the effectiveness of PGTF is the time elapsed between project approval by the Annual Ministerial Meeting (normally in late September) and signature of the project document by the UNDP and the project sponsors. Evolution of this indicator is shown in the table below.

Year	Approved projects	Time elapsed between project approval and signature of project document (months)			
		Average	Median	Shortest	Longest
1987	5	14.6	14	4	26
1988	3	15.0	12	11	22
1989	10	14.0	15	2	25
1990	9	7.1	7	2	15
1991	2	1.0	1	1	1
1992	6	4.3	2	1	10
1993	7	7.3	4	4	13
1994	6	9.2	7	4	18
1995	3	7.7	7	7	9
1996	6	7.0	6	5	11
1997	4	16.3	21	7	21
1998	18	10.9	11	4	21
1999	14	10.2	8	7	19
2000	12	8.1	7	4	21
2001	8	6.2	6	6	7
2002	15	n.a	n.a	n.a.	n.a.
Total	128	9.7	7	1	26

(\*) Median: time elapsed between approval and signature of project documents for 50 percent of the approved projects

50. In the first years of operation of PGTF, average time elapsed exceeded one year and for some projects it exceeded two years. These times were significantly improved by providing guidance and the required formats to project sponsors. In 1997, a change in procedures within UNDP increased this average time, but it has been reduced since then.

51. One improvement adopted two years ago was to request submission of the draft project documents via electronic means so as to reduce time required for reviews, amendments and approval of the texts by the UNDP. At present average and median times are in the order of 6 to 8 months, even though some individual projects still fail to match this performance.

52. Following signature of the project documents, authorizations are sent by the Special Unit for TCDC of UNDP to the field offices of UNDP to disburse funds. Authorizations are issued shortly after signature of the project documents, but no accurate records of actual disbursements dates are available. As a result, in the table below some adjustments had to be made in the disbursement figures for given years.

Year	Approved projects	Resources allocated (US\$)	Projects under implementation	Disbursements (US\$)
1987	5	245,640	-	0
1988	3	164,150	2	26,340
1989	10	703,000	8	106,860
1990	9	1,253,000	14	322,230
1991	2	210,800	10	1,223,280
1992	6	720,300	14	252,100
1993	7	556,501	18	717,177
1994	6	292,363	15	429,461
1995	3	356,120	7	434,759
1996	6	459,800	13	264,650
1997	4	148,910	18	330,332
1998	18	1,165,000	15	370,291
1999	14	460,000	15	449,646
2000	12	406,000	35	266,759
2001	8	634,600	37	442,291
2002	15	510,000	37	383,424
Gross total	128	8,286,184	n.a.	6,019,600
Reverted	(15)	(805,300)		(148,500)
Net total	113	7,480,884		5,871,100

### Quality and impact of projects approved and implemented

53. According to the status of their implementation by mid-May 2003, PGTF-supported projects could be classified as follows:

Status of implementation	Number of projects	Share of approved projects (%)	Share of allocated resources (%)
Completed	58	45	58
Under implementation	47	37	28
Under preparation still to be implemented	8	6	4
Not implemented and allocated resources reverted to PGTF	15	12	10
Under query	0	0	0
Total	128	100	100

54. The first comment is that 88 percent of approved projects are implemented and 12 percent are not implemented within the established deadlines. According to the guidelines, resources allocated to these projects revert to PGTF and are made available for supporting new project proposals. For three of these projects resources were actually disbursed (a total of US\$ 148,500), but the sponsors have reimbursed the totality of these funds to PGTF.

55. Almost one half of the projects approved have already been completed. This means that the project sponsors have submitted all the required substantial and financial reports. There are 8 projects under preparation still to be implemented. These are approved projects for which the project documents are still to be finalized and signed. One of these projects was approved in November 2001 while the other 7 were approved in September 2002. According to the latest information available, project documents have been finalized for four of these projects and sent to the sponsors for signature.

56. The modest size of the vast majority of projects approved makes it very difficult to incur in the costs of carrying out a formal field evaluation of these projects. However, through a survey of the impact and benefits of PGTF-funded projects, the Office of the Chairman has gathered information on 37 of the 58 projects that have been completed to date.

57. The results of the survey, which are regularly included in the report of the Committee of Experts, indicate that the vast majority of these projects have had a significant measurable impact and have benefited a large number of developing countries. As an example, in the last five years (1998-2002) PGTF-funded projects have benefited directly some 70 developing countries members of the Group of 77 and almost the totality of the members through projects carried out by sub regional or regional institutions from developing countries (e.g. ALADI, Amazon Cooperation Treaty, Andean Community, ASEAN, COMESA, ECOWAS, Mercosur, League of Arab States, NAM, OUA, SADC, SELA, and SOPAC).

## **VI. COSTS ASSOCIATED TO PGTF ACTIVITIES**

58. Since the commencement of its operations, a permanent concern of PGTF has been to limit to a minimum the expenses associated to its operations, so as to be able to devote the largest possible share of its resources to project support. The main cost items related to PGTF activities are as follows:

### **Support to the Committee of Experts**

59. This support mechanism was established in 1989 and covers travel and living expenses of the six experts to attend normally one meeting per year, even though a second meeting could be held if required; travel and living expenses of the Chairman of the Committee to introduce the report at the Ministerial Meeting, provide briefings on the PGTF to member states, and attend the coordination meeting of the Group of 77 chapters; as well as the cost of publication of brochures and translation.

60. Budgeted annual cost is in the order of US\$ 21,000 through a project designed to this end, but the actual cumulative cost between 1989 and 2002 (14 years) has been US\$ 179,500, i.e. an average of US\$ 12,820 per annum or less than 2 percent of total resources allocated by PGTF to projects in this period. Part of the difference could be explained by lower-than-budgeted air fares and another part by the fact that in the 84



experts-years involved (6 experts multiplied by 14 years) there have been 3 experts-years vacant and 16 experts-years corresponding to experts residing in New York, i.e. not incurring in travel expenses to attend the meetings of the Committee of Experts.

61. Available resources by mid-February 2003 to support the Committee of Experts amount to US\$ 88,500, including a US\$ 10,000 provision to cover support costs incurred by the Office of the Chairman with regard to expansion of resources of PGTF.

62. The Office of the Chairman plays an important role in the processes associated with each meeting of the Committee of Experts as well as in the follow-up of the implementation of approved projects. Its activities include guidance to and communications with project sponsors; reception, compilation and dissemination of proposals; provision of secretariat support to the Committee meetings; communications with project beneficiaries and custody and filing of all PGTF-related documentation. Costs associated with staff time and regular communications (telephone calls, faxes, emails, etc.), have so far been borne entirely by the Office of the Chairman.

#### Management of the PGTF portfolio

63. The Treasury Division of UNDP is responsible for the management of the PGTF portfolio. A fee is charged for these services, as a percentage of the portfolio value.

#### Preparation and approval of project documents, and follow up of implementation

64. The Special Unit for TCDC of UNDP carries out this activity. Associated costs involve mainly staff time and administrative (audit) costs (currently charged at 1 percent of annual disbursements). So far, only audit costs have been charged to PGTF. As indicated in paragraphs 1-2 of this report, the UNDP indicated that, according to new procedures the Special Unit for TCDC would be required either to recover certain costs incurred in providing support to PGTF, cease providing this support or reduce its scope.

65. It is necessary to determine the magnitude of costs associated to this support by UNDP. This information should be provided by the UNDP as part of its review of the whole process associated with the implementation of PGTF-funded projects.

66. The conceptual appropriateness of this claim would have to be settled by the Group of 77 and the UNDP as part of their overall relationship. The role of the Committee of Experts would be to look into the process.

#### Disbursement of funds to beneficiaries

67. The field offices of UNDP carry out this activity under instructions issued by the Special Unit for TCDC. According to recently issued UNDP policies, field offices are expected to charge 3 percent of disbursed funds for their services. The Chairman of the Group of 77 has requested the Administrator of UNDP to waive this fee in the case of PGTF. Should this option fall outside of the prerogatives of the Administrator and

require decisions by the appropriate legislative body, the Chairman has indicated that the Group stands ready to cooperate with him on this matter and undertake the necessary actions aimed at providing solutions to this important issue.

#### Impact of associated costs on PGTF activities

68. The direct impact of the foregoing cost items would be to reduce the share of resources available to PGTF that could be devoted to project support. Since some of these costs are fixed and others are proportional to resources allocated to projects, their relative impact would be greater when the amount of available resources decreases, as is the case in 2003.

### **VII. GUIDELINES FOR UTILIZATION OF PGTF RESOURCES**

69. The guidelines for utilization of PGTF resources were adopted by a High-level meeting on ECDC held in Cairo in August 1986. They have been reviewed and amended several times by the Committee of Experts with a view to providing a clearer guidance to project sponsors, and allowing for a more effective process in the appraisal, examination, approval and implementation of projects. The Annual Ministerial Meeting of the Group of 77 approves amendments to the guidelines. In addition, a summary checklist and model format were adopted so as to facilitate the processor preparing and submitting project proposals. The Committee of Experts adopted its rules of procedure at its first meeting held in 1987.

70. Dissemination of the guidelines and formats was initially carried out mainly through printed material, and brochures were prepared and distributed to all interested parties. This effort was largely enhanced by including the guidelines and formats in the web page of the Group of 77, initially in English and, as of 2003, in all the working languages of the Group (Arabic, French and Spanish).

### **VIII. SCOPE OF WORK OF THE SPECIAL MEETING OF THE COMMITTEE OF EXPERTS**

71. Pursuant to the request of the Chairman of the Group of 77, the Committee would have to make a comprehensive review of PGTF operations and make appropriate recommendations to the Group.

72. In this connection, the draft substantive agenda items for the special meeting of the Committee of Experts would be as follows:

- Guidelines for utilization of PGTF and model formats for preparation and submission of proposals
- Expansion of PGTF resources. Contributions and co-financing
- PGTF project cycle and performance

- Costs associated to PGTF activities
- Other items

73. The Committee would have at its disposal the following documents:

- Inputs submitted by UNDP
- Guidelines for utilization of PGTF, model format and summary checklist
- Note by the Chairman of the Committee of Experts, prepared for the special meeting of the Committee
- Reports of the various meetings of the Committee of Experts

STATUS OF CONTRIBUTIONS TO PGTF

	<u>COUNTRY</u>	<u>AMOUNT (\$US)</u>	<u>DATE</u>
1.	Algeria	2,000.00	June-1999
2.	China	2,000.00	February-2000
3.	Cyprus	2,000.00	March-1999
		3,000.00	January-2002
		2,775.00	May-2003
4.	Democratic People's Republic of Korea	2,000.00	February-1999
		2,000.00	May-2000
		2,000.00	March-2001
		2,000.00	February-2002
5.	Egypt	2,000.00	March-2001
		2,000.00	September-2002
6.	India	2,000.00	August-1999
7.	Indonesia	2,000.00	March-2003
8.	Iran (Islamic Republic of)	3,000.00	January-1999
9.	Kuwait	3,000.00	April-2003
10.	Malaysia	2,000.00	May-1999
11.	Mauritius	500.00	December-1997
12.	Pakistan	1,000.00	April-1998
13.	Peru	2,000.00	August-2000
14.	Philippines	1,500.00	September-1999
15.	Singapore	2,000.00	December-1998
		2,000.00	September-2001
16.	South Africa	3,000.00	August-2001
17.	Thailand	2,000.00	May-1999
		2,289.90	April-2002
18.	United Republic of Tanzania	5,000.00	January-2002
	<b><u>TOTAL</u></b>	<b>57,064.90</b>	



## THE GROUP OF 77

New York  
Office of the Chairman

L-013/2003

1 April 2003

Dear Mr. Administrator:

I would like to refer to the Perez-Guerrero Trust Fund for ECDC/TCDC (PGTF). As you are aware, in its sixteen years of operations PGTF has proven to be a success story as a valuable instrument for providing financial support to South-South cooperation. It is also a success story as evidence of the long-standing and strategic relationship between the UNDP and the Group of 77, since both have effectively joined their efforts and resources in supporting PGTF activities.

The result of this joint endeavour is that PGTF has been able to devote to project funding almost the totality of available resources, while keeping administrative and support costs at the bare minimum. Since the launching of its operations in 1986, PGTF has provided support to 128 projects with a total allocation of US\$ 8.3 million. However, given that PGTF contributions have permitted or encouraged mobilization of resources from other sources, the overall value of South-South cooperation projects where PGTF has participated amounts to US\$ 25 million.

We have been informed that as a result of new procedures within the UNDP, the field offices, which are responsible for disbursing the PGTF contributions to project sponsors, are expected to charge PGTF a fee equal to 3 percent of the disbursed amounts. In the present scenario of very low interest rates, PGTF earnings have been reduced to one half of its regular level and in the same proportion has been reduced its ability to respond to developing countries' needs.

Under the circumstances, an effort by all of us involved is required in order to support the PGTF. In this context, the Group of 77 feels very strongly that with your support the aforementioned field office fees should be waived in the case of the PGTF. In 2002 the average allocation from PGTF to each project was US\$ 34,000.

Should this option fall outside of your prerogatives and require decisions by the appropriate legislative body, we stand ready to cooperate with you on this matter and undertake the necessary actions aimed at providing solutions to this important issue.

Please accept, Mr. Administrator, the assurances of my highest consideration.



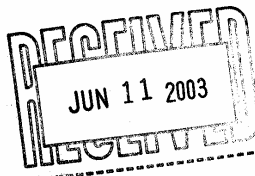
Ambassador Mohamed Bennouna  
Permanent Representative of the Kingdom  
of Morocco to the United Nations  
Chairman of the Group of 77

Mr. Mark Mallock Brown  
Administrator  
United Nations Development Programme

c.c. Mrs. Safiatou Ba-N'Daw  
Director, Special Unit for TCDC  
UNDP

**United Nations Development Programme**

The Administrator



11 June 2003



Dear Mr. Ambassador,

I refer to your recent letter regarding the Perez-Guerrero Trust Fund for ECDC/TCDC (PGTF). I fully share your view that the sixteen years of successful operation of the PGTF serves as strong testimony to our long-standing and strategic relationship with the G-77. Indeed, UNDP has been supporting the work of the G-77 for many years including the administration of the PGTF investment portfolio by our Finance Division, and management and implementation of PGTF-funded projects through the Special Unit for TCDC and relevant country offices, in addition to other institutional and technical support.

The 3% overhead issue mentioned in your letter was brought up by our Auditors based on UNDP/UNFPA Executive Board decision 98/2 which states, "...the additional costs resulting from non-core funded activities be fully recovered...". As the PGTF falls under the non-core fund category, you will understand that UNDP is obliged, in order to abide by our Executive Board decision, to recover its costs for managing this programme.

I have, however, requested our Special Unit for TCDC, in collaboration with the country offices concerned, to work closely with your office in order to keep the cost associated with the handling of the PGTF activities at a bare minimum, without compromising the quality and effectiveness of service to PGTF projects. I will also encourage our large offices that have the capacity to do so, to make a special effort to try to accommodate services to the PGTF, without affecting their overall cost recovery schedule. I believe that it could be limited to the real cost of overhead, which will be minimal given the limited number of activities and amount of funds handled by country offices.

Yours sincerely,

Mark Malloch Brown

His Excellency  
Mr. Mohamed Bennouna  
Permanent Representative of the Kingdom of Morocco  
to the United Nations  
Chairman of the Group of 77

cc: Ms. Safiatou Ba-N'Daw  
Director, Special Unit for TCDC

One United Nations Plaza, New York, NY 10017 Tel: (212) 906 5791 Fax: (212) 906 5778 www.undp.org

**TERMS OF REFERENCE  
THE PEREZ GUERERO TRUST FUND PROJECTS (PGTF)  
OPERATIONAL REVIEW OF PGTF TO EVALUATE AND RECOMMEND  
MANAGEMENT OPTIONS**

**Background**

The Perez Guerrero Trust Fund for Economic and Technical and Economic Cooperation among Developing Countries (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 Operation Trust Fund (UNEO-TF) and the allocation of its resources of which 12% were assigned for the purpose of economic and technical co-operation among developing countries.

At the commencement of its operations in 1985 the PGTF Trust Fund had a resource base estimated at \$5.8 million of which \$5 million are to be held in perpetuity and invested as the capital resource base of the fund and the remainder to finance TCDC/ECDC activities. From then to the Seventeenth (17<sup>th</sup>) meeting in July 2002, the Committee of Experts of PGTF met and approved approximately 125 projects which conformed to its guidelines for an estimated \$8.3 million dollars – reflecting the interest earnings that the fund had accumulated over the years.

The management of the PGTF-Trust Fund is a joint undertaking between UNDP, the Office of the Chairman of the Group of 77 and the Committee of Experts of the PGTF. The range of activities involves; i) managing the financial/investment portfolio of the Fund, ii) soliciting, processing and appraising project proposals submitted by developing countries for funding; iii) review of recommendations and approve funding; iv) dispatch approval notification and follow-up guidelines to institutions receiving grants; v) processing approved project documents for signature, reviewing subcontracts/work plans, recording approved budgets and authorizing disbursement of funds; vi) maintaining a ledger; following up with relevant executing agency/implementing agency on the status of implementation of projects and monitoring submission of all required financial and progress reports.

Historically, the Administrator of UNDP has agreed that the organization will provide support to the Office of G-77 for activities i), v), and vi). The other activities have been under the purview of the Committee of Experts and the Office of the Chairman of the Group of 77. UNDP has therefore, for over 17 years, provided free services to the G-77 in the management of PGTF.

However, in early as October 2001 when the Office of Audit and Performance Review (OARP) conducted an audit of SU/TCDC, several of their recommendations pertained to PGTF. These touched on issues of cost recovery for the provision of services and on project implementation arrangements. The changes requiring fee for service were further underscored with the mandatory 3% service charges for project



management approved by UNDP/UNFPA Executive Board in its decision 98/2 on the "Review of policy implications of change and non-core funding".

In light of the implications of these decisions on the PGTF, SU/TCDC brought the matter to the attention of the Chairman of the Group of 77 on the occasion of the 17<sup>th</sup> meeting of the PGTF Committee of Experts. The Committee felt that the matter required a comprehensive review and requested that it be examined as a separate item at a later date. Reference the Report of the Seventeenth meeting of the Committee of Experts of the PGTF, pp. 11 and 12, paragraphs 39-41 detailing the issues.

**Objective and purpose of the Review:**

Over the last 4 years, UNDP has been implementing various cost recovery strategies to rein in its administrative and programme costs. As UNDP continues to streamline its operations to optimize cost effectiveness and to decentralize authority and staffing resources from headquarters to its network of country offices, cost recovery has become an important feature of UNDP programme operations.

SU/TCDC's staffing strength at headquarters has diminished, as 30% of its professional staff has been out-posted from Headquarters. This situation has impacted SU/TCDC's capacity to continue to provide services related to PGTF on a no cost basis. At the country office level, a 3% administrative fee is being applied for services rendered in ensuring compliance with UNDP policies, procedures and financial accountability relative to programme operations. PGTF projects will be subject to these charges.

In consequence, SU/TCDC will need to recover costs on PGTF for the following services:

- managing the financial/investment portfolio of the Fund,
- maintaining a ledger; following up with relevant executing agency/implementing agency on the status of implementation of projects and monitoring submission of all required financial and progress reports;
- finalizing project documents in compliance with G 77 requirement and UNDP format and processing disbursement of funds in compliance with UNDP financial rules and regulations.

The purpose of the Review is to help identify various options for the management of PGTF and to establish the order of magnitude of the costs associated with the management of Fund. This information is expected to inform arrangements for the future management of PGTF.

**Scope of the Review and related issues:**

The review should provide answers to the following questions:

- i) What is the actual cost to UNDP in the management of the PGTF Trust Fund?

- a) the cost to the Special Unit;
- b) the 3% cost to the country offices (which should be borne by each project);
- ii) What is the viability of G-77 managing the PGTF itself? What are the options available to G-77 in the management of PGTF?
- iii) What is the most cost effective way for the Trust Fund to cover the cost of services to UNDP?
- iv) What are the requirements for G-77 to manage the PGTF on its own?
- v) What type of services could UNDP reasonably continue to provide to G-77.

Towards this end, the consultant/s should:

1. Assess the support of the SU/TCDC to G77 projects and make recommendations on how best to provide alternative means of managing the PGTF taking into account the financial constraints of the Fund.
2. Review and assess the impact of G77 resources in providing funding for ECDC/TCDC projects
3. Recommend appropriate execution modalities, given the scale and nature of PGTF projects i.e. individual projects versus umbrella programme with budget line items for each approved activity;
4. Highlight implementation constraints if any under the present execution modalities.
5. Assess the extent to which the arrangements for the implementation of G 77 projects are efficient and effective.
6. Review examples of country offices managing multiple PGTF projects i.e. Jordan, Venezuela to determine cost effectiveness.

~~7. The consultant should also consider the use of new IT systems in UNDP as a resource in the efficient management of PGTF.~~

#### Operational Strategy and Timetable

The consultant should work in close consultations with the Chairman of the PGTF Committee of Experts, Office of the G-77 and the Deputy Director of SU/TCDC and be guided by them. The consultancy is for a period of 6 weeks and the task should be undertaken as soon as possible.

The Consultant is expected to submit its first draft report to the SU/TCDC/G77 four (4) weeks after the start of the assignment. SU/TCDC/ G77's comments on the draft report will be communicated to the consultant within 2 week after the receipt of the draft by SU/TCDC/G77. The Consultant shall finalize the report within two weeks after receipt of the SU/TCDC /G77 comments.

Resource documents: [www.g-77.org](http://www.g-77.org) - PGTF  
Office of Chairman of G-77  
SU/TCDC Relevant Files



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

**Guidelines for the utilization of PGTF<sup>1</sup>**

**A. Project Criteria**

(a) Projects utilizing the Perez-Guerrero Trust Fund (PGTF) should be of such a nature that they lead to balanced and general benefits for the member countries of the Group of 77. These projects should be designed so as to have a maximum multiplier effect and, in the case of regional projects, serve as pilot projects for the other regions.

(b) The objective of the PGTF is to provide seed money for (i) financing pre-investment/feasibility studies/reports prepared by professional consultancy organizations in developing countries; and (ii) facilitating the implementation of projects within the framework of the Caracas Programme of Action on ECDC.

(c) The PGTF should not be used as a substitute for resources available to the United Nations agencies for undertaking activities in favour of economic cooperation among developing countries.

(d) Proposing organizations and institutions may submit no more than one (1) project proposal per annum for funding from the PGTF.

(e) All projects benefiting from PGTF financing should, to the maximum extent possible, comply with ECDC/TCDC modalities in their execution.

(f) Projects that are of a national nature would not be eligible for financing. For nationally executed projects to be eligible, the cooperative component of the project

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<sup>1</sup> As of 19 September 2002.

has to be established through the identification and declared interest of and explicit participation by other developing countries as potential beneficiaries in the activities of the project, as appropriate. Accordingly, written evidence of endorsement or declared interest should be part of the proposal. The Committee of Experts would not consider proposals failing to comply with this requirement.

(g) Cooperative projects can be carried out on a sub-regional, regional or inter-regional basis. In this regard, projects that are essentially of a bilateral nature are not eligible for funding.

(h) Dissemination of results to interested countries cannot by itself be considered as a rationale for the cooperative character and hence the eligibility of the project.

(i) The projects that are selected should not duplicate existing projects in developing countries and should make optimum use of capacities which already exist in developing countries at the national, regional and inter-regional levels.

(j) The support provided by PGTF is of a catalytic nature and cannot be used for the full implementation of a project, which is the responsibility of the participating countries. In this regard, regular budget activities of organizations or institutions are not eligible for funding from PGTF resources.

(k) Before submitting project proposals to the PGTF, governmental and non-governmental organizations, subregional and regional institutions of developing countries should obtain approval of their respective governing bodies and countries involved in the project.

(l) Project proposals submitted for funding from PGTF should address the sectoral priorities contained in the Caracas Programme of Action, that is Trade, Technology, Food and Agriculture, Energy, Raw Materials, Finance, Industrialization and Technical Cooperation among Developing Countries.

(m) All project proposals submitted to PGTF should include inputs from other sources of an amount at least equal to the resources requested from PGTF. These inputs should be secured by the sponsors prior to submission of the proposal to PGTF.

(n) Project proposals by governmental or non-governmental organizations should be submitted to PGTF through their respective National Focal Points for ECDC/TCDC.

(o) The deadline for submission of project proposals should be the last day of April of each year, so that the necessary consultations between the experts, the Office of the Chairman, governments, organizations and institutions submitting proposals should take place, so as to improve and expedite the process of examination of projects as well as to avoid duplication with the existing activities.

(p) The financial support given to any project proposal in a given year cannot exceed one-fifth of the total resources available to PGTF for that year. The Office of the Chairman of the Group of 77 will inform at the beginning of each calendar year the corresponding availability of resources. For the year 2003 the estimated maximum amount available for supporting any given project will be US\$ 45,000.

(q) In order to ensure successful implementation of approved projects a lead country or organization, as appropriate, should be identified when necessary.

## **B. Appraisal and Evaluation of Project**

(a) A committee of six experts, two from each region of the Group of 77, acting in their personal capacities, is hereby established. The Chairman of the Group of 77 in New York, after consultations with Member States of the Group, shall submit before the end of the year the names of the experts to the Group of 77 in New York for approval. The terms of office of the experts shall be four years (for newly-elected members whose term of office started in 2002 and thereafter, and for those whose term of office started in 2000 their term was extended by one year to 2003 for a total of four years).

(b) The task of this Committee of Experts shall be to prepare a list of projects in order of priority in respect of which the preparations of pre-investment/feasibility studies/reports could be assigned to professional consultancy organizations available in developing countries. The report of the Committee of Experts shall also include all relevant financial implications.

(c) At least four experts would constitute the quorum in any meeting of the Committee of Experts. The Ministers requested the Chairman of the Group of 77 to ensure a smooth transition between the work of the outgoing group of experts and the group to be designated, inter alia, through the presence of the Chairman of the current Committee in the first meeting of the newly designated Committee.

(d) When project proposals are received by IFCC or Ministerial Meetings of the Group of 77, such project proposals should be referred to the Committee of Experts before a final decision is taken.

(e) Whenever feasible, the Committee of Experts should indicate in its recommendation for adoption of a given project if disbursement of funds should take place in two or more tranches. The disbursement of subsequent tranches would be subject to the timely submission of the corresponding financial and progress reports. A token 10 percent of the funds allocated to each project will be withheld until the submission by the project sponsors of the relevant substantive and financial reports which are to be submitted upon completion of each project.

(f) No follow-up project would be considered until the previous one is implemented.

(g) Countries or groups of countries, including action committees, will continue to have the possibility of submitting projects to the Intergovernmental Committee and/or Ministerial Meetings of the Group of 77 for financing from the PGTF. To the extent possible the views of the Committee of Experts would be ascertained on these projects.

(h) In order to identify a uniform project cycle and ensure full participation of its members, the regular meeting of the Committee of Experts should take place in the last week of July of each year, and if necessary the Chairman of the Group of 77, in consultation with the Chairman of the Committee of Experts of the PGTF, will convene an extraordinary meeting of the Committee.

(i) The expenditures relating to the participation of the members at the meetings of the Committee of Experts, up to a maximum of two meetings per year, will be covered by the PGTF.

### **C. Approving Authorities**

(a) The report of the Committee of Experts shall be circulated to Governments by the Chairman of the Group of 77 in New York at least one month in advance of the next meeting of the Intergovernmental Committee. Both the Intergovernmental Committee and the Ministerial Meeting of the Group of 77 would be empowered to approve the report of the experts.

(b) In the year when no IFCC meetings are held, the report of the Committee would be considered by the Annual Meeting of the Group of 77 which is entrusted with the preparation of the Annual Meeting of the Ministers for Foreign Affairs held in New York. The report as amended by the Annual Meeting of the Group of 77 will be submitted for consideration and approval to the Ministerial Meeting.

(c) The approving authorities (IFCC and/or Ministerial Meetings) should have before them a list of all the projects submitted for consideration by the Committee of Experts.

### **D. Coordinating Agency**

(a) The Chairman of the Group of 77 in New York should approach directly, in consultation with concerned Governments, organizations and institutions in developing countries capable of preparing projects eligible for financing under the Perez-Guerrero

Trust Fund. Such an approach must go beyond sending invitations to submit project proposals. In carrying out this task, which should take place under the coordination of appropriate authorities and designated national focal points of host developing countries, the participation of the members of the Committee of Experts should be sought in order to benefit from their experience and expertise.

(b) The Chairman of the Group of 77 could also seek the assistance of the Committee of Experts in identifying organizations and institutions of developing countries capable of preparing project proposals that could be submitted for funding by PGTF.

(c) Once the report is approved, pre-investment/feasibility studies/reports shall be commissioned on a strictly time-bound basis. When available such pre-investment/feasibility studies/reports shall be circulated by the Chairman of the Group of 77 in New York to all countries members of the Group of 77.

(d) The core of assistants of the Chairman of the Group of 77 will provide continuing support for the work of the Committee, in order to ensure a permanent operating and follow-up capability in identifying, selecting and recommending projects as well as in assisting the Chairman in monitoring the implementation of the approved projects.

#### **E. Guidelines Related to Action Committees**

(a) Requests for the financing of projects by Action Committees, existing or prospective, from the Perez-Guerrero Trust Fund for ECDC/TCDC will be considered by the Committee of Experts on the same parameters that governed the approval for providing financial support to the Action Committee on Consultancy, Construction and Engineering as a form of support to its preparatory phase in order to facilitate its early and effective launching. (The Action Committee will receive the recommended amount only after it has received a matching contribution of the same amount from its members). The Committee of Experts shall apply the same norms and modalities concerning the procedure of submission of requests for support and/or projects by other Action Committees.

#### **F. General**

(a) The Ministers underscored the need to increase the participation of competent intergovernmental organizations and research institutions of developing countries members of the Group of 77 in submitting project proposals for funding from the Perez-Guerrero Trust Fund. To this end, they requested the Chairman of the Group of 77 to approach those institutions and to circulate the project format in order to expedite

and facilitate the appraisal and implementation of the project proposals submitted to the Committee of Experts.

(b) Within the existing guidelines due regard should be given to equitable geographical distribution as far as possible.

(c) The initiation of the implementation of projects, determined by the signature of the project document and the corresponding sub-contract where appropriate, should take place no more than two years after the adoption of the project by IFCC or the Ministerial Meeting of the Group of 77. Should this condition not be fulfilled the funds would revert to PGTF following consideration and recommendation by the Committee of Experts.

(d) In order to increase the quality and number of project proposals submitted, appropriate institutions and organizations of developing countries should be provided with comprehensive information on the potentiality of the PGTF and on the procedures for the submission of proposals. These contacts should be carried out in consultation with national governments.

(e) In order to increase awareness of the PGTF, an informative brochure should be prepared by the Office of the Chairman of the Group of 77 in New York with the assistance of the Special Unit for TCDC of UNDP. Additionally, in order to expedite examination and approval of project proposals and implementation of approved ones, a standard format should be prepared by the Office of the Chairman of the Group of 77 with the assistance of UNDP.

(f) The utilization of the PGTF shall be reviewed annually at the meetings of the Intergovernmental Follow-up and Coordination Committee.

(g) Normally, only the interest accruing on the Fund should be utilized. This would preserve intact the core capital.

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