



STATEMENT OF THE G-77 AND CHINA DURING THE 40TH SESSION OF THE UNIDO INDUSTRIAL DEVELOPMENT BOARD (IDB), 20-22 NOVEMBER 2012, DELIVERED BY H.E. AMBASSADOR ANTONIO GARCÍA, PERMANENT REPRESENTATIVE OF PERU

Mr. President, (H.E. Ambassador Balázs CSUDAY, PR of Hungary)

1. On behalf of the Group of 77 and China, it gives me great pleasure to see you presiding over this meeting. The Group is confident that your experience and diplomatic skills will lead to a successful and fruitful conclusion of this session. The Group would also like to express its appreciation for the timely provision of the necessary documentation by the Secretariat.

2. The Group has listened with great interest to the stimulating opening statement of the Director-General and wishes to express its appreciation for his continued dedication and efforts in making the Organization efficient and effective and relevant in today's industrial development agenda.

Mr. President,

3. The Group firmly believes that UNIDO can be a major contributor in the ongoing process of shaping the post 2015 development agenda.

Mr. President,

4. The Group will be making comments on Agenda items 3, 4, 7, 8, 11, 12 and 13 during the course of the discussions on these items.

Thank you Mr. President.

Agenda Item 3: Annual Report of the Director-General for 2011 on the activities of the Organization

Mr. President,

1. While Inclusive and Sustainable Development is consecrated to be the post MDG cross-cutting multi sectorial goal, the Group believes that deliverables under this theme in the field of promoting industrial development should be based on a flexible approach that recognizes the different levels of economic, social, and environmental development of countries as well as their particular conditions and priorities. The Group affirms the policy space of each country to define its own paths towards industrial sustainable development in accordance with their own circumstances as well as its sovereign right over its natural resources.

2. In the area of sustainable development, the Group trusts that the main challenge stems not from the absence of rules and commitments, but from the lack of fulfillment of the obligations that have been established mostly the past 20 years.

3. The Group believes that a sustainable industrial development is a significant contributory element to promote a sustainable consumption and production patterns based on equality, differentiated approach to development, and equal respect for all as set out in principle 7 of the Rio Declaration on Environment and Development.

4. In this regards, the Group recalls the remark made by the Director-General in his presentation to the Member States last October that UNIDO needs to scale up its projects to create impact. The Group of G-77 and China expresses its confidence that this international Organization still has more potential to assist developing countries reach sustainable development, according to their respective national priorities, in a constructive demand driven approach.

5. The 67th session of the United Nations General Assembly has included in its agenda for this year a sub item b "Industrial Development Cooperation" to item "Eradication of poverty and other development issues". According to the established practice, the Director-General has submitted a report and a General Assembly resolution is being discussed and to be adopted in the course of the next weeks. It is worth mentioning that Member States delegations to UNIDO in Vienna have actively contributed this year in the drafting process of this resolution. The Group is of the view that such practice becomes an established one, even though these procedures take place mostly in New York, during the debates of the Second Committee.

Thank you, Mr. President.

Agenda Item 13 - Date and place of the fifteenth session of the General Conference

Mr. President,

1. The Group of 77 and China highly appreciates the generous offer made by the Government of Peru to host the next fifteenth session of the General Conference in Lima from 2-6 December 2013 and is confident that this current session of the Board will endorse this decision.

2. The Group acknowledges with appreciation that in 1975, the Government of Peru has already hosted the General Conference of UNIDO. On that occasion the "Lima Declaration and its Action Plan" were adopted, the most important political documents in the history of UNIDO. In that regard, the Group considers that holding the fifteenth session of the General Conference in Lima in 2013 represents an opportunity to strengthen the strategic views on the future of UNIDO.

3. The Group of 77 and China is confident that the draft decision being tabled in this regard will be approved in the course of this session by all members of the Board.

4. The Group also thanks the Secretariat for its efforts and encourages the Director-General to continue his consultations with the Government of Peru and keep the Member States informed of these consultations.

Thank you, Mr. President.

**Agenda item 11: Selection process for the post of the Director-General:
Introduction of a candidates' forum**

Mr. President,

1. The Group of 77 and China attaches great importance to the role of UNIDO as a main platform to respond to developing countries' needs and demands for industrial development. The Group would like to reiterate the primary objective of UNIDO which is the promotion and acceleration of industrial development in the developing countries as stipulated in its constitution. Therefore the Group conceived it natural and logical that the developing countries have to reserve an important role in the key management positions of UNIDO as they are in best position to define their needs, challenges and obstacles as well as to formulate solutions in the field of industrial development.
2. The Group is of the view that regardless of the scenario that could be applied in the event of the departure of the Director-General prior to the completion of his term, the priority lies in identifying a procedure that would ensure a smooth transition bridging ably any void that would be generated by such a resignation, especially that an eventual early departure of the Director-General will coincide with the retirement of a large number of high ranked UNIDO officers in key divisions and departments.
3. The Group welcomes the suggested procedures by UNIDO which has taken into account recent experience gained at other agencies and organizations, and would draw elements from those selection processes that have been considered best practice.
4. The Group favors that the element of a candidates' forum or interviews be introduced into the procedures for the selection of the Director-General especially that such a novelty doesn't entail the amendment of the rules of procedure of the Board or the Constitution. The Group believes that holding a candidates' forum aims at enhancing the transparency and inclusiveness of the selection process as well as it provides a forum to introduce the running candidates and a platform for interaction between them and Member States. This exercise should have the merit to assure the highest transparency possible in the election process.
6. The Group is of the view that given the anticipated scenario of the early departure of the Director-General before the end of his tenure, there is a compelling need to define an enduring criterion to address similar situation in the future.

Thank you, Mr. President.

Agenda Item 4: Report of the Programme and Budget Committee

Mr. President,

1. The Group of 77 and China remains concerned with the facts that arrears owed to UNIDO by two former Member States amount to 71.15 million euros, and that thirty-nine Member States currently have their voting rights suspended due to unpaid assessed contributions. In this sense, the Group requests the Director-General to pursue his efforts and contacts with Member States and former Member States with arrears, to fulfill their financial obligations, and encourages Member-States with

arrears to regularize their financial situation through the establishment of payment plans.

2. The Group also notes with concern the persistent situation where a considerable portion of the running costs of the Organization including the remuneration of around 20% of regular staff, are being covered with financial resources originated from revenues of the operational budget. The Group believes that this long established practice is no longer sustainable, especially when the trend of likely reductions in voluntary contributions from several financial partners is observed.

3. We believe that the excessive reliance of UNIDO on its operational budget is one of the fundamental imbalances that should be addressed, inter alia, by the deliberations of the Informal Working Group on the Future of UNIDO. Traditionally, the recourse to operational budget revenues has been the easiest way to keep UNIDO's budget in the black by covering gaps in the regular budget through the support cost reimbursement from new projects. Any gaps in the regular budget could always be covered by the support cost reimbursement, the money charged for the implementation of new projects.

4. Nevertheless, we may have reached a point where the physical limitations of the Organization - in terms of human and institutional capacity - prevents the obtainment of more financial resources through additional implementation of projects. It is time to break the "addiction" of UNIDO to implementation. The old formula of "more money" through "more implementation" is not viable anymore. The Organization has to find new financial sources and mechanisms that do not further compromise its nearly exhausted structures and staff.

Agenda item 4 (a): Report of the External Auditor

Mr. President,

1. The Group takes note of the information provided in document IDB.40/3, pertaining to the Report of the External Auditor on the accounts of UNIDO for the year 2011.

2. The Group would like to thank the External Auditor for his useful and comprehensive report and appreciates his valuable contributions to the improvement of the financial viability, transparent management and operations, and the overall performance of UNIDO. The Group is encouraged that the External Auditor has placed unqualified opinion on UNIDO's financial statement and has found no material weaknesses or errors for the reporting period.

3. The Group supports the External Auditor's observations on improvements in important areas such as decentralization, application of the PCOR, regular audit investigation of field offices and the implementation efficiency of Technical Cooperation projects. In accordance with the observations of the audit, we request that the Organization strengthen the supervision of technical cooperation projects and training and subject Technical Cooperation projects to continuous and periodic review by the Audit teams.

4. The Group reaffirms its hope that adequate measures would be taken by UNIDO

for the redressal of concerns raised in the report and implement the recommendations contained therein in the following years.

Thank you Mr. President.

Agenda Item 7: UNIDO activities in environment and energy

Mr. President,

1. The Group of 77 and China takes note of the documents IDB.40/15 and IDB.40/16, pertaining to UNIDO's activities in the fields of energy and environment.
2. The Group welcomes UNIDO's activities under all three thematic areas, including energy and environment for promotion of sustainable production and consumption patterns under the Green Industry Initiative. An integrated, holistic and balanced approach to the achievement of sustainable development objectives is imperative. The consistent efforts by UNIOO to promote sustainable development through global and regional forums and technical cooperation projects are laudable. UNIDO's ranking as the top implementing agency of the Multilateral Fund for the Implementation of the Montreal Protocol for the nine consecutive times is a testament of the organization's effectiveness in this area.
3. The Group is encouraged by UNIDO's contribution to capacity building and development of strategic and inter-agency partnerships for the promotion of green growth and industry. In this regard, the Group appreciates UNIDO's enduring partnerships with the Global Environment Facility (GEF). Concerning GEF, the Group welcomes the approval in 2012 of six projects totaling US\$27 million bringing the ongoing projects to US\$120 million. The Group appreciates the fact that the majority of the projects are in developing countries.
4. The Group calls for working out integrated programmes for respective regions on targeted industrial sectors and devising creative solutions to offset environment and energy related problems.
5. The Group notes with appreciation UNIDO's efforts in cooperation with relevant organizations in organizing the Global South-South Development Expo 2012 held in Vienna from 20 to 22 November 2012, as well as UNIDO's participation in the Sustainable Energy for All Initiative (SE4ALL) and organization of various side events at the Rio+20 Conference. The Secretariat should ensure follow-up of the proceedings of these events to improve upon the present momentum and convert the political progress made into tangible and measurable outcomes.
6. However, the Group wishes to urge the Secretariat to in future ensure that two important events such as the IDB and the Expo are not held simultaneously as this will prejudice most Member States from benefiting from both.
7. The Group further welcomes UNIDO's activities, in collaboration with other international organizations, under the Resource Efficient and Cleaner Production (RECP) programme. The Group firmly believes that energy resource efficiency and cleaner production are vital to the achievement of sustainable industrial development in developing countries.

8. The Group welcomes as well UNIDO's efforts for optimization of production and resources through the programme on Transfer of Environmentally Sound Technologies (TEST), and contribution to assist developing and transition economy countries in preparing their national implementation plans (NIPs) under the Stockholm Convention.

9. The Group is of the firm view that the creation of a sustainable energy sector with universal access to modern energy sources and energy diversity are indispensable for the achievement of economic growth and sustainable development. The promotion of increased use of renewable energy and energy-efficient processes in the industrial sector is wholly dependent on technology transfer and access to predictable financial resources. In this regard, UNIDO should continue its efforts toward mobilization of resources and expansion of its renewable energy portfolio. The Organization's endeavours should be aimed at helping developing countries advance their development objectives while effectively applying sustainability concepts and maintaining low environmental footprint.

10. The Group looks forward to a comprehensive and balanced renewable energy strategy at the end of the year to promote UNIDO's Green Industry Initiative. Likewise, any medium to long term strategy for UNIDO should be directed at utilizing the opportunities created by the development of green industry to accomplish its targets in its three thematic areas, to help promote sustainable development, and achieve Millennium Development Goals, including those related to environmental sustainability.

Thank you Mr. President.

Agenda item 8: Review of the progress of the deliberations of the informal working group

Mr. President,

1. The Group of 77 and China wishes to reiterate its support to the two co-chairs of the informal working group on the future, including programmes and resources of UNIDO, the Permanent Representative of Costa Rica, Ana Teresa Dengo Benavides and Mr. Alberto Groff of the Permanent Representation of Switzerland. The Group would also like to express its satisfaction with the progress in the works and exercises carried out by both co-chairs.

2. In this regard, the Group participates actively and constructively in this process and hopes to achieve our goals through the support and cooperative spirit of the Member States, the Secretariat and the Organization's strategic partners.

3. The Group which actively contributed to the process of elaborating the components of the SWOT analysis looks forward to the next phase where a synergy of all efforts is required to formulate a sound and visionary strategy defining the shape of the future we want for the Organization.

4. The Group reiterates its position that the consensus customary rule shall be applied to the deliberations which will lead to the final recommendations aiming at the

elaboration of a rescue strategy for the Organization. Thus, for the final recommendations, the Group reaffirms that the principle of "nothing is agreed unless everything is agreed" should be observed.

5. The Group is convinced that the exercise being undertaken by the informal working group on the future, including programmes and resources of UNIDO is of crucial importance for the future of the Organization. So far, through open and frank exchange of views, Member States are realizing common stands and points-of-view towards UNIDO and identifying current organizational limitations.

6. In due course, the Group believes that the conclusions of the informal working group will enable Member States to establish a new institutional model for UNIDO, providing better conditions to the Organization to fulfill its mandate on industrial development. This new vision to be formulated by the time of the Fifteenth General Conference of UNIDO in 2013 and incorporating the outcomes of Rio+20, will allow the Organization to re-position itself within the multilateral system, restoring the historical role UNIDO played in the General-Conferences of Lima (1975) and New Delhi (1980).

Thank you, Mr. Chairman.

Agenda Item 12 - Industrial innovation and productive capacity

Mr. President,

1. The Group of 77 and China welcomes the inclusion of item 12 "Industrial innovation and productive capacity" in the agenda of this session of the IDB, at this timely juncture, when Member-States are trying to develop coherent strategies in order to actualize the political commitments undertaken at Rio+20. There are substantial challenges ahead and it is clear that extensive promotion of innovation in national productive systems is required in order to overcome them.

2. Innovation is one of the main reasons behind successful industrial policies. Countries can only succeed in their efforts of mitigation and adaptation to climate change if they are able to incorporate innovative techniques and approaches across the sectors of industry - understood as not solely restricted to manufacturing - but also encompassing energy, mining and construction. The transition to a new economy founded on sustainable features requires bold national policies capable of fostering long-term systematic innovation. Initiatives aimed at optimal use of materials and energy and sustainable consumption and production patterns imply the adoption of innovative schemes as well.

3. The Group believes UNIDO has a key role to play in terms of promotion of innovation and encourages the Organization to positively in the implementation of the 10-year framework of programmes on sustainable consumption and production patterns (A/CONF.216/5) and the technology transfer facilitation mechanism, as agreed by Member-States in Rio+20.

4. The Group of 77 and China is also of the view that UNIDO, in order to better fulfill its mandate on industrial development, should keep a constant high-level dialogue with the Commission on Science and Technology for Development of the ECOSOC

and assist Member-States in implementing the directives and resolutions of the Commission. Thank you Mr. President.