



VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA AT THE 45TH SESSION OF THE INDUSTRIAL DEVELOPMENT BOARD OF UNIDO, 27-29 JUNE 2017, DELIVERED BY MR. ASADOLLAH ESHRAGH JAHROMI, DEPUTY CHIEF OF MISSION, PERMANENT MISSION OF THE ISLAMIC REPUBLIC OF IRAN

Madam President, [Ambassador Ms. Paulina Maria FRANCESCHI NAVARRO, Permanent Representative of Panama]

1. On behalf of the Group of 77 and China, I would like to congratulate you on your election as the President of the current Industrial Development Board session. The Group is confident that you will steer the IDB with great skills and that this session will come to a successful and fruitful conclusion.
2. I also take this opportunity to congratulate other members of the Bureau on their election and thank your predecessor H.E. Ambassador Maria Zeneida Angara Collinson, Ambassador and Permanent Representative of the Philippines as well as other members of the bureau for their valuable contribution during the previous IDB session.
3. The Group has listened with great interest to the statement of Mr. LI Yong, Director General of UNIDO and in this regard appreciates his efforts in leading this Organization.
4. The Group would also like to thank the Secretariat for the arrangements for this session.
5. The Group will be making comments on Agenda items 3, 4, 5, 6, 7, 8, 11 and 14 in the course of discussions on these items.

Thank you Madam President.

Agenda item 14: Recommendation of a candidate for the post of Director General

Madam President,

1. The Group of 77 and China takes note of documents IDB.45/18 on Candidates for the post of Director General. The Group would like to express its full support for the re-election of Mr. LI Yong for the post of Director General of UNIDO.
2. During his first term of office, Mr. LI Yong has guided the Organization with dynamic leadership. Despite the many challenges that the Organization was facing, Mr. LI Yong has managed to lead UNIDO, and not just to overcome the challenges, but rather to restore its status as one of the important developmental organizations in the UN system.
3. Mr. LI Yong has managed, through his leadership, to overcome many of the

challenges that the Organization is facing, working on restructuring UNIDO from inside, introducing new field policy action plan to overcome the financial challenges that resulted from withdrawals from the Organization.

4. Mr. LI Yong has managed as well to help the Organization rediscover its potential through introducing new perspectives based on the concept of inclusive and sustainable industrial development, it is through this vision that the Organization has witnessed new programs like the PCPs.

5. Not only did Mr. LI Yong work on the Organization's vision, but he also worked to engage UNIDO in the different global and regional fora, which resulted in giving the Organization its new mandate on Goal 9, among other goals, in the 2030 Agenda for Sustainable Development.

6. It is for these reasons that the Group of 77 and China believes that Mr. LI Yong's re-election will provide an opportunity to the Organization to further benefit from his meritorious skills.

Thank you Madam President.

Agenda Item 3: Annual Report of the Director General for 2017

Madam President,

1. The Group welcomes the Annual Report 2016 of UNIDO, and highly values all initiatives, activities and programmes planned and implemented by the Organization during 2016. The Group commends, in particular, UNIDO for its technical assistance and capacity-building programmes, especially in the developing countries. The Group highlights the continuous efforts by UNIDO to strengthening partnerships, cooperation and knowledge sharing among Member States and with relevant stakeholders, to continuously promote and facilitate increasing South-South, North-South, as well as triangular cooperation.

2. The Group welcomes the rise of the technical cooperation delivery to \$178.6 million, as well as the increase in the overall portfolio of projects and programmes to \$503.5 million.

3. In this regard, the Group urges the Secretariat to further promote best international practices and to include technology transfer as a mechanism for sustainable impact of all UNIDO activities in developing countries.

4. The Group takes note of the progress taking place in the pilot Programme Country Partnerships (PCPs), the Group looks forward to the mid-term review for the pilots and calls on international donors to support the partnerships trust fund to help assuring appropriate funding for the implementation and expansion of the programme.

5. The Group notes that the Annual Report has been greatly improved, rendered concise and short, and through the addition of the corporate scorecard based on the integrated results and performance framework was enriched with statistical data and achieved results, so as to enhance UNIDO's performance, accountability and

visibility.

6. The Group notes the ongoing efforts by the Secretariat to set indicators and baselines in the integrated results and performance framework (IDB.45/CRP.5) and invites the Secretariat to keep the policymaking organs informed on further progress in this regard.

Thank you Madam President.

Agenda Item 4: Report of the Programme and Budget Committee

Madam President,

A) Report of the External Auditor for 2016:

1. The Group appreciates the clarity used by the External Auditor to explain the Audit procedure, as well as the concrete recommendations highlighted in the document.

2. The Group welcomes the establishment of the Independent Audit Advisory Committee (IAAC) to review and advise on the independence, effectiveness and objectivity of the internal audit function, including adherence to the Internal Oversight Charter.

3. The Group notes the External Auditor's recommendation concerning the Organization's need to define more clearly under which circumstances the employment of external consultants is considered as an efficient and reliable source of workforce and that individual assignments should be based on a clear assessment of the needed quality and quantity of external service, while assuring the principle of equitable geographical representation within the Organization.

4. The Group notes with concern that the level of current assessed contributions receivable decreased by 10 million euros to 93.2 million euros in 2016, which puts a substantial additional strain on UNIDO regular budget. The Group calls on all Member States to pay their assessed contributions in full and on time.

5. The Group stresses that while understanding the negative consequences for UNIDO due to the decrease of fully disposable and predictable financial funding, including through becoming an obstacle to structural developments in the organization that could improve efficiency and reduce risks for UNIDO activities. It is crucial that UNIDO fulfils its tasks by increasing the efficiency of operations.

6. On the other hand, the Group welcomes the increase in the amounts of voluntary contributions in 2016 by 4.8 million euros to a total of 216.8 million euros. The Group notes the significant imbalance between the regular budget, funded by assessed contributions, and the voluntarily financed operational budget, and calls upon the Secretariat to work on ways to bridge this gap. In this regard, the Group encourages the Secretariat to provide further information and consult with the Member States on the new business model intended to be piloted this year.

7. The Group supports the External Auditor's recommendations, and appreciating the significant progress made in previous years and looks forward to substantive

measures by the Secretariat, in consultation with Member States, in response to the observations of the External Auditor.

Thank you Madam President.

B) Financial Situation of UNIDO, Including Unutilized Balances of Appropriations:

Madam President, 1. The Group of 77 and China expresses its concern that the collection rate of the 2017 assessed contributions as of March 2017 was 26.1 per cent, a sharp decrease compared to the 2016 and 2015 rates of 32.6 and 40.8 per cent, respectively. The Group calls upon the Secretariat to clarify the impact of such a decrease on the performance of the Organization, and to further consult with Member States on methods to facilitate the payment of the assessed contributions.

2. The Group commends the Secretariat's efforts to collect prior year's arrears, which amounted to 7.2 percent of the total amount of arrears, compared to the assessments of 2016 and 2015, which was 1.8 and 3.6 per cent, respectively.

3. At the same time, the Group remains greatly concerned by the outstanding assessed contributions which amounted to a total of €136.6, including €69.1 million by the United States of America, and €2.1 million by the Former Yugoslavia. The Group requests the Secretariat to inform Member States what measures have been taken to collect outstanding arrears. The Group appeals to the United States of America and to the Former Yugoslavia to make payments on their arrears, including advances to the Working Capital Fund, in order to allow the Organization to carry out its mandate and support the industrial development efforts of our countries.

4. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 33rd session of the Programme and Budget Committee in Conclusion 2017/3.

Thank you Madam President.

C) Scale of assessment for apportionment of the regular budget expenses for the biennium 2018-2019:

Madam President,

1. The Group takes note of the Director General's report as contained in IDB 45/6-PBC 33/6.

2. The Group supports the adoption of the draft decision on this agenda item as recommended by the 33rd session of the Programme and Budget Committee in Conclusion 2017/5, however, it expresses its concern on the increase in the scale of assessed contributions for a number of its Member States, and looks forward to further discussing this matter through the informal Working Group on PBC issues.

Thank you Madam President.

D) Working Capital Fund for the biennium 2018-2019:

Madam President,

1. The Group takes note of the Director General's report as contained in IDB 45/7-PBC 33/7. The Group reiterates its call for member states to pay their assessed contribution in full and on time so that the necessity of drawing the funds from the Working Capital Fund could be minimized.
2. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 33rd session of the Programme and Budget Committee in Conclusion 2017/6.

Thank you Madam President.

F) General risk management strategy:

Madam President,

1. The Group takes note of document IDB.45/9-PBC.33/9 and notes the establishment of an internal Risk Management Committee. In this regard, the Group calls upon the Secretariat to brief Member States on the risks with high impact on the financial situation of UNIDO, specifically the risk of withdrawal of Member States from the Organization, which needs to be constantly monitored and carefully assessed with a view to minimizing the associated impact at the institutional and functional levels, as well as to reverse or at least halt the withdrawal trend.

Thank you Madam President.

Agenda item 5: Programme and budgets, 2018-2019

Madam President,

1. The Group supports the adoption of the PBC conclusion 2017/4, which recommended the approval of estimates of regular budget gross expenditures of €139,203,543 to be financed from assessed contributions in the amount of €136,702,043 and other income of €2,501,500.
2. The Group also supports the recommended approval of estimates of gross expenditures totalling €36,152,400 for the purpose of the operational budget for the biennium 2018-2019 to be financed from the reimbursement of support costs pertaining to technical cooperation and other services in the amount of €35,797,300 and other income amounting to €355,100 as may be provided for in the financial regulations.
3. However, the Group looks forward to the establishment of the informal Working Group on the programme and budget matters, to have more detailed discussions on the future financial matters of the Organization.

Thank you Madam President.

Agenda item 6: Medium-term Programme Framework, 2018-2021

Madam President,

1. The Group takes note with appreciation of the medium-term programme framework, 2018-2021.
2. The Group reiterates the importance of the four, complementary core functions of the Organization: technical cooperation; policy analysis and advice; norms and standard-related activities; and convening and partnerships, and encourages the Organization to increasingly integrate and scale up its activities across these functions.
3. The Group stresses on the priority of the technical cooperation as core activity, which is the main pillar of the Organization's support to the Member States.
4. The Group encourages the Organization's plans to move towards bigger-sized projects and programmes that allow on the one hand the budgeting of sufficient staff resources funded through voluntary contributions and on the other hand a more sizeable impact of UNIDO's assistance, while stressing on the demand-driven nature of the technical cooperation projects of the Organization.
5. The Group encourages the Secretariat to develop policy tools and programs that can help in integrating the core activities with the technical cooperation activities and projects in Member States.
6. The Group welcomes the inclusion of "Strengthening knowledge and institutions" as a new strategic priority, and calls on the Secretariat to fully integrate the new strategic priority in its projects' design.
7. The Group recognizes the efforts of the Secretariat to develop new, and sharpen existing, tools to enhance its results-based management approach and to report on the Organization's performance and development results and on its contribution to the Sustainable Development Goals.
8. The Group takes note that the Medium-term Programme Framework builds on the existing results and performance indicators, and also understands that the Organization will adjust the current set of indicators to the new strategic plan, and encourages the Director General to ensure that the comprehensive integrated results and performance framework is consequently updated and, when necessary, further developed.

Thank you Madam President.

Agenda item 7: UNIDO and the 2030 Agenda for Sustainable Development, including the Industrial Development Board's substantive input to the high-level political forum 2017

Madam President,

1. The Group takes note with appreciation of UNIDO's efforts to follow-up and review of industry-related SDGs and targets, and calls on the secretariat to work on the quantification of the outcome of UNIDO's projects to help in measuring the

impact of UNIDO's input in achieving SDGs.

2. The Group welcomes the Organization's active engagement in the global, regional and national fora concerned with the SDGs, as well as its efforts in preparing the Organization's contribution to the HLPF, and expresses its appreciation to the Secretariats' efforts to include the Member States in the process of formulation of the document.

3. The Group calls on the Secretariat to provide briefings on the progress in the implementation of the new business model, as well as a mid-term review of the pilot phase.

4. The Group also looks forward to the mid-term review of the PCP pilot phase, and calls on the Secretariat to provide further information on the plans to expand the programme.

5. The Group notes with concern that in 2016, half of the technical assistance delivered by UNIDO was aimed at fostering sustainable industrialization. The other half was split equally between fostering inclusive industrialization and raising the contribution of industry to economic growth, owing to the availability of voluntary contributions in support of each of the three dimensions.

6. In this regard, the Group calls on the secretariat to further explore non-traditional partnerships and to work on innovative cross-cutting programs that can help in keeping the balance amongst the funding allocated to each of the three main strategic priorities of the Organization.

Thank you Madam President.

Agenda item 8: Implementation of the field policy action plan

Madam President,

1. The Group takes note of the report, including the actions taken for the implementation of the second phase of the action plan.

2. The Group takes note with appreciation of the Organization's new vision concerning the role of the field network, including, inter alia; its role in supporting partnerships, TC activities, PCPs, implementation of UNIDO's mandate in Agenda 2030 for sustainable development. The Group calls on the secretariat to regularly brief the Member States on the progress in achieving this new vision, as well as the Organization's efforts to raise the efficiency and effectiveness of the field network to achieve this vision.

3. The Group requests the Director General to periodically evaluate, at practically feasible intervals, the field policy and network restructuring to assess the impact on UNIDO's technical assistance and to brief Member States accordingly.

Thank you Madam President.

Agenda Item 11: Internal oversight activities

Madam President,

1. The Group expresses its concern that the cumulative implementation rate of open audit recommendations issued since 2006 was 60 per cent as at 31 December 2016 (63 per cent in 2015), and calls on the secretariat to work in collaboration with the Office on Internal Oversight and Ethics (IOE) to work on the full implementation of the IOE recommendations.
2. The Group also notes with concern that the IOE was unable to devote adequate attention to all identified high-risk and critical areas, and welcomes its plans to build on past experience in conducting field office audits and improve the internal audit approach when planning for and conducting audits in 2017.
3. In this regard, the Group is of the view that it is critical for this Organization to provide sufficient resources to the Office of Internal Oversight and Ethics (IOE) to avoid the risk that it becomes unable to satisfactorily fulfil its mandate.

Thank you Madam President.