



STATEMENT OF THE G-77 AND CHINA DURING THE 18TH SESSION OF THE UNIDO PBC, 24-25 SEPTEMBER DELIVERED BY H.E. AMBASSADOR VICTOR G. GARCIA III, PERMANENT REPRESENTATIVE OF THE PHILIPPINES

Mr. Chairman,

1. On behalf of the Group of 77 and China, I am honored to convey to you, our warmest congratulations on your election as Chairman of the 18th Session of the Programme and Budget Committee. On the same regard, I would also like to express our gratitude to your predecessor, Her Excellency Ambassador Olga Pellicer Silva of Mexico, for the excellent manner in which she chaired the work of the last PBC. I would also like to thank her successor Ambassador Patricia Espinosa Cantellano for her fine work on behalf of the Bureau.
2. I also wish to extend the appreciation of the Group to the Secretariat of UNIDO for the excellent arrangements for this PBC session and for the timely preparation of the documents of this meeting.
3. We particularly extend our commendation to UNIDO Director General, Mr. Carlos Alfredo Magariños, for his sustained interest in the industrialization of the developing countries and the countries in transition, and for his insightful introductory statement. We welcome the new Managing Directors of UNIDO and wish them success in their endeavors. Let me also put on record our appreciation for the excellent work of Mr. Mohanty, Mr. D'Ambrosio and Mr. Maruno and I wish them success for their new assignments.
4. Mr. Chairman, the Group of 77 and China wishes to comment on agenda items 3, 4, 7, 8 and 9 and I will express the views of the Group on each item in due time.

**Item 3: Report of the External Auditor, financial performance report and programme performance report for biennium 2000-2001**

1. The Group of 77 and China takes note of the observations and recommendation of the report of the External Auditor, the Financial Performance report and the Programme Performance report for the biennium 2000-2001, as well as the comments of the Director -General on these reports. The reports contain useful suggestions for improving the organizational efficiency of UNIDO, including administration, management and financial controls. It is satisfying to note the Auditor's findings that the general financial situation of UNIDO has improved considerably over the last few years. The unencumbered balances of appropriation, for instance, have distinctly dropped which should be interpreted as an indicator of better implementation of programmes as mandated by the governing bodies.
2. The Group, Mr. Chairman, is of the view that more emphasis should be put on the implementation of ongoing programmes but at the same time use more efficiently the resources of the Organization to develop new programmes.
3. The Group would like to commend UNIDO on the efficient and effective implementation of the new Financial Performance Control System (FPCS), notwithstanding its limited human resources. It is our hope that the transitional period

would proceed smoothly further and that some of the shortcomings pointed out by the External Auditors in shifting from one financial system to the other would be completed. It is also heartening to note that the auditors could not find any material booking errors in the UNIDO's accounts, which is further evidence of the Organization's improved financial management system.

4. Maintaining an appropriate balance in terms of gender and geographical distribution among the Secretariat's staff is a desirable objective in any international organization. The Group therefore expresses its support to the actions undertaken by the Secretariat to ensure equitable geographical distribution and gender balance in the management of the Organization. Nonetheless, we share the Auditor's recommendation for UNIDO to strive for a better gender balance in the recruitment process, especially among the professional staff.

5. On the delivery of technical cooperation projects, we note the Auditor's recommendation of assigning private sector general sub-contractors for implementation of projects citing some advantages in this procedure. The Group however feels that such an approach might not be feasible in all cases. This approach may be applied on a case-to-case basis in keeping with the financial regulations and other guidelines covering the implementation of UNIDO's technical cooperation programmes. The Group however agrees with the Auditor's recommendation for the maintenance of profiles and records of all the contractors and sub-contractors employed by various projects, including the assessment of their previous projects, as a basis for awarding future contracts.

6. The Auditor's recommendation for appropriate control of supplies by the project managers as well as provision of handbooks and manuals in domestic languages also needs to be adhered to. We also agree to the Auditor's recommendation that UNIDO's emphasis should be on supporting financially viable projects and cluster mechanism rather than individual enterprises.

7. The G-77 and China supports the auditor's recommendation to create greater fraud awareness amongst UNIDO staff and likewise calls on the Secretariat to follow the requisite short-listing and recruitment procedures for consultancy contracts and other jobs in all cases. It is also hoped that the stock taking at the Headquarters would also be improved as recommended by the auditors.

8. With regard to the rules and regulations of the various members of the donor community on the use of project budgets, the Group fully recognizes that such rules are in accordance with the regular organizational processes of these donors. The Group, however, supports the auditor's recommendation that the donor community should exhibit some flexibility in the use of project budgets and not to impose their own procedures thus adding to the complexity of UNIDO's work. The Secretariat may explore further possibilities for harmonizing the donor community's rules with that of UNIDO's processes.

9. Organizational performance improvement should be continuously achieved. The Group of 77 and China shares the view of the External Auditor regarding the urgent need to develop performance indicators to measure the results of the programmes, including those for the implementation outcomes of the Medium Term Programme Framework. This will assist Member States to better understand both qualitatively and quantitatively the programmes' implementation. The Group views UNIDO's plan to achieve immediate ISO-9000 certification of its integrated programme as one approach to improve assessment of organizational performance.

#### **Item 4: Financial Situation of UNIDO**

1. The G-77 and China has studied document PBC.18/10 and notes with satisfaction that the financial statements present a better collection rate of 2002 assessed contributions of 87.6 per cent - the highest for the same period since UNIDO became a specialized agency.
2. Attaining the full cooperation and participation of all Member States in all decision-making processes in UNIDO is of prime importance. The Group is therefore concerned over the current suspension of the voting rights of 51 Member States as a consequence of the non-delivery of their respective assessed contributions. We therefore call, once again, upon all Member States to fulfill their financial obligations to the Organization, and further request the Secretariat to continually negotiate with former Member States on the payment of their arrears.
3. The effective delivery of UNIDO's technical cooperation activities is another important concern for Member States, as this is a tangible benefit that members derive from their participation in this Organization. We note that while the expenditures for the delivery of technical cooperation activities in the first half of 2002 (\$57.6 million) is higher by some \$11 million as compared to the same period in 2000, it is, however, still below that of actual expenditures for the same period last year. We thus encourage the Secretariat to make every effort to achieve at least 90% of the current biennium delivery target of 223 million Euros.

**Item 7: Implementation of Medium-Term Programme Framework 2002-2005, including field representation and technology foresight**

1. The Group of 77 and China reiterates its support for the Medium-Term Programme Framework 2002-2005, and sustains its recognition of the essential role of UNIDO in building competitive industrial capacity aimed at facilitating market access and poverty reduction. The Group has noted with interest document PBC.18/8, concerning the Medium-Term Programme Framework 2002-2005, and reaffirms the importance of the initiatives of UNIDO in strengthening the industrial capacities of developing countries, the promotion of investment and the transfer of technology, the interaction with the private sector, and interregional cooperation as reflected therein. The Group encourages the Organization to enhance further its close cooperation with financial institutions to establish more direct links between the investment opportunities generated by UNIDO programmes and equity financing mechanisms.
2. Likewise, the Group is pleased to note that UNIDO continues to provide technical cooperation services aimed at promoting the establishment of specialized support institutions for SME development, the promotion of the agro-industry, the promotion of South-South cooperation, and its concern with developing further cleaner production activities, as well as the implementation of the assistance programme for greenhouse gas reduction, increased energy efficiency and increased use of renewable and alternative sources of energy. The Group believes that these are substantive areas wherein UNIDO can greatly assist Member States' efforts at sustainable industrial development.
3. The Group takes this opportunity to commend UNIDO for taking measures aimed at disseminating Technology Foresight activities to other regions, particularly the Asian region. The Group believes that this decision demonstrates UNIDO's approach in addressing the needs of all its members within the confines of its limited resources.
4. It is imperative that the Organization present a rational system of delivery of its technical cooperation activities from among its various field units in each recipient country. We therefore also take note with satisfaction the proposals and measures adopted to establish an appropriate monitoring and evaluation system for the

Organization's field structure. The Group believes that this is a vital effort that will help present a unified image of the Organization at the field level.

5. In relation to the Global Forum Activities, and in order to enhance common understanding of the contribution of industry to poverty alleviation and economic linkages, the Group of 77 and China welcomes UNIDO's involvement in the technical meetings, and particularly lauds the initiatives it has presented in the recent international development conferences in Monterrey and Johannesburg. We further support the planned joint hosting, along with the Government of Chile, of a Global Conference on Biotechnology to be held in Concepción, Chile in 2003, and hope that this conference will generate substantive policy decisions for the Organization's consideration in this issue area.

### **Item 8: Mobilization of financial resources**

1. The Group of 77 and China is aware of the Organization's scarcity of funds and believes that it is a shared responsibility of all Member States together with UNIDO to mobilize resources for the implementation of UNIDO's programmes. We believe that, for UNIDO to discharge its mandate, it is absolutely essential to ensure that the extra budgetary resources of our organization are reliable and predictable. The Group therefore commends the Director General for actively exploring innovative means of fund mobilization, in particular the thematic partnerships with selected donors and the idea of programmable funds, projects grouping and cooperation in project conceptualization. The Group also commends the Secretariat for its efforts in mobilizing extra budgetary funds for Technical Cooperation activities, particularly the implementation of the integrated programmes.

2. A more noteworthy approach that UNIDO has adopted is its launching of a dedicated trust fund devoted towards well-defined activities in relation to the initiative presented in Monterrey on: "Enabling developing countries to participate in international trade - strengthening the supply capacity." The Group expresses appreciation for Austria in being the first to contribute to this trust fund on top of the \$1.0 million that UNIDO has initially allocated. The Group encourages other donors to contribute to this trust fund as well. Along this line also, we welcome the initiatives presented by UNIDO during the international conferences in Monterrey and Johannesburg and we would like to encourage the Secretariat to develop and implement these as well as similar initiatives in the future to further enhance funds mobilization.

3. The Group of 77 and China takes note of documents PBC.18/7 - IDB. 26/6 and Chapter V.A and Appendix B of the Annual Report (IDB.25/2) regarding the progress made on the mobilization of financial resources for Technical cooperation activities.

### **Item 9: Medium Term Programme Framework, 2004-2007**

1. The Group of 77 and China takes note of document PBC.18/9, with the Director General's proposal for the Medium Term Programme Framework 2004-2007, which is expected to maintain, in general terms, a broad continuity with the current Medium Term Programme Framework 2002-2005, and that is likewise expected to continue to adhere to the objectives and priorities laid out in the Business Plan. The Group believes that any future recommendation on UNIDO's programme improvements should all be in conformity with the concepts outlined in these documents so as to assure a clearly focused direction for the Organization.

2. In respect of the substantive adjustments planned by UNIDO, we would like to

reiterate our continued readiness to participate and cooperate in the consultations among Member States and UNIDO to reach a Medium Term Programme Framework 2004-2007 that includes the expectations of sustainable industrial development of our countries.

3. The Group of 77 and China recalls all international initiatives, in particular the International Conference on Financing for Development in Monterrey, Mexico, as well as the World Summit on Sustainable Development in Johannesburg and encourages UNIDO's active contribution to the attainment of the decisions reached in these conferences within the lines of its expertise, including its support to the "Johannesburg Declaration" and implementation plan reaffirming the commitment of world leaders to work towards sustainable development.

4. Finally, the Group would like to underscore the important role of UNIDO in assisting developing countries to build competitive industrial capacities to overcome their marginalization and to improve market access in order to eradicate poverty.

Thank you, Mr. Chairman.