



STATEMENT OF THE G-77 AND CHINA DURING THE 17TH SESSION OF THE UNIDO PBC, 2-4 MAY 2001 DELIVERED BY H.E. AMBASSADOR S. H. SHOUKRY SELIM, PERMANENT REPRESENTATIVE OF EGYPT

Madame Chair,

On behalf of the G77 and China, I am pleased to express, our sincere congratulations on your to the Chair of the 17th session of the PBC. At the same time, I would like also to thank your predecessor, Mr. Mowoe, for the excellent manner in which he chaired the work of the last PBC.

The Group commends the Secretariat for the preparation of the documents and expresses its appreciation to the Director-General, Mr. Carlos Magariños, for his introductory statement and his wise leadership.

**Item 4: Interim Financial Performance Report and Programme Report for the Biennium 2000-2001**

The Group of 77 and China has taken note of document PBC.17/2 and while being aware of the limited resources of UNIDO, has found that more emphasis has been given to Global Forum Activities, which might affect UNIDO's Technical Cooperation activities.

The mandate of Global Forum Activities was given to enable UNIDO to keep track of the global trends in the development of new expertise and innovative technologies. The ultimate aim of such activities is to channel the knowledge of such new technological developments for improving and strengthening the technical cooperation programmes. The Global Forum Activities, therefore, are not supposed to be promoted merely as an academic or intellectual exercise. The central focus of the Organisation has to be on the technical cooperation programme which is its primary mandate while Global Forum Activities should be supplementary so that additional funds from these activities may be reallocated to the areas of higher priority.

Given the current resource constraint facing the Organization, an increase in the Global Forum Activities programme must be carefully studied and reviewed. The Group appreciates if the Secretariat could provide comprehensive information on the impact which the Global Forum activities have on the Technical Cooperation programmes, and also likes to know the exact figures of the cost incurred by Global Forum activities during year 2000.

The Group wishes to emphasize its view, while taking cognisance of the relevant articles of its constitution, UNIDO should strive to apply the principle of equitable geographical distribution in personnel policy, particularly at the professional level. It also strongly support the issue of gender balance in all levels of the Secretariat, especially at the Directors level in conformity with the applicable policy of all other UN organizations.

## **Item 5: Financial Situation of UNIDO**

With respect to Agenda Item 5, the Group notes that despite consistent efforts to exert timely payments, the collection rate of assessed contributions has improved only slightly from 82.9 percent in 1998 and 1999 to 84.0 percent in 2000. In addition the Group finds that 62 Member States (at 27 April 2001) including 5 Industrial Development Board and 3 Programme and Budget members have lost their voting rights.

The Group wishes to register its appreciation to those Member States that have already made full payment of their 2000 assessed contribution. We also wish to reiterate our call to those Member States that have yet to fulfill their commitment to pay their assessed contributions in full without delay. In addition, the Group wishes to call upon the Director General to continue his efforts to collect all outstanding contributions from current and past members.

## **Item 6: Programme and Budgets, 2002-2003 - Programme and Budget Framework**

In the programme framework for the 2002-2003 Programme and Budget, we observed that emphasis was made on a new programmatic approach and service delivery mechanisms.

We also note that the Organization intends to focus its services delivery in two main areas of poverty eradication and improvement of the environment. These are commendable goals, but the Group wishes to be informed on the manner the Organization intends to achieve these goals.

The Group takes note that the integrated programme approach should remain as the mechanism for the delivery of technical cooperation by UNIDO in the next biennium. However, the Group would like to underscore the importance of these programmes and any reduction of the service modules should not affect the implementation of the approved integrated programmes.

### **- Major Programme A: Governing Bodies**

The Group supports a reduction of the budget for this major programme, reflecting the shorter sessions of the policy-making organs in recent years which has been approved by Member States.

In this connection the Group is of the view that continuation of informal consultations with all Member States facilitates the work of the Secretariat and provides a constructive environment, particularly from the economic point of view.

### **- Major Programme B: General Management**

The Group appreciates the UNIDO's proposals regarding programme and budgets, 2002-2003. With regard to Major Program B, General Management, the Group welcomes the idea for maintaining effectiveness and efficiency of the programme's implementation. For this purpose, the Group believes that clear and defined targets to measure the effectiveness and efficiency of the programmes implementation are crucial. Therefore, the Group would appreciate if UNIDO could provide the performance measurement and indicators.

### **- Major Programme C: Strengthening of Industrial Capacities**

Regarding this Major Programme, it is stated by the Secretariat that its objective is to ensure that in the current economic climate of globalisation, the target is the reduction of poverty through wealth creation. The principle objective is to ensure that developing countries as well as economies in transition get clear access to knowledges, skills, information and technology relevant to industrialization and transformation.

The Group is of the view that to reach a sustainable industrial development, developing countries need to have capacity-building for design and implementation of effective SME policies and the development of a coherent set of specialized support institutions to stimulate and promote SME development.

Therefore, the Group wishes to express its great concern for the reduction of 6 per cent of the budget allocated to this relevant Major Programme for the industrialization of our economies.

### **- Major Programme D: Cleaner and Sustainable Industrial Development**

As UNIDO's role is specifically mandated through General Conference resolution GC.8/Res.2 on GEF related activities and GC.8/Res.3 on sustainable industrial development, the Group encourages the initiatives proposed under Major Programme D, the efficient implementation of which will contribute to the formulation and the elaboration of the adequate infrastructure of sustainable industrial development.

The substance of the Programmes Agro-Industries (D.1), Industrial Energy and Kyoto Protocol (D.2), Environment Management (D.4) and Direction and Management (D.5) is of utmost importance to the Organization and the Member States, particularly developing countries. The Group wishes to recall that the priority for developing countries among them LDC's is to add value to their agricultural products, to strengthen the industrial capacities, to control and reduce the environment of degradation by introducing cleaner and sustainable industrial production, environmentally sound technologies and energy efficiency improvements for industrial production.

The Group is aware that the sub-programmes D.1, D.2, D.3, D.4 and D.5 are very relevant and vital for developing countries but the full implementation and the strengthening of the existing infrastructures require higher budget. Therefore, the Group expresses its concern regarding the reduction of 5 per cent proposed in the budget allocated to this Major Programme.

Therefore the Group wishes to express its concern for the reduction of the budget allocated to these two Major Programmes (C&D) which provide the backbone of the Organization and which aim at strengthening industrial capacities. This should be examined with the view to maintain an adequate level of resources for these programme.

We are convinced that the best way to enable UNIDO to implement its technical cooperation activities, particularly in the field of agro-industries, in order to alleviate poverty, is not to reduce the share of the budget allocated to these two major programmes.

Although the Group understands the pressures facing the Organization, we request that it finds innovative ways to reduce costs without affecting the core programmes of the Organization.

### **- Major Programme E: Regional Programme**

The Group of 77 and China recalls that the issues of field representation and effective decentralization are of the utmost importance to the Organization.

The Group commends the efforts made by the Secretariat, within the existing resources, to ensure a coherent and demand driven approach to UNIDO assistance at country and regional levels in order to foster industrialization as a means of economic development.

The Group has taken note of the planned phased redeployment of human resources from Headquarters to the field, in order to consolidate the existing Fields Offices in the context of programme and project formulation and implementation, because, we are convinced that the establishment of effective and well-staffed field offices contributes to the industrialization of our region, as clearly stressed in the Business Plan.

### **Item 7: Scale of assessments for apportionment of the regular budget expenses**

The Group would like to thank the Secretariat for the preparation of the document PBC 17/5 titled scale of assessment for apportionment of the regular Budget Expenses. We considered its content and we noted that General Assembly resolution 55/5 B-F adopted on 23 December 2000 had set a new United Nations scale of assessments for the three years 2001-2003, while recognized at the same time that this should have no automatic implication on the scale of assessment of the specialized agencies and the International Atomic Energy Agency.

The Group is of the view that due to the special mandate of the Organization and taking into consideration article 15.2 of its constitution it will be beneficial to maintain the scale of assessment at the current level with the same ceiling, in order to stabilize and consolidate the financial situation of UNIDO.

While reiterating its appeal to all states to pay all their financial dues and assessed contributions in full and on time, the group would like to express its readiness to collaborate with other partners to ensure the best conditions to enable UNIDO to discharge its mandate.

### **Item 8: Working Capital Fund for the biennium 2002-2003**

The Group of 77 and China takes note of document PBC.17/4, reporting the status of the Fund as at 31 December 2000 and proposing the level and authorized purposes of the Working Capital Fund for the biennium 2002-2003.

In this regard, the Group is of the view that the current level and purposes of the Fund should be the same for the next fiscal period.

The Group would also like to call upon Member States to pay their outstanding assessed contributions in order to keep the Fund replenished to its authorized level and allow the utilization of the Fund in accordance with the approved purposes.

## **Item 9: Financial Regulations**

The Group of 77 and China would like to seize this opportunity to commend Ambassador Freudenschuss-Reichl of Austria for her efforts as Chairperson of the Intersessional Working Group and to take note of the report contained in document PBC.17/11.

The Group has participated constructively in the meetings of the Intersessional Working Group, bearing in mind the need to address the critical financial situation of UNIDO. In that regard, the Group supports the recommendation to create at the same time, two special accounts, for BMS and RPTC that would not be subject to Financial Regulations 4.2 (b) and 4.2 (c), as a provisional measure.

The Group of 77 and China would like to emphasize that in both cases the rationality is to make the use of financial resources possible beyond the biennium for which they were approved, in order to allow the continuity of the projects and activities during the following fiscal period. The adoption of both special accounts would mean administrative savings, which would benefit UNIDO.

The Group would like to reiterate its readiness to continue the negotiation process within the Intersessional Working Group, in order to achieve a permanent solution that would allow the Organization to fully utilize the appropriations under the regular budget. For this purpose, the Group deems important to extend the mandate of the Intersessional Working Group with a view to discussing possible amendments of the Financial Regulations as a long-term goal.

## **Item 13: Financing of UNIDO Programmes, including new initiatives for Funds Mobilization**

The Group has taken note with great concern of the diminution of the net project and programme approvals from all sources of funds from 81.6 million US dollars in 1999 to 76.9 million US dollars in 2000.

The Group is convinced that for UNIDO to accomplish the task assigned to it in the Business Plan and the Services Modules, sufficient resources must be made available to enable it to undertake the work successfully.

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The Group welcomes the increase of the programmable donor funds from 3.2 million US dollars to 6.2 million US dollars and seizes this opportunity to thank all countries who made contributions to the IDF in order to facilitate the programming of UNIDO's technical cooperation activities.

The Group commends the successful initiatives of the Secretariat in the agreements with GEF and the European Commission which permit UNIDO to enlarge its sources of funds mobilization for the implementation of its projects and programmes.

The Group takes note that the funds mobilized for the integrated programmes during

2000 amounts to 32.4 million US dollars, an increase of more than one third over the 23.7 million of 1999. However, this level is far from enough for the full implementation of the elaborated integrated programmes.

Therefore, the Group requests the Secretariat to continue its funds mobilization efforts with a view to increasing the level of technical cooperation delivery. In conclusion, the Group would like the Secretariat to allocate more funds for programme delivery and reduce the administrative costs. The regular budget which is based on mandatory assessed contributions is Euro 133,689 million whereas operational budget met from voluntary contributions is Euro 21.998 million, which is only 14.12% of the total budget. The share of regular and operational budget should be made more equitable.

Thank you Madame Chair.