



VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA AT THE 31ST SESSION OF THE PROGRAMME AND BUDGET COMMITTEE OF UNIDO, 27-29 MAY 2015, DELIVERED BY H.E. MR. ARMIN ANDEREYA, PERMANENT REPRESENTATIVE OF CHILE

Madam Chair,

1. It is my honor, on behalf of the Group of 77 and China, to address the 31st session of the United Nations Industrial Development Organization's Programme and Budget Committee. It gives me great pleasure to congratulate you, Ambassador Pilar Saborio de Rocafort, Permanent Representative of Costa Rica, on your appointment to lead the current session. Allow me to thank your predecessor, and the members of the outgoing Bureau for the fine work at the helm of the previous session. I take this opportunity to thank the Secretariat for their untiring efforts to prepare the documents necessary for our work and for arranging a series of briefings on various issues to be addressed during this year's PBC.

2. The Group of 77 and China wishes to express to Director General LI Yong its sincere appreciation for his leadership and vision as he pilots the Organization through an era of change, challenge and unparalleled opportunity. The Group reaffirms its commitment to support his work, fully aware that his success will be beneficial to the Organization and most importantly to the people and industries of our countries, the end users of the services provided by UNIDO.

3. The Group thanks the Director General for his statement today as we begin the deliberations of a further session of the UNIDO Programme and Budget Committee. The issues we have before us are crucial for the operation and success of this Organization which faces challenging times from a financial perspective. The Director General can rest assured that he may count on the support of the G-77 and China in his untiring efforts to lead UNIDO into a new chapter of its history, one we are sure will be beneficial to the industrial development demands of our countries.

4. The Group commends the Director General for promoting a global understanding and appreciation of the importance of Inclusive and Sustainable Industrial Development (ISID) for economic growth and development, and encourages its incorporation in the Sustainable Development Goals (SDGs) and the post-2015 development agenda. The Group is optimistic that the intergovernmental negotiations currently under way on finalizing the post-2015 framework will assure that SDG-9 will prevail in the final document to be adopted by the following session of the United Nations General Assembly. The Group encourages UNIDO to maintain its active promotion of the concept of Inclusive and Sustainable Industrial Development (ISID), as well as developing sound proposals emphasizing the construction of an international enabling environment for attaining ISID in developing countries. At the same time, the Group wishes to reiterate that efforts to promote ISID should not dilute, in any way, the developmental choices of various countries.

5. The Group is also confident that references to UNIDO and the importance of ISID that continue to be discussed by delegations in New York, will be reflected in the Outcome Document of the Third International Conference on Financing for Development which will be held in Addis Ababa in July 2015. In this regard, the Vienna Chapter of the G-77 and China participated actively, in close coordination with the Chapters in New York and Geneva, through our respective delegations.

Agenda Item 3: Annual Report of the Director General for 2014

Madam Chair,

1. At the outset, the Group takes note of the Annual Report 2014 which conveys in a clear way the broad range of initiatives, activities and programs which the Organization undertook last year. The Group encourages the Director General and the staff of the Organization to continue to move forward in pursuit of initiatives and the implementation of programmes that will place our countries further on the road to industrial development and economic and social prosperity.

2. The Group has taken note of the Director General's establishment of a new Programme for Country Partnerships (PCP) aimed at promoting a partnership-based modality for the provisions of UNIDO services. In this regard, the Group welcomes this initiative and looks forward to its implementation. At the same time, the Group urges UNIDO to implement it in more countries and does not duplicate efforts or diminish the effectiveness of the Regional Bureaus and other country programmes and projects already in place and that also require further financial support.

3. Likewise, the Group requests that UNIDO continues to support initiatives of South-South and triangular cooperation which had proven successful in the past as regards knowledge transfer and knowledge networking.

4. The Group was pleased to note that throughout 2014 the Organization addressed the concept of ISID with relevant stakeholders in its Member States and beyond, as well as the scope for technical cooperation and other services. As is reflected in the latest edition of the Annual Report, seminars, workshops and conferences on ISID took place in several G-77 countries and others, which facilitated fruitful analysis and discussion, at the regional and local level on the concept of ISID and the important role it should play in the post-2015 development agenda. The Group encourages Member States to continue working with UNIDO with regard to these valuable meetings, bearing in mind that dialogue with officials from the different regions is essential for both a better planning of the Organization's activities and to gather objective and relevant information useful for the implementation of UNIDO's mandate.

Agenda Item 4: Report of the External Auditor for 2014

Madam Chair,

1. The Group of 77 and China takes note of document IDB.43/3-PBC.31/3 and thanks the External Auditor on his valuable report on the accounts of UNIDO for the financial year 1 January to 31 December 2014.

2. The Group is pleased to note that the overall cash situation was satisfactory in the year 2014 and welcomes that the Statement of Financial Performance for the year 2014 showed increase of 15.7%. The Group notes that this increase is mainly due to higher voluntary contributions, totaling to almost 150 million Euros. However, the Group notes with concern that the assessed contributions decreased by 6% in the same year.

3. The Group endorses the External Auditors findings that reveal that during the period examined, UNIDO's performance made a volte-face and that the deficit of 48.3 million Euros in 2013 turned into a surplus of 56.2 million Euros. It noted that the difference amount is 104.5 million Euros, one third of which results from currency translation differences that are only accounted for as profits. The report further stated that the Euro/Dollar exchange rate decrease at year-end impacted on UNIDO's performance in 2014. In this regard, the Group coincides with the view of the External Auditor that UNIDO Management should continue to generate revenues and to limit expenditures.

4. The Group supports the External Auditor's recommendations, and looks forward to substantive measures by the Secretariat, in consultation with Member States, in response to the observations and recommendations of the External Auditor, particularly those concerning the use of ERP as the only system for accounting and reporting, the preparation of a clear and consistent concept for the recognition and capitalization or disclosure of the VIC in UNIDO's financial statements for the financial year 2015, the obligation of Member States with significant arrears to pay due contributions and the generation of revenues and limit expenditures by the management of UNIDO.

Buildings Management

1. The Group takes note of the fact that when UNIDO assumed the responsibility for "Buildings Management" in 1977 it was the largest organization among the Vienna Based International Organizations (VBO). Since then, regrettably in the Group's view, UNIDO has downsized significantly. Over the same period, the number and size of the other VBOs have increased.

2. In this regard, it should be recalled that UNIDO's Buildings Management Service is the largest operation within the organization, with approximately 60 million Euros for the biennium 2014/2015. This figure makes up more than 25% of UNIDO's current budget. The Group is in full agreement with the External Auditor that this proportion does not correspond with UNIDO's actual size.

3. Furthermore, as concerns the deteriorating situation of buildings and installations, the Group agrees as mentioned by the External Auditor that the risk of potential breakdowns is growing in buildings constructed over 30 years ago and UNIDO would be held responsible for any such occurrence. A not unimaginable total breakdown of the cooling and heating system could – we have been informed - make it impossible to use the VIC for several months. UNIDO would be held responsible for such an event by the other organizations and the owner of the Vienna International Centre, the Republic of Austria. As a result, the Group believes along with the External Auditor, that UNIDO needs to raise and coordinate with all stakeholders a process of amending and updating the Memoranda of Understanding with the other VBOs.

Agenda Item 5: Financial Situation of UNIDO, including unutilized balances of appropriations

Madam Chair,

1. The Group of 77 and China takes note of document IDB.43/4-PBC.31/4 on the Financial Situation of UNIDO and views with satisfaction that the collection rate of the 2015 assessed contributions as of March 2015 was 40.8 per cent, an increase from the 2014 and 2013 rates of 36.8 and 38 per cent, respectively. The compliance of the financial obligations by Member States can be seen as a sign of support for the work being conducted by the Organization.
2. At the same time, the Group remains greatly concerned by the outstanding assessed contributions which amount to €140.4, 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.
3. The Group takes note of the proposal by the Director General to create two special accounts, namely the Special Account of Voluntary Contribution for core activities (SAVCCA) and the Major Capital Investment Fund (MCIF) as described in document IDB.43/5 and PBC.31/5.
4. While the Group supports the efforts of the Secretariat to devise such domestic mechanisms for mobilizing resources, the Group is of the view that the two accounts be reported in the Organization's financial statements and audited by the External Auditor as part of the annual audit.
5. The Group views with concern the proposal by the Secretariat to standardize the treatment of unutilized balances of the appropriations, by which a Member State unable to voluntarily renounce its share of the Ubs, would have the onus of informing the Secretariat, within 30 days after the issuance of the information note, that it would not wish its UBs to be automatically transferred to the Special Account of Voluntary Contributions for Core Activities. This deviates from previous practice which allowed for the transfer of UBs to take place – often earmarked for specific activities or programmes - contingent on an explicit instruction from a Member State to the Secretariat. In this regard, the Group requests the Secretariat to be guided by UNIDO's financial regulations 4.2 (b) and (c) which stipulate that the unencumbered balances of appropriations shall be credited to Member States in proportion to their assessed contributions (i.e. in accordance with the respective scale of assessments).

Agenda Item 6: Programme and Budgets, 2016-2017

Madam Chair,

1. The Group takes note of UNIDO's request for fresh resources with a total amount of 5.3million Euro for the United Nations Resident Coordinator System (UNRC), the Programme for Country Partnership (PCP) and the Enterprise Resource Planning

(ERP).

2. The Group is of the view that a justified and reasonable budget increase merits serious consideration to cover the aforementioned elements which the Group believes could support UNIDO in maintaining its standing within the United Nations development system, facilitate the implementation and expansion of the PCP and further improve its result-based management and efficiency.

3. In this regard, the Group encourages the Secretariat to continue consultations with Member States to seek a balanced solution.

Withdrawal of Member States and Enhanced Visibility

1. The Group reiterates its concern regarding the withdrawal of certain Member States from the Organization which has resulted in a 10.4 million Euro reduction in the regular budget. Naturally, the budget shall be readjusted so as not to increase the assessed contribution of remaining Member States. The Group calls upon the Secretariat to respond to this financial challenge in a way that will not affect the quantity and quality of the services it provides, in particular in developing countries that seek to advance socially and economically through industrial development.

2. In this regard, the Group calls upon the Director General, through the Secretariat, to enhance the visibility of UNIDO and its mandate in order to discourage further attrition through abandonment by channeling public information and outreach initiatives, in particular to potential abandoners and former Member States of the Organization. The message must be sent forth that industrial development is a cause worthy of all the international community and that through UNIDO countries can speed up their development processes. The end result is clearly win-win, for developed and developing countries alike.

SRA and Field Operations

1. The Group of 77 and China takes note of document IDB.43/6-PBC.31/6 on Programme and Budgets, 2016-2017 and at the outset wishes to thank the UNIDO Secretariat for the briefing it arranged on 21st April 2015, to further discuss the implications of the proposed Programme and Budgets as regards the interests of the Members States of the Group.

2. A proposed reduction of € 5.5 million of the Special Resources for Africa (SRA), to be shifted from the regular budget to voluntary contributions, has generated concern within the Group.

3. The Group expresses its concern regarding the proposed streamlining of UNIDO's field operations and the possible implications on the TC delivery. The Group is of the view that before any reorganization of UNIDO field operations is undertaken, more clarity is necessary with regard to expected savings and its impact on the proposed budget.

4. Thus, the G-77 requests the suspension of any actions on these two initiatives, taking into consideration the Group's deep concerns, pending further analysis and

discussions between UNIDO and Member States. The Group requests the Secretariat to present alternatives on these matters as soon as possible.

Agenda Item 9: Medium-term programme framework, 2016-2019

Madam Chair,

1. The Group takes note of document IDB.43/9-PBC.31/9 regarding the Medium-term programme framework (MTPF) 2016-2019 which reflects the broad programmatic objectives and priorities of the Organization that are given by its renewed mandate of inclusive and sustainable industrial development (ISID), enshrined in the Lima Declaration. The Group also takes note that the MTPF contains some of the recommendations of the “Strategic Guidance Document” elaborated to assist the Organization in meeting challenges and moving ahead with its mandate. The Group hopes that the work conducted by the Office for Independent Evaluation, which has captured lessons from past experiences, will also enrich the formulation of the ensuing MTPF.

2. The Group takes note of the thematic programme framework envisaged in the MTPF insofar as this will advance the ISID mandate and the three dimensions of sustainable development: economic growth, social equity and environmental sustainability. Along the same lines, the Group is optimistic that the foreseen management framework will contribute to increase efficiency, effectiveness, accountability and transparency, objectives which we feel should be the pillars of this Organization.

3. The Group is aware that fundamental to UNIDO’s implementation strategy for the MTPF 2016-2019 is the increased emphasis placed on strengthening strategic partnerships. These will include a variety of development actors, including governments, development finance institutions, the private sector, United Nations entities, academia and civil society. The Group supports this approach which it understands seeks to leverage the financial and technological resources of relevant stakeholders in order to strengthen implementation of ISID at the national, regional and global levels. At the same time it requests the Secretariat to keep the Member States fully informed of developments

Agenda Item 10: Mobilization of financial resources

Madam Chair, 1. The Group expresses its satisfaction that 2014 was once more an excellent year in terms of mobilization of voluntary contributions. It was pleased to note that the overall volume of voluntary contributions for UNIDO services towards its Member States reached a total of US\$191.3 million. This has made possible that funds available for future implementation have also culminated in a record volume of US\$489.6 million. The Group takes this opportunity to recognize the voluntary contributions from governments and institutions that facilitated further technical cooperation, as well as advisory services in many of the countries that make up the Group of 77.

2. The Group further recognizes the importance of programmable trust funds, aimed at the development of new projects and programmes as well as the co-funding of projects, which continue to be of paramount importance to UNIDO’s operations. The

Group appreciates the significant contributions beyond the allocation of renounced unutilized balances that were received during 2014 from Member States which donated to the trade capacity-building and the food security and agribusiness trust funds, and that also contributed to the trust fund for Latin America and the Caribbean. The Group of 77 and China joins UNIDO in encouraging its Member States and partners to consider allocation to these programmable trust funds.

Thank you, Madam Chair.