



VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA AT THE 34TH SESSION OF THE PROGRAMME AND BUDGET COMMITTEE, 19-20 JUNE 2018, DELIVERED BY H.E. AMBASSADOR DATO' GANESON SIVAGURUNATHAN PERMANENT REPRESENTATIVE OF MALAYSIA

Mr. Chair, [H.E. Mr. SHI Zhongjun, Ambassador and Permanent Representative of China]

1. On behalf of the Group of 77 and China, I would like to congratulate you as the Chairman of this current session and other members for their elections to the bureau of this session. I would like to thank the outgoing Chairman, H.E. Mr. Kyröläinen, Permanent Representative of Finland and his bureau members for all their outstanding work and contributions at the previous session.

2. I also thank the Secretariat for the timely issuance of documents and organization of various briefings to facilitate the deliberations of Member States on various issues of importance. The Group would like to address agenda items 3, 4, 5, 6, 7, 8 and 9 of this session.

Agenda item 4: Report of the External Auditor for 2017

Mr. Chair,

1. The Group is deeply concerned that the level of 2017 assessed contributions receivable decreased by 3.2 million euros to 90.0 million euros. The decreased assessed contributions receivable continues to impose substantial additional strains on the regular budget of UNIDO. Therefore, it is crucial for Member States to fulfill their financial obligations in full and on time for the Organisation to deliver its operations to its full capacity, according to the needs and priorities of Member States.

2. The Group remains concerned over the negative consequences for the Organisation which resulted from decrease of fully disposable and predictable funding. The Group is fully aware that such lack of sufficient funds was a serious impediment to the Organisation's operations and efficiency in delivering services in its core activities for structural development. In ensuring that UNIDO's role remains in line with its core mandate, it is crucial for UNIDO to continue increasing the efficiency of its operations through innovative use of available financial and human resources.

3. The Group commends the Organization's efforts in reaching out to Member States to honour respective financial obligations. In this regard, the Group notes that the voluntary contributions in 2017 amounted to Euro 214.1 million, compared to Euro 217.9 million in 2016. The Group also notes the significant imbalance between the regular budget funded by assessed contributions and the voluntarily financed operational budget. The Group further notes the Secretariat's ongoing efforts to reduce such imbalances through the establishment of a Special Account for Voluntary Contributions for Core Activities. Notwithstanding the development on such effort, the Group urges the Secretariat to continue exploring possible measures to address

this gap.

4. The Group remains concerned about the impact of voluntary contributions, which does not fully cover the programme support cost (PSC) of earmarked activities. This led to UNIDO facing difficulties in having to support the organization core functions such as management, administration, information technology and procurement services from its decreasing regular budget. The Group welcomes the establishment of a PSC Task Force in February 2018 to minimize the impact on the regular budget resources for Technical Cooperation Programmes by increasing cost recovery. The Group further encourages the UNIDO to make every effort to increase transparency and enhance monitoring and timely reporting on the development of PSC reimbursement income.

5. The Group notes that the establishment of the new Office of Evaluation and Internal Oversight was a result of the merging of Independent Evaluation Division from the Office of Independent Evaluation and Quality Monitoring with the Office of Internal Oversight and Ethics. The Group further notes that such reorganization has the potential to create synergies, improve coordination and communication, strengthen the independent functioning of the organization and ensure efficient allocation of scarce resources. In the interest of securing the effectiveness and efficiency of governance, risk management and internal control systems, the Group takes note of the External Auditor's recommendations on the importance of having appropriate staffing for both internal audit and evaluation functions.

6. The Group notes that the After Health Service Insurance (ASHI) is a common problem to many United Nations organisations and it forms the largest part of UNIDO's employee benefits liabilities. The Group takes note of the External Auditor's recommendations concerning the need for UNIDO to review its funding ASHI liabilities through the establishment of partial funding, with the view to avoiding future financial and operational risks of the Organisation. The Group looks forward to discussing this issue in greater detail at the Informal Working Group on Programme and Budget Committee.

7. The Group supports the External Auditor's recommendations on various measures to improve the efficiency, increase transparency and accountability of the Organisation. The Group encourages the Secretariat to continue implementing these measures as appropriate and in close consultations with Member States.

8. With these remarks, the Group takes note of the Report of the External Auditor as contained in document IDB.46/3 PBC.34/3.

Thank you, Mr. Chair.

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

Mr. Chair,

1. The Group expresses its appreciation to the Director-General for his introductory remarks on the 2017 Annual Report, which presents an overview of the activities of UNIDO including the progress, on-going initiatives and the outlook of the Organisation.

2. The Group highly values various initiatives, activities and programmes implemented by UNIDO in the year of 2017. The Group would like to underline its views on the following:

2.1 Overall, UNIDO's initiatives serve as important means towards the implementation of SDGs. UNIDO continues to play a vital role in promoting inclusive and sustainable industrial development. The Group is pleased that UNIDO's positive role and contributions in SDGs 9 had been included as part of the in depth review in the implementation of sustainable development goals by the high-level political forum on sustainable development (HLPF);

2.2 UNIDO should continue consultations with Member States on the new concepts such as industry 4.0, circular economy, integrated energy and climate technologies, industrial upgrading, as well as modernization of technology. These new concepts should take into account the needs of developing countries, promote best international practices and include technology transfer as a mechanism for sustainable impact of all UNIDO activities in order to guarantee the following:

2.2.1 Improved technology and infrastructure development,

2.2.2 Increased access to the transfer of technology and clean energy at a cheaper cost;

2.2.3 Create momentum for economic growth and employment opportunities through training and capacity-building;

2.2.4 Support for creative entrepreneurship;

2.2.5 Inclusiveness, the notion of leaving no one behind, particularly for the LDCs, LLDCs, SIDS, and at society levels, groups of people with disabilities, women and children and youth;

2.2.6 Promote South-South, North-South and Triangular Cooperation.

2.3 The Group commends UNIDO's continued technical assistance and capacity-building programmes to the developing countries and least developed countries. In this regard, the Group encourages the Secretariat to highlight the incentives and benefits accruing from these technical assistance and capacity-building programmes take into account the needs of respective country's industrial development as well as challenges faced by the developing countries and least developed countries in the implementation of Country Programmes and the Programme for Country Partnership;

2.4 The Group welcomes UNIDO's tireless efforts 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;

2.5 The Group also welcomes UNIDO's continuous efforts to improve reporting on organizational performance and development results through the integrated results and performance framework (IRPF). The Group notes that such reporting reflects elements which are in line with the General Assembly resolution General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR) and the UNIDO medium-term programme framework (MTPF) for the period 2018-2021.

3. The Group underlines that the various proposals related to the repositioning of UN system in the context of QCPR resolution, such as the criteria for restructuring the UN field presences, the empowerment of the role of Resident Coordinator, the establishment of the UN Office for partnerships, the proposed UN funding compact and the new generation of UN Country Teams (UNCT), would have a major impact on the mandate and functioning of non-resident agencies like UNIDO. In the interest of promoting inclusiveness and transparency within the UN system, the Group encourages the Secretariat to continue close consultations with Member States to ensure that the implementation of any UN reform, including the repositioning of UN system, is in line with the needs and priorities of Member States and fully takes into account the mandate of the UNIDO in the implementation of SDG 9.

4. Furthermore, the Group notes with concerns that some of these reforms may have an implication on the Organization's regular budget, a fact which may subsequently lead to heavier financial burdens on most Member States that already face national economic challenges. To this end, the Group encourages the Secretariat to proactively ensure that budgetary implications arising from any reforms do not negatively affect the implementation of existing and on-going UNIDO activities approved by Member States.

5. With these remarks, the Group wishes to take note of the 2017 Annual Report of the Director General. Thank you, Mr. Chair.

Agenda item 6: Report of the Informal Working Group on Programme and Budget Committee – related issues

Mr. Chair,

1. The Group appreciates and welcomes the work undertaken by the Informal Working Group (IWG) on Programme and Budget Committee. Indeed, the IWG serves as a good platform for both Secretariat and Member States to discuss and explore possible recommendations on important issues which affect the work of UNIDO, including unutilized balances of appropriations, programme cost recovery, scale of assessments and collection of late payments. The Group believes that IWG is a platform for dialogue on how to take UNIDO forward and support its work.

2. In our common pursuit to support UNIDO's efforts to deliver its core mandate of SDG 9, the Group is of the view that any proposed changes to resolve the issue of late payments should not hinder the delivery of services to any Member States.

3. On the scale of assessment the Group takes note of the complexity of the discussions on this issue in New York and that this issue was viewed as beyond the scope of IWG. Nonetheless, the Group encourages Member States to continue reflecting on the impact of the scale of assessment towards the financial contributions of existing members of UNIDO, with a view to exploring possible measures which could address the financial burden and better reflect the financial capacity of each UNIDO member in a fair and balanced manner.

4. The Group firmly believes that it is crucial for both Member States and the Secretariat to continue addressing the financial constraints of this Organisation as a matter of priority. Therefore, the Group encourages the Co-Chairs of the IWG to

continue supporting dialogue and organizing consultations between the Secretariat and Member States.

With these remarks, the Group takes note of the report on this agenda item as contained in document IDB.46/5-PBC.34/5 and supports the adoption of the draft decision on this agenda item.

Thank you, Mr. Chair.

Agenda item 8: General risk management

Mr. Chair,

1. The Group notes that the risk of withdrawal of Member States from the Organisation carries high potential impact on the financial situation of UNIDO. The Group looks forward to receiving the Secretariat's briefing on the additional progress on UNIDO's general risk management activities particularly the main perceived risks identified in the area of operations of the Organisation.
2. The Group reaffirms its commitment to work jointly with the Secretariat to forge a sustained dialogue with national authorities with the view to averting the withdrawal of Members from UNIDO.
3. With these comments, the Group takes note of the report on this agenda item as contained in document IDB.46/7-PBC.34/7.

Thank you, Mr. Chair.

Agenda item 5: Financial situation of UNIDO

Mr. Chair,

1. The Group expresses its concern that the collection rate of 2017 assessed contributions as of March 2018 was 30.3 percent compared to the rates in 2017 and 2016, which amounted to 26.1 and 32.6 percent, respectively.
2. The Group notes an improvement in the rate of collection of arrears. The collection rate in 2016 was 1.8% compared to 7.2% in 2017. While commending the Secretariat's sustained efforts to reach out to those affected, the Group continues to call on Member States to honour their obligations in a timely manner.
3. The Group welcomes the establishment of an informal working group on Programme and Budget Committee, which allows both Secretariat and Member States to exchange views on possible measures to address the impact of decreased contributions on the operation of the Organisation.
4. The Group reiterates its concerns over the total of outstanding assessed contributions as at 31 March 2018, which amounted to Euro 135.5 million including Euro 69.1 million by the United States and Euro 2.1 million by the Former Yugoslavia. The Group requests the Secretariat to inform Member States of possible measures to address these outstanding arrears. The Group reiterates its call to both the

United States and the Former Yugoslavia to settle their arrears including by means of advances to the Working Capital Fund.

5. The Group continues to urge all Member States to pay their contributions in full and on time in order to secure a healthy and stable financial outlook for the Organisation. A sufficient, assured and predictable funding is vital for UNIDO to effectively deliver its core mandate of SDG 9 (Promotion of inclusive and sustainable industrial development), in support of various initiatives to facilitate social inclusion and environmental safeguarding in developing countries particular the LDCs.

6. With these comments, the Group takes note of the report on this agenda item as contained in document IDB.46/4-PBC.34/4 and supports the adoption of the draft decision on this agenda item as recommended by the 34th session of the Programme and Budget Committee.

Thank you, Mr. Chair.

Agenda item 7: Mobilisation of financial resources

Mr. Chair,

1. On agenda item 7, the Group attaches great importance to the need for the Organisation to have a sufficient, assured and predictable funding to enable UNIDO to fully and effectively deliver its core mandate and activities.

2. The Group welcomes the on-going efforts of the Secretariat to address the financial constraints of the Organisation through the establishment of a Partnership Trust Fund as well as the Special Account of Voluntary Contributions for Core Activities (SAVCCA) and the Major Capital Investment Fund (MCIF). The Group encourages Member States and other donors to contribute to these Funds.

3. With these comments, the Group takes note of the Director-General's report on mobilisation of financial resources as contained in document IDB.46/6- PBC.34/6 and supports the adoption of the draft decision on this agenda item.

Thank you, Mr. Chair.

Agenda item 9: Updated medium-term investment plan

Mr. Chair,

1. In line with the updated medium-term investment plan for 2018-2021, the Group is pleased to note that significant progress has been made in the areas of utilizing internal resources as well as on the reporting and delivery process on the Sustainable Development Goals through the enhancements of UNIDO's enterprise resource planning (ERP).

2. To effectively support UNIDO's management priorities as well as further improve internal operations and transparency of the Organization, the Group notes that a number of investments related to the enhancements and improvements of the ERP system are essential to be incorporated in the updated investment plan for 2018-2021.

3. With these remarks, the Group takes notes of the report on this agenda item as contained in document IDB.46/8-PBC.34/8.

Thank you, Mr. Chair.