



STATEMENT OF THE G-77 AND CHINA DURING THE 20TH SESSION OF  
THE PBC OF UNIDO 8-9 SEPTEMBER 2004, DELIVERED BY H.E.  
AMBASSADOR TAOUS FAROUKI, PR OF ALGERIA

Mr. Chairman, His Excellency Ambassador Horvath,

It gives me great pleasure to felicitate you on behalf of the Group of 77 and China for your election as the Chairman of the 20<sup>th</sup> Session of the Programme and Budget Committee. We are confident that under your able leadership this Session of the PBC would be guided in a smooth manner and reach fruitful conclusion. I would also avail myself of this opportunity to congratulate the other members of the Bureau on their election. The Group would also like to thank your predecessor H.E. Ambassador Naqvi, Permanent Representative of Pakistan, for his commendable conduct of the previous PBC meeting.

The Group is grateful to the Secretariat for making necessary arrangements and consultations for the meeting

The G-77 and China would be making comments on the Agenda items 3, 5, 6, 7, 8 and 9 in the course of discussions on each item. I would restrict my intervention to comment on items 7, 8 and 9. for this opening statement.

**Item 3: Report of the External Auditor, financial performance report and programme performance report for the biennium 2002-2003**

Mr. Chairman,

1. The Group of G77 and China has considered the documents PBC.20/3, PBC.20/5 and PBC.20/2 on the financial audit and we take note that the External Auditor provided assurance that the financial records of UNIDO are reliable and well maintained and that adequate internal controls have been implemented. He has expressed an unqualified opinion on the financial statements of the Organization for the biennium ended 31 December 2003.

2. Regarding governance matters, the Group expresses its appreciation for the steps taken by the Director-General to consolidate and strengthen the internal oversight and control mechanism of UNIDO, and in particular the establishment of the Office of the Comptroller General (OCG). We also take note that the Secretariat has advised that the issue of fraud prevention strategy and contingency policy is receiving attention and it expects that such a strategy will be developed by the end of 2004, in coordination with other sister United Nations organizations.

3. The Group is of the view that for a matter of credibility it is important that UNIDO addresses various environmental aspects in its current operations including the development and implementation of a coherent policy and management strategy.(financial aspects)

4. With regard to the financial situation, the Group notes with satisfaction that the in 2002-2003, the Organization achieved one of its highest collection rates in respect of assessed contributions, with collection rates of 93 and 92 per cent for the years 2002 and 2003 respectively. This compares favorably with the collection rates for 2000 and 2001, which were 84 and 92 per cent respectively.

5. However little progress is being made in reducing the arrears and the Group encourages the Secretariat to continue its efforts to solve this situation. The Group takes note with satisfaction that an increase in technical cooperation activities has been achieved in the current biennium due to an increase in voluntary contributions received in the 2002-2003 financial period. Furthermore, the Group is encouraged that the expenditure under the technical cooperation programme has shown an increase of some 14 per cent over the previous biennium.

6. The Group of G77 and China notes with appreciation that a results-based management system based on the balanced scorecard approach had been developed. However, the Group is concerned that the current Administrative Instructions do not provide adequate guidance in respect of the maintenance of inventory records that meet the objective of control in respect of the safeguarding and custody of assets, and also of providing reliable information for the disclosure requirements of the UNSAS. Therefore, the Secretariat should take steps to improve the completeness and reliability of non-expendable equipment inventory records as a priority.

7. The Group expresses its appreciation for the promulgation by the Secretariat of a Human Resource Management (HRM) Framework in June 2001 in order to enhance the organization's capacity. A key element of the HRM Framework was improved competitive selection procedures, which, in turn, would result in the recruitment of highly qualified candidates, and lead to a reduced recruitment cycle.

8. Thus a comparison of the recruitment cycle both before and after the implementation of the HRM Framework indicated a reduction from 8.8 months to 3 months. However, we encourage the Secretariat to provide the recruitment section with a sufficient available staff resource. Thus, the Group in line with the comments of the External Auditor would like to commend the Secretariat for the well organized staff learning function and specially the introduction of the initiative of a management development programme.

9. Regarding the field offices, the Group is of the view that UNIDO should take any measure to increase flexibility to support the indispensable needs of offices and to build an efficient bridge of communication and reporting between headquarters and field offices. Some initiatives should also be taken in order to maintain reliable access to information databases at headquarters.

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

Mr. Chairman,

1. The Group of 77 and China takes note of the document PBC.20/8 on the financial situation of UNIDO, and appreciates that the operational budget recorded a surplus of EU1.7 million during the first six months of 2004.

2. However, the Group is concerned by the decrease of the regular budget and cash resources which is EU36.5 million, compared to the amount of EU44.5 million as in June 2003, thus a decrease of 13.1%.

3. The Group of 77 and China, notes with satisfaction the improvement of technical cooperation delivery, as compared to the years 2003 and 2002.

4. The Group of 77 and China also notes with satisfaction that a total of 61 Member States, including 8 Least developed countries have made full payments for their assessed contributions for the year 2004. However, the Group is concerned about the rate of assessed contributions from Member States, which stood at 65.6% in 2004 as of 78.7% in 2003, which has resulted in 46 Member States losing their voting rights.

5. The Group, therefore, appeals to Member States and former Member States in arrears to fulfill their financial commitment towards the Organization.

6. The Group of 77 and China commends the arrangement made between Sierra-Leone and the Secretariat, and welcomes the ongoing negotiations with other Member States like Brazil, Kazakhstan and Tajikistan.

7. The Group of 77 and China would like to emphasize on the importance of the technical cooperation delivery, and will follow with interest the useful information to be provided by the Secretariat concerning the special account for the regular programme of technical cooperation, as mentioned in paragraph III of document PBC.20/8.

## **Item 6: Mobilization of Financial Resources**

Mr. Chairman,

1. The Group of G77 and China takes note of document PBC.20/4 on the mobilization of financial resources which points out that the extrabudgetary funding for the delivery of UNIDO services is extremely important, given the very limited availability of funding for technical cooperation activities from the regular budget.

2. The Group takes note that the Secretariat has simplified and streamlined the definition and presentation of UNIDO's portfolio activities and hopes this will enhance international development priorities and match with donors funding priorities. The Group also welcomes the Secretariat's version of the internal review and funds allocation process which is aimed at ensuring rapid formulation and implementation of projects, and looks forward to a more positive response from donors on this new formula.

3. While we express our appreciation for the positive developments during previous years in terms of improved UNIDO access to GEF funding and the expected important project approvals in the coming months, and the expected increase in the level of programme delivery in the coming years under the Montreal Protocol, we urge the Secretariat to try to spread these projects and programmes under these funds to all regions. We also encourage the Secretariat to continue its efforts to develop and implement projects funded by international development partners.

4. Finally, the Group encourages the Secretariat and the Member States to work closely together on selected priority themes, with a view to promoting and mobilizing funding for the implementation of these important activities in response to international development priorities.

#### **Item 7: Security Enhancement**

Mr. Chairman,

1. The Group takes note of the document IDB.29/7 and would like to thank the Secretariat for information that Member States received on the enhanced security arrangements to enable the Vienna based Organizations to comply with the Headquarter's Minimum Operating Standards being proposed by UN Headquarters in New York.

2. The Group would like to stress that the recommendations for enhancing security measures should be decided by the Member States after consultation in a transparent manner with the Secretariat and with due regards to cost efficiency and realistic and practical approach based on a real threat perception and on the local security situation.

3. Concerning the additional financial burdens as a result of these measures, the Group welcomes the creation by the Director-General of a special account to be financed by voluntary contributions or any other extra-budgetary resources and supports the draft conclusions recommended on this issue, contained in paragraph III, document IDB.29/7.

4. Taking into account that based on the Headquarters agreement between the Government of Austria and UNIDO, the host country shall closely cooperate regarding the interrelation of effective security measures within and in the immediate vicinity outside the Headquarters seat, the Group would like to thank the Austrian Government for its positive offer to cover the costs of security enhancement outside the VIC.

5. The Group also encourages the host country as well as all donor countries to facilitate application of the new security measures in the VIC through their generous and timely contributions to the said account. The Group wishes to be informed of the results of the consultations in this respect.

#### **Item 8: Medium Term Programme Framework 2006-2009 : Proposals of the Director-General**

Mr. Chairman,

1. The Group of 77 and China has taken note of the document PBC 20/6 containing the proposals of the Director General on the Medium Term Programme Framework (MTPF) for the years 2006-2009.

2. The Group notes that the MTPF for 2006-2009 is expected to evolve from the current MTPF for 2004-2007 and to maintain broad continuity with it. The

finalisation of the MTPF has to be in conformity with the Business Plan and the Strategic Guidelines "Towards improved UNIDO programme delivery". UNIDO should retain its focus on providing technical cooperation services that enhance skills, technology and related capacities, with emphasis in areas where it has a comparative advantage.

3. Recalling the GC.10/Res.4 "South-South Cooperation", the Group wishes to further focus on South-South Cooperation activities in the Medium-Term Programme Framework 2006-2009 of UNIDO and to redouble UNIDO's efforts to mobilize funds for this purpose.

4. The programmatic content has to be devised in the context of the areas of emphasis including investment promotion, technology transfer, diffusion and management; trade facilitation and market access; and multilateral environmental agreements to be pursued under the revised service modules. Special emphasis should be given to mobilisation of funds and effective implementation so as to achieve increase in programme delivery.

5. The Group hopes that the MTPF 2006-2009 will carefully take into account the experience of MTPF 2004-2007 which will be facilitated by the overlap period of 2006-2007 and take adequate corrective actions as may be required in terms of priority and to effectively utilise the comparative advantages of UNIDO.

#### **Item 9: Draft cooperation agreement with the United Nations Development Programme**

Mr. Chairman,

1. The Group has carefully examined the document PBC.20/9 containing some elements of the draft cooperation agreement on strategic alliance between UNIDO and UNDP and would like to commend the Secretariat on its efforts to improve the functioning of UNIDO through decentralization and enhanced interagency cooperation.

2. The Group took note of the discussions held with UNDP and had followed with keen interest the work of the Informal Advisory Group on Decentralization. It would also like to express its appreciation for the efforts of the co-chairmen, H.E. the Ambassador of China and H.E. the Ambassador of Germany, to come up with useful recommendations.

3. The Group recalls the importance of its previous requests to the Secretariat to further define the decentralization process bearing in mind its multi-faceted nature, and the mandate laid down in the business plan of 1997 to strengthen the existing field structure through delegation of authority and a redeployment of resources and professional staff with required level of expertise from Headquarters to the field within the given budgetary framework.

4. The Group welcomes the initiative of the Secretariat to negotiate a strategic alliance with UNDP to develop a joint programme of technical cooperation in the area of private sector development. However, recalling the mandate of UNIDO as stipulated in its Constitution, which is to promote sustainable industrial development,

the Group would like to emphasize that this should remain as the main objective of the Organization in the context of the proposed new alliance with UNDP, and eventually if any decision is to be taken in the future to broaden this alliance.

5. Due to the fact that the proposed cooperation agreement could affect the entire structure of UNIDO in the field, the Group would like to express the following concerns and comments on the proposed strategic alliance: · Integrity, identity, visibility, and responsiveness of UNIDO should be maintained. · Respective mandate of UNIDO and UNDP within the proposed strategic alliance should be defined more clearly. · Elaboration of the rationale used in the determination of the type, level and location of the representation is needed. · The future field representation scheme should preserve and build upon UNIDO's previous and existing achievements in the various regions. · Any conversion of UNIDO offices should be made only after having evaluated the results of the pilot phase and in close consultation with the Member States. · The one-year evaluation period is insufficient to effectively evaluate and determine the future of UNIDO desk offices and accordingly the Group recommends that the performance assessment be made after two years as initially proposed by the Secretariat.

6. For all these reasons, the Group would like to request the Secretariat to provide a detailed plan regarding the nature of this process and the details of its financial implications as well as a comprehensive report and assessment in the form of a proposal to decentralize the organization to the next IDB session as stipulated in IDB.28/Dec.2 and in accordance with the Constitution of UNIDO.

7. The Group highlights the importance of the need to capture momentum in alliance building with UNDP and takes note of the information contained in document PBC.20/9. The Group, however, suggests that in line with the recommendation of IDB.28/Dec. 2, the cooperation agreement should be brought to the attention of the next IDB for its consideration.

8. The Group underscores the need to have an Implementation Document of the proposed cooperation agreement with the UNDP to be considered and approved by the November IDB in line with Resolution IDB.28/Dec.2.

Thank you, Mr. Chairman.