



## VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA AT THE 25TH SESSION OF THE PROGRAMME AND BUDGET COMMITTEE OF UNIDO, 5-7 MAY 2009, DELIVERED BY H.E. AMBASSADOR EUGENIO MARÍA CURIA, PERMANENT REPRESENTATIVE OF ARGENTINA

Mr. Chairman, (Mr. Oleh HERASYMENKO, Deputy Permanent Representative of Ukraine)

It gives me great pleasure to congratulate you on behalf of the Group of 77 and China on your election as the Chairman of the 25th session of the UNIDO Programme and Budget Committee. We are confident that your experience will lead to the success of this session.

I also take this opportunity to congratulate other members of the Bureau on their election. The Group would also like to thank your predecessor His Excellency, Ambassador Triyono Wibowo, Former Permanent Representative and current Vice-Minister for Foreign Affairs of the Republic of Indonesia, for his commendable leadership of the previous PBC meeting.

The Group expresses its appreciation to the Director-General, Mr. Kandeh Yumkella, for his opening statement and his dynamic leadership of the Organization. The Group also acknowledges the efforts of the Secretariat for the preparation of documents. Nonetheless, the Group once again requests the issuance of all documentation in all official languages, in accordance with the relevant rules of procedures in order to give Member States appropriate time to examine them and to act accordingly.

The Group wishes to comment on agenda items 3 to 11 and I will express the views of the Group on each item in due time.

**Agenda item 3: Interim report of the External Auditor, including the implementation of recommendations of the External Auditor for the biennium 2006-2007; financial performance report and programme performance report for the biennium 2008-2009**

Mr. Chairman,

The Group takes note of document PBC.25/8-IDB.36/8, and would like to appreciate Mr. Tanwir Ali Agha, External Auditor and Auditor General of Pakistan, for the excellent report and would like to extend its satisfaction to the Secretariat for its cooperation with the external auditor. The Group expresses its appreciation to the External Auditor for the timely submission of the interim report to the 25th session of the Programme and Budget Committee.

The Group finds that the External Auditor's report contains several comprehensive issues of great importance, in particular the status of implementation of previous recommendations, results based management and governance matters, Internal Oversight Service (IOS), procurement of goods and services, management of

nonexpendable property, management of travel function, Human resource management, field operations, financial performance control system and IPSAS implementation.

Regarding internal oversight service activities, the Group would like to express its concern, inter alia, on: a) there is no single, consolidated internal oversight manual in the IOS; b) IOS has not submitted for the last three years, an Annual Summary Report on IOS activities as mandated by its Charter; c) lack of well-structured system for follow-up of the recommendations by the Secretariat and; d) catering services not having been audited for the past five years.

On the procurement of goods and services, the Group notes with concern that a copy of Annual Procurement Plan was not made available for audit. The Group also believes that there should be a centralized database for all procurement activities, as well as a system of electronic approvals. The Group expresses its concern that the procurement planning system was not developed in 2008 as it was originally scheduled.

Concerning the management of non-expendable property, the Group takes note of the external auditor's recommendations and expects that the best practices should be implemented by the Secretariat.

Regarding the management of the travel function, the Group believes that travel cost is one of the areas that could be explored for potential savings. The benefit arising from decentralization of UNIDO activities should be visible in the reduction of travel cost.

The Group believes that the performance of the field offices has a direct impact on the quantity and quality of technical cooperation delivery by the Organization. The Group therefore supports the External Auditor's recommendation of closely monitoring the operational requirements of the field offices, including the preparation of a Human Resource Development Strategy.

The Group looks forward to the implementation of the recommendations of the External Auditor by the Secretariat.

Thank you, Mr. Chairman.

#### **Agenda item 4: Financial situation of UNIDO**

Mr. Chairman,

The Group takes note of document PBC.25/5-IDB.36/5 on the financial situation of UNIDO.

The Group notes with satisfaction the level of the regular budget expenditure achieved so far, which is comparable with that in the previous biennium.

The Group appreciates the payments of some Member States in fulfilling their financial obligations and appeals to other Member States and former Member States to consider the full and prompt payment of their commitments to the Organization.

The Group requests the Director General to continue his efforts to realize all the outstanding amounts, and would also like to reiterate the request to be regularly apprised of such efforts.

Thank you Mr. Chairman.

#### **Agenda item 5: Programme and Budgets, 2010-2011**

Mr. Chairman,

The Group takes note of document PBC.25/7-IDB.36/7 on Programme and Budgets 2010-2011.

The Group welcomes the Secretariat's proposal for the Programme and Budgets for the next biennium formulated within a zero real growth scenario, taking into account the current global economic environment. Meanwhile, the Group emphasizes the need to make further investments in the Organization's core competencies under the regular budget in the future to allow for UNIDO's expanding role.

The Group believes that technical cooperation for industrial development constitutes the core activity of UNIDO and the volume of TC delivery is the main element for the evaluation of its achievement. In this regard the Group would like to remind of the Business Plan on the Future Role and Functions of UNIDO endorsed by the General Conference in resolution GC.7/Res.1.

The Group highlights that South-South cooperation is a vital and important function in industrial development and poverty reduction through productive activities. Noting the fact that several South-South Cooperation Centres of UNIDO have been put into operation, the Group encourages UNIDO to allocate more resources to related projects and welcomes all the Member States to invest and donate more in this field.

The Group would like to indicate that it fully supports any kind of activity for the empowerment of the Organization and the enhancement of technical cooperation. Meanwhile the Group believes that, except in unexpected cases, UNIDO's all activities with financial and administrative implications should be indicated in the programme and budgets proposal and such reliable approach will be in line with the accountability and transparency and will allow Member States to supervise the effective utilization of the financial resources of the Organization.

The Group notes the implementation of Young Professionals Programme to replace retiring staff and encourages the Secretariat to follow a transparent recruitment policy to ensure equitable geographical distribution and gender balance in the implementation of this programme. The Group recalls that the aim of this programme is to ensure that UNIDO is equipped with the expertise of technically competent core staff.

The Group notes that the total estimated level of technical cooperation in the biennium 2008-2009 amounted to about Euro 205 million excluding RPTC, while the TC delivery in 2008-2009 estimates amounted to Euro 174.7 million as mentioned in the Programme and Budgets 2010-2011, indicating Euro 30 million less than the projected level amount proposed by the Secretariat. The Group requests the

Secretariat to provide more information to clarify this issue.

The Group supports all initiatives that could increase the efficiency and effectiveness of the Organization and in this context expresses its readiness to consider concrete proposals from the Secretariat. Meanwhile the Group takes note with caution of the different information provided by the Secretariat with respect to the IT modernization. In this regard, for further consideration of Member States, the Group requests the Secretariat to provide a relevant and comprehensive report, as well as a briefing on UNIDO's requirements for IT modernization in order to meet its current and future needs.

The Group would like to refer to the decision GC.12/Dec.14 of the General Conference on IPSAS and the procedure taken for its adoption and underlines that any project for the enhancement and improvement of the UNIDO's operating environment should be considered as a separate package without having any negative impact on its technical cooperation activities.

The Group would like to request the Secretariat to explore ways for possible savings in the Regular Budget.

The Group takes note of document IDB.36/12-PBC.25/12 and sees the necessity for further discussion on the Secretariat's proposals.

Thank you, Mr. Chairman.

#### **Agenda item 6: Scale of Assessments**

Mr. Chairman,

The Group of 77 and China takes note of document IDB.36/3-PBC.25/3 and supports the scale of assessments for the UNIDO regular budget expenditures for the fiscal period 2010-2011, which has been calculated on the basis of the latest available UN scale of assessments adopted on 22 December 2006, in General Assembly Resolution 61/237, and adjusted to the membership of UNIDO. The Group also notes that should an updated United Nations scale of assessments be adopted by the General Assembly prior to the 13th Session of the UNIDO General Conference in December 2009, the Secretariat will issue a revised document accordingly.

While reiterating its appeal to all Member States to pay their financial dues and assessed contributions in full and on time, the Group encourages the Secretariat to continue its efforts towards bringing back former Member States, so as to minimize the variance between the UN and UNIDO scale of assessments.

Thank you Mr. Chairman.

#### **Agenda Item 7: Working Capital Fund for the biennium 2010-2011**

Mr. Chairman,

The Group of 77 and China takes note of the Director-General's proposal in document PBC.25/4, regarding the Working Capital Fund for the biennium 2010-2011, that the

fund continue to remain at the amount of €7,423,030 in accordance with the previous biennium for the period 2008-2009.

The Group requests the Secretariat to continue its efforts to collect outstanding assessed contributions from Member States in order to minimize the need to withdraw sums from the fund.

Thank you Mr. Chairman.

#### **Agenda item 8: Accounting Standards**

Mr. Chairman,

The Group of 77 and China takes note of document IDB.36/6-PBC.25/6 and welcomes the steady progress towards the implementation of the International Public Sector Accounting Standards (IPSAS) in UNIDO. The Group further takes note of the work commenced and completed by the IPSAS Implementation Task Force in UNIDO.

The Group expects that the Task Force will complete by end 2009 the testing of new business processes in the financial system for IPSAS readiness in the areas of property, plant and equipment; revenue recognition; employee benefits; as well as the accounting for obligations, and development and implementation of training modules. In this regard, the Group looks forward towards the achievement by UNIDO of IPSAS compliant status by 1 January 2010, within the budgetary resources allocated for the purpose in the regular budget for the biennium 2008-2009.

Thank you Mr. Chairman.

#### **Agenda item 9: Financial Regulations**

Mr. Chairman,

The Group of 77 and China takes note with interest of document IDB.36/11-PBC.25/11 that proposes interim amendments to UNIDO's Financial regulations oriented to fully implement the International Public Sector Accounting Standards (IPSAS). In this regard, the Group requests the Director-General to continue reporting on this matter to the Governing Bodies in their respective sessions.

Thank you Mr. Chairman.

#### **Agenda item 10: Mobilization of financial resources**

Mr. Chairman,

The Group of 77 and China takes note of the information provided in document PBC.25/2, the Annual Report for 2008.

The Group expresses its satisfaction that the level of net technical cooperation project and programme approvals continues at a high-level, even though, the Group realizes that these approvals were higher in 2007. With regard to the technical cooperation, the Group requests the Director-General to strengthen the Organization's capabilities to

productively utilize available uncommitted funds.

The Group takes note with satisfaction of the information on the measures developed by the Secretariat in order to strengthen the approval mechanism for technical cooperation activities. In this regard, the Group requests the Director-General to continue enhancing this mechanism with new measures in order to ensure a better exchange of information among the Organization, Regional Groups and Members States before projects are submitted to the Programme Approval Committee.

As regards the record levels of technical cooperation activities in the thematic priority of poverty reduction through productive activities, the Group is of the view that it resulted from the change of the activities related to technical and investment promotion from Major Programme D to Major Programme C. In view of the cross-cutting nature, the Group recommends inclusion of this kind of cross-cutting activities in Major Programme F. The Group reiterates its request to give special attention for fund raising and implementation of value added projects on the thematic area of poverty reduction through productive activities, which is the first priority for the Organization, as mentioned in the strategic long-term vision statement approved by the 11th session of the General Conference in December 2005.

The Group would like to reiterate that the successful results of the implementation of the different programmes and projects are the best way to increase the visibility of the Organization.

The Group expresses its appreciation for voluntary contributions made by donors, in particular to governmental sources, and emphasizes that several members of our Group are among the major contributors. At the same time, the Group urges the development partners to consider enhancing their contributions towards the Organization to fully meet the resource requirements for various Integrated Programmes (IPs) and Country Service Frameworks (CSFs), being implemented by the Organization.

The Group would like to draw the attention to the importance of optimizing the use of South-South cooperation possibilities in the area of industrial development and the triangular cooperation, as envisaged in General Assembly Resolution 62/209.

With regard to the programming thrust, the Group expects the Organization to give special attention to the formulation of regional, sub-regional and inter-regional programmes, and to intensify its efforts towards implementing such programmes.

Thank you Mr. Chairman.

### **Agenda item 11: Appointment of an External Auditor**

Mr. Chairman,

The Group of 77 and China believes that Mr. Tanwir Ali Agha has ably demonstrated his commitment and expertise in performing his responsibility as External Auditor of UNIDO. The Group is confident that the re-election of the External Auditor will give the Organization the opportunity to fully and efficiently benefit from his services.

The Group supports the re-election of Mr. Tanwir Ali Agha, Auditor General of Pakistan, as UNIDO External Auditor for a two-year term starting from 1 July 2010.

Recalling the existing practices in UNIDO to appoint the External Auditor for a renewable two-year terms, and also considering the principles of continuity, equity, and equitable geographical distribution, the Group is confident that the Member States will support the re-election of Mr. Tanwir Ali Agha.

Finally, the Group would like to express its deep gratitude to the Kingdom of Morocco for withdrawal of its candidature, in order to preserve cohesion and solidarity within the Group.

Thank you Mr. Chairman.