



STATEMENT OF THE G-77 AND CHINA DURING THE 21ST SESSION OF THE PBC OF UNIDO 10-12 MAY 2005, DELIVERED BY H.E. AMBASSADOR T.A. SAMODRA SRIWIDJAJA, PERMANENT REPRESENTATIVE OF THE REPUBLIC OF INDONESIA

Madame Chair, Ms. Sandra Noriega, Chargé d'Affaires a.i. (PM of Guatemala)

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 21st 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 Horvath, Permanent Representative of Hungary, for his commendable leadership of the previous PBC meeting.

The Group would like to thank the Director General Mr Carlos Magariños for his comprehensive presentation on the financial situation of UNIDO and the programme and budget proposals for the next biennium. The Group is also grateful to the Secretariat for making necessary arrangements and consultations for the meeting.

The Group would be making comments on the Agenda items 3, 4, 5, 6, 8, 9, 10 and 11 in the course of discussions on each item. I would restrict my intervention to comment on items 3, 4 and 9 for this opening statement.

Item 3: Interim Report of the External Auditor, financial performance report and programme performance report for the biennium 2004-2005

Madame Chair,

1. The Group of G-77 and China has considered the document PBC.21/8 and takes note that the External Auditor has expressed no opinion on the financial statements of the Organization for the biennium ended 31 December 2004. We hope to receive his opinion in the course of the year. We are, however, pleased that the External Auditor has alluded in his conclusion that our Organisation was 'well run, a view that is endorsed by a number of independent reviews and accolades on the progress made by the Organisation'.

2. With regard to the financial situation, the Group notes that the collection rate for 2004 of 90.5% indicated a slight decrease to the 2002 rate but still higher than the 2003 collection rate. It is recommended that measures are taken to ensure that the rate is maintained with a view to register increases in 2005.

3. The Group is concerned that outstanding assessed contributions from prior financial periods of € 114 million including € 111.1 million for 2002 continue to rise. The Group calls on Member States to honour their financial obligations in full and on

time. The Group encourages members in arrears to take advantage of the payment plan programmes the Organisation is implementing with other Member States reported by the Secretariat which are yielding positive results.

4. The Group, however, is concerned that follow-up with former Member States owing most of the outstanding amounts has yielded negative results and therefore calls upon the Secretariat to continue to maintain dialogue with former Member States to have them settle their financial obligations to UNIDO.

5. The Group has noted that the spending rate of 83.6% for 2004 was lower than the 88.6% rate for 2003. The Group also notes that unspent amounts total €11.9 million with €7.8 million for 2002. The Group calls upon the Secretariat to adhere to prudent budgetary management systems to ensure the disbursement of funds for UNIDO's programmes and ensure that funds are obligatorily released and avoid unbudgeted accumulations as recommended by the External Auditor.

6. The Group is pleased that the Organisation registered an increase in technical cooperation funding for 2004. In real terms the Group is pleased that the increase in voluntary contributions rose from the 2003 total of US\$ 102.7 million to US\$ 137.4 million in 2004. This, we feel, is evidence of continued faith in our Organisation by Member States and other development partners thanks to the good effort by the Director General and the Secretariat. The Group is also pleased that the TC level has risen to US\$ 98.8 million. We call upon the Secretariat to enhance the programme cycles through the interim Management Control Framework as well as through the new Guidelines for the Programme/project Cycle based on the principles of result-based management system. The target should be to raise the implementation rate of technical cooperation programmes in 2005 and the next biennium.

Item 4: Implementation of the Recommendations of the External Auditor

Madame Chair,

1. Regarding the implementation of recommendations of the External Auditor, the Group of 77 and China notes that the operations has continued to be of vital benefit to the realisation of recommendations of the External Auditor, thus bring the Organisation in full compliance with UN sound financial, accounting and human resource management systems. We are pleased that a result-based management system has been implemented as recommended by the External Auditor and that the Office of the Comptroller-General has actively participated in the process.

2. With regards to the lack of fraud detection mechanism referred to by the External Auditor the Group recommends that action is taken to create such a mechanism to ensure compliance with the External Auditor's recommendations.

3. 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 through the Internal Oversight Group. The Group requests the Secretariat to implement the External Auditor's recommendation on the use of the term internal oversight which he deems a misnomer.

4. As to the External Auditor's recommendations on improving and further

strengthening procurement processes in the Organisation, the Group requests the Secretariat adopts a strategic approach to procurement; improve procurement and contract strategies and improve the overall procurement system to ensure availability of sufficient information on procurement activities of UNIDO.

Item 5: Financial Situation of UNIDO

Madame Chair,

1. The Group of 77 and China expresses its appreciation for the Report of the Director-General in document PBC.21/13 on the Financial Situation of UNIDO. The Group takes note of the marginal increase of the collection rate for the first three months of 2005 of 58.6%, compared to the 2004 and 2003 of 48,8% and 67,6% respectively.
2. The Group is concerned that outstanding arrears amounted to € 145.2 million (including arrears of € 69.2 million by the US, and € 2.1 million by the former Yugoslavia). These outstanding amounts total € 149.2 million and € 132.5 million respectively. The Group is encouraged by the pronouncements by some former members reiterating their commitments to their outstanding contributions to the Organisation.
3. However, the Group is pleased to note that 38 Member States including six least developed countries have made full payments and 42 Member States including 5 least developed countries have paid their assessed contributions for the year 2005.
4. The Group expresses its concern that 48 Member States had lost voting rights as of 31 March 2005 in Accordance with the UNIDO Constitution and Article 5.2 of the Financial Regulations of UNIDO. We welcome the payment plans that have been concluded by some Member States and encourage those that have not done so to enter into negotiation with the Secretariat to pay their dues.
5. As regards incentives and disincentives following precedent in other UN organisations the Group requests the Secretariat to study and compare conditions of such sanctions to ensure that any such incentives and disincentives do not impede programme implementation and technical cooperation delivery to Member States.
6. The Group therefore urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, as well as towards the security enhancements, to do so without delay.
7. The Group further requests the Director-General to continue to pursue his efforts and contacts with Member States to effect the collection of arrears."
8. Regarding the Financial Situation of UNIDO, the G-77 and China takes positively to Document PBC.21/10 and wishes to emphasize the need for the utility of the Special Account for the Regular Programme of Technical Cooperation in 2004 to be continued in order to execute projects of this Program amounting to € 2,167,263.
9. The Group is pleased to note that technical cooperation delivery of \$ 98.8 million

in 2004 has surpassed previous years' levels. Part of this high level accomplishment was supported through the implementation of the special account mechanism for Regular Programme of Technical Cooperation (RPTC). The Group thus takes note of the Secretariat's observation of the effectiveness of the special account for RPTC in supporting technical cooperation delivery. The Group encourages the Organization to sustain this accomplishment in the next biennium through effective funds mobilization activities.

Item 6: Programme and Budget 2006-2007

1. The G-77 and China has takes note that the programmes related to the provision of substantive technical and global forum services have been substantially altered as compared with the Programmes of the biennium 2004-2005. We recognize that the new programmes are providing specialized services to meet developmental needs associated with Major Programme C (Energy and Environment), D (Trade Capacity Building) and E (Poverty Reduction through Productive Activities).

2. The Group, however, notes with concern that Major Programmes C, D, E and F have been reduced by 2% as compared with the biennium 2004-2005. We hope that the reduction would not negatively impact the performance of the technical cooperation delivery.

3. Being fully aware of the importance of achieving Millennium Development Goals, the Group agrees that the programmatic activities of UNIDO during the next biennium will continue to focus on making an active contribution towards the achievement of Millennium Development Goals within the mandate and competence of the Organization.

4. The G-77 and China has given careful consideration to the Long Term Vision (LTV) which is under preparation by the Secretariat. We would like to emphasize that the programmatic activities of UNIDO for the biennium 2006-2007 should be consistent with it, which is able to improve the effectiveness, efficiency and enhance use of resources allocation of the Organization.

Madame Chair,

5. The Group of 77 and China notes, with satisfaction, that the different programme components retained under the Major Programme D, mainly competitive manufacturing, technology management and technology diffusion, promotion of domestic and foreign investments, agro-related capacity-building activities and SME's export capacity and standards are at the cutting edge of UNIDO's mandate and core business in providing technical cooperation and global forum activities.

6. The Group further notes, with great appreciation, that these programme components are in line with major guiding documents i.e. the Business Plan, the Medium-Term Programme 2004-2007, the Medium-Term Programme 2006-2009 and the strategic guidelines: "towards improved UNIDO programme delivery".

7. The Group notes with satisfaction the retaining of all these various sub-

programmes under Major Programme D and believes that they are a key to UNIDO delivery of technical cooperation activities.

8. While recognising that Trade Capacity Building is a holistic process, the Group requests UNIDO to implement the proposed objectives aiming at securing trade capacity building through enhancing and supporting competitive capacities for developing countries in order to be able to produce according to market requirements and in line with quality/quantity standards; the strengthening conformity assessment systems and services providing markets; and by accelerating the integration of developing countries into the global production system.

9. The Group believes that such objectives should result in strengthening and improving technical cooperation programmes, the expansion and the diversification of productive activities and new technologies, the reduction of unemployment, and the promotion of domestic and foreign investments.

10. The Group is pleased to note that UNIDO is continuing its efforts to provide and ensure that its budget for technical cooperation delivery is aimed at promoting the establishment of specialized support institutions for SME's development and the promotion of the agro-industry. It believes that these are substantive and very relevant areas wherein UNIDO can greatly assist Member States' efforts on sustainable industrial development.

Madame Chair,

11. The Group notes, with interest the positive and pro-active endeavour taken by UNIDO to maintain its course of strengthening a regional approach in viewing and addressing the crosscutting problems of development of African countries in line with the African Productive Capacity Initiative (APCI) and NEPAD.

12. It also commends the commitment of UNIDO to ensure that programs/projects implemented under APCI will gradually be included in the national coordination process of the Poverty Reduction Special Paper (PRSP).

13. The Group would like to encourage UNIDO in putting more emphasis for the sake of ensuring the relevance, cost effectiveness and sustainability of UNIDO's services in Africa as well as other regions and their impact on the development process.

14. In the regard, the Group request the Secretariat to provide proper means to ensure the implementation of Resolution GC.10/Res.8, approved by UNIDO on December 5th 2003, entitled "Poverty Reduction in Developing Countries, particularly in Latin America and the Caribbean in the context of sustainable development".

Item 8: Working Capital Fund for the biennium 2006 - 2007

1. The Group takes note of the proposal of the Director-General regarding the Working Capital Fund for the biennium 2006 - 2007, which proposes that the Fund should remain at the same level and with the same objectives for the biennium 2004 - 2005.

Item 9: Financial Regulations

Madame Chair,

1. The Group positively sees the amendment of paragraph 5 of the annex the Financial Regulation of the Organization. It is fitting that the opinions of the External Auditor correspond to a rigorous and systematic analysis of the accounts of the UNIDO.

Item 10: Security enhancements and proposed new conference facilities

Madame Chair,

1. With regard to the efforts to improve the security system in the VIC, the position of the Group of 77 and China remains unchanged in extending its full support. However, with regard to the funding options, the Group wishes to recall the 29th IDB decision contained in Document IDB.29/Decision 4. In that document, especially paragraph e, the IDB recommended the next General Conference "to consider and approve the financing of UNIDO's share of the cost for the initial phase of security enhancements as an exceptional case through appropriations for the biennium 2004-2005.....". This sentence clearly suggests that the approval recommended is for the initial stage and only as an exceptional case. We have discussed this issue extensively during the last IDB session before arriving at this decision.

2. For developing countries this increasing amount to be paid has already burdened their annual national budgets and therefore hopes that future increases should be avoided. In this regard, the Group suggests to the Secretariat that supplementary estimate for the cost of security enhancement as outlined in the Doc. PBC.21/12, be revised and not to exceed the figure of € 1.8 million for the initial phase only, as agreed by the last IDB. Furthermore, the Group would like to suggest that for implementing the second phase of security enhancement, the Secretariat could find some other options of funding other than what had been discussed during the last IDB session and continue undertaking consultation with Member States.

3. The Group takes note the information submitted on the progresses in the implementation of phase I of the security enhancements, reviewed in Document PBC.21/11. On the matter, it request further information and consultations with Member States.

Item 11: Mobilisation of Financial Resources

Madame Chair,

1. In order to provide the Organisation with relevant financial resources that may enable it to be more competent and efficient, the Group encourages UNIDO to spare no efforts in reinforcing its cooperation with all relevant stakeholders and potential specialized Agencies.

2. The Group calls upon the Secretariat to continue to be more proactive in endeavours for funds mobilisation through voluntary contribution and additional sources and is grateful to those Member States who have continued to contribute generously in such efforts. We urge more member states to offer as convenient support for the fund mobilisation efforts of our Organisation.

