



## VIENNA CHAPTER

STATEMENT OF THE G-77 AND CHINA DURING THE 22ND SESSION OF THE PBC OF UNIDO 5-7 SEPTEMBER 2006, DELIVERED BY H.E. AMBASSADOR HORACIO BAZOBERRY, PERMANENT REPRESENTATIVE OF BOLIVIA

Madame Chair,

It gives me great pleasure to congratulate H.E. Ambassador Kongit SINEGIORGIS on behalf of the Group of 77 and China on your election as the Chair of the 22nd 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 the members of the Bureau upon their election. The Group would also like to thank your predecessor Ms. Sandra Noriega, Minister Counsellor of the Permanent Representative of Guatemala, for her commendable leadership of the previous PBC meeting.

The Group would like to thank Mr. Kandeh Yumkella during his first session of the Programme and Budget Committee, as Director-General, for his comprehensive presentation on the financial situation of UNIDO and the programme and budget proposals for the next biennium. Points made by the Director-General deserve serious consideration, especially the emphasis on resources. The Group is also grateful to the Secretariat for making all the necessary arrangements and consultations for the meeting.

I would avail this opportunity to thank the Director-General and the UNIDO Secretariat for their support during the 40th Meeting of the Chairpersons/Coordinators of the Chapters of the Group of 77 and their active participation in the panel discussion on capacity building and energy for development that took place last June. The Vienna Spirit which has been adopted by the Chapters meeting has been issued as an official document of the sixtieth session of the General Assembly.

Madam Chair,

The Group would be making comments on Agenda items 3, 4, 6 and 7 in the course of discussions on each item. I would restrict my intervention to comment on item 3 for this opening statement.

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

Madam Chair,

The Group of 77 and China takes note of the detailed information provided in the documents IDB.32/3- PBC.22/3 and IDB.32/4 - PBC.22/4.

The Group would like to express its thanks to the External Auditor for the services

rendered by him. The Group appreciates the full cooperation and support of the Secretariat to the External Auditor in performing his audit. The Group also commends the Secretariat for External Auditor's assurance that "the financial records of UNIDO are generally reliable and well maintained and that adequate internal controls have been implemented".

It is satisfying to note that the collection rate of the assessed contributions during the years 2004-2005 remained at the respectable level of 91.6%. Yet, both the collection rate of assessed contributions and the rate of regular budget spending for the biennium under review were lower than comparable figures of the previous biennium. The Group understands that while slight variations over time are natural, yet we should remain on guard against a negative trend.

The Group is in agreement with the External Auditor's observation regarding the critical role of timely and full payments by the Member States of their assessed contributions towards achievement of budgetary targets. However, the Group would like to stress that, in case the savings are unavoidable, they should be achieved with minimum possible negative affect on the efficiency and output of the Organization, particularly, its field operations.

As regards External Auditor's observations on the Office of the Internal Oversight Services, the Group of 77 and China is concerned that the OGV/IOS was not able to attend several important assignments on its work plan for 2004-2005. The Group hopes that measures would continue to be taken to appropriately address this concern as well as to overcome all other weaknesses indicated by the External Auditor. As far as OGV/IOS plans to undergo an independent external quality assessment at the end of 2006, the Group would seek clarification on whether this assessment can be done by the External Auditor.

The Group notes the External Auditor's observations on the use of results based management and encourages the Secretariat to continue improving it.

The Group of 77 and China is concerned over the weaknesses pointed out by the External Auditor with regard to non-expendable property, which was the same finding in the previous biennium 2002-2003. The Group requests the Secretariat to undertake immediate corrective measures. Furthermore the Group would like to be updated on the steps being taken for the implementation of a comprehensive Fraud Prevention Strategy.

With regard to the procurement practices of the Organization, the Group would like to urge the Secretariat to appropriately address External Auditor's observations as well as regarding the hiring of consultants and experts services. The Group would also like to emphasize the importance of maintaining a level playing field in these two areas of Organizational activity for individuals/companies belonging to different countries/regions.

Regarding field offices the Group requests the Secretariat to take appropriate steps to rectify the situation wherever weaknesses have been observed by the External Auditor since the performance of field offices have direct bearing upon the quality and quantity of technical cooperation delivery.

The Group of 77 and China takes note of the External Auditor's observations about the Information and Communication Technology (ICT) Control Environment and impresses upon the Secretariat the importance to address, comprehensively, the issues raised therein so as to ensure a safe, secure, and reliable communication system/information database and back up systems.

The Group of 77 and China takes note of the information furnished in the table of follow-up of the recommendations made in prior external audit reports (Annex I to the External Auditor's Report). Since the follow-up table presents recommendations relating to the biennium 2002-2003 only, the Group assumes that the recommendations pertaining to earlier financial periods have been appropriately addressed by the Secretariat. The Group encourages the Secretariat to continue taking appropriate corrective measures for implementation of the Auditor's recommendations.

I thank you Madam Chair.

#### **Item 4: Financial situation of UNIDO**

Madam Chair,

The Group of 77 and China has examined document PBC.22/7 on the financial situation of UNIDO as at 30 June 2006 and has noted that despite the fact that the delay in the payments of some major contributors resulted in a lower collection rate of 2006, compared to the 2005 and 2004 assessed contributions, the financial situation of UNIDO remained stable.

The G-77 and China notes with appreciation that the collection rate of prior years' arrears, as compared to the current year's assessments, was 5.1 per cent as compared to the assessment of 2005 - 2004 which were respectively 4.3 and 1.8 per cent. However, the Group is concerned that again the voting rights of 42 Member States have been suspended as at 30 June 2006.

The Group is pleased to note that following the efforts of the Secretariat, negotiations for payment plan arrangement are currently ongoing with a number of Member States, in particular some members of the Group of 77 and China in order to settle their outstanding assessed contributions. The Group encourages other Member States in arrears to consider submitting payment plans to fulfill their financial obligations.

The Group also notes that since the issuance of document IDB.31/9, there have been no developments on incentives and disincentives and arrears by former Member States. Therefore, the Group invites the Director-General to continue making a follow-up of this question.

The Group further takes note that following the General Conference decision GC.11/Dec.13 on the unencumbered balances of appropriations, only six per cent of the total amount due for distribution in 2006 to eligible Member States, € 3,076,488, was refunded to the Member State concerned.

The Group commends the Secretariat for the efforts made to reach a high level of

technical cooperation delivery which recorded another impressive performance during the biennium 2004-2005 with an amount of €170.8 million. This represents an increase of 20 per cent over the previous biennium 2002-2003, which was €162.5 million.

Keeping in view that this was the first half year of the current biennium and hoping that budget implementation will pick up pace as we move further in the biennium, the Group would like to express its satisfaction at the levels of regular and operational budget expenditures achieved so far. At the same time, the Group would like to reiterate that the financial resources provided to the Organization need to be utilized efficiently and effectively. The Group would urge Member States for the timely payment of their assessed contributions so that the Organization could implement the programmes.

The G-77 and China welcomes the initiatives undertaken by the Secretariat for achieving quality, consistency and comparability of the financial reporting. Consequently, the Group encourages the Secretariat to prepare detailed proposals of the adoption of International Public Sector Accounting Standards (IPSAS) by UNIDO, including implementation strategy and estimated costs, and to be presented to the policy-making organs during 2007 with a view to commencing implementation in 2008 to meet the target date of 1 January 2010. The Group is of the view that briefings by the Secretariat to the Member States on various aspects of the IPSAS including on how it is going to be better than the current system would be helpful to the Member States in making decision.

As regards the collection of the supplementary estimates for security enhancement measures at VIC, the Group is pleased to note that more than 91% amount has already been received by the Organizations, a reflection of the importance the Member States accord to the security of the VIC. The Group invites the Secretariat to continue reporting on security enhancement measures and on the progress of its implementation as well as on new conference facilities.

I thank you Madam Chair.

#### **Agenda item 6: Mobilization of Financial Resources**

Madam Chair,

The Group of 77 and China takes note of documents IDB.32/6-PBC.22/6 and PBC.22/2-IDB.31/2 (chapter V) regarding mobilization of financial resources.

The Group notes with satisfaction that voluntary contributions for financing the Integrated Programmes and Country Service Frameworks continued to show a positive trend. Their figure in the biennium 2004-2005 was higher by 30% over that in the biennium 2002-2003 and is more than double compared to 2000-2001.

The Group commends the Secretariat on mobilization of financial resources and urges it to continue the efforts with the same enthusiasm and momentum. The Group welcomes Secretariat's anticipation that, with the approval volume of multilateral funds stabilizing at a higher level, greater growth of the governmental contributions can be maintained. The Group, nevertheless, understands that the Secretariat will continue to mobilize greater resources from the multilateral funds.

The Group acknowledges the continued contribution of the development partners towards achievement of UNIDO's objectives. The Group of 77 and China encourages all Member States and particularly the donors to consider enhancing their voluntary contributions to the Organization.

The Group notes Secretariat's strategy of maintaining sharp focus on a small number of thematic areas within its mandate and development of partnerships with other international development organizations to attract greater volume of financial resources. The Group appreciates the Secretariat's intention to expand strategic partnerships with international and regional bodies as well as private sector partners and NGOs. With regard to the UNIDO-UNDP Cooperation Agreement (CA), the Group urges UNIDO to mobilize adequate financial resources for the full implementation of the agreement and looks forward to the Secretariat's briefing and final evaluation report.

I thank you Madam Chair.

#### **Item 7: Medium Term Programme Framework (MTPF) 2008- 2011**

Madam Chair,

The Group of 77 and China takes note of the document PBC 22/8 containing the proposed activities of the Director-General as for the forthcoming MTPF 2008- 2011.

The Group also takes note of the lines on which the 2008- 2011 MTFP will be elaborated, in close conformity with the Strategic Long Term Vision (SLTV) and the Millennium Development Goals (MDGs).

In this context, the Group wishes to reiterate its attachment to the priority areas, the cross cutting approaches and the regional dimensions of the SLTV, and more particularly to activities aiming at poverty reduction through industrial productive activities, trade capacity building and environment and energy.

The G-77 and China stresses the need to make human and financial resources available to ensure the full implementation of the activities for the forthcoming MTPF. In this context, it calls upon the Secretariat to continue to explore ways and means to mobilize adequate funding.

The Group wishes to express its appreciation that the Organization will ensure that the 2008- 2011 MTPF is in continuity with the prevailing one and that the transition between both MTFPs will be done with a minimum of disruption while keeping the priorities for the benefit of Member States.

The Group of 77 and China invites the Director-General to continue to work in close consultation with Members States during the finalization process of the MTPF.