



Statement of the Group of 77 and China during the UNIDO Programme and Budget Committee Meeting, 35th session, 14-16 May 2019, delivered by H.E. Ambassador Omar Amer Youssef, Permanent Representative of Egypt

Mr. Chair, [H.E. Mr. Károly DÁN, Ambassador and Permanent Representative of Hungary]

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. SHI Zhongjun, Permanent Representative of China 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 other agenda items during this session.

Agenda Item 4: Report of the External Auditor for 2018

Mr. Chair,

1. The Group recognizes and takes note of the Report of the External Auditor for 2018 as contained in Document IDB.47/3 PBC.35/3.
2. The Group acknowledges UNIDO's efforts to comply with the recommendations of the prior year's audit findings, having resolved or closed twenty-one items, which represent 41 percent of the issues found, and twenty-six items, or 51 percent, undergoing implementation. Nonetheless, the Group encourages the Organization to address the remaining four recommended actions in order to further improve its operating capacity.
3. The Group notes the increase in assessed contributions for 2018 by 1.62 million Euro, from 66.7 million in 2017 to 68.35 million Euro in 2018, as well as an increase in the rate of collection from 83.7 percent to 89.5 percent. However, a shortfall still remains between the assessed contributions receivable and the actual collection, albeit at a lower rate, which the Organization should continue to work on. It remains crucial for Member States to fulfill their financial obligations in full and on time for the Organization to deliver its operations to its full capacity, according to the needs and priorities of Member States.
4. The Group expresses concern over the continuing deficit incurred by UNIDO since the last audit year, which stands at 5.275 million Euro in 2018. In anticipation of an increased outflow of financial resources brought about by the United Nations Development System reforms, it is critical now, more than ever, for the Organization to strike a balance between its

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revenue and expenditures by continuing to increase the efficiency of its operations through innovative use of its available resources.

5. The Group likewise notes with deep concern the sharp decline of the Organization's revenue by 65.96 million Euro in 2018, which can be attributed to the decrease in proceeds from voluntary contributions. The Group further notes that this has severely impacted the Organization, which went from having an operational surplus of 33.17 million Euro in 2017 to a deficit of 27.19 million Euro in 2018, a difference of 60.36 million Euro; and were it not for the foreign exchange (FX) gain on currency translation, the overall deficit between revenue and expenses would have been far greater. The Group is highly concerned with the significant imbalance between the regular budget funded by assessed contributions and the voluntarily financed operational budget.

6. The Group recognizes the challenges that lay ahead for the Organization, particularly with regard the UNDS reforms. Towards this end, the Group strongly encourages the Organization to move forward with its initiatives that aim to streamline, rationalize, capacitate, and improve UNIDO's management and operation, including, but not limited to, strengthening its accountability and internal control framework through the Office of Evaluation and Internal Oversight; improving its asset and procurement accountability; implementing Enterprise Risk Management through the Risk Management Committee and Integrated Results Programme Framework; delivery of Results Based Management; and upgrading its project management tools and guidelines to reinforce its core mandate.

7. The Group continues to note that funding for After Service Health Insurance (ASHI) remains an area of concern as one of the long-term liabilities for the Organization, and takes cognizance of the assessment of the External Auditors that the Organization has to gradually build up its funding for ASHI liabilities to avoid future financial and operational risks. The Group notes the ongoing Inter Agency Working Group on ASHI and looks forward to see their report.

8. The Group takes note of the findings of the External Auditor and expresses its support for the forty-seven recommendations embodied in the report. The Group strongly encourages the Secretariat to implement the various measures identified by the External Auditor to further enhance the transparency and accountability in the Organization that will, in turn, increase the Organization's efficiency and effectiveness.

Thank you, Mr. Chair.

Agenda Item 5: Financial situation of UNIDO

Mr. Chair,

1. The Group of 77 and China takes note of the Report by the Director General on the Financial Situation of UNIDO as contained in document IDB.47/4- PBC.35/4.

2. The Group expresses its major concern over the financial situation of the Organization, which has the potential to negatively impact the Secretariat's operations and major programme activities and ultimately for an effective and efficient execution of UNIDO's mandate.

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3. In this regard, the Group remains concerned over the large amounts of funds owed to UNIDO, which total €125.8 million Euro as of May 2019, as well as the need to find a solution to address the problem of Unutilized Balances (UBs) arising from late payments.

4. However, the Group notes that the collection rate of 2019 assessed contributions as of May 2019 improved to 40.1 percent. To this end, the Group commends those Member States which paid on time.

5. The Group appreciates the efforts of the Director General in reaching out to former Member States to clear their respective outstanding assessed contributions and urges him to continue his efforts with the aim to secure the resources in order to ameliorate the financial situation of the Organization.

6. The Group also welcomes the on-going initiatives by the Secretariat with respect to prioritizations and identification of efficiencies; including the use of telephone- and video-conferencing to reduce travel costs, where possible. However, the Group stresses that these measures and the subsequent savings should not hinder sustaining synergies between Headquarters and field offices, as well as, amongst departments, while ensuring effective and efficient realization of technical cooperation programmes.

7. Overall, the Group further appreciates the efforts of the Secretariat in continuing to implement innovative measures with a view to improving the Organization's financial situation. These measures include:

- continuous dialogue and follow up with Member States to pay respective assessed contributions in full and on time;
- Planned mainstreaming and increased use of time recording by staff to further increase cost recovery: piloting a new initiative within the Programme of Technical Cooperation (PTC) aimed at optimizing resource utilization, including Full Cost Recovery which will be overseen by a senior management taskforce chaired by the Director General, the implementation of the full cost recovery mechanism including non-staff related costs which require changes to the Enterprise Resource Planning (ERP) system and new policies and operational guidelines all of which will be up-scaled and embedded into donor agreements effective end 2019 onwards; and
- Automation of repetitive manual processes through use of robotic process automation to further realize efficiency gains and ensure that the staff time saved is utilized for other productive tasks.

8. In this regard, the Group calls for a three-pronged action: all Member States should pay their respective assessed contributions in full- and on-time; continue following up efforts with former Member States on outstanding assessed contributions; and Member States to reach a compromise and resolve the persistent problem of Unutilized Balances (UBs).

Thank you, Mr. Chair.

Agenda Item 6: Programme and budgets, 2020-2021

Mr. Chair,

1. The Group takes note of the proposed Programme and Budgets 2020-2021 as presented

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in the document PBC.35/5-IDB.47/5, which aligns the programme priorities and results framework to UNIDO's Medium Term Programme Framework (MTPF) 2018-2021.

2. The Group takes note that in order to undertake the proposed programmes, the limited resources at the disposal of the Organization will need to increase by 3.6 million Euros, which amounts to 2.7 per cent in the regular budget, 3.2 million of which are for UNIDO's contribution to the United Nations Resident Coordinator (UNRC) system.

3. The Group recognizes that the Program and budgets 2020-2021 remains as a budget in transition and encourages the Secretariat to continue the dialogue with New York to fully adjust the budget. Nevertheless, the Group is of the view that an increase in the regular budget should be balanced with a proportionate increase in the contributions to UNIDO's technical cooperation programmes and it stresses that any increase in the regular budget should not be at the expense of the budgetary allocations for the core activities in Major Program C.

4. The Group notes that in previous External Auditor's recommendations concerning the Organization's need to define more clearly under which circumstances the employment of external consultants is considered as an efficient and reliable source of workforce and that individual assignments should be based on a clear assessment of the needed quality and quantity of external service, while assuring the principle of equitable geographical representation within the Organization.

5. Regarding Major Programme D, the Group values the efforts towards improving the human resources management and gender mainstreaming. However, the Group would like to convey its concern regarding geographical representation imbalance in the Professional and higher categories in UNIDO's staff. We request the Director General to enhance the efforts to recruit and promote professionals from insufficiently represented regions.

Thank you Mr. Chair

Agenda Item 8 & 9: Working Capital Fund for the biennium 2020-2021; Report of the informal working group on PBC-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 discussions on the fourth strategic priority of the MTPF, the budget, unutilized balances of appropriations, After Service Health Insurance (ASHI), UNDS reform and Industrial Development Decade for Africa (IDDA) III. The Group believes that the IWG is a valuable platform for dialogue on how to take UNIDO forward and support its work, and that it has the potential to be expanded to a platform for discussions on global issues concerning industrialization.

2. The Group is particularly grateful for the dedication and leadership of the co-chairs of Egypt and Switzerland.

3. The Group acknowledges that the work of the IWG has complied with the request from the decision IDB.46/Dec 8, by producing two draft proposals, one regarding the Working Capital Fund and one regarding the issue of Unutilized balances (UB's), for the consideration of this Programme and Budget Committee.

4. The Group favored a permanent solution regarding the UBs issue, and appreciates the efforts of the Secretariat in providing different options for the consideration of Member States. The Group is looking forward to working out and finding a viable solution. In this regard, the Group also expresses its willingness to work with other Groups for this purpose.

Thank you Mr. Chair

Agenda Item 3: Annual Report of the Director General for 2018

Mr. Chair,

1. The Group express its appreciation to the Director General for his introductory remarks and takes note of the Annual Report 2018, document IDB.47/2-PBC.35/2, which offers an overview of the achievements and improvements made, as well as highlights the challenges faced by the Organization during the previous year.

2. The Group highly values the Organization's initiatives, activities and programs implemented during 2018, reiterating its commitment in favor of Inclusive and Sustainable Industrial Development (ISID). The Group commends UNIDO's technical assistance and capacity-building initiatives, particularly those directed at developing countries and emphasizes the necessity of the organization's continuous efforts to strengthening partnerships, technical cooperation and knowledge sharing among Member States with relevant stakeholders, promote and facilitate increasing South-South, North-South, as well as triangular cooperation.

3. The Group welcomes the increase in the total amount of the mobilized funds for UNIDO's services reaching a record level of \$273 million. The Group likewise welcomes the Country Programmes (CP) and the implementation phase of the Programme for Country Partnership (PCP) in Ethiopia, Peru and Senegal. The Group appreciates UNIDO's efforts to work with the concerned Member States towards the successful conclusion of the pilot phase, as well as the new PCPs that were developed and launched in Cambodia, Kyrgyzstan and Morocco. The Group further welcomes the approval of four new countries [Cote d'Ivoire, Egypt, Rwanda and Zambia] for PCP implementation and looks forward to the expansion of the PCP to other G-77 and China countries upon their request. These initiatives serve as important means towards the implementation of SDG 9.

4. The Group urges the Secretariat to continue to engage with Member States through consultations regarding concepts such as circular economy, the fourth industrial revolution, integrated energy and climate technologies, industrial upgrading, as well as modernization of technology, taking into account the needs of developing countries.

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Thank you, Mr. Chair.

Agenda Item 10: Mobilization of financial resources

Mr. Chair,

1. The Group of 77 and China takes note of UNIDO's efforts to ensure the mobilization of financial resources and welcomes the increase of 38.3% in the total amount of the mobilized funds for UNIDO's services reaching by that a record level of 273 million dollars.
2. The Group reiterates its attachment to the importance for the Organization to have a sufficient, assured and predictable funding to be able to fully and effectively deliver its core mandate and activities.
3. In this regard, the Group appreciates the significant contributions that were assigned to UNIDO's technical cooperation activities, which remained at a high-level 204.2 million dollars. The Group also appreciates the level of UNIDO technical cooperation delivery, which reached 189.7 million dollars.
4. The Group welcomes the efforts of the Secretariat to encourage contributions allocated to the programmable trust funds and the two special accounts namely the Special Account of Voluntary Contributions of Core Activities (SAVCCA) and Major Capital Investment Fund (MCIF). The Group also appreciates those countries that have already contributed to those funds.

Thank you, Mr. Chair.

Agenda Item 12: Third Industrial Development Decade for Africa

Mr. Chair,

1. The Group takes note of the report on the Annual update on the Third Industrial Development Decade for Africa (IDDA III), as contained in the document IDB.47/12-PBC.35/12.
2. The Group acknowledges the steps taken by UNIDO as the main agency mandated by the General Assembly to lead the implementation of IDDA III. These steps range from the elaboration of various documents to guide IDDA III implementation, to the development of key initiatives to raise the visibility of activities within this framework.
3. The Group also highly appreciates UNIDO's efforts in implementing various industrial development related activities including special economic zones and industrial parks development; renewable energy and energy efficiency; trade capacity-building; agribusiness value chain development; technology transfer; industrial policy; innovation; and entrepreneurship and private sector development, with the empowerment of women and youth as cross-cutting issues.
4. The Group expresses its support to UNIDO's roadmap for IDDA III and its six interconnected pillars: Global forums; strategic support to develop and manage industrial policy

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instruments; technical cooperation; cooperation at the level of the African Union, Economic Communities and countries; partnerships and resource mobilization; and communication and advocacy. The Group takes note of the efforts exerted so far in implementing the road map, and looks forward to its full implementation in consultations with African countries.

5. The Group encourages UNIDO to continue a dialogue with other Regional Groups and Countries to support IDDA III initiative and request the Director General to continue his efforts to increase the cooperation among Member States and mobilize extra budgetary resources for the full implementation of the IDDA III.

Thank you, Mr. Chair.

Agenda Item 13: United Nations development system reform

Mr. Chair,

1. The Group takes note of the Resolutions 71/243 and 72/279. The Group further notes that effective from January, 2019, the United Nations resident coordinator system comprising of 129 Resident Coordinator (RCs) became operational.

2. The Group welcomes UNIDO's efforts to engage in the UNDS reform including through being a member of the high- ranking development representatives of the United Nations Development System (UNDS) as well as being an integral member of UNCTs in 81 countries, and a member in 191 UNCT inter-agency groups globally. The Group also welcomes that UNIDO co-chairs 21 groups dealing with economic development, social inclusion and environmental sustainability. In this regard, the Group encourages the Secretariat to continue its dialogue with the UN Secretariat to be included in the Core group.

3. The Group, in this regard, is of the view that dialogue should continue between UNIDO and the UN Secretariat to facilitate UNIDO's effective participation in the Reform process and safeguarding the interests of the Organization, including UNIDO's Field Offices and contribution towards SDG 9 -inclusive and Sustainable Industrial Development- through structural transformation, which addresses social equity -poverty eradication-, economic growth and environmental protection.

4. The Group observes the financial consequences of UNDS reform, including the one per cent coordination levy, the doubling of the current cost-sharing arrangements, and the capitalization of a dedicated Trust Fund; the Group however, underlines that no single financial consequence supersedes another and calls on all Member States to pull together and enable UNIDO to honour its part. It is for this reason that we all should provide clarity to the Director General on way forward, without prejudice to the existence effective function of the Organization, on the implementation of the decisions already taken by the United Nations General Assembly.

5. The Group would like to stress on the need in promoting inclusiveness and transparency within the UN Development System (UNDS). In this context, the national governments have the

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prerogative to participate and/or be consulted on the reform process in its different levels, including but not limited to the UNDS and UNDAF, as well as its impact on UNIDO's Field Offices, and ultimately be part of the subsequent decisions and UNIDO should facilitate this important process. In this regard, the Group would also like to request the Director General to report on this.

6. The Group, therefore, calls for regular and transparent updates on the Reform process, including the role of the Field Offices and national Governments. This would facilitate timely information sharing and effective coordination among UN agencies on their contributions towards the implementation of SDGs.

Thank you, Mr. Chair.