

**Statement of the G-77 and China at the 43rd session of the UNIDO
Industrial Development Board, 23-25 June 2015,**

**Delivered by H.E. Ambassador Armin Andereya, Permanent
Representative of Chile and Chairman of the Vienna Chapter of the
Group of 77 and China**

Introduction

Mr. President, Mr. Rolf STALDER, Ambassador, Alternate PR of Switzerland

1. On behalf of the Group of 77 and China allow me to congratulate you on your election as the Chair of the 43rd session of the UNIDO's Industrial Development Board, as well as other members of the bureau on their election. The Group is confident that with your experience and diplomatic skills, we will have a very successful session. The Group also takes this opportunity to convey its special thanks to the outgoing bureau for the commendable work.

2. The Group assures its unwavering support to UNIDO and is aware of the challenges the Organization is facing, including those that might affect delivery of technical cooperation. In this regard the Group would like to express its appreciation for Director General Mr. LI Yong for his leadership of the Organization in such challenging times. The Group also supports the efforts of the Director General in trying to develop alternative mechanisms to improve and sustain the financial situation of the Organization, minimizing any negative impact and ensuring continuity for projects and technical assistance programmes.

3. The Group reaffirms the relevance of UNIDO, as the sole organization in the UN system focusing on Industrial development as a means toward poverty alleviation, capacity building, job creation and decreasing inequalities among the societies and nations. The Group also recognizes the central role of UNIDO as a provider of specialized services for the promotion of Inclusive and Sustainable Industrial Development (ISID). The Group also believes that UNIDO has an important role to play in the implementation of the post-2015 development agenda. In this regard, it wishes to recall the words of United Nations Secretary-General Ban ki-Moon pronounced at the 15th UNIDO General Conference in Lima, when he affirmed that the Lima Declaration of 2013 would create the foundation for the important work of the United Nations Industrial Development Organization, in the coming decades, as the central agency in the United Nations for all matters related to industrialization, and that it was necessary for the world to seize the moment and ensure that

inclusive and sustainable industrial development does its part in contributing to the common good.

4. In the course of the current IDB the Group will comment on the following agenda items: 3, 4, 5, 6, 7, and 9.

Thank you Mr. President.

Agenda Item 3: The Annual Report of the Director General 2014

Mr. President,

1. At the outset, the Group of 77 and China takes note of the Annual Report 2014 which conveys in a clear way the broad range of initiatives, activities and programs which the Organization undertook last year. The Group encourages the Director General and the staff of the Organization to continue to move forward in pursuit of initiatives and the implementation of programmes that will place our countries further on the road to industrial development and economic and social prosperity.

2. The Group takes note of the Director General's establishment of a new Programme for Country Partnerships (PCP) aimed at promoting a partnership-based modality for the provision of UNIDO services. In this regard, the Group welcomes this initiative and looks forward to its implementation. The Group encourages UNIDO to implement this modality in more countries with the view to reinforce the efforts and enhance the effectiveness of the Country Programmes and other programmes and projects already in place and that also require further financial support. The Group also underlines that these new modalities at current stage should not substitute the existing modalities of TC delivery.

3. Likewise, the Group requests that UNIDO continues to support initiatives of South-South and triangular cooperation which had proven successful in the past as regards knowledge transfer and knowledge networking. The Group also believes that North-South Cooperation, particularly for transfer of cutting edge technology to the developing countries, also remains crucial to the work of UNIDO.

4. The Group was pleased to note that throughout 2014 the Organization addressed the concept of ISID with relevant stakeholders in its Member States and beyond, as well as the scope for technical cooperation and other services. As is reflected in the latest edition of the Annual Report,

seminars, workshops and conferences on ISID took place in several G-77 countries and others, which facilitated fruitful analysis and discussion, at the regional and local level on the concept of ISID and the important role it should play in the post-2015 development agenda. The Group also takes note of establishment of the UNIDO's first International Centre of ISID such as the IC-ISID at New Delhi. The Group would also like to see a report on the implementation of the Pilot Projects undertaken by UNIDO in Ethiopia and Senegal for the implementation of the ISID. The Group also recalls UNIDO's successful hosting of the two Forums on ISID held in June and November of last year, the latter with the participation of the United Nations Secretary-General.

Thank you Mr. President.

Agenda Item 4: Report of the Programme and Budget Committee

Mr. President,

A) Report of the External Auditor for 2014:

1. The Group of 77 and China takes note of document IDB.43/3-PBC.31/3 and thanks the External Auditor for his valuable report on the accounts of UNIDO for the financial year 1 January to 31 December 2014.
2. The Group is pleased to note that the overall cash situation was satisfactory in the year 2014 and welcomes that the Statement of Financial Performance for the year 2014 showed increase of 15.7%. The Group notes that this increase is mainly due to higher voluntary contributions, totaling to almost 150 million Euros. However, the Group notes with concern that the assessed contributions decreased by 6% in the same year.
3. The Group endorses the External Auditors findings that reveal that during the period examined, UNIDO's performance made a *volte-face* and that the deficit of 48.3 million Euros in 2013 turned into a surplus of 56.2 million Euros. It noted that the difference amount is 104.5 million Euros, one third of which results from currency translation differences that are only accounted for as profits. In this regard, the Group coincides with the view of the External Auditor that UNIDO Management should continue to generate revenues and to limit expenditures.

4. The Group supports the External Auditor's recommendations, and looks forward to substantive measures by the Secretariat, in consultation with Member States, in response to the observations and recommendations of the External Auditor, particularly those concerning the use of ERP as the only system for accounting and reporting, the preparation of a clear and consistent concept for the recognition and capitalization or disclosure of the VIC in UNIDO's financial statements for the financial year 2015, the obligation of Member States with significant arrears to pay due contributions and the generation of revenues and limit expenditures by the management of UNIDO.

5. The Group also takes note of the External Auditors' observations pertaining to the Building management function of the UNIDO. It is fact that when UNIDO assumed the responsibility for "Buildings Management" in 1977 it was the largest organization among the Vienna Based International Organizations (VBO), however since then, regrettably, UNIDO has downsized significantly. Over the same period, the number and size of the other VBOs have increased. The Group encourages the Secretariat to coordinate with other VBOs housed at the Vienna International Center to revisit the Building management at the VIC and for amending and updating the Memoranda of Understanding with the other VBOs.

6. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 31st Programme and Budget Committee in Conclusion 2015/2.

B) Financial Situation of UNIDO, Including Unutilized Balances of Appropriations:

1. The Group takes note of document IDB.43/4-PBC.31/4 on the Financial Situation of UNIDO and views with satisfaction that the collection rate of the 2015 assessed contributions as of March 2015 was 40.8 per cent, an increase from the 2014 and 2013 rates of 36.8 and 38 per cent, respectively. The compliance of the financial obligations by Member States is a concrete and definitive manifestation of support for the work being conducted by the Organization.

2. At the same time, the Group remains greatly concerned by the outstanding assessed contributions which amount to €140.4, including €69.1 million by the United States of America, and €2.1 million by the Former Yugoslavia. The Group appeals to the former members of UNIDO

with outstanding contributions to make payments on their arrears, including advances to the Working Capital Fund, in order to allow the Organization to carry out its mandate and support the industrial development efforts of our countries. The Group also requests the Director General to formally approach these Governments for recovering their outstanding contributions at the earliest and to report to the Member States result of such efforts.

3. The Group takes note of the proposal by the Director General to create two special accounts, namely the Special Account of Voluntary Contribution for core activities (SAVCCA) and the Major Capital Investment Fund (MCIF) as described in document IDB.43/5 and PBC.31/5. While the Group supports the efforts of the Secretariat to devise such domestic mechanisms for mobilizing resources, the Group is of the view that the two accounts be reported in the Organization's financial statements and audited by the External Auditor as part of the annual audit.

4. The Group also supports the understanding reached on the treatment of unutilized balances of the appropriations, at the 31st session of the Programme and Budget Committee.

5. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 31st Programme and Budget Committee in Conclusion 2015/3.

C) Scale of assessment for apportionment of the regular budget expenses for the biennium 2016-2017:

1. The Group takes note of the Director General's report as contained in IDB 43/7-PBC 31/7 and supports the adoption of the draft decision on this agenda item as recommended by the 31st Programme and Budget Committee in Conclusion 2015/5.

D) Working Capital Fund for the biennium 2016-2017

1. The Group takes note of the Director General's report as contained in IDB 43/8-PBC 31/8. The Group reiterates its call for member states to pay their assessed contribution in full and on time so that the necessity of drawing the funds from the Working Capital Fund could be minimized.

2. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 31st Programme and Budget Committee in Conclusion 2015/6.

E) Mobilization of Financial Resources

1. The Group expresses its satisfaction that 2014 was once more an excellent year in terms of mobilization of voluntary contributions. It was pleased to note that the overall volume of voluntary contributions for UNIDO services towards its Member States reached a total of US\$191.3 million. This has made possible that funds available for future implementation have also culminated in a record volume of US\$489.6 million. The Group takes this opportunity to recognize the voluntary contributions from governments and institutions that facilitated further technical cooperation, as well as advisory services in many of the countries that make up the Group of 77.

2. The Group further recognizes the importance of programmable trust funds, aimed at the development of new projects and programmes as well as the co-funding of projects, which continue to be of paramount importance to UNIDO's operations. The Group appreciates the significant contributions beyond the allocation of renounced unutilized balances that were received during 2014 from Member States which donated to the trade capacity-building and the food security and agribusiness trust funds, and that also contributed to the trust fund for Latin America and the Caribbean. The Group joins UNIDO in encouraging its Member States and partners to consider allocation to these programmable trust funds.

Thank you Mr. President.

Agenda Item 5: Programme and Budget 2016-2017

Mr. President,

1. The Group of 77 and China actively participated in the deliberations of the 31st Programme and Budget Committee on this agenda item. The Group supported the projected budget figures by the Director General as contained in the document IDB 43/6-PBC 31/6. The Group also supported initiatives proposed by the Director General for raising fresh resources with a total amount of 5.3million Euro for the United Nations Resident Coordinator System (UNRC), the Programme for Country Partnership (PCP) and the Enterprise Resource Planning (ERP). The

Group was of the view that a justified and reasonable budget increase merits serious consideration to cover the aforementioned elements which the Group believes could support UNIDO in maintaining its standing within the United Nations development system, facilitate the implementation and expansion of the PCP and further improve its result-based management and efficiency.

2. However after long deliberations, the Group agreed to a budget figure lower than originally proposed by the Director General in the spirit of consensus. The Group would like to recall the assurances given by the Director General in his concluding remarks at the 31st Programme and Budget Committee that such a budget decrease will not affect the delivery of technical cooperation programmes, in particular for the developing countries.

3. The Group supports the understanding reached by the Director General and the African Group, after their consultation on the future funding of Special Resources for Africa.

4. On the issue of the readjustments in the UNIDO's field operations, the Group is of the view that any such action must only be taken in close consultations with Member States, particularly those affected by such decisions. It should also be ensured that the proposed streamlining does not have an adverse impact on the TC delivery.

5. The Group requests the Director General to strengthen the Regional Bureaus of UNIDO, as a means to provide the support that is most appropriate to the field offices, in particular, taking into account the changes that are scheduled.

6. The Group reiterates its concerns regarding the withdrawal of certain Member States from the Organization, which has resulted in a 10.4 million Euro reduction in the regular budget. Naturally, the budget shall be readjusted so as not to increase the assessed contribution of remaining Member States. The Group calls upon the Secretariat to respond to this financial challenge in a way that will not affect the quantity and quality of the services it provides, in particular in developing countries that seek to advance socially and economically through industrial development.

7. In this regard, the Group calls upon the Director General, through the Secretariat, to enhance the visibility of UNIDO and its mandate in order to discourage further attrition through abandonment by channeling

public information and outreach initiatives, in particular to potential abandoners and former Member States of the Organization. The message must be sent forth that industrial development is a cause worthy of participation by the international community and that through UNIDO countries can accelerate their development processes. The result will clearly benefit developed and developing countries alike.

8. With these comments the Group supports the adoption of the draft decision on this agenda item as recommended by the 31st Programme and Budget Committee in Conclusion 2015/4.

Thank you Mr. President.

Agenda Item 6: Medium-Term Programme Framework 2016-2019

1. The Group takes note of document IDB.43/9-PBC.31/9 regarding the Medium-term programme framework (MTPF) 2016-2019 which reflects the broad programmatic objectives and priorities of the Organization that are given by its renewed mandate of inclusive and sustainable industrial development (ISID), as enshrined in the Lima Declaration. The Group also takes note that the MTPF contains some of the recommendations of the “Strategic Guidance Document” elaborated to assist the Organization in meeting challenges and moving ahead with its mandate. The Group hopes that the work conducted by the Office for Independent Evaluation, which has captured lessons from past experiences, will also enrich the formulation of the ensuing MTPF.

2. The Group takes note of the thematic programme framework envisaged in the MTPF insofar as this will advance the ISID mandate and the three dimensions of sustainable development: economic growth, social equity and environmental sustainability. Along the same lines, the Group is optimistic that the foreseen management framework will contribute to increase efficiency, effectiveness, accountability and transparency, objectives which we feel should be the pillars of this Organization.

3. The Group is aware that fundamental to UNIDO’s implementation strategy for the MTPF 2016-2019 is the increased emphasis placed on strengthening strategic partnerships. These will include a variety of development actors, including governments, development finance institutions, the private sector, United Nations entities, academia and civil society. The Group supports this approach which it understands

seeks to leverage the financial and technological resources of relevant stakeholders in order to strengthen implementation of ISID at the national, regional and global levels. At the same time it requests the Secretariat to keep the Member States fully informed of developments.

Thank you Mr. President.

Agenda Item 7: Implementation of the Lima Declaration: Towards inclusive and sustainable industrial development

Mr. President,

A) Technical assistance towards inclusive and sustainable industrial development:

1. The Group thanks the Director General for the report presented in document IDB.43/12 in this regard, and takes note of it and the main elements that it contained.
2. The Group recalls the Lima Declaration (GC.15/Res.1) and reaffirms the firm commitment of all Member States to UNIDO and inclusive and sustainable industrial development (ISID) and reiterates the important role of UNIDO as the central coordinator of international industrial cooperation towards inclusive and sustainable industrial development in the United Nations system.
3. The Group notes with appreciation that the Organization was able to raise \$ 191 million in voluntary contributions for TC programmes. This reflects the second highest figure of voluntary contributions in the Organization's history and is a good sign that the visibility of the Organization is increasing as also the trust of donors in the Organization's ability to deliver the TC programmes in professional manner.
4. The Group underlines the need for maintaining thematic and regional balance in the allocation of the TC resources and for this purpose requests the Director General to work with donors towards further expanding the resource base. The Group also requests the Director General, while allocating TC resources, to take due consideration of special needs of the least developed countries, as well as countries with different stages of development, including, inter alia, middle income countries and countries with economies in transition.

B) UNIDO and the post-2015 development agenda:

1. The Group reiterates the central role of the UNIDO in implementing ISID as part of the post-2015 developmental agenda. In this regard the Group welcomes the inclusion of the goal "build resilient infrastructure, promote inclusive and sustainable

industrialization and foster innovation” in the set of seventeen Sustainable Development Goals and associated targets, as proposed by the Open Working Group of the United Nations General Assembly in its report (A/68/970). The Group also appreciates the efforts of the “Friends of ISID” group in New York for promoting ISID and for its efforts towards making ISID an integral part of the post-2015 developmental agenda.

2. The Group calls upon Member States of UNIDO to continue supporting the positioning of ISID as a SDG, the Group encourages UNIDO to continue participating actively in the final process for the establishment of the post-2015 agenda and take appropriate measures to support Member States in implementing those goals.

3. The Group takes note of the ongoing programme of country partnership in Ethiopia and Senegal. The central role of UNIDO in these multi-stakeholder initiatives is reflected in the coordination platforms established by the national Governments in Ethiopia and in Senegal. Taking into account the interest of the Group to replicate these country partnership models in other countries and other regions, the Group would like to be informed in due course about the progress on the implementation of these projects.

Thank you Mr. President.

Agenda Item 9: Activities of the Joint Inspection Unit

Mr. President,

1. The Group takes note of the document IDB.43/14 related to the Activities of the Joint Inspection Unit (JIU) and acknowledges that UNIDO maintains its commitment to accept and implement relevant recommendations formulated in the JIU reports.

2. The Group encourages the Organization to take into consideration the Work Programme 2015 of the JIU, and to take further steps on the 8 topics that were identified by UNIDO as points of interest in that Programme as elaborated in the document IDB.43/14.

Thank you, Mr. President.