

**Perez-Guerrero Trust Fund
for Economic and Technical Cooperation
among Developing Countries
(PGTF)**

May 2011

INTRODUCTION

- **PGTF was established in 1983 by UNGA Resolution 38/201 with a core capital of US\$ 5 million, increased to US\$ 6 million in 2004 through a contribution from a G-77 member country. Only interest accrued on PGTF could be used to support projects so as to preserve intact the core capital.**
- **PGTF provides catalytic financial support to cooperative projects carried out by three or more developing countries. Preference is given to projects that have the largest impact and country coverage, in particular interregional or regional projects.**
- **Proposals submitted to PGTF should address the priority areas of the Caracas Programme of Action on ECDC adopted in 1981, namely food and agriculture, trade, energy, raw materials, technology, industrialization, finance and TCDC, as well as the priority areas for South-South cooperation of the Havana Programme of Action, adopted in 2000.**

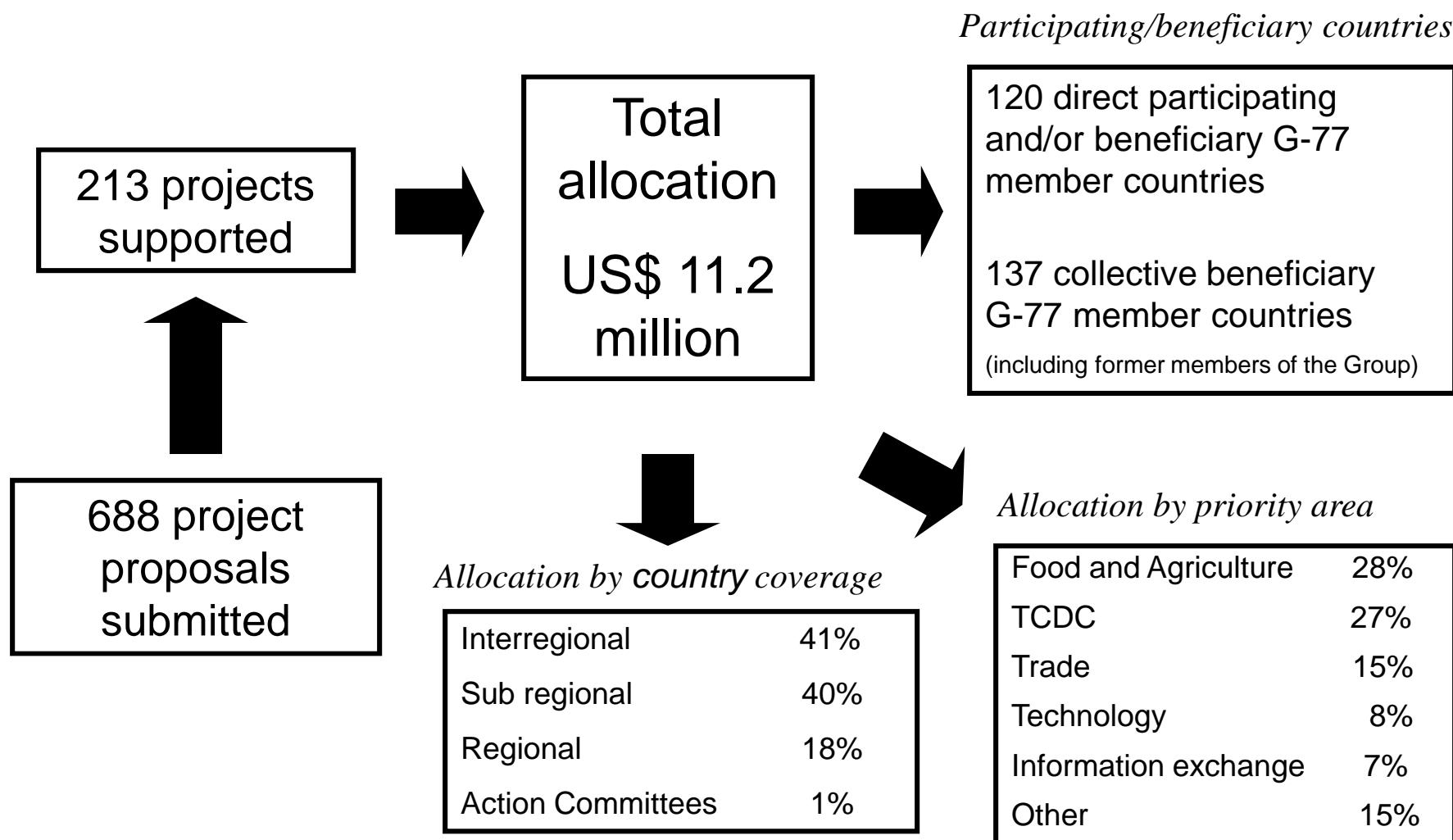
INTRODUCTION

- **A Trust Fund Agreement was established by the UNDP in 1984 and the Special Unit for South-South Cooperation was given the responsibility for managing PGTF resources.**
- **A set of guidelines for utilization of PGTF resources was approved by the G-77 in 1986 and provides the decision-making framework with regard to project selection, follow up of approved projects, operational arrangements and mobilization of additional resources.**
- **The guidelines established a six-member Committee of Experts, constituted by two representatives of each one of the regions of the G-77 acting in their personal capacities, responsible for selecting eligible project proposals and recommending them for approval by the Annual Ministerial Meeting of the G-77**

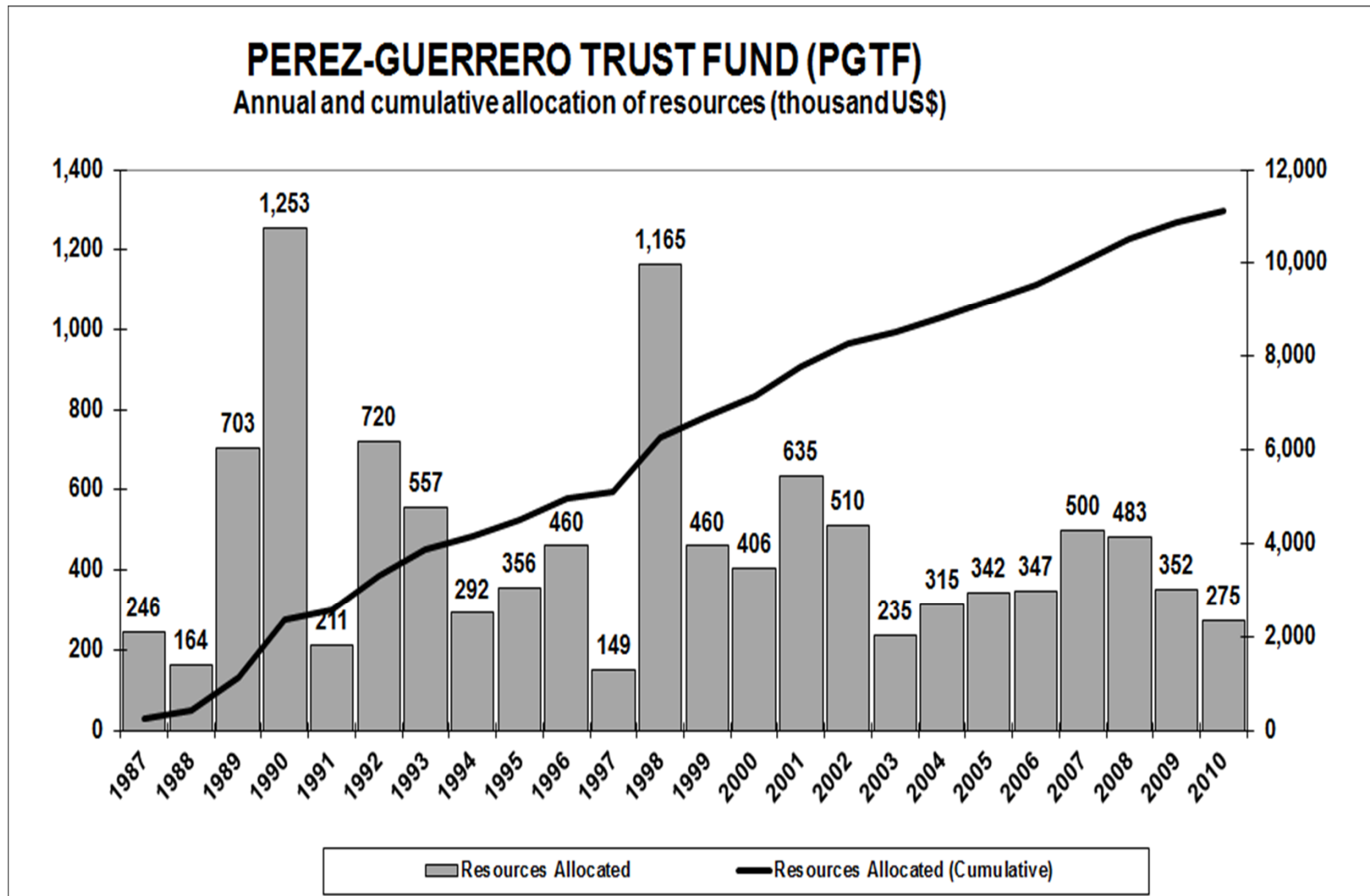
INTRODUCTION

- **The G-77 and the UNDP have developed a long-lasting cooperation scheme regarding PGTF activities. On several occasions improvements have been introduced aimed at streamlining processes and reducing operating costs.**
- **The G-77, through the PGTF Committee of Experts and the Executive Secretariat of the G-77, has been mainly responsible for project selection, approval and follow up, as well as mobilization of additional resources**
- **UNDP has been responsible for the management of PGTF resources and for all the administrative processes related to the implementation of approved projects, including disbursement of funds to beneficiaries, administrative follow up and financial reporting**

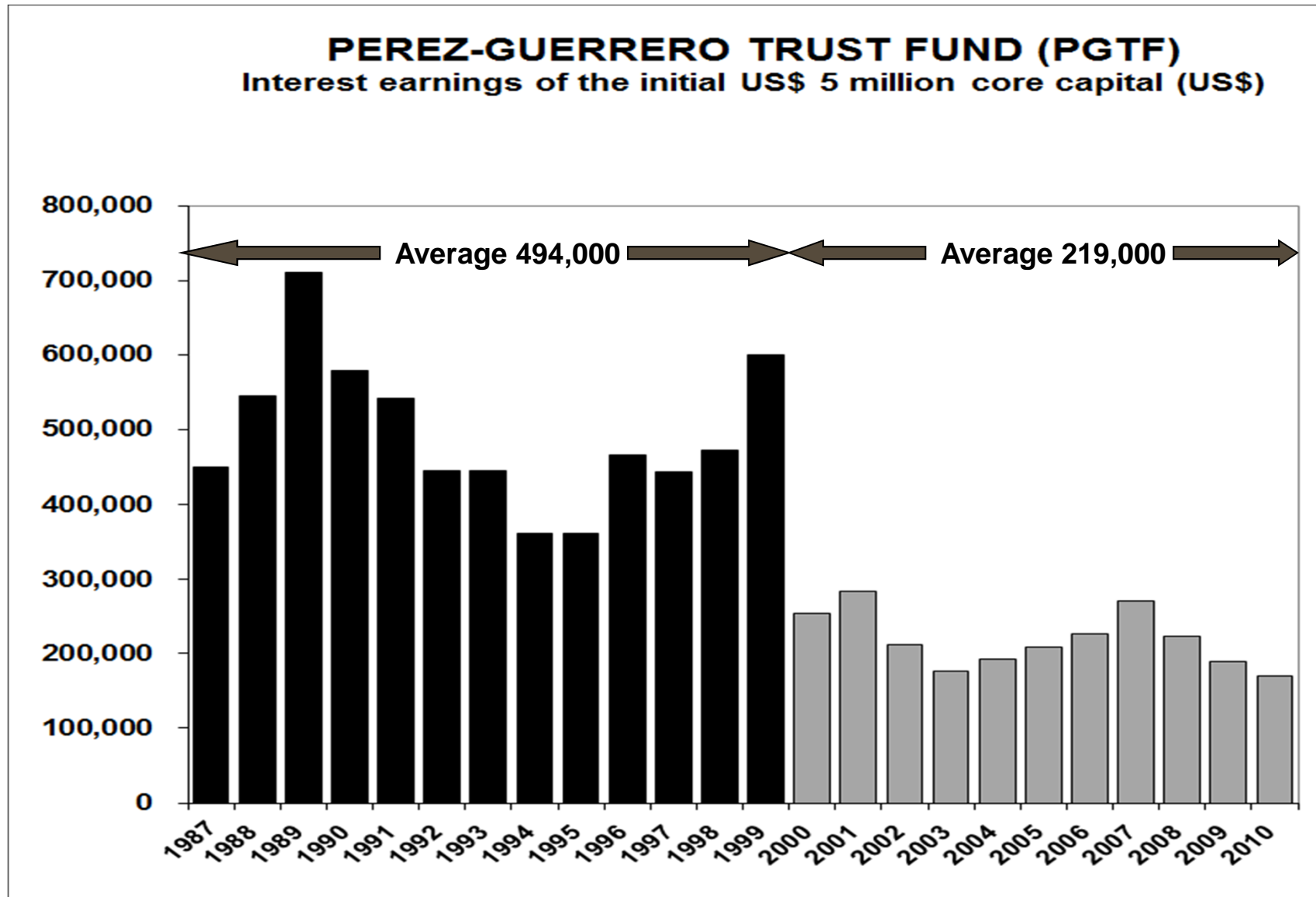
PGTF activitiesat a glance (1986-2010)



**Cumulative allocation of resources 1987-2010 totals US\$ 11.2 million,
more than twice the amount of the initial core capital**



Average interest earnings for 2000-2010 have been 56% lower than for 1987-1999



EXPANSION OF PGTF RESOURCES

- **Decided in 1996 by the 20th Annual Ministerial Meeting of the G-77, based on recommendations by the PGTF Committee of Experts**
- **Three (3) modalities were identified:**
 - **Increase of PGTF resources through contributions by G-77 member countries and other potential donors**
 - **Increase of the yield of PGTF portfolio through appropriate investment strategies**
 - **Increase of the multiplier effect of PGTF resources through cofinancing with other institutions**

INCREASE OF PGTF RESOURCES

- **Enlisting of contributions, both to the core capital and general resources of PGTF, from G-77 member countries and international institutions.**
- **Fund-raising effort launched in 1997 aims at:**
 - **Small contributions (notional figure US\$ 2,000) from the largest possible number of member countries, as evidence of commitment and support**
 - **Larger contributions from countries in a position to contribute more**
 - **Contributions from international institutions**
- **Member countries are invited to announce their contributions at the U.N. Pledging Conference for Development Activities. About 40% of contributions received in 2004-2010 were announced at the Pledging Conferences, while the rest were made directly.**

CONTRIBUTIONS TO PEREZ-GUERRERO TRUST FUND (PGTF)

(as of 30 April 2011)

<i>Contributions by G-77 member countries</i>	Number of countries	Number of contributions	Contributions (US\$)	Average contribution (US\$)
Smaller contributions (up to US\$ 5,000)	32	61	175,171	2,870
Larger contributions (more than US\$ 5,000)	9	30	170,000	11,340
Contributions to PGTF core capital (*)	1	1	1,000,000	1,000,000
	34(**)	92	1,515,343	

<i>Contributions by international organizations</i>				
International Fund for Agricultural Development (IFAD)		2	200,000	100,000

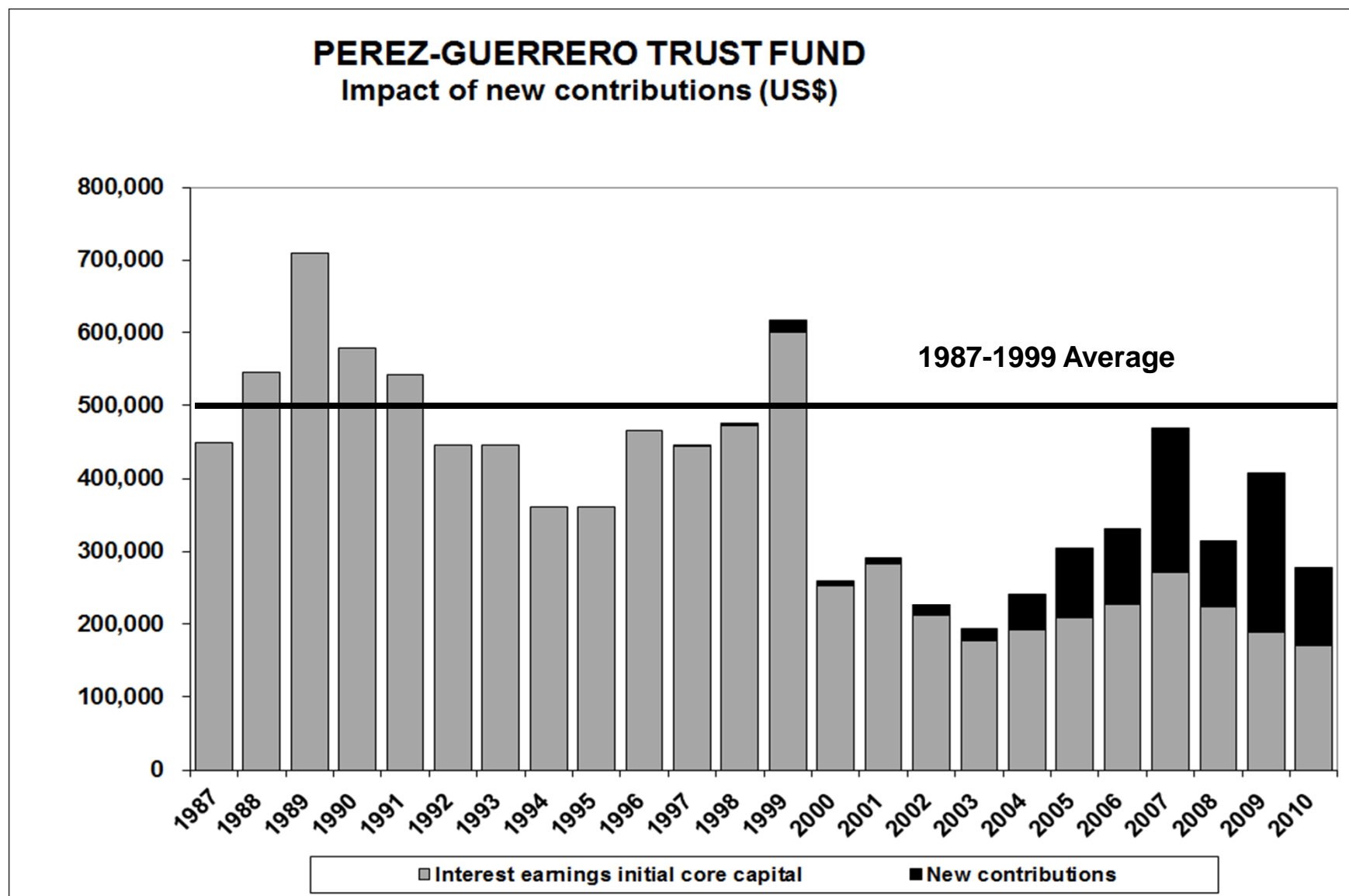
(*) Current yield aprox. US\$ 43,000 per annum

(**) Some countries have made both smaller and larger contributions

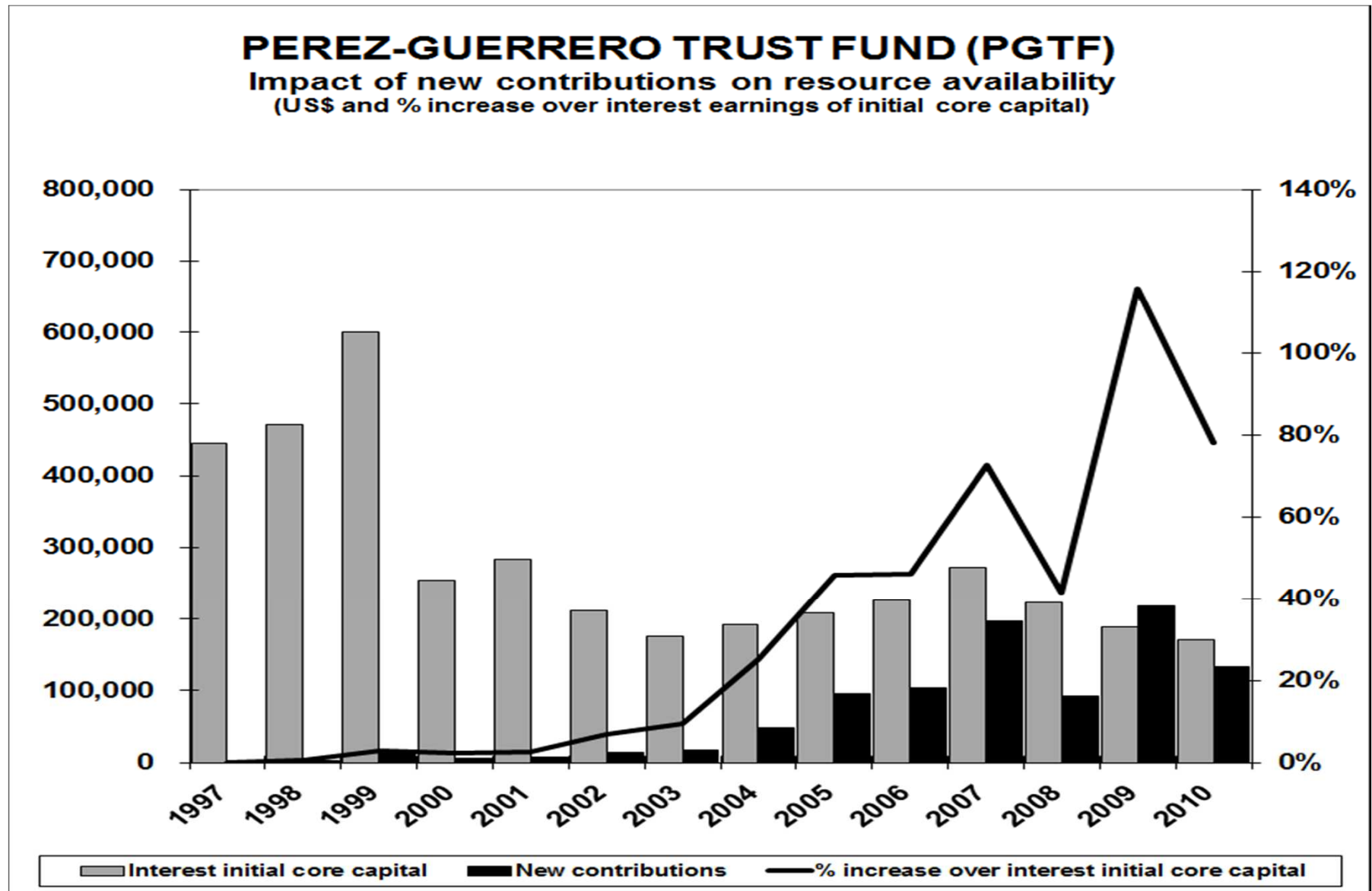
IMPACT OF CONTRIBUTIONS ON PGTF RESOURCES

- **As of 30 April 2011, PGTF has received 92 contributions from 34 G-77 member countries totaling US\$ 1.52 million. 20 countries have made multiple contributions and 4 countries made their first contribution in 2010-2011.**
- **Grant Agreement with IFAD is a pilot experience that opens up a new avenue for expanding PGTF resources. Grant resources (US\$ 200,000) have provided support to six projects**
- **Contributions have permitted to partially restore the availability of resources of the 1990s (around US\$ 500,000 per annum). In 2009 and 2010 they increased respectively by 116% and 78% the availability with respect to the interest earnings of the initial core capital**

Contributions have permitted to reduce the gap with respect to the level of earnings of the 1990s



In 2010 new contributions increased by 78% the availability of resources vs. interest earnings of initial core capital



INCREASE OF THE YIELD OF PGTF PORTFOLIO

- Preservation of PGTF resources is the paramount consideration when exploring investment options
- Investment strategy agreed upon with the UNDP Treasury Division, on the basis of a close monitoring of financial markets situation and outlook
- UNDP Investment Committee approved that up to 20% of PGTF portfolio could be invested in securities with maturities exceeding five years, so as to increase yields (currently these investments represent 14% of PGTF portfolio)
- Effective yield of PGTF portfolio has been steadily decreasing due to lower interest rates, partially offset by investment strategy adopted

	<u>Effective yield of PGTF portfolio (%)</u>
2004	3.30
2005	3.62
2006	4.20
2007	4.69
2008	4.09
2009	3.42
2010	3.04

COFINANCING OF PROJECTS

- **On a case-by-case basis, this has been a standard practice since PGTF guidelines require that project sponsors secure inputs from other sources of an amount at least equal to the resources requested from PGTF (this condition became mandatory in 1997).**
- **In this regard PGTF has worked with almost every regional or sub-regional institution from the South**
- **Aggregate amount of other sources contribution is US\$ 2.04 for every US\$ of PGTF resources**
- **In addition, consultations are being held with some institutions with a view to establishing multi-year collaboration frameworks**

**PEREZ-GUERRERO TRUST FUND (PGTF)
COFINANCING OF PROJECTS**

	Number of projects supported	PGTF contribution (US\$ million)	Others contribution (US\$ million)	Projects overall cost (US\$ million)	Ratio of others to PGTF contribution
1987-1996	57	5.0	4.5	9.5	0.90
1997-2010	156	6.2	18.3	24.5	2.95
1987-2010	213	11.2	22.8	34.0	2.04

Examples of cofinancing of projects

Cofinancing institution	Number of projects cofinanced	Contribution by cofinancing institution (US\$)	PGTF contribution (US\$)
Latin American Economic System (SELA)	6	1,092,000	350,000
International Center for Small Hydropower	7	713,000	361,000
Latin American Integration Association (ALADI)	4	710,000	225,000
Mercosur Economic Research Network (MercoNet)	4	504,000	111,000
Islamic Chamber of Commerce and Industry (ICCI)	6	476,000	189,000
Third World Network (TWN)	2	323,000	180,000
Caribbean Council for Science & Technology	4	156,000	129,000
UNIDO	2	148,000	87,000
Postal Union of the Americas, Spain & Portugal	2	113,000	44,000
Pan American Health Organization (PAHO)	1	78,000	35,000
ASEAN	1	76,000	34,000
NAM S&T Center	2	71,000	67,000

CONCLUSION

- **PGTF has been in operation for 24 years and has proven to be a useful mechanism for supporting South-South cooperation**
- **It was originally conceived to operate solely on the basis of interest earnings from its initial core capital. However, the decline in interest rates of the early 2000s called for action to expand its resources**
- **A sustained fund-raising effort launched in 1997 has permitted to preserve the responsiveness of PGTF by supplementing interest earnings with contributions from G-77 member countries and international institutions, and by increasing the multiplier effect of its resources through cofinancing with other institutions**
- **New avenues for expanding PGTF resources are being explored, in particular through collaborative agreements with international institutions. In this regard, the Grant Agreement with IFAD represents an encouraging pilot experience that could be replicated with other interested institutions**