



## **Programme and Budget Committee**

### **Thirty-fifth session**

Vienna, 14–16 May 2019

Agenda item 16

### **Adoption of the report**

## **Report of the Programme and Budget Committee on the work of its thirty-fifth session (14–16 May 2019)**

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## Introduction

1. The Programme and Budget Committee held its thirty-fifth session at UNIDO Headquarters, Vienna International Centre, from 14 to 16 May 2019. All Members of the Committee<sup>1</sup> participated in the session: Algeria, Austria, China, Colombia, Cuba, Cyprus, Finland, Germany, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Kenya, Mexico, Morocco, Nigeria, Pakistan, Philippines, Poland, Russian Federation, Spain, Sudan, Switzerland, Tunisia and Turkey.

2. The following 60 Members of UNIDO also attended the session: Afghanistan, Albania, Angola, Argentina, Armenia, Azerbaijan, Belarus, Bolivia (Plurinational State of), Bosnia and Herzegovina, Brazil, Bulgaria, Burkina Faso, Chile, Costa Rica, Côte d'Ivoire, Croatia, Czechia, Democratic People's Republic of Korea, Dominican Republic, Ecuador, Egypt, El Salvador, Guatemala, Honduras, Indonesia, Iraq, Ireland, Israel, Jordan, Kuwait, Lao People's Democratic Republic, Lebanon, Libya, Luxembourg, Malaysia, Mali, Malta, Mongolia, Myanmar, Namibia, Nepal, Netherlands, Norway, Oman, Panama, Peru, Republic of Korea, Republic of Moldova, Romania, Serbia, Slovenia, South Africa, State of Palestine, Syrian Arab Republic, Thailand, Ukraine, United Arab Emirates, Uruguay, Venezuela (Bolivarian Republic of) and Yemen.

3. The following United Nations related body was represented: Food and Agriculture Organization (FAO).

4. The following organizations were represented: Cooperation Council for the Arab States of the Gulf (GCC), European Union (EU), and League of Arab States.

5. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation H.E. Mr. K. Dán (Hungary) as Chair; H.E. Ms. M.C. Natividad (Philippines), H.E. Mr. M.C. Ruiz (Colombia), and Ms. J.B. Makori (Kenya) as Vice-Chairs; and Mr. Y. Sasaki (Japan) as Rapporteur.

6. The agenda for the thirty-fifth session as adopted by the Committee is contained in document PBC.35/1. Following the adoption of the agenda, the Director General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

7. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

8. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

9. The following conclusions of the Committee contain recommendations that call for action by the Board at its forty-seventh session or are of relevance to the work of that session:

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<sup>1</sup> The Programme and Budget Committee consists of 27 Members of which one seat (List C) is vacant (Decision GC.17/Dec.12 (a) refers).

## I. Organizational and procedural matters

10. On 14 May, the Committee considered a proposal by the Chair to optimize the utilization of available conference-servicing resources and adopted the following conclusions:

### **Conclusion 2019/1 Utilization of available conference-servicing resources**

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its thirty-fifth session only, provided no substantive decisions were taken at those meetings.

11. The Committee decided to set up informal, in-session consultations with the aim of facilitating the drafting of conclusions and entrusted two Vice-Chairs, H.E. Mr. M.C. Ruiz (Colombia), and Ms. J.B. Makori (Kenya), to chair those consultations. Ms. Makori (Kenya) chaired the first meeting of the informal consultations of 14 May 2019. At the request of the Vice-Chair, H.E. Mr. Ruiz (Colombia), the Committee agreed that Mr. R. Gil Ochoa (Colombia) would chair, on behalf of the Vice-Chair, the meetings of the informal consultations on 15 and 16 May 2019.

## II. Report of the External Auditor for 2018 (item 4)

12. On 14 May, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2018 (PBC.35/3 and CRP.2) and a note by the Audit Advisory Committee providing comments on the report of the External Auditor (PBC.35/CRP.6).

13. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 4.

## III. Financial situation of UNIDO (item 5); Programme and budgets, 2020–2021 (item 6); Scale of assessments for apportionment of the regular budget expenses for the biennium 2020–2021 (item 7); Working Capital Fund for the biennium 2020–2021 (item 8)

14. The Committee decided to discuss items 5, 6, 7 and 8 simultaneously.

### A. Financial situation of UNIDO (item 5)

15. On 14 May, the Committee considered a report by the Director General on the financial situation of UNIDO (PBC.35/4), a note by the Secretariat on the status of assessed contributions (PBC.35/CRP.3), and a note by the Secretariat providing additional information on the financial situation of UNIDO (PBC.35/CRP.10).

16. On 16 May, after consideration of a draft conclusion on the financial situation of UNIDO, submitted by the Chair (PBC.35/L.2), the Committee adopted the following conclusion:

**Conclusion 2019/2**

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

“The Industrial Development Board:

- (a) Takes note of the information contained in document PBC.35/4;
- (b) 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, to do so without delay;
- (c) Further urges the Director General to encourage Member States to pay their assessed contributions on time and in full, and to continue his efforts with Member States and former Member States on collecting outstanding assessed contributions;
- (d) Requests the Director General to reflect on possible ways to improve timely and full collection and, in close consultation with the Informal Working Group, develop concrete proposals to be presented by the Informal Working Group to the next session of the Programme and Budget Committee.”

**B. Programme and budgets, 2020–2021 (item 6)**

17. On 14 May, the Committee considered the proposals of the Director General for the programme and budgets, 2020–2021 (PBC.35/5) and a note by the Secretariat providing an update on UNIDO’s full cost recovery initiative (PBC.35/CRP.9). The deliberations were also informed by a note by the Secretariat on UNIDO’s field network in the context of the United Nations development system reform (PBC.35/CRP.8), considered by the Committee under item 13 on the United Nations development system reform.

18. On 16 May, after consideration of a draft conclusion on the programme and budgets, 2020–2021 submitted by the Chair (PBC.35/L.6), the Committee adopted the following conclusion:

**Conclusion 2019/3**

The Programme and Budget Committee:

- (a) Took note of the proposal of the Director General for the programme and budgets, 2020–2021;
- (b) Requested the Chair of the Programme and Budget Committee to organize further consultations with Member States to reach a consensus.

**C. Scale of assessments for apportionment of the regular budget expenses for the biennium 2020–2021 (item 7)**

19. On 14 May, the Committee considered a note by the Secretariat on the scale of assessments for the fiscal period 2020–2021 (PBC.35/6 and PBC.35/6/Rev.1).

20. On 16 May, after consideration of a draft conclusion on the scale of assessments for the fiscal period 2020–2021, submitted by the Chair (PBC.35/L.7), the Committee adopted the following conclusion:

#### **Conclusion 2019/4**

The Programme and Budget Committee recommends to the Industrial Development Board the adoption of the following draft decision:

“[The Industrial Development Board:

(a) Takes note of document PBC.35/6 and PBC.35/6/Rev.1;

(b) Recommends to the General Conference the establishment of a scale of assessments for the fiscal period 2020–2021 based on the United Nations General Assembly resolution [73/271](#), adjusted to the membership of UNIDO on the understanding that new members shall be assessed for the year in which they become members on the basis of the United Nations scale of assessments, as applicable to UNIDO;

(c) Urges Member States to pay their assessed contributions for the 2020–2021 biennium in accordance with financial regulation 5.5 (b), which states that contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director General, or as of the first day of the calendar year to which it relates, whichever is later;

(d) Calls on Member States and former Member States that are in arrears to fulfil their constitutional obligations by paying their outstanding assessed contributions in full and without conditions as soon as possible, or to take advantage of payment plans to settle their arrears, in accordance with previous decisions by the policymaking organs of UNIDO.]”

### **D. Working Capital Fund for the biennium 2020–2021 (item 8)**

21. On 14 May, the Committee considered the proposals of the Director General for the Working Capital Fund for the biennium 2020–2021 (PBC.35/7) and a note by the Secretariat providing additional background information on the Working Capital Fund for the biennium 2020–2021 (PBC.35/CRP.7).

22. On 16 May, after consideration of a draft conclusion on the Working Capital Fund for the biennium 2020–2021, submitted by the Chair (PBC.35/L.3), the Committee adopted the following conclusion:

#### **Conclusion 2019/5**

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

“The Industrial Development Board:

(a) Takes note of document PBC.35/7;

(b) Recommends to the General Conference that the level of the Working Capital Fund for the biennium 2020–2021 should remain at €7,423,030 and that the authorized purposes of the Fund for the biennium 2020–2021 should remain the same as for the biennium 2018–2019, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums from the Working Capital Fund to meet shortfalls in the payment of assessed contributions;

(d) Invites the Informal Working Group to discuss the adequacy of the level of the Working Capital Fund and to develop, in close consultation with the

Secretariat, proposals for consideration at the next Programme and Budget Committee.”

#### **IV. Annual Report of the Director General for 2018 (item 3)**

23. On 15 May, the Committee considered the *Annual Report of UNIDO 2018* (PBC.35/2).

24. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 3.

#### **V. Midterm review of the medium-term programme framework, 2018–2021 (sub-item 3 (a))**

25. On 15 May, the Committee considered a report by the Director General on the midterm review of the medium-term programme framework, 2018–2021 (PBC.35/10) and a note by the Secretariat on the updated integrated results and performance framework (PBC.35/CRP.11).

26. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on sub-item 3 (a).

#### **VI. Report of the informal working group on Programme and Budget Committee-related issues (item 9)**

27. On 15 May, the Committee considered the report of the co-chairs of the informal working group on Programme and Budget Committee-related issues (PBC.35/8).

28. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the co-chairs on item 9.

#### **VII. Proposal by the informal working group on Programme and Budget Committee-related issues regarding unutilized balances of appropriations (sub-item 9 (a))**

29. On 15 May, the Committee considered a report by the co-chairs of the informal working group on Programme and Budget Committee-related issues providing proposals regarding unutilized balances of appropriations (PBC.35/9).

30. On 16 May, after consideration of a draft conclusion submitted by the Chair on activating the use of the Working Capital Fund to significantly reduce the problem of unutilized balances of appropriations, (PBC.35/L.4), the Committee adopted the following conclusion:

##### **Conclusion 2019/6**

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

“The Industrial Development Board:

(a) Recalls decisions GC.1/Dec.33 and GC.2/Dec.27 regarding the establishment, purpose, and conditions of the Working Capital Fund and notes that:

(i) The sources of money for the Working Capital Fund shall be advances from Member States made in accordance with the scale of assessment as adopted by the General Conference;

- (ii) The current level of the Working Capital Fund is approved at €7,423,030 by GC.17/Dec.16;
- (iii) The General Conference authorizes the Director General to advance from the Working Capital Fund such amounts as might be necessary to finance budgetary appropriations pending the receipt of contributions; and
- (iv) Such advances from the Working Capital Fund should be reimbursed as soon as receipts from contributions are available for that purpose;
- (b) Confirms the purpose and conditions of use of the Working Capital Fund and requests the Director General to avail of this provision prudently to decrease, and minimize unutilized balances of appropriations arising from the late payment of assessed contributions;
- (c) Further requests the Secretariat to make use of the Working Capital Fund within the provisions of the existing Financial Regulations;
- (d) Reaffirms that the regular review of the Working Capital Fund level on a biennial basis by the Programme and Budget Committee, the Industrial Development Board and the General Conference shall be maintained to determine the adequacy of WCF;
- (e) Requests the Director General to report annually to the Industrial Development Board through the Programme and Budget Committee on the effect of the aforementioned measures on the financial situation of the Organization;
- (f) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums from the Working Capital Fund to meet shortfalls in the payment of assessed contributions;
- (g) Invites the Informal Working Group to discuss the adequacy of the level of the Working Capital Fund and to develop, in close consultation with the Secretariat, proposals for consideration at the next Programme and Budget Committee.”

## **VIII. Mobilization of financial resources (item 10)**

31. On 15 May, the Committee considered a note by the Secretariat on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2018 (PBC.35/CRP.4).
32. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Secretariat on item 10.

## **IX. Third Industrial Development Decade for Africa (item 12)**

33. On 15 May, the Committee considered a report by the Director General providing an annual update on the Third Industrial Development Decade for Africa (PBC.35/12).
34. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 12.

## **X. United Nations development system reform (item 13)**

35. On 15 May, the Committee considered a report by the Director General on the United Nations development system reform (PBC.35/13) and a note by the Secretariat on UNIDO’s field network in the context of the United Nations development system reform (PBC.35/CRP.8).

36. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 13.

## **XI. Updated medium-term investment plan (item 14)**

37. On 15 May, the Committee considered a report by the Director General on the medium-term investment plan, 2019–2022 (PBC.35/14).

38. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 14.

## **XII. Appointment of the External Auditor (item 11)**

39. On 15 May, the Committee considered a report by the Director General on the appointment of an External Auditor (PBC.35/11) and a note by the Secretariat on the candidates for the appointment of an External Auditor (PBC.35/CRP.5).

40. On 16 May, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 11.

## **XIII. Date of the thirty-sixth session (item 15)**

41. On 15 May, the Committee took note of the entry contained in the annotated agenda (PBC.35/1/Add.1) on the dates reserved for the policymaking organs of UNIDO in 2019 and 2020.

42. On 16 May, after consideration of a draft conclusion on the date of the thirty-sixth session, submitted by the Chair (PBC.35/L.5), the Committee adopted the following conclusion:

### **Conclusion 2019/7**

The Programme and Budget Committee decided to hold its thirty-sixth session from 15 to 16 June 2020.

## **XIV. Adoption of the report (item 16) and closure of the thirty-fifth session**

43. On 16 May, the Committee adopted the draft report on the work of its thirty-fifth session (PBC.35/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

44. The Committee closed its thirty-fifth session at 11.55 p.m. on 16 May 2019.

## Annex

## List of documents submitted to the thirty-fifth session

<i>Symbol</i>	<i>Agenda item</i>	<i>Title</i>
PBC.35/1	2	Provisional agenda
PBC.35/1/Add.1	2	Annotated provisional agenda
PBC.35/2	3	<i>Annual Report of UNIDO 2018</i>
PBC.35/3	4	Report of the External Auditor on the accounts of UNIDO for the financial year 1 January to 31 December 2018
PBC.35/4	5	Financial situation of UNIDO. Report by the Director General
PBC.35/5	6	Programme and budgets, 2020–2021. Proposals of the Director General
PBC.35/6	7	Scale of assessments for the fiscal period 2020–2021. Note by the Secretariat
PBC.35/6/Rev.1	7	Scale of assessments for the fiscal period 2020–2021. Revised note by the Secretariat
PBC.35/7	8	Working Capital Fund for the biennium 2020–2021. Proposals by the Director General
PBC.35/8	9	Informal working group on Programme and Budget Committee-related issues. Report by the Co-chairs
PBC.35/9	9(a)	Proposal by the informal working group on Programme and Budget Committee-related issues regarding unutilized balances of appropriations. Report by the Co-chairs
PBC.35/10	3(a)	Midterm review of the medium-term programme framework, 2018–2021. Report by the Director General
PBC.35/11	11	Candidates for the appointment of an External Auditor. Report by the Director General
PBC.35/12	12	Annual update on the Third Industrial Development Decade for Africa (IDDA III). Report by the Director General
PBC.35/13	13	United Nations Development System reform. Report by the Director General
PBC.35/14	14	Medium-term investment plan, 2019–2022. Report by the Director General
PBC.35/15	-	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
PBC.35/15/Rev.1	-	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
<b>Conference room papers</b>		
PBC.35/CRP.1	2	List of documents
PBC.35/CRP.2	4	Annexes to the report of the External Auditor on the accounts of UNIDO for the financial year 1 January to 31 December 2018 (unaudited). Prepared by the Secretariat
PBC.35/CRP.3	5	Status of assessed contributions. Note by the Secretariat
PBC.35/CRP.4	10	Projects approved under the Industrial Development Fund, thematic and individual trust funds, and other voluntary contributions in 2018
PBC.35/CRP.5	11	Candidates for the appointment of an External Auditor. Note by the Secretariat
PBC.35/CRP.6	4	Comments on the Report of the External Auditor. Note by the Audit Advisory Committee
PBC.35/CRP.7	8	Additional background information on the Working Capital Fund for the biennium 2020–2021. Note by the Secretariat

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<i>Symbol</i>	<i>Agenda item</i>	<i>Title</i>
PBC.35/CRP.8	13	UNIDO's field network in the context of the United Nations development system reform. Note by the Secretariat
PBC.35/CRP.9	6	Update on UNIDO's full cost recovery initiative. Note by the Secretariat
PBC.35/CRP.10	5	Additional information on the financial situation of UNIDO. Note by the Secretariat
PBC.35/CRP.11	3(a)	Updated integrated results and performance framework. Note by the Secretariat

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