



Programme and Budget Committee**Thirty-ninth session**

Vienna, 15–17 May 2023

Item 2 of the provisional agenda

Adoption of the agenda**Annotated provisional agenda****Opening of the session**

The thirty-ninth session of the Programme and Budget Committee will be opened by His Excellency Mr. Alessandro Cortese (Italy), in his capacity as Chairperson of the thirty-eighth session.

Item 1. Election of officers

In accordance with rule 17.1, each year, at the commencement of its regular session, the Committee shall elect from among the representatives of its members a Chairperson and three Vice-Chairpersons, and from among the delegations of its members a Rapporteur. Rule 17.3 stipulates that the offices of the Chairperson, the three Vice-Chairpersons and the Rapporteur shall be subject to equitable geographical rotation within a five-year cycle in accordance with appendix A to the rules of procedure. According to that appendix, the Chairperson of the thirty-ninth session should be elected from members of the Committee from Asian States in List A, and the three Vice-Chairpersons from States in List D, States in List B, and States in List C. The Rapporteur should be elected from members of the Committee from among African States in List A.

Item 2. Adoption of the agenda

A provisional agenda for the thirty-ninth session, prepared by the Director General in consultation with the Chairperson of the Committee, in accordance with rules 8 and 9 of the rules of procedure, is submitted to the Committee for adoption in document PBC.39/1 as stipulated in rule 12.

The Committee will have before it:

- Provisional agenda (PBC.39/1)
- Annotated provisional agenda (PBC.39/1/Add.1)
- List of documents (PBC.39/CRP.1)

For reasons of sustainability, this document has not been printed. Delegates are kindly requested to refer to electronic versions of all documents.



Item 3. Annual Report of the Director General for 2022

In accordance with Article 11.6 of the Constitution, the Director General is to prepare an annual report on the activities of the Organization. In its resolution GC.4/Res.2, the General Conference requested the Director General to fully incorporate in future annual reports the programme performance report according to Industrial Development Board decision IDB.7/Dec.11. At the request of the Board through decision IDB.23/Dec.12, annual reports include information on operational activities for developments arising from relevant United Nations General Assembly resolutions, including the quadrennial comprehensive policy review in accordance with United Nations General Assembly resolution 75/233 of 21 December 2020.

In compliance with Conference resolution GC.17/Res.1 paragraph (p) and Board decision IDB.44/Dec.2, paragraph (c), the annual report also informs Member States of the implementation of the medium-term programme framework (MTPF) and of UNIDO's contribution to the realization of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals. Pursuant to Board decision IDB.44/Dec.2, paragraph (d), the Annual Reports of UNIDO will provide information in a concise manner, enriched with statistical data and results in accordance with the integrated results and performance framework (IRPF), to enhance UNIDO's performance accountability and visibility.

The Annual Report 2022 pioneers the UNIDO reporting on progress towards its biennial targets at the aggregate UNIDO level. Priority is given to the reporting of targets as per the Programme and Budgets 2022–23, where its indicators are a subset of the UNIDO IRPF. A detailed set of data and information related to the indicators and targets is made available in the appendices of this report. The data and information in the Appendices have been used as the basis for the qualitative infographics in the Annual Report 2022. The Annual Report 2022 acknowledges the limitations of some of the indicators in the IRPF, and the scope for further improvement in the quality assurance process to achieve better reporting accuracy. Improvements to the IRPF indicators will be reviewed within the midterm update of the MTPF.

In line with decision IDB.46/Dec.13, paragraph (i), Member States will be updated on the progress made in the implementation of the Third Industrial Development Decade for Africa (IDDA III).

Article 9.4 (d) of the Constitution stipulates that the Board shall request members to furnish information on their activities related to the work of the Organization. In decision IDB.1/Dec.29, Member States were requested to inform the Board of their activities related to the work of the Organization when reviewing the annual report. Due to the reduction of the number of sessions of the Board in non-General Conference years (decision IDB.39/Dec.7(f)) and following the practice established in 2013, the annual report will be presented through the Programme and Budget Committee to the Board.

Member States may therefore wish to include information on their activities as they relate to the work of UNIDO in the statements delivered by their representatives to the Committee under this item.

The Committee will have before it:

- *Annual Report of UNIDO 2022* (PBC.39/2-IDB.51/2)
- Appendices to the Annual Report of UNIDO 2022 (PBC.39/2/Appendices-IDB.51/2/Appendices)

Item 4. Report of the External Auditor for 2022

Financial regulations 11.9 and 11.10 stipulate that the reports of the External Auditor, together with the audited financial statements, shall be completed not later than 20 April and shall be transmitted through the Committee to the Board in accordance with directions given by the Conference. The Committee shall examine

the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments as it deems appropriate.

In its conclusion 1987/19, paragraph (j), the Committee requested the Director General to submit each year to the Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources. Starting in 2011, the financial performance report, i.e. the financial statements compliant with International Public Sector Accounting Standards (IPSAS), has been included in the External Auditor's report.

The report of the External Auditor will also include information on the implementation of recommendations included in the report of the External Auditor for 2021 (IDB.50/3). The Independent Oversight Advisory Committee, in line with its terms of reference (Board decision IDB.48/Dec.5, annex, paragraph 2 (f)), will provide its comments on the report of the External Auditor to this session.

The Committee will have before it:

- Report of the External Auditor on the accounts of UNIDO for the financial year 1 January to 31 December 2022 (PBC.39/3-IDB.51/3)
- Annexes to the report of the External Auditor on the accounts of UNIDO for the financial year 1 January to 31 December 2022 (unaudited) (PBC.39/CRP.2)
- Comments on the Report of the External Auditor. Note by the UNIDO Independent Oversight Advisory Committee (PBC.39/CRP.3)

Item 5. Financial situation of UNIDO, including unutilized balances of appropriations

Through decision GC.19/Dec.16(h), the Conference requested the Director General to report on the state of financing and implementation of the programme and budgets, 2022–2023 to the Programme and Budget Committee, the Industrial Development Board and the General Conference of UNIDO throughout the biennium. The Conference further requested the Director General to report to the Committee at its thirty-eighth and thirty-ninth sessions on efficiencies and savings between sessions, with the understanding that the search for efficiencies and savings must be a continuous management process, without hampering the core functions of the Organization.

At its fiftieth session, the Board requested the Director General through decision IDB.50/Dec.3(c) to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears, and to report on the results of his efforts.

The Committee will thus have before it:

- Financial situation of UNIDO. Report by the Director General (PBC.39/4-IDB.51/4)
- Status of assessed contributions. Note by the Secretariat (PBC.39/CRP.4)

Item 6. Report of the informal working group on Programme and Budget Committee-related issues

Through decision IDB.45/Dec.7, paragraph (d), the Board established an informal working group, without cost implications, to address Programme and Budget Committee-related issues of the Organization.

In its decision IDB.46/Dec.8, paragraph (b), the Board extended the mandate of the informal working group until it is decided by the Board to conclude its deliberations, and requested its Co-Chairs to continue reporting annually to the Board through the Programme and Budget Committee.

The Committee will therefore have before it:

- Report by the informal working group on Programme and Budget Committee-related issues. Report by the Co-Chairs (PBC.39/5-IDB.51/5)
- Update on the report by the informal working group on Programme and Budget Committee-related issues. Report by the Co-Chairs (PBC.39/CRP.5)

Item 7. Programme and budgets, 2024–2025

In accordance with Articles 14.1 and 14.2 of the Constitution, the Director General shall prepare and submit to the Board through the Committee a draft programme of work for the following fiscal period, together with the corresponding estimates for those activities to be financed from the regular budget. The Director General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization. The Committee shall consider the proposals of the Director General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular budget and the operational budget. Such recommendations of the Committee shall require a two-thirds majority of the members present and voting. At its nineteenth session, the General Conference will need to consider and approve the programme and budgets, 2024–2025.

Through decision IDB.43/Dec.6 (i), the Industrial Development Board established the Special Account of Voluntary Contributions for Core Activities (SAVCCA) to facilitate the receipt, management and deployment of less tightly earmarked voluntary contributions for core activities, which cannot be fully funded from the regular budget. In his proposal for the programme and budgets 2024–2025, the Director General has included a redesigned mechanism to offer Member States and partners an attractive and results-oriented funding modality to strengthen UNIDO.

The redesigned SAVCCA, named the UNIDO “Innovation and Transformation Fund”, features greater transparency and accountability elements, as well as attractive financial conditions, with the objective to support, deepen or expand core areas of work. Details on this fund will be presented in Conference Room Paper PBC.39/CRP.8.

The Committee will have before it:

- Programme and budgets, 2024–2025. Proposals by the Director General (PBC.39/6-IDB.51/6)
- Introduction of the UNIDO Innovation and Transformation Fund, PBC.39/CRP.8

Item 8. Scale of assessments for apportionment of the regular budget expenses for the biennium 2024–2025

At its twentieth session, the General Conference will need to establish a scale of assessments for the fiscal period 2024–2025. In accordance with Article 10.4 (b) of the Constitution, the Committee shall prepare the draft scale of assessments for regular budget expenditures, for submission to the Board. Article 15.2 of the Constitution stipulates that the scale of assessments shall be based to the extent possible on the scale most recently employed by the United Nations. The Committee will be provided with the latest information concerning the United Nations scale of assessments applicable for the years 2024 and 2025, and any adjustments that might be required for UNIDO.

The Committee will thus have before it:

- Scale of assessments for the fiscal period 2024–2025. Note by the Secretariat (PBC.39/7-IDB.51/7)

Item 9. Working Capital Fund for the biennium 2024–2025

In accordance with financial regulation 5.4 paragraph (a), the Committee should recommend to the Board the amount and purposes of the Working Capital Fund for the biennium 2024–2025. At its nineteenth session, the General Conference decided that the level of the Working Capital Fund for the biennium 2022–2023 should remain at €7,423,030 and that the authorized purposes of the Fund for the biennium 2022–2023 should remain the same as for the biennium 2020–2021, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

The Committee will have before it:

- Working Capital Fund for the biennium 2024–2025. Proposals by the Director General (PBC.39/8-IDB.51/8)

Item 10. Budget implementation flexibility

Through decision GC.19/Dec.16 (h), the Conference requested the Director General to report on the state of financing and implementation of the programme and budgets, 2022–2023 to the Programme and Budget Committee, the Industrial Development Board and the General Conference of UNIDO throughout the biennium. The Conference further requested the Director General to report to the Committee at its thirty-eighth and thirty-ninth sessions on efficiencies and savings between sessions, with the understanding that the search for efficiencies and savings must be a continuous management process, without hampering the core functions of the Organization.

The COVID-19 pandemic in 2020 and 2021, as well as its aftermath, highlighted the need for organizations to have a certain degree of flexibility in reprioritizing activities and respective allocated budgets. In this regard, and to enable UNIDO to face any fluctuating situation during the implementation period, it is essential for Member States to revisit the topic addressing the flexibility for the regular budget implementation. Member States are invited to consider a proposal to grant to the Director General a level of flexibility to maximize efficiencies and savings in the implementation of the approved regular budget.

The Committee will thus have before it:

- Budget implementation flexibility, 2024–2025. Report by the Director General (PBC.39/9-IDB.51/9)

Item 11. Medium-term programme framework, 2022–2025

In paragraphs (e) and (f) of decision GC.15/Dec.17, the Conference at its fifteenth session requested the Director General to submit from 2015 onwards, on a quadrennial basis, to the Board in the second year of the biennium, through the Programme and Budget Committee, a draft medium-term programme framework (MTPF) for four years, taking into account the Lima Declaration: Towards inclusive and sustainable industrial development (GC.15/Res.1), the recommendations of the latest comprehensive policy review of operational activities for development, and the recommendations of the outcome document of the informal working group on the future, including programmes and resources, of UNIDO, entitled “Strategic Guidance Document” (IDB.41/24). At its forty ninth session, the Board had before it a proposal by the Director General on the medium-term programme framework, 2022–2025 (IDB.49/8); and a note by the Secretariat on the results of the preparatory consultation surveys (IDB.49/CRP.9). The Board also considered a note by the Director General on the fourth industrial revolution and inclusive and sustainable industrial development (IDB.49/CRP.11).

In accordance with IDB.44/Dec.10, and as per established practice, a midterm update by the Director General of the medium-term programme framework 2022–2025 will be submitted to the Board, through the Committee.

The Committee will thus have before it:

- Medium-term programme framework, 2022–2025: midterm update. Proposals by the Director General (PBC.39/10-IDB.51/10)

Item 12. Mobilization of financial resources

At its twenty-fifth session, the Board adopted decision IDB.25/Dec.5 on funds mobilization for integrated programmes. In that decision in paragraph (i), the Board, inter alia, requested the Director General to maintain a continuous dialogue with Member States to actively sustain the common resource mobilization efforts. A progress report will be submitted to the Board through the Committee, which will report on the various thematic trust funds. This report should be considered in conjunction with the *Annual Report of UNIDO 2022*, which provides information on mobilization of financial resources for that year.

The Committee will have before it:

- Funding performance. *Annual Report of UNIDO 2022* (PBC.39/2-IDB.51/2)
- Projects approved under the Industrial Development Fund, thematic and individual trust funds, and other voluntary contributions in 2022 (PBC.39/CRP.6)

Item 13. General risk management

At its thirty-second session, the Committee invited the Director General to report to the next sessions of the Industrial Development Board and the Programme and Budget Committee on UNIDO's general risk management strategy and suggest comprehensive measures for addressing the financial and administrative impact of Member States leaving the Organization including with a view to reversing the trend of withdrawal (conclusion 2016/8). Accordingly, a report will be presented in line with this conclusion and further to the last report on risk management (IDB.50/8).

The Committee will thus have before it:

- General risk management. Report by the Director General (PBC.39/12-IDB.51/12)

Item 14. Appointment of the External Auditor

In accordance with financial regulation 11.1, an External Auditor, who shall be the Auditor General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the General Conference. At its eighteenth session, the General Conference decided to appoint the Auditor General of the Russian Federation as the External Auditor for UNIDO for a period of two years, beginning on 1 July 2020 to 30 June 2022, under the terms of reference specified in the financial regulations of UNIDO (GC.18/Dec.7).

In decision GC.6/Dec.18, the Conference requested the Director General to invite proposals from Member States for the appointment of an External Auditor and to submit such proposals to the Committee for consideration. A report will be issued to the Committee concerning proposals received.

The Committee will have before it:

- Candidates for the appointment of an External Auditor. Report by the Director General (PBC.39/13-IDB.51/13)
- Candidates for the appointment of an External Auditor. Note by the Secretariat (PBC.39/CRP.7)

Item 15. Medium-term investment proposals, 2024–2025

In line with paragraph (l) of decision IDB.43/Dec.6, a medium-term investment plan should be updated annually. Proposals updating the medium-term

investment plan presented in document PBC.38/9-IDB.50/9 will therefore be presented to the Committee.

The Committee will thus have before it:

- Medium-term investment proposals, 2024–2025. Report by the Director General (PBC.39/14-IDB.51/14)

Item 16. Third Industrial Development Decade for Africa (IDDA III)

United Nations General Assembly resolution 70/293 on the Third Industrial Development Decade for Africa, 2016–2025 (IDDA III) mandated UNIDO, as one of the lead Organizations, to develop, operationalize and spearhead the implementation of IDDA III as well as enhance technical assistance and efforts towards resource mobilization for African countries specifically for this purpose.

In its resolution GC.18/Res.6, the General Conference requested the Director General to report regularly to the policymaking organs on the tangible progress in terms of concrete implementation and impact at national levels, as well as the feedback from development partners, with a view to sustaining momentum for resource mobilization and supporting data collection.

A report by the Director General was considered by the nineteenth session of the General Conference (GC.19/9) in conjunction with the information on IDDA III contained in chapter 7 of the *Annual Report of UNIDO 2020* and the United Nations General Assembly's Note by the Secretary-General on IDDA III (A/74/199).

The Committee will have before it:

- Report on the Third Industrial Development Decade for Africa (IDDA III). Report by the Director General (PBC.39/15-IDB.51/15)

Item 17. United Nations development system reform

In June 2017, the Secretary-General launched his first report on repositioning the United Nations development system (UNDS), and a second report was issued in December 2017. On 31 May 2018, the General Assembly adopted resolution 72/279 on the repositioning of UNDS.

In its decision IDB.46/Dec.12, the Board requested the Director General to regularly report on UNDS reform-related matters to the Programme and Budget Committee, the Industrial Development Board and the General Conference of UNIDO.

The Committee will have before it:

- United Nations development system reform. Report by the Director General (PBC.39/16-IDB.51/16)

Item 18. Date of the fortieth session

The following dates have been reserved for the policymaking organs of UNIDO in 2023 and 2024:

3–6 July 2023	Industrial Development Board, fifty-first session
27 November–1 December 2023	General Conference, twentieth session
10–11 June 2024 (tentative)	Programme and Budget Committee, fortieth session
25–27 November 2024 (tentative)	Industrial Development Board, fifty-second session

Item 19. Adoption of the report