

**Industrial Development Board**

Fifty-third session

Vienna, 30 June–3 July 2025

Programme and Budget Committee

Forty-first session

Vienna, 13–15 May 2025

Item 6 of the provisional agenda

**Report by the informal working group on
Programme and Budget Committee-related
issues****Report by the informal working group on Programme and
Budget Committee-related issues****Report by the Co-Chairs**

Further to the update on the report of the informal working group on Programme and Budget Committee-related issues (IWG) contained in document IDB.52/CRP.4, the present document provides an update on the meetings of the IWG since the fifty-second session of the Industrial Development Board. Member States can access all relevant presentations, background documents and summary notes provided to the working group through the UNIDO Member States extranet at extranet.unido.org.

I. Overview of meetings: dates and topics

1. Since 22 November 2024, the informal working group on Programme and Budget Committee-related issues (IWG) held five substantive meetings as follows:

(a) 13 December 2024, on the updated medium-term investment proposals, 2024–2025;

(b) 17 January 2025, on a briefing from the Joint Inspection Unit (JIU) on the review of governance and oversight of the Executive Boards of the United Nations Development Programme/United Nations Population Fund/United Nations Office for Project Services, the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women ([JIU/REP/2023/7](http://www.un.org/en/development/desa/pd/data-reports-publications/jiu-rep-2023-7));

(c) 24 January 2025, on programme and budgets 2026–2027;

(d) 3 February 2025, on the medium-term programme framework 2026–2029;
and

(e) 10 February 2025, on regular and operational budgets.

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



II. Discussion on the updated medium-term investment proposals, 2024–2025 (13 December 2024)

2. The IWG was joined by the Chief of Digitalization, Innovation and Technical Cooperation Optimization Services (COR/DIT), who delivered a presentation on the updated medium term investment proposals, 2024–2025. The following issues were raised in his intervention:

(a) Key achievements accomplished over the past twelve months regarding UNIDO's digitalization framework were noted. These included the deployment of the five-pillar digitalization framework focused on collaborative environments, information security, resilience and business continuity, digital innovation, and digital skills and adaptability;

(b) Attention was drawn to some major ongoing initiatives which require critical investment. These include the implementation of a next generation enterprise resource management (ERP) system, the implementation of a new intranet, artificial intelligence (AI) for procurement, human resources management, help desk, and portfolio management to optimize back-office processes, piloting an AI-based customer relationship management (CRM) system with the Division of Public Private Partnerships and the Division of Innovative Finance for partnership management, the Innovation Lab, and enhanced information technology (IT) resilience through the expansion and adoption of cloud-based solutions;

(c) With regards to these projects the Chief of COR/DIT highlighted the depletion of the Major Capital Investment Fund (MCIF) (IDB.51/14 (e) refers) and the need for Member States' contributions or innovative funding solutions. Among the unfunded priorities are further enhancements of cybersecurity to address recommendations from external auditors; measures to improve user information security; initiatives to create a more collaborative environment for sharing information internally and externally; safeguarding and maintaining existing infrastructure; and the initial phase of implementing a next-generation ERP system, estimated at \$1.5 million; and

(d) The transition to a next-generation ERP system, supporting all UNIDO's back-office operations, is critical as the current SAP-based system, implemented in 2013, will lose vendor support by 2027. The system, originally funded through voluntary contributions, unutilized balances, and reserves, has become overly customized, complex, and difficult to maintain. To address performance, scalability, and data analytics needs, UNIDO is assessing four options: SAP Public Cloud (modern but lacks key functionalities for UNIDO); SAP S/4HANA Private Cloud (retains functionality but inherits some complexity); SAP S/4HANA On-Premise (costly and outdated); and Quantum (Oracle SaaS, scalable but requiring adaptation and significant change management).

3. Finally, the Chief closed the presentation by noting the consequences of not updating the ERP and addressing the next steps. These included rising maintenance costs, inability to align systems with strategic objectives, and reduced operational scalability. In addition, he noted the difficulty in recruiting technical expertise for outdated systems. He then proposed engaging Member States for financial contributions and innovative funding solutions with regards to the depletion of the MCIF. In addition, a plan to form a task force to evaluate ERP options and conduct a discovery phase was announced.

4. Further to the presentation, Member States appreciated the significant progress made in digitalization, innovation, and AI integration and recognized the need for investment in IT infrastructure.

5. The Secretariat emphasized the importance of timely funding to avoid escalating costs and operational inefficiencies due to outdated systems. The estimated cost in terms of initial investment funded by the MCIF and annual yearly costs will be

presented in a dedicated session and discussed in the context of programme and budget consultations for 2026 and 2027.

III. Briefing from the Joint Inspection Unit (JIU) on a selected JIU report (17 January 2025)

6. The IWG was joined by Mr. Hunte, Inspector from the Joint Inspection Unit (JIU) of the United Nations system, who delivered a presentation on the review of governance and oversight of the Executive Boards of the United Nations Development Programme/United Nations Population Fund/United Nations Office for Project Services, the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women (JIU/REP/2023/7), highlighting its key objectives, findings and recommendations.

7. Ten formal and twelve informal recommendations were noted, with six benchmark components for governance improvement. These included:

(a) Board roles and responsibilities: there is a need for clear Terms of Reference (ToRs) and a defined delegation of authority;

(b) Executive Board composition and structure: opportunities for improvement exist in the composition of the Board;

(c) Board Secretariat: there is insufficient clarity in responsibilities, and the need for technical expertise has been identified;

(d) Board meetings: the Executive Board lacks a mechanism to assess the effectiveness of meetings;

(e) Board and oversight functions: concerns were raised about the time allocated for oversight and the absence of explicit roles in performance evaluations; and

(f) Board and risk management: comprehensive frameworks and coherent information are absent, highlighting a need to refine the induction process and ensure that members are aware of the rules and responsibilities concerning risk management practices.

8. Further to the presentation, the Inspector responded to a question raised about which specific recommendations the JIU has for UNIDO given its unique structure by noting that while the report does not directly address UNIDO, Member States' clarity on roles and responsibilities remains critical. Suggestions included developing ToRs and formal induction materials.

9. The Secretariat highlighted ongoing efforts to align governance structures with JIU benchmarks.

10. The Secretariat emphasized that while the JIU report is not prescriptive for UNIDO, its insights could inspire improvements in oversight and governance processes.

11. The Secretariat was given the floor to explain the proposed IWG schedule for the first half of 2025. Member States were asked to add topics which they would like to see included in the IWG schedule.

12. After presenting the schedule of IWG meeting for the first half of 2025, a Member State raised concerns over insufficient time for consultations on the medium-term programme framework (MTPF) 2026–2029 to which the Secretariat noted that if more meetings need to be scheduled, this will be done in the upcoming months.

IV. Discussion on programme and budgets 2026–2027 (24 January 2025)

13. The IWG was joined by the Deputy to the Director General and the Managing Director of the Directorate of Corporate Services and Operations, and the Director of the Financial Services Division, who delivered a presentation on the programme and budgets 2026–2027. This included the successes of UNIDO and highlights from 2024, the priorities and focus (still under consideration) coming into 2026–2027, as well as basic structure and information regarding the budget.

14. Further to the presentation, several Member States inquired about the idea of UNIDO strengthening its field offices and whether this would increase the number of staff in the field, to which the provided response indicated that this point is still under internal coordination and that further details will be provided in due time. Regarding the 167 per cent increase in staff recruitment, the key takeaway was that the increase reflects both a recovery effort to fill previously vacated posts and new recruitment driven by project demands.

15. The Director of the Financial Services Division responded to a question raised about cost recovery related to technical cooperation (TC) projects, explaining that a percentage of costs, entitled programme support costs, is collected to finance the operational budget, which is funded fully voluntarily, unlike the regular budget, which is funded by Member States assessments.

16. A Member State inquired about the rate of inflation around the upcoming budget considerations for the 2026–2027 biennium and the impact it would have on Member States. Key points include:

(a) A 4 per cent increase for the biennium is expected as a baseline to cover inflation and maintain the current level of purchasing power;

(b) Additional budget allocations are being examined to address structural enhancements, aiming to meet the expectations of Member States. This could result in an increase beyond the inflation adjustment;

(c) An example was provided, where if the inflation rate is 4 per cent and the structural enhancements are 5 per cent, the combined budget increase would be 9 per cent. However, specific figures are yet to be finalized, as the indispensable and reasonable levels for structural enhancements are still under consideration; and

(d) The budget request will include two components: one for inflation adjustments and another for structural enhancements.

17. The Managing Director presented the timeline and schedule of budget preparations and a budget proposal after the inquiry of a Member State.

18. Lastly, the discussion focused on horizontal and vertical flexibility in the next biennium 2026–2027, where for the horizontal flexibility the objective would be, if possible, for Member States to approve the regularization, while for vertical flexibility, discussion to gain broader Member State support would continue, as consensus was not found during the fifty-second session of the Industrial Development Board.

19. A Member State inquired about the assessment rate for paying its assessed contribution. The Managing Director replied that the Secretariat will present the table of assessment rates in due course of the IWG, which is formulated based on the determined assessment rates of the United Nations.

V. Consultation with Member States on the medium-term programme framework 2026–2029 (3 February 2025)

20. The IWG was joined by the Chief of the Strategic Planning Unit and the Chief of the Strategic Planning Results Monitoring and Reporting Unit, who delivered a presentation on the MTPF 2026–2029. This included a presentation of the timeline for the MTPF 2026–2029 showcasing the continued need and plan to engage with Member States. The document structure and proposed strategic priorities were also presented alongside the Integrated Results Performance Framework (IRPF).

21. Further to the presentation, several Member States inquired about future meetings to discuss the MTPF 2026–2029 and requested a draft of the framework to be shared before the next consultation takes place. The Chief of the Strategic Planning Unit clarified that the Secretariat is aiming to share the draft MTPF 2026–2029 with Member States prior to the second consultation which was set for 27 February 2025, highlighting the possibility of further consultations, if required.

22. A Member State requested the distribution of a table detailing the previous MTPF documents since 2015 to facilitate a comparison of how past strategic priorities have changed. The Secretariat agreed to provide such a table and share it with Member States in the coming days.

23. In response to a Member State, the Chief of the Strategic Planning Unit detailed plans to present the results of the Member States survey on the MTPF ahead of the forthcoming forty-first session of the Programme and Budget Committee, however it was emphasized that the results of the survey are not statistically significant due to the response rate of only 20 Member States.

24. Several Member States inquired as to whether there has been any assessment or lessons learned of the MTPF 2022–2025 by the Office of Evaluation and Internal Oversight (EIO), to which the Chief of the Strategic Planning Unit responded that at present there has been no such formal evaluation, but feedback from the EIO and lessons learned from the MTPF 2018–2021 and the design of the MTPF 2022–2025 have been incorporated in the preparation of the MTPF for 2026–2029. The briefings provided to Member States by EIO and the Oversight Advisory Committee were also acknowledged and taken into consideration in the preparation of the MTPF 2026–2029.

25. The discussion then focused on the IRPF, where the Chief of the Strategic Planning Results Monitoring and Reporting Unit confirmed the readiness of UNIDO to revise the current version of the IRPF. The marked difference between Level 1 (based on international statistics), Levels 2 and 3 of the IRPF were highlighted, where the latter two levels are more directly related to UNIDO operations and largely on extra budgetary funded technical cooperation projects. Future changes of these indicators will surely be included in newly designed/negotiated projects, but their inclusion into already ongoing projects may need to be negotiated separately, as it may impact the level of completeness of result reporting. In reply to a query from a Member State, the Chief also reflected on the internal process of quality assurance of the results reported by project managers and their aggregation into corporate-level reporting, currently only through the Annual Report, but with a plan to extend it to the UNIDO Compass platform (decision IDB.52/Dec.2).

26. It was then discussed how the MTPF 2026–2029 fits with the wider Vision 2050, and how crosscutting issues have been integrated. The Chief of the Strategic Planning Unit suggested that the MTPF 2026–2029 is best viewed as a subset of the Vision 2050. The Vision 2050, a longer-term perspective, enables a view towards the future and will help shape the future service offer of UNIDO, with evidence based on analytical tools such as foresighting. This longer-term Vision could also support UNIDO and its Member States in post-2030 deliberations. It was subsequently agreed to return to this discussion once Member States have had time to review the document.

27. Feedback was received from a Member State on the construction of last year's Member States' survey, with concerns regarding the wording and framing of the survey. It was expressed that there should be more discussion on the strategic priorities in the MTPF as they could be more acutely defined.

28. Finally, a Member State emphasized the importance of sticking to the traditional mandate of UNIDO, being industrial policy and industrial skills development. In this regard, it was noted by the Secretariat that capacity building and knowledge sharing and transfer were key value additions that UNIDO provides to its Member States.

VI. Discussion on regular and operational budgets (10 February 2025)

29. The IWG was joined by the Managing Director of the Directorate of Corporate Services and Operations, who delivered a presentation on the regular budget and operational budget, and the Director of the Financial Services Division. The presentation aimed to enhance understanding of the technical aspects of the UNIDO budgets, emphasizing the distinctions between regular and operational budget, along with their various components.

30. A Member State inquired about the contributions to the management of the premises of the Vienna International Centre. It was clarified that indeed, UNIDO financially contributes to the facility management which is overseen by the UNIDO Building Management Services.

31. A Member State raised a question regarding the current structure of UNIDO and the status of its vacancies. The Secretariat highlighted that there has been a significant volume of recruitments starting in the second half of 2024, with some recruitment processes still ongoing, other successfully concluded.

32. In response to a question from a Member State about horizontal flexibility, the Secretariat clarified that €3.3 million was released through horizontal flexibility in 2024 and that this was tied to the operational budget, which has no impact on the assessed contributions of the Member States, but rather depends on the ability of the Secretariat to increase delivery of TC activities (noting the positive trend in 2023 and 2024).

33. A Member State inquired about TC, specifically whether it is entirely funded by voluntary contributions or if there are any exceptions as well. The Secretariat confirmed that the exception is the 6 per cent of the regular budget allocated to the regular programme of technical cooperation, which supports the TC delivery programmes and aims to fund new emerging initiatives and strategic priorities.

34. In response to a question received from a Member State regarding the full cost recovery and the programme support costs, the Secretariat explained that cost recovery is not limited to only programme support costs, but also encompasses direct service costs and recovery of staff time. It was further clarified that the recovery would depend on the nature of the individual donor agreements, with recovery being done through direct service costs and recovery of staff time working on the project, if the standard programme support cost percentage does not cover for this.

35. In line with a request for a brief report on the specific numbers of newly recruited staff and those still in the recruitment process, the Secretariat responded that, 105 recruitments were initiated from regular or operational budget, while 72 were funded through projects, resulting in a total of 177 recruitments initiated in 2024.

VII. Action required of the Committee

36. The Committee may wish to take note of the information contained in the present document.