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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE  
ON THE WORK OF ITS FOURTH SESSION  
20-24 June 1988

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### Introduction

1. The Programme and Budget Committee held its fourth session at UNIDO Headquarters, Vienna International Centre, from 20 to 24 June 1988. The following 25 members of the 27 members of the Committee participated in the session: Algeria, Argentina, Austria, Bangladesh, Brazil, China, Côte d'Ivoire, Cuba, Czechoslovakia, Finland, France, Germany, Federal Republic of, Hungary, India, Iran (Islamic Republic of), Iraq, Italy, Japan, Morocco, Netherlands, Nigeria, Peru, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

2. The following 52 Members of UNIDO also attended the session: Afghanistan, Albania, Australia, Belgium, Bulgaria, Byelorussian Soviet Socialist Republic, Canada, Chile, Colombia, Costa Rica, Denmark, Ecuador, Egypt, German Democratic Republic, Ghana, Greece, Guatemala, Haiti, Indonesia, Israel, Jamaica, Luxembourg, Malaysia, Mexico, Namibia, Norway, Oman, Pakistan, Panama, Philippines, Poland, Portugal, Qatar, Republic of Korea, Romania, Saudi Arabia, Senegal, Spain, Sudan, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen, Zaire, Zambia. The United Nations Development Programme, the International Atomic Energy Agency, the International Labour Organisation and the League of Arab States were represented.

3. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation: T. A. Mgbokwere (Nigeria) as Chairman; C. Valdivia Sesma (Cuba), E. Ivan (Hungary), G. E. Clark (United Kingdom of Great Britain and Northern Ireland) as Vice-Chairmen; and A. S. Punia (India) as Rapporteur.

4. The agenda for its fourth session as adopted by the Committee is contained in document PBC.4/1.

5. The report of the Programme and Budget Committee on the work of its fourth session is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

6. The report contains the conclusions reached by the Committee. Statements of principle by delegations wishing to go on record are reflected in annex I to the report. Annex II contains a list of documents submitted to the Committee at its current session.

7. The following conclusions of the Committee call for action by the Board at its fourth session:

<u>Conclusion</u>	<u>Subject</u>
1988/4	Scale of assessments for the apportionment for the regular budget expenses of UNIDO and the Working Capital Fund
1988/5	Financial performance report and programme performance report
1988/6	Repayment of the United Nations loan
1988/8	Organizational structure of UNIDO
1988/9	Industrial Development Fund

1988/10 Report of the External Auditor

1988/11 Medium-term plan, 1990-1995

1988/12 Programme for development and transfer of technology

### I. ORGANIZATIONAL MATTERS

8. On 20 June, the Committee considered a proposal by the Chairman to improve the utilization of available conference-servicing resources and adopted conclusion 1988/1.

#### Conclusion 1988/1

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 fourth session only, provided no substantive decisions were taken at those meetings.

9. The Committee also considered a proposal by the Chairman to establish a drafting group and adopted conclusion 1988/2.

#### Conclusion 1988/2

The Committee decided to establish an open-ended drafting group, under the chairmanship of Vice-Chairman E. Ivan (Hungary), to prepare the draft conclusions on items 5 to 10 for submission to the Committee.

10. The draft conclusions prepared by the open-ended drafting group (PBC.4/L.1 - L.10) were forwarded to the Chairman of the Committee who in turn submitted them to the Committee under the respective agenda items.

### II. RULES OF PROCEDURE

11. On 20 June, the Committee considered the recommendations (PBC.4/CRP.4) submitted by the open-ended working group on the rules of procedure established under the chairmanship of L. Alcon Palus (Argentina) and adopted conclusion 1988/3.

#### Conclusion 1988/3

(a) The Committee decided to adopt rules 43 and 62 provisionally for its fourth session only;

(b) The Committee requested the open-ended working group on the rules of procedure to continue its consideration of rules 43 and 62 and to submit its proposals to the Committee at its fifth session.

### III. FINANCIAL SITUATION OF UNIDO

#### A. General report on the financial situation

12. From 20 to 22 June, the Committee considered a report by the Director-General on the implications of the current financial difficulties for programme and operational activities of UNIDO (PBC.4/9), a programme

performance report for the biennium 1986-1987 submitted by the Director-General (PbC.4/6), the report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund (IDF) for the financial period 1986-1987 ended 31 December 1987 (PbC.4/12 and Corr.1), a note by the Secretariat on the report of the External Auditor (PbC.4/13), an update of document PbC.4/9 (PbC.4/CRP.5) and a discussion paper prepared by the Secretariat at the request of the Chairman of the Programme and Budget Committee on the future stability of the Organization (PbC.4/CRP.6). In addition, the Committee considered the opening statement of the Director-General to the fourth session of the Committee.

13. On 24 June, after consideration of a draft conclusion on the scale of assessments for the apportionment for the regular budget expenses of UNIDO and the Working Capital Fund submitted by the Chairman (PbC.4/L.10), the Committee adopted conclusion 1988/4.

Conclusion 1988/4

The Programme and Budget Committee:

(a) Took note of the report of the Director-General on the financial situation of UNIDO related to the implications of the current financial difficulties for programme and operational activities of UNIDO (PbC.4/9) and, in particular, the information concerning the status of assessed contributions to the regular budget and of advances to the Working Capital Fund contained in annexes I and II and updated in PbC.4/CRP.5;

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Expresses concern at the non-payment by some Member States of assessed contributions to the regular budget and of advances to the Working Capital Fund;

"(ii) Strongly urges those Member States that have not yet paid advances to the Working Capital Fund and their regular assessed contributions for the years 1986 and 1987 to do so without further delay;

"(iii) Requests Member States to pay their regular assessed contributions for 1988 in accordance with Financial Regulation 5.5 (b)."

14. On 24 June, after consideration of a draft conclusion on the financial performance report and programme performance report submitted by the Chairman (PbC.4/L.5) with an amendment, the Committee adopted conclusion 1988/5.

Conclusion 1988/5

The Programme and Budget Committee:

(a) Took note of the programme performance report and the financial statements for the biennium 1986-1987 (PbC.4/6 and chap. III of PbC.4/12 and Corr.1) and the relevant provisions of the report of the External Auditor for the same financial period (chap. I and II of PbC.4/12 and Corr.1);

(b) Noted that the financial situation of UNIDO resulted in the cancellation, postponement or modification of programmes contained in the programme and budget, 1986-1987 (GC.1/10/Rev.1), approved by the General Conference at its first session while, at the same time, some additional outputs were implemented above those planned;

(c) Recommended to the Industrial Development Board that it request the Director-General to adhere to the programme of work for 1988-1989 as approved by the General Conference at its second session in decision GC.2/Dec.22.

B. Repayment of the United Nations loan

15. From 20 to 22 June, the Committee considered a document containing the proposals of the Director-General on a programme for repayment of the United Nations loan to UNIDO (PbC.4/10).

16. On 24 June, after consideration of a draft conclusion submitted by the Chairman (PbC.4/L.6), the Committee adopted conclusion 1988/6.

Conclusion 1988/6

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 proposals of the Director-General on the programme for repayment of the United Nations loan to UNIDO (PbC.4/10);

"(b) Decides that the repayment of the United Nations loan should be made from the collection of outstanding assessed contributions without thereby increasing the financial liabilities of Member States;

"(c) Authorizes the Director-General, taking into account the recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/42/7/Add.5) and of the United Nations General Assembly in its resolution 42/226 C, to negotiate a revised modality of repayment, based on the following considerations:

"(i) The modality should include a specific schedule of payments of a regular payment of \$1 million per annum, commencing in 1990;

"(ii) Pending further review on the financial situation of UNIDO, UNIDO could make additional payments accelerating the schedule to be negotiated under (i) above, whenever the outstanding balance for assessed contributions is less than the amount of the Working Capital Fund established for UNIDO by the General Conference plus the outstanding balance of the United Nations loan."

C. Implementation of decision GC.2/Dec.22 on the programme and budgets 1988-1989

17. From 20 to 22 June, the Committee considered reports by the Director-General on measures to stabilize the operational budget (PbC.4/7) and on the organizational structure of UNIDO (PbC.4/11), and a list of staff of the UNIDO Secretariat as of 31 May 1988 (PbC.4/CRP.3).

18. On 24 June, after consideration of a draft conclusion on the operational budget submitted by the Chairman (PbC.4/L.4), the Committee adopted conclusion 1988/7. In adopting that conclusion, the Committee acknowledged the offers of expertise made by the United Kingdom and the Federal Republic of Germany as a contribution to the preparation of the study requested in paragraph (c) of the conclusion and noted that involvement of other expertise could be foreseen.

#### Conclusion 1988/7

The Programme and Budget Committee:

(a) Recalled decisions IDB.3/Dec.20 of the Industrial Development Board and GC.2/Dec.22, paragraph (f), of the General Conference on measures to stabilize the operational budget;

(b) Took note of the report and proposals of the Director-General on measures to stabilize the operational budget (PbC.4/7) as well as the long-term implications of the adjustments to the salary levels referred to in paragraph 16 of document PbC.4/8;

(c) Recalling IDB.3/Dec.20, paragraph (j), requested the Director-General as a matter of urgency to prepare an in-depth study on the required scope and content of the operational budget and its relationship to the regular budget bearing in mind the provisions of the Constitution to be transmitted to the Programme and Budget Committee at its fifth session. In addition to the views expressed by the Director-General in document PbC.4/3/Add.2 and Corr.1 on the preliminary indicative figures of 1990-1991 resources, the study should consider the items mentioned in decision IDB.3/Dec.20, paragraphs (f) and (j), and the views expressed by the External Auditor in document PbC.4/12 and Corr.1, paragraphs 36, 37 and 38.

19. On 24 June, after consideration of a draft conclusion on the organizational structure of UNIDO submitted by the Chairman (PbC.4/L.3), the Committee adopted conclusion 1988/8.

#### Conclusion 1988/8

The Programme and Budget Committee:

(a) Took note of the report of the Director-General on the organizational structure of UNIDO (PbC.4/11);

(b) Decided to refer the matter to the Industrial Development Board at its fourth session for further consideration, bearing in mind the views expressed by members of the Programme and Budget Committee.

#### D. Adjustments to the salary levels and related allowances of staff in the General Service, Manual Worker and Language Teacher categories

20. From 20 to 22 June, the Committee had before it a report by the Director-General on proposals related to the implementation of the recommendations of the International Civil Service Commission on the new General Service salary scale for Vienna-based staff in the context of General Conference decision GC.2/Dec.22 (PbC.4/8).

## IV. INDUSTRIAL DEVELOPMENT FUND

21. On 22 June, the Committee considered the report of the Director-General on the programme for 1989 and the plan for 1989 and 1990 (PbC.4/5 and PbC.4/CRP.2) and a list of projects approved under IDF in 1987 (PbC.4/CRP.1). The Committee also had before it the rules governing the financial management of the Industrial Development Fund as contained in the Financial Rules of UNIDO (UNIDO/DG/b.74).

22. On 24 June, after consideration of a draft conclusion submitted by the Chairman (PbC.4/L.2), the Committee adopted conclusion 1988/9.

#### Conclusion 1988/9

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 report of the Director-General on the Industrial Development Fund (IDF) (PbC.4/5 and PbC.4/CRP.1 and 2);

"(b) Expresses its appreciation to Member States that have contributed to the Fund and urges other Member States to participate in the Fund;

"(c) Takes note of the estimated resource level and programming trust for 1989 and 1990 (PbC.4/5, paras. 19-27) as well as the priority areas mentioned in paragraph 13;

"(d) Urges Member States to consider specific ways and means of ensuring that the desirable annual funding level of \$50 million be reached as soon as possible;

"(e) Encourages, in the light of the rapidly shrinking general-purpose convertible segment of the Fund, all donors to consider providing at least a part of their pledges to the general-purpose convertible segment of the Fund."

## V. REPORT OF THE EXTERNAL AUDITOR

23. On 21 and 22 June, the Committee considered the report of the External Auditor on the accounts of UNIDO and of IDF for the financial period 1986-1987 ended 31 December 1987 (PbC.4/12 and Corr.1), a note by the Secretariat on that report (PbC.4/13) and the statements by the Director-General (including PbC.4/CRP.7).

24. On 24 June, after consideration of a draft conclusion submitted by the Chairman (PbC.4/L.7) with amendments, the Committee adopted conclusion 1988/10.

#### Conclusion 1988/10

The Programme and budget Committee:

(a) Took note with appreciation of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1986-1987 ended 31 December 1987 (PbC.4/12 and Corr.1) and the statements by the Director-General;

(b) Recommended to the Industrial Development Board that, following its consideration of the report, it request the Director-General:

- (i) To take into consideration the observations in the report of the External Auditor and to ensure in particular that
  - a. the Financial Rules and Regulations of UNIDO concerning procurement and contracts are strictly adhered to; and
  - b. the financial interests of UNIDO are fully protected;
- (ii) To continue to strengthen efforts to improve the functioning of the project design, appraisal and evaluation system, to consult in that connection with the Administrator of the United Nations Development Programme and to report, through the Programme and Budget Committee, to the Board at its fifth session on the progress made;

(c) Further recommended to the Board that it

- (i) Request the General Conference to suspend temporarily Financial Regulations 4.2 (b) and 4.2 (c) with respect to the 1986-1987 biennium to allow UNIDO to retain the unutilized balances of appropriations;
- (ii) Further request the Director-General to report, through the Programme and Budget Committee, to the Board at its sixth regular session on the use of these balances;

(d) Requested the Director-General, in the light of paragraph 33 of the report, to consult with Member States on the interpretation of Financial Regulation 4.2 and report on these consultations to the Board at its fifth session through the Programme and Budget Committee.

#### VI. MEDIUM-TERM PLAN, 1990-1995

25. On 22 and 23 June, the Committee considered the revised proposals for the draft medium-term plan by the Director-General (PbC.4/3), a preview by the Director-General of the first biennium 1990-1991 (PbC.4/3/Add.1) and a note by the Director-General on the programme and budget planning process, with preliminary indicative figures of 1990-1991 resources (PbC.4/3/Add.2 and Corr.1).

26. On 24 June, after consideration of a draft conclusion submitted by the Chairman (PbC.4/L.9), the Committee adopted conclusion 1988/11.

#### Conclusion 1988/11

The Programme and Budget Committee:

(a) Took note of the revised proposals for the medium-term plan, 1990-1995 (PbC.4/3 and Add.1 and 2 and Add.2/Corr.1) submitted by the Director-General in accordance with decisions GC.2/Dec.23 and GC.2/Dec.24 of the General Conference and considered those proposals a useful basis for further discussion;

(b) Requested the Director-General, in accordance with paragraph (b) (iv) of decision GC.2/Dec.23 and with decision GC.2/Dec.15 on co-ordination of industrial development activities in the United Nations system to consult further with the relevant organizations in the system so as to secure their input into the draft medium-term plan, while taking into consideration United Nations General Assembly resolution 42/193 on preparation of the new international development strategy for the fourth United Nations development decade;

(c) Requested the Director-General to submit the draft medium-term plan, 1990-1995 (PbC.4/3 and Add.1 and 2 and Add.2/Corr.1) to the fourth session of the Industrial Development Board together with the views expressed by Member States during and after the fourth session of the Programme and Budget Committee;

(d) Took note of the regular budget estimate of resource requirements necessary to carry out activities proposed for the 1990-1991 biennium (PbC.4/3/Add.2 and Corr.1) and recommended to the Board that the ceiling for the regular budget should represent zero-real growth as compared to the 1988-1989 biennium, without prejudice to the position of any Member State regarding required programme and budget growth percentages;

(e) Recalling General Conference resolutions GC.2/Res.2 and 3 and United Nations General Assembly resolution S-13/2 on the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, recommended to the Board that, following the evaluation of the programme of the Industrial Development Decade for Africa, it include a special action programme for Africa, including the possibility of a second industrial development decade for Africa, in the proposed programme and budget for 1990-1991, bearing in mind Annex II.b of the Constitution;

(f) Took note of the operational budget estimate of resource requirements for the 1990-1991 biennium and requested the Director-General to submit proposals for a general ceiling for the operational budget to the Programme and Budget Committee at its fifth session.

#### VII. PROGRAMME FOR DEVELOPMENT AND TRANSFER OF TECHNOLOGY

27. On 22 June, the Committee considered a report by the Director-General on the implementation of the programmes for the development and transfer of technology (PbC.4/4) and a note on the inclusion of development and transfer of technology among the types of activity financed under the regular programme of technical co-operation (PbC.4/4/Add.1).

28. On 24 June, after consideration of a draft conclusion submitted by the Chairman (PbC.4/L.8), the Committee adopted conclusion 1988/12.

Conclusion 1988/12

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 report of the Director-General on the implementation of the programme for the development and transfer of technology (PbC.4/4);

"(b) Requests that the programme included in document IDB.3/26, approved by the General Conference in its resolution GC.2/Res.4, continue to be implemented without delay, if necessary, by the redeployment of resources referred to in GC.2/Res.4, paragraph 7."

VIII. DATE OF THE FIFTH SESSION

29. On 24 June the Committee adopted conclusion 1988/13.

Conclusion 1988/13

The Committee decided to hold its fifth session from 10 to 14 April 1989.

IX. ADOPTION OF THE REPORT ON THE  
WORK OF THE FOURTH SESSION  
AND CLOSURE OF THE  
FOURTH SESSION

30. On 24 June the Committee adopted the draft report of its fourth session (PbC.4/L.11 and Add.1), with the understanding that the Rapporteur would be entrusted with the task of finalizing the report. The Committee closed its fourth session on 24 June 1988.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains only statements of principle made at the Programme and Budget Committee during its fourth session by delegations who requested that these statements be included in the report.

Organization of work

2. The delegation of Argentina, speaking on behalf of the Latin American Group, stated that the Group, after in-depth study and consideration of the provisional agenda, opined that the sequence between agenda items 5 and 7 should be reversed. Indeed, the Group believed that, in keeping with financial logics and also from the administrative point of view, the Committee should first consider the report of the External Auditor and subsequently the financial situation of UNIDO. It would be more appropriate to first analyse the past and then the present: that was why the Latin American Group ventured to request a change in the sequence of the agenda items to first consider the "Report of the External Auditor" and only after that the financial situation of UNIDO. It was true that the agenda had been distributed some months ago but the point of distributing it was for it to be considered and studied; and the Latin American Group had studied it in the greatest detail. The Group considered that, the meeting being so brief, the External Auditor would have to be available during the main part of the deliberations of the Committee. Thus, the insistence that the External Auditor ought to have been present at the outset of the meeting, that the necessary steps should have been taken for that to be so, and that in the future the necessary steps should be taken to make sure that the External Auditor was present at the very outset of the deliberations.

General

3. The delegation of Mexico, speaking on behalf of the Group of 77, said that the second session of the General Conference, in November 1987, had made the Group of 77 think that a new era had really begun. Six months later, they were looking for it in vain. UNIDO was continuing to be immersed in a financial crisis which, like the heads of a hydra, was regenerating of its own accord. The Member States and the Secretariat were concentrating their attention on those problems and just touching lightly on certain problems which were the heart and soul of the Organization. UNIDO had been established to assist in the industrialization - and consequently in improvement of the standard of living - of the third world countries.

4. The Group of 77, the delegation said, continued to believe that a development strategy had to be above all feasible. Such a strategy must therefore start out from the true economic and social needs of States and must take as its guideline the policies that the respective Governments had laid down in each case. It was incumbent on UNIDO to mobilize new resources and also to carry out the other functions that, owing to the injustice of the situation in which the countries of the Group of 77 found themselves, escaped their competence.

5. Investments that followed the usual guidelines or that enlarged the industrial power of the major centres came of their own accord. What the Group of 77 wanted was that UNIDO should concern itself with, and make available to its Member States, investments that, because they did not belong to those categories, were denied to them.

6. The prospects for industrial development meeting the requirements of our age would only be favourable if they were considered in the context of equity. A comprehensive, co-operative and accelerated strategy must be developed, and UNIDO, in implementing that strategy, must promote parallel programmes in the main sectors of the economy, based on a genuine and profound interdependence and taking advantage of that interdependence for the benefit of the less advantaged.

7. Our world, and even more the industrial world, the delegation stated, was far from being one made up of hermetic compartments. It was a basic aim of UNIDO to co-operate in overcoming that underdevelopment to which the countries of the third world were condemned. The gap between those countries which were enriching themselves in a geometrical progression and those which were experiencing an arithmetic progression if any at all was the pivotal fact of the end of the century. UNIDO's policies must be judged by what it achieved to reduce that patent and growing injustice.

8. The financial crisis through which the Organization was passing was due to causes that had nothing to do with the countries of the Group of 77. These countries were victims, in the first place, of the monetary fluctuations which had so much affected their programmes. In the second place, they were not involved in the withholding of contributions that some Member States were engaging in for political reasons. Thus, being victims and not being responsible for a crisis which certainly exceeded the bounds of UNIDO, it appeared contrary both to logic and to justice that they should be doubly penalized.

9. The Group of 77 would therefore wish any resolution that might be adopted by the present body on the question of finances to observe the following principles:

(a) It should not increase the obligations of the developing countries, either directly or indirectly;

(b) Any programme in the administrative area which involved increases should be considered with the greatest care, since it would mean a decrease in the substantive programmes;

(c) As a precautionary measure, special attention should be paid to the comments and recommendations of the External Auditor (PbC.4/12);

(d) Those States that were holding back their assessed contributions not because of inability to pay but for reasons of policy should be the ones to discharge their obligations first.

10. In that connection, the Group of 77 noted with considerable concern that the repayment of the loan from the United Nations was being dealt with on the basis of financial standards appropriate to private credit institutions. The United Nations and UNIDO were two organizations composed of the same Governments, and to oblige those Governments in Vienna to increase their payments was rather pointless: it neither resolved, even in a very small part, the crisis of the United Nations nor avoided a situation where the same Member States would be increasing their payments. Any solution to that problem must take as its starting point the very substantial debts that, for political reasons, some of the most industrialized States were keeping in being.

11. The Group of 77, the delegation continued, must draw attention to its profound concern regarding the programme performance report (PBC.4/6). The delegations that had attended the Conference session at Bangkok had emerged with an optimism which had now been fundamentally undermined. They found that a multitude of substantive programmes had been cancelled or curtailed. The modification of a programme, if it became inevitable for supervening reasons, involved changes and priority decisions which were perhaps not the prerogative of the Secretariat. It was for that purpose that the policy-making organs had been established, and it was their responsibility to take those decisions. There were clear, precise rules in the Organization. The Group of 77 wished to see the Secretariat apply those rules carefully.

12. Many of the above observations, the delegation said, pointed to the need to proceed with the rationalization of the organic structure of the Secretariat. To that end, the Group of 77 would like, above all, what was laid down in decision GC.2/Dec.22 to be taken literally: the liberal approach sometimes adopted by the Secretariat, when it spoke of continuing studies which had not really begun and of "taking into account" instead of "implementing" the decisions of the General Conference or of the other policy-making organs such as the present Committee, must be avoided. More co-ordination between departments, following what was called the interdisciplinary approach, was also required.

13. The item of greatest substance to be considered by the Committee was doubtless the medium-term plan. The Group of 77 had observed with concern that, like other essential documents, that document had been distributed late and had not been available in the working languages. It might be appropriate for its consideration to be postponed to a later date, in which case the discussion should, of course, take place on the basis of a new, better structured and shorter version, taking duly into account the opinions expressed by Member States. The Group of 77 also considered that the medium-term plan should be examined within the context of the new international strategy for the fourth development decade, the preparation of which had been requested by the United Nations General Assembly in resolution 42/193. UNIDO should play a central role there. A majority of States considered that, without constant and carefully planned industrialization, the idea of a development process that would take the countries of the Group of 77 into the twenty-first century would be a complete fiction.

14. The programme for the development and transfer of technology was of primordial importance for the Group of 77. While the countries of the Group of 77 had taken note of the progress that had been made in the implementation of technology programmes, efforts had to be redoubled to ensure their proper implementation. However, what was proposed regarding the continuation of the work described in document PBC.4/4/Add.1 did not seem clear.

15. The Group of 77 wished to reiterate its strong desire that the UNIDO Secretariat should adopt all the necessary measures to ensure that, with the staff and financial resources available, the programmes included in document IDB.3/26, adopted by the recent session of the General Conference, were duly implemented. The development and transfer of technology was one of the essential keys to develop and UNIDO should be capable of carrying out the mandate conferred on it by the majority of its Member States in that crucial sphere.

#### Financial situation of UNIDO (cf. chap. III)

16. The delegation of Argentina, speaking on behalf of the Latin American Group, reiterated its firm

support for UNIDO, whose statutory functions were of undeniable importance in international co-operation efforts directed towards the industrial growth of the developing countries and towards raising the standard of living of their peoples. The Latin American Group also reiterated its firm commitment to strengthening the role of the Organization, in accordance with the objectives and functions set forth in its Constitution and in other important instruments, among which the Lima Declaration and Plan of Action on Industrial Development and Co-operation was of special importance.

17. The Latin American countries had, during the last two years, expressed their grave concern at what now seemed to be the unchangeable financial situation of UNIDO, and, like many other delegations, the Group deplored the fact that that situation continued not only adversely to affect the substantive work of the Organization but also to oblige the Secretariat and Member States to concentrate attention on it instead of devoting more time to the real problems of industrialization that the developing countries were facing.

18. The Latin American Group considered that the profound crisis confronting the majority of their countries had prevented many of them from complying with their financial obligations to UNIDO and other international organizations; however, the Group found it unjustifiable that countries that had sufficient resources should deliberately and arbitrarily delay or withhold their assessed contributions, thus hindering the proper functioning of the Organization and causing conditions of instability for the staff. In that connection, the Group was gravely concerned to note that a single major contributor owed practically 50 per cent of the total unpaid assessed contributions for 1986-1988, as was clear from annex I of the "General report on the financial situation" (document PBC.4/9).

19. It was thus clear, stated the delegation, that the real cause of the financial situation of UNIDO lay in factors completely extraneous to the developing countries. Moreover exchange rate fluctuations that resulted from the manipulations of those countries that possess substantial capital had affected the capacity to pay of the Governments of the Latin American Group in UNIDO and other international organizations, while other countries had benefited from the same exchange rate fluctuations.

20. In the last two years the developing countries, paradoxically and against their wishes, had had to make additional efforts to support the heavy administrative burden of UNIDO and had had to accept, in addition, substantial cuts in the co-operation programmes and projects that had been planned for the purpose of providing them with technical and economic assistance.

21. Thus, the delegation continued, it was regrettable to note in the programme performance report for the biennium 1986-1987 (PBC.4/6) that, in spite of the various measures that had been adopted to resolve the financial problems of the Organization that had led to the adoption of a supplementary budget, the increase in the Working Capital Fund, the adoption of the split-currency system of assessment, the rationalization of the organic structure, etc., the last biennium had seen considerable cuts and cancellations of many substantive programmes that had been approved by the General Conference.

22. The Group exhorted the Secretariat to take all the necessary measures, with the personnel and financial resources available, to implement the programmes and subprogrammes that were duly mandated by the General Conference. UNIDO must be capable of



carrying out the substantive activities with which it had been entrusted, as otherwise it would lose its very raison d'être.

23. In view of the foregoing, the Latin American Group also wished to express its grave concern and disagreement with the various proposals presented by the Secretariat for, inter alia, compensating the deficit in the operational budget and repaying the loan made by the United Nations to UNIDO. In both cases, proposals had been made that would entail additional contributions from Member States which, in the case of the developing countries, were definitely not in a position to provide in view of the grave crisis confronting the majority of their peoples.

24. To solve the problem of the deficit in the operational budget, it did not seem desirable or necessary that the Organization continue in 1989 to maintain the number of posts financed under that budget at the level planned for 1988, inasmuch as several of these posts had remained vacant in the latter year. Nor was the proposal acceptable to transfer 61 General Service and six Professional posts from the operational budget to the regular budget during the 1990-1991 biennium, since to approve that proposal would not only be contrary to the idea of further rationalizing the organic structure of UNIDO but would also imply a further financial increase in the regular budget, and hence higher contributions from Member States.

25. On the basis of decision IDB.3/Dec.20 adopted by the Industrial Development Board at its third session, the UNIDO Secretariat should identify other measures and, among such measures, make an appeal for voluntary contributions, particularly from countries with sufficient resources, to balance the operational budget, as suggested in document PBC.4/3/Add.2.

26. With regard to the reimbursement of the loan made by the United Nations to UNIDO, the delegation said that the Latin American countries wished to express their disagreement with the proposal to increase the level of the Working Capital Fund to cover that loan, as suggested in document PBC.4/10, and recommended, on the contrary, that the loan should be paid with the financial resources received by the Organization in respect of delayed assessments for 1986 and 1987.

27. The Latin American Group reaffirmed that a solution of the present crisis and the future financial stability of UNIDO could only be ensured to the extent that, on the one hand, Member States, and particularly the main contributors, discharged their financial obligations fully and in a timely manner, and, on the other hand, the organic structure of UNIDO was further rationalized without prejudice to its functioning. Any other measure adopted would always be insufficient and would never provide a remedy to the longstanding financial problem that affected the Organization.

28. The Latin American Group addressed a special appeal to those countries whose currencies had been upvalued to make additional voluntary contributions with the financial resources that had been saved and that were originally earmarked for the payment of their assessment in dollars. A decision of that nature would bring credit on the countries concerned and would be a palpable demonstration of their political will to resolve the financial problem and, at the same time, would strengthen international co-operation.

29. Lastly, the Latin American countries wished to express their grave concern at the observations and comments made in the report of the External Auditor (document IDB.4/3 - PBC.4/12), in which attention was drawn to a number of inappropriate administrative procedures and defective and unclear practices in the administrative and financial management of the Organization. In that connection, they exhorted the Secretariat to adopt all the necessary measures to correct those deficiencies and duly protect the interests of Member States and of UNIDO.

#### Medium-term plan, 1990-1995 (cf. chap. VI)

30. The delegation of Egypt, speaking on behalf of the African Group, expressed its appreciation to the Secretariat for the extensive documents and for the wide perspective shown in preparing the main document, PBC.4/3. In considering industrial development, it was necessary to have a broader outlook on the whole of the development issue and therefore the African Group did not agree with comments made by delegations who criticized the first part of the document as not directly related to the issue under consideration. The African Group believed in the integrated approach to development and, in order to have an effective policy, it was necessary to consider the impact of other related issues. Development could not be considered in isolated items.

31. The present discussion would help to consider each others' point of view and coalesce a final position on the medium-term plan at the fourth session of the Board.

32. The African Group hoped that the medium-term plan would reflect three main objectives. First, the Group wished to see the medium-term plan reflect the objectives of UNIDO, aiming at fulfilling its role within the United Nations system in the area of industrial development. Second, the Group wanted to see UNIDO as the main co-ordinator of, and thus the responsible agency for, industrial development in the United Nations system. UNIDO had not been fulfilling that role before its conversion into a specialized agency. Now, the Organization had entered a new era, and the delegation would wish the medium-term plan to reflect this phase. Third, the Group wished that the medium-term plan would be a true reflection of what was actually happening in the international community in the area of industrialization - an area where international co-operation could be demonstrated strongly. There was much that the industrialized, more well-off countries could do in the southern part of the globe.

33. The particular area of industrialization where advancement is very great in the northern part of the hemisphere was a true place for expressing the political will that signalled real co-operation. If such co-operation were demonstrated, then the era of charity and assistance could be replaced by a truly productive era through small- and medium-scale industry. Therefore, the delegation did not see any conflicting position between the North and South in the area of industrial development. That message should also be reflected in the medium-term plan, in a spirit of co-operation among the delegations from the North and the South.

34. The Group was pleased to see in the document the reference to Africa as well as the introduction that referred to the international situation and the basic features of the 1980s. The 1980s had been said to be

a lost decade for development. Unfortunately, for the African continent it had been a particularly difficult decade. The Group hoped that the outlook for the 1990s would not be as pessimistic, and that a second development decade for the industrialization of Africa would be handled within UNIDO in a more vigorous and forceful way.

35. The African Group expressed its thanks to the donor countries of the Industrial Development Decade for Africa. The Group would like UNIDO to join efforts with the rest of the United Nations system in the Programme of Action for African Economic Recovery and Development 1986-1990, adopted at the thirteenth special session of the General Assembly, and therefore the Group strongly demanded that a second industrial development decade for Africa be one of the priority issues of the medium-term plan of UNIDO.

36. The Group was pleased to see that some of the African problems - namely the debt of some of the African countries - had been considered by the leaders that participated in the recent economic summit in Canada. It was hoped that, through UNIDO, Africa would promote, with the co-operation of the industrial countries, industrial development and not, instead, receive the toxic waste of the industrialization process. The Group called upon all the representatives of the industrial countries that were present to co-operate with the people of Africa in

preventing the deposition of toxic waste in Africa. The Group appealed to the participants in the current session of the Committee to transmit that message to their Governments in order to stop that immoral procedure perpetrated by some companies and individuals.

37. The African Group was also pleased to see the items on industrial rehabilitation and the mobilization of financial resources for industrial development as part of the document.

Medium-term plan, 1990-1995 (cf. chap. VI)  
(in relation to the adoption of conclusion 1988/11)

38. The delegation of the Philippines, speaking on behalf of the Asian Group, said it wanted to place on record that the Asian Group was opposed to the concept of zero real growth in the regular budget of UNIDO. In adopting the conclusion contained in document PBC.4/L.9, the Group trusted that the zero real growth for 1990-1991 would not become a precedent for the UNIDO regular budget for succeeding bienniums. The Asian Group considered UNIDO as an important organization for supporting the industrial development of developing countries. The Group opined that in the years to come, UNIDO should be provided with increased resources so that it could expand its activities for extending assistance to the developing countries in their industrialization programmes.

Annex II

DOCUMENTS SUBMITTED TO THE COMMITTEE AT ITS FOURTH SESSION

<u>Document symbol</u>	<u>Agenda item</u>	<u>Title</u>
PBC.4/1	3	Agenda
PBC.4/1/Add.1	3	Annotated provisional agenda
PBC.4/2 - IDB.4/2		Financial rules. Report by the Director-General
PBC.4/3	8	Draft medium-term plan, 1990-1995. Revised proposals by the Director-General. Note by the Director-General
PBC.4/3/Add.1	8	Draft medium-term plan 1990-1995. Preview of the first biennium 1990-1995. Proposals by the Director-General
PBC.4/3/Add.2 and Corr.1	8	Draft medium-term plan 1990-1995. Programme and budget planning process; preliminary indicative figures of 1990-1995 resources. Note by the Director-General
PBC.4/4	9	Programme for the development and transfer of technology. Implementation of the programmes for the development and transfer of technology. Report by the Director-General
PBC.4/4/Add.1	9	Programme for the development and transfer of technology. Implementation of the programmes for the development and transfer of technology. Inclusion of development and transfer of technology among the types of activity financed under the regular programme of technical co-operation
PBC.4/5	6	Industrial Development Fund. Programme for 1989 and plan for 1989 and 1990. Report by the Director-General
PBC.4/6	5(a)(iii)	Financial situation of UNIDO: financial performance report and programme performance report. Programme performance report for the biennium 1986-1987. Note by the Director-General
PBC.4/7	5(c)(i)	Financial situation of UNIDO: operational budget. Measures to stabilize the operational budget. Report by the Director-General
PBC.4/8	5(d)	Financial situation of UNIDO: adjustments to the salary levels and related allowances of staff in the General Service, Manual Worker and Language Teacher categories. Proposals related to the implementation of the recommendations of the International Civil Service Commission on the new General Service salary scale for Vienna-based staff in the context of General Conference decision GC.2/Dec.22. Report by the Director-General

- PBC.4/9 5(a)(i) General report on the financial situation.  
and (ii) Implications of the current financial difficulties for  
programme and operational activities of UNIDO. Report by  
the Director-General
- PBC.4/10 5(b) Financial situation of UNIDO: repayment of United Nations  
loan. Programme for repayment of the United Nations loan  
to UNIDO. Proposals by the Director-General
- PBC.4/11 5(c)(ii) Financial situation of UNIDO. Organizational structure of  
UNIDO. Report by the Director-General
- PBC.4/12 7 Report of the External Auditor. Report of the External  
and Corr.1 Auditor on the accounts of the United Nations Industrial  
IDB.4/3 Development Organization and of the Industrial Development  
and Corr.1 Fund for the financial period 1986-1987 ended  
31 December 1987
- PBC.4/13 5(a)(iii) Financial performance report and programme and  
7 performance report for the biennium 1986-1987. Report of  
the External Auditor. Note by the Secretariat

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- PBC.4/CRP.1 6 Industrial Development Fund. List of projects approved  
under the Industrial Development Fund (IDF) in 1987
- PBC.4/CRP.2 6 Industrial Development Fund. Programme for 1989 and plan  
for 1989-1990. Statistics
- PBC.4/CRP.3 UNIDO Secretariat staff. List of staff of the UNIDO  
Secretariat as of 31 May 1988
- PBC.4/CRP.4 4 Rules of procedure of the Programme and Budget Committee  
(PBC.3/CRP.2 and Corr.1). Recommendations of the  
open-ended working group
- PBC.4/CRP.5 5 Financial situation of UNIDO. Report of the  
Director-General. Update of document PBC.4/9
- PBC.4/CRP.6 5 Financial situation of UNIDO. Discussion paper prepared by  
the Secretariat at the request of the Chairman of the  
Programme and Budget Committee on the future financial  
stability of the Organization
- PBC.4/CRP.7 7 Report of the External Auditor (agenda item 7).  
Introductory statement by the Director-General
- PBC.4/CRP.8 List of Participants
- PBC.4/CRP.9 5 Financial situation of UNIDO. Report of the  
Director-General. Update of document PBC.4/9

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UNIDO/DG/B.74 Director-General's Bulletin. The financial rules of UNIDO