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### REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS FIFTH SESSION 10-14 April 1989

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### Introduction

1. The Programme and Budget Committee held its fifth session at UNIDO Headquarters, Vienna International Centre, from 10 to 14 April 1989. The following 26 members of the 27 members of the Committee participated in the session: Algeria, Angola, 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 48 Members of UNIDO also attended the session: Albania, Belgium, Bolivia, Bulgaria, Byelorussian Soviet Socialist Republic, Canada, Chile, Colombia, Costa Rica, Denmark, Ecuador, Egypt, German Democratic Republic, Greece, Guinea, Indonesia, Ireland, Israel, Kenya, Kuwait, Luxembourg, Malaysia, Mexico, Norway, Oman, Pakistan, Panama, Philippines, Poland, Qatar, Republic of Korea, Saudi Arabia, Senegal, Spain, Sudan, Sweden, Switzerland, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, United Republic of Tanzania, Uruguay, Venezuela, Viet Nam, Zaire, Zambia. The United Nations Development Programme was represented.

3. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation: E. Ivan (Hungary) as Chairman; C. Valdivia Sesma (Cuba), A. Boucetta (Morocco), A. A. Tofigh (Islamic Republic of Iran) as Vice-Chairmen; and H. Merrett (United Kingdom of Great Britain and Northern Ireland) as Rapporteur.

4. The agenda for its fifth session as adopted by the Committee is contained in document PBC.5/1/Rev.1. Following the adoption of the agenda, the Director-General made an introductory statement, of which the relevant parts were considered by the Committee under each item of the agenda.

5. The report of the Programme and Budget Committee on the work of its fifth 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 contain recommendations which call for action by the Board at its fifth session:

<u>Conclusion</u>	<u>Subject</u>
1989/4	Operational budget
1989/5	Scale of assessments for apportionment of the regular budget expenses of UNIDO
1989/6	Financial situation
1989/7	Working Capital Fund
1989/8	Industrial Development Fund
1989/9	Organizational and staff structure of UNIDO
1989/10	Repayment of the United Nations loan

1989/11	Programme and budgets, 1990-1991
1989/12	Special programme for the industrial development of Asia and the Pacific
1989/13	Emergency industrial rehabilitation assistance
1989/14	Financial regulations
1989/15	Appointment of external auditors
1989/16	Establishment of a regional co-operation programme for the industrial recovery of Latin America and the Caribbean

### I. ORGANIZATIONAL MATTERS

8. On 10 April, the Committee considered a proposal by the Chairman to improve the utilization of available conference-servicing resources and adopted conclusion 1989/1.

#### Conclusion 1989/1

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

### II. RULES OF PROCEDURE

9. On 10 April, the Committee considered the recommendations (PBC.5/CRP.1) submitted by the open-ended working group on the rules of procedure established under the chairmanship of L. Alcon Palus (Argentina) and adopted conclusion 1989/2.

#### Conclusion 1989/2

The Committee decided to adopt rules 43 and 62 of its rules of procedure to read as follows:

#### Rule 43

##### Majority required

1. Two-thirds majority of the members present and voting - Decisions of the Committee shall require a two-thirds majority of the members present and voting.

2. For the purpose of the present rules, the phrase "members present and voting" means members of the Committee participating in the session and casting an affirmative or negative vote. Members of the Committee who abstain from voting shall be regarded as not voting.

#### Rule 62

Participation of representatives of the United Nations, specialized and related agencies, governmental, intergovernmental and non-governmental organizations and observers

1. In accordance with the relationship agreements concluded between the United Nations Industrial Development

Organization and the organizations concerned, representatives of the United Nations, appropriate United Nations bodies, specialized and related agencies, and governmental and inter-governmental organizations shall be entitled to attend sessions of the Committee and to participate, without the right to vote, in its deliberations on questions within the scope of their activities.

2. The Committee may also decide on participation of non-governmental organizations with which appropriate relations have been established according to Article 19.1 (b) of the Constitution, and invite observers, within the meaning of Article 4 of the Constitution, to attend any session during which matters of direct concern to them are on the agenda.

### III. FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT

10. On 10 and 11 April, the Committee considered an interim programme performance report (PBC.5/2) and an interim financial performance report (PBC.5/12 updated in PBC.5/CRP.13) submitted by the Director-General for the biennium 1988-1989, as well as a note by the Secretariat on new developments on project design, appraisal and evaluation in UNIDO (PBC.5/CRP.11).

11. On 14 April, after consideration of a draft conclusion on financial and programme performance reports submitted by the Chairman (PBC.5/L.5), the Committee adopted conclusion 1989/3.

#### Conclusion 1989/3

The Programme and Budget Committee:

(a) Took note of the interim programme performance report (PBC.5/2 and PBC.5/CRP.11) and interim financial performance report (PBC.5/12 and PBC.5/CRP.13) for the biennium 1988-1989;

(b) Requested that, in future reports, information on performance targets and programme outputs be supplied in connection with the administrative and support sectors of the Secretariat, in order to permit evaluation of the quality of those activities;

(c) Further requested the Director-General to present to the Industrial Development Board at its fifth session, for information purposes, a succinct explanatory note on the performance targets and programme outputs adopted for the biennium 1988-1989.

### IV. OPERATIONAL BUDGET

12. On 10 and 11 April, the Committee considered a report on the programmes and budgets of UNIDO prepared by an independent team of experts in response to PBC conclusion 1988/7 (PBC.5/16 and Corr.2) and the comments by the Director-General on that report (PBC.5/16/Add.1).

13. On 14 April, after consideration of a draft conclusion on the operational budget submitted by the Chairman (PBC.5/L.4), the Committee adopted conclusion 1989/4.

#### Conclusion 1989/4

The Programme and Budget Committee:

(a) Welcomed the study on the required scope and content of the operational budget and its relationship with the regular budget prepared by the independent team of experts in response to PBC conclusion 1988/7 (PBC.5/16 and Corr.2) and the comments of the Director-General on that report as well as his plan of implementation (PBC.5/16/Add.1);

(b) Endorsed the intention of the Director-General:

(i) To bring the programming and budgetary functions closer together, and to establish a central programme planning and co-ordination office;

(ii) To implement the recommendations related to cost identification in UNIDO proposed in paragraph 8 of document PBC.5/16/Add.1, but recommended that the review of the cost identification system be undertaken in 1989 and that a report on the cost of regular budget support to technical co-operation and related activities be presented to the Programme and Budget Committee at its sixth session;

That report should contain:

- Detailed information on the way the project support costs are defined and identified as well as the actual amounts;
- A comparative review of systems and results in other United Nations agencies;
- The parameters and criteria for charging costs to the operational budget;
- Comparative figures for project support costs for special trust fund projects and an examination of the need for a differentiation in overhead requirements;

(c) Requested the Director-General to present to the Programme and Budget Committee at its next session an illustration of the proposed format of future programme and budget proposals in line with the recommendations of the independent team of experts;

(d) Welcomed the proposal to include a recommendation by the Director-General in the 1992-1993 programme and budget proposal on the size and composition of the regular budget support to the operational budget taking into account the report on the cost of the regular budget support to technical co-operation and related activities mentioned in paragraph (b)(ii) above;

(e) Requested that in the budget document, regarding performance targets and programme outputs of the administrative sector, the Director-General should:

- (i) Distinguish between resources (including staff time) needed for recurring activities and those to be spent on project-type non-recurring activities and provide performance indicators where possible;
- (ii) State the purpose and cost (including estimated staff time) of non-recurring activities (projects);
- (iii) State the resources needed for recurring activities and indicate the ratios between resources and outputs;

(f) Recommended the introduction of rules for the use of operational budget resources in accordance with the recommendations in paragraph 123 of document PBC.5/16 following the review by the Director-General of the implications of those recommendations;

(g) Recommended to the Industrial Development Board:

- (i) To request the Director-General to pursue the question of programme support costs with other interested agencies;

- (ii) To urge Member States to follow closely the work in the United Nations Development Programme (UNDP) on "successor arrangements" for the current programme support cost formula, bearing in mind the financial incidence of any proposals on the support cost and regular budget of UNIDO;

(h) Decided to consider the proposed amendment to Financial Regulation 4.1 (b) at its sixth session;

(i) Further requested the Director-General, pending conclusion of the expected debate on successor arrangements for the UNDP formula for reimbursement of support costs:

- (i) To fix the mandatory reserve under the operational budget at 15 per cent of the estimated budget expenditure for the biennium 1990-1991;

- (ii) That any gains within the approved operational budget on account of an appreciating United States dollar be used in the first instance to bring the reserve to its proposed new statutory level;

(j) Further agreed on the important role of systematic and long-term scheduled in-depth reviews of UNIDO's headquarters and field programmes as a source of feedback to the decision-making process of the Organization, in particular for its biennial exercise on programmes and budgets, and recommended to the Industrial Development Board that it ensure that further action is taken to that effect during the 1990-1991 biennium.

#### V. SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES OF UNIDO

14. On 12 April, the Committee considered a note by the Secretariat on the scale of assessments for the

fiscal years 1990 and 1991 (PBC.5/8), a report by the Director-General on applications of the split-currency system of assessment (PBC.5/14), a general report on the financial situation submitted by the Director-General (PBC.5/11 supplemented by PBC.5/CRP.6 and updated by PBC.5/CRP.8 and PBC.5/CRP.9).

15. On 14 April, after consideration of a draft conclusion on the scale of assessments for apportionment of the regular budget expenses of UNIDO submitted by the Chairman (PBC.5/L.3), the Committee adopted conclusion 1989/5.

#### Conclusion 1989/5

The Programme and Budget Committee:

(a) Took note of the documents on the scale of assessments for the fiscal years 1990 and 1991 (IDB.5/4 - PBC.5/8), and on applications of the split-currency system of assessment (IDB.5/8 - PBC.5/14) as well as the information concerning the status of assessed contributions to the regular budget (PBC.5/11, annex I and PBC.5/CRP.8);

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

"The Industrial Development Board:

"(i) Recommends to the General Conference for the fiscal period 1990-1991:

"(a) The establishment of a scale of assessments for the regular budget expenditures of UNIDO based on the scale of assessments adopted by the United Nations General Assembly in resolution 43/223 A and adjusted for differences in membership between the United Nations and UNIDO by the application to the United Nations rate of assessments of a co-efficient to be calculated by the UNIDO Secretariat (PBC.5/8);

"(b) The continued application of the split-currency system of assessments for the regular budget in accordance with Financial Regulation 5.1 (d);

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

"(iii) Strongly urges those Member States that have not yet paid their regular assessed contributions (including advances to the Working Capital Fund) for the years 1986-1987 and 1988 to do so without further delay;

"(iv) Requests Member States to pay their regular assessed contributions for 1989 in accordance with Financial Regulation 5.5 (b)."

16. On 14 April, after consideration of a draft conclusion on the financial situation submitted by the Chairman (PBC.5/L.13), the Committee adopted conclusion 1989/6.

#### Conclusion 1989/6

The Programme and Budget Committee, having reviewed the report of the Director-General on the financial situation of UNIDO (PBC.5/11, updated in PBC.5/CRP.8 and PBC.5/CRP.9) and a note by the Secretariat on housing and representation allowances (PBC.5/CRP.6), recommended to the Industrial Development Board that it (a) take note of the revised appropriations for 1988-1989 contained in annex IV of document PBC.5/11 and (b) approve the proposal of the Director-General to change the basis for the computation of the representation and housing allowances from a dollar-based expenditure to a schilling-based expenditure with effect from 1 July 1989.

#### VI. WORKING CAPITAL FUND

17. On 13 April, the Committee considered a note by the Director-General with proposals for the Working Capital Fund for the biennium 1990-1991 (PBC.5/5), a note by the Secretariat on adjustments to be introduced in 1990 to the advances to the Working Capital Fund for that biennium (PBC.5/CRP.14), a report by the Director-General on applications of the split-currency system of assessment (PBC.5/14), and a report on the status of advances to the Working Capital Fund (PBC.5/11, annex II, updated in PBC.5/CRP.8).

18. On 14 April, after consideration of a draft conclusion on the Working Capital Fund submitted by the Chairman (PBC.5/L.9), the Committee adopted conclusion 1989/7.

#### Conclusion 1989/7

The Programme and Budget Committee:

(a) Took note of the proposals of the Director-General for the Working Capital Fund for the biennium 1990-1991 (PBC.5/5), the adjustments to be made to the advances to the Working Capital Fund in 1990 for the 1990-1991 biennium (PBC.5/CRP.14) and the report of the Director-General on the applications of the split-currency system of assessment (PBC.5/14);

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

"The Industrial Development Board recommends to the General Conference that:

"(i) The level of the Working Capital Fund and the authorized purposes of the Fund for the 1990-1991 biennium remain the same as for the 1988-1989 biennium;

"(ii) Advances to the Working Capital Fund should continue to be assessed and paid in US dollars, as stated in Financial Regulation 5.5 (d)."

#### VII. INDUSTRIAL DEVELOPMENT FUND AND VOLUNTARY CONTRIBUTIONS

19. On 13 April, the Committee considered a note by the Director-General providing information on the nature of projects financed from the Industrial Development Fund (IDF) (PBC.5/7), a list of projects approved under IDF in 1988 (PBC.5/CRP.2) and information on the nature of projects financed from voluntary contributions other than IDF

(PBC.5/CRP.10), as well as a note by the Director-General on the estimated resource level and proposed programming for 1990-1991 (PBC.5/10, supplemented by PBC.5/CRP.3).

20. On 14 April, after consideration of a draft conclusion on the Industrial Development Fund submitted by the Chairman (PBC.5/L.10), the Committee adopted conclusion 1989/8.

#### Conclusion 1989/8

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 reports of the Director-General on the Industrial Development Fund contained in documents IDB.5/6 - PBC.5/10 and IDB.5/3 - PBC.5/7;

"(b) Takes note of the proposed programming thrust for 1990 and 1991 (IDB.5/6 - PBC.5/10, paras. 13-23);

"(c) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in 1990 and 1991;

"(d) In light of the critical situation of the general-purpose convertible segment of the Fund, considering Financial Rule 106.11, and to allow programming flexibility, urges all donors to provide part of their contributions to the general-purpose convertible segment of the Fund;

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

"(f) Encourages Member States to consider providing contributions for financing preparatory assistance activities of large-scale projects and programmes (IDB.5/6 - PBC.5/10, para. 18)."

#### VIII. ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

21. On 11 and 12 April, the Committee considered a report by the Director-General on the changes introduced to the organizational structure of UNIDO since June 1988 in response to General Conference decision GC.2/Dec.22 (PBC.5/13), as well as the findings and recommendations of the Director-General (PBC.5/15/Add.1 and Corr.1) based on a management review of the organizational and staff structure of UNIDO (PBC.5/15).

22. On 14 April, after consideration of a draft conclusion on organizational and staff structure of UNIDO submitted by the Chairman (PBC.5/L.8) with an amendment, the Committee adopted conclusion 1989/9.

#### Conclusion 1989/9

The Programme and Budget Committee:

(a) Took note of the report of the Director-General (IDB.5/7 - PBC.5/13) on action taken to rationalize the organizational structure of UNIDO in compliance with General Conference decision GC.2/Dec.22, subparagraphs (g) and (h);

(b) Having considered the management review of the organizational and staff structure of UNIDO (IDB.5/9 - PBC.5/15) and the findings and recommendations of the Director-General thereon (IDB.5/9/Add.1 and Corr.1 - PBC.5/15/Add.1 and Corr.1);

- (i) Recommended to the Industrial Development Board to take note with appreciation of the findings and recommendations of the Director-General on the management review of the organizational and staff structure of UNIDO and of the report itself; and to take note in particular of the Director-General's timetable for the implementation of recommendations already accepted by him, especially those concerning the establishment of a central office for strategy, policy and planning;
- (ii) Welcomed the commitment of the Director-General to implement them without financial implications;
- (iii) Requested the Director-General to prepare, as a conference room paper, for submission to the Board at its fifth session an addendum to the proposed programme and budgets, 1990-1991 (IDB.5/5 and Corr.1 - PBC.5/9 and Corr.1) showing the incorporation of the recommendations contained in part A of paragraph 12 of document IDB.5/9/Add.1 and Corr.1 - PBC.5/15/Add.1 and Corr.1;
- (iv) Requested the Director-General to submit to the Board at its fifth session a report reflecting his views on the subject taking into account the views expressed by the members of the Programme and Budget Committee and observers present during its fifth session;
- (v) Also recommended to the President of the Board to request the Director-General to arrange at an appropriate time for a further informal exchange of views and study of options for the long-term reform process as suggested in paragraph 12 of document IDB.5/9/Add.1 and Corr.1 - PBC.5/15/Add.1 and Corr.1.

#### IX. REPAYMENT OF THE UNITED NATIONS LOAN

23. On 12 April, the Committee considered the proposals by the Director-General for a programme for repayment of the United Nations loan to UNIDO (PBC.5/6).

24. On 14 April, after consideration of a draft conclusion on repayment of the United Nations loan submitted by the Chairman (PBC.5/L.6), the Committee adopted conclusion 1989/10.

#### Conclusion 1989/10

The Programme and Budget Committee took note of the proposals of the Director-General for the repayment of the United Nations loan (PBC.5/6) and recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided by the Director-General to the Programme and Budget Committee concerning his negotiations with the United Nations on the repayment of the loan of \$16 million made by the United Nations to UNIDO in 1986 (PBC.5/6);

"(b) Agrees to the following modality for the repayment of the loan:

"(i) A minimum annual payment, amounting to \$1 million, will be made, starting in 1990. This annual payment will be made on 31 July;

"(ii) Additional payments will become due whenever the level of unpaid regular budget assessed contributions to UNIDO fall below an amount equal to the sum of the UNIDO Working Capital Fund (currently \$9 million) and the unpaid balance of the United Nations loan to UNIDO;

"(iii) The additional payments referred to in paragraph (ii) above shall equal (to the nearest \$100,000) the amount by which the sum of the UNIDO Working Capital Fund and the balance of the United Nations loan exceeds the unpaid balance of assessed regular budget contributions to UNIDO, but shall not be greater than the balance of the United Nations loan;

"(iv) The additional payments shall be made in the month following the month in which they become due;

"(c) Takes note of the agreement that UNIDO will provide an annual financial report to the Advisory Committee for Administrative and Budgetary Questions (ACABQ), at its fall session, so that ACABQ may review and submit recommendations on the question of accelerating UNIDO's loan repayment schedule;

"(d) Requests the Director-General to retain:

"(i) The unutilized balance, if any, in the 1988-1989 appropriations for use as a first charge on payment of the United Nations loan in 1990; and

"(ii) The unutilized balance, if any, in the 1988-1989 outstanding obligations remaining at 31 December 1989 for payment of the United Nations loan in 1991."

#### X. PROGRAMME AND BUDGETS, 1990-1991

25. On 12 and 13 April, the Committee considered the proposals of the Director-General for the programme and budgets, 1990-1991 (PBC.5/9 and Corr.1, revised in PBC.5/CRP.12), revised proposals by the Director-General concerning a special programme for Africa (PBC.5/CRP.15), the budgetary implications (PBC.5/CRP.16) of a draft conclusion on a plan of action for the industrial recovery of Latin America (see paras. 31 and 32 below), two notes by the Secretariat providing information on the costing of programme elements (PBC.5/CRP.4) and

on the effects of Australia's withdrawal on the programme and budgets, 1990-1991 (PBC.5/CRP.5), a draft conclusion submitted by Bangladesh, China, India, Iran, Islamic Republic of and Iraq on a special programme for the industrial development of Asia and the Pacific (PBC.5/L.2) and an executive summary of the report on the mid-term evaluation of the Industrial Development Decade for Africa (PBC.5/17).

26. On 14 April, after consideration of a draft conclusion on programme and budgets, 1990-1991 submitted by the Chairman (PBC.5/L.11), the Committee adopted conclusion 1989/11.

Conclusion 1989/11

The Programme and Budget Committee:

- (a) Considered the draft programme of work and the corresponding estimates for the activities to be financed from the regular and operational budgets as prepared by the Director-General and contained in document IDB.5/5 and Corr.1 - PBC.5/9 and Corr.1 and as revised in conference room papers PBC.5/CRP.12, PBC.5/CRP.15 and PBC.5/CRP.16;
- (b) Noted that the exchange rates applied in those estimates were AS 12.20 = US\$1 for the regular budget and AS 12.50 = US\$1 for the operational budget;
- (c) Recommended that the Industrial Development Board adopt:
- (i) The proposals of the Director-General contained in documents IDB.5/5 and Corr.1 - PBC.5/9 and Corr.1, PBC.5/CRP.12, PBC.5/CRP.15 and PBC.5/CRP.16 as well as the proposals in PBC conclusion 1989/12, that result in an amount for the regular budget of \$189,589,200;
- (ii) A reduction relating to income of \$25,209,700;
- (iii) A net biennial regular budget allocation of \$164,379,500;
- (d) Recommended to the Board that it decide that, from the total amount of the 1990-1991 appropriations, an amount representing 15 per cent of those appropriations should be kept in reserve by the Director-General pending receipt from Member States of their assessed contributions;
- (e) Proposed to the Board that in accordance with Financial Regulations 5.1 (d) and 5.5 (e) the net allocation of \$164,379,500 be the basis for the assessment of Member States to be apportioned in accordance with the scale of assessments for the fiscal period 1990-1991 and in accordance with the continued application of the split-currency system of assessments;
- (f) Further recommended to the Board approval of an operational budget of \$36,694,600.

27. On 14 April, after consideration of a draft conclusion on a special programme for the industrial development of Asia and the Pacific

submitted by the Chairman (PBC.5/L.2/Rev.1) with amendments, the Committee adopted conclusion 1989/12.

Conclusion 1989/12

The Programme and Budget Committee, referring to General Conference resolution GC.2/Res.1 on the strengthening of economic and technical co-operation among developing countries (ECDC/TCDC), recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Notes the fact that over half the population of the Member States of UNIDO reside in Asia and the Pacific, and that as many as 13 least developed countries form part of the region;

"(b) Observes with concern the conditions of acute poverty afflicting many countries of the region due to lack of, and uneven, industrial growth;

"(c) Decides to establish a special programme for Asia and the Pacific, with its respective regional and subregional projects, geared to a rapid industrial growth of the developing countries of the region with special emphasis on the least developed countries, taking fully into account available natural and manpower resources based on the strengthening of existing programmes in UNIDO. The aim of the programme would be to facilitate the process of development of indigenous and relevant technologies wherever possible and to assist, where this is not possible, in organizing the transfer of technologies for the development of industries in the region;

"(d) Proposes the establishment of a special account within the Industrial Development Fund (IDF) for the above purpose and for the financing of technical co-operation projects and programmes for the industrial development of the least developed countries of the region;

"(e) Also decides to set up a suitable mechanism from available resources within the regular budget for the development and monitoring of the special programme for the industrial development of Asia and the Pacific;

"(f) Requests the Director-General, in implementing the programme of work contained in the regular budget for 1990-1991, to take into account the preparatory phase of this special programme;

"(g) Urges Member States to support the programme through voluntary contributions within the IDF, trust funds and other sources of funds."

28. On 14 April, after consideration of a draft conclusion on emergency industrial rehabilitation assistance submitted by the Chairman (PBC.5/L.12), the Committee adopted conclusion 1989/13.

Conclusion 1989/13

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

"The Industrial Development Board:

"(a) Expresses concern that countries often suffer natural disasters that seriously affect their industries;

"(b) Recalls decisions IDB.4/Dec.13 and IDB.4/Dec.14 in respect of emergency assistance to the Sudan and Bangladesh;

"(c) Takes note of the existing infrastructure and ability of UNIDO to provide rehabilitation assistance, and the role that UNIDO has already played in the industrial rehabilitation of the disaster-stricken areas;

"(d) Requests the Director-General to continue to implement appropriate assistance measures, in consultation with the respective Governments, towards the emergency industrial rehabilitation of those countries;

"(e) Appeals to donor countries to make generous contributions for such emergency industrial rehabilitation."

#### XI. FINANCIAL REGULATIONS

29. On 13 April, the Committee considered a report by the Director-General on consultations concerning the interpretation of Financial Regulation 4.2 (PBC.5/3/Rev.1) and a report by the Director-General on applications of the split-currency system of assessment (PBC.5/14) and adopted conclusion 1989/14.

##### Conclusion 1989/14

The Committee decided to recommend to the Industrial Development Board that it submit to the General Conference at its third session for consideration and adoption the amendments to Financial Regulations 4.2 (b) and 4.2 (c) as underlined in the following texts:

##### Financial Regulation 4.2 (b)

"Regular budget appropriations shall remain available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that fiscal period and to liquidate any other outstanding legal obligation of that fiscal period. The unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of Financial Regulations 4.2 (c) and 5.2 (d).

##### Financial Regulation 4.2 (c)

"At the end of the twelve-month period referred to in sub-paragraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor

for examination and review and, after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate, provided, however, that.....(etc)."

#### XII. RECOMMENDATIONS FOR APPOINTMENT OF AN EXTERNAL AUDITOR

30. On 12 April, the Committee considered a background note by the Secretariat containing recommendations for appointment of an external auditor (PBC.5/4) and adopted conclusion 1989/15.

##### Conclusion 1989/15

The Committee recommended to the Industrial Development Board that it propose to the General Conference an extension of the present appointment of the Senior President of the Audit Office of Belgium as the External Auditor of UNIDO for a period of two years, from 1 July 1990 to 30 June 1992, under the terms of reference specified in the Financial Regulations of UNIDO.

#### XIII. PLAN OF ACTION FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA

31. On 11 and 12 April, the Committee considered a note by the Director-General (PBC.5/1/Add.2) and a draft conclusion submitted by Argentina, Brazil, Cuba and Peru (PBC.5/L.1) on a plan of action for the industrial recovery of Latin America.

32. On 14 April, after consideration of a draft conclusion on the establishment of a regional co-operation programme for the industrial recovery of Latin America and the Caribbean submitted by the Chairman (PBC.5/L.1/Rev.1) and its budgetary implications (PBC.5/CRP.16), the Committee adopted conclusion 1989/16.

##### Conclusion 1989/16

The Programme and Budget Committee,

Took note of documents PBC.5/1/Add.2 and PBC.5/CRP.16, on a plan of action for the industrial recovery of Latin America and its budgetary implications, and the comments thereon by the Director-General and Member States and recommended to the Industrial Development Board the adoption of the following decision on a programme of regional co-operation in Latin America and the Caribbean:

"The Industrial Development Board:

"(a) Recalls General Conference resolution GC.2/Res.1 on the strengthening of economic and technical co-operation among developing countries (ECDC/TCDC), in particular operative paragraph 2;

"(b) Further recalls General Conference resolution GC.2/Res.11 and Industrial Development Board decision IDB.4/Dec.47 both on the external debt and industrial development;

"(c) Decides to establish a regional co-operation programme for the industrial recovery of Latin America and the Caribbean,



with its respective regional and subregional components, based on the strengthening of existing programmes of UNIDO and on additional priority programmes to be agreed upon between Member States of the region and the Organization, covering inter alia the following areas:

- Biotechnology;
- Capital goods;
- Electronics;
- New materials;
- Data processing;
- Human resources;
- Agro-industry.

The preparatory phase of the Regional Co-operation Programme for Latin America and the Caribbean would be financed out of available regular budget resources to initiate operational activities to be supported by financial resources from the Industrial Development Fund, trust funds and other sources of funds;

"(d) Further urges the Director-General to set up a suitable administrative mechanism from available resources, mainly from the regular budget, in order to develop an operational regional programme as described above and to facilitate the active participation of the countries in the region;

"(e) Requests the Secretariat to immediately begin the groundwork for the Regional Co-operation Programme for Latin America and the Caribbean, including the approval of the necessary preparatory assistance activities, and to submit to the General Conference at its third session a progress report on the implementation of this Programme."

#### XIV. DATE OF THE SIXTH SESSION

33. On 13 April the Committee adopted conclusion 1989/17.

#### Conclusion 1989/17

The Committee decided to hold its sixth session from 25 to 29 June 1990.

#### XV. ADOPTION OF THE REPORT ON THE WORK OF THE FIFTH SESSION AND CLOSURE OF THE FIFTH SESSION

34. On 14 April the Committee adopted the draft report of its fifth session (PBC.5/L.7), with the understanding that the Rapporteur would be entrusted with the task of finalizing the report. The Committee closed its fifth session on 14 April 1989.

Annex I

STATEMENTS BY DELEGATIONS

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

General

2. Speaking on behalf of the Latin American Group, the delegation of Chile, while thanking the Director-General and the Secretariat for submission of the draft programme and budgets for 1990-1991, said that the Group considered that that document would in future need to be clearer and more precise in its description of tasks and programmes. The recommendation made by the independent team of experts that future draft budgets have a more programmatic than organizational character should be implemented for the biennium 1992-1993. The Group also wished to place on record its gratification at the submission of the reports of the independent team of experts (PBC.5/16) and of the management review prepared by an in-house team (IDB.5/9 - PBC.5/15). The Group considered that both documents would have important implications for the future of the Organization and had taken note with great interest of the observations that had been made by the Director-General on both reports. Several countries in the region had expressed their support for many of the recommendations set forth in the reports, such as the establishment of a central programming and planning unit (suggested in both reports) and the system of "in-depth reviews" (recommended by the independent team of experts).

3. The Latin American Group wished to place on record its concern at the low level of representation of the region among Secretariat staff and at the small number of Latin Americans in posts at the Director level. It would be desirable for specific steps to be taken, wherever possible, to solve that problem.

4. As regards conclusion 1989/16 on the establishment of a programme of regional co-operation for the industrial recovery of Latin America and the Caribbean, the Latin American Group wished to state that that programme was of great symbolic and practical value for the countries of the region. It was symbolic because it would be an effort of industrial co-operation between the countries of the region and a step in the right direction of co-operation between developing countries that were endeavouring to make an extra effort to overcome their problems. It was also of practical value because UNIDO had the wherewithal to make the programme a reality. It could be implemented within the existing structure of the Organization, with existing resources. The Latin American Group wished to express its explicit appreciation for the valuable collaboration that had been extended - both in the preparation and in the process of submission of that programme - by the Director-General and Secretariat staff, whose participation had been decisive in bringing about approval of the programme. The Group was also grateful to the members of the Committee for their support in approving the programme.

Scale of assessments for apportionment of the regular budget expenses of UNIDO (cf. chap. V)

5. The delegation of the Islamic Republic of Iran wished to bring to the attention of the Programme and Budget Committee the reservation put forward by its Government during the approval of United Nations General Assembly resolution 43/223 on contributions to the United Nations budget for the financial years 1989, 1990 and 1991. In keeping with that reservation, the General Assembly had approved the scale of assessments for the financial year 1989 only, based on operative paragraph 2, section A of that resolution. The scale of assessment for the contribution of the Islamic Republic of Iran to the United Nations budget for the financial years 1990 and 1991 would therefore be decided by the General Assembly at its forty-fourth session and the scale of assessment for its contribution to UNIDO for the financial years 1990 and 1991 should thus be adjusted accordingly.

Programme and budgets 1990-1991 (cf. chap. X)

6. The delegation of the United Kingdom of Great Britain and Northern Ireland expressed reservations that the total budget had not been reduced to compensate for the withdrawal of Australia. It further suggested that, even with the revisions in PBC.5/CRP.12, the budget was not one of zero real growth. However, without prejudice to its adherence to the guiding principle of zero real growth, the delegation would approve the budget.

7. The delegation of Banladesh, referring to conclusion 1989/12 on a special programme for the industrial development of Asia and the Pacific, stated that - to avoid any future confusion - it wished to draw the attention of the Committee to the fact that paragraph (d) of that conclusion in its entirety, related to the least developed countries of the region only.

8. Speaking on behalf of the Asian Group, the delegation of Thailand said that the Asian Group considered UNIDO to be an important specialized agency with the mandate of promoting and accelerating the industrial development in the developing countries in order to establish a new International Economic Order. The Organization therefore should be enabled to expand its work programmes and for that purpose be provided with positive growth budgets over the years. Taking a pragmatic and realistic view and bearing in mind the special circumstances, the Asian Group had supported the proposed net budget of \$164,379,500 for 1990-1991 representing a negative real growth of 1.5 per cent in the hope that the concepts of zero or negative real growth budgets which UNIDO had witnessed ever since it became a specialized agency would be replaced by positive growth budgets in the future.

9. The delegation of India felt that the condition of withholding 15 per cent of the budgetary appropriations in reserve pending receipt from Member States of their assessed contributions was detrimental to the smooth and timely execution of the approved work programme of UNIDO. The delegation expressed the hope that that condition would not be imposed on the budgetary approved appropriations for the bienniums 1990-1993.

Annex II

## DOCUMENTS SUBMITTED TO THE PROGRAMME AND BUDGET COMMITTEE AT ITS FIFTH SESSION

<u>Document No.</u>	<u>Agenda item</u>	<u>Title</u>
<u>Pre-session</u>		
PBC.5/1/Rev.1	3	Agenda
PBC.5/1/Add.1	3	Annotated provisional agenda
PBC.5/1/Add.2	3	Adoption of the agenda. Provisional agenda. Addendum. Note by the Director-General
PBC.5/2	5	Interim programme performance report for the biennium 1988-1989. Submitted by the Director-General
PBC.5/3/Rev.1	13	Consultations concerning the interpretation of Financial Regulation 4.2. Report by the Director-General
PBC.5/4	14	Recommendations for appointment of an external auditor. Background note prepared by the Secretariat
PBC.5/5 IDB.5/2	8	Proposals for the Working Capital Fund for the biennium 1990-1991. Note by the Director-General
PBC.5/6	11	Programme for repayment of the United Nations loan to UNIDO. Proposals by the Director-General
PBC.5/7 IDB.5/3	9	Industrial Development Fund and voluntary contributions. Information on the nature of projects financed from the Fund. Note by the Director-General
PBC.5/8 IDB.5/4	7	Scale of assessments for the fiscal years 1990 and 1991. Note by the Secretariat
PBC.5/9 IDB.5/5 and Corr.1	12	Programme and budgets, 1990-1991. Proposals of the Director-General
PBC.5/10 IDB.5/6	9	Industrial Development Fund. Estimated resource level and proposed programming for 1990-1991. Note by the Director-General
PBC.5/11	7 & 8	General report on the financial situation. Implications of the current financial situation for programme and operational activities of UNIDO. Report by the Director-General

<u>Document No.</u>	<u>Agenda item</u>	<u>Title</u>
PBC.5/12	5	Interim financial performance report for the biennium 1988-1989. Report by the Director-General
PBC.5/13 IDB.5/7	10	Organizational and staff structure of UNIDO. Report by the Director-General
PBC.5/14 IDB.5/8	7	Applications of the split-currency system of assessment. Report by the Director-General
PBC.5/15 IDB.5/9	10	Management review of the organizational and staff structure of UNIDO
PBC.5/15/Add.1 IDB.5/9/Add.1 and Corr.1	10	Management review of the organizational and staff structure of UNIDO. Addendum. Comments by the Director-General
PBC.5/16 and Corr. 2	6	Operational budget - Report to the Programme and Budget Committee on the programmes and budgets of UNIDO prepared by the independent team of experts in response to PBC conclusion 1988/7
PBC.5/16/Add.1	6	Operational budget - Report to the Programme and Budget Committee on the programmes and budgets of UNIDO prepared by the independent team of experts in response to PBC conclusion 1988/7. Addendum. Comments by the Director-General
PBC.5/17 IDB.5/11	12	Executive summary of the report on the mid-term evaluation of the Industrial Development Decade for Africa (IDDA), prepared by the members of the evaluation team
PBC.5/18 IDB.5/12	-	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
<u>In-session</u>		
PBC.5/CRP.1	4	Rules of Procedure (PBC.3/CRP.2). Changes agreed at the open-ended working group level
PBC.5/CRP.2*	9	Industrial Development Fund. List of projects approved under the Industrial Development Fund (IDF) in 1988. Prepared by the Secretariat.
PBC.5/CRP.3*	9	Industrial Development Fund and voluntary contributions. Statistics on resource levels of the Industrial Development Fund. Note by the Secretariat.
PBC.5/CRP.4	12	Programme and budgets, 1990-1991. Costing of programme elements. Note by the Director-General.

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\* English only.

<u>Document No.</u>	<u>Agenda item</u>	<u>Title</u>
PBC.5/CRP.5*	12	Programme and budgets, 1990-1991. Effects of Australia's withdrawal on the programme and budgets, 1990-1991. Note by the Secretariat.
PBC.5/CRP.6	7 & 8	General report on the financial situation. Housing and representation allowances. Note by the Secretariat.
PBC.5/CRP.7*	3	Adoption of the agenda. Annotated provisional agenda. Note by the Secretariat
PBC.5/CRP.8*	7 & 8	Scale of assessments for apportionment of the regular budget expenses of UNIDO. Update of annexes I and II to document PBC.5/11. Note by the Secretariat
PBC.5/CRP.9*	7 & 8	Scale of assessments for apportionment of the regular budget expenses of UNIDO. Update of annex III to document PBC.5/11. Note by the Secretariat
PBC.5/CRP.10*	9	Industrial Development Fund and voluntary contributions. Information on the nature of projects financed from voluntary contributions other than Industrial Development Fund. Note by the Secretariat
PBC.5/CRP.11*	5	Financial performance report and programme performance report. New developments on project design, appraisal and evaluation in UNIDO. Note by the Secretariat
PBC.5/CRP.12*	12	Programme and budgets, 1990-1991. Revised proposals of the Director-General for the programme and budgets, 1990-1991
PBC.5/CRP.13*	5	Financial performance report and programme performance report. Interim financial performance for the biennium 1988-1989. Updating of document PBC.5/12. Note by the Secretariat
PBC.5/CRP.14*	7	Adjustments to the Working Capital Fund. Note by the Secretariat
PBC.5/CRP.15*	12	Programme and budgets, 1990-1991. A special programme for Africa. Revised proposals by the Director-General
PBC.5/CRP.16*	12	Programme and budgets, 1990-1991. Budgetary implications of draft conclusion PBC.5/L.1 on a plan of action for the industrial recovery of Latin America.
PBC.5/CRP.17*	-	List of participants.