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Agenda item 2

Report of the Programme and Budget Committee

Report of the Programme and Budget Committee on the work of its twenty-sixth session (7-8 September 2010)

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Introduction

1. The Programme and Budget Committee held its twenty-sixth session at UNIDO Headquarters, Vienna International Centre, from 7 to 8 September 2010. All 27 Members of the Committee participated in the session: Algeria, Austria, Brazil, Cameroon, China, Côte d'Ivoire, Ecuador, France, Germany, India, Italy, Japan, Kenya, Lebanon, Mexico, Norway, Pakistan, Poland, Republic of Korea, Russian Federation, Sudan, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, Venezuela (Bolivarian Republic of).
2. The following 62 Members of UNIDO also attended the session: Afghanistan, Albania, Angola, Argentina, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Burkina Faso, Chile, Colombia, Costa Rica, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Democratic Republic of the Congo, Denmark, Dominican Republic, Egypt, El Salvador, Ethiopia, Finland, Greece, Guatemala, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Jordan, Kazakhstan, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Malta, Morocco, Netherlands, Nigeria, Panama, Paraguay, Peru, Philippines, Portugal, Romania, Serbia, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, United Arab Emirates, Viet Nam, Yemen, Zimbabwe.
3. The following United Nations body was represented: United Nations Environment Programme (UNEP).
4. The following organizations were represented: Food and Agriculture Organization of the United Nations (FAO), International Atomic Energy Agency (IAEA), Asian-African Legal Consultative Organization (AALCO), European Union (EU), International Centre for Genetic Engineering and Biotechnology (ICGEB), International Institute of Refrigeration (IIR), International Organization for Migration (IOM), League of Arab States (LAS).
5. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. E. da Costa Farias (Brazil) as Chairman; H.E. Mr. U. K. Yatani (Kenya), Ms. A. Leśnodorska (Poland) and Mr. A. Groff (Switzerland) as Vice-Chairpersons; and Mr. Sung-wook Jo (Republic of Korea) as Rapporteur.
6. The agenda for the twenty-sixth session as adopted by the Committee is contained in document PBC.26/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.
7. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.
8. The report contains the conclusions reached by the Committee. Annex II to the present report contains a list of documents submitted to the Committee at its current session.

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

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I. Organizational and procedural matters

10. On 7 September, the Committee considered a proposal by the Chairman to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 2010/1 Utilization of available conference-servicing resources

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

11. The Committee decided to set up informal, in-session consultations with the aim of facilitating the drafting of conclusions and entrusted the Vice-Chairman Mr. A. Groff (Switzerland) to chair those consultations.

II. Report of the External Auditor, financial performance report and programme performance report for the biennium 2008-2009 (item 3)

12. On 7 September, the Committee considered the report of the External Auditor on the accounts of UNIDO for the financial period 1 January 2008 to 31 December 2009 (PBC.26/3), the financial performance report for the biennium 2008-2009, submitted by the Director-General (PBC.26/4) and the *Annual Report of UNIDO 2009* (including the programme performance report for 2009) (PBC.26/2).

13. On 8 September, after consideration of a draft conclusion on the report of the External Auditor, financial performance report and programme performance report

for the biennium 2008-2009, submitted by the Chairman (PBC.26/L.8), the Committee adopted the following conclusion:

Conclusion 2010/2

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

“The Industrial Development Board:

“(a) Takes note of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial period 1 January 2008 to 31 December 2009 as contained in document IDB.38/3-PBC.26/3, as well as the financial performance report for the biennium 2008-2009 as contained in document IDB.38/4-PBC.26/4 and the *Annual Report of UNIDO 2009* (IDB.37/2-PBC.26/2);

“(b) Also takes note of the statements of the Director-General and the External Auditor made at the twenty-sixth session of the Programme and Budget Committee;

“(c) Expresses its gratitude to the External Auditor for the valuable services rendered by him;

“(d) Recognizes the important contribution the External Auditor makes to the improvement of UNIDO’s management, operations and performance through his recommendations;

“(e) Requests the Director-General to continue implementing recommendations of the External Auditor and to report thereon to the Industrial Development Board at its thirty-ninth session.”

III. Unutilized balances of appropriations: Programme for Change and Organizational Renewal (change management initiative) and technical cooperation activities (item 5)

14. On 7 September, the Committee considered a report by the Director-General on unutilized balances: Programme for Change and Organizational Renewal (change management initiative) (PBC.26/9) and a report by the Director-General on unutilized balances: Technical cooperation programmes (PBC.26/10).

15. On 8 September, after consideration of a draft conclusion on the Programme for Change and Organizational Renewal and a draft conclusion on the technical cooperation programmes, submitted by the Chairman (PBC.26/L.2 and PBC.26/L.3), the Committee adopted the following conclusions:

Conclusion 2010/3

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

“The Industrial Development Board:

“(a) Takes note of the information provided in document IDB.38/9-PBC.26/9;

“(b) Notes the progress achieved to implement General Conference decision GC.13/Dec.15;

“(c) Encourages Member States to contribute voluntarily to the special account established for the Programme for Change and Organizational Renewal;

“(d) Requests the Director-General to pursue his efforts and contacts with Member States to secure the funds needed to implement the most suitable and sustainable technical solution to meet the objectives of the Programme for Change and Organizational Renewal.”

Conclusion 2010/4

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

“The Industrial Development Board:

“(a) Takes note of the information contained in document IDB.38/10-PBC.26/10;

“(b) Notes the progress achieved in the implementation of decision GC.13/Dec.15;

“(c) Encourages Member States to contribute voluntarily to the Trust Fund on Food Security and the Trust Fund for Renewable Energy.”

IV. Aligning the medium-term programme framework reporting cycle with the comprehensive policy review of operational activities for development of the United Nations system (item 8)

16. On 7 September, the Committee considered proposals by the Director-General on aligning the medium-term programme framework planning cycle with the comprehensive policy review of operational activities for development of the United Nations system (PBC.26/6).

17. On 8 September, after consideration of a draft conclusion on the medium-term programme framework planning cycle, submitted by the Chairman (PBC.26/L.4), the Committee adopted the following conclusion:

Conclusion 2010/5

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

“The Industrial Development Board:

“(a) Recalls General Conference decisions GC.2/Dec.23 and GC.6/Dec.10, providing the mandate for a four-year medium-term programme framework to be submitted by the Director-General to the Board, through the Programme and Budget Committee, in the first year of each biennium;

“(b) Also recalls General Assembly resolution 63/232 of 19 December 2008, changing the comprehensive policy review of operational activities for development of the United Nations system from a triennial to a quadrennial cycle, encouraging the specialized agencies to carry out any changes required to align their planning cycles with the quadrennial comprehensive policy review, including the implementation of midterm reviews as necessary, and deciding to hold its next comprehensive policy review in 2012;

“(c) Recommends that the General Conference at its fourteenth session decide that the existing medium-term programme framework 2010-2013 (document IDB.35/8/Add.1) remain in force until its scheduled expiry in 2013, taking into account the midterm review conducted in 2011 and submitted through the Programme and Budget Committee to the Industrial Development Board;

“(d) Also recommends that the General Conference request the Director-General to submit on a quadrennial basis, from 2013 onwards, to the Board in the second year of a biennium, through the Programme and Budget Committee, a draft medium-term programme framework for the four years that follow the current biennium, taking into account the recommendations of the latest comprehensive policy review of operational activities for development;

“(e) Further recommends that the General Conference request the Director-General to henceforth continue submitting midterm reviews of each medium-term programme framework through the Committee to the Board in the second year of a biennium.”

V. Financial situation of UNIDO (item 4); Mobilization of financial resources (item 7)

18. The Committee decided to discuss simultaneously items 4 and 7.

A. Financial situation of UNIDO (item 4)

19. On 7 September, the Committee considered a report by the Director-General on the financial situation of UNIDO (PBC.26/7), updated in a note by the Secretariat (PBC.26/CRP.4), as well as a note by the Secretariat containing the Financial Regulations of UNIDO (PBC.26/CRP.3)

20. On 8 September, after consideration of a draft conclusion on the financial situation of UNIDO, submitted by the Chairman (PBC.26/L.5), the Committee adopted the following conclusion:

Conclusion 2010/6

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 information provided in document IDB.38/7-PBC.26/7;

“(b) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years’ arrears, to do so without delay;

“(c) Requests the Director-General to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears.”

B. Mobilization of financial resources (item 7)

21. On 7 September, the Committee considered a report by the Director-General on the mobilization of financial resources (PBC.26/8), information in the *Annual Report of UNIDO 2009* on funding performance (PBC.26/2, chapter 1.C.) and a conference room paper on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2009 (PBC.26/CRP.2).

22. On 8 September, after consideration of a draft conclusion on the mobilization of financial resources, submitted by the Chairman (PBC.26/L.6), the Committee adopted the following conclusion:

Conclusion 2010/7

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

“The Industrial Development Board:

“(a) Takes note of the information contained in document IDB.38/8-PBC.26/8;

“(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2010 and 2011 in accordance with the priorities defined in the medium-term programme framework, 2010-2013 (IDB.35/8/Add.1);

“(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO;

“(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to develop and implement the integrated programmes and other programmatic initiatives

in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept;

“(e) Requests Member States to consider contributing to UNIDO to enable the Organization to work with funding sources requiring co-funding, either through contributing to the dedicated trust funds or by special purpose funding at country or global level;

“(f) Further encourages Governments of beneficiary countries to play an active role in sharing with UNIDO the responsibility to mobilize funds for jointly developed programmes and other high-priority activities, and specifically to assist in identifying and accessing funds available at the country level, including cost-sharing arrangements, and funds from bilateral donors, multi-donor trust funds, United Nations Development Programme, the World Bank and other development finance institutions;

“(g) Strongly recommends to Member States that they cooperate with and support UNIDO in its efforts to develop and promote its programmes and initiatives in the international development context, and especially through international conferences and other forms of dialogue, in order to ensure that these initiatives are well known, their relevance for international development targets is recognized, and resources are made available.”

VI. Accounting standards (item 6)

23. On 7 September, the Committee considered a progress report by the Secretariat on the International Public Sector Accounting Standards (PBC.26/5).

24. On 8 September, at the suggestion of the Chairman, the Committee took note of the information provided by the Secretariat on item 6.

VII. Date of the twenty-seventh session (item 9)

25. On 7 September, the Committee took note of the entry contained in the annotated agenda (PBC.26/1/Add.1) on the dates reserved for the policymaking organs of UNIDO in 2010 and 2011.

26. On 8 September, after consideration of a draft conclusion on the date of the twenty-seventh session, submitted by the Chairman (PBC.26/L.7), the Committee adopted the following conclusion:

Conclusion 2010/8

The Programme and Budget Committee decided to hold its twenty-seventh session from 10 to 12 May 2011.

VIII. Adoption of the report (item 10) and closure of the twenty-sixth session

27. On 8 September, the Committee adopted the draft report on the work of its twenty-sixth session (PBC.26/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.
28. The Committee closed its twenty-sixth session at 11:40 a.m. on 8 September 2010.

Annex I

Statement by Delegation

Agenda item 7

1. In connection with the adoption of conclusion 2010/7 (paragraph b), the representative of Mexico made an intervention and referred to the statement made on behalf of GRULAC indicating a desire of GRULAC member States to participate jointly with the Director-General in the decision-making process in relation to the allotment of programmable extrabudgetary resources.
2. This statement has been included at the request of the delegation concerned and agreed to by the Chairman.

Annex II

List of documents submitted to the twenty-sixth session

| <i>Symbol</i> | <i>Agenda item</i> | <i>Title</i> |
|-------------------------------|--------------------|--|
| PBC.26/1 | 2 | Provisional agenda |
| PBC.26/1/Add.1 | 2 | Annotated provisional agenda |
| PBC.26/2-IDB.37/2 | 3 | <i>Annual Report of UNIDO 2009</i> |
| PBC.26/3-IDB.38/3 | 3 | Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial period 1 January 2008 to 31 December 2009 |
| PBC.26/4-IDB.38/4 | 3 | Financial performance report for the biennium 2008-2009. Submitted by the Director-General |
| PBC.26/5-IDB.38/5 | 6 | International Public Sector Accounting Standards. Progress report by the Secretariat |
| PBC.26/6-IDB.38/6 | 8 | Aligning the medium-term programme framework planning cycle with the comprehensive policy review of operational activities for development of the United Nations system. Proposals of the Director General |
| PBC.26/7-IDB.38/7 | 4 | Financial situation of UNIDO. Report by the Director-General |
| PBC.26/8-IDB.38/8 | 7 | Mobilization of financial resources. Report by the Director-General |
| PBC.26/9-IDB.38/9 | 5 | Unutilized balances: Programme for Change and Organizational Renewal (change management initiative). Report by the Director General |
| PBC.26/10-IDB.38/10 | 5 | Unutilized balances: Technical cooperation programmes. Report by the Director-General |
| Conference room papers | | |
| PBC.26/CRP.1 | 2 | List of documents |
| PBC.26/CRP.2 | 7 | Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2009 |
| PBC.26/CRP.3 | 4 | Financial Regulations of UNIDO. Note by the Secretariat |
| PBC.26/CRP.4 | 4 | Status of assessed contributions. Note by the Secretariat |
| PBC.26/CRP.5 | – | List of participants |