



Industrial Development Board
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Programme and Budget Committee
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Item 9 of the provisional agenda
**Report of the informal working group on
Programme and Budget Committee-related
issues**

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

Report by the Co-chairs

The informal working group on Programme and Budget Committee-related issues (IWG) provided its first report to the Programme and Budget Committee in 2018 (IDB.46/5-PBC.34/5), with an update to the Industrial Development Board at its forty-sixth session (IDB.46/CRP.4). Further to these reports, the Board requested the Co-chairs to continue reporting annually to the Board, through the Programme and Budget Committee (IDB.46/Dec.8).

I. Overview of meetings: dates and topics

1. Since 19 November 2018, the IWG held seven substantive meetings as follows:
 - (a) 4 December 2018, fourth strategic priority of the medium-term programme framework (MTPF);
 - (b) 13 December 2018, Programme and Budgets, 2020–2021 outline;
 - (c) 7 February 2019, Programme and Budgets, 2020–2021 discussion;
 - (d) 19 February 2019, update on the Third Industrial Development Decade for Africa (IDDA III);
 - (e) 21 February 2019, unutilized balances (UBs) and the After Service Health Insurance (ASHI);
 - (f) 5 March 2019, reform of the United Nations Development System (UNDS); and
 - (g) 26 March 2019, Programme and Budgets, 2020–2021 discussion.

For reasons of economy, this document has not been printed. Delegates are kindly requested to bring their copies of documents to meetings.



II. Discussion on the fourth strategic priority of the MTPF

2. The fourth strategic priority of the MTPF, on strengthening knowledge and institutions, aims to scale up the outcomes of UNIDO's work. The model is based on an inclusive consultation process, resulting in organizational buy-in, as well as the adaptation and incorporation of existing indicators.

3. In light of the longer-term behavioural change targeted by this exercise, results would only become apparent over time. It was noted that the proposed model was already being implemented in the project design phase and would become visible in projects beginning their implementation phase.

4. The IWG welcomed the preparation of an online database to underpin the MTPF's fourth strategic priority. It was emphasized that the Secretariat was largely streamlining and integrating existing data and practices, in alignment with the theory of change model proposed.

III. Discussion on the budget

5. Following a series of informal discussions started on 13 December 2018, the draft UNIDO Programme and Budgets, 2020–2021 was shared with Member States on 5 March 2019 followed by a briefing by the Director General on 12 March 2019. The Programme and Budgets proposal builds on the programmatic structure and resource base of the Programme and Budgets, 2018–2019. Excluding the increased costs relating to UNIDO's cost-sharing contribution to the United Nations Resident Coordinator (UNRC) system, the proposal displays a net increase of only 0.4 per cent. The main increase of an additional €3.2 million covers the revised full contribution towards the UNRC system. This results in an increase of 2.2 per cent in real terms, with an increase of 2.7 per cent in the regular budget, and of 0.2 per cent in the operational budget.

6. The discussion focused on UNIDO's contribution towards the UNRC and the possibility of identifying further savings and efficiencies. It was acknowledged that the UNDS reform is expected to generate efficiency gains in the long term and significant savings for UNIDO would be difficult to identify in its first two to three years of implementation.

7. Member States noted ongoing efforts in identifying efficiency gains, currently resulting in an almost €0.5 million decrease in travel costs in the presented regular budget. Some Member States requested UNIDO to continue to look for further efficiencies.

IV. Discussion on UBs

8. In discussing UBs, it was noted that a gradual increase, and utilization, of the Working Capital Fund (WCF) would enable UNIDO to close its funding gap. Using the WCF in this way would offer a means to move towards an increased implementation of the Organization's programme and budgets.

9. It was noted that while the use of the WCF was already possible under current financial rules and regulations, an indication by Member States could confirm their commitment to cover advances from the WCF through late payments, and confirm the mandate of the Secretariat to proceed in this manner, building on decisions GC.1/Dec.33 and GC.2/Dec.27 (b) on the authorized purposes of the Fund.

V. Discussion on ASHI

10. It was noted that the current pay-as-you-go approach implies covering the ASHI liabilities in each biennium's programme and budgets. In this connection, the External

Auditor had recommended "... that UNIDO review[s] its funding for ASHI liabilities, also in comparison with other funding models within the United Nations system, where a partial funding is often set up to counter risk of pay-as-you-go schemes".

11. It was noted that the recommendations in the report by the Secretary-General on managing after-service health insurance (A/73/662), reflected the recommendations of the Inter-agency Working Group on ASHI, in which UNIDO participated. While the General Assembly was still to react to this report, it aims to harmonize ASHI across the United Nations system based on best practice and cost containment.

12. The discussions on ASHI will resume after the consideration of the Secretary-General's report at the General Assembly. UNIDO was requested to present a corresponding proposal to its governing bodies for discussion.

VI. Discussion on the UNDS reform

13. The IWG requested that the Secretariat outline concrete benefits of the increase in its contribution to UNRC system funding. The need for reporting on tangible benefits and challenges concerning collaboration with UNRC offices or other agencies at the country level was emphasized.

14. The Secretariat clarified that as the terms of the reform were still evolving, a quantitative cost-benefit calculation would be impossible to carry out at this point. System-wide benefits are however expected from an improvement of the United Nation's development assistance programmes. It was noted that a field office capacity assessment and evaluation is being implemented, including indicators on integration with the UNRC system.

15. The role of field offices in the effective positioning of UNIDO within the reformed UNDS was underlined, as was the need to strengthen the field network. This strengthening is being planned within the existing resources of the Organization.

16. Members of the IWG expressed concern that the comparatively low membership of UNIDO, the difference in its constituency, and the resulting scale of assessments were not being considered in determining UNIDO's share of contributions to the UNRC system.

17. The IWG agreed that UNIDO, with the support of Member States, would pursue membership of the United Nations Sustainable Development Group (UNSDG) "Core Group" in 2019.

18. The Secretariat underlined that a permanent solution to its increased UNRC system contribution would be to fund it through the regular budget assessment, as this is meant for core operations. While one-off solutions such as the use of UBs, reserves, or Regular programme of technical cooperation (RPTC) funds are possible, these will not resolve the issue beyond the coming biennium. The possibility of establishing a trust fund for this purpose was discussed by the IWG as another option.

19. The Secretariat underscored that non-payment of the increased contribution would likely have detrimental repercussions on UNIDO's global operations and effectiveness as a United Nations organization.

VII. Discussion on IDDA III

20. The Secretariat presented progress made in the implementation of IDDA III and outlined the additional support Member States could provide to this initiative, which the IWG recognized as being important and in need of due attention by UNIDO. The role of Permanent Missions in raising awareness in their capitals on this topic was highlighted as one of the most important non-financial contributions to IDDA III.

21. The mobilization of the private sector, as undertaken in IDDA III and the Programme for Country Partnerships, was presented as critical to Africa's

industrialization. The Secretariat agreed to provide information on partnership and investment opportunities connected to IDDA III, which Permanent Missions were encouraged to share with the private sector in their countries. The Secretariat was furthermore requested to include best-practice examples of how the private sector was being involved in IDDA III in future updates to the IWG.

VIII. Action required of the Committee

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