Industrial Development Board  
Twenty-third session  
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Programme and Budget Committee  
Sixteenth session  
Vienna, 4–5 September 2000  
Item 6 of the provisional agenda  

FINANCIAL REGULATIONS  
Intersessional working group on proposed amendments to the financial regulations  
Report of the Chairperson, H.E. Mrs. I. Freudenschuss-Reichl, Austria  

Reports on the work of the Intersessional working group on its deliberations concerning amendments to the financial regulations in 2000.

1. The sixteenth session of the Board, in its decision IDB.16/Dec.9, established an informal intersessional working group and charged it with the task of studying proposed amendments to the financial regulations; the group met for the first time in December 1996. The working group agreed on a set of revised financial regulations (3.4(a), 5.1(d), 5.2(b), 10.1(b), 10.2(a) and 10.2(c)). The revisions endorsed by the group were submitted through the thirteenth session of the Programme and Budget Committee to the eighteenth session of the Board (September 1997). The Board, in turn, forwarded the revised financial regulations to the seventh session of the General Conference (December 1997), which decided that those amendments should be applied. The Board, at its eighteenth session, also requested the intersessional working group to continue its examination of the financial regulations.

2. In compliance with the decision of the eighteenth session of the Board, the working group continued its work, under the chairmanship of H.E. Mrs. Freudenschuss-Reichl (Austria). Thus, the working group held four meetings, on 17 April, 2 June, 30 June and 1 September 2000. At the first meeting, the Secretariat made presentations and circulated a Background paper on the revision of financial regulations, dated 18 April 2000. In addition, a communication from the External Auditor dealing with the issues under discussion was distributed to permanent missions of UNIDO on 25 May 2000. At the second meeting a letter was circulated, dated 31 May 2000, from the Permanent Mission of Germany that contained a proposal related to financial regulations 4.2(b) and 4.2(c).

3. The Intersessional working group discussed ways and means to minimize the negative effects on the work.
of the Organization resulting from late payment of assessed contributions.

4. There was general agreement in the Intersessional working group that all possible efforts should be undertaken to speedily eliminate arrears, re-establish voting rights and arrive at a situation in which—as a matter of course—all UNIDO Member States pay their assessed contributions in full and on time. There was also agreement that the question of timely and full payment (which has an important bearing on the standing of the Organization) was beyond the mandate of the Intersessional working group, but should not be lost sight of.

5. In its discussions, the Intersessional working group has been guided by several objectives. These objectives include:

- Ensuring full utilization of the approved regular budget, in particular the regular programme of technical cooperation;
- Encouraging payment of assessed contributions in full and on time;
- Avoiding repeated suspension of financial regulations;
- Maintaining Member States’ control over the budget;
- Eliminating unnecessary administrative procedures that diminish the efficiency of the Organization;
- Aiming at consistency with the situation in other international organizations.

6. The Intersessional working group has so far discussed three proposals—a special account for the Regular Programme of Technical Cooperation, a special account for Buildings Management, and a model building on experience within other organizations that would allow keeping the unutilized balances in the Organization—with a view of arriving at recommendations to be submitted to the Programme and Budget Committee.

7. The working group was briefed on the question of re-grouping major objects of expenditure and heard various views of Member States on the issue.

8. The Intersessional working group also discussed the desirability of increasing the level of the Working Capital Fund. The current situation—which provides coverage for approximately one month of the approved regular budget expenses—was found to be in general harmony with the relevant guidelines of the Joint Inspection Unit and the working group suggested no further action.

9. Concerning the issues enumerated in paragraph 6 above, Member States, while gratefully acknowledging the useful information already provided by the UNIDO Secretariat, have requested the Secretariat to provide additional information on technical issues and concurrently, Member States will continue a dialogue with capitals on the policy implications of possible solutions.

10. The Chairperson of the working group therefore submits the present interim report to the Programme and Budget Committee at its sixteenth session and—mindful that any change in the Financial Regulations of UNIDO would have to be adopted by the ninth session of the General Conference of UNIDO in December 2001—is prepared to continue its deliberations with a view to formulating concrete recommendations to the seventeenth session of the Committee (April 2001). That session would thus be in a position to forward its recommendations to the twenty-fourth session of the Industrial Development Board (June 2001), which would subsequently transmit those recommendations to the General Conference.

**ACTION REQUIRED OF THE COMMITTEE**

11. The Committee may wish to consider the adoption of the following draft decision:

“The Industrial Development Board:

“(a) Takes note of the interim report of the Chairperson of the Intersessional working group on proposed amendments to the financial regulations (PBC.16/10-IDB.23/8);

“(b) Encourages the Intersessional working group to continue its deliberations with a view to submitting proposed amendments to the financial regulations to the seventeenth session of the Programme and Budget Committee.”