GENERAL CONFERENCE
Tenth session
Vienna, 1-5 December 2003

REPORT OF THE INDUSTRIAL DEVELOPMENT BOARD 
ON THE WORK OF ITS TWENTY-SIXTH SESSION 
(19-21 November 2002)

CONTENTS

<table>
<thead>
<tr>
<th>Paragraphs</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1 - 2</td>
</tr>
<tr>
<td>Chapter</td>
<td></td>
</tr>
<tr>
<td>I. ORGANIZATIONAL AND PROCEDURAL MATTERS</td>
<td>3 - 15</td>
</tr>
<tr>
<td>II. REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (item 2)</td>
<td>16- 21</td>
</tr>
<tr>
<td>B. Financial situation of UNIDO</td>
<td>18</td>
</tr>
<tr>
<td>C. Financial regulations</td>
<td>19</td>
</tr>
<tr>
<td>D. Mobilization of financial resources</td>
<td>20</td>
</tr>
<tr>
<td>E. Transition to a single currency system</td>
<td>21</td>
</tr>
<tr>
<td>III. PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (item 3); MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (item 4)</td>
<td>22 - 26</td>
</tr>
<tr>
<td>A. UNIDO participation in major international events</td>
<td>23</td>
</tr>
<tr>
<td>B. Implementation of medium-term programme framework, 2002-2005, including field representation and technology foresight</td>
<td>24</td>
</tr>
<tr>
<td>C. Global biotechnology forum</td>
<td>25</td>
</tr>
<tr>
<td>D. Medium-term programme framework, 2004-2007</td>
<td>26</td>
</tr>
<tr>
<td>IV. PERSONNEL MATTERS (item 5)</td>
<td>27</td>
</tr>
<tr>
<td>V. CONSULTATIONS WITH NON-MEMBER STATES (item 6)</td>
<td>28</td>
</tr>
</tbody>
</table>

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.
VI. PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION ............................................................ 29 4
VII. ADOPTION OF THE REPORT (item 8) .................................................................................................................. 30 5
VIII. CLOSURE OF THE SESSION ............................................................................................................................. 31 5

Annexes
I. Decisions adopted by the Board at its twenty-sixth session .......................................................... 6
II. Documents submitted to the Board at its twenty-sixth session .................................................... 12

Introduction

1. The report of the Industrial Development Board on the work of its twenty-sixth session is presented to the General Conference in accordance with Article 9.4 (c) of the Constitution. The summary records of the Board (IDB.26/SR.1-6), where the details of the proceedings are contained, form an integral part of the present report.

2. The following decisions of the Board, reproduced in annex I, are related to the work of the General Conference at its tenth session:

   - IDB.26/Dec.3 Financial situation of UNIDO
   - IDB.26/Dec.4 Proposed payment plan for Azerbaijan

I. ORGANIZATIONAL AND PROCEDURAL MATTERS

3. The twenty-sixth session of the Board was held at UNIDO Headquarters, Vienna International Centre, from 19 to 21 November 2002 (6 plenary meetings—see IDB.26/SR.1-6).

Participation

4. The following 51 of the 53 members of the Board were represented at the session: Algeria, Austria, Belgium, Bolivia, Burkina Faso, Chile, China, Colombia, Côte d’Ivoire, Croatia, Cuba, Denmark, Ecuador, Egypt, Ethiopia, France, Germany, Ghana, Greece, Guatemala, Hungary, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Japan, Jordan, Kenya, Lesotho, Libyan Arab Jamahiriya, Luxembourg, Morocco, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Russian Federation, Saudi Arabia, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Thailand, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, Uruguay, Venezuela.

5. The following 40 Member States of UNIDO also participated in the session: Afghanistan, Angola, Argentina, Azerbaijan, Bosnia and Herzegovina, Brazil, Cameroon, Cape Verde, Cyprus, Czech Republic, Democratic People’s Republic of Korea, Finland, Iraq, Kuwait, Lebanon, Lithuania, Madagascar, Malaysia, Mexico, Mozambique, Namibia, Netherlands, New Zealand, Oman, Panama, Poland, Portugal, Romania, Rwanda, Senegal, Sierra Leone, Slovakia, South Africa, Uganda, Ukraine, United Arab Emirates, Viet Nam, Yemen, Yugoslavia, Zimbabwe.

6. The Holy See participated as observer.

7. The following United Nations bodies were represented: United Nations—Joint Inspection Unit, United Nations Development Programme, United Nations Office at Vienna.

8. The following United Nations specialized agencies were represented: Food and Agriculture Organization of the United Nations, International Atomic Energy Agency, World Trade Organization.

9. The following other intergovernmental organizations were represented: African Union, Economic Cooperation Organization, European Union, International Centre for Genetic Engineering and Biotechnology, International Institute of Refrigeration, International Organization for Migration, League of Arab States, Organization of the Petroleum Exporting Countries.


Opening of the session

11. The twenty-sixth session of the Board was declared open by its President, Mr. I. Horváth (Hungary).

Officers of the session

12. The other officers of the twenty-sixth session were those elected at the commencement of the first regular session in 2002: Mr. R. González Aninat (Chile), Mr. S. Shoukry (Egypt), Mr. Y. Takasu (Japan) as Vice-Presidents and Mr. M. Hamedani (Islamic Republic of Iran) as Rapporteur.

Agenda of the session

13. The Board adopted the following agenda:

1. Adoption of the agenda.
2. Report of the Programme and Budget Committee:
   (b) Financial situation of UNIDO;
   (c) Financial regulations;
   (d) Mobilization of financial resources;
   (e) Transition to a single currency system.
3. Programmatic review, including system-wide issues:
   (a) UNIDO participation in major international events;
   (b) Implementation of medium-term programme framework, 2002-2005, including field representation and technology foresight;
   (c) Global biotechnology forum.
5. Personnel matters.
6. Consultations with non-Member States.
7. Provisional agenda and date of the twenty-seventh session.
8. Adoption of the report.

14. The Board adopted a proposal by the President to ensure the maximum utilization of available conference-servicing resources (see annex I, decision IDB.26/Dec.1, IDB.26/SR.1, paras. 2 and 3).

15. The Board decided to set up informal, in-session consultations with the aim of facilitating the drafting of decisions and entrusted Vice-President Mr. Y. Takasu (Japan) to chair those consultations (see IDB.26/SR.2, paras. 1 and 2).

II. REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (item 2)

16. The Board decided to discuss simultaneously sub-items (a) to (c) and (e) followed by sub-item (d). The debate on those sub-items is reflected in summary records IDB.26/SR.1, paragraphs 53 to 61, IDB.26/SR.2, paragraphs 24 to 72 and IDB.26/SR.5, paragraphs 17 and 18. The Board had before it the report of the Programme and Budget Committee on the work of its eighteenth session (IDB.26/13) and the documents mentioned under A to E below.


17. The Board had before it 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 2000-2001 ended 31 December 2001 (IDB.26/2) and the comments of the Director-General thereon (IDB.26/3), as well as the financial performance report for the biennium 2000-2001 submitted by the Director-General (IDB.26/5) and the programme performance report for 2001 which is included in the Annual Report 2001 (IDB.26/13) and the documents mentioned under A to E below.

B. Financial situation of UNIDO

18. The Board had before it a report by the Director-General on the financial situation of UNIDO (IDB.26/9), a report by the Director-General on a proposed payment plan for Azerbaijan (IDB.26/16), an addendum thereto containing paragraph 7 of the draft payment plan (IDB.26/16/Add.1) as well as a conference room paper on the financial situation of UNIDO (IDB.26/CRP.2) submitted by the Secretariat. The Board considered two draft decisions submitted by the President (IDB.26/L.3 and IDB.26/L.11) and adopted decisions IDB.26/Dec.3 and IDB.26/Dec.4 (see annex I).
C. Financial regulations

19. The Board took note of the entry contained in the annotated agenda (IDB.26/1/Add.1) that no further meetings of the Intersessional working group on proposed amendments to the financial regulations were scheduled.

D. Mobilization of financial resources

20. The Board had before it a report by the Director-General on mobilization of financial resources for UNIDO programmes (IDB.26/6), as well as information contained in the Annual Report 2001 on financial resources—funds mobilization (IDB.25/2, chap. V.A) and on project approvals under voluntary contributions (IDB.25/2, Appendix B). The Board considered a draft decision submitted by the President (IDB.26/L.4) and adopted decision IDB.26/Dec.5 (see annex I).

E. Transition to a single currency system

21. The Board had before it a note by the Secretariat on transition to a single currency system (IDB.26/4). The Board considered a draft decision submitted by the President (IDB.26/L.5) and adopted decision IDB.26/Dec.6 (see annex I).

III. PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (item 3); MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (item 4)

22. The Board decided to discuss simultaneously item 3, including sub-items (a) to (c), and item 4. Under item 3, the Board had before it two conference room papers, one on status of the integrated programmes (IDB.26/CRP.4) and one on technical cooperation: role and responsibilities of United Nations entities (IDB.26/CRP.5). The debate on those items is reflected in summary records IDB.26/SR.2, paragraphs 3 to 9, IDB.26/SR.3, paragraphs 1 to 114 and IDB.26/SR.4, paragraphs 1 to 69.

A. UNIDO participation in major international events

23. The Board had before it, under item 3 (a), a report by the Director-General on programmatic review, including system-wide issues: UNIDO participation in major international events (IDB.26/12 and Corr.1).

B. Implementation of medium-term programme framework, 2002-2005, including field representation and technology foresight

24. The Board had before it, under item 3 (b), a report by the Director-General on implementation of medium-term programme framework, 2002-2005 (IDB.26/7 and Corr.1) and a note by Japan on improved UNIDO programme delivery (IDB.26/15). The Board considered a draft decision submitted by the President (IDB.26/L.8) and adopted decision IDB.26/Dec.7 (see annex I).

C. Global biotechnology forum

25. The Board had before it, under item 3 (c), a note by the Secretariat on global biotechnology forum (IDB.26/10). The Board considered a draft decision submitted by the President (IDB.26/L.9) and adopted decision IDB.26/Dec.8 (see annex I).

D. Medium-term programme framework, 2004-2007 (item 4)

26. The Board had before it, under item 4, proposals of the Director-General for the medium-term programme framework, 2004-2007 (IDB.26/8) and a note by Japan on improved UNIDO programme delivery (IDB.26/15). The Board considered a draft decision submitted by the President (IDB.26/L.8) and adopted decision IDB.26/Dec.7 (see annex I).

IV. PERSONNEL MATTERS (item 5)

27. The Board had before it a report by the Director-General on personnel matters (IDB.26/11). The debate on item 5 is reflected in summary record IDB.26/SR.5, paragraphs 1 to 16. The Board considered a draft decision submitted by the President (IDB.26/L.6) and adopted decision IDB.26/Dec.9 (see annex I).

V. CONSULTATIONS WITH NON-MEMBER STATES (item 6)

28. The Board had before it a report by the Director-General on consultations with non-Member States (IDB.26/14 and Corr.1) and a conference room paper on the same subject (IDB.26/CRP.6). The debate on item 6 is reflected in summary record IDB.26/SR.5, paragraphs 1 to 16. The Board considered a draft decision submitted by the President (IDB.26/L.10/Rev.1) and adopted decision IDB.26/Dec.10 (see annex I).

VI. PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION (item 7)

29. The Board had before it a conference room paper containing a note by the Director-General on the provisional agenda and date of the twenty-seventh session (IDB.26/CRP.3). The debate on item 7 is reflected in summary record IDB.26/SR.5, paragraphs 19 to 21. The Board considered a draft decision submitted by the President (IDB.26/L.7) and adopted decision IDB.26/Dec.11 (see annex I).
VII. ADOPTION OF THE REPORT (item 8)

30. The Board considered the draft report (IDB.26/L.1) and adopted it as a whole with the understanding that the Rapporteur would be entrusted with the task of finalizing the report (see summary record IDB.26/SR.6, paras. 30 to 32).

VIII. CLOSURE OF THE SESSION

31. On 21 November 2002, at 4.25 p.m., the Board closed its twenty-sixth session (see summary record IDB.26/SR.6, paras. 33 to 45).
### Annex I

**DECISIONS ADOPTED BY THE BOARD AT ITS TWENTY-SIXTH SESSION**

<table>
<thead>
<tr>
<th>Decision No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDB.26/Dec.1</td>
<td>Utilization of available conference-servicing resources (IDB.26/SR.1, paras. 2 to 3)</td>
<td>7</td>
</tr>
<tr>
<td>IDB.26/Dec.3</td>
<td>Financial situation of UNIDO (IDB.26/SR.6, paras. 6 to 7)</td>
<td>8</td>
</tr>
<tr>
<td>IDB.26/Dec.4</td>
<td>Proposed payment plan for Azerbaijan (IDB.26/SR.6, paras. 6 to 7)</td>
<td>8</td>
</tr>
<tr>
<td>IDB.26/Dec.5</td>
<td>Mobilization of financial resources (IDB.26/SR.6, paras. 8 to 9)</td>
<td>9</td>
</tr>
<tr>
<td>IDB.26/Dec.6</td>
<td>Transition to a single currency system (IDB.26/SR.6, paras. 10 to 11)</td>
<td>9</td>
</tr>
<tr>
<td>IDB.26/Dec.7</td>
<td>Strategic guidelines “Towards improved UNIDO programme delivery” (IDB.26/SR.6, paras. 12 to 16)</td>
<td>9</td>
</tr>
<tr>
<td>IDB.26/Dec.8</td>
<td>Global biotechnology forum (IDB.26/SR.6, paras. 17 to 19)</td>
<td>10</td>
</tr>
<tr>
<td>IDB.26/Dec.9</td>
<td>Personnel matters (IDB.26/SR.6, paras. 20 to 21)</td>
<td>10</td>
</tr>
<tr>
<td>IDB.26/Dec.10</td>
<td>Consultations with non-Member States (IDB.26/SR.6, paras. 22 to 27)</td>
<td>11</td>
</tr>
<tr>
<td>IDB.26/Dec.11</td>
<td>Provisional agenda and date of the twenty-seventh session (IDB.26/SR.6, paras. 28 to 29)</td>
<td>11</td>
</tr>
</tbody>
</table>
IDB.26/Dec.1 UTILIZATION OF AVAILABLE CONFERENCE-SERVICING RESOURCES

The Industrial Development Board, with the aim of utilizing the available conference-servicing resources to the maximum possible effect, decided to suspend with immediate effect rule 32 of its rules of procedure relating to the quorum, for the meetings of its twenty-sixth session only and provided no substantive decisions were taken at those meetings.

1st plenary meeting
19 November 2002


The Industrial Development Board:

(a) Took note of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund and trust funds for the financial period 2000-2001 ended 31 December 2001 (IDB.26/2);

(b) Also took note of the Director-General’s comments on the report of the External Auditor (IDB.26/3);

(c) Welcomed the positive assessment made by the External Auditor, which, inter alia, states that the financial statements reflect properly the recorded financial transactions for the biennium ended 31 December 2001 and present fairly, in all material respects, the Organization’s financial position as at 31 December 2001 and that the Organization had achieved relevance, financial stability, improved technical cooperation and delivery and quality of services through more focused activities during the last four years (IDB.26/2, annex I and para. 136);

(d) While acknowledging that the External Auditor had not found any specific weakness or violation of internal controls, misconduct or undue behaviour in the field, took note of the concerns expressed by the Auditor that the Internal Oversight Group was not in a position to perform intensive as well as extensive systematic reviews as required (paras. 96, 97 and 129 of the report);

(e) Bore in mind that the Joint Inspection Unit had recommended in its report JIU/REP/98/2 that the legislative organs request the executive heads to submit a consolidated annual summary report, as distinct from individual reports, on internal oversight activities;

(f) With regard to the External Auditor’s recommendations pertaining to internal oversight, requested the Director-General:

(i) To inform the Industrial Development Board of major internal oversight activities on the weaknesses of systems, procedures and related internal controls as called for under financial rule 109.39, including issues addressed, accomplishments achieved, a summary of recommendations made and status of action taken, through the Annual Report of the Director-General on the activities of the Organization;

(ii) To inform the External Auditor as “cases of presumptive fraud” of any fraud-oriented investigation undertaken by the Internal Oversight Group;

(iii) To strengthen the internal oversight function, in a systematic manner, inter alia, through an improved staffing profile with as much independence as practicable, in order to ensure proactive reviews of all operations of the Organization to assess compliance, economy and efficiency and effectiveness of systems, procedures and related internal controls, including the engagement of experts, procurement of equipment and sub-contracting under technical cooperation activities;

(iv) To report to the Board at its twenty-seventh session on the implementation of the above request pertaining to internal oversight;

(g) With regard to other important aspects of the External Auditor’s report, further requested the Director-General to report to the Board at its twenty-seventh session in more detail on efforts to meet the recommendations of the External Auditor, in particular:

(i) On measures taken to increase fraud awareness and to combat fraud (paras. 92-99 of the report);

(ii) With regard to UNIDO’s offices at New York and Geneva (para. 128), also in response to the need for closer cooperation with the European Commission and the EuropeAid Co-operation Office in Brussels;

(h) Requested the External Auditor:
To include in future reports a table with the key recommendations, in order to increase the clarity and action-oriented nature of the reports;

To submit each year in time for the appropriate Programme and Budget Committee session a short interim report on the activities carried out by the External Auditor and any recommendations resulting therefrom, bearing in mind that the External Auditor can only certify the accounts at the end of the biennium;

(i) Requested the Director-General:

(i) To submit proposals to the Programme and Budget Committee at its nineteenth session to deal with the problem of UNIDO’s After-Service Health Insurance liabilities in the event of a United Nations-wide solution not being forthcoming;

(ii) To differentiate in future financial performance reports between unutilized balances that are a result of cost-saving measures undertaken, lack of resources, delivery problems and the like;

(iii) To complete the table mentioned in paragraph (h) (i) above by explaining the response to these recommendations by the time of the following session of the Programme and Budget Committee.

(e) Requested the Secretariat to ascertain from other organizations in the United Nations system information as to the incentives and disincentives in place with regard to the payment of assessed contributions as well as to the linking of such incentives and disincentives to services provided and to report thereon to the Committee at its nineteenth session;

(f) Recommended to the General Conference at its tenth session to allow the Secretariat to use for integrated programmes or country service frameworks each country’s share and amount of the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates, as specified in decision GC.9/Dec.10, if no response had been received by 31 December 2003 from the concerned States on the use of those funds amounting to €840,818, as contained in annex II to document IDB.26/9;

(g) Requested the Director-General to send a final reminder to those Member States that had not yet replied, informing them of the present decision.

6th plenary meeting 21 November 2002

IDB.26/Dec.4 PROPOSED PAYMENT PLAN FOR AZERBAIJAN

The Industrial Development Board:

(a) Recalled the Constitution of the Organization and the financial regulations in place, last amended by GC.9/Dec.14;

(b) Also recalled the report of the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1), in particular paragraphs 13 and 14, which had provided that normally the repayment period should not exceed five years;

(c) Further recalled Board decisions IDB.19/Dec.5 and IDB.25/Dec.6;

(d) Noted the information in documents IDB.25/8, IDB.26/16 and Add.1;

(e) Welcomed the commitment of Azerbaijan to settle its arrears;

(f) Decided to approve the payment plan negotiated with Azerbaijan as outlined in document IDB.26/16 and Add.1;

(g) Took note, without prejudice to paragraph (b) above, of the terms of the payment plan and encouraged Azerbaijan to pay regularly its instalments in line with the conditions therein;
(h) Recommended to the General Conference to consider positively the request of Azerbaijan for the restoration of voting rights in accordance with Article 5.2 of the Constitution of UNIDO.

6th plenary meeting
21 November 2002

IDB.26/Dec.5 MOBILIZATION OF FINANCIAL RESOURCES

The Industrial Development Board:

(a) Took note of the information contained in document IDB.26/6;

(b) Decided to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2003 and 2004 in accordance with the priorities defined in the medium-term programme framework, 2002-2005 (GC.9/Res.2);

(c) Urged all Member States to pay their assessed contributions to the regular budget in full and on time, so that UNIDO could develop and implement its programmes in an efficient manner;

(d) Encouraged Member States and other financial sources to increase their voluntary contributions to UNIDO;

(e) Also encouraged the donor community and other sources of financing to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes or country service frameworks, as well as to support an efficient development and eventual implementation of new initiatives within the mandate given to the Director-General in the medium-term programme framework, 2002-2005;

(f) Encouraged Governments of recipient countries to play a more active role in assisting UNIDO within their means to mobilize funds for jointly developed integrated programmes or country service frameworks 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, UNDP, and from the World Bank and other development finance institutions;

(g) Requested the Director-General in due time to enter into dialogue with all Member States on new initiatives within the framework and priorities of the medium-term programme framework, 2002-2005, including their financial implications, and promote them in the international development context especially in international conferences and other forms of dialogue.

IDB.26/Dec.6 TRANSITION TO A SINGLE CURRENCY SYSTEM

The Industrial Development Board:

(a) Took note of the information provided in document IDB.26/4 on the transition to a single currency system, and in particular of the problems faced;

(b) Noted with satisfaction that the Director-General had begun to take steps towards the full implementation of the single currency system based on the euro;

(c) Requested the Director-General to find solutions to the problems in implementation identified in document IDB.26/4 and to keep Member States regularly informed of further developments.

IDB.26/Dec.7 STRATEGIC GUIDELINES “TOWARDS IMPROVED UNIDO PROGRAMME DELIVERY”

The Industrial Development Board:

(a) Recalled General Conference resolution GC.7/Res.1 of 4 December 1997 endorsing the Business Plan on the Future Role and Functions of UNIDO, which remains the basis of UNIDO’s organizational and programmatic transformation;

(b) Also recalled General Conference resolution GC.9/Res.2 of 7 December 2001 concerning the medium-term programme framework, 2002-2005;

(c) Took note of the information provided in document IDB.26/8 concerning the medium-term programme framework, 2004-2007;

(d) Emphasized the importance for UNIDO to strive continuously for efficient and effective programme delivery in order to gain better recognition and stronger support in the international community;

(e) Welcomed the initiative of Japan, which had led to the formulation of strategic guidelines aimed at improving UNIDO’s programme delivery;
(f) Adopted the strategic guidelines “Towards improved UNIDO programme delivery”, as contained in document IDB.26/15, as an important contribution to the efforts to make UNIDO a more efficient and effective organization, and in particular for the formulation and implementation of the medium-term programme frameworks, 2002-2007;

(g) Requested the Director-General to take the strategic guidelines fully into account when implementing the medium-term programme framework, 2002-2005, and when developing his proposals for the medium-term programme framework, 2004-2007, and preparing his proposals for the programme and budgets, 2004-2005;

(h) Also requested the Director-General to draw attention to the strategic guidelines during the consultations with non-Member States that the Board at its twenty-fifth session had requested him to begin with a view to encouraging them to join/rejoin the Organization (IDB.25/Dec.2);

(i) Further requested the Director-General to keep Member States regularly informed and to report thereon to the Board.

6th plenary meeting
21 November 2002

IDB.26/Dec.8 GLOBAL BIOTECHNOLOGY FORUM

The Industrial Development Board:

(a) Took note of the proposal by the Government of Chile to host a Global Biotechnology Forum in December 2003 and to take adequate measures towards its successful implementation;

(b) Requested the Secretariat to take care that the priorities of the Forum were clearly related to UNIDO’s mandate as indicated in the medium-term programme framework, 2002-2005, taking into account the ongoing normative activities in other relevant international forums;

(c) Also requested the Secretariat to keep Member States regularly informed of the work of the high-level Steering Committee and the preparatory process;

(d) Encouraged interested Member States to work with UNIDO, inter alia, through the regional preparatory meetings and discussions with the Secretariat, to ensure that the Forum had realistic objectives and produced useful outcomes;

(e) Further encouraged interested Member States to consider providing financial or other support to the Forum and/or the regional preparatory meetings;

(f) Requested the Director-General to report the key outcomes of the Forum in time for the first Industrial Development Board in 2004. The report should focus on those aspects that are clearly relevant to UNIDO’s mandate;

(g) Requested the Industrial Development Board to examine proposals by the Secretariat to follow up those outcomes of the Forum that fell within UNIDO’s mandate, with a view to seeking the formal support of Member States.

6th plenary meeting
21 November 2002

IDB.26/Dec.9 PERSONNEL MATTERS

The Industrial Development Board:

(a) Took note of the information contained in document IDB.26/11;

(b) Noted the amendments made in pursuance of staff regulation 13.3 to schedule I of the staff regulations in order to bring it into conformity with the decision of the General Assembly set out in resolution 56/244;

(c) Also noted the amendments to staff rules 103.10, 103.12 and appendices A, C and M to the staff rules;

(d) Further noted the revision of the 300 series of the staff rules and the introduction of appointments of limited duration;

(e) In accordance with General Conference decision GC.9/Dec.19 (c), elected the following members and alternate members of the UNIDO Staff Pension Committee for the remainder of the biennium 2002-2003:

Members: Mr. Cédric Janssens de Bisthoven (Belgium)
          Mr. Mlulami M. L. Singaphi (South Africa)
          Mr. Tanmaya Lal (India).

Alternate Members: Mrs. Vesna Vukovic (Croatia)

6th plenary meeting
21 November 2002
**IDB.26/Dec.10 CONSULTATIONS WITH NON-MEMBER STATES**

The Industrial Development Board:

(a) Recalled its decision IDB.25/Dec.2 concerning consultations with non-Member States;

(b) Took note of the information provided by the Director-General in documents IDB.26/14 and Corr.1 and IDB.26/CRP.6;

(c) Acknowledged the contribution that could be made by Member States through bilateral consultations with non-Members;

(d) Requested the Director-General to hold close and regular informal consultations with interested Member States to assist him in his consultations with non-Member States with a view to widening the membership of the Organization;

(e) Also requested the Director-General to report on the progress made to the Board at its twenty-seventh session.

*6th plenary meeting*  
*21 November 2002*

**IDB.26/Dec.11 PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION**

The Industrial Development Board:

(a) Took note of the information contained in document IDB.26/CRP.3;

(b) Decided to adopt the following provisional agenda for its twenty-seventh session:

1. Election of officers.
2. Adoption of the agenda.
4. Report of the Programme and Budget Committee;
6. Implementation of medium-term programme framework, 2002-2005, including:
   (a) Update on preparations for the biotechnology forum;
   (b) Field representation.
8. International Centre for Science and High Technology.
9. Activities of the Joint Inspection Unit.
11. Consultations with non-Member States.
12. Matters related to intergovernmental, non-governmental, governmental and other organizations.
13. Preparations for the tenth session of the General Conference.
14. Provisional agenda and date of the twenty-eighth session.
15. Adoption of the report.

(c) Decided to hold its twenty-seventh session from 26 to 28 August 2003.

*6th plenary meeting*  
*21 November 2002*
## Annex II

**DOCUMENTS SUBMITTED TO THE BOARD AT ITS TWENTY-SIXTH SESSION**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Agenda item</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDB.26/1</td>
<td>1</td>
<td>Provisional agenda</td>
</tr>
<tr>
<td>IDB.26/1/Add.1</td>
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<td>Annotated provisional agenda</td>
</tr>
<tr>
<td>IDB.26/3</td>
<td>2 (a)</td>
<td>Comments of the Director-General on the report of the External Auditor</td>
</tr>
<tr>
<td>IDB.26/4</td>
<td>2 (e)</td>
<td>Transition to a single currency system. Note by the Secretariat</td>
</tr>
<tr>
<td>IDB.26/5</td>
<td>2 (a)</td>
<td>Financial performance report for the biennium 2000-2001. Submitted by the Director-General</td>
</tr>
<tr>
<td>IDB.26/6</td>
<td>2 (d)</td>
<td>Mobilization of financial resources for UNIDO programmes. Report by the Director-General</td>
</tr>
<tr>
<td>IDB.26/9</td>
<td>2 (b)</td>
<td>Financial situation of UNIDO. Report by the Director-General</td>
</tr>
<tr>
<td>IDB.26/10</td>
<td>3 (c)</td>
<td>Global biotechnology forum. Note by the Secretariat</td>
</tr>
<tr>
<td>IDB.26/11</td>
<td>5</td>
<td>Personnel matters. Report by the Director-General</td>
</tr>
<tr>
<td>IDB.26/12 and Corr.1</td>
<td>3 (a)</td>
<td>Programmatic review, including system-wide issues: UNIDO participation in major international events. Report by the Director-General</td>
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<tr>
<td>IDB.26/13</td>
<td>2</td>
<td>Report of the Programme and Budget Committee on the work of its eighteenth session</td>
</tr>
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<td>IDB.26/14 and Corr.1</td>
<td>6</td>
<td>Consultations with non-Member States. Report by the Director-General</td>
</tr>
<tr>
<td>IDB.26/16</td>
<td>2 (b)</td>
<td>Financial situation of UNIDO. Proposed payment plan for Azerbaijan. Report by the Director-General</td>
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<tr>
<td>IDB.26/16/Add.1</td>
<td>2 (b)</td>
<td>Financial situation of UNIDO. Proposed payment plan for Azerbaijan. Report by the Director-General. Addendum</td>
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**Conference room papers**

<table>
<thead>
<tr>
<th>Symbol</th>
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<tbody>
<tr>
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<td>1</td>
<td>List of documents</td>
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<td>IDB.26/CRP.2</td>
<td>2 (b)</td>
<td>Financial situation of UNIDO. Note by the Secretariat</td>
</tr>
<tr>
<td>IDB.26/CRP.3</td>
<td>7</td>
<td>Provisional agenda and date of the twenty-seventh session. Note by the Secretariat</td>
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<td>3</td>
<td>Programmatic review, including system-wide issues. Status of the integrated programmes. Note by the Secretariat</td>
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<td>Programmatic review, including system-wide issues. Technical cooperation: Role and responsibilities of United Nations entities. Note by the Secretariat</td>
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<td>Consultations with non-Member States. Report by the Director-General</td>
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