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Item 4 of the provisional agenda

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS TWENTY-FIRST SESSION

(10-12 May 2005)

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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.

Introduction

1. The Programme and Budget Committee held its twenty-first session at UNIDO Headquarters, Vienna International Centre, from 10 to 12 May 2005. The following 26 of the 27 Members of the Committee participated in the session: Austria, Côte d'Ivoire, Democratic People's Republic of Korea, Ethiopia, Finland, France, Germany, Greece, Guatemala, Hungary, India, Indonesia, Italy, Japan, Mexico, Morocco, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Russian Federation, Sudan, Turkey, United Kingdom of Great Britain and Northern Ireland and Venezuela (Bolivarian Republic of).

2. The following 58 Members of UNIDO also attended the session: Afghanistan, Albania, Algeria, Angola, Argentina, Azerbaijan, Belgium, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Burkina Faso, China, Colombia, Croatia, Cuba, Cyprus, Czech Republic, Egypt, Iran (Islamic Republic of), Iraq, Ireland, Jordan, Kenya, Kuwait, Lebanon, Libyan Arab Jamahiriya, Lithuania, Luxembourg, Malaysia, Malta, Namibia, Netherlands, Norway, Oman, Panama, Paraguay, Philippines, Portugal, Romania, Saudi Arabia, Serbia and Montenegro, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syrian Arab Republic, Thailand, The former Yugoslav Republic of Macedonia, Tunisia, Ukraine, United Republic of Tanzania, Uruguay, Yemen and Zimbabwe.

3. The following organizations were represented: African Union, European Commission, International Atomic Energy Agency, International Centre for Genetic Engineering and Biotechnology, International Institute of Refrigeration, League of Arab States, Organization of the Petroleum Exporting Countries and World Trade Organization.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Ms. S. Noriega Urizar (Guatemala) as Chairperson; Mr. T. Stelzer (Austria), Mr. G. Asiegbu (Nigeria) and Mr. S. Radomski (Poland) as Vice-Chairmen; and Mr. I. A. Akil (Pakistan) as Rapporteur.

5. The agenda for the twenty-first session as adopted by the Committee is contained in document PBC.21/1. 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.

6. 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.

7. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

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

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2005/2	Annex to the financial regulations	3
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I. ORGANIZATIONAL MATTERS

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

Conclusion 2005/1 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-first session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Mr. S. Radomski (Poland) (Vice-Chairman) to chair those consultations.

II. INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2004-2005 (item 3); IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR (item 4); FINANCIAL REGULATIONS (item 9)

11. The Committee decided to discuss simultaneously items 3, 4 and 9.

A. Interim report of the External Auditor, financial performance report and programme performance report for the biennium 2004-2005 (item 3)

12. On 10 May, the Committee considered the interim report of the External Auditor (PBC.21/8), the interim financial performance report for the biennium 2004-2005, submitted by the Director-General (PBC.21/9) and the *Annual Report of UNIDO 2004* (including interim programme performance report for the biennium 2004-2005) (PBC.21/2 and Add.1).

13. On 12 May, at the suggestion of the Chairman, the Committee took note of the information provided by the External Auditor on item 3.

B. Implementation of the recommendations of the External Auditor (item 4)

14. On 12 May, at the recommendation of the Chairman, the Committee also took note of the Director-General's observations on the implementation of the recommendations of the External Auditor as contained in the interim report of the External Auditor (PBC.21/8).

C. Financial regulations (item 9)

15. On 10 May, the Committee considered a report by the Director-General on the amendment to the annex to the financial regulations (PBC.21/4).

16. On 12 May, after consideration of a draft conclusion on the *annex to the financial regulations* submitted by the Chairman (PBC.21/L.7), the Committee adopted the following conclusion:

Conclusion 2005/2 ANNEX TO THE FINANCIAL REGULATIONS

The Programme and Budget Committee:

(a) Took note of the information provided in document IDB.30/4-PBC.21/4;

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

“The Industrial Development Board recommends that the General Conference approve the revised text of paragraph 5 of the annex to the financial regulations, as contained in the annex to document IDB.30/4-PBC.21/4.”

III. PROGRAMME AND BUDGETS, 2006-2007 (item 6); SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2006-2007 (item 7); WORKING CAPITAL FUND FOR THE BIENNIUM 2006-2007 (item 8); SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES (item 10)

17. The Committee decided to discuss simultaneously items 6, 7, 8 and 10.

A. Programme and budgets, 2006-2007 (item 6)

18. On 10 and 11 May, the Committee considered the proposals by the Director-General for the programme and budgets 2006-2007 (PBC.21/6).

19. On 12 May, after consideration of a draft conclusion on the *programme and budgets, 2006-2007*, submitted by the Chairman (PBC.21/L.8), the Committee adopted the following conclusion:

Conclusion 2005/3 PROGRAMME AND BUDGETS, 2006-2007

The Programme and Budget Committee:

(a) Took note of the proposed programme and budgets, 2006-2007, as contained in document IDB.30/6-PBC.21/6;

(b) Invited the chair of the Committee to continue to conduct open-ended informal consultations in order to give clear guidance to the Secretariat on the proposed programme and budgets, 2006-2007, before the thirtieth session of the Industrial Development Board;

(c) Taking into consideration the outcome of the informal consultations as stipulated in paragraph (b), invited the UNIDO Secretariat to provide Member States with adjustments, if necessary, to document IDB.30/6-PBC.21/6.

B. Scale of assessments for apportionment of the regular budget expenses for the biennium 2006-2007 (item 7)

20. On 10 and 11 May, the Committee considered a note by the Secretariat on the scale of assessments for the fiscal period 2006-2007 (PBC.21/7).

21. On 12 May, after consideration of a draft conclusion on the *scale of assessments, 2006-2007*, submitted by the Chairman (PBC.21/L.5), the Committee adopted the following conclusion:

**Conclusion 2005/4 SCALE OF ASSESSMENTS,
2006-2007**

The Committee recommended to the Board the adoption of the following draft decision:

“The Industrial Development Board:

“(a) Takes note of document IDB.30/7-PBC.21/7;

“(b) Recommends to the General Conference the establishment of a scale of assessments for the regular budget expenditures of UNIDO for the fiscal period 2006-2007, based on United Nations General Assembly resolution 58/1 B, adjusted to the membership of UNIDO on the understanding that new Members shall be assessed for the year in which they become Members on the basis of the United Nations scale of assessments, as applicable to UNIDO;

“(c) Urges Member States to pay their assessed contributions for the 2006-2007 biennium in accordance with financial regulation 5.5 (b), which states that contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director-General, or as of the first day of the calendar year to which it relates, whichever is later;

“(d) Calls on Member States and former Member States that are in arrears to fulfil their constitutional obligations by paying their outstanding assessed contributions in full and without conditions as soon as possible, or to take advantage of payment plans to settle their arrears, in accordance with previous decisions by the governing bodies of UNIDO.”

**C. Working Capital Fund for the
biennium 2006-2007 (item 8)**

22. On 10 and 11 May, the Committee considered the proposals by the Director-General on the Working Capital Fund for the biennium 2006-2007 (PBC.21/3).

23. On 12 May, after consideration of a draft conclusion on the *Working Capital Fund, 2006-2007*, submitted by the Chairman (PBC.21/L.6), the Committee adopted the following conclusion:

**Conclusion 2005/5 WORKING CAPITAL FUND,
2006-2007**

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

“The Industrial Development Board:

“(a) Takes note of document IDB.30/3-PBC.21/3;

“(b) Recommends to the General Conference that the level of the Working Capital Fund for the biennium 2006-2007 should remain at €7,423,030 and that the authorized purposes of the Fund for the biennium 2006-2007 should remain the same as for the biennium 2004-2005, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

“(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions.”

**D. Security enhancements and proposed new
conference facilities (item 10)**

24. On 12 May, the Committee considered a report by the Director-General on security enhancements at the Vienna International Centre (PBC.21/11), a proposal by the Director-General on supplementary estimates for the biennium 2004-2005 (PBC.21/12 and Add.1) and a note by the Secretariat on the implementation of security enhancements, phase I (PBC.21/CRP.4).

25. On 12 May, after consideration of a draft conclusion on *security enhancements*, submitted by the Chairman (PBC.21/L.3), the Committee adopted the following conclusion:

**Conclusion 2005/6 SECURITY ENHANCE-
MENTS**

The Programme and Budget Committee:

(a) Recalled decision IDB.29/4 of the Industrial Development Board;

(b) Took note of the progress made in the implementation of security enhancements in phase I of the response to ensure compliance with headquarters minimum operating security standards at the Vienna International Centre, as reported in documents IDB.30/11-PBC.21/11 and PBC.21/CRP.4;

(c) Also took note of the information provided in documents IDB.30/12-PBC.21/12 and Add.1;

(d) Decided to refer the matters concerning windows replacement, the establishment of a radio control system and the financing of UNIDO's share of the measures under phase II to the Industrial Development Board at its thirtieth session and to that end requested the Secretariat to pursue its efforts to provide the Member States with detailed information on possible funding options, taking into account the diverse views expressed during the current session.

**IV. FINANCIAL SITUATION OF UNIDO (item 5);
MOBILIZATION OF FINANCIAL
RESOURCES (item 11)**

26. The Committee decided to discuss simultaneously items 5 and 11.

A. Financial situation of UNIDO (item 5)

27. On 11 May, the Committee considered a report by the Director-General on the financial situation of UNIDO (PBC.21/13), a report by the Director-General on special accounts (PBC.21/10) and a note by the Secretariat on the financial situation of UNIDO (PBC.21/CRP.5).

28. On 12 May, after consideration of a draft conclusion on the *financial situation*, submitted by the Chairman (PBC.21/L.2), the Committee adopted the following conclusion:

**Conclusion 2005/7 FINANCIAL SITUATION OF
UNIDO**

The 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.30/13-PBC.21/13;

“(b) Approves the level of the operating reserve for the biennium 2006-2007 at €3.03 million, representing 15 per cent of the estimated operational budget expenditure for that biennium;

“(c) Urges 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;

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

B. Mobilization of financial resources (item 11)

29. On 11 May, the Committee considered the information contained in the *Annual Report of UNIDO 2004* on the mobilization of financial resources (PBC.21/2, chapter VI) and a conference room paper

prepared by the Secretariat on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2004 (PBC.21/CRP.3).

30. On 12 May, at the suggestion of the Chairman, the Committee took note of the information contained in the *Annual Report of UNIDO 2004* and the information provided by the Secretariat on item 11.

**V. APPOINTMENT OF AN EXTERNAL
AUDITOR (item 12)**

31. On 11 May, the Committee considered a report by the Director-General on candidatures for the appointment of an External Auditor (PBC.21/5 and Add.1 and 2) and a note by the Secretariat on candidatures for the appointment of an External Auditor (PBC.21/CRP.2).

32. On 12 May, at the suggestion of the Chairman, the Committee took note of the information provided by the Director-General and the Secretariat on item 12.

**VI. DATE OF THE TWENTY-SECOND
SESSION (item 13)**

33. On 11 May, the Committee took note of the entry contained in the annotated agenda (PBC.21/1/Add.1) on the dates reserved for the policy-making organs of UNIDO in 2005 and 2006.

34. On 12 May, after consideration of a draft conclusion on the date of the twenty-second session, submitted by the Chairman (PBC.21/L.4), the Committee adopted the following conclusion:

**Conclusion 2005/8 DATE OF THE TWENTY-
SECOND SESSION**

The Programme and Budget Committee decided to hold its twenty-second session from 5 to 6 September 2006.

**VII. ADOPTION OF THE REPORT (item 14) AND
CLOSURE OF THE TWENTY-FIRST
SESSION**

35. On 12 May, the Committee adopted the draft report of its twenty-first session (PBC.21/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

36. The Committee closed its twenty-first session at 6.05 p.m. on 12 May 2005.

Annex

LIST OF DOCUMENTS SUBMITTED TO THE TWENTY-FIRST SESSION

Symbol	Agenda item	Title
PBC.21/1	2	Provisional agenda
PBC.21/1/Add.1	2	Annotated provisional agenda
PBC.21/2 IDB.30/2	3	<i>Annual Report of UNIDO 2004</i>
PBC.21/2/Add.1 IDB.30/2/Add.1	3	<i>Annual Report of UNIDO 2004</i> . List of technical cooperation activities
PBC.21/3 IDB.30/3	8	Working Capital Fund for the biennium 2006-2007. Proposals by the Director-General
PBC.21/4 IDB.30/4	9	Financial regulations. Amendment to the annex to the financial regulations. Submitted by the Secretariat
PBC.21/5 IDB.30/5	12	Appointment of an External Auditor. Candidatures for the appointment of an External Auditor. Report by the Director-General
PBC.21/5/Add.1 IDB.30/5/Add.1	12	Appointment of an External Auditor. Candidatures for the appointment of an External Auditor. Report by the Director-General. Addendum
PBC.21/5/Add.2 IDB.30/5/Add.2	12	Appointment of an External Auditor. Candidatures for the appointment of an External Auditor. Report by the Director-General. Addendum
PBC.21/6 IDB.30/6	6	Programme and budgets, 2006-2007. Proposals of the Director-General
PBC.21/7 IDB.30/7	7	Scale of assessments for apportionment of the regular budget expenses. Scale of assessments for the fiscal period 2006-2007. Note by the Secretariat
PBC.21/8 IDB.30/8	3 and 4	Interim report of the External Auditor, financial performance report and programme performance report for the biennium 2004-2005. Implementation of the recommendations of the External Auditor. Interim report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial period 2004-2005
PBC.21/9 IDB.30/9	3	Performance report and programme performance report for the biennium 2004-2005. Interim financial performance report for the biennium 2004-2005. Submitted by the Director-General
PBC.21/10 IDB.30/10 GC.11/5	5	Financial situation of UNIDO. Special accounts. Report by the Director-General
PBC.21/11 IDB.30/11	10	Security enhancements and proposed new conference facilities. Security enhancements at the Vienna International Centre. Report by the Director-General
PBC.21/12 IDB.30/12	10	Security enhancements and proposed new conference facilities. Supplementary estimates for the biennium 2004-2005 for security enhancements. Proposal of the Director-General
PBC.21/12/Add.1 IDB.30/12/Add.1	10	Security enhancements and proposed new conference facilities. Supplementary estimates for the biennium 2004-2005 for security enhancements. Addendum
PBC.21/13 IDB.30/13	5	Financial situation of UNIDO. Report by the Director-General

Symbol	Agenda item	Title
Conference room papers		
PBC.21/CRP.1	2	Adoption of the agenda. List of documents
PBC.21/CRP.2	12	Appointment of an External Auditor. Candidatures for the appointment of an External Auditor. Note by the Secretariat
PBC.21/CRP.3	11	Mobilization of financial resources. Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2004. Prepared by the Secretariat
PBC.21/CRP.4	10	Security enhancements and proposed new conference facilities. Implementation of security enhancements, phase I. Note by the Secretariat
PBC.21/CRP.5	5	Financial situation of UNIDO. Note by the Secretariat
PBC.21/CRP.6	-	List of participants