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Item 7 of the provisional agenda

REPORT OF THE INDUSTRIAL DEVELOPMENT BOARD ON THE WORK OF ITS RESUMED EIGHTEENTH SESSION

(17-19 November 1997)

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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.

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Introduction

1. The report of the Industrial Development Board on its resumed eighteenth session is presented to the General Conference in accordance with Article 9.4 (c) of the Constitution. The summary records of the session (IDB.18/SR.3-7), where details of the proceedings are contained, form an integral part of the present report.

2. The following decisions listed below, reproduced in annex I, call for action by the General Conference at its seventh session:

IDB.18/Dec.3	Terms and conditions of appointment of the Director-General
IDB.18/Dec.4	Scale of assessments
IDB.18/Dec.5	Programme and budgets, 1998-1999
IDB.18/Dec.6	Personnel and related financial implications of the proposed budget reductions
IDB.18/Dec.7	Financial regulations and financial rules
IDB.18/Dec.8	Working Capital Fund
IDB.18/Dec.9	Appointment of an external auditor
IDB.18/Dec.13	Options for the collection of unpaid assessed contributions from the United States Government

IDB.18/Dec.15 Preparations for the seventh session of the General Conference

IDB.18/Dec.16 International Centre for Science and High Technology (ICS)

3. The resumed eighteenth session of the Board was held at UNIDO Headquarters, Vienna International Centre, from 17 to 19 November 1997 (5 plenary meetings — see IDB.18/SR.3-7).

I. ORGANIZATIONAL AND PROCEDURAL MATTERS

4. The resumed eighteenth session of the Board was declared open by its President, Mr. I. Posta (Hungary).

Officers of the resumed eighteenth session

5. The officers of the resumed eighteenth session were those elected at the commencement of the first regular session in 1997 and at part one of the eighteenth session: Mr. A. Velazco San José (Cuba), Mr. H. Wøhlk (Denmark), Mr. A. A. Halim Mohamed (Sudan) as Vice Presidents and Mr. A. R. Tootoonchian (Islamic Republic of Iran) as Rapporteur.

Agenda

1. Opening of the session
2. Adoption of the agenda.
3. Recommendation of a candidate for the post of Director-General.
4. Report of the Programme and Budget Committee:
 - (a) Scale of assessments;
 - (b) Interim financial performance report and programme performance report for the biennium 1996-1997;
 - (c) Programme and budgets, 1998-1999;
 - (d) Financial regulations and financial rules;
 - (e) Working Capital Fund;
 - (f) Appointment of an External Auditor;
 - (g) Financial situation of UNIDO;
 - (h) Industrial Development Fund and other voluntary contributions;
 - (i) Withdrawal of the United States of America.
5. Future role and functions of UNIDO.
6. Preparations for the seventh session of the General Conference.
7. International Centre for Science and High Technology.
8. Provisional agenda and date of the nineteenth session.
9. Adoption of the report.
10. Closure of the session.

6. The Board adopted a proposal by the President to ensure the maximum utilization of available conference-servicing resources (see annex I, decision IDB.18/Dec.2).

Participation

7. The following 47 of the 53 members of the Board were represented at the session: Algeria, Argentina, Austria, Belgium, Brazil, Bulgaria, China, Colombia, Cuba, Denmark, Ecuador, Egypt, France, Germany, Ghana, Greece, Hungary, India, Indonesia, Iran (Islamic Republic of), Italy, Japan, Kenya, Lebanon, Mexico, Morocco, Netherlands, Nigeria, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Spain, Sudan, Sweden, Switzerland, Tunisia, Turkey, United Arab Emirates and the United Kingdom of Great Britain and Northern Ireland.

8. The following 42 Member States of UNIDO also participated in the session: Afghanistan, Angola, Armenia, Australia, Azerbaijan, Belarus, Bolivia, Bosnia and Herzegovina, Chile, Croatia, Czech Republic, Democratic People's Republic of Korea, Ethiopia, Finland, Georgia, Guatemala, Haiti, Iraq, Ireland, Israel, Jordan, Kuwait, Liberia, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Namibia, New Zealand, Norway, Oman, Panama, Republic of Moldova, Slovakia, Slovenia, Sri Lanka, Thailand, The former Yugoslav Republic of Macedonia, Ukraine, Uruguay, Venezuela, Viet Nam and Yemen.

9. The Holy See and South Africa participated as observers.

10. The Permanent observer of Palestine also participated.

11. The following United Nations bodies were represented: United Nations Development Programme and United Nations Office at Vienna.

12. The following specialized agencies were represented: Food and Agriculture Organization of the United Nations, International Atomic Energy Agency, United Nations Educational, Scientific and Cultural Organization and World Health Organization.

13. The following intergovernmental organizations were represented: European Commission, League of Arab States and Organisation of the Islamic Conference.

14. The following non-governmental organizations were represented: Association of African Development Finance Institutions, Austrian Senior Experts Pool, International Confederation of Free Trade Unions, International Academy of Technological Sciences and World Association for Small and Medium Enterprises.

II. RECOMMENDATIONS OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL

15. The Board had before it under item 3 a note by the Secretariat containing a draft contract for the appointment of the Director-General (IDB.18/7). The Board considered a draft decision submitted by the President (IDB.18/L.4) and adopted decision IDB.18/Dec.3 (see annex I).

III. REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

16. The Board decided to discuss simultaneously sub-items (a) to (h). The debate on those sub-items is reflected in summary records IDB.18/SR.3, paragraphs 21 to 58, IDB.18/SR.4, paragraphs 1 to 89 and IDB.18/SR.5, paragraphs 1 to 6. The Board had before it the report of the Programme and Budget Committee on the work of its thirteenth session (IDB.18/2 and Add.1) and the documents mentioned under A to H below.

A. Scale of assessments

17. The Board had before it a note by the Secretariat on the scale of assessments for the fiscal period 1998-1999 (IDB.18/13) and Programme and Budget Committee conclusion 97/5 on the scale of assessments for the apportionment of the regular budget expenses. The Board considered a draft decision submitted by the President (IDB.18/L.6) and adopted decision IDB.18/Dec.4 (see annex I).

B. Interim financial performance report and programme performance report for the biennium 1996-1997

18. The Board had before it the interim financial performance report for the biennium 1996-1997 submitted by the Director-General (IDB.18/4) and the Annual Report of UNIDO 1996 (including interim programme performance report for the biennium 1996-1997) (IDB.17/10, Add.1 and Add.2). At the suggestion of the President, the Board took note of the documentation provided by the Director-General (IDB.18/SR.7, paragraphs 8 to 9).

C. Programme and budgets, 1998-1999

19. The Board had before it revised proposals submitted by the Director-General for the programme and budgets, 1998-1999 (IDB.18/15/6), a report by the Director-General on personnel and financial implications of the proposed budget reductions (IDB.18/15/5/Rev.1), the report of the Chairman (Mr. M. F. Khalil, Tunisia) of the informal open-ended working group on personnel and financial aspects related to staff reductions, (PBC.13/16 and Corr.1), PBC conclusion 97/10 on the programme and budgets, 1998-1999 and the recommendations of the Programme and Budget Committee at its resumed thirteenth session of 18 November 1997 on personnel and related financial implications of the budget reductions. The Board considered a draft decision submitted by the President (IDB.18/L.11) with an amendment also submitted by the President, and a draft decision submitted by the Chairman of the Programme and Budget Committee (IDB.18/L.19) and adopted decisions IDB.18/Dec.5 and IDB.18/Dec.6 (see annex I).

D. Financial regulations and financial rules

20. The Board had before it the report of the Chairman (Mr. F. Mayrhofer-Grünbühel, Austria) of the intersessional working group on proposed amendments to the financial regulations (IDB.18/8), a report by the Director-General on amendments to the financial rules (IDB.18/12) and PBC conclusion 97/3 on financial regulations and financial rules. The Board considered a draft decision submitted by the President (IDB.18/L.5) and adopted decision IDB.18/Dec.7 (see annex I).

E. Working Capital Fund

21. The Board had before it information on the status of advances to the Working Capital Fund (IDB.18/CRP.4), proposals by the Director-General on the Working Capital Fund for the biennium 1998-1999 (IDB.18/10) and PBC conclusion 97/6 on the Working Capital Fund for the biennium 1998-1999. The Board considered a draft decision submitted by the President (IDB.18/L.7) and adopted decision IDB.18/Dec.8 (see annex I).

F. Appointment of an External Auditor

22. The Board had before it a report by the Director-General on candidatures for the appointment of an external auditor (PBC.13/2) and PBC conclusion 97/8 on proposals for the appointment of an external auditor. The Board considered a draft decision submitted by the President (IDB.18/L.8) and adopted decision IDB.18/Dec.9 (see annex I).

G. Financial situation of UNIDO

23. The Board had before it the report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 (IDB.18/3), the report of the chairman (Mr. S. K. Lee, Republic of Korea) of the open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions (IDB.18/5), reports by the Director-General on the financial situation of UNIDO (IDB.18/14, IDB.18/20, IDB.18/CRP.2 and CRP.4), a note by the Secretariat on the practice of borrowing by United Nations specialized agencies (IDB.18/CRP.3) and PBC conclusion 97/2 on the financial situation of UNIDO including the withdrawal of the United States of America. The Board considered a draft decision submitted by the President (IDB.18/L.9) and adopted decision IDB.18/Dec.10 (see annex I). Having considered an oral proposal submitted by the President, the Board also adopted decision IDB.18/Dec.11 (see annex I).

H. Industrial Development Fund and other voluntary contributions

24. The Board had before it a report by the Director-General on the Industrial Development Fund and other voluntary contributions (IDB.18/9), information contained in the Annual Report of UNIDO 1996 on the nature of projects financed from the Industrial Development Fund (IDB.17/10, Add.1, appendix C) and on the nature of projects financed from third party and self-financed trust funds (IDB.17/10, Add.1, appendix D) and PBC conclusion 97/7 on the Industrial Development Fund and other voluntary contributions. The Board considered a draft decision submitted by the President (IDB.18/L.10) and adopted decision IDB.18/Dec.12 (see annex I).

IV. WITHDRAWAL OF THE UNITED STATES OF AMERICA

25. The Board decided to discuss item 4 (i) separately. The debate on that item is reflected in summary record IDB.18/SR.5 paragraphs 7 to 34.

26. The Board had before it a document submitted by the Director-General on issues arising from the withdrawal of the United States (IDB.18/11), a note by the Secretariat on options for the recovery of arrears (IDB.18/18) and PBC conclusion 97/2 on the financial situation of UNIDO including the withdrawal of the United States of America. The Board considered a draft decision submitted by the President (IDB.18/L.17) and, with an amendment, adopted decision IDB.18/Dec.13 (see annex I).

V. FUTURE ROLE AND FUNCTIONS OF UNIDO

27. The Board had before it the report of the Chairman (Mr. I. Posta, Hungary) of the intersessional working group on the future role and functions of UNIDO (IDB.18/17). The debate on item 5 is reflected in summary record IDB.18/SR.5, paragraphs 35 to 55. The Board considered a draft decision submitted by the President (IDB.18/L.16) and adopted decision IDB.18/Dec.14 (see annex I).

VI. PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE

28. The Board had before it a note by the Secretariat on preparations for the seventh session of the General Conference (IDB.18/19). The debate on item 6 is reflected in summary record IDB.18/SR.5, paragraphs 58 to 64. The Board considered a draft decision submitted by the President (IDB.18/L.13) and adopted decision IDB.18/Dec.15 (see annex I).

VII. INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY

29. The Board had before it a note by the Director-General on the International Centre for Science and High Technology (IDB.18/16 and Add.1 and 2). The debate on item 7 is reflected in summary record IDB.18/SR. 6, paragraphs 1 to 35. The Board considered a draft decision submitted by the President (IDB.18/L.18) and adopted decision IDB.18/Dec.16 (see annex I).

VIII. PROVISIONAL AGENDA AND DATE OF THE NINETEENTH SESSION

30. The Board had before it a note by the Secretariat on the provisional agenda and date of the nineteenth session (IDB.18/CRP.6) and PBC conclusion 97/13 on the date of the fourteenth session of the Programme and Budget Committee. The debate on item 8 is reflected in summary record IDB.18/SR.7, paragraphs 49 to 53. The Board considered two draft decisions submitted by the President (IDB.18/L.14, IDB.18/L.15) and adopted decisions IDB.18/Dec.17 and IDB.18/Dec.18 (see annex I).

IX. ADOPTION OF THE REPORT

31. The Board considered the draft report (IDB.18/L.12) 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.18/SR.7, paragraphs 59-61).

X. CLOSURE OF THE SESSION

32. On 19 November, at 7.20 p.m. the Board closed its eighteenth session.

Annex I

DECISIONS ADOPTED BY THE BOARD AT ITS RESUMED EIGHTEENTH SESSION

<i>Decision No.</i>	<i>Title</i>	<i>Page</i>
IDB.18/Dec.2	Utilization of available conference-servicing resources (IDB.18/SR.3, paras.2-3)	9
IDB.18/Dec.3	Terms and conditions of appointment of the Director-General (IDB.18/SR.5, paras. 56-57)	9
IDB.18/Dec.4	Scale of assessments (IDB.18/SR.7, paras. 6-7)	11
IDB.18/Dec.5	Programme and budgets, 1998-1999 (IDB.18/SR.7, paras. 3, 10, 11)	12
IDB.18/Dec.6	Personnel and related financial implications of the proposed budget reductions (IDB.18/SR.7, paras. 12-14)	13
IDB.18/Dec.7	Financial regulations and financial rules (IDB.18/SR.7, paras. 15-16)	14
IDB.18/Dec.8	Working Capital Fund (IDB.18/SR.7, paras. 17-18)	16
IDB.18/Dec.9	Appointment of an external auditor (IDB.18/SR.7, paras. 19-20)	17
IDB.18/Dec.10	Financial situation of UNIDO, including withdrawal of the United States of America (IDB.18/SR.7, paras. 21-34)	17
IDB.18/Dec.11	Financial situation of UNIDO (IDB.18/SR.7, paras. 38-39)	18
IDB.18/Dec.12	Industrial Development Fund and other voluntary contributions (IDB.18/SR.7, paras. 40-41)	18
IDB.18/Dec.13	Options for the collection of unpaid assessed contributions from the United States Government (IDB.18/SR.7, paras. 21-37)	18
IDB.18/Dec.14	Future role and functions of UNIDO (IDB.18/SR.7, paras. 42-43)	19
IDB.18/Dec.15	Preparations for the seventh session of the General Conference (IDB.18/SR.7, paras. 44-46)	19
IDB.18/Dec.16	International Centre for Science and High Technology (ICS) (IDB.18/SR.7, paras. 47-48)	20
IDB.18/Dec.17	Number and duration of sessions of the Industrial Development Board and the Programme and Budget Committee (IDB.18/SR.7, paras. 54-55)	21
IDB.18/Dec.18	Dates of sessions of the policy-making organs of UNIDO for 1998 (IDB.18/SR.7, paras. 56-58)	21

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 eighteenth session only and provided no substantive decisions were taken at those meetings.

*3rd plenary meeting
17 November 1997*

**IDB.18/Dec. 3 TERMS AND CONDITIONS OF APPOINTMENT OF THE
DIRECTOR-GENERAL**

The Industrial Development Board, further to its decision IDB.18/Dec.1, and acting in accordance with rule 103 of the rules of procedure of the General Conference, decided to recommend to the Conference for approval the draft contract annexed to the present draft decision, which establishes the terms and conditions of appointment of the Director-General, including the salary and emoluments attached to the office.

*5th plenary meeting
18 November 1997*

Annex

DRAFT CONTRACT FOR APPOINTMENT OF THE DIRECTOR-GENERAL

THIS CONTRACT is made

between the United Nations Industrial Development Organization (hereinafter called the Organization) for the one part

and (hereinafter called the Director-General) for the other part.

WHEREAS

The Director-General, upon recommendation of the Board, has been duly appointed by the Conference at the plenary meeting of its seventh session held on December 1997 (GC.7/Dec.....).

IT IS HEREBY AGREED AS FOLLOWS:

1. Term of Office

The Director-General shall be appointed for a period of four years from the day of nineteen hundred ninety-seven (1997), or until the Director-General to be appointed at the ninth regular session of the General Conference assumes office, whichever is later.

2. Official Duty Station

The official duty station for the Director-General shall be Vienna, Austria.

3. Official Duties

In accordance with Article 11 of the Constitution of the Organization, the Director-General shall be the chief administrative officer of the Organization.

4. Privileges and Immunities

The Director-General shall enjoy all the privileges and immunities in keeping with his/her office as determined by the Constitution of the Organization, Article 21, and any relevant legal instruments already in force or to be concluded in the future.

5. Staff Regulations

The Director-General shall be subject to the Staff Regulations of the Organization, together with such amendments as may be made thereto, in so far as they are applicable to him/her.

6. Assessable Salary and Allowances

(a) The annual gross salary of the Director-General shall be US dollars one hundred and seventy-five thousand three hundred and forty-four (175,344), corresponding to an annual net base salary equivalent to US dollars one hundred and nineteen thousand seven hundred and twenty-two (119,722) (dependency rate) or US dollars one hundred and six thousand two hundred and fifty-five (106,255) (single rate) respectively. The gross and net base salary shall be adjusted whenever the General Assembly decides to adjust the gross and net base salary levels of staff in the Professional and higher categories;

(b) He/She shall receive post adjustment, allowances and benefits, including social security benefits, for which a staff member in the Professional category of the UNIDO Secretariat would be eligible under the Staff Regulations and Staff Rules of the Organization, provided the purpose of such emolument, allowance or benefit has not already been met by other provisions of the present contract;

(c) The Director-General shall receive a representation allowance of Austrian schillings three hundred and forty thousand five hundred and sixty (340,560) per annum, adjusted for the budgeted annual inflation rate, to meet his/her share of the obligations which the Organization incurs in the form of representation and hospitality expenditure;

(d) He/She shall receive a housing allowance amounting to Austrian schillings five hundred and seventy-six thousand six hundred and thirty (576,630) per annum, adjusted for the budgeted annual inflation rate;

(e) The above salary, allowances and benefits to which the Director-General is entitled under this agreement shall be subject to adjustment by the Board, after consultations with the Director-General, to keep them in line with those of the executive heads of other specialized agencies within the common system of the United Nations.

7. Pension Arrangements*Alternative A

The Director-General shall participate in the United Nations Joint Staff Pension Fund in accordance with the provisions of decision IDB.10/Dec.17 (d) of the Industrial Development Board. His/Her pensionable remuneration shall be determined and adjusted in accordance with the provisions of articles 54(c) and (b) of the regulations and rules of the United Nations Joint Staff Pension Fund.

Alternative B

The Director-General shall not participate in the United Nations Joint Staff Pension Fund. Instead, he/she shall have an amount equal to 15.8 per cent of pensionable remuneration, corresponding to the Organization's contribution to the Pension Fund, paid as a supplement to his/her remuneration, in lieu of participation in the Pension Fund, in accordance with General Assembly resolution 47/203.

8. Notice of Resignation

The Director-General may at any time give three months' notice of resignation in writing to the Board, which is authorized to accept his/her resignation on behalf of the General Conference, in which case, upon expiration of such period of notice, he/she shall cease to be Director-General of the Organization and this contract shall terminate.

9. Entry into force

This contract shall enter into force as of the day of 1997.

SIGNED this day of 1997 at Vienna.

 (.....)
 President of the Conference acting
 on behalf of the Organization

 (.....)
 Director-General

* Alternative A will be included in the contract if the elected Director-General has been a participant in the United Nations Joint Staff Pension Fund. Alternative B will be applicable in case he/she has never been a participant.

IDB.18/Dec.4 SCALE OF ASSESSMENTS

The Industrial Development Board recommended to the General Conference the establishment of a scale of assessments for the biennium 1998-1999 based on the scale employed by the United Nations at the time of the seventh session of the General Conference.

*7th plenary meeting
 19 November 1997*

IDB.18/Dec. 5 PROGRAMME AND BUDGETS, 1998-1999

The Industrial Development Board:

(a) Adopted for submission to the General Conference for consideration and approval the revised proposals of the Director-General for the programme and budgets for 1998-1999 as contained in document IDB.18/15/6-PBC.13/14/6 with the reductions listed in the annex to conclusion 97/10 of the Programme and Budget Committee;

(b) Recommended to the General Conference the approval on the basis of an exchange rate of US\$ 1 = AS 12.90 of appropriations in the amount of \$145,898,600 for the regular budget of the Organization in 1998-1999, as reflected in the following table:

	(In US dollars)		
	Appropriations	Estimated income	Net requirements
Policy-making Organs	6,680,000		6,680,000
General Management	10,474,000		10,474,000
Strengthening of Industrial Capacities	42,017,500		42,017,500
Cleaner and Sustainable Industrial Development	14,415,000		14,415,000
Regional Programme Management	20,343,700	895,500	19,448,200
Technical Cooperation Management	7,567,600		7,567,600
Administration	44,400,800	13,954,100	30,446,700
Miscellaneous Income		1,508,300	(1,508,300)
Total	145,898,600	16,357,900	129,540,700

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula presented at the end of the present decision to take account of exchange rate variations during the biennium.

(c) Also recommended to the General Conference that the foregoing appropriations of \$145,898,600 at an exchange rate of US\$ 1 = AS 12.90 be financed from:

(i) Payments of contributions by Member States under the provisions of financial regulation 5.5(e) amounting to \$129,540,700 (\$23,355,500 plus the equivalent in United States dollars of AS 1,369,789,086) in accordance with decisions to be adopted by the General Conference at its seventh session concerning the scale of assessments;

(ii) Miscellaneous and other income of \$16,357,900;

(d) Further recommended to the General Conference the approval of estimates of net expenditure totalling \$27,490,200 at an exchange rate of US\$ 1 = AS 12.90 for the purpose of the operational budget for the biennium 1998-1999 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations;

(e) Also recommended to the Conference that, in order to provide a measure of flexibility in implementing the programme of work, the Director-General be allowed to submit to the Board for consideration, within the limits

of the approved programme and budgets and the financial regulations, proposals that he might judge beneficial for the proper functioning of the Organization;

(f) There was a generally held view in the Board that, in light of the significant budget reductions already made, any further reductions in the 1998-1999 or future budgets would seriously impair the capacity of UNIDO to fulfil its mandate.

Adjustment formula in US dollars

Appropriations	US dollars		Austrian schillings
A. Policy-making Organs	551,100	+ (	79,062,200 /R)
B. General Management	2,592,700	+ (	101,668,900 /R)
C. Strengthening of Industrial Capacities	4,687,400	+ (	481,558,180 /R)
D. Cleaner and Sustainable Industrial Development	1,541,900	+ (	166,062,840 /R)
E. Regional Programme Management	12,563,500	+ (	100,364,600 /R)
F. Technical Cooperation Management	658,000	+ (	89,133,850 /R)
G. Administration	2,612,500	+ (	539,069,436 /R)
Subtotal appropriations	25,207,100	+ (	1,556,920,006 /R)
<u>Estimated income</u>			
E. Regional Programme Management	895,500	+ (	0 /R)
G. Administration	294,000	+ (	176,215,120 /R)
Miscellaneous	<u>662,100</u>	+ (	<u>10,915,800 /R)</u>
Subtotal estimated income	1,851,600	+ (	187,130,920 /R)
TOTAL NET REQUIREMENTS	23,355,500	+ (	1,369,789,086 /R)

Note 1: The net requirements shown above assume a ratio of 18 per cent in US dollars and 82 per cent in Austrian schillings at an exchange rate of US\$ 1 = AS 12.90.

Note 2: Represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1998-1999.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.6 PERSONNEL AND RELATED FINANCIAL IMPLICATIONS OF THE PROPOSED BUDGET REDUCTIONS

The Industrial Development Board:

(a) Took note of the information provided in document IDB/18/15/5/Rev.1-PBC.13/14/5/Rev.1 on the personnel and financial implications of the budget reductions proposed for the 1998-1999 biennium (PBC conclusion 97/10);

(b) Also took note of the report of the informal working group on personnel and financial aspects related to staff reductions (PBC.13/16 and Corr.1), which was considered and amended by the Programme and Budget Committee at its resumed thirteenth session of 19 November 1997 (PBC.13/16/Corr.2);

(c) Recommended the approval of the implementation of the staff separation programme resulting from the 1998-1999 programme and budgets, in accordance with the policy and guiding principles described in paragraphs 5 to 11 of document PBC.13/16;

(d) With respect to the financial aspects of the staff separation programme, recommended that:

(i) All Member States should pay their outstanding assessed contributions without delay;

(ii) The General Conference approve the suspension of financial regulations 4.2(b) and 4.2(c) with respect to the unutilized balance of appropriations for the 1994-1995 biennium, as reported in document IDB.18/4-PBC.13/4, in the amount of \$13.9 million for the purpose of funding the separation indemnity reserve to meet the cost of staff separations;

(iii) The additional cash resources for the staff separation reserve could be secured: (a) by voluntary contributions from Member States on the understanding that contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels; (b) by way of advances from Member States to the Organization, on the understanding that those advances would be repaid as and when the arrears of assessed contributions are paid, or deducted from future contributions;

(iv) The measures under (i), (ii) and (iii) above should be implemented jointly so as to ensure the payment on time of the costs incurred by staff separations.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.7 FINANCIAL REGULATIONS AND FINANCIAL RULES

The Industrial Development Board:

(a) Having considered conclusion 1997/3 of the Programme and Budget Committee, decided to submit to the General Conference at its seventh session for consideration and adoption the amendments to financial regulations 3.4(a), 5.1(d), 5.2(b), 10.1(b), 10.2(a) and 10.2(c), as set out in the texts contained in the annex to the present decision;

(b) Requested the intersessional working group on proposed amendments to the financial regulations to continue its examination of financial regulations 4.2(b), 4.2(c), 4.3(b), 4.3(c) and 5.2(d) under the chairmanship of ...,¹ and to report to the Committee at its fourteenth session;

(c) Requested the Secretariat to continue to provide the working group with information concerning the financial implications of these amendments.

*7th plenary meeting
19 November 1997*

¹ See summary record IDB.18/SR.7 para. 62.

Annex

<u>Regulation</u>	<u>Text prior to amendment</u>	<u>Text as amended</u>
3.4 (a)	The regular budget shall be divided into programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.	3.4 (a) The regular budget shall be divided into major programmes, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.
5.1 (d)	Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies. The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.	5.1 (d) Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies.
5.2 (b)	Half of the estimated miscellaneous income to the regular budget for the fiscal period, for which credits have not previously been taken into account, and adjustments in estimated miscellaneous income previously taken into account;	5.2 (b) Half of the estimated miscellaneous income to the regular budget for the fiscal period and credits in respect of income not previously taken into account.
10.1 (b)	To the General Fund shall be credited: <ul style="list-style-type: none"> (i) The contributions to the regular budget paid by members pursuant to Financial Regulation 5.1; (ii) Any advances made from the Working Capital Fund to finance expenditures of the regular budget; (iii) Revenue derived from the Staff Assessment Plan; 	10.1 (b) Unchanged. <ul style="list-style-type: none"> 10.1 (b) (i) Unchanged. 10.1 (b) (ii) Unchanged. 10.1 (b) (iii) Deleted.

<u>Regulation</u>	<u>Text prior to amendment</u>	<u>Text as amended</u>
10.1 (b)	(iv) Miscellaneous income to the regular budget including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.	10.1 (b)(iii) [text unchanged, re-numbered only].
10.2 (a)	The Director-General shall establish such accounts and maintain such accounting records as are necessary.	10.2 (a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, giving due consideration to the United Nations accounting standards.
10.2 (c)	The Director-General also shall prepare and submit:	10.2 (c) Unchanged.
	(i) A statement showing the assets and liabilities of the Organization at the close of the fiscal period;	10.2 (c) (i) A statement of income and expenditure and changes in reserves and fund balances;
	(ii) An analysis of the financial situation of the Organization at the close of the fiscal period;	10.2 (c) (ii) A statement of assets, liabilities, and reserves and fund balances;
	(iii) Such other information as may be appropriate.	10.2 (c) (iii) A statement of cash flow;
		10.2 (c) (iv) A statement of appropriations by major programme;
		10.2 (c) (v) An analysis of the financial situation of the Organization at the close of the fiscal period;
		10.2 (c) (vi) Such other information as may be appropriate.

IDB.18/Dec.8 WORKING CAPITAL FUND

The Industrial Development Board:

(a) Recommended to the General Conference that, due to changes in membership, the level of the Working Capital Fund for the 1998-1999 biennium should be \$6,610,000 and that the authorized purposes of the Fund for the 1998-1999 biennium should remain the same as for the 1996-1997 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

(b) Urged 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.

*7th plenary meeting
18 November 1997*

IDB.18/Dec.9 APPOINTMENT OF AN EXTERNAL AUDITOR

The Industrial Development Board recommended that the General Conference approve an extension of the present appointment of the President of the Federal Court of Audit of Germany as the External Auditor of UNIDO for a period of two years, from 1 July 1998 to 30 June 2000, under the terms of reference specified in the Financial Regulations of UNIDO.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.10 FINANCIAL SITUATION OF UNIDO, INCLUDING WITHDRAWAL OF THE UNITED STATES OF AMERICA

The Industrial Development Board:

(a) Took note of the reports of the Director-General on the financial situation of UNIDO (IDB.18/14, IDB.18/20, IDB.18/CRP.2 and IDB.18/CRP.4) containing information concerning the status of assessed contributions, advances to the Working Capital Fund, cash flow estimates, regular budget performance, operational budget status and the separation indemnity reserve;

(b) Also took note with concern of the information contained in the report by the External Auditor on the interim accounts for the first year of the fiscal period 1996-1997 (IDB.18/3-PBC.13/3);

(c) Further took note of the report of the intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions (IDB.18/5-PBC.13/5);

(d) Took note of the information contained in the report on the withdrawal of the United States of America (IDB.18/11-PBC.13/9);

(e) Urged those Member States that had not yet paid their assessed regular budget contributions, including advances to the Working Capital Fund for the bienniums 1986-1987 to 1996-1997, to do so without further delay;

(f) Strongly urged the United States of America to pay immediately its international financial obligations to the Organization of \$61.3 million (comprising \$38.3 million and AS 278.6 million);

(g) Requested the Government of the United States of America to reimburse income tax on salaries and emoluments for UNIDO staff members who are United States citizens and appealed to the United States Government to reconsider its decision to terminate the tax reimbursement agreement with UNIDO.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.11 FINANCIAL SITUATION OF UNIDO

The Industrial Development Board decided that the open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions (IDB.18/Dec.10, para. (c)) should continue its work under the chairmanship of Mr. A. Benmoussa (Morocco).

*7th plenary meeting
19 November 1997*

IDB.18/Dec.12 INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

The Industrial Development Board:

- (a) Took note of the information contained in document IDB.18/9-PBC.13/7;
- (b) Decided to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 1998 and 1999, in accordance with the information contained in chapter II of document IDB.18/9-PBC.13/7;
- (c) Encouraged Member States to increase their pledges to the Fund and to make available funding from both multi- and bilateral sources for UNIDO projects and programmes related to high-priority activities or areas;
- (d) Encouraged Governments of recipient countries to take a more active role in sharing with UNIDO the responsibility to mobilize funds from sources available to them for UNIDO projects and programmes related to high-priority activities or areas.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.13 OPTIONS FOR THE COLLECTION OF UNPAID ASSESSED CONTRIBUTIONS FROM THE UNITED STATES GOVERNMENT

The Industrial Development Board:

- (a) Took note of the report of the Director-General on the options for the collection of unpaid assessed contributions from the United States Government (IDB.18/18);
- (b) Noted with deep concern that the United States had not yet paid any part of its outstanding assessed contributions to UNIDO;
- (c) Decided to transmit the report of the Director-General to the General Conference for further consideration and appropriate action on any of the options set out therein.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.14 FUTURE ROLE AND FUNCTIONS OF UNIDO

The Industrial Development Board:

- (a) Took note of the report of the chairman of the intersessional working group on the future role and functions of UNIDO (IDB.18/17);
- (b) Requested the intersessional working group to continue its work under the chairmanship of Mr. I. Posta (Hungary);
- (c) Also requested the intersessional working group in particular to further develop, in consultation with the Secretariat, a set of criteria and indicators that would allow the future assessment of the implications and monitoring of the implementation of the UNIDO reform process, including the performance of the Organization, in particular through the programme and budgets;
- (d) Further requested the intersessional working group to take into consideration in its work the proposals contained in reports of the External Auditor for the improvement of the functioning of UNIDO;
- (e) Also requested the Chairman of the intersessional working group to report to the Board at its nineteenth session.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.15 PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE

The Industrial Development Board:

- (a) Took note of the information provided in documents IDB.17/15 and IDB.18/19;
- (b) Decided to add the following three items to the provisional agenda of the seventh session of the General Conference contained in the annex to document IDB.18/19:
 - 10 (e) Withdrawal of the United States of America
 - 25 Field representation
 - 26 International Centre for Science and High Technology;
- (c) Requested the President of the Board to organize an informal meeting on 21 November 1997 for the purpose of considering organizational and procedural matters related to the seventh session of the General Conference;
- (d) Also requested the President of the Board to organize an additional informal meeting under the chairmanship of Mr. A. Velazco San José (Cuba), during the week of 24 November 1997, for the purpose of reviewing any draft decisions or resolutions that might be received from Member States;

(e) Further requested the President of the Board to report to the General Conference any recommendations emanating from the informal meetings.

*7th plenary meeting
19 November 1997*

IDB.18/Dec.16 INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (ICS)

The Industrial Development Board:

(a) Took note of the information provided in documents IDB.18/16, IDB.18/16/Add.1, and IDB.18/16/Add.2;

(b) Recommended to the General Conference the adoption of the following draft resolution:

“The General Conference:

“Bearing in mind the Institutional Agreement concluded on 9 November 1993 between UNIDO and the Government of Italy,

“Acknowledging the positive role of UNIDO in the establishment, the functioning and the activities of the Centre,

“Recognizing the pertinence of the activities of the Centre to the mandate of UNIDO in the field of industrial technology and the interest to strengthen the research component of the ICS work programme,

“Underlining the importance of the ICS technology development activities,

“Having considered the proposal for the transfer of the International Centre for Science and High Technology (ICS) to UNESCO, contained in document IDB.18/16, Add.1 and Add.2:

“1. Takes note of the ending of the Institutional Agreement between the Government of Italy and UNIDO regarding the ICS by mutual consent and of the commitment of the Government of Italy to enter into a tripartite agreement with UNIDO and UNESCO for the future operations of ICS;

“2. Requests the Director-General to initiate consultations with UNESCO and the Government of Italy in order to continue the ongoing activities and projects as well as approved pipeline projects and to develop future cooperation in the field of industrial technology, in accordance with the Business Plan;

“3. Also requests the Director-General to present a progress report on these consultations to the nineteenth session of the Industrial Development Board.”

*7th plenary meeting
19 November 1997*

IDB.18/Dec.17 NUMBER AND DURATION OF SESSIONS OF THE INDUSTRIAL DEVELOPMENT BOARD AND THE PROGRAMME AND BUDGET COMMITTEE

The Industrial Development Board:

(a) Recalled the provisions of Articles 9.3 (a) and 10.3 (a) of the Constitution according to which the Industrial Development Board and the Programme and Budget Committee shall each hold at least one session each year;

(b) Further recalled its decision IDB.5/Dec.46 on the conduct of business and rationalization of proceedings;

(c) Decided to amend items 1 and 2.4 in the annex to its decision IDB.5/Dec.46 to read as follows:

Item 1: Number and duration of sessions of the Board per year

“1. A total of 15 working days have been set aside in the biennium for the Industrial Development Board and the Programme and Budget Committee.

“2. There should be two regular IDB sessions in non-General Conference years: one for a duration of three (3) working days to be held in May-June and one for a duration of two (2) working days later in the year to consider the recommendations of the Programme and Budget Committee. In General Conference years the Board should hold one regular session of a duration of four (4) working days. The Programme and Budget Committee should hold one regular session of a duration of three (3) working days each year.”

Item 2: Agenda items for the Board

“4. At each regular session the Board shall adopt the provisional agenda for the following regular session, in accordance with rules 10 and 11 of its Rules of Procedure. The Rules of Procedure allow the flexibility to add extra unforeseen items before each session. Certain items should be discussed only every second year, particularly those of a general nature. Other items should be assigned to the General Conference.”

*7th plenary meeting
19 November 1997*

IDB.18/Dec.18 DATES OF SESSIONS OF THE POLICY-MAKING ORGANS OF UNIDO FOR 1998

The Industrial Development Board:

(a) Recalled its decision IDB.18/Dec.17 on the number and duration of sessions of the Industrial Development Board and the Programme and Budget Committee;

(b) Also recalled conclusions 94/13 and 97/13 of the Programme and Budget Committee on the dates of its sessions;

(c) Decided on the following dates for the regular sessions of the Board and the Committee in 1998:

18 - 20 May	Industrial Development Board, nineteenth session
9 - 11 September	Programme and Budget Committee, fourteenth session
19 - 20 November	Industrial Development Board

twentieth session

- (d) Decided to adopt the following provisional agenda for the nineteenth session of the Board:
1. Opening of the nineteenth session
 2. Election of officers
 3. Adoption of the agenda
 4. Annual report of the Director-General on the activities of the Organization in 1997, including progress report on specific activities (Article 11.6 of the Constitution)
 5. UNIDO technical cooperation activities in 1997 including operational activities for development (IDB.7/Dec.11, United Nations General Assembly resolutions 47/199, 50/120)
 6. Second Industrial Development Decade for Africa (recurrent item)
 7. Industrialization of the least developed countries (recurrent item)
 8. Personnel matters, including composition of the Secretariat (recurrent item—also IDB.16/Dec.18)
 9. Matters related to intergovernmental, non-governmental, governmental and other organizations (GC.1/Dec.41)
 10. Provisional agenda and date of the twentieth session (rule 10.2 of the rules of procedure)
 11. Adoption of the report
 12. Closure of the session

*7th plenary meeting
19 November 1997*

Annex II

DOCUMENTS SUBMITTED TO THE BOARD AT ITS RESUMED EIGHTEENTH SESSION

Symbol	Agenda item	Title
IDB.18/1/Rev.1	2	Provisional agenda
IDB.18/1/Rev.1/Add.1	2	Annotated agenda
IDB.18/2	4	Report of the Programme and Budget Committee on the work of its thirteenth session (8-11 September 1997)
IDB.18/2/Add.1	4	Report of the Programme and Budget Committee on the work of its resumed thirteenth session (6-7 November 1997)
IDB.18/2/Add.2	4	Report of the Programme and Budget Committee on the work of its resumed thirteenth session (continued) (19 November 1997)
IDB.18/3 - PBC.13/3	4 (g)	Report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 ended 31 December 1996
IDB.18/4 - PBC.13/4	4 (b)	Interim financial performance report for the biennium 1996-1997. Submitted by the Director-General
IDB.18/5 - PBC.13/5	4 (g)	Intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions. Report of the Chairman (H.E. Mr. S.K. Lee, Republic of Korea)
IDB.18/6 and Add.1	3	Recommendation of a candidate for the post of Director-General. Note by the Secretariat
IDB.18/7	3	Draft contract for appointment of the Director-General. Note by the Secretariat
IDB.18/8 - PBC.13/6	4 (d)	Intersessional working group on proposed amendments to the financial regulations. Report of the Chairman (H.E. Mr. F. Mayrhofer-Grünbühel, Austria)
IDB.18/9 - PBC.13/7	4 (h)	Industrial Development Fund and other voluntary contributions. Report by the Director-General
IDB.18/10 - PBC.13/8	4 (e)	Working Capital Fund for the biennium 1998-1999. Proposals by the Director-General
IDB.18/11 - PBC.13/9	4 (i)	Issues arising from the withdrawal of the United States. Report by the Director-General
IDB.18/12 - PBC.13/11	4 (d)	Amendments to the financial rules. Report by the Director-General
IDB.18/13 - PBC.13/12	4 (a)	Scale of assessments for the fiscal period 1998-1999. Note by the Secretariat
IDB.18/14 - PBC.13/13	4 (g)	Financial situation of UNIDO. Report by the Director-General
IDB.18/15/1 - PBC.13/14/1	4 (c)	Indicative 10 per cent budget reduction. Proposals by the Director-General
IDB.18/15/2 - PBC.13/14/2	4 (c)	Indicative 20 per cent budget reduction. Proposals by the Director-General

Symbol	Agenda item	Title
IDB.18/15/3 - PBC.13/14/3	4 (c)	Indicative 30 per cent budget reduction. Proposals by the Director-General
IDB.18/15/4 - PBC.13/14/4	4 (c)	Programmatic and policy implications of the indicative budget reduction proposals. Submitted by the Director-General
IDB.18/15/5/Rev.1 - PBC.13/14/5/Rev.1	4 (c)	Personnel and financial implications of the proposed budget reductions Submitted by the Director-General
IDB.18/15/6 - PBC.13/14/6	4 (c)	Programme and Budgets, 1998-1999. Revised proposals. Submitted by the Director-General
IDB.18/16 and Add.1	7	International Centre for Science and High Technology. Note by the Director-General
IDB.18/16/Add.2	7	International Centre for Science and High Technology. Note by the Secretariat
IDB.18/17	5	Intersessional working group on the future role and functions of UNIDO Report of the Chairman (Mr. I. Posta, Hungary, President, Industrial Development Board)
IDB.18/18	4 (i)	Options for the collection of unpaid assessed contributions from the United States Government. Report by the Director-General
IDB.18/19	6	Preparations for the seventh session of the General Conference. Note by the Secretariat
GC.7/20 - IDB.18/20 - PBC.13/15	4 (g)	Financial situation of UNIDO. Submitted by the Director-General
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IDB.18/CRP.2 - PBC.13/CRP.6	4 (g)	Financial situation of UNIDO. Note by the Secretariat
IDB.18/CRP.3 - PBC.13/CRP.7	4 (g)	The practice of borrowing by United Nations specialized agencies. Note by the Secretariat
IDB.18/CRP.4	4 (g)	Financial situation of UNIDO. Note by the Secretariat
IDB.18/CRP.5	2	List of documents
IDB.18/CRP.6	8	Provisional agenda and date of the nineteenth session. Note by the Secretariat
IDB.18/CRP.7	-	List of participants
		* * * * *
PBC.13/2	4 (f)	Candidatures for the appointment of an external auditor. Report by the Director-General
PBC.13/16, Corr. 1 and 2	4 (c)	Informal open-ended working group on personnel and financial aspects related to staff reductions. Report by the Chairman (H.E. Mr. M. F. Khalil, Tunisia)