United Nations Industrial Development Organization

Industrial Development Board
First session (part two)
Vienna, 4-15 November 1985
Item 4 of the provisional agenda

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

30 September to 11 October 1985

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Introduction

1. The Programme and Budget Committee held its first session at UNIDO Headquarters, Vienna International Centre, from 30 September to 11 October 1985. The following 26 of the 27 members of the Committee participated in the session: Algeria, Angola, Argentina, Bangladesh, Belgium, Brazil, Bulgaria, Cameroon, Cape Verde, China, Colombia, Denmark, France, German Democratic Republic, Federal Republic of Germany, India, Indonesia, Japan, Netherlands, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey, Union of Soviet Socialist Republics and the United States of America. The following 35 members of UNIDO also attended the session: Australia, Austria, Byelorussian Soviet Socialist Republic, Canada, Chile, Cuba, Czechoslovakia, Democratic People's Republic of Korea, Egypt, Finland, Hungary, Islamic Republic of Iran, Italy, Kuwait, Luxembourg, Malaysia, Mexico, Morocco, Nicaragua, Norway, Panama, Peru, Philippines, Poland, Portugal, Qatar, Senegal, Spain, Sweden, Tunisia, Ukrainian Soviet Socialist Republic, United Kingdom of Great Britain and Northern Ireland, Uruguay, Venezuela and Yugoslavia. The United Nations, the United Nations Development Programme and the European Economic Community were represented.

2. In accordance with rule 21 of its provisional rules of procedure, the Committee elected by acclamation: Mr. C. A. de Proença Rosa (Brazil) as Chairman; Mr. K. Alam (Bangladesh), Mr. A. Thabault (France), Mr. C. Hoehne (German Democratic Republic) as Vice-Chairmen; and Mr. C. C. Tawah (Cameroon) as Rapporteur.

3. The agenda adopted by the Committee for its first session is contained in document UNIDO/PBC.1/1/Rev.1.

4. The report of the Programme and Budget Committee on the work of its first session is submitted to the Industrial Development Board in accordance with Article 10.4(d) of the Constitution.

5. The report contains the conclusions reached by the Committee. Statements of principle by some delegations wishing to go on record are reflected in annex I to the report. Annex II contains a list of documents submitted to the Committee at its current session.

6. The following conclusions of the Committee call for action by the Board:

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I. RULES OF PROCEDURE

7. On 30 September, the Committee considered the draft provisional rules of procedure prepared by the Secretariat (UNIDO/PBC.1/2, annex 1) as well as a number of proposed modifications (UNIDO/PBC.1/CRP.2) submitted by the Chairman of a working group on the rules of procedure, Mr. L. Alcon (Argentina).

Conclusion 1985/1

(a) The Committee adopted as its provisional rules of procedure, for its first session only, the rules contained in annex 1 to document UNIDO/PBC.1/2 along with the changes listed in document UNIDO/PBC.1/CRP.2.

(b) The Committee requested the working group on the rules of procedure to pursue its review of the provisional rules of procedure at the close of the first session of the Committee and to submit its proposals to the Committee at its second session.

II. SCALE OF ASSESSMENTS OF MEMBER STATES

8. On 30 September, the Committee considered a note by the Secretariat on the scale of assessments for the regular budget expenditures of UNIDO (UNIDO/PBC.1/5).

Conclusion 1985/2

The Committee recommended to the Board that it propose to the General Conference the establishment of a scale of assessments for the regular budget expenditures of UNIDO for the financial years 1986, 1987 and 1988, and that that scale of assessments be based on the one most recently adopted by the General Assembly of the United Nations as of 1 January 1986.

III. FINANCIAL REGULATIONS

9. On 1 October, the Committee considered a note by the Secretariat concerning the financial regulations of UNIDO (UNIDO/PBC.1/4).

Conclusion 1985/3

The Committee recommended the approval of the application by the Director-General of the Financial Regulations and Rules of the United Nations as of 31 December 1985, mutatis mutandis, pending the adoption of the new financial regulations of UNIDO by the General Conference.
IV. INDUSTRIAL DEVELOPMENT FUND

10. On 1 October, the Committee considered documents UNIDO/PBC.1/8 and UNIDO/PBC.1/9 concerning the Industrial Development Fund and the Pledging Conference for the Fund.

Conclusion 1985/4

(a) The Committee recommended to Board:

(i) To approve the indicative programme for 1986 and plan for 1986-1987 of the Industrial Development Fund as contained in document ID/B/333 and Corr.1 except in respect of the proposal to earmark a small component within the general-purpose segment of the Fund for disaster relief assistance; and

(ii) To authorize the Director-General to approve projects for financing under the Industrial Development Fund.

(b) The Committee agreed to the convening of a pledging conference in December 1985 during the General Conference of UNIDO at which any pledges announced in November at the United Nations Pledging Conference for Development Activities could be reiterated. At the same time, the Committee requested the Director-General to contact the Secretary-General of the United Nations concerning the possible integration of the Industrial Development Fund into the United Nations Pledging Conference and to report on the subject to part two of the first session of the Board.

V. PROGRAMME AND BUDGET, 1986-1987

11. On 1 to 11 October, the Committee considered the proposals of the Director-General for the programme and budget, 1986-1987 (UNIDO/PBC.1/6 and Corr.1 and 2 as well as UNIDO/PBC.1/CPR.4-8). The Committee also had before it a note by the Secretariat on the operational budget (UNIDO/PBC.1/10); a note by the Director-General on unified conference services for the United Nations organizations at the Vienna International Centre (UNIDO/PBC.1/CPR.1) and a report by the Secretary-General of the United Nations on the same subject (A/C.5/40/7); and an advance copy of the report of the Advisory Committee on Administrative and Budgetary Questions on the common services of United Nations organizations at the Vienna International Centre (under cover of UNIDO/PBC.1/CPR.3).

A. Regular and operational budgets, 1986-1987

12. On 11 October, the Committee considered a draft conclusion on the regular budget and the operational budget, 1986-1987 (UNIDO/PBC.1/L.3) submitted by the Chairman.

13. Separate roll-call votes were taken on the proposed allocation of $8,600,000 from the regular budget for the Industrial Development Decade for Africa; on the proposed allocation of $2,153,500 from the regular budget for the programme of Senior Industrial Development Field Advisers; and on the proposals for the regular and operational budgets as a whole. In accordance with rule 45 of the provisional rules of procedure, two-thirds majority of the members present and voting was required for decisions of the Committee on those proposals.
14. By 16 votes to 5, with 5 abstentions, the Committee adopted the recommendation for the proposed allocation of $8,600,000 for the Industrial Development Decade for Africa from the regular budget for 1986-1987. The voting was as follows:

In favour: Algeria, Angola, Argentina, Bangladesh, Brazil, Cameroon, Cape Verde, China, Colombia, India, Indonesia, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey.

Against: Bulgaria, German Democratic Republic, Japan, Union of Soviet Socialist Republics, United States of America.

Abstaining: Belgium, Denmark, France, Germany, Federal Republic of, Netherlands.

15. By 18 votes to 5, with 3 abstentions, the Committee adopted the recommendation for the proposed allocation of $2,153,500 for the programme of Senior Industrial Development Field Advisers (SIDFAs) from the regular budget for 1986-1987 - on the understanding (a) that no regular SIDFA or support posts would be established, pending a review by the Programme and Budget Committee of the report of the United Nations Development Programme (UNDP) on the evaluation of the functions and work of the SIDFAs and (b) that the SIDFAs would remain in the offices of the UNDP resident representatives. The voting was as follows:

In favour: Algeria, Angola, Argentina, Bangladesh, Brazil, Cameroon, Cape Verde, China, Colombia, Denmark, India, Indonesia, Netherlands, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey.

Against: Bulgaria, German Democratic Republic, Japan, Union of Soviet Socialist Republics, United States of America.

Abstaining: Belgium, France, Germany, Federal Republic of.

16. By 20 votes to 5, with one abstention, the Committee adopted the recommendations for the proposed programme and budget, 1986-1987, contained in conclusion 1985/5 below. The voting was as follows:

In favour: Algeria, Angola, Argentina, Bangladesh, Belgium, Brazil, Cameroon, Cape Verde, China, Colombia, Denmark, France, India, Indonesia, Netherlands, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey.

Against: Bulgaria, German Democratic Republic, Japan, Union of Soviet Socialist Republics, United States of America.

Abstaining: Germany, Federal Republic of.

In adopting conclusion 1985/5, the Committee also requested the Director-General to submit to the Board, at the second part of its first session, the amendments to document UNIDO/PBC.1/6 recommended by the Programme and Budget Committee, in the form of a revision of the relevant proposals for the allocation of resources to programmes and departments, reflecting the views expressed by the members of the Committee.
Conclusion 1985/5

1. **Regular budget**

The Committee:

(a) Considered the programme budget proposals of the Director-General as contained in document UNIDO/PBC.1/6, amounting for the regular budget to $124,088,000

(b) Noted that the exchange rate used in those proposals is calculated at the rate of AS 21.30 = US$1,

(c) Made adjustments to those proposals as contained in the table under section 3 below of $8,630,900

(d) Included a further reduction relating to reimbursable expenses of $21,218,000

(e) Recommended to the Board a net biennial regular budget allocation of $94,239,100

(f) Proposed that the net allocation of $94,239,100 be the assessment of Member States apportioned in accordance with the scale of assessments adopted by the General Assembly applicable for the years 1986 and 1987 subject to any adjustment necessary as a result of further consultations with the United Nations on sharing of costs of conference services and other joint services and of applying the United Nations operational rate of exchange in effect in December 1985 for the programme budget.

2. **Operational budget**

The Committee:

(a) Also considered the programme budget proposals of the Director-General as contained in document UNIDO/PBC.1/6 on the operational budget amounting to $23,201,800

(b) Proposed an upward adjustment in respect of the resources required for the Geneva Liaison Office in the operational budget of $290,900

(c) Recommended to the Board approval of a revised operational budget amounting to $23,492,700
### 3. Development of proposed programme budget 1986-1987

(at 1986-1987 rates)

(thousands of United States dollars)

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<th>Expected income (4)</th>
<th>Net proposed requirements (5) (3-4)</th>
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<td>Established posts</td>
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<td>46 909.4</td>
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<td>Other official travel of staff</td>
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<td>External printing and binding</td>
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<td>Photo-visual materials</td>
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<td>-5.3</td>
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<td>Data base acquisition and rental</td>
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<td>Other specialized services</td>
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<td>Rental and maintenance of premises</td>
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<td>-162.4</td>
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<td>Utilities</td>
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<td>8 100.0</td>
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<td>Supplies and materials</td>
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<td>Acquisition of furniture and equipment</td>
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<td>Improvements of premises</td>
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<td>Technical co-operation (IDDA)</td>
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<td>-1 400.0</td>
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<td>Technical co-operation (RP)</td>
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<td>Contribution to joint administrative services</td>
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<td>4 379.3</td>
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<td>4 181.3</td>
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<td>Joint printing and reproduction services</td>
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<tr>
<td>Joint language services</td>
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<td>248.2</td>
<td>-140.0</td>
<td>108.2</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>124 088.0</td>
<td>-8 630.9</td>
<td>115 457.1</td>
<td>-21 218.0</td>
<td>94 239.1</td>
</tr>
</tbody>
</table>
B. Number and geographical distribution of deputy directors-general

17. On 11 October, the Committee after consideration of a draft conclusion submitted by the Chairman (UNIDO/PBC.1/L.4/Rev.1), adopted the following conclusion:

Conclusion 1985/6

(a) The Committee reaffirmed the consensus reached at the consultations that took place among States in April and May 1984 at Vienna "that an equitable geographical representation should be maintained at all levels of the secretariat and for that purpose the competent organs of the new organization should consider a senior staff structure of the new organization including several deputy directors-general" and that each of these deputy directors-general would head a department, though not every department need be headed by a deputy director-general (A/39/376, para.3).

(b) The Committee could not reach a consensus concerning the number and geographical distribution of the deputy directors-general.

(c) The Committee recommended to the Board that an allocation for the financing of deputy directors-general be made in the regular budget for the biennium 1986-1987. The Committee underlined that the recommendation of such an allocation does not in any way prejudge the decision by the Board on the number and geographical distribution of the deputy directors-general. The Committee therefore requested the Director-General that, after consultations with Member States, he submit to the Board for its consideration relevant proposals on the procedure for the establishment of posts of deputy directors-general as well as on the structure of the Organization at the senior staff level.

C. Conference services

18. On 11 October, the Committee considered a draft conclusion (UNIDO/PBC.1/L.5) submitted by the Chairman and adopted the following conclusion:

Conclusion 1985/7

(a) The Committee noted with appreciation the information provided in the report of the Secretary-General of the United Nations on unified conference services for the United Nations organizations at the Vienna International Centre (A/C.5/40/7), the note of the Director-General on the same topic (UNIDO/PBC.1/CP.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (issued under cover of UNIDO/PBC.1/CRP.3), and took note of the relevant decision adopted by the General Assembly of the United Nations at its fortieth session (issued under cover of UNIDO/PBC.1/CRP.7). The Committee requested the Director-General to continue consultations with the Secretary-General of the United Nations and the Director-General of the International Atomic Energy Agency on conference services as well as other joint services and to report on the outcome of these consultations to the General Conference at the second part of its first session.

(b) Pending the conclusion of such consultations and the consideration of the matter by the General Conference, the Committee recommended that provisions for conference services be retained in the regular budget of UNIDO for 1986-1987 as proposed in the estimates submitted by the Director-General.
VI. ESTABLISHMENT OF A WORKING CAPITAL FUND

19. On 1 and 11 October, the Committee considered a background paper prepared by the Secretariat concerning the establishment of a working capital fund for the biennium 1986-1987 (UNIDO/PBC.1/3) and a background note by the Director-General concerning the expected balance under the operational budget by the end of 1985 (UNIDO/PBC.1/CRP.8).

20. On 11 October, the Committee considered a draft conclusion (UNIDO/PBC.1/L.8) submitted by the Chairman. The representative of the United States of America requested a roll-call vote. By 24 votes to 1, the Committee adopted conclusion 1985/8 below. The voting was as follows:

In favour: Algeria, Angola, Argentina, Belgium, Brazil, Bulgaria, Cameroon, Cape Verde, China, Colombia, Denmark, France, German Democratic Republic, Germany, Federal Republic of, India, Indonesia, Japan, Netherlands, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey, Union of Soviet Socialist Republics.

Against: United States of America

Abstentions: None.

Conclusion 1985/8

(a) The Committee recommended to the Board:

(i) To propose to the General Conference the establishment of a working capital fund for UNIDO for the 1986-1987 biennium in the amount of $6 million, to be funded, to the extent possible, by the transfer to UNIDO of its share of the assets of the United Nations Working Capital Fund and otherwise by advances from Member States, made in accordance with the scale of assessments adopted by the Conference for contributions of Member States to the regular budget for the Organization and carried to the credit of Member States which have made such advances;

(ii) To review further the uses of the Working Capital Fund and to recommend to the Conference at the second part of its first session the purposes for which the Director-General should be authorized to advance funds from the Working Capital Fund.

(b) The Committee requested the Director-General:

(i) To consult with the Secretary-General of the United Nations concerning the transfer to UNIDO of its share of the assets of the United Nations Working Capital Fund and to report on these consultations to the second part of the first session of the Board;

(ii) To submit to the Board further proposals for the purposes for which the Working Capital Fund may be drawn upon.

VII. APPOINTMENT OF EXTERNAL AUDITORS

21. On 1 and 11 October, the Committee considered a background paper by the Secretariat concerning recommendations on appointment of external auditors (UNIDO/PBC.1/7). On 11 October, after consideration of a draft conclusion
submitted by the Chairman and a proposed amendment, the Committee adopted the following conclusion:

**Conclusion 1985/9**

(a) The Committee recommended to the Board to propose to the General Conference the appointment of a single external auditor for UNIDO for a period of two years beginning on 1 July 1986, under the terms of reference specified in the financial regulations applicable to UNIDO. The travel and subsistence costs related to the work of the external auditor would be borne by the UNIDO regular budget.

(b) The Committee further invited all Member States interested in providing the services of an external auditor to inform the Director-General of such interest so that he could bring it to the attention of the Board at the second part of its first session.

**VIII. PROVISIONAL AGENDA AND DATE OF THE SECOND SESSION OF THE PROGRAMME AND BUDGET COMMITTEE**

22. On 11 October, after consideration of a draft conclusion (UNIDO/PBC.1/L.6) submitted by the Chairman and proposed amendments, the Committee adopted the following conclusion:

**Conclusion 1985/10**

(a) The Committee decided that:

(i) In addition to any items that the General Conference and/or the Board might assign to it for consideration at its second regular session, the provisional agenda of that session should include the following items:

- Rules of procedure of the Committee;
- Format of the programme budget for the biennium 1988-1989;
- Financial regulations;
- Report of the Director-General on the financial situation of UNIDO;

(ii) Its second regular session shall be held at least three months before the second regular session of the Board;

(iii) The duration of its second regular session shall be five working days.

(b) The Committee recommended that, to avoid overlapping with meetings of other organizations, the dates for the meetings of the policy-making organs of UNIDO should be established after close consultation with the United Nations Office at Vienna and the International Atomic Energy Agency.

**IX. ADOPTION OF THE REPORT OF THE FIRST SESSION**

23. On 11 October, the Committee adopted the format and parts of the report of its first session as contained in document UNIDO/PBC.1/L.1 with the understanding that the Rapporteur would be entrusted with the task of finalizing the report.
Annex I

STATEMENTS BY DELEGATIONS

1. The present annex includes only statements of principle made at the Programme and Budget Committee during its first session which some delegations requested to be included in the report.

Scale of assessments of Member States (cf. chap. II)

2. The delegation of the United States of America expressed its objection to the scale of assessments set out in the Secretariat’s note, which was based on a proposal submitted to the fortieth session of the General Assembly of the United Nations but which had not been adopted by the Assembly and for which criteria had been used that were not acceptable to its delegation.

3. The delegation of Bulgaria said that it accepted conclusion 1985/2 on the understanding that the scale of assessments to be applied by UNIDO for 1986 and 1987 would be the one applied by the United Nations for the same years.


4. The delegation of the Union of Soviet Socialist Republics, speaking on behalf of Group D, recognized the importance of the Industrial Development Decade for Africa (IDDA). It pointed out, however, that the inclusion of $8,600,000 in the UNIDO regular budget to finance the activities of the Decade constituted a breach of the Constitution of UNIDO, in particular Article 13.3 and 13.4 which provides that such activities are to be financed from the operational budget and Annex II, section B, in which it was specifically provided that technical assistance and other related activities "in the amount of 6 per cent of the total of the regular budget" might be financed from the regular budget. The same applied to the inclusion in the regular budget of $2,153,000 to finance the services of Senior Industrial Development Field Advisers (SIDFAs). The sum of $15,753,000 was nearly twice 6 per cent, i.e. around 12 per cent of the total budget and its inclusion in the regular budget was a serious violation of the Constitution. Therefore, the delegations of Group D could not support the inclusion of the above items in the regular budget.

5. The delegation of the United States of America said that it was sympathetic to the objectives of IDDA, and that its nation was assisting Africa with literally billions of dollars of development and other assistance. During the current session it had repeatedly stated its opposition to regular budget funding of IDDA. The exclusion of IDDA from the 6 per cent technical assistance ceiling raised grave questions regarding the constitutionality of that funding and set an entirely unacceptable precedent which eroded a key provision of the Constitution of UNIDO. The delegation also stated that its country had consistently opposed the funding of SIDFA posts from the regular budget, yet the Committee was considering the inclusion in that budget of $2.1 million for 9 SIDFA posts. It believed that the appropriate source of financing for SIDFAs was voluntary contributions; it objected, on constitutional and legal grounds, to the exclusion of the SIDFA funding from the 6 per cent ceiling quoted in Annex II, section B, of the Constitution. Concerning the budget as a whole, the delegation recognized the efforts that had gone into it, but believed that all those who supported zero real growth in the budget had not given that approach sufficiently firm backing and that some of them had been willing to put off into the future the kind of re-ordering or priorities that really should have taken place here. While some progress had been
made in the direction of thoroughgoing budgetary reform in the Organization, the
delegation was disappointed in the result and had to vote against the proposed
budget. It would continue to press UNIDO to face up to the necessary task of
economy and effective management.

6. The delegation of Japan said that while its Government was well aware of the
gave need of the countries on the African continent, to which it had been
rendering substantial assistance through proper multilateral and bilateral
channels, the inclusion of the operational expenses over the 6 per cent ceiling was
contradictory to the Constitution of UNIDO. Therefore, Japan was against the
inclusion of IDDA into the regular budget of the proposed programme and budget for
1986-1987. The same applied to the SIDFA programme. Consequently, Japan could not
support the proposed programme and budget on the whole either.

7. The delegation of Belgium, speaking on behalf of the States members of the
European Community members of the Committee, stressed the very high priority which
the member States of the Community assign to African development, more particularly
in the industrial sphere. There was hardly any need to recall the Community's
multilateral co-operation, as embodied in the Lomé Agreements, and the various
assistance activities undertaken both by the Community and its member States. The
pressing needs of the African continent would continue to receive highest
priority. However, it had not been possible for them to support, without
reservations, the inclusion of the credits proposed for IDDA in the regular budget of
UNIDO. They remained of the opinion that, for constitutional reasons, technical
assistance activities should be financed through voluntary contributions. While
they were not on this occasion opposing the proposed inclusion, they considered
that that measure must be entirely exceptional and thus may not constitute a
precedent. They also attached great importance to an evaluation of the programmes
and projects in the context of the Decade and to close co-ordination with other
institutions concerned, with a view to maximizing its impact, to the benefit of the
recipient African countries. They would therefore appreciate a report by the
Director-General concerning implementation of the results of such action.
Concerning SIDFAs, the member States of the European Community members of the
Committee while not opposing the decision regarding financing of the SIDFAs in the
programme budget for 1986-1987, continued to look upon those posts as being in the
nature of technical assistance and remained faithful to the principle that they
should be financed through voluntary contributions. The inclusion of part of the
relevant credits in the regular budget should therefore be interpreted as an
exceptional and temporary solution. They also wished to recall the need to subject
the SIDFA programme to a thorough evaluation, with concrete suggestions, so as to
improve its operation with a view to greater efficiency.

8. The delegation of the Federal Republic of Germany explained that it was
abstaining in the voting on the recommendation of the total budget figure because
the Chairman's proposal did not reflect all of its concerns expressed during the
session, and because it could not preclude the respective decisions of its
Parliament. Its abstention should, however, not be interpreted as general
dissatisfaction with the work of the Committee on that specific item. On the
contrary, it was of the opinion that all parties concerned had made a real and
laudable effort to find a common basis for the future work of the new UNIDO and it
pledged its continued co-operation for the successful start of the new
Organization. In regard to the programme of IDDA and SIDFAs it endorsed the
statements made by the delegation of Belgium on behalf of the member States of the
European Community.

9. The delegation of France stated that it would vote in favour of the draft
budget submitted to the Committee although the figure for global growth, set at
0.8 per cent, was subject to some uncertainty if only because it had been
calculated on the basis of resources requested by the Secretary-General but not yet granted. It remained in favour of budget stability but, in view of the efforts made in that direction, it had in the end decided to approve the draft conclusion. For indeed, it recognized that the conversion of the Organization might entail new expenditure because of the autonomy of management implied by its new status. The delegation supported the statement made by the delegation of Belgium on behalf of the member States of the European Community, relating in particular to IDDA and SIDFAs.

10. The delegation of the Netherlands said that although its Government was in favour of zero growth, it would vote in favour of the programme and budget proposal before it because it recognized that some growth was inherent in the process of transformation into a specialized agency. Regarding the allocation of funds within the regular budget to IDDA and SIDFAs it supported the statements of the delegation of Belgium on behalf of the member States of the European Community.

11. The delegation of Switzerland pointed out that in accepting the proposals for eliminating new posts for internal auditing, financial personnel and legal services, such essential functions should be assured by the redeployment of staff and that respective proposals should be submitted to the Board.

12. The delegation of India stated its firm belief that the budget of UNIDO should be derived from its work programme which, in turn, should be based on the Organization's mandate and past decision of its policy-making organs. The zero growth approach, followed by many delegations, did not recognize that basic principle and, while endorsing the budget proposals as finally negotiated, the Indian delegation was not convinced that those proposals as finally negotiated, meet all the current requirements of UNIDO. The delegation reaffirmed its commitment to the "Fleischhauer understanding" (A/39/376) as a political decision with regard to only the posts of deputy directors-general, but which could not be applied to other levels in the Secretariat. Nor should it be "swept under the carpet" for financial or budgetary reasons especially when the financial allocations did not indicate any substantive increase over the projections of the Secretary-General. The restructuring of the Secretariat was a matter of functional efficiency and effectiveness and, as such, it should not affect whatever decision had to be taken regarding the number and geographical distribution of deputy directors-general. Since the IDDA and SIDFA programmes responded to the urgent requirements of the developing countries, a pragmatic way had to be found to enable UNIDO to continue those programmes without disrupting or dilution.

13. The delegation of Argentina, speaking on behalf of the countries of the Group of 77, said that those countries would vote in favour of the budget as it had been submitted to them, hoping that the programme budget would be maintained in the future and that operational activities would not be affected at the time of the final adoption of the document by the Industrial Development Board. The countries of the Group of 77 reiterated the Group's position to the effect that the Organization should be characterized by a high level of efficiency and have adequate funds at its disposal for the effective discharge of its responsibilities.

14. The delegation of China said that it agreed to the conclusion on the programme and budget, 1986-1987, submitted by the Chairman, and expressed the hope that the adjustments recommended in that conclusion would not affect the normal functioning of the operational work of the new UNIDO. It reiterated its support for the IDDA and SIDFA programmes and voiced the hope that those two important programmes would
obtain sufficient funds, in particular through generous contributions from the
developed countries. It also expressed the hope that the Secretariat of the new
UNIDO would be a streamlined, highly efficient organ, working hard to service the
industrialization of the developing countries and promote international industrial
co-operation. The principle of equitable geographical distribution should be
applied in a comprehensive manner to the distribution of the high-level posts in
the Secretariat of UNIDO. While due consideration should be given to the
representation of the Group of 77, Group B and Group D, the duty to this
Organization incumbent on the Member State with a population of one billion
belonging to none of those Groups should not be ignored.

15. The delegation of Nigeria, on behalf of the African Group, expressed its
gratitude for the favourable outcome of the negotiations and its appreciation for
the hard work done by the Chairman, the Director-General and the Secretariat. It
very warmly thanked those delegations outside the Group of 77 who had voted in
favour of the proposed allocation for the implementation of IDDA. The delegation
also expressed its gratitude to the members of the European Community for their
statements and support, and its understanding for the position of those who had
voted against. It appealed to everyone to join in efforts to ensure that the
implementation of the IDDA programme would be a success and meet all aspirations.
**Annex II**

**DOCUMENTS SUBMITTED TO THE PROGRAMME AND BUDGET COMMITTEE AT ITS FIRST SESSION**

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Recommendation on appointment of external auditors. Draft conclusion submitted by the Chairman

UNIDO/PBC.1/L.8

Establishment of a working capital fund. Draft conclusion submitted by the Chairman

* * *

UNIDO/PBC.1/CRP.1


UNIDO/PBC.1/CRP.2

Draft provisional rules of procedure of the Programme and Budget Committee (UNIDO/PBC.1/2, annex I); changes agreed at the open-ended working group level

UNIDO/PBC.1/CRP.3

Programme and budget, 1986-1987: common services of United Nations organizations at the Vienna International Centre

UNIDO/PBC.1/CRP.4

Programme and budget, 1986-1987

UNIDO/PBC.1/CRP.5

Programme and budget, 1986-1987: number and geographic distribution of the posts of Deputy Director-General

UNIDO/PBC.1/CRP.6

Programme and budget, 1986-1987

UNIDO/PBC.1/CRP.7

Programme and budget, 1986-1987

UNIDO/PBC.1/CRP.8

Programme and budget, 1986-1987: operational budget

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UNIDO/PBC.1/INF.1

Advance information for participants

UNIDO/PBC.1/INF.2/Rev.1

List of Participants

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A/C.5/40/7

Proposed programme budget for the biennium 1986-1987: unified conference services for the United Nations organizations at the Vienna International Centre: report of the Secretary-General