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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS THIRD SESSION 9 to 18 March 1987

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
Introduction	1 - 7	2
<u>Chapter</u>		
I. ORGANIZATIONAL MATTERS	8 - 9	2
Conclusion 1987/1		2
Conclusion 1987/2		2
II. RULES OF PROCEDURE	10	3
Conclusion 1987/3		3
III. SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES OF UNIDO	11	3
Conclusion 1987/4		3
IV. FINANCIAL SITUATION OF UNIDO	12 - 15	3
Conclusion 1987/5		3
Conclusion 1987/6		4
Conclusion 1987/7		4
V. WORKING CAPITAL FUND	16 - 17	4
Conclusion 1987/8		4
VI. INDUSTRIAL DEVELOPMENT FUND	18 - 19	5
Conclusion 1987/9		5
VII. FINANCIAL REGULATIONS	20 - 21	5
Conclusion 1987/10		5
VIII. PROGRAMME AND BUDGETS, 1988-1989	22 - 28	5
Conclusion 1987/11		6
Conclusion 1987/12		6
Conclusion 1987/13		7
IX. MEDIUM-TERM PLAN, 1990-1995	29 - 30	7
Conclusion 1987/14		7
X. RECOMMENDATIONS FOR APPOINTMENT OF EXTERNAL AUDITORS	31 - 32	7
Conclusion 1987/15		7
XI. DATE OF THE FOURTH SESSION	33	7
Conclusion 1987/16		7
XII. ADOPTION OF THE REPORT ON THE THIRD SESSION	34	7
XIII. SUSPENSION OF THE THIRD SESSION	35	7
<u>Annexes</u>		
I. STATEMENTS BY DELEGATIONS		8
II. DOCUMENTS SUBMITTED TO THE PROGRAMME AND BUDGET COMMITTEE AT ITS THIRD SESSION		9

Introduction

1. The Programme and Budget Committee held its third session at UNIDO Headquarters, Vienna International Centre, from 9 to 18 March 1987. All 27 members of the Committee participated in the session i.e.: Algeria, Angola, Argentina, Bangladesh, Belgium, Brazil, Bulgaria, Cameroon, Cape Verde, China, Colombia, Denmark, Ethiopia, France, German Democratic Republic, Germany, Federal Republic of, India, Indonesia, Japan, Netherlands, Nigeria, Switzerland, Thailand, Trinidad and Tobago, Turkey, Union of Soviet Socialist Republics, United States of America.

The following 48 Members of UNIDO also attended the session: Australia, Austria, Bolivia, Byelorussian Soviet Socialist Republic, Canada, Chile, Côte d'Ivoire, Cuba, Czechoslovakia, Democratic People's Republic of Korea, Ecuador, Egypt, Finland, Greece, Hungary, Iran (Islamic Republic of), Iraq, Israel, Italy, Lebanon, Luxembourg, Malaysia, Mexico, Morocco, Nicaragua, Norway, Oman, Pakistan, Panama, Philippines, Poland, Portugal, Republic of Korea, Romania, Senegal, Spain, Sudan, Sweden, Tunisia, Ukrainian Soviet Socialist Republic, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela, Yugoslavia, Zaire, Zambia.

Costa Rica participated as observer.

The United Nations Development Programme and the International Labour Organisation were represented.

2. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation: Mr. L.H.J.B. van Gorkom (Netherlands) as Chairman; Mr. H. Mesloub (Algeria), Mr. M. I. Talukdar (Bangladesh), Mr. A. Baramov (Bulgaria) as Vice-Chairmen; and Ms. M. N. Oliveros (Argentina) as Rapporteur.

3. The agenda for its third session as adopted by the Committee is contained in document PBC.3/1.

4. The report of the Programme and Budget Committee on the work of its third session is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution. The report of the resumed third session (see para. 35, below) will be issued as an addendum to the present report.

5. The report contains the conclusions reached by the Committee. Statements of principle - related to the adoption of conclusions or the adoption of the report - by 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 were considered by the Board at its resumed second session on 16 March 1987:

<u>Conclusion</u>	<u>Subject</u>
1987/5	Financial situation of UNIDO
1987/6	Financial situation of UNIDO: repayment of United Nations loan
1987/7	Financial situation of UNIDO: split-currency system of assessment

7. The following conclusions of the Committee call for action by the Board at its third session:

<u>Conclusion</u>	<u>Subject</u>
1987/4	Scale of assessments for the years 1988 and 1989
1987/8	Working Capital Fund
1987/9	Industrial Development Fund
1987/10	Financial regulations
1987/11	Programme and budget planning process
1987/12	Operational budget
1987/14	Medium-term plan, 1990-1995
1987/15	Recommendations for appointment of external auditors

I. ORGANIZATIONAL MATTERS

8. On 9 March, the Committee considered a proposal by the Chairman to improve the utilization of available conference-servicing resources.

Conclusion 1987/1

The Committee, in view of the current financial situation of the Organization and 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 third session only and provided no substantive decisions are taken at those meetings.

9. On 10 March, the Committee considered a proposal by the Chairman to establish a sessional open-ended working group to review item 6 of the agenda.

Conclusion 1987/2

(a) The Programme and Budget Committee decided to establish a sessional open-ended working group without financial implications under the chairmanship of Mr. A. Baramov (Bulgaria) to review, together with the Director-General and his staff, item 6 of the agenda on the financial situation of UNIDO and in particular to:

(i) Obtain clarification on issues raised by the members of the Committee in connection with the financial situation;

(ii) Consider measures required to overcome the financial situation currently faced by the Organization, including possibilities for further economies.

(b) The Programme and Budget Committee requested the working group to submit its findings to the Committee at the latest by Thursday, 12 March, at noon.

II. RULES OF PROCEDURE

10. On 9 March, the Committee considered the proposals (PBC.3/CRP.7) submitted by the working group on the rules of procedure established under the chairmanship of Mr. L. Alcon (Argentina).

Conclusion 1987/3

(a) The Committee decided to adopt rules 43 and 62 provisionally for its third session only;

(b) The Committee requested the working group on the rules of procedure to continue its consideration of rules 43 and 62 and to submit its proposals to the Committee at its fourth session.

III. SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES OF UNIDO

11. On 9 March, the Committee considered a note by the Secretariat on the scale of assessments for 1988 and 1989 (PBC.3/4), a status report of assessed contributions paid for the year 1986, as at 31 December 1986 (PBC.3/6) and an updating of that report for the years 1986 and 1987, as at 28 February 1987 (PBC.3/CRP.6).

Conclusion 1987/4

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

"The Industrial Development Board recommends to the General Conference to take note of any adjustments to the scale of assessments for 1988, based on the application of a coefficient to the United Nations rates of assessments, to be calculated by the UNIDO Secretariat, taking into account decision IDB.2/Dec.3 adopted by the Board on 17 October 1986, and decides to apply that scale for the year 1989."

IV. FINANCIAL SITUATION OF UNIDO

12. On 9, 10, 12 and 13 March, the Committee considered a report by the Director-General on the United Nations loan to UNIDO (PBC.3/7); a review of alternative systems of stating budget estimates and assessing Member States and relevant experience within the United Nations system (PBC.3/10) and a description of proposed split-currency system of assessment (PBC.3/CRP.10); a budget performance report, 1986-1987 submitted by the Director-General (PBC.3/12-IDB.2/36 and PBC.3/CRP.11), a report on the impact on actual programme performance at the output level in 1986-1987 of the economies contained in conference room paper IDB.2/CRP.5 and document IDB.2/36 on the programme of work (PBC.3/CRP.4), a status report of assessed contributions paid and of advances to the Working Capital Fund for the years 1986 and 1987 (PBC.3/CRP.6). In addition, the Committee considered the opening statement of the Director-General to the third session of the Committee and a statement by the representative of the staff.* It also considered the oral report of the sessional

* The Committee decided to give access to the staff under the consideration of item 6 - financial situation of UNIDO - on an exceptional basis and for the current session only.

open-ended working group established under conclusion 1987/2.

13. On 13 March, after consideration of a draft conclusion on the financial situation of UNIDO proposed by the Chairman (PBC.3/L.3), the Committee adopted the following conclusion:

Conclusion 1987/5

(a) The Programme and Budget Committee took note of the financial situation of UNIDO, as reported in the budget performance report, 1986-1987, of the Director-General (IDB.2/36, PBC.3/12), and in particular the increased costs measured in United States dollars of Austrian schilling-related expenditures as a result of the depreciation of the dollar since January 1986;

(b) The Committee considered that the rate of exchange of the dollar in terms of schillings was likely in 1987 to continue to remain significantly below the rate of 17.70 schillings to one dollar, which was the rate adopted by the General Conference in its appropriation decision (GC.1/Dec.26) in December 1985;

(c) The Committee took note of the economy measures taken by the Director-General to reduce costs and redeploy resources;

(d) Under the present extraordinary circumstances, the Committee decided to establish an informal open-ended working group, without financial implications, under the chairmanship of Mr. L.H.J.B. van Gorkom (Netherlands) to review further the financial situation of UNIDO, taking into account the progress in payment of assessed contributions and changes in the exchange rate between the United States dollar and the Austrian schilling since 1 January 1986. The working group would submit its detailed report to a resumed third session of the Programme and Budget Committee to be convened on 29 June 1987, which will report to the third regular session of the Board. In submitting its report to the resumed session, the working group would consider:

(i) The re-computation by the Director-General of the net shortfall in resources of UNIDO for the biennium 1986-1987;

(ii) Further economies suggested by the Director-General in the appropriated expenditures for 1986-1987 including recommendations on the minimum level of reduction of programmes within the available resources upholding as far as possible the quality of delivery of the programmes approved for the biennium;

(iii) Recommendations by the Director-General on a suggested minimum level of resources as may be required to enable the Organization to implement these programmes, as an exceptional measure that would be taken only for the biennium 1986-1987;

(iv) Alternative solutions to the critical financial situation of UNIDO due to the exchange-rate loss incurred in 1986 and the projected exchange loss in 1987;

(e) The Committee recommended to the Industrial Development Board at its second resumed session the adoption of the following decision:

"The Industrial Development Board:

1. Takes note of the financial situation of UNIDO as reported in the budget performance report, 1986-1987, of the Director-General (IDB.2/36, PBC.3/12; PBC.3/CRP.11);

2. Strongly urges all Member States that have not paid in full their assessed contributions and their advances to the Working Capital Fund for 1986 and 1987 to do so without delay in discharge of their legal obligations under the Constitution;

3. Requests the Director-General to re-compute the net requirements of UNIDO for the biennium 1986-1987 to cover the exchange-rate loss under the regular budget since 1 January 1986, taking into account economies already realized and foreseen for 1986-1987 and additional economy measures to be taken in the course of 1987;

4. Decides to consider, at its third regular session, the report of the informal open-ended working group established by decision 1987/5 of the Programme and Budget Committee;

5. Requests the Director-General to present, in accordance with Article 14.5 of the Constitution to the second regular session of the General Conference, through a resumed session of the Programme and Budget Committee, which will take into account the recommendations of the informal open-ended working group mentioned above, and a resumed third regular session of the Industrial Development Board, which will take place at an appropriate time before the holding of the second regular session of the General Conference, an updated report on the budget and cash situation of the Organization, including the net requirements referred to under paragraph 3 above;

6. Recommends to the General Conference at its second regular session to approve appropriate measures, including supplementary estimates for the regular budget for the fiscal period 1986-1987, when required, in accordance with Article 14.5 of the Constitution, to cover net exchange-rate losses after taking into account the economies for the biennium 1986-1987 as referred to under paragraph 5 above;

7. Requests the Director-General to establish a special account to allow Member States who are in a position to do so to make voluntary advance payments to cover the exchange-rate losses for the fiscal period 1986-1987 until the General Conference takes a final decision on the issue."

14. On 13 March, after consideration of a draft conclusion on repayment of United Nations loan submitted by the Chairman (PBC.3/L.2), the Committee adopted the following conclusion:

Conclusion 1987/6

The Programme and Budget Committee recommended to the resumed second session of the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of the decision contained in section VI of General Assembly resolution 41/209;

(b) Takes note of the report of the Director-General on the United Nations loan to UNIDO (PBC.3/7);

(c) Takes note also of the budget performance report, 1986-1987, submitted by the Director-General (IDB.2/36, PBC.3/12);

(d) Requests the Director-General to submit, through the resumed third session of the Programme and Budget Committee, to the third regular session of the Board a programme for repayment of the loan to the United Nations."

15. On 13 March, after consideration of a draft conclusion on split-currency system of assessment submitted by the Chairman (PBC.3/L.1), the Committee adopted the following conclusion:

Conclusion 1987/7

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

"The Industrial Development Board recommends that the General Conference:

(a) Take note of the reports of the Director-General on alternative systems of stating budget estimates and assessing Member States (PBC.3/10, PBC.3/CRP.10);

(b) Decide to adopt for the fiscal period 1988-1989, a system of assessment of contributions to the regular budget under which each assessment of a Member State will be established in United States dollars and in Austrian schillings. The ratio between the dollar share and the schilling share shall be determined for the biennium by the Conference on the basis of the estimate by the Director-General of the regular budget expenditures in each of these currencies;

(c) Request the Director-General to report to the third regular session of the General Conference on the applications of the split-currency system of assessment."

V. WORKING CAPITAL FUND

16. On 12 and 18 March, the Committee considered proposals by the Director-General for the Working Capital Fund for the biennium 1988-1989 (PBC.3/8), the status of advances to the Working Capital Fund, as at 31 December 1986, as contained in the budget performance report 1986-1987 (PBC.3/12, table 5), and an updating of that status as at 28 February 1987 (PBC.3/CRP.6, annex II).

17. On 18 March, after consideration of a draft conclusion submitted by the Chairman (PBC.3/L.4) and a proposed amendment, the Committee adopted the following conclusion:

Conclusion 1987/8

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

"The Industrial Development Board calls upon the General Conference of UNIDO:

(a) To decide, in accordance with the applicable financial regulations, that the amount of the Working Capital Fund for the biennium 1988-1989 shall be \$9 million;

(b) To authorize the Director-General to advance from the Working Capital Fund:

- (i) Such sums as may be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced shall be reimbursed as soon as receipts from contributions are available for that purpose;
- (ii) Such sums as may be necessary to finance unforeseen and extraordinary expenses excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced the Director-General shall make provision in the budget estimates for reimbursing the Working Capital Fund."

VI. INDUSTRIAL DEVELOPMENT FUND

18. On 12 and 18 March, the Committee considered the programme for 1988 and plan for 1988 and 1989 for the Industrial Development Fund (PBC.3/5 and PBC.3/CRP.3), a list of projects approved in 1986 under the Industrial Development Fund (PBC.3/CRP.1) and a report by the Director-General on proposals for general policy guidelines governing the operations of the Industrial Development Fund and current application of the "Special Annex for the United Nations Industrial Development Fund to the Financial Regulations and Rules of the United Nations" to the Industrial Development Fund (PBC.3/13).

19. On 18 March, after consideration of a draft conclusion submitted by the Chairman (PBC.3/L.5) and proposed amendments, the Committee adopted the following conclusion:

Conclusion 1987/9

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

"The Industrial Development Board:

1. Takes note of the report of the Director-General contained in document PBC.3/5 and conference room papers PBC.3/CRP.1 and PBC.3/CRP.3;
2. Approves the proposed Industrial Development Fund programme for 1988 and the proposed plan for 1988 and 1989 as contained in paragraphs 15 to 19 of document PBC.3/5;
3. Decides to delegate authority to the Director-General to approve projects for financing under IDF in 1988 and 1989;
4. Urges Member States to consider specific ways and means of ensuring that the desirable annual funding level of \$50 million be reached as soon as possible;
5. In the light of the rapidly shrinking general-purpose convertible segment of the Fund, encourages all donors to consider providing at least a part of their pledges to the general-purpose convertible segment of the Fund;
6. Takes note of the fact that the Director-General shall apply to IDF, mutatis mutandis, the provisions of General Assembly

resolutions 31/202 and 31/203 of 22 December 1976 concerning the financial management and operation of UNIDF, pending the adoption of policy guidelines for IDF and financial regulations for UNIDO by the General Conference."

(b) The Committee requested the Secretariat to prepare new rules governing the financial management of the Industrial Development Fund in line with the new financial regulations of UNIDO and to present them to the Committee at its fourth session.

VII. FINANCIAL REGULATIONS

20. On 12, 13 and 18 March, the Committee considered the draft financial regulations submitted by the Director-General (PBC.2/3), a report of the informal Open-Ended Working Group, established by Committee conclusion 1986/4, to review the draft financial regulations of UNIDO (PBC.3/11) and a background note on Tax Equalization Fund (PBC.3/CRP.5).

21. On 18 March, after consideration of a draft conclusion submitted by the Chairman (PBC.3/L.9) and proposed amendments, the Committee adopted the following conclusion:

Conclusion 1987/10

The Committee recommended to the Industrial Development Board that it decide to submit to the General Conference for its approval the provisional financial regulations of UNIDO with the formulation as proposed in document PBC.3/11, except for the following amendments:

(a) Regulation 5.1(d) should read as in the second alternative providing for split assessment in United States dollars and Austrian schillings, with the deletion of the last two sentences;

(b) Regulations 5.2(e) and 5.3 shall be kept in brackets on the understanding that for the time being the Director-General shall continue to apply the United Nations Financial Regulations and Rules concerning the Tax Equalization Fund;

(c) Regulation 5.5(d) should read "Contributions to the regular budget and advances to the Working Capital Fund are established in United States dollars and in Austrian schillings in the ratio determined in accordance with Regulation 5.1(d). Payments may be made in either or both of these currencies, provided that any payment shall be credited, on a pro rata basis to the dollar and the schilling obligation, at the United Nations accounting rate of exchange in effect at the time the payment is received";

(d) In Regulation 9.5 delete the phrase "for regular budget expenditures";

(e) In Regulation 11.10 for [by 1 May] read by 1 June (twice).

VIII. PROGRAMME AND BUDGETS, 1988-1989

22. On 10, 11, 12 and 18 March, the Committee considered the proposals of the Director-General for the programme and budgets, 1988-1989 (PBC.3/2 and Add.1), proposed modifications to the work programme (PBC.3/CRP.12, CRP.13 and CRP.14) and a statement by the Director-General.

23. On 18 March, after consideration of a draft conclusion on the programme and budget planning process submitted by the Chairman (PBC.3/L.10 and Corr.1) and proposed amendments, the Committee adopted the following conclusion:

Conclusion 1987/11

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

"The Industrial Development Board, desirous of improving the programme and budget planning process of UNIDO:

(a) Recalls the applicable provisions of the rules of procedure of the Programme and Budget Committee, the Board and the Conference, according to which every effort shall be made to take all substantive decisions by consensus; and

(b) Recommends that the General Conference at its second regular session request the Director-General to submit to the Board in the first year of each fiscal period, through the Programme and Budget Committee, a draft medium-term plan for the six years that follow the current fiscal period. The draft medium-term plan shall be prepared in accordance with the following principles:

- (i) The plan, as approved by the General Conference, shall constitute the principal policy directive of UNIDO;
- (ii) The scope of the draft plan shall include regular and operational budget activities;
- (iii) The draft plan shall present the activities grouped in programmes and sub-programmes, and it shall derive from the functions defined in the Constitution and the legislative mandates of UNIDO and take into account the policy orientation determined by the policy-making organs;
- (iv) The draft plan to be submitted by the Director-General shall:
 - a. State the objectives to be achieved in the plan period, the strategy to be followed and the measures to be taken to that effect;
 - b. Describe the programme content;
 - c. State the relative priorities assigned by the Director-General to the respective programmes and sub-programmes, taking into account the policy orientations determined by the policy-making organs;
 - d. Indicate a general ceiling for the following biennium based on anticipated financial and human resources and on programme activity;

(v) The plan, as reviewed and approved by the Conference, shall serve as a framework for the formulation by the Director-General of the biennial regular budget draft programme of work and related estimates and operational budget draft proposals and corresponding estimates."

24. On 18 March, after consideration of a draft conclusion on the operational budget submitted by the Chairman (PBC.3/L.12) and proposed amendments, the Committee adopted the following conclusion:

Conclusion 1987/12

The Programme and Budget Committee:

(a) Took note of the financial situation of UNIDO as regards the operational budget, as described in the budget performance report of the Director-General 1986-1987 (IDB.2/36 - PBC.3/12) and in particular of the increased US dollar costs of Austrian schilling-related expenditures that were a result of the depreciation of the United States dollar since January 1986;

(b) Considered that, in 1987, the dollar:schilling exchange rate is likely to remain significantly below the rate that obtained in 1985, when income accruing under the operational budget was sufficient to cover expenditures;

(c) Noted that expenditures under the operational budget were primarily financed from a 13 per cent programme support cost reimbursement for the execution of projects of the United Nations Development Programme, Industrial Development Fund and other trust funds and that payment was calculated in US dollars;

(d) Urged the Director-General to take further economy measures to reduce costs and redeploy resources;

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

"The Industrial Development Board,

1. Takes note of the financial situation of UNIDO as regards the operational budget, as described in the budget performance report of the Director-General 1986-1987 (IDB.2/36 - PBC.3/12);

2. Notes that expenditure under the operational budget must be wholly financed from operational budget income and that thus the proposed budget must balance as far as feasible;

3. Requests the Director-General to report to the Industrial Development Board at its third resumed session on the effects of the measures he proposed for balancing the operational budget;

4. Requests the Director-General to take long-term measures to further reduce the proportion of expenditure for staff under the operational budget from the current level of 95 per cent to 80 per cent so as to cover to a greater extent other expenditures related to the delivery of technical co-operation;

5. Further notes that the measures proposed hitherto by the Director-General may not be sufficient in themselves to balance the operational budget;

6. Further requests the Director-General to consult with the Administrator of the United Nations Development Programme to consider additional joint measures by UNIDO and the United Nations Development Programme to stabilize the operational budget."

25. On 18 March, the Committee had before it two draft conclusions on the question of the programme and budgets, 1988-1989: PBC.3/L.11 submitted by the Chairman and PBC.3/L.13, submitted by Bulgaria, German Democratic Republic and Union of Soviet Socialist Republics.

26. In accordance with rule 50.1 of the rules of procedure of the Programme and Budget Committee, the Chairman proposed for adoption the draft conclusion contained in document PBC.3/L.11, with amendments. Following a motion introduced by the representative of the Union of Soviet Socialist Republics in accordance with rule 50.3 of the rules of procedure, the Committee, by 13 votes to 12, decided that no decision be taken on the draft conclusion.

27. The Committee then considered the draft conclusion contained in document PBC.3/L.13. By 11 votes in favour, 11 against, with 3 abstentions, the draft conclusion was not adopted.

28. Following a proposal by the Chairman, the Committee adopted the following conclusion:

Conclusion 1987/13

The Committee decided to resume the consideration of item 10 on the programme and budgets, 1988-1989 at its resumed third session on 29 and, if necessary, 30 June, on the understanding that no financial implications would be involved. It also decided that, in the meantime, the Chairman of the Committee would enter into consultations with the regional groups, individual delegations and the Director-General in order to find acceptable solutions for the problems relating to the programme and budgets.

IX. MEDIUM-TERM PLAN,
1990-1995

29. On 12, 13 and 18 March, the Committee considered the proposals of the Director-General for the medium-term plan, 1990-1995 (PBC.3/3).

30. On 18 March, after consideration of a draft conclusion submitted by the Chairman (PBC.3/L.6), the Committee adopted the following conclusion:

Conclusion 1987/14

The Committee requested the Director-General to revise the proposals contained in document PBC.3/3, taking into consideration the views expressed by delegations at the third session of the Committee, and to submit the revised proposals to the Industrial Development Board at its third session.

X. RECOMMENDATIONS FOR APPOINTMENT OF
EXTERNAL AUDITORS

31. On 13 and 18 March, the Committee considered a note by the Secretariat containing recommendations for appointment of external auditors (PBC.3/9).

32. On 18 March, after consideration of a draft conclusion submitted by the Chairman (PBC.3/L.7), the Committee adopted the following conclusion:

Conclusion 1987/15

The Committee recommended that the Board propose to the General Conference the extension of the present appointment of the Senior President of the Audit Office of Belgium as the External Auditor for UNIDO for a period of two years beginning on 1 July 1988, 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.

XI. DATE OF THE FOURTH SESSION

33. On 18 March the Committee adopted the following conclusion:

Conclusion 1987/16

The Committee decided to hold its fourth session from 20 to 24 June 1988.

XII. ADOPTION OF THE REPORT ON
THE THIRD SESSION

34. On 18 March the Committee adopted the draft report of its third session (PBC.3/L.8), with the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

XIII. SUSPENSION OF THE THIRD SESSION

35. On 18 March at 11.50 p.m. the third session of the Committee was suspended to be resumed on 29 June for the consideration of the questions of the financial situation of UNIDO and the programme and budgets, 1988-1989.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex includes only statements of principle made at the Programme and Budget Committee during its third session, in connection with the adoption of conclusions or the adoption of the report, which some delegations requested to be included in the report.

Scale of assessments for apportionment of the regular budget expenses of UNIDO (cf. chap. III)

2. The delegation of the United States of America said that it wished to make it clear that it had voted against the adoption of the United Nations scale of assessments for 1986-1988 upon which the UNIDO scale of assessments for 1988-1989 was based and that the grounds for its objections had not changed. Moreover, in allowing the draft decision to be adopted by consensus, the reference to Industrial Development Board decision IDB.2/Dec.3 of 17 October 1986 in no way prejudiced the position of the United States Government on the question of the legality of the eligibility of the Council for Namibia for membership in UNIDO under Article 3 of the Constitution of UNIDO.

Financial situation of UNIDO (cf. chap. IV)

3. The delegations of Belgium, Brazil, Germany, Federal Republic of, and Switzerland expressed their regret that conclusion 1987/5 did not request a freeze on recruitment, and hoped that the Director-General would exercise caution in that respect.

4. Concerning the same conclusion, the delegation of Turkey said that it had decided to join the consensus although it had reservations, on grounds of principle and practicality, as to the setting up of such an inter-sessional working group.

Working Capital Fund (cf. chap. V)

5. The delegation of Japan said that it had joined the consensus on the conclusion on the understanding that the amount of the Working Capital Fund should be reviewed at an appropriate time in the future, in relation to the purpose and level of the Fund, as compared to other organizations in the United Nations family.

Financial regulations (cf. chap. VII)

6. The delegation of Turkey joined the consensus on the conclusion on the understanding that the following proposals for amendments in document PBC.3/11 would be considered at a later stage:

- The last sentence of regulation 3.7: "The report of the Board, containing the programme of work and related budgets as adopted by the Board shall be transmitted together with the proposals of the Director-General to all Members as soon as possible and at the latest forty-five days prior to the opening of the regular session of the Conference."
- Regulation 5.4(a) should read: "Upon the proposal of the Director-General and any recommendations thereon by the Programme and Budget Committee and subsequently the Board, the Conference by a two-thirds majority of the Members present and voting shall determine the amount and purposes of the Working Capital Fund."

Programme and budgets, 1988-1989 (cf. chap. VIII)

7. The delegation of Turkey, as an explanation of vote on the draft conclusion contained in document PBC.3/L.13, expressed the view that, under the Constitution, the proposals of the Director-General could go to the Board even without any recommendations of the Programme and Budget Committee and that therefore there was no need to take a decision on a postponement of the question to the resumed third session of the Committee. Therefore, the delegation had voted against that draft conclusion. The draft conclusion also contained somewhat new elements in that the Director-General had been requested to revise the draft programme and budgets for 1988 and 1989. In the view of the delegation, the Programme and Budget Committee, under the Constitution, could rightfully make recommendations to the Board, but the question of whether the Committee could make a request to the Director-General to revise his proposals was a new element on the legal soundness of which the delegation could not pronounce itself.

8. The delegation of the Union of Soviet Socialist Republics said that it had voted for the draft conclusion in document PBC.3/L.13 in order to provide a possibility for a more efficient and effective revision of the programme and budgets proposed for 1988 and 1989. The delegation stated that, since the draft conclusions contained in documents PBC.3/L.11 and 13 had not been adopted, it believed that the Director-General would take into account Article 14 of the Constitution and would submit the corresponding draft to the Programme and Budget Committee. After that procedure was followed, the Committee would draft its decision on that matter that would then be considered by the Industrial Development Board. The delegation believed that, as there was no decision, the procedure to be followed should be based on the Constitution. In the situation that now existed, it was hoped that the Director-General would take into account all that had been said at the present session and that a certain role could also be played by the Chairman of the Committee in that connection.

9. The delegation of Nigeria, speaking on behalf of the African members of the Committee, said that they had decided collectively to vote for the draft conclusion contained in document PBC.3/L.13 with perhaps a different view than the other members. It had become necessary for the African members to seek delay in the decision since some members of the Committee had made calculated efforts to frustrate the inclusion of the Industrial Development Decade for Africa in the budget. While the efforts made by the Chairman to achieve consensus were appreciated, there was no guarantee and no assurance that the Committee would adopt the draft conclusion in PBC.3/L.11 with the inclusion of the Industrial Development Decade for Africa. In fact, the proposal made by the distinguished representative of the Federal Republic of Germany which had been later withdrawn, was a confirmation of the suspicion that some delegations had already made up their minds to adopt the conclusion without specifying the Industrial Development Decade for Africa. For those reasons the African members had decided, in the interests of their region, to ensure time in which the Member States could come up with a method that could work in future.

Annex II

DOCUMENTS SUBMITTED TO THE PROGRAMME AND BUDGET COMMITTEE
AT ITS THIRD SESSION

<u>Document symbol</u>	<u>Title</u>
PBC.3/1	Provisional agenda
PBC.3/1/Add.1	Annotated provisional agenda
PBC.3/2	Programme and budgets, 1988-1989. Proposals of the Director-General
PBC.3/2/Add.1	Programme and budgets, 1988-1989. Proposals of the Director-General. Addendum
PBC.3/3	Medium-term plan 1990-1995. Proposals of the Director-General
PBC.3/4	Scale of assessments for apportionment of the regular budget expenses of UNIDO. Scale of assessments for 1988 and 1989. Note by the Secretariat
PBC.3/5	Industrial Development Fund. Programme for 1988 and plan for 1988 and 1989. Report by the Director-General
PBC.3/6	Scale of assessments for apportionment of the regular budget expenses of UNIDO. Status report of assessed contributions paid for the year 1986, submitted by the Secretariat
PBC.3/7	Financial situation of UNIDO. United Nations loan to UNIDO. Report by the Director-General
PBC.3/8	Working Capital Fund. Proposals for the Working Capital Fund for the biennium 1988-1989. Note by the Director-General
PBC.3/9	Recommendations for appointment of external auditors. Background note prepared by the Secretariat
PBC.3/10	Financial situation of UNIDO. Review of alternative systems of stating budget estimates and assessing Member States and relevant experience within the United Nations system. Report by the Director-General
PBC.3/11	Financial regulations. Report of the informal Open-Ended Working Group, established by the Programme and Budget Committee conclusion 1986/4, to review the draft financial regulations of UNIDO (PBC.2/3)
PBC.3/12 IDB.2/36	Financial situation of UNIDO. Budget performance report, 1986-1987, submitted by the Director-General
PBC.3/13	Industrial Development Fund. Proposals for general policy guidelines governing the operations of the Industrial Development Fund and current application of the "Special Annex for the United Nations Industrial Development Fund to the Financial Regulations and Rules of the United Nations" to the Industrial Development Fund. Report by the Director-General
PBC.3/L.1	Financial situation of UNIDO. Draft conclusion on split-currency system of assessment submitted by the open-ended working group
PBC.3/L.2	Financial situation of UNIDO. Draft conclusion on repayment of United Nations loan submitted by the open-ended working group
PBC.3/L.3	Financial situation of UNIDO. Draft conclusion proposed by the Chairman
PBC.3/L.4	Working Capital Fund for the biennium 1988-1989. Draft conclusion submitted by the Chairman
PBC.3/L.5	Industrial Development Fund. Draft conclusion submitted by the Chairman
PBC.3/L.6	Medium-term plan, 1990-1995. Draft conclusion submitted by the Chairman

Annex II (continued)

<u>Document symbol</u>	<u>Title</u>
PBC.3/L.7	Recommendations for appointment of external auditors. Draft conclusion submitted by the Chairman
PBC.3/L.8	Draft report of the Programme and Budget Committee on the work of its third session 9 to 18 March 1987
PBC.3/L.9	Financial regulations. Draft conclusion submitted by the Chairman
PBC.3/L.10 and Corr.1	Programme and budgets, 1988-1989. Programme and budget planning process. Draft conclusion submitted by the Chairman
PBC.3/L.11	Programme and budgets, 1988-1989. Draft conclusion submitted by the Chairman
PBC.3/L.12	Programme and budgets, 1988-1989. Operational budget. Draft conclusion submitted by the Chairman
PBC.3/L.13	Programme and budgets, 1988-1989. Draft conclusion submitted by Bulgaria, German Democratic Republic and the Union of Soviet Socialist Republics
PBC.3/CRP.1	Industrial Development Fund. List of projects approved in 1986 under the Industrial Development Fund (IDF), prepared by the Secretariat
PBC.3/CRP.2	Rules of Procedure of the Programme and Budget Committee (as adopted by the Committee in conclusion 1986/1)
PBC.3/CRP.3	Industrial Development Fund. Programme for 1988 and plan for 1988-1989. Statistics and figures
PBC.3/CRP.4	Financial situation of UNIDO. Impact on actual programme performance at the output level in 1986-1987 of the economies contained in conference room paper IDB.2/CRP.5 and document IDB.2/36 on the programme of work
PBC.3/CRP.5	Financial Regulations. Rationale for reimbursement of taxes levied on United Nations income. Background note on Tax Equalization Fund
PBC.3/CRP.6 IDB.2/CRP.7	Financial situation of UNIDO. Scale of assessments for apportionment of the regular budget expenses of UNIDO. Status report of assessed contributions paid and of advances to the Working Capital Fund for the years 1986 and 1987
PBC.3/CRP.7	Provisional rules of procedure for the Programme and Budget Committee (PBC.2/2 and Corr. 1 and 2, and PBC.2/CRP.1). Changes agreed at the open-ended working group level
PBC.3/CRP.8	Provisional list of participants
PBC.3/CRP.9	Annotated provisional agenda - updated information on documentation submitted, as of 6 March 1987, under each item of the provisional agenda
PBC.3/CRP.10	Financial situation of UNIDO. Description of proposed split-currency system of assessment
PBC.3/CRP.11	Financial situation of UNIDO. Budget Performance Report, 1986-1987. Update of document IDB.2/36 and PBC.3/12, table 2 (regular budget estimated cash flow for the period 1 March 1987 to 31 December 1987) and table 4 (regular budget performance 1986-1987) based on actual expenditures from 1 January 1986 to 28 February 1987, submitted by the Director-General
PBC.3/CRP.12	Programme and budgets, 1988-1989. Proposals of the Director-General. Addendum.
PBC.3/CRP.13	Programme and budgets, 1988-1989. Revised proposals of the Director-General
PBC.3/CRP.14	Programme and budgets, 1988-1989. Proposals of the Director-General