



United Nations Industrial Development Organization

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Financial situation of UNIDO, including unutilized balances of appropriations

UNIDO's financial contribution to the United Nations Resident Coordinator system

Report by the Director General

The present addendum supplements the report of the Director General on UNIDO's financial contribution to the United Nations Resident Coordinator (UNRC) system presented to the thirtieth session of the Programme and Budget Committee (IDB.42/6-PBC.30/6).

I. Introduction

1. The framework governing the operational activities for development of the United Nations has evolved rapidly in the past decade, characterized by the institutionalization of the United Nations system-wide coherence and the Delivering as One (DaO) approach. This was further strengthened by the adoption of General Assembly resolution 67/226 on 21 December 2012, on the quadrennial comprehensive policy review (QCPR) of the operational activities for development of the United Nations system.
2. The resolution inter alia calls on the United Nations system to take efficient and coherent action at the field level, including by supporting DaO initiatives, the United Nations Resident Coordinator (UNRC) system and United Nations Country Teams (UNCTs).

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3. In this context, a system-wide financial cost-sharing formula was developed by the United Nations Development Group (UNDG) to ensure the long-term financing for the UNRC system. Discussions towards this cost-sharing modality were requested by the Economic and Social Council (ECOSOC) in 2011, specifically asking the UNDG to “conduct a review of existing funding modalities in support to the UNRC system, including appropriate burden-sharing arrangements among relevant United Nations organizations”. The cost-sharing modalities also respond to the call in the QCPR, which urges the United Nations development system to provide further financial, technical, and organizational support to the UNRC system.

4. In 2013, the UNDG proposed a new cost-sharing arrangement to provide the UNRC system with predictable and sufficient resources, based on a formula which takes into account an annual base fee, the respective agency staff size and expenditures, and system load as measured by agencies’ participation in the United Nations Development Assistance Frameworks (UNDAFs) formulated for various countries.

5. The scope of the cost-sharing, which entered into force as of 1 January 2014, is to cover ten core functions performed by UNRCs and UNCTs. These include the strategic positioning of the United Nations in the respective country, knowledge management, communication and advocacy, monitoring and evaluation. However, it does not include other functions that are still to be subject to additional cost-sharing at the local level. These include common country assessments, UNDAF coordination and preparation (including participation in and leadership of thematic groups), common services, United Nations joint events, and other issues.

II. Financial implication for UNIDO’s participation in UNDG mechanisms at the field level

6. During the biennium 2012-2013, UNIDO contributed to the UNRC system “upon request” from Field offices in DaO countries. Starting from 2014, a centralized funding modality entered into force, replacing the previous ad hoc arrangement. For the biennium 2014-2015, due to the lack of synchronicity between the agreement on the UNRC cost-sharing formula and UNIDO’s budget formulation process, the Organization was allowed to contribute only a base fee of \$175,000¹ in lieu of its full contribution (estimated at \$1.3 million). The cost-sharing formula aims at a total funding target of \$121 million annually, out of which \$33.7 million are to be shared among UNDG members in addition to the UNDP “backbone” contribution of \$88 million.

7. However, starting from 1 January 2016, UNIDO, as a part to the United Nations system at the global, regional and country level, is expected to fulfil its obligation according to the cost-sharing formula.²

8. Based on the information provided at the thirtieth session of the Programme and Budget Committee by Mr. Hans d’Orville, Assistant Director-General for

¹ IDB.42/6-PBC.30/6, para. 11.

² Report of the UNDG meeting of 11 July 2014. Available from: www.undg.org/docs/13558/Final%20Meeting%20Report%20-%20UNDG%20meeting%2011%20July%202014.pdf.

Strategic Planning, UNESCO, and former Vice-Chair and Chair of the UNDG Task Team on cost-sharing in support of the RC system, UNIDO's expected contribution in 2016 and 2017 will amount to some \$1.3 million annually.³ According to the report of the UNDG meeting of 11 July 2014, the exact contributions will be communicated to each organization in the fall of 2014.

III. UNIDO's programmatic engagement and participation in the UNCT and UNRC system

9. As a permanent member of the UNDG Advisory Group, UNIDO has been actively engaged in contributing to the United Nations system-wide coherence approach for a coordinated response to Member States' requirements through One United Nations mechanisms at the country level. This has also allowed UNIDO to effectively contribute and respond to the evaluation and assessment carried out by the Joint Inspection Unit.

10. The guiding principles of the UNRC system are contained in a series of UNDG documents, including the Group's workplan 2013-2014, deriving from the 2013-2016 UNDG strategic priorities; the UNRC job description and guidance on UNCT conduct and working relations; the Standard Operating Procedures (SOPs) integrated package of support to UNCTs beyond DaO countries; and the monitoring and evaluation framework.

11. At the field level, UNIDO has been involved in UNCT activities particularly since the launch of the eight pilot countries, gradually increased to 37 DaO countries over the past years. The Organization extended its support to countries in which the UNDAFs were rolled out, and 76 countries are expected to be involved in such exercises for 2014-2015. Through its participation in UNDG and UNCT meetings, retreats and joint events at global, regional and country level, and through its engagement in the One United Nations, UNDAFs and Joint Programming processes in 57 UNIDO programme countries, the Organization has increased its visibility and sharpened its comparative advantages, in particular where it has assumed the role of the lead agency for UNDAF thematic working groups. This engagement also increased the demand for UNIDO's thematic programmes.

12. During the biennium 2012-2013, UNIDO leveraged \$8.6 million from One United Nations Joint Programme Trust Funds through its participation in the DaO and UNDAF process in a number of countries. UNIDO's participation in the DaO has led to the formulation and implementation of joint programmes with relevant United Nations entities such as the International Labour Organization (ILO) and the United Nations Conference on Trade and Development in the programme on youth employment; with the Food and Agriculture Organization of the United Nations, ILO and the United Nations Development Programme, in the agro-industrial value chains upgrading programme; and with the United Nations Environment Programme in UNIDO's environment and energy programmes. These joint activities fostered positive results and ascertained their high relevance in responding to the demands for development based on national priorities. They built

³ Presentation available from: http://intranet.unido.org/intranet/images/e/e6/Pbc30_RC.pdf.

on comparative advantages of each entity thus avoiding duplication and ensuring the efficient use of funds.

13. Industrialization remains an important driving force for economic and social development, as part of the global solution for, inter alia, reducing inequalities through employment generation, ensuring food security, increased productivity, transformative change and environmental sustainability. Hence, engaging in the institutionalized UNCT is essential for UNIDO to embed inclusive and sustainable industrial development (ISID), i.e. promote its strategic objectives through the UNDG mechanism and in particular the UNDAFs. As recommended by the United Nations Secretary-General and with the support of the Member States, UNIDO is working towards the inclusion of industrialization as a sustainable development goal (SDG) in the post-2015 development agenda.⁴

14. UNIDO's full contribution to the UNDG cost sharing is essential and unavoidable in view of the UNDG's decision. Henceforth, United Nations entities which fail to pay the contribution in full would only retain observer status. This will have a negative impact on their participation in joint programmes and on their ability to benefit from fundraising mechanisms, e.g. the "Delivering results together fund" established in December 2013 by the UNDG. Instead, with full participation within the UNRC system, UNIDO will strategically position its mandate in programmatic activities at the country level.

IV. Action required of the Board

15. The Board may wish to take note of the information contained in the present addendum and provide guidance on the way forward.

⁴ Briefing to Permanent Missions on the intergovernmental negotiations on the post-2015 development agenda and the second ISID forum, Vienna 23 July 2014. Available from the Permanent Missions' extranet.