



## **Industrial Development Board**

### **Forty-fourth session**

Vienna, 22-24 November 2016

Agenda item 4

### **Report of the Programme and Budget Committee**

## **Report of the Programme and Budget Committee on the work of its thirty-second session (21-22 June 2016)**

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## I. Introduction

1. The Programme and Budget Committee held its thirty-second session at UNIDO Headquarters, Vienna International Centre, from 21 to 22 June 2016. All 26 elected Members of the Committee<sup>1</sup> participated in the session: Algeria, Austria, Belarus, China, Costa Rica, Côte d'Ivoire, Cuba, Finland, Germany, Guatemala, India, Iran (Islamic Republic of), Italy, Japan, Kenya, Mexico, Nigeria, Poland, Republic of Korea, Russian Federation, South Africa, Spain, Sudan, Switzerland, Thailand, and Turkey.

2. The following 54 Members of UNIDO also attended the session: Albania, Angola, Argentina, Armenia, Bolivia (Plurinational State of), Brazil, Bulgaria, Burkina Faso, Cameroon, Chile, Colombia, Croatia, Cyprus, Czech Republic, Democratic People's Republic of Korea, Dominican Republic, Ecuador, Egypt, El Salvador, Greece, Indonesia, Ireland, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Malaysia, Malta, Montenegro, Morocco, Myanmar, Netherlands, Nicaragua, Norway, Oman, Pakistan, Panama, Peru, Philippines, Republic of Moldova, Romania, Saudi Arabia, Slovakia, Slovenia, Sri Lanka, Sweden, Syrian Arab Republic, Tunisia, Ukraine, United Arab Emirates, Uruguay, Venezuela (Bolivarian Republic of) and Yemen.

3. The following United Nations bodies were represented: Food and Agriculture Organization of the United Nations (FAO), and International Atomic Energy Agency (IAEA).

4. The following organizations were represented: Asian-African Legal Consultative Organization (AALCO), European Union (EU), International Centre for Scientific and Technical Information (ICSTI), and League of Arab States (LAS).

5. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation H.E. Mr. M.A.O. Oyugi (Kenya) as Chairperson; H.E. Mr. SHI Z. (China), Ms. E. Autio (Finland), and Ms. L. M. Zozaya Rojas (Mexico) as Vice-Chairs; and Mr. A. Raiman (Belarus) as Rapporteur.

6. The agenda for the thirty-second session as adopted by the Committee is contained in document PBC.32/1. Following the adoption of the agenda, the Director General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

7. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

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

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<sup>1</sup> As per decision GC.16/Dec.10 of 3 December 2015, 26 Members of the Programme and Budget Committee have been elected. One seat from List B remains vacant.

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

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2016/2	Establishment of an Audit Advisory Committee	3
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## II. Organizational and procedural matters

10. On 21 June, the Committee considered a proposal by the Chair to optimize the utilization of available conference-servicing resources and adopted the following conclusions:

### **Conclusion 2016/1 Utilization of available conference-servicing resources**

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its thirty-second session only, provided no substantive decisions were taken at those meetings.

11. The Committee decided to set up informal, in-session consultations with the aim of facilitating the drafting of conclusions and entrusted the Vice-Chair H.E. Mr. SHI Z. (China) to chair those consultations.

## III. Report of the External Auditor for 2015 (item 4)

12. On 21 June, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2015 (PBC.32/3 and CRP.2).

13. On 22 June, after consideration of two draft conclusions under item 4, submitted by the Chairperson (PBC.32/L.8 and PBC.32/L.9), the Committee adopted the following two conclusions:

### **Conclusion 2016/2 Establishment of an Audit Advisory Committee**

The Programme and Budget Committee requested the Director General to submit the draft terms of reference of an Audit Advisory Committee, representing the link between management, Member States, and Internal and External Audit, to

the Member States as soon as possible, within the next six weeks, so as to prepare for the establishment of such a Committee by the Industrial Development Board at its forty-fourth session.

#### **Conclusion 2016/3 Report of the External Auditor**

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of a decision that should be implemented without prejudice to the budget frame approved with decision GC.16/Dec.15 on the programme and budgets, 2016-2017, and should thank the External Auditor for his valuable services and recommendations and request the Director General to:

(a) Ensure independent, timely and effective oversight (evaluation, investigation and audit) in line with standards and norms of the United Nations and reflecting the implementation of respective General Assembly resolutions;

(b) Also ensure the utilization of approved staffing and budgetary resources for an effective and functionally and operationally independent Office of Internal Oversight as part of the Office of the Director General taking the following into account:

(i) Authority for all personnel and operational decisions (staff and consultants) will be delegated to the Director of the Office of Internal Oversight in line with the relevant General Assembly resolutions;

(ii) The Director of the Office of Internal Oversight will circulate its reports simultaneously to the Director General and to Member States, with management responses being provided subsequently, and the reports should be submitted to the Board for its consideration.

#### **IV. Medium-term programme framework, 2016-2019 (item 7)**

14. On 21 June, the Committee considered a progress report by the Director General on the establishment of a baseline for the integrated results and performance framework of the medium-term programme framework, 2016-2019 (PBC.32/6), and a note by the Secretariat on baselines for the integrated results and performance framework (PBC.32/CRP.5).

15. On 22 June, at the suggestion of the Chair, the Committee took note of the information provided by the Director General on item 7.

#### **V. UNIDO field policy and network (item 8)**

16. On 21 June, the Committee considered the report by the Director General on the operationalization of the field policy action plan (PBC.32/7).

17. On 22 June, after consideration of a draft conclusion on the field policy and network, submitted by the Chairperson (PBC.32/L.6), the Committee adopted the following conclusion:

**Conclusion 2016/4 UNIDO field policy and network**

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

“The Industrial Development Board:

(a) Takes note of the report on the operationalization of the field policy action plan (IDB.44/7-PBC.32/7);

(b) Acknowledges the adjustments made to the field structure as contained in document IDB.44/7-PBC.32/7;

(c) Takes note of the objective criteria established for the selection of regional and country offices (GC.16/6), and requests the Director General to ensure that the same criteria continue to be applied;

(d) Requests the Director General to ensure a smooth implementation of the field policy action plan in close consultation with all Member States, particularly those that are affected directly, and also to ensure that field offices effectively support the delivery of technical cooperation programmes;

(e) Also requests the Director General to continue exploring possibilities for partnering, coordinating and cost-sharing with other United Nations entities at the field level, and to promote the integration of the heads of UNIDO country offices in the United Nations country teams;

(f) Further requests the Director General to clarify the role of field offices in technical cooperation and funds mobilization, in particular the support that regional and country offices can and should provide for the preparation, administration and monitoring of technical cooperation projects and programmes;

(g) Emphasizes the need to update both international and national staff in the field network on UNIDO’s strategies, relevant procedures and operations;

(h) Also emphasizes the need to monitor the workload and performance of individual field offices, including associated capacities at UNIDO headquarters, and to ensure optimal allocation of human and other resources, transparency and reporting of the activities to be reflected in the UNIDO Annual Report;

(i) Requests the Director General to report on the implementation of the field policy action plan to the Board at its forty-fifth session.”

## **VI. Annual Report of the Director General for 2015 (item 3)**

18. On 21 and 22 June, the Committee considered the *Annual Report of UNIDO 2015* (PBC.32/2), and a note by the Secretariat on the 2030 Agenda for Sustainable Development — global follow-up and review mechanism and the interaction of UNIDO with the high-level political forum (PBC.32/CRP.6).

19. On 22 June, after consideration of two draft conclusions under item 3, submitted by the Chair (PBC.32/L.4 and PBC.32/L.5), the Committee adopted the following two conclusions:

#### **Conclusion 2016/5 Annual Report**

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

“The Industrial Development Board:

(a) Expresses its appreciation for the work done by the Secretariat to prepare the Annual Report of UNIDO for 2015 (PBC.32/2-IDB.44/2);

(b) Acknowledges the importance of further improving results monitoring and reporting by the Secretariat to guarantee high standards of UNIDO’s Annual Report;<sup>2</sup>

(c) Recalls resolution GC.16/Res.2 and GC.16/Res.1 (d) inviting the Director General to continue reporting on the implementation of the medium-term programme framework and on UNIDO’s contribution to the realization of the 2030 Agenda and its Sustainable Development Goals in the Annual Report, and encourages the continuous efforts of the Secretariat to set indicators and baselines for the integrated results and performance framework in an expeditious manner and invites the Secretariat to set target values for indicators;

(d) Requests the Director General to improve the Annual Reports, including by making them concise and short, enriched with statistical data and achieved results in accordance with the integrated results and performance framework, so as to enhance UNIDO’s performance accountability and visibility.”

#### **Conclusion 2016/6 Enhanced dialogue with Member States on topical issues**

The Programme and Budget Committee requested the Director General and the Secretariat to enhance dialogue and liaise on a monthly basis with representatives of Member States on topical issues such as UNIDO’s contribution to the achievement of the 2030 Agenda for Sustainable Development and the High-level Political Forum.

## **VII. Financial situation of UNIDO, including unutilized balances of appropriations (item 5)**

20. On 22 June, the Committee considered a report by the Director General on the financial situation of UNIDO (PBC.32/4), and a note by the Secretariat on the status of assessed contributions (PBC.32/CRP.3).

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<sup>2</sup> Recalls the rules of procedure of the Programme and Budget Committee and the Industrial Development Board, and that the annual report as well as other sessional documentation should be issued no later than six weeks prior to the first day of the session in the languages of the Committee and the Board.

21. On 22 June, after consideration of two draft conclusions under item 5, submitted by the Chair (PBC.32/L.2 and PBC.32/L.7), the Committee adopted the following two conclusions:

**Conclusion 2016/7 Financial situation of UNIDO**

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

“The Industrial Development Board:

- (a) Takes note of the information provided in document IDB.44/4-PBC.32/4;
- (b) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years’ arrears, to do so without delay;
- (c) Requests the Director General to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears;
- (d) Also requests the Director General to intensify his efforts to ensure that current Member States sustain their support to the Organization, and to communicate to Member States on that matter through existing reporting channels.”

**Conclusion 2016/8 General risk management strategy**

The Programme and Budget Committee invited the Director General to report to the next sessions of the Industrial Development Board and the Programme and Budget Committee on UNIDO’s general risk management strategy and suggest comprehensive measures for addressing the financial and administrative impact of Member States leaving the Organization including with a view to reversing the trend of withdrawal.

## VIII. Mobilization of financial resources (item 6)

22. On 22 June, the Committee considered a report by the Director General on the mobilization of financial resources (PBC.32/5), and a note by the Secretariat on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2015 (PBC.32/CRP.4).

23. On 22 June, after consideration of a draft conclusion on the mobilization of financial resources, submitted by the Chair (PBC.32/L.3), the Committee adopted the following conclusion:

**Conclusion 2016/9 Mobilization of financial resources**

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

“The Industrial Development Board:

- (a) Takes note of the information contained in document IDB.44/5-PBC.32/5;

(b) Decides to delegate to the Director General the authority to approve projects for financing under the Industrial Development Fund in 2016 and 2017 in accordance with the priorities defined in the medium-term programme framework 2016-2019 (IDB.43/9 and Add.1);

(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO including for the recently created Partnership Trust Fund as well as the Special Account of Voluntary Contributions for Core Activities (SAVCCA) and the Major Capital Investment Fund (MCIF);

(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to respond rapidly to requests for assistance and develop and implement its programmatic activities in a prompt and coordinated manner;

(e) Requests Member States to consider contributing to UNIDO to enable the Organization to work with funding sources requiring co-funding, either through contributing to the dedicated trust funds or by special purpose funding at country or global level;

(f) Encourages Governments of recipient countries to play an active role in sharing with UNIDO the responsibility for mobilizing funds for jointly agreed priority activities, and specifically to take the lead in identifying and accessing funds available at the country level, including local cost-sharing opportunities, and funds from bilateral donors, multi-donor trust funds, United Nations Development Programme, World Bank as well as other development finance institutions;

(g) Strongly recommends that Member States cooperate with and support the Organization in its efforts to develop and promote its programmes and initiatives in the international development context, and especially through international conferences and other forms of dialogue, in order to ensure that these initiatives are well known, their relevance for international development targets are recognized, and resources are made available.”

## **IX. Date of the thirty-third session (item 9)**

24. On 22 June, the Committee took note of the entry contained in the annotated agenda (PBC.32/1/Add.1) on the dates reserved for the policymaking organs of UNIDO in 2016 and 2017.

25. On 22 June, after consideration of a draft conclusion on the date of the thirty-third session, submitted by the Chair (PBC.32/L.10), the Committee adopted the following conclusion:

### **Conclusion 2016/10 Date of the thirty-third session**

The Programme and Budget Committee decided to hold its thirty-third session from 16 to 18 May 2017.



**X. Adoption of the report (item 10) and closure of the thirty-second session**

26. On 22 June, the Committee adopted the draft report on the work of its thirty-second session (PBC.32/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.
27. The Committee closed its thirty-second session at 5:18 p.m. on 22 June 2016.

## Annex

## List of documents submitted to the thirty-second session

<i>Symbol</i>	<i>Agenda item</i>	<i>Title</i>
PBC.32/1	2	Provisional agenda
PBC.32/1/Add.1*	2, 9	Annotated provisional agenda
PBC.32/2 IDB.44/2	3, 6	<i>Annual Report of UNIDO 2015</i>
PBC.32/3 IDB.44/3	4	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2015
PBC.32/4 IDB.44/4	5	Financial situation of UNIDO. Report by the Director General
PBC.32/5 IDB.44/5	6	Mobilization of financial resources. Report by the Director General
PBC.32/6 IDB.44/6	7	Progress report on the establishment of a baseline for the integrated results and performance framework of the medium-term programme framework, 2016-2019. Report by the Director General
PBC.32/7 IDB.44/7	8	Operationalization of the field policy action plan. Report by the Director General
PBC.32/8	-	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
<b>Conference room papers</b>		
PBC.32/CRP.1	2	List of documents
PBC.32/CRP.2	4	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2015. Annexes presented in accordance with United Nations System Accounting Standards for the year ended 31 December 2015 (unaudited). Prepared by the Secretariat
PBC.32/CRP.3	5	Status of assessed contributions. Note by the Secretariat
PBC.32/CRP.4	6	Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2015. Prepared by the Secretariat
PBC.32/CRP.5	7	Baselines for the integrated results and performance framework. Note by the Secretariat
PBC.32/CRP.6	3	2030 Agenda for Sustainable Development — global follow-up and review mechanism and the interaction of UNIDO with the high-level political forum

\* Reissued for technical reasons.