

**Towards Pro-Poor Sustainable Industrial Development:
A Shared Vision for UNIDO**

by

Dr. Kandeh K. Yumkella
Candidate for UNIDO Director-General

**TOGETHER
WE CAN
MAKE A
DIFFERENCE**

Table of contents

	Page Number
Introduction: transforming UNIDO	2
I. Global Challenges: Development, Security and Human Rights	3
The current development dialogue	
The role of industry in responding to global challenges	5
The growing industrial divide	
New industrial realities	6
II. The UNIDO Response	7
Component 1: making UNIDO a trusted partner for economic growth to benefit the poor	8
Component 2: enhancing the UNIDO core functions	
Component 3: enhancing the UNIDO contribution to achieving the MDGs	9
Component 4: pledging support to the LDCs and Africa	11
Component 5: consolidating the gains of the UNIDO reform through stronger country- level partnerships	13
Component 6: strengthening the global forum activities of UNIDO	14
III. Management strategy and operational approach	15
Consolidating and deepening the reform process	
Aligning the organizational structure with the thematic priorities	
Strengthening field representation	16
Establishing a transparent and functional career development system	
Engaging in active funds mobilization	
Strengthening partnerships	
Upholding the universality of UNIDO	
IV. My personal commitment	16

THE PAST

Introduction: transforming UNIDO

Upon joining UNIDO in 1996, I found an organization in crisis, seeking a new *raison d'être* and facing serious questions about its relevance in the post-Cold War era. As Special Advisor to the Director-General and Director of the Africa and LDCs Bureau in 1996-1997, I was called to play a leading role in redefining UNIDO's mandate within the framework of the new Business Plan agreed by the Member States in 1997. UNIDO has proceeded to streamline its operations, redefine and focus its programmes. It has established a reputation as an efficient and effective provider of support for sustainable industrial development. I worked on this transformation in various capacities as Director of the Africa Programme until 2000, UNIDO Representative and Director of the first functional Regional Industrial Development Centre in Nigeria 2000-2003 and as Senior Advisor to the Director General since 2003.

In the process of transforming UNIDO, we have learnt the following key lessons:

- Building consensus among Member States is a prerequisite for success;
- The ultimate test of success is the difference reforms make in the welfare of stakeholders at the country level;
- Reforms must be well conceived and properly sequenced to avoid re-inventing the wheel; and
- Particular attention must be paid to sustaining staff quality, motivating staff through career development and securing continuous improvements in the level and relevance of their skills.

The lessons learnt and the breadth of my experience in the UN system will provide the necessary guideposts during my administration. They will ensure that we make only those incremental and value-added changes to the current services provided by UNIDO as are necessary to be strictly in line with emerging global industrial realities and the needs of developing countries, while safeguarding the unique identity and universal mandate of UNIDO.

Member States have approved a Medium-term Programme Framework for the period 2004-2007 and are negotiating a long-term vision for the Organization. Central to both are three thematic priorities:

- Poverty reduction through productive activities,
- Trade capacity-building,
- Energy and the environment.

I fully support these three priorities. I intend to maintain and strengthen them further. My initial focus will be on enhancing the mechanisms for practical implementation in order to ensure that the specific technical cooperation activities of UNIDO, as they relate to those priorities, respond to national requirements and achieve maximum results.

Having been fully involved in the development and implementation of the UNIDO Business Plan for almost nine years, my leadership will ensure continuity as well as

deepening of the successful reforms and place UNIDO in a position to meet the challenges facing the developing countries and economies in transition. I intend to consolidate and expand on the gains of the transformation process while retaining flexibility to meet any emerging challenges in a rapidly changing world.

THE PRESENT

I. Global Challenges: Development, Security and Human Rights

The current development dialogue

The first years of the 21st century have been witness to the emergence of two development issues of paramount importance. Both require a common response from the UN system and both bear significant implications for the industrial development of the developing countries and economies in transition alike.

The first issue refers to serious global threats and challenges that require a global response to safeguarding development, security and human rights. As pointed out by the *UN Secretary-General's High Level Panel on Threats, Challenges and Change* (December 2004), these include poverty, infectious diseases, environmental degradation, transnational organized crime, violence, terrorism and war. They must be addressed through a shared responsibility for a more secure world that values human dignity. Some of these threats bear major implications for industrial development. This applies in particular to pervasive poverty, environmental degradation, disease and indirectly, even crime, violence and terrorism. In his report to the fifty-ninth session of the General Assembly in September 2005 entitled "*In Larger Freedom: Towards Development, Security and Human Rights for All*", the Secretary-General stated that "...we will not enjoy development without security, we will not enjoy security without development, and we will not enjoy either without respect for human rights. Unless all these causes are advanced, none will succeed" (A/59/2005, 21 March 2005). This clearly echoes the main findings of the *Commission on Human Security* (Ogata-Sen Commission), which, in its Report "*Human Security Now*" (2003) underscored the need to protect and empower human beings to enable them to develop their full potential.

The second issue refers to new evidence that the UN Millennium Development Goals (MDGs) adopted by world leaders in 2000 can be achieved only with substantial additional resources, entailing a radical departure from business as usual. The newly released UN-sponsored study led by Jeffrey Sachs on "*Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*" (January 2005) reveals that no developing region is fully on track in terms of meeting these global goals for a number of reasons, including resource shortfalls, persistent poverty traps and specific policy neglect. Sub-Saharan Africa, the most dramatic case of all, faces a staggering incidence of AIDS, resurgent malaria, falling food output *per capita*, deteriorating conditions of shelter and environmental degradation. In countries where basic infrastructure, health services and education are missing, market mechanisms

alone can accomplish little. Whole economies and populations remain caught in a poverty trap; the benefits of globalisation pass them by.

The report puts forward an ambitious plan to cut world poverty by half, save the lives of tens of millions and enable billions more people to enjoy the fruits of the global economy by 2015. This, however, requires a significant increase in investment in people (health, education, nutrition, family planning), the environment (soils, land, water, biodiversity) and infrastructure (roads, electricity, ports). Unaided, neither private markets nor domestic budget revenues can mobilize the investment required; co-financing by rich and poor countries alike is essential. Official Development Assistance (ODA) programmes will have to be scaled up and more effectively delivered. However, in my view, the report does not pay sufficient attention to the investment needed in the productive sectors, which in the long term, e.g. after 2015, should increasingly enable people and countries to pay for their own development needs. I intend to promote the important role that the productive sectors have to play; UNIDO is well positioned to contribute to that process.

In March 2004, the *Commission on the Private Sector and Development* (Martin-Zedillo Commission) submitted its report “*Unleashing Entrepreneurship*” to the UN Secretary-General. In the report, a strong case is made for the private sector to drive economic development within an enabling policy and regulatory framework to be established by government. The report specifically emphasizes the significance of domestic entrepreneurship in developing countries and the need to reduce the widespread informality of economies. The challenge presents itself at two levels: first, the need to dynamise economic development in a bottom-up process and secondly, the need to engage global business players in effective linkages and broader partnerships for development. In using the Commission’s recommendations as a platform for action, I intend to build on the strategic partnership with UNDP and place strong emphasis on synergies between the entrepreneurship and investment programmes of UNIDO.

The Report of the *Commission for Africa (“Our Common Interest”)*, issued in March 2005, reiterates the continuum of need extending from post-conflict peace building efforts to triggering genuine development processes. It calls for improved coordination “*to prevent states emerging from violent conflict from sliding back into it.*” The report underlines the instrumentality of growth for poverty reduction; in this context, it stresses the important role of good governance, the contribution of small enterprises and the vital challenge facing the African countries in creating the capacity to trade. I welcome the report’s balanced approach. It attaches due importance to economic development and I intend to develop a comprehensive UNIDO response through the Africa Productive Capacity Initiative. It will include all the areas indicated in the report that fall within our own priorities and strengths, especially those related to creating an enabling environment, promoting SMEs and contributing to trade capacity building.

The role of industry in responding to global challenges

There is a close linkage between the global development challenges outlined above and industry. Investing in development, including industrial development, is one of the critical means of reducing the global threats emerging in the 21st century.

First, the important link between development, peace and security is being increasingly recognised. My considered view is that if development problems in poor countries are left unattended to fester and spread, they will quickly become a seedbed for crime, violence, conflict and ultimately terrorism. Conflict combined with poverty creates a vicious cycle that poses a major impediment to economic and social development. A national conflict quickly becomes a sub-regional conflict. Funds invested today in industrial development that generate sustained productivity growth and employment, especially for disaffected groups including youth, can help reduce poverty and disease and prevent economic, social and humanitarian disasters in the future. Moreover, industry can play an important role in combating environmental degradation through special measures for cleaner and more environmentally-friendly technologies.

Secondly, the role of industry in fighting poverty and achieving progress towards the Millennium Development Goals (MDGs) is of critical importance. I am convinced that the sole path to sustained poverty reduction is to create wealth by empowering the private sector to invest in the productive sectors such as manufacturing and the production of higher value-added products. There can be no sustained poverty reduction without capability building, productivity growth and the development of competitive production structures. In this regard, industry has the potential to contribute to many of the MDGs, through generating employment, raising income and providing essential products for the poor such as processed food products, pharmaceutical products, shelter, fertilizers, irrigation and essential low-priced consumer products.

In summary, I intend to pay special attention to strengthening measures that stimulate the contribution of private sector SMEs to achieving these noble objectives. Above all, I shall argue for a stronger development role by the productive sectors, especially industry. Industry plays a catalytic role in fostering economic growth and employment and modernizing economies through the building of capabilities related to skills, technology, information, institutions and knowledge. Only in this way can developing economies reduce their dependence on external aid.

The growing industrial divide

Dramatic changes are taking place in the international economy - coupled with growing environmental degradation - which will bear upon the industrial development of developing countries, and economies in transition. These changes are creating a more complex international setting for industrial development, yielding both opportunities and threats in individual countries that call for a response from international organizations such as UNIDO.

Internationalisation of industrial production, trade, investment and technology is proceeding at an unprecedented, yet varied pace in various developing countries and regions, creating a growing industrial divide and widening disparities between developed and developing nations, as well as among developing countries themselves. The global economy of today is one of stark contrasts: the fragility of the current world economic recovery; subdued growth in certain large developed economies; dynamic economic and industrial growth in East Asia; slow recovery from external shocks of economies in transition; industrial decline and subsequent weak recovery in Latin America; and, above all the increasing poverty of nations in Sub-Saharan Africa (SSA). Wealth and poverty among and within nations coexist. Within Africa, the divide is particularly extreme. In the current year, the region is likely to host some of the world's fastest, and slowest growing economies owing to booming oil revenues in a few countries.

Empirical evidence speaks a clear language. In aggregate terms, the share of industrialized countries in world manufacturing value-added (MVA) declined from 84 per cent in 1990 to 75 per cent in 2004 (UNIDO estimates) with a corresponding increase from 16 to 25 per cent for developing countries. Within the group of developing countries however, the share accounted for by South and East Asia increased from 54 to 72 per cent in the same period, while that of Africa suffered a further decline from 4 to 3 per cent.

The situation is particularly sombre in the Least Developed Countries (LDCs) and Sub-Saharan Africa (SSA) as a group. The share of SSA (excluding South Africa) in the MVA of developing countries declined from a meagre 1.8 per cent in 1990 to just 1.1 per cent in 2004. Moreover, SSA experienced a decline in its already miniscule world market share of manufactured exports.

New industrial realities

The growing industrial divide is being increasingly governed by fundamental changes in new industrial realities, which bear significant implications for the development prospects of developing countries. Specifically, the following trends stand out:

- *Manufacturing is becoming more internationalised* through the rapid globalisation of production, trade, technology, knowledge and finance. Exports are consistently growing faster than production. This has led to stronger competition for markets and resources and to greater pressures for productivity gains.
- *Sustained productivity growth* constitutes the main source of industrial growth and determines the scope for economically, environmentally and socially sustainable industrial development.
- *The distinction between industry and services is becoming blurred.* Industry-related services such as management consultancy, engineering consultancy, marketing, export promotion, advertising, distribution, accountancy and insurance, which were previously undertaken by industry are now being provided by specialized service firms. In this context, the rapidly *increasing tradability of services* with high skill content is redefining the global division of labour.

- *Technological upgrading*, involving information and communication technologies (ICTs) and other new technologies such as biotechnologies, new materials and nano-technologies, is becoming increasingly important to enterprise productivity, competitiveness and market access.
- *Building industrial capabilities takes on a growing importance*. Competing successfully in the global economy rests on the availability of skills, knowledge, technology, information, effective support institutions and R&D, as well as the ability to attract FDI and create an efficient physical infrastructure, including ICT infrastructure.
- *Liberalisation of international trade, markets and capital flows* results from a series of global trade negotiations- such as the current Doha Round - and we witness further *deregulation, privatisation* and the dominance of the *private sector* as the driving force of industrial development.
- Greater importance is being attached to the *transparency and accountability of public governance* on the one hand and to good *corporate governance* and corporate social responsibility on the other. In this context, a premium is placed on trust-based *public-private partnerships* for development.
- *Innovative systemic structures and business practices* are emerging within industry, such as global value chains, outsourcing, flexible manufacturing, just-in-time delivery and the use of ICTs for enhancing process efficiency.
- *Stricter global norms* call for compliance in the field of *environment (Montreal and Kyoto Protocols), intellectual property rights, and international product and process standards*. Two key WTO agreements on Technical Barriers to Trade (TBT) and on Sanitary and Phyto-sanitary measures (SPS) play a critical role in international trade.

While these changes are not all new, the speed and intensity of change is formidable; they pose a serious threat and challenge to developing countries. These global threats require a global response from international organizations such as UNIDO in building the required industrial capabilities, especially for countries marginalized in the globalization process.

Under these conditions, it is necessary to determine how industry and UNIDO should respond to the new global challenges, the growing industrial divide and the new industrial realities.

THE FUTURE

II. The UNIDO Response

My vision for UNIDO is that we shall be a trusted, efficient and effective partner for development and thereby help recipient countries to make progress towards achieving the MDGs of reducing poverty, disease and environmental degradation. We shall achieve this aim by assisting our programme partners to generate economic growth through the strengthening of competitive and sustainable productive capacities, with an emphasis on expanding industrial opportunities in low-income developing countries. I believe in the centrality of the poverty reduction challenge. While other recent areas of emphasis are no doubt important - such as those advanced by the Commission on Human Security and the UN Commission on the Private Sector and

Development - they have to be set in the context of reducing poverty. The same applies to the rich potential offered by increased international trade and greater participation in the global industrial economy.

My vision is composed of six components. They are fully compatible with and complementary to the current UNIDO corporate strategy, further consolidating and strengthening the gains of the Organization's transformation process, with emphasis on incremental, value-added changes especially in practical implementation mechanisms.

Component 1: making UNIDO a trusted partner for economic growth to benefit the poor

As highlighted above, a narrowing of international and national disparities in economic, industrial and social development is the main development challenge of today. This involves a crucial role for industry as a dynamic force for economic transformation leading to participation in the global competitive economy. Economic and industrial development, combined with good governance and efficient institutions, provides a critical means of not only reducing poverty, but also mitigating social upheaval and conflicts that are so visible in many least developed countries. The mandate of UNIDO thus remains valid: to support and promote the industrial development of the developing countries and economies in transition, particularly those marginalized in the globalisation process.

The focus will be on supporting country-level programme partners to achieve the following key objectives:

- Transforming their economies into knowledge-based, competitive economies with a leading role for the private sector.
- Creating and enhancing productive employment and sustainable livelihoods, particularly for poorer people, communities, women and disadvantaged groups.
- Complying with globally agreed norms and standards and seizing opportunities emanating from the international trading system.

Component 2: enhancing the UNIDO core functions

At the very core of my approach to leading UNIDO into the future will be a strong impetus to maximize the provision of technical cooperation and advisory services to our country-level programme partners so as to enable them to meet global challenges. My vision is that UNIDO shall provide an effective response to the growing industrial divide and new industrial realities by focusing on its core functions as reflected in the current eight service modules:

1. Industrial governance and statistics
2. Investment and technology promotion
3. Industrial competitiveness and trade

4. Private sector development
5. Agro-industries
6. Sustainable energy and climate change
7. Montreal Protocol
8. Environmental management

I shall continue to draw on those functions and capabilities of UNIDO as addressing the three thematic priorities of the organization:

- Poverty reduction through productive activities,
- Trade capacity-building, and
- Energy and the environment.

Within these overall thematic priorities I shall make adjustments to the content and approach of the service modules so as to ensure that they reflect (a) the emerging needs of our stakeholders; and (b) requirements emanating from the on-going discussions on UN Reform and the Millennium Summit scheduled for September 2005. In particular, I shall highlight agribusiness development - going beyond traditional agro-industries - to underscore the close link between SME development, and rural and agricultural development, and the need to link rural economies to global value chains as a key component for poverty reduction. I am proposing that industry-related trade issues should be accorded greater importance since the industry-trade-development-poverty nexus is of major concern to developing countries in the light of the Doha Round of trade negotiations and regional initiatives such as NEPAD.

In essence, my strategy will aim at consolidating and sharpening the UNIDO core programme focus in line with the Organization's comparative strengths and specialized expertise within the context of the evolving multilateral development framework. My ultimate objective will be for UNIDO to assist recipient countries in building the productive capacity needed to reduce poverty and enjoy the benefits of the global industrial economy.

Component 3: enhancing the UNIDO contribution to achieving the MDGs

I shall spare no effort to introduce measures that maximize the contribution of industry towards achieving the MDGs. This requires the development of a broad UNIDO-sponsored industry programme of action, especially for MDG 1 (Eradicate extreme poverty and hunger), MDG 3 (Promote gender equality and empower women), MDG 6 (Combat HIV/AIDS, malaria and other diseases), MDG 7 (Ensure environmental sustainability) and MDG 8 (Develop a global partnership for development). Outlined below are five ways in which UNIDO could contribute directly to these MDGs. A detailed programme of action will be worked out in close consultation with all stakeholders concerned.

(i) Pro-poor industrialization and private sector development (MDGs 1, 3, 6, 7 and 8): A great deal of research and conceptual thinking (*inter alia* by various bilateral development agencies) is currently going into the determinants and patterns

of a growth path that uplifts and empowers the poor. In this context, I shall devote special attention to supporting the development of a dynamic private industrial sector, based essentially on SMEs, through an employment and income generating strategy linked to poor people and to disadvantaged groups in rural and backward regions. This would, *inter alia*, require incentives and measures to: establish pro-poor growth strategies; promote labour-intensive technologies and products; support trade capacity-building; raise productivity; support informal sector entrepreneurs and their upgrading to the formal sector; produce essential consumer products at low price for increasing the real income of the poor; strengthen all agro-industrial input and processing linkages including industry's contribution to a proposed Twenty-first Century Green Revolution in Africa; and empower women to assume their rightful role as a dynamic force in industrial development.

ii) Improving governance (MDGs 1, 3, 6, 7, and 8): There is broad consensus that better governance generally leads to higher economic growth. In this spirit, I shall promote the active involvement of UNIDO in MDG-based national Poverty Reduction Strategies. Governments would need to establish a favourable business environment conducive to the development of the private sector. The building of a vibrant private sector that benefits the poor must be firmly grounded in the global and domestic macroeconomic environment, as well as in physical and social infrastructure and the rule of law. More specifically, a favourable business environment would *inter alia* include: a supportive macroeconomic framework; a streamlined and transparent legal and regulatory system; adequate infrastructure, human capital, research and development; active support by governments in promoting business activities in science, technology and innovation and fostering the growth and development of SMEs; specific action by governments to promote foreign direct investment (FDI); the existence of functioning and competitive markets for inputs and products; and support and incentives to the informal sector through easier access to finance, credit, registration, ICTs, training and skill-building opportunities.

iii) Strengthening linkages between industry and trade (MDGs 1 and 8): I shall explore all opportunities to improve the supply-side capacity of LDCs and to build the required competitive structures enabling them to respond to export market opportunities. This would *inter alia* require incentives and measures to: remove supply-side constraints, especially agricultural raw material supply rigidities; build the required industrial capabilities and institutional structures; diversify exports, especially into non-traditional manufactures with higher value-added and technology content; facilitate regional integration in the fields of trade and donor-supported investments in transport and communication infrastructure; support a breakthrough in global trade liberalization with greater market access for industrial products; reduce trade barriers and domestic distortions for increased trade among developing countries; avoid abuse of technical barriers to trade, and sanitary and phyto-sanitary measures for protectionist purposes; establish institutional frameworks and infrastructure for standards and certification procedures; and ensure more active involvement of developing countries in standard setting processes safeguarding their interests. Close cooperation with the WTO, as already initiated, will be essential to achieve these.

iv) Mitigating climate change and environmental degradation (MDGs 1 and 7): I shall endeavour to strengthen the contribution of UNIDO to mitigating the adverse

effects of climate change as a key development issue in the fight against disease, hunger, poverty and environmental degradation. Although the Kyoto Protocol is now in force, the international response to addressing the threat of climate change is clearly inadequate. Global emissions of greenhouse gases continue to rise and the expected damage to the poorest nations will be gravely disproportionate to their ability to manage the effects of climate change. Within the Montreal Protocol, UNIDO plays a leading role in supporting the phase-out of ozone-depleting substances. While this will remain an important programme element in the medium term, the emerging role of UNIDO as a partner in implementing the Stockholm Convention on persistent organic pollutants and the Kyoto Protocol will require strengthening. Furthermore, programmes are needed to: mobilize support for global scientific research and development as well as investments to address environmental management, energy and climate change; promote regulatory and incentive mechanisms to reduce environmental degradation and improve environmental monitoring; promote renewable rural energy sources (biomass, solar and wind); establish coordination mechanisms to manage trans-boundary environmental issues; and design effective environmental policies.

v) Enhancing the contribution of industry to health (MDGs 6 and 8): I shall explore possible partnerships, in particular within the context of the UN Global Compact, between UNIDO and relevant development agencies, such as WHO, to promote the cost-effective production of essential medication to combat HIV/AIDS, malaria and other diseases. The successful experiences of Brazil, China, India and Thailand in low-cost production of active pharmaceutical ingredients and generic drugs provides an excellent opportunity for meaningful South-South partnerships facilitated by donors or private sector firms. I shall collaborate with development partners through relevant global fora to advocate measures such as: reorienting R&D towards the needs of the poor; promoting low-cost micro pharmaceutical laboratories; and commercialising new medicines based on traditional herbs.

Component 4: pledging support to the LDCs and Africa

While recognizing the critical importance of the universality of the mandate of UNIDO, the Business Plan emphasizes technical cooperation with LDCs and Africa as the primary geographic focus of the Organization. It should be noted that 65 per cent of those living below a-dollar-a-day reside in Asia. Further, the common enemy of the poor in the LDCs is the “silent tsunami” (poverty, hunger and disease). Currently, the combination of deepening poverty, growing hunger, and the prevalence of deadly disease kills millions of people every year in Africa, Asia and Latin America. Hence, we need a bold and broad vision; a vision based on international cooperation to establish a platform for joint action that will promote public-private partnerships to combat the silent tsunami. My approach to the MDGs and other components of my vision are particularly relevant to LDCs and Africa.

Many are the causes for Africa’s current state of development. The NEPAD Plan of Action and the recent Report of the Commission for Africa “Our Common Interest” (March 2005) highlight the late entry of African countries into manufacturing and their continued dependence on commodities that have suffered huge declines in relative prices.

As Director-General, I shall draw on both my experience as Minister of Trade, Industry and State Enterprise and my extensive international development knowledge to promote Africa's economic recovery under the auspices of NEPAD and the African Union's new "Vision and Mission". In addition to good governance, our strategy must involve a sustained commitment to enhancing the productivity and competitiveness of their economies, through investing in capability building and stimulating SME-based private sector development. In this regard, special focus will be placed on building productive capacities through skill upgrading, information, connectivity through ICTs, technology management, innovation, effective support institutions, and strategic networking and partnerships with foreign investors.

Given the continuing insufficient support to entrepreneurship development in most LDCs, I shall strengthen the work of UNIDO on promoting public-private partnerships. The private and public sectors must work together to create a business climate conducive to investment by individuals and firms, both domestic and foreign, in order to unleash entrepreneurship capabilities; a step essential to creating the much needed employment and income growth. Special efforts will be made to: upgrade informal industrial activities to formal status; stimulate SME growth; and involve women and youth in the mainstream development process.

I must point out that Africa and the LDCs themselves will also need to adjust to the new opportunities opening up in the rapidly changing global trading system. This will call for improvements in their capacity to trade in new industrial goods by producing more higher-value added products of the right quality and price in order to benefit from potential export opportunities. In this regard, I shall spare no effort to strengthen UNIDO activities focused on building supply and trade capacities for industrial products that can compete in the global market, as well as in the African regional and domestic markets, including advice on improving the conditions for investment. UNIDO will work within the framework of the Africa Productive Capacity Initiative, and in close cooperation with the NEPAD Secretariat. Together we shall develop integrated programmes responding to these priorities at the country level as well as critical (sub-) regional programmes that address the regional integration priority of NEPAD at the same time as the trade capacity building objective.

In this context, UNIDO will work closely with UNCTAD, WTO, ECOSOC, the NEPAD Secretariat, and the African Union to press strongly for a lowering of developed country tariff and non-tariff barriers for LDC products, and abolition of trade-distorting subsidies in agriculture that affect the processing of LDC agricultural products. We shall build on commendable initiatives, such as the EU "Everything But Arms" Initiative, AGOA and TICAD and facilitate their beneficial application.

Component 5: consolidating the gains of the UNIDO reform through stronger country-level partnerships

The UN system is facing a number of global challenges in its endeavours to revamp its *modus operandi* and recast the global aid architecture so as to enhance coherence and effectiveness. Clearly, UNIDO has been at the forefront of reform within the UN system, having implemented a series of reforms since 1997, based initially on the Danish Assessment of UNIDO. That notwithstanding, UNIDO will need to continuously adjust to the needs and circumstances of the twenty-first century and the outcomes of the UN Reform Agenda and Millennium Summit scheduled for September 2005.

In line with the current efforts of the Secretary-General to strengthen the UN system and in full consultation with its Governing Bodies, UNIDO will need to consolidate the gains of its past reforms and enhance country-level partnerships by:

- Strengthening strategic partnerships at the country-level with sister agencies in the UN system, other bilateral and multilateral development agencies, the private sector and civil society with a view to enhancing the Organization's contribution to the MDGs as the common policy framework. This will involve shared operational practices that will bring greater coherence, effectiveness and efficiency to programme delivery. In particular, partnerships will be strengthened with agencies that offer synergies between industry and agriculture, trade, finance, governance, labour, health and environment, such as FAO, WTO, UNCTAD, World Bank, ILO, EU, OECD, WHO and UNEP;
- Enhancing cooperation within the UN Resident Coordinator system in the context of the United Nations Development Assistance Framework (UNDAF) so as to identify, and act within, a clear set of strategic objectives for country-level assistance;
- Facilitating effective linkages between developed and developing countries so as to enhance the impact of ODA available in the UNIDO-mandated areas of cooperation. Within this context, and based on the principle of national ownership, there is a specific demand for broader sector-wide programmes (as opposed to project-level service delivery), joint programming, and shared information and knowledge networks;
- Strengthening the investment and technology promotion activities of the organization and broadening their mandate to the promotion of all types of partnerships, including marketing and subcontracting;
- Revitalizing the UNIDO field network so as to bring the Organization's services closer to its clients in developing countries and economies in transition. This will be linked to staff career development, a rotation scheme and appropriate incentive systems;
- Promoting regional and interregional cooperation, including South-South cooperation, drawing on best practices and maximizing mutual comparative advantages. This will require tailor-made strategies for each region and the identification of key success strategies and best practices that can be shared with other regions. UNIDO can build on the fact that

Asia, in particular China and India, Africa and Latin America as well as the new EU member states are all actively seeking opportunities for intra-regional cooperation in such fields as resources, technology and markets;

- Increasing funds mobilization from the private sector and other non-traditional sources.

Component 6: strengthening the global forum activities of UNIDO

I shall pay especial heed to the Organization's global forum activities, comprising research, statistics and normative functions. They should be closely linked to UNIDO technical cooperation activities, the global development dialogue and the creation of new knowledge in the field of industrial development of relevance to the stakeholders of the Organization. Greater emphasis will be placed on evidence-based advocacy through systematic and regular publications, policy dialogue and participation in UN-wide initiatives, highlighting the contribution of industrial development to key thematic issues at the global, regional, country and sectoral levels.

During the 1990s, a number of important UNIDO research activities and publication series were either downscaled or discontinued. As a result, gaps are to be found in international research on emerging industrial development issues of relevance to industrial decision makers. Given the importance of information and knowledge, it is timely for UNIDO to strengthen its global forum activities with a view to playing a more constructive and dynamic role in supporting policy makers in building competitive industrial structures. Specifically, this relates to areas where UNIDO enjoys a comparative advantage, such as trade capacity building, inter-country comparative analyses of industrial policies and institutions, country industrial development perspectives, industry sector prospects and key policy issues for capability building and enhancing industrial performance. These enhanced global forum functions could build on partnerships established with internationally reputable universities and research organizations.

An important means of disseminating key research results would be through the UNIDO flagship publication, the Industrial Development Report, with innovative approaches to regularly assessing industrial performance and competitiveness. The publication could well serve an additional function in three critical areas of importance to UNIDO: (i) more intensive involvement in the mainstream international development dialogue, (ii) greater utilization of the findings in national industrial development dialogues, and (iii) closer integration of the UNIDO global forum functions with the technical cooperation activities of UNIDO. In the latter context, greater emphasis should be placed on a periodic review of key results and lessons learnt from UNIDO programme and project evaluations and their feedback into operational practice.

The UNIDO research dimension could shift towards providing a solid basis for preparing the industrial component of Poverty Reduction Strategies (PRSs) in terms of data, benchmarks, indicators and analyses in support of private sector development in individual countries. This endeavour could be closely linked with analyses related to the role of industry in attaining the MDGs; it would feed effectively into ongoing UN-wide efforts to define and build up poverty tracking and monitoring systems.

There is also scope for disseminating the wealth of UNIDO knowledge in the form of regular and ad-hoc publication series to key decision makers. This would require additional substantive inputs essential to converting a large number of highly specialized technical publications into a general publication series for a broader international readership.

III. Management strategy and operational approach

I shall place the highest priority on a “people-centred” management style that will promote and recognize the highest standards of efficiency, competence and integrity. I am aware of the tremendous expertise, technical knowledge, competence and capacity in UNIDO instrumental to analysing and solving the industrial development problems of developing countries. UNIDO staff have also demonstrated that they have a great capacity for reform and renewal; they too will once again play a central role in the implementation of my vision. I shall assign maximum priority to investing in the human resources of UNIDO; skilled staff and good morale are the organization’s most treasured asset. Staff deserve continued excellence in leadership, effective management and a supportive corporate culture and working environment if we are to achieve our shared objectives. The key challenge is to strengthen staff trust in management and foster a genuine team spirit in the corporate body of UNIDO.

In this regard, I shall implement four specific approaches: (a) Given that about 25 per cent of the staff will retire between 2005-2009, I shall present a systematic and transparent plan for career development that would include recruitment at the lower professional levels (P2-P3) in order to secure up to date expertise for UNIDO, while providing for the promotion of staff from within the Organization; (b) establish a predictable field-headquarters rotation system that rewards field services; (c) establish incentive systems to motivate staff; and (d) bolster staff’s faith in management and enter into close partnership with the Staff Union, for example, by introducing such measures as the office of Ombudsman.

Above all, I shall ensure that staff can work in dignity without fear or favour. I shall also pay the utmost attention to ensuring transparency, integrity and accountability; I undertake to align our management systems and human resource policies with the best practices available in other international public and commercial organizations.

With regard to the operational approach of the Organization, I shall place emphasis on the following seven key principles:

1. **Consolidating and deepening the reform process**, by promoting higher efficiency gains and transparency as well as enhancing the effectiveness of management, with a view to both increasing technical cooperation delivery and establishing a knowledge-based learning organization;
2. **Aligning the organizational structure with the thematic priorities** so as to enhance managerial effectiveness and facilitate monitoring, reporting and evaluating the contribution of UNIDO to the global development agenda;

3. **Strengthening field representation** with particular emphasis on making the field network a reliable and effective service delivery arm of UNIDO, and ensuring that our field units are well integrated into the common system's collective response to the MDGs at the country level;
4. **Establishing a transparent and functional career development system** that will raise staff morale, invest in their technical competencies, promote teamwork and reward field service. A greater staff participation in strategic planning and operational policy-making will be an integral element;
5. **Engaging in active funds mobilization** in order to expand UNIDO technical cooperation delivery by forging thematic, long-term partnerships with donors, especially at the country level, and exploring new funding avenues under the auspices of NEPAD, various bilateral and regional initiatives, international financial institutions, the European Commission, the private sector and collective action platforms such as the UN Global Compact;
6. **Strengthening partnerships** with complementary organizations such as UNDP, FAO, UNCTAD, WTO, UNEP, and ITC as well as Development Finance Institutions, in order to enhance effectiveness and impact of the interventions of UNIDO at the country level;
7. **Upholding the universality of UNIDO** by recognizing and respecting the diversity of the Organization's stakeholders, benchmarking best practices for sustainable industrial development in different regions in order to promote inter-regional and intra-regional cooperation, and scaling up South-South cooperation activities. I will ensure regular dialogue with Member States in order to provide information to all our stakeholders and regularly explore new ways of addressing the development challenges that lie ahead.

IV. My personal commitment

It is evident that in the light of the long-term development challenges facing the United Nations system in general, and in particular the responsibility of the United Nations to support developing countries in achieving the MDGs, dynamic and experienced leadership is called for. To sustain the reform momentum and align UNIDO to the emerging challenges requires leadership that is based on a solid knowledge of the various capabilities and strengths of UNIDO, the intricate relationship between UN agencies and the complex dynamics of serving as an interlocutor between donors and developing countries, especially at the country level.

I am privileged to have been part of the senior management team of UNIDO that has overseen the Organization's transformation into a highly streamlined and service-oriented body. The lessons we have learnt from our past transformation process will guide us in our future endeavours. In this context I am convinced that my vision will assist recipient countries in responding to emerging global challenges, reducing the industrial divide and adjusting to new industrial realities so that people throughout the world can ultimately work in dignity and live in freedom from poverty and fear.

Building on the UNIDO successes of the past I shall continuously improve UNIDO services to member countries through intensified networking with all stakeholders. Genuine partnerships with stakeholders are vital and will continue with greater force. Any need for modification will be continuously reported to the Governing Bodies in a spirit of trust, highlighting possible shortfalls in some areas and pinpointing the need for strengthening programmes in others in the spirit of ownership and consensus among donor and recipient countries. Greater transparency and accountability will also be emphasised. Furthermore, the need for some flexibility is paramount and I shall ensure full consultation with UNIDO Member States in this regard.

I wish to stress that my vision is built on that of the UNIDO Member States themselves. I see the role of the Director-General as a keeper, who carries that vision forward based on the experience gained, improves upon it where possible and spares no effort in ensuring that it is successfully implemented. In this process, I shall bring to your attention any changes which may be required in response to new global challenges and changing industrial realities. I shall also ensure that resources are mobilized and effectively spent. Above all, it is my intention to bring about an Organisation that is energized by a shared vision among all its stakeholders, including its staff and management. Only if we work together in true partnership with others and reinforce the integration of UNIDO into the mainstream UN activities, shall we reach our goal of strengthening the contribution of sustainable industrial development to poverty reduction.

I strongly believe in the universal mandate and spirit of UNIDO, in both the capacity and the responsibility of the Organization to support all developing countries and countries with economies in transition, embracing LDCs, Africa, Asia and the Pacific, Arab countries, Latin America, Eastern Europe and NIS countries. I also believe in the power of sharing experience and expertise. I am committed to initiating new programmes of mutual learning and support among various countries and regions. In this context, I look forward to a fruitful development dialogue with all UNIDO Member States and to working closely with all of the UNIDO stakeholders worldwide.