



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

OPENING STATEMENT OF THE DIRECTOR-GENERAL

Mr. CARLOS MAGARIÑOS

at the

Twenty-ninth session

of the

Industrial Development Board

Vienna, 9 – 11 November 2003

Mr. President, Ministers, Excellencies, Distinguished Delegates, Ladies and Gentlemen,

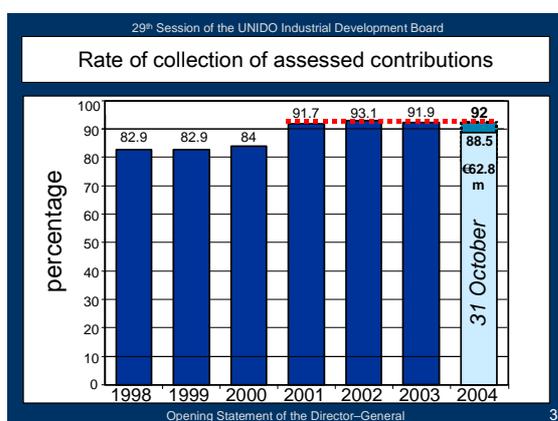
It is my great pleasure to welcome you to the twenty-ninth session of the Industrial Development Board. I am particularly pleased to welcome so many Ministers and Vice Ministers attending this Board meeting. This indeed demonstrates the importance given by our Member States to the sessions of our Governing Bodies. The high-level participation of 15 Ministers and Vice-Ministers at this meeting reminds me of the General Conference in 1997, when I was appointed, and which as you may recall the last General Conference in 2003 was attended by four Presidents, three Vice Presidents and more than 55 Ministers. That is why I have chosen for my presentation today the subject raised by General Conference resolution Gec.10/Res.2, the mid-term and long term vision on UNIDO.

I would like to begin my statement by expressing my sincere gratitude to you Mr. President, Ambassador Zniber, and the members of the Bureau, for your constructive and skilful work in leading the deliberations of the Board since your election last May. I am certain that under your wise and able leadership this session of the Board will also conduct its business efficiently and successfully.

Mr. President, distinguished delegates,

In December last year the tenth session of the General Conference issued a Resolution inviting me to develop a strategic long-term vision statement, covering a 10-15 year period, in time for its adoption by the next General Conference. I warmly welcome this resolution, and share the view that the time has now come to establish a framework for the longer-term progress of our Organization, which will consolidate, and build upon, the achievements of the past seven years of reform and transformation at UNIDO. I therefore wish to focus my statement this morning on this important issue.

In order to do this effectively, I would like to begin by presenting you with an update of the current situation at UNIDO, and thereby to indicate to you in some detail what precisely the results of the reform and transformation process have been. I will then provide you with an outline of the long-term vision for the Organization that I propose to submit for your consideration. Finally, I will present you with a programme for finalizing this vision, in close consultation with the member states and other stakeholders, in time for its adoption by the eleventh session of the General Conference.



One of the major results of our transformation has been the Organization's financial stability. Our latest estimates indicate that the collection rate of assessed contributions in 2004 is likely to remain well above 90 per cent, as in the years 2001-2003, as may be seen from the figures presented in the chart. This favourable outlook regarding the collection rates of our assessed contributions notwithstanding, I would like to mention at this stage the problem of arrears of assessed contributions owed to UNIDO.

The total arrears owed by Member States today stands at €48 million; in fact, around half of these arrears is accounted for by only two Member States. I therefore appeal once again to the representatives of Member States that do have arrears to do their utmost to meet their commitments, if necessary by means of an agreed payments plan. I also take

29th Session of the UNIDO Industrial Development Board

Arrears Outstanding

Current member states: € 48,304,285
of this ~ 50% two Member States

Member States with arrears invited to enter into payments plan

Opening Statement of the Director-General 4

this opportunity to congratulate the six Member States, namely Afghanistan, Azerbaijan, Belarus, Lithuania, Ukraine, and most recently Slovenia, which have entered into such payment plans. I may also add here that a sum of € 71 million is still owed by former Member States, which left the Organization without fulfilling their financial obligations.

29th Session of the UNIDO Industrial Development Board

Voluntary Contributions

Net Approvals 1998 - 2003 (minus RPTC) with 2004 estimate

Year	Net Approvals (US\$ million)
1998	57.1
1999	75.8
2000	73.7
2001	80.7
2002	91.1
2003	84.6
2004 (ESTIMATE)	102

Opening Statement of the Director-General 5

The positive trends with regard to the payment of assessed contributions have been accompanied by a similar growth in the payment of voluntary contributions. Our latest estimates suggest that total net approvals will rise to US\$ 102 million this year from US\$ 84.6 million last year, exceeding the US\$ 100 million mark for the first time since the crisis of 1997; since then, the amount of voluntary contributions has almost doubled. The rising trend in these resources highlights the growing confidence placed in our services by both donor and recipient countries.

29th Session of the UNIDO Industrial Development Board

Technical cooperation delivery

1998 - 2004 (millions of US dollars)

Year	Technical cooperation delivery (US\$ millions)
98	81.4
99	83.5
00	68.7
01	84.0
02	81.8
03	94.6
04	97

Opening Statement of the Director-General 6

This improvement in the financial situation has clearly had beneficial implications for UNIDO's performance in a variety of ways. An important measure of this performance is the value of technical cooperation services delivered by UNIDO. After hovering between US\$ 81-85 million for most of the period between 1998 and 2002, and dipping to as low as US\$ 68.2 million in the year 2000, this figure rose to almost US\$ 95 million in 2003, an increase of about 40 per cent as compared with the year 2000. The technical cooperation delivery for the 10

months from January to October 2004 amounts to more than US\$ 88 million, compared to a corresponding figure of less than US\$ 85 million in 2003. Based on these trends, the full-year figure for 2004 will surely exceed the figure recorded in 2003. We have consolidated a growing trend of our technical cooperation services.

29th Session of the UNIDO Industrial Development Board

Technical cooperation delivery

TC for low-income countries (% of total TC portfolio)

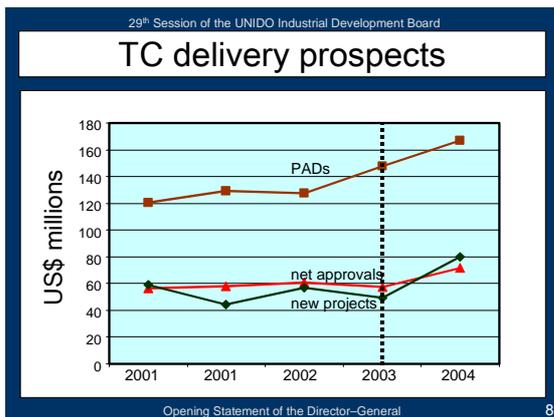
Year	TC for low-income countries (% of total TC portfolio)
1996	48%
Sept. 30 2004	73.5%

Opening Statement of the Director-General 7

Moreover, the major focus of UNIDO's technical cooperation has increasingly shifted to low-income countries with the result that the proportion of our technical cooperation portfolio allocated to these countries has risen to 73.5 % in September 2004 from 48 % in 1996.

The outlook for the foreseeable future is similarly positive, with the value of new projects, net approvals and project allotment documents, or PADs, issued in 2004

showing a marked increase over the corresponding figures for the previous years.



Another very important implication of the enhanced financial stability is our ability to recruit and retain high-quality staff with the appropriate expertise and qualifications. As I have reported on previous occasions, we have been able to maintain a relatively stable staffing level slightly in excess of 600 staff during the past seven years, and to improve the conditions of service of our staff in a variety of ways, including an extension of the duration of fixed term contracts to three years and increased opportunities for promotion; in fact, approximately 38 per cent of the staff on board have been promoted during the past four years. There has also been significant improvement in the gender balance and geographical distribution of the Organization's staff. Considerable effort has been made to update and upgrade the competencies of our staff through appropriate training and management development programmes. The net effect has been to increase both the professional skills and the motivation of our staff, with obvious implications for the quality of the services that they provide.

Distinguished delegates,

The measures undertaken during the past seven years that I have just described have been supported by a variety of administrative and programmatic reforms. In order to place our services into an appropriate context, given by the international development priorities and our own specific mandate, we have also formulated a corporate strategy, which focuses on productivity enhancement for social advance. It provides a comprehensive framework for our technical co-operation and global forum activities.

Distinguished delegates, ladies and gentlemen,



Based on the work done so far, I believe that UNIDO has now established a solid foundation upon which to develop a strategic long-term vision for its future growth and development as called for in Resolution GC.10/Res.2 adopted by the last session of the General Conference.

This vision will, of course, be shaped by the following forces: the mandate of our Organization, our corporate strategy, the development priorities established by the international community, in particular through the Millennium Development Goals, and the complex process of globalization and marginalization that characterizes the international economic situation today.

29th Session of the UNIDO Industrial Development Board

Forces shaping long term vision

- UNIDO mandate and past reforms
- UNIDO corporate strategy
- International development agenda and MDGs
- Complex process of globalization and marginalization

.....Draft vision statement: IDB.29/CRP.5

Opening Statement of the Director-General 11

I have prepared a first draft of such a vision statement, which has been distributed to the Member States in this meeting of the Board as Conference Room Paper IDB.29/CRP.5. While the paper is self-explanatory and I therefore do not need to discuss it at length on this occasion, I nevertheless want to draw your attention to some of the basic features of my proposal.

29th Session of the UNIDO Industrial Development Board

Long term vision: Programmatic focus

- Private Sector Development
- Trade Capacity Building
- Energy and Environment
- Post-crisis Rehabilitation and Reconstruction

Opening Statement of the Director-General 12

First, I believe that the process of specialization, or re-specialization as I have called it in the conference room paper, and professionalization of the Organization should be continued. For this purpose, I propose that UNIDO should, in future, focus its technical cooperation and global forum activities in four areas: Private sector development, trade capacity building, energy and environment, and post-crisis industrial rehabilitation and reconstruction.

29th Session of the UNIDO Industrial Development Board

Private-sector development

- Private sector, especially SMEs, is main source of growth, employment and poverty alleviation
- Private Sector Development represents UNIDO's strategic contribution to achievement of income / poverty MDGs
- UNIDO/UNDP Cooperation Agreement

Opening Statement of the Director-General 13

The emphasis on private sector development, especially with regard to small and medium enterprises, stems from the fact that the private sector is the main engine of economic growth, which is essential for poverty alleviation, the most important MDG. Therefore a clear focus on assisting the development of the domestic private sector in developing countries and transition economies will be the strategic contribution of UNIDO to the achievement of this MDG. This must be a continuing theme of the UNIDO technical assistance activities during the next 10-15 years. It is in view of this that I have signed a Cooperation Agreement with the Administrator of UNDP in September

2004 for the development and implementation of a joint programme between our two organizations in this area.

29th Session of the UNIDO Industrial Development Board

Trade capacity building

- Insertion of developing countries into trade flows main objective of Doha Development Agenda
- TC needed to build supply side capacities and conformity to international market requirements
- UNIDO/WTO Cooperation Agreement

Opening Statement of the Director-General 14

The issue of inserting developing economies into global trade flows is particularly important and has been recognized as such by the international community through the Doha Development Agenda of WTO. The critical area in which these countries need technical assistance comprises building supply-side capacities, including the ability to conform to the prescribed quality, standards and other related market requirements of the developed countries. By its very nature capacity-building in these areas is a long-term process; UNIDO, therefore, must give

priority attention to this subject during the next 10-15 years. It is in this context that we have signed, in September 2003 a Memorandum of Understanding with the Director-General of WTO for our two organizations to undertake joint programmes and projects for trade-capacity building and associated activities.

29th Session of the UNIDO Industrial Development Board

Environment and energy

- Environmental sustainability an important MDG
- Fundamental shift in industrial processes needed in the long term:
 - Increased recycling
 - Increased efficiency in use of materials and energy
 - Shift in emphasis from selling products to supplying services
 - Shift to renewable sources of energy

Opening Statement of the Director-General 15

Environment and energy are critical issues in industrial development and UNIDO needs to undertake specific activities aimed at ensuring that the process of industrial development remains within the framework of environmental sustainability, an important Millennium Development Goal. In the long run, UNIDO activities in this area should help to bring about fundamental changes in both product design and technology, which provide for resource sustainability through increased recycling in the flow of materials, further reductions in the amount of materials and energy used through greater efficiency and the elimination of hazardous and toxic materials, a shift in emphasis from selling products to supplying services, and a shift from non-renewable to renewable sources of energy. All this, you would agree, is possible only if we take a long-term approach in our activities.

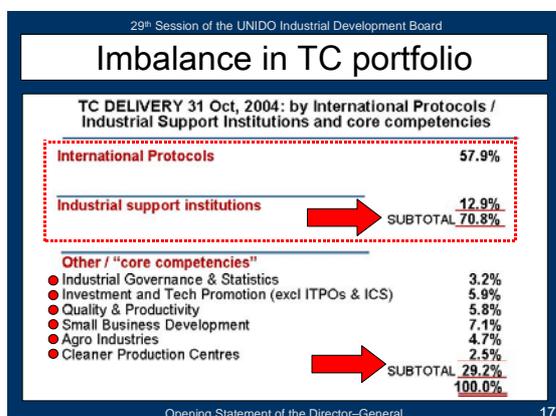
29th Session of the UNIDO Industrial Development Board

Post-crisis rehabilitation and reconstruction

- Addresses special problems of post-crisis situations
- Provision of specialized assistance in rehabilitation and reconstruction phase.
- Details in IDB.29/CRP.6 and IDB.29/CRP.7

Opening Statement of the Director-General 16

The fourth and final area of emphasis relates to the special problems, including human security issues, faced by the societies emerging from crisis situations resulting from natural or man-made disasters or conflicts. In these situations UNIDO can assist enterprise rehabilitation in key industrial areas and promote income-generating activities for affected people. In July 2002, UNIDO launched a special initiative on post-crisis industrial rehabilitation and reconstruction. This initiative, which is on the agenda for discussion by this meeting of the IDB, is being steadily developed, as explained in conference room papers IDB.29/CRP.6 and IDB.29/CRP.7.



In addition to focusing our services in the four areas that I have just described, I believe that we must continue to redress the imbalance in our service delivery between activities related to multilateral environmental agreements and our other core competencies. This is an issue I have already addressed in my statements to the last sessions of the General Conference and IDB, when I pointed out that only about 30 per cent of our technical cooperation delivery is accounted for by our core competencies, such as industrial governance and statistics, investment and technology promotion, quality and productivity, small business development, agro-industries, and cleaner production centres, with the remainder being accounted for by services related to the implementation of multilateral environmental

protocols and industrial support institutions, such as ITPOs and ITCs. I firmly believe that we must increase the technical cooperation delivery in these core areas of our mandate so that we can restore a greater degree of equilibrium to our services.

29th Session of the UNIDO Industrial Development Board

Decentralization

- Cooperation agreement signed with UNDP on 23 September 2004
- IDB29 to give guidance on criteria of location and implementation plan in IDB.29/CRP.4

Opening Statement of the Director-General 18

Further, I am convinced that UNIDO will have to continue a strong process of decentralization of its activities to the field in a more effective manner, and to build up a corresponding field network that provides us more value for money. This issue has been discussed at length in recent months and in the last session of the Programme and Budget Committee held two months ago. Following the meeting, I signed a Cooperation Agreement with the Administrator of UNDP on 23 September 2004, which in the long term would extend UNIDO presence up to 80 countries from the current level of representation in about 30 countries. This will obviously entail a number of choices and options that Ms. Hirose will present in detail this afternoon. Under this agreement initially UNIDO desks could be established within UNDP premises with UNDP bearing the support costs for desks in 15 countries over a period of two years. The idea is to take the opportunity to place those desks where a significant amount of programme and project activities are under implementation or planned to be developed. The implementation of the Agreement is a distinct agenda item and is discussed in some detail in Conference Room Paper IDB.29/CRP.4, and we are looking forward to the guidance from you through your deliberations, on how to move forward in the implementation of this important agreement giving UNIDO a relevant possibility to increase its field coverage.

29th Session of the UNIDO Industrial Development Board

Future efficiency gains

- Only possible in context of UN system-wide reforms
- Proposal for voluntary coordination of UN development activities presented to development partners
- Indispensable prerequisite for the future

Opening Statement of the Director-General 19

Finally, and critically, I am convinced that the future gains in UNIDO's efficiency, which we intend to achieve in the coming years, will only be possible in the context of system-wide efficiency gains in the UN development framework. I have therefore formulated a proposal for an improved voluntary coordination mechanism between the various development-oriented agencies, programmes and funds of the UN system, which I have discussed already with the UN Secretary-General and other executive heads of UN agencies including the World Bank, the IMF and WTO on a number of occasions, the last being in the meeting of the UN System Chief Executives Board for Coordination held in New York on 29-30 October 2004. I also presented an outline of my proposal at the 28th session of the IDB held in May this year. I strongly feel that improved coordination of the development efforts of the UN system is an indispensable prerequisite for raising the efficiency and effectiveness of our service delivery in the years to come.

Of course, the proposals contained in conference room paper IDB.29/CRP.5 on the long-term vision for UNIDO go far beyond the matters I have raised in the past few minutes. In particular, they cover a wide range of administrative and programmatic issues. At the same time, however, I reiterate that this paper represents merely a first attempt at putting together a coherent long-term vision for our Organization and is designed to trigger discussion among all the stakeholders about the future role and vision of UNIDO.

29th Session of the UNIDO Industrial Development Board

Consultation process for finalizing long-term vision

- IDB.29/CRP.5 is first draft to trigger discussion
- Interactive process in coming six months
- Final document to be submitted to IDB.30
- Consultations with stakeholders
 - Member states;
 - Private sector;
 - Academia;
 - Other UN agencies; and
 - UNIDO staff

Opening Statement of the Director-General 20

Therefore, I propose to spend the next six months or so in organizing wide-ranging discussions and consultations on this subject, so that I will be able to submit a finalized version of the document to the next session of the Board in June 2005, for its consideration, eventual adoption and onward transmission to the General Conference in December next year.

Specifically, I plan to hold a series of formal and informal meetings in order to receive inputs from various interested parties,

particularly from the Member States; the private sector; academia; other UN agencies; and UNIDO staff.

In this context, I call upon you, the representatives of our Member States, to provide us with your contributions for the finalization of this document. I know from past experience that these contributions will be very valuable indeed, and look forward to a close and fruitful cooperation with you in this joint endeavour for the long-term benefit of our Organization.

29th Session of the UNIDO Industrial Development Board

Objective of long-term vision

- UNIDO continuation as focused, professional, responsive knowledge-based agency
- Increasing respect for excellence, effectiveness and uniqueness of UNIDO services
- *With your help we will achieve this goal.*

Opening Statement of the Director-General 21

Distinguished delegates, Ministers, Excellencies, Ladies and Gentlemen,

I know that you will share my view that the ultimate objective of this exercise will be to ensure UNIDO's continuation as a highly focused, professional, knowledge-based agency responding to the needs of developing countries and countries with economies in transition. During the past seven years UNIDO came to be highly regarded for the success of its transformation

process and also for the increased quality and relevance of its services. It is my desire to work with you until the next General Conference in a very dedicated manner to consolidate this UNIDO position as a knowledge-organization and to outline a programme for the years to come that will ensure that this Organization will increasingly be respected for the excellence, effectiveness and uniqueness of its services and not for the sake of any bureaucracy. I am convinced, as I said back in 1997, that this Organization has a very relevant role to play in the multilateral economic development architecture of the years to come. It is only by supplying public goods in areas of private sector development, trade capacity building, environment and energy that developing countries will be able to cope with the challenges posed by the process of globalization. I think that the best contribution we can do from a multilateral agency like UNIDO is to redress the imbalances and the injustice that unfortunately prevail in many parts of our global society. I am sure that this is the way to make a better world, a safer world and a better place to live. I am convinced that you will help us in this endeavor as you did it up to now with your strong commitment, financial and human resources and contributions. I thank you very much for all the support you have given me and this Organization during the last seven years and I call upon you to work hard until the next General Conference to outline a strong, relevant and concrete important vision that will be able to get translated into practical gains for our developing Member States. I think this is what we have done in a very concrete manner and this is the duty we have ahead us for the months to come.

Thank you very much for your attention.