

CHECK AGAINST DELIVERY



Opening Statement by

*Dr. Kandeh K. Yumkella
Director-General*

*at the 31st session of the
Industrial Development Board*

Vienna, 6 June 2006

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

It is my great pleasure to warmly welcome you to the thirty-first session of the Industrial Development Board.

Let me start by expressing my gratitude to the outgoing Bureau, and in particular its President, Ambassador Thomas Stelzer of Austria, for his commitment and dedication. His leadership set the stage for the constructive and smooth conduct of the last two sessions of the Board.

I also wish to congratulate the new President, Ambassador Ali Ashgar Soltanieh of the Islamic Republic of Iran, as well as the new bureau on their election. I am confident that under your able leadership, Mr. President, our session will come to a successful conclusion.

I would equally like to welcome the Ministers from Angola, Cote d'Ivoire, Senegal and Syria who are with us today; their presence is a testimony to the excellent relations between UNIDO and its Member States.

This session of the Board marks the first opportunity for me to seek your support and guidance. I am doing so with deep gratitude for the support I have received from you during the initial months of my term. May I beg your indulgence, therefore, for what may become a rather long statement. If anything, this is due to the enthusiasm with which I have taken on my new appointment.

Roughly one year ago, this Board recommended me for election as Director-General of UNIDO and it is precisely half a year ago that I took over the management responsibility of this great Organization. It is frequently said that "time flies" and some distinguished philosophers even have developed sophisticated concepts of our age being one of continuous acceleration. Well, certainly I have been rocketed into a fascinating job that could benefit from days having more than 24 hours and weeks having more than seven days. Sadly, however, time – as economists keep reminding us – remains the ultimate scarce resource. So, let us all make good use of it, during this session and beyond.

Today is the time to look back upon what we have achieved together within the past six months, where we stand today and what are the priorities lying ahead of us. I will organize my statement around three main themes: first, an account of the main accomplishments of my first half year in office; second, some reflections on the current debate on reforming the UN system; and third, the key programmatic priorities I intend to focus on during this biennium.

Global challenges

Before reviewing what measures I have taken in the first half of this year, let us jointly look briefly at the global economic landscape. We witness high productivity growth in the global economy coinciding with rising levels of unemployment and a growing economic and industrial divide. We witness the emergence of economically powerful developing countries, becoming world leaders in sophisticated industrial sectors and technologies, while least developed countries continue to struggle to get on their feet. We see rapid progress towards achieving the Millennium Development Goals – but not where the needs are greatest. We observe growing volatility in world markets, particularly related to energy prices. When I took office, the price of oil was roughly US-\$ 58; now it is up to some US-\$ 70, i.e. an increase of more than 20%. This in itself is threatening for those poor countries critically dependent on oil imports. Will their energy supplies be affordable in future? Or will energy shortages stifle industrial production and growth? On the other hand: isn't this a strong incentive to develop renewables?

We are all together trying to develop answers to these pressing questions. And I will position UNIDO to contribute to this debate and to find concrete solutions. We need to recognize the vital links at play: from energy to production and from production to trade as well as the energy-production-environment nexus . We need to take a holistic view at the development agenda that identifies industrial development as part of this broader picture. It was with such considerations in mind that I have taken a hard look at UNIDO and the requirements to better position the Organization, both at Headquarters and in the field, and to move towards a sharpening of expertise and specialization.

Launching a change process

What has happened within UNIDO since last December? After an immediate stock-taking of the state the Organization was in (at a Management Retreat during my first week in office) I appointed three Task Forces to deal, respectively, with the strengthening of our field capacities, the management of UNIDO's human resources, and the mobilization of financial resources. I shall return to some of these issues later during my statement. Meanwhile, I concentrated on the need to refine the organizational structure of UNIDO. The new structure was announced at the end of February 2006. It is based on the principles of maintaining programmatic continuity, strengthening our field operations, separating oversight and control functions from operational responsibilities, enhancing operational effectiveness and efficiency, and linking evaluation with strategy-setting so as to create a strong learning feedback. In addition to my own office, the refined organizational macro-structure of UNIDO has five main building blocs:

- Bureau for Organizational Strategy and Learning
- Bureau for Organizational Governance
- Programme Development and Technical Cooperation Division
- Programme Coordination and Field Operations Division
- Programme Support and General Management Division

This is how UNIDO presents itself today, in terms of its organizational structure. But clearly, reform is not an event but a process. I anticipate the need to keep refining the structure and adjusting staff assignments to key positions so as to ensure continuous improvements and enhance our effectiveness and impact.

Mr. President,
Distinguished delegates,

As I emphasized during my campaign: I do believe in the importance and the benefits of stability. While I consider the new structure to be required to meet my prime managerial objectives, I have accorded high priority to maintaining programmatic continuity and to minimizing any operational disruptions. I am happy to report to you that this strategy has clearly paid off. We have managed to avoid the precipitous decline in UNIDO technical cooperation delivery, which followed from reform measures introduced in the 1990s.

Against this backdrop, I am particularly pleased to report to you that the latest available data (end of May 2006) point to an actual increase in our technical cooperation delivery of 7.2%, compared to the same period last year, and an increase of 10.6% compared to the first year of the previous biennium. At the same time, the end of May delivery figure for 2006 is higher than any comparable figure during the last 12 years.

At this juncture, I think I can safely assume that Member States may want to be informed whether the organizational changes just outlined, will have any budgetary implications. As requested by you, our current programme and budgets for 2006-2007 are presented along programmatic lines, based on the principles of results-based management, rather than being presented in conjunction with any specific organizational structure. The recent refinement of the organizational structure therefore is fully compatible with the approved programme and budgets 2006-2007, and I want to assure you that I will not seek any additional resources for its implementation. Reports by the Secretariat on the financial situation and the performance of the Organization will continue to follow the existing programme structure as approved by Member States in General Conference decision GC.11/Dec.18.

Human resources are key

Any organizational structure is just a tool. If well designed, it will be conducive and contribute to releasing energies, forming teams, stimulating action, and motivating staff to perform. A bad structure will stifle all of this. But even the best structure will get nowhere without competent, committed and dedicated staff. Both in my Vision Paper and in my inauguration speech, I underlined the critical importance of staff being able to do their work with pride and dignity; I characterized my management style as one of participation, empowerment and teamwork; I announced new avenues for career development and new approaches to human resource management. Let me report to you on work in progress in exactly this area.

When I took office, I was faced with considerable expectations regarding a major recruitment drive to be initiated immediately. What was lacking however, was a

sound analysis of long-term requirements of expertise transpiring from policy documents such as the Programme and Budgets, the Medium-term Programme Framework and the Long-term Vision Statement. Hence, I decided to launch a comprehensive exercise of reviewing available skills and determining critical skills gaps, in particular in new growth areas. This divisional staff analysis is about to be completed soon and will result in a thorough and well-justified recruitment plan for this biennium. In some areas of critical and immediate needs, posts have already been advertised with a view to safeguarding the Organization's service delivery. I have also decided to advertise those Director-level functions currently carried out by Officers-in-charge. In total, 15 positions at Headquarters are being advertised.

In addition, and based on the recommendations of an internal Task Force on Human Resource Management Systems, I intend to introduce a number of qualitative improvements and innovations. Specifically, these relate to: strengthening competitive selection processes through assessment centre techniques, which take a thorough look at each candidate's technical, behavioural and managerial competencies; strengthening staff performance management systems through a more balanced performance appraisal using results-based indicators; improving long-term succession planning; reinforcing staff training and skills upgrading; providing for appropriate recognition and reward policies and incentives; and improving staff-management relations with emphasis on effective conflict prevention and mediation approaches. As I have done earlier this year, I will not hesitate to draw on top-notch experts from other organizations, including from the private sector, and to adapt available best practices including head-hunting for talent.

Field reform launched

I now turn to the one management issue that you know is closest to my heart. It is also what you have told UNIDO to ensure, way back when the Business Plan was formulated and approved: strengthening of our field capacities. I inherited an unfinished business and I daresay, that I have completed it before going into this, my first, Board session. This is particularly important in light of the ongoing UN reform debate, which places a premium on effective delivery mechanisms and country-level coherence.

The reports, documents, statements and decisions on UNIDO's field representation system (by the way, I do prefer the term field operations) are legion. Also, a strengthening of field operations was reported to you on various occasions in the past. But, let me be frank again, a lot of this was field capacities existing on paper, in theory, in terms of budgeted posts – but not in actual operations on the ground. Let us take a look at the facts.

When I assumed office, I inherited a field structure running at barely more than half its full capacity! The vacancy ratio for international Professional staff stood at 49% for the 2000-2001 biennium, 41% for the 2002-2003 biennium and 39% for the 2004-2005 biennium. With our new field policy, the vacancy ratio will be brought down to a level around 10-15%, with 12% being currently projected for the biennium 2006-2007.

But clearly, more was at stake than low or high vacancy ratios. The entire system of UNIDO's field operation called for a new vision, an effective repositioning and a set of well-structured policies. I am pleased to report that today there is a sea change in how UNIDO manages its field operations. Allow me to underline what I consider to be the most important features of this change:

1. Through introducing, for the first time in UNIDO, a clear and transparent field mobility policy, we have made it far more attractive than in the past, to work in a field duty station. The initial response from our staff is overwhelmingly positive.
2. Whoever goes to the field today, has a clear and predictable career development path, with no discrimination vis-à-vis headquarters staff, significant incentives and a well-structured rotation pattern, including, after a maximum of two terms in the field, a return to a suitable post at headquarters.
3. The endowment of country and regional offices has been standardized, with the latter having additional technical capacities at their disposal so as to better serve their countries of coverage.
4. UNIDO Representatives are internally recruited to ensure their familiarity with the technical expertise and managerial processes of UNIDO. Also, they will have resources at their disposal to allow the provision of short-term advisory services in situ.
5. I am pleased to report that last week we concluded all interviews with applicants for the 22 Professional posts advertised. By the end of June, I expect to effect all new appointments in the field.

On this note, our strategic partnership with UNDP – with its two pillars of joint field representation and joint programming in the field of private sector development – will remain a priority. In general, the partnership has worked well so far and is widely recognized as a model for cost-effective and coherent collaboration among UN organizations. We have initiated a joint assessment of results achieved in the pilot phase, together with our colleagues from UNDP. The process is driven by the Evaluation Units in both organizations and we will closely consult with Member States. As mandated by General Conference resolution GC.11/Res.5, I will report to the next session of the Board on the conclusions and recommendations derived from this exercise. It is my intention to expand the number of UNIDO desks by 17 to reach a total of 30 by 2008, provided that (a) the Board endorses this proposal, (b) UNDP is in agreement and (c) Member States are ready to finance this expansion.

Further details on measures taken to strengthen our field operations will be presented by Ms.Hirose, who together with me, co-chaired our field reform task force.

UNIDO and UN system reform

Mr.President,
Distinguished Delegates,

Field-level operations, particularly their coherence and effectiveness within the Resident Coordinator system, are at the core of the renewed debate on UN reform, which has unfolded as a follow-up to the 2005 World Summit and its Outcome

Document. UN reform has several essential dimensions, ranging from management reform to a mandate review and, most important for us, questions of system-wide coherence. The latter dimension critically involves the development function of the entire UN system, i.e. how the funds and programmes and the specialized agencies can combine their strengths, provide complementary services, avoid duplication and be cost-effective in helping Member States reach the Millennium Development Goals. A High-level Panel, in fact the highest-level panel ever in the UN system, has been appointed by the Secretary-General to look into ways and means to improve coherence in the fields of development, humanitarian assistance and environment. We at UNIDO highly welcome this exercise and have been an active partner right from the inception of the Panel's work. This has involved meetings and discussions at various levels, conceptual contributions, concrete proposals and, less than a month ago, the hosting in Vienna of a thematic consultation of the Panel on the functioning of the Resident Coordinator system.

There is no doubt in my mind that the UN system can deliver more and better than what it has delivered thus far. Donor and recipient countries alike place legitimate demands on all of us to sharpen our focus, enhance impact and reduce transaction costs. I do not see why this should not be possible, through concerted action at the country level and a well-articulated division of labour anchored in organizational mandates. The UN system has a unique value foundation and developmental function, an unmatched richness of expertise and a historical mission still to be fully accomplished. As long as these essential dimensions are recognized and preserved, any reform effort deserves our unequivocal and emphatic support. UNIDO will continue to make a tangible contribution in this process – and we certainly are eager to offer the concrete experience of an agency that over the last 12 years, has become sharply focussed, highly cost-effective and, if you will, thoroughly reformed.

In my view, the debate around UN reform has at times suffered from too strong an emphasis on procedural issues and less attention on the substance of programmes. I am very pleased to note that this does not apply to the work of the new High-level Panel, with their clear perspective on the main substantive dimensions of the development agenda and on the need to prepare the UN system for a new global environment.

Programmatic emphasis and enhancement

Mr. President,
Distinguished delegates,

this observation leads me to the final part of my introduction to your deliberations. Between now and the November session of the Board I will shift my attention to programmatic issues and I would like to share with you my priorities in this respect.

The delivery figures I mentioned earlier, confirm that our machinery is running well, the volume of our operations is increasing and our services are in high demand. So, where will I put the main new accents in future?

Trade capacity-building

Trade capacity-building is an area in which our activities are already strongly advanced and UNIDO is widely recognized as a leading player. Based on a well-defined niche for UNIDO interventions and highly specialized expertise, UNIDO has become the largest provider of trade-related technical assistance among all UN agencies. It was with a great sense of satisfaction that I noticed an extensive reference to our programme on conformity in the latest book by economics Nobel laureate Joseph Stiglitz. In his book titled, *Fair Trade For All*, Professor Stiglitz underlines the relevance of building up the required institutional infrastructure as key to supporting developing countries in reaping the gains of globalized markets.

I will further build on our achievements in this area and have already agreed with the Director-General of WTO, Pascal Lamy, to intensify our excellent cooperation. It is in this context that I have decided to open a UNIDO Liaison Office in Brussels. The Office has just become operational and will bring us even closer than before to the European Commission, which has generously funded some of our best programmes in this field.

South-South cooperation

First and foremost, I will challenge myself, both Member States and my staff to demonstrate what UNIDO can do in concrete terms - going beyond studies and statements – for the promotion of South-South cooperation. Interestingly, this topic also ranks high in the UN reform discussions: in a world of increasing diversity, of powerful emerging economies co-existing with poverty-stricken least developed countries, the question must be asked: how can the rich and sophisticated expertise and technologies of leading developing countries (of Brazil, China, Egypt, India, Malaysia, South Africa and others) be brought to bear on helping others to upgrade their industries and meet their full potential? To achieve this, we need to develop convincing answers and we need to design mechanisms and partnerships that can actually deliver.

I have already consulted some Member States, and their positive response has been encouraging and stimulating. I do feel that there is a commonly felt need and a shared sense of a huge unfulfilled potential in the area of South-South cooperation. I see a compelling case for building up a broad partnership among Member States, supported by UNIDO's expertise and networks, and backed up by dedicated resources for implementing meaningful cooperation that makes a difference. I see a huge potential for triangular cooperation exemplified by Asia/Africa cooperation financed by Japan and other donors.

I am pleased to report to you that with the Government of India, we have jointly defined a holistic concept of South-South cooperation that will draw on our existing capacities and technology centres in India – to be reinforced and integrated by a new UNIDO Centre for South-South Industrial Cooperation. I am deeply gratified by the personal support lent to this joint endeavour by His Excellency, Dr. Manmohan Singh, the Prime Minister of India. This new Centre is expected to become operational this summer and will benefit from significant financial support from the Indian Government. In this context, it is my pleasure to inform you that with the

Government of China, we are also at an advanced stage of defining similar arrangements.

Energy security for the poor

Another priority theme I intend to focus on relates to energy security for the poor. Global energy markets have recently been shaken by significant developments, both in terms of supplies and prices. Questions of energy security, the most appropriate mix of energy sources, the potential of renewables and the challenge of decentralized energy supplies to the rural poor have taken centre stage. UNIDO can make a valuable contribution, inter alia building on our initiative on Rural Energy for Productive Use. More specifically, we are currently exploring a new partnership with FAO in the area of bio-fuels. For the latter, I see a great possibility for intra-Latin American cooperation and Latin America/Africa cooperation supported by the European Union.

I firmly believe that our host city Vienna, offers a unique richness of energy-related expertise that so far has remained largely untapped. In addition to UNIDO, Vienna enjoys the presence of the OPEC Secretariat, the OPEC Fund, the International Institute for Applied Systems Analysis and of course the International Atomic Energy Agency right next to us. I intend to further pursue consultations with these potential partners and with the Government of Austria to breathe life into the emerging notion of Vienna as an international centre of energy expertise.

The above programmatic considerations were meant to inform you about areas in which I see the need to strengthen and reinforce the work of UNIDO. It goes without saying that the other well-established programmes of the Organization will continue, whether related to cleaner production, multilateral environmental agreements, agro-industries, investment and technology promotion, or private sector development.

Mr.President,

Let me, in coming to the final part of my statement, now take a quick look at a number of high-profile events in which UNIDO will be involved in this biennium.

- Later this week, it is our pleasure to host, at the Vienna International Centre, the 40th meeting of Chairmen/Coordinators of the Group 77 Chapters, and to engage in substantive panel debates on trade and energy issues.
- In mid-June, the 17th Conference of African Ministers of Industry will take place in Cairo. This major Conference will review the continent's progress in industrial development and seek to define regional priorities over the next five to 10 years.
- In early July, I will attend the high-level segment of ECOSOC where UNIDO will, inter alia, organize a Ministerial Roundtable on youth employment in LDCs, with particular emphasis on West Africa.
- In September 2006, in Montevideo UNIDO will host a Ministerial Meeting on Energy Security in the Latin American and Caribbean Region, together with the Iberoamerican General Secretary. The meeting will lead to formulating a broader UNIDO cooperation programme with this region.

- In autumn 2006, the Second Committee of the UN General Assembly will address industrial development cooperation, based on a report I will present on behalf of the Secretary-General.
- In July 2007, the African Union Summit of Heads of States and Governments in Ghana will consider the region's industrial development challenges as the main theme and UNIDO has been asked by the African Union to contribute its expertise to the preparation of this important gathering of African leaders.
- In late 2007, UNIDO and FAO will co-organize a major international conference on competitive agro-industries, to take place in India.

A strong UNIDO contribution to all of these events is part of my strategy to make this Organization more visible and better positioned in the system of multilateral cooperation. We simply need to raise the stakes. As a new dimension, I intend to establish in key programme areas, thematic groups composed of both UNIDO Professionals and representatives of Member States, as a joint platform for debate, strategy setting and advocacy work.

Evaluation and results-based management

Mr. President,
Distinguished Delegates,

Earlier in my statement, I have expressed my strong belief in a culture of evaluation and learning. No advocacy strategy can succeed unless we are willing to take a realistic look at where we are strong and where we require improvement, unless we are willing to identify mistakes and learn from them. My commitment is to ensure that evaluation plays a credible role in supporting accountability within the context of a sound results-based management system. I firmly intend to strengthen the ongoing efforts towards mainstreaming the results-based management approach throughout UNIDO, in close consultation with you. It is against this background that I have issued – for the first time in UNIDO – an evaluation policy, which codifies evaluation objectives, principles and managerial responsibilities. This new policy will guide our work based on the principles of ethics, impartiality, independence, professionalism and consultation with all stakeholders.

UNIDO at 40: Maturity and competence

Finally, Mr. President, permit me at this point to say a few words in connection with the thirty-second session of the Board in November 2006. Some of you might be aware that an important date is coming up in the history of the Organization: On 17 November 2006 UNIDO will turn 40. It was exactly on this date four decades ago, that the General Assembly adopted resolution 21/52, which established UNIDO as the organization responsible for coordinating the industrial development activities of the United Nations. This resolution is generally regarded as UNIDO's founding document.

I honestly believe that UNIDO has come a long way. Time has come to pause for a moment and to seize the opportunity that this important anniversary in the life of the Organization offers in order to take stock of the achievements accomplished, recall important milestones and strengthen our partnerships with other international

organizations. It seems reasonable to take advantage of the presence of many distinguished delegates on 28 November 2006 and dedicate the entire day to UNIDO's fortieth anniversary. I propose to organize some main celebrations in the morning followed by panel discussions in the afternoon. These panels will be dedicated to the Organization's three thematic areas: poverty alleviation through productive activities, trade capacity-building, and environment and energy.

Pending your approval, the thirty-second session of the Board itself would only begin on 29 November and last until 1 December. I have engaged my staff in a discussion on how this anniversary can be celebrated in a forward looking manner and in particular with a view to sending out a strong message to the international community on the Organization's achievements and comparative advantages. I will very soon share with you more concrete ideas on the programme for the anniversary and will also be counting on your valuable support and advice in making this a truly successful event.

There are a number of agenda items to which I have not referred in my statement. I can assure you that we have given careful thought to the documents issued, which I believe speak for themselves, not requiring further introduction. Of course, the Secretariat will be pleased to provide clarification on any matter.

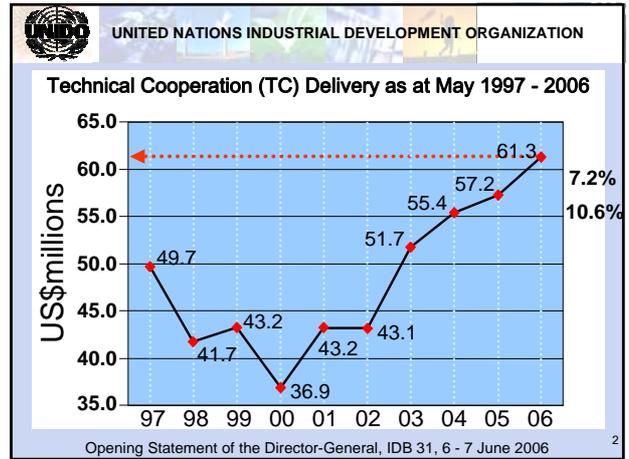
Thank you very much for your attention, distinguished delegates.


UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Industrial Development Board, 31st session, 6 - 7 June 2006

Opening Statement of Director-General Kandeh K. Yumkella

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Programmatic Continuity – Managerial Change

- **Launch of change process: retreat and task forces (Dec. 2005)**
- **Refined organizational structure (Feb. 2006)**
 - Bureau for Organizational Strategy and Learning
 - Bureau for Organizational Governance
 - Programme Development and Technical Cooperation Division
 - Programme Coordination and Field Operations Division
 - Programme Support and General Management Division
- **Compliance with Programme and Budgets 2006 – 2007**
- **Overhaul of HRM systems**

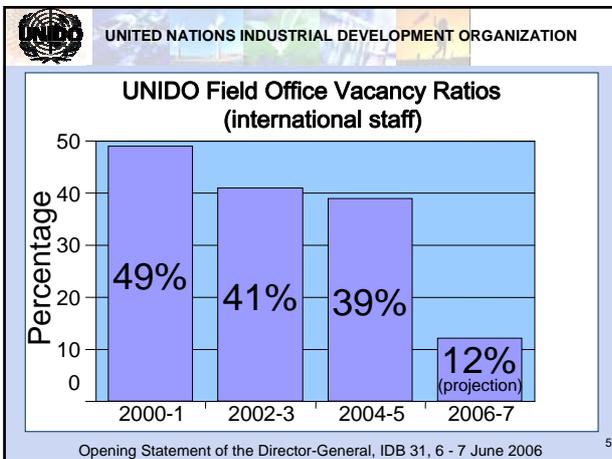
Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006


UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Launch of HRM Reform

- **Skills-gap Analysis**
- **Specialized recruitment for renewal (initially 15 posts at HQ)**
- **Revamped recruitment process (eg. Assessment Centre techniques)**
- **Improved performance management**
- **New staff grievances mechanism**
- **Reliance on available best practice**

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006




UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

New Field Mobility Policy (May 2006)

- **Clear and transparent policy: field service more attractive**
- **Predictable career development: incentives and rotation**
- **Strengthened capacities in regional offices**
- **UNIDO Representatives internally recruited**
- **Appointments for 22 posts to be finalized in June 2006**

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006

 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Programmatic Enhancement

- Trade Capacity Building
- South-south cooperation
- Energy security for the poor
- Value chain integration (SMEs, Agri-business)
- Regional integration
- Continuation of other well-established programmes

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006 7

 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Major Forthcoming Events

- June 2006: G77 Chapters meeting, Vienna
- June 2006: CAMI 17, Cairo
- July 2006: High-Level ECOSOC, Geneva
- Sept. 2006 LAC Ministerial energy-security meeting Montevideo
- Autumn 2006: UN General Assembly, Second Committee NY
- July 2007: African Union Summit, Ghana;
- Autumn 2007: UNIDO / FAO Agro-industries Conference, India

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006 8

 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Summary: Commitments for 2006 - 2007

- Programmatic continuity and TC delivery growth
- Managerial innovations: HRM and field operations
- Active contribution to UN reform efforts
- UNIDO as a stronger and more visible development partner
- RBM and EVAL Policy Implementation
- Moving towards IDB 32:
 - Comprehensive Skills renewal
 - Fine tuning structure and staff assignments
 - Linking TC and "Action-Oriented" Research

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006 9

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REFORM IS NOT AN EVENTIT IS A PROCESS

Opening Statement of the Director-General, IDB 31, 6 - 7 June 2006 10