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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



**Opening Statement
by
Dr. Kandeh Yumkella
Director-General
at the
twenty-second session of the
Programme and Budget Committee**

Vienna, 5 September 2006

Madame Chairperson,
Distinguished Delegates,
Ladies and Gentlemen,

I would like to welcome you warmly to the twenty-second session of the Programme and Budget Committee. To begin with, let me express our thanks to the departing Chairperson, Ms. Noriega Urizar, Minister Counsellor, for her constructive and able work in leading the deliberations of the PBC, as well as her bureau. Her commitment provided a leadership that was much appreciated.

I would also like to take this opportunity to congratulate Your Excellency, Mrs. Kongit Sinegiorgis, and the new bureau on your unanimous election. I am confident that under your able guidance this session of the PBC will also be conducted in an efficient and constructive manner.

I am particularly pleased to be able to inform you, in my first statement to the PBC since assuming office, that our Organization, UNIDO, is continuing to go from strength to strength. Before turning to the financial and programmatic issues that are the main items on the agenda of this session of the PBC, I would like to give you a brief overview of some of the other matters that we have addressed in recent months.

In my speech to the last session of the IDB in June this year, I stressed that reform was not an event but a process. I am happy to be able to tell you that despite the usual summer doldrums in the last two months, we have sustained this process of change. In particular, we have continued to refine and improve our working procedures in order to ensure a continuous improvement in the effectiveness and impact of our services.

Field reform

Let me begin with a few words on the further progress made in the field reform process and the strengthening of our human resources management systems that I referred to in my statement to the IDB. With regard to our efforts to enhance our field operations system, I reported in my speech to the IDB that we had initiated a comprehensive series of measures to ensure a sustainable strengthening of our capacities in the field. These included the introduction of a clear and transparent field mobility policy, a standardization of the human and financial resource endowments of our country and regional offices, and the launch of a recruitment drive to encourage staff members to apply for field posts. In the meantime, the first round of these recruitments for 22 posts has been completed, and the staff members selected have been given a tailor-made induction programme to prepare them for the representational and substantive tasks in their new duty stations. Most of these staff members are expected to take up their new assignments very soon, pending Government clearance. In addition, a second round of recruitments has been initiated for posts that could not be filled in the first round, or posts that have become vacant as a result of lateral transfers from one field post to another.

Human resource management system

With regard to the our efforts to strengthen our human resource management system, I reiterate my firm belief that any organization will function at its best only if its staff members are able to do their work with pride and dignity. In my speech to the IDB, I noted that we had launched a divisional staff analysis to determine the available and needed skills and identify skill gaps. This process has now been completed, and I have begun to authorize new recruitments to fill the gaps that have become apparent. In doing so, I am being guided by two principles – one is to ensure that UNIDO's resources are deployed to areas where they are most needed, and the other is to recruit the new staff at lower professional levels so as to bring young and skilled professionals into the Organization. My goal is a rejuvenation of the Organization and a rebalancing of its age profile and grade structure.

- In this connection I have recently authorized the recruitment of 16 positions in our Programme Development and Technical Cooperation Division. The recruitment of all these posts is based on new assessment centre techniques, and the initial feedback has been very positive. Additional recruitments in other parts of the Organization are being initiated and will be visible in terms of vacancy announcements soon.
- Other measures currently being taken in the field of human resource management involve steps to improve the mechanisms for measuring and rewarding performance through the introduction of performance indicators based on results-based management (RBM) principles.
- In addition, I am looking at the possibility of introducing informal conflict prevention and resolution mechanisms, and have established a panel of retired staff members with extensive experience in staff/management relations to review this issue and make recommendations.
- Furthermore, it is my conviction that UNIDO has to be a learning organization and ensure a constant updating and expansion of existing skills in order to serve its clients effectively. I have thus initiated measures to identify our specific learning needs and draw up a learning plan for implementation in the current biennium 2006-2007. This will include a leadership development programme aimed at strengthening further the managerial capabilities of the Organization, which will be provided for all supervisors at the level of Unit Chief and above.
- Finally, I also foresee possible new assignments of staff in managerial positions.

Madame Chairperson,
Distinguished Delegates,

Let me turn now to the substantive items on the agenda of this session of the PBC, and in particular to the report of the external auditor, financial issues, and the preparation of the medium-term programme framework for 2008-2011.

Report of the External Auditor

The Auditor-General of South Africa, Mr. Shauket Fakie, will introduce agenda item 3 – the Report of the External Auditor on the biennium 2004-2005. This report contains information on a wide range of audit activities carried out by the External Auditor during the 2004-2005 biennium, and the audited financial statements for that biennium. I do not wish to pre-empt Mr. Fakie, and will therefore not address this agenda item in detail, but will only take this opportunity to highlight some of the key findings and assessments of the External Auditor.

In this connection I am particularly pleased to note that the External Auditor has expressed an unqualified opinion on the financial statements of UNIDO. Moreover, almost all recommendations arising from the previous audit have been implemented to the External Auditor's full satisfaction. Regarding the issue of After-Service Health Insurance, a UN system-wide solution is required and the lead organization on this subject is the United Nations. When concrete recommendations emerge from New York, we will bring these to the attention of our Member States.

In paragraph 5 of his report, the External Auditor states that he has taken note of the various initiatives introduced since I took office, such as the establishment of various task forces, the refinement of the organizational structure, and the issuing of a field mobility policy, to further improve the performance of UNIDO. He also confirms that UNIDO is a well-run organization – a view that has been endorsed by a number of independent reviews.

In the concluding paragraph of his report, the External Auditor further confirms that UNIDO has an established record of being proactive and there is every indication that this will continue to be case. He also expresses his belief that the Organization will continue to be administratively sound.

I would like to take this opportunity to thank Mr. Fakie and his team for their valuable contribution to the work of our Organization. They have also kindly agreed to share with UNIDO their vast experience on best practices of knowledge management in public and private sector organizations. This is an area that figures prominently among my priorities and I am determined to strengthen our own knowledge management systems.

Performance in the biennium 2004-2005

Let me now turn to UNIDO's financial performance in the 2004-2005 biennium. Detailed information on the utilization of financial resources for both the regular and operational budgets in this biennium is given in document PBC.22/4. In summary, I am pleased to report that the Organization's financial performance during the biennium was satisfactory, and would like to quote some of the notable highlights:

- In the regular budget, the collection rate of assessed contributions in 2004-2005 was 91.6%, as compared to 93.0 per cent for 2002-2003. In order to ensure the financial viability of the Organization, the expenditures were adjusted according to the availability of assessed contributions.

- Despite a shortfall of more than 8 per cent in budgeted resources, the Regular Programme of Technical Cooperation and activities financed from the Special Resources for Africa were fully programmed and/or implemented.
- The operational budget registered a surplus of €2.0 million; consequently, the operating reserve, which amounted to €3.1 million at the beginning of the biennium, increased to €5.1 million by the end of the biennium.
- The delivery of technical cooperation services, excluding those funded under the Regular Programme of Technical Cooperation, amounted to US\$ 200.1 million during the biennium. This exceeded the budgeted amount of US\$ 176.9 million by some US\$ 23 million, or 13%. If services provided under the Regular Programme of Technical Cooperation are included, the total delivery amounted to some US\$ 212 million.

Performance in the current year

This broadly favourable trend has continued into the current biennium, as indicated in document PBC.22/7, which provides information on the financial situation of the Organization as at 30 June 2006, and in CRP.4, which provides more up-to-date figures.

In this context, I would like to stress, in particular, that the implementation of our technical cooperation programme is progressing smoothly. The volume of technical cooperation delivery stood at US\$ 81.8 million at the end of August 2006, which is the highest figure for the corresponding period recorded in the past ten years. In comparison with the first year of the 2004-2005 biennium, this figure shows an increase of some US\$ 5.9 million, or 7.8 per cent. All available indicators suggest that we are stabilizing our high delivery levels. In fact, the volume of delivery for 2006 as a whole is even likely to surpass the levels achieved in the past several years.

The collection rate of assessed contributions stood at 65.7 per cent on 31 August 2006, as compared with 84.8 per cent for the same period in 2005 and 86.1 per cent in 2004. While the rate for this year is unfavourable, I am pleased to inform you that we have received the necessary assurances that some outstanding major contributions will be forthcoming in the next few weeks.

Activities under the regular budget are being implemented smoothly. It is expected that, as in the past, the implementation of these activities will correspond closely to the collection rate of assessed contributions. Those Member States that have not yet paid their contributions are therefore requested to settle their obligations soon to enable the implementation of the approved activities to proceed to the extent possible.

Financial Regulations and Rules

Before moving on to other issues not related to financial matters, I would like to inform you that a revised set of financial rules has recently been issued in accordance with financial regulation 12.1 of the amended financial regulations approved by the General Conference in decision GC.11/Dec.17. The full text of these revised financial regulations and rules is provided in documents PBC.22/5 and CRP.2. I am

confident that the revised financial rules will contribute significantly to improving further the financial management and accountability within UNIDO.

Programmatic issues

Let me turn now to programmatic issues. We are currently in the process of formulating the medium-term programme framework for 2008-2011, and will present a detailed proposal to the thirty-second session of the IDB in November.

As indicated in document PBC.22/8, I will ensure that the new programme framework will be fully consistent with the guidance provided to us by Member States in such documents as the Strategic Guidelines for Improved Programme Delivery and the Strategic Long-term Vision Statement adopted by the eleventh session of the General Conference. At the same time I will make sure that the programmatic content of the new framework responds adequately and effectively to the evolving development priorities, and that appropriate measures are taken to ensure the most efficient implementation possible of these programmes. Against this background, I anticipate that a broad continuity will be maintained with our current programme of work. At the same time, however, I intend to introduce a number of programmatic enhancements. These are expected to include:

- an increased emphasis on measures to reduce youth unemployment (in a strategic partnership with ILO);
- an enhanced programme on promoting the use of renewable sources of energy (with emphasis on bio-fuels); and
- the build up of a network of dedicated regional centers to promote South-South cooperation (with support from China, Egypt, India and other countries).

In terms of our delivery modalities, we will continue to rely primarily on developing and implementing Integrated Programmes. At present, we are in the middle of a comprehensive review of the status and prospects of these programmes with a view to reinforcing their coherence, focus and impact.

Security

Before concluding my statement, I would like to say a few words on the issue of security at the Vienna International Centre. In this connection, may I draw your attention to the many discussions we had during 2004 and 2005 on the need to ensure that the Vienna International Centre complies with the headquarters minimum operating security standards (H-MOSS), and remind you of the supplementary budget approved by you to address the situation. The lead agency implementing the various measures being introduced in this connection is the United Nations Office at Vienna. A number of briefings have already been held on the progress achieved in this regard. The last one of these took place on 21 April 2006, at which the United Nations provided representatives of Member States of the four Vienna-based organizations with information on the implementation status of the various activities.

We have been informed by the United Nations that further progress has since been made to implement the various measures we had agreed upon, including those to be

implemented by the host country. Should Member States require further information on this subject, we would be happy to request the United Nations Office at Vienna to arrange a briefing similar to the one held last April. This could be scheduled for late September or October this year.

Madame Chairperson,
Distinguished Delegates,

Conclusions

We are looking today at a strong and focused UNIDO with capacity-building programmes that are in high, and indeed growing, demand. I am determined to reinforce these programmes and to position our Organization at the very center of the global development agenda. This will not be possible without a continued strengthening and specialization of our staff capacities, both at Headquarters and, importantly, in our field offices, and it will not be possible without a strong and effective support infrastructure.

If Member States want this Organization to be a successful and visible player in the global fight against poverty, then commensurate investments will be essential to enable us to rise to the challenge.

With this I would like to thank you for your attention and your continued support for our Organization.

I wish you all the best for your deliberations.

Thank you.