

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



**Opening Statement
by
Dr. Kandeh Yumkella
Director-General
at the
twelfth session
of the
General Conference**

Vienna, 3 December 2007

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

It is my great pleasure to warmly welcome you all to the twelfth session of the General Conference of UNIDO. I recognize with gratitude the high number of heads of state and government, ministers as well as other high-level dignitaries attending this Conference – indeed the highest number ever to attend a UNIDO event here in Vienna. We are particularly honoured by the presence of the President of Sierra Leone, His Excellency Mr. Ernest Bai KOROMA as well as His Excellency Mr. Tertius ZONGO, Prime Minister of Burkina Faso; His Excellency Mr. Lansana KOUYATE, Prime Minister of Guinea; His Excellency Mr. Zeljko ŠTURANOVIĆ, Prime Minister of Montenegro; and His Excellency Mr. Edward LOWASSA, Prime Minister of the United Republic of Tanzania.

Our host country honours us with the presence of Her Excellency Mrs. Ursula Plassnik, Minister for European and International Affairs of the Republic of Austria. I welcome Minister Plassnik and thank her for her gracious acceptance of our invitation.

I also warmly welcome heads of UN agencies, with which UNIDO enjoys particularly close cooperation: Ms. Patricia Francis, Executive Director of ITC, Mr. Pascal Lamy, Director-General of WTO, Mr. Achim Steiner, Executive Director of UNEP, and Mr. Tibor Tóth, Executive Secretary of CTBTO, who are with us today as well as the many Ministers of Foreign Affairs, Industry, Economics, Environment, and Trade and Commerce from various Member States. I am certain that we will greatly benefit from your active participation in our deliberations.

Let me further express our thanks to the outgoing President of the General Conference, Mr. Miroslav Somol, for his constructive and able work at the eleventh session. His commitment provided a leadership that was much appreciated.

And I would like to take this opportunity to congratulate you, Excellency, Mr. Omar Zniber, on your election as our new President. I am confident that, under your able stewardship, this session of the General Conference will also be conducted in an efficient and focussed manner.

Mr. President,

Almost exactly two years ago, the eleventh session of the General Conference confirmed my appointment as Director-General. The special theme of this twelfth session is “Industrial Development in a Changing Global Landscape”. So, let us take a look at some of the pertinent changes. In a nutshell:

- The developing regions are claiming an ever larger share of world investment, production and trade. The OECD reports that the emerging economies now account for more than 50% of global output, 45% of global exports and also more than half of global energy consumption.
- The importance of economic exchanges between developing countries and regions is rapidly growing, both in absolute terms and as a share of the global economy.

- Inequalities, however, are not being reduced; on the contrary, the gap between the North and the South, and between the emerging economies and the least developed ones, is further widening.
- Global value chains, led by transnational corporations (now increasingly also originating from developing economies) govern international trade; and most of the value is indeed created in pre-production (research, innovation) and post-production (distribution, services) stages.
- A few years ago, climate change was but one among many issues, but today it constitutes an all-pervasive threat calling for immediate action on both the mitigation and adaptation fronts.
- The aid architecture is rapidly evolving: new donors are emerging, both in terms of countries and non-traditional players such as richly endowed private foundations; some observers, e.g. the World Bank's chief economist, already refer to a fragmentation of aid.
- Meanwhile, net ODA flows in real terms actually declined by 6 % from 2005 to 2006, largely influenced by the high level of debt relief provided in 2005.

Sometimes, a few simple figures can be more telling than entire studies. Since I took office:

- The price of crude oil went up by more than US-\$ 40 per barrel, i.e. by 72 %.
- The US-Dollar has depreciated by more than 25% against the Euro.
- The price of copper increased by more than US-\$ 2,000 per ton, i.e. by 46 %.
- At the same time, the price of cotton received on average by West African farmers went down by 27 %.
- And—within the last 12 months alone—the price for wheat has gone up by 50 %.

These are just some snippets of information showing the nature of change, the degree of market volatility and, by implication, the severity of adjustment burdens in particular for poor economies. They also help to demonstrate that in our response, UNIDO has to look at the interlinkages of growth, trade and environmental challenges. This is what makes our programmes and our support to Member States so complex. “Moving out of poverty” is a simple slogan. In reality it is a major challenge involving cultural, institutional, social, technological and economic change: a challenge to which UNIDO can rise.

Mr. President,

This being my first General Conference at the helm of UNIDO, it is in order to look in retrospect at what we have achieved together and to anticipate the key challenges ahead of us. Member States appointed me based, inter alia, on a vision statement in which I promised to respect seven key principles:

- Upholding the universality of UNIDO
- Consolidating and deepening the reform process
- Aligning the organizational structure with the thematic priorities
- Engaging in active funds mobilization
- Strengthening partnerships
- Strengthening field representation, and
- Establishing a transparent and functional career development system.

Allow me to address these principles one-by-one to demonstrate action taken and results achieved so far.

Upholding the universality of UNIDO

In my Vision Statement I wrote: “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”. This has been the key premise of UNIDO’s work in the last two years.

SLIDE 1: High-level regional events (photos)

We have continued to place special emphasis on the needs of African countries and LDCs in general. I can report to you that our delivery of technical cooperation services to LDCs in this biennium is about 75 per cent higher than in the previous biennium – a remarkable achievement indeed. Many of these support services are geared towards the key challenge of bringing LDCs closer to the forces of globalization and facilitating their integration into the world economy. This is why we have decided not only to convene an LDC Ministerial Conference for the first time since 1997 but also to organize it around the special theme “How Can Aid for Trade Transform LDCs?” The Declaration adopted by the Ministers last Friday will be an important input into our deliberations in the coming days.

Likewise, in the various regions, high-level meetings have taken place: I specifically mention the meetings of the Conference of African Ministers of Industry (CAMI) in Egypt and South Africa, the Latin American and the Caribbean Ministerial Meeting on Renewable Energy in Uruguay, the International Biofuel Conference in Malaysia, the meeting on export consortia promotion in Morocco, the G-77 Chapters meeting here in Vienna and the Technology Foresight Summit in Hungary. This Summit, with its emphasis on water management issues, was a fine example of UNIDO’s global forum role. Conflicts around the availability or rather scarcity, of water will shape the future global agenda – and all regions will be able to benefit from the key conclusions of this Summit.

Furthermore, in my first two years in office I have travelled to more than 50 countries in all regions and I am grateful to the many Ambassadors present today who have facilitated UNIDO’s advocacy in their countries.

In the same spirit of creating a joint learning space, we have made South-South industrial cooperation one of our key priorities. While South-South cooperation has mostly been viewed from the angle of solidarity, it becomes increasingly clear that there is a business case as well. More often than not, solutions developed in a particular developing region are suitable for replication somewhere else – and the conduits for transferring knowledge are investment and technology flows. UNIDO has established South-South centres in India and China, and consultations are ongoing at various stages with Brazil, Egypt, Indonesia, Iran, Morocco and South Africa.

Mr. President, Your Excellencies, Distinguished Delegates,

I will now turn to internal management issues.

***Consolidating and deepening the reform process and
Aligning the organizational structure with the thematic priorities***

My management and I have proceeded with great care. It was imperative not to disrupt the Organization's good work, not to give in to the temptation to introduce change for the sake of change. Hence my motto: programmatic continuity and growth with quality. This has worked exceedingly well. Based on our well-established three thematic priorities and some programmatic enhancements such as the new emphasis on South-South cooperation, youth employment, agro-industrial value chains and energy for development, we managed to maintain our TC delivery level. Indeed, the current forecast for 2007 puts our delivery figure at US \$ 115.5 million – about 2 million higher than in 2006 . Comparing the present with the previous biennium, the growth rate achieved will be around 8 per cent. We have thus made good progress on our path to achieving TC delivery volumes of US \$ 150-170 million within the next 5-6 years.

SLIDE 2 (Projection of TC delivery)

At the same time, we have introduced far-reaching managerial reforms and innovations encompassing a new field mobility policy (to which I will revert later), a new evaluation policy, a new publications policy and publications committee, and a cross-organizational steering committee for results-based management (RBM), which earlier this year has produced a comprehensive baseline self-assessment and implementation plan for the mainstreaming of RBM in UNIDO.

The gradual alignment of the organizational structure with the thematic priorities was initiated with a set of measures taken in February 2006. At that time, a new dedicated branch for trade capacity-building was created. With the experience gained during the last two years, I now see the need for further refinements in UNIDO's organizational structure. I intend to effect some adjustments early next year, probably leading to the creation of a branch dedicated to energy, a further sharpening of our poverty focus and a strengthening of the public advocacy function.

In addition, and in an outward-looking spirit, we have participated actively in the broader UN reform debate and made concrete proposals to shape the agenda of system-wide coherence. Let me be clear on this: We at UNIDO strongly believe in the need for system-wide coherence. It is a logical step to take. Just as we have successfully introduced integrated programmes in UNIDO, the case for having integrated, coherent UN country programmes is a compelling one. It is against this premise that we are making proactive and constructive contributions at each level, be it at the inter-agency level through the UN Chief Executives Board for Coordination (CEB) and its high-level committees or at the country level, in particular in the eight One UN pilot countries. However, it is equally important to insist on certain basic preconditions to meet success. Foremost among these, we believe in the primacy of Government priorities in guiding the UN system's development support, the need to ensure inclusiveness in the UN system's response, and the requirement for the UN Resident Coordinator to be neutral and free from

implementation interests so as to be able to function as a credible leader of the UN country team. More specifically, I refer you to Conference Room Paper 6, which elaborates on UNIDO's extensive contributions in greater detail.

Indeed, UNIDO has been a key driver of cooperation among UN agencies around central development challenges. In a thematic cluster approach, we are leading several country-level and broader inter-agency initiatives to bring more coherence to joint programmes in areas such as productive sectors and trade or in the promotion of youth employment. In the same spirit, I regard my recent appointment by the CEB as the new chair of UN Energy as an expression of confidence in the constructive role of UNIDO.

Given the importance of the UN coherence agenda, we have offered to host a high-level meeting in Vienna to take stock and review progress. We are currently in contact with many partners, including the UN Deputy Secretary-General, to agree on a mutually acceptable date in March 2008.

Engaging in active funds mobilization

The growth trajectory for our future TC delivery (as presented in slide 1) is corroborated by the fact that new TC approvals keep exceeding the delivery levels. This sets the stage for a sustained growth in the funds available for future implementation. Here as well, the level expected for the end of 2007, at approximately US \$ 235 million, represents a record high.

SLIDE 3 (Funds available for future TC implementation)

In addition to the funds mobilized this year, the volume of programmes and projects being negotiated for approval in 2008 at this time exceeds all previous levels. As you are aware, this includes UNIDO's contribution to the implementation of the Economic Partnership Agreements being negotiated between the European Commission and the ACP countries focused on trade capacity building. However, we are also grateful to a number of donors that are continuing to support UNIDO's priority themes by expanding their funding, both at the country level as well as from their global resources.

Strengthening partnerships

Mr. President, Excellencies,
Distinguished Delegates,

Reinforcing existing and forging new partnerships has been one of my key priorities throughout the last two years. Within the UN system, we have built new alliances around a number of thematic clusters and joint programmes. Tangible results have been achieved in cooperation with FAO, IAEA, IFAD, ILO, ITC, UNCTAD, UNDP, UNEP, and WTO – and the presence today of some of my distinguished colleagues at the helm of other UN organizations bears witness to a new spirit of working together.

The intensified cooperation between UNIDO, FAO and IFAD was long overdue as many Member States have pointed out over the years. The common denominator of our work is the focus on the two key productive sectors – agriculture and industry. Unless these two sectors are effectively interlinked, unless the full potential of agri-business, of agro-

processing, of agro-industrial value chains, is brought to bear on economic development, many countries will not be able to move out of poverty and stagnation. It was in this spirit that in November 2006 I signed a new MoU with FAO with emphasis on agro-industries, bioenergy and support to fragile, crisis-prone countries. Similarly, our cooperation with IFAD builds on complementary expertise in integrated rural development and linking rural economies to broader markets. This new partnership is significant in terms of its potential to leverage UNIDO's technical expertise. Through specialized UNIDO inputs, we aim to enhance the quality and impact of large-scale loan programmes for the benefit of IFAD partner countries – Nigeria being a case in point.

Our partnerships with inter-governmental organizations outside the UN system, are also gaining increased momentum, as illustrated by our work with the Islamic Development Bank and the Ibero-American Secretariat. The continued excellent cooperation with the European Commission deserves special mention and has diversified beyond trade capacity-building into private sector development, technology foresight, investment promotion and industrial statistics.

In Africa, joint work with the African Union, NEPAD and CAMI has yielded positive results. As part of UN system wide support to AU/NEPAD, UNIDO was entrusted with the role of convener of the Industry, Trade and Market Access cluster in November 2006. We are particularly pleased that the AU Summit to be held in January 2008 will be devoted to the theme of industrial development, and UNIDO is honoured by the request to be a supporter and knowledge partner for the AU. We are planning, inter alia, to convene a private sector forum alongside the Summit with a view to mobilizing the resources and commitment of the business community in support of the political goals set by African leaders.

A promising new partnership with Microsoft began in June 2006 and has since evolved at an impressive pace. Joint activities, initially focusing on Africa, cover support to rural business information centres, an electronic investment monitoring platform and an initiative to refurbish and recycle used computers. The partnership – while still in its infancy – is already widely considered as a model for UN business cooperation and we are very pleased to welcome Mr. Cheikh Diarra, the Chairman of Microsoft Africa.

Strengthening field representation

Moving from the importance of effective partnerships to the role of our field representation system is a small and logical step. Cooperation agreements and MoUs may get signed at headquarters but it is concrete action on the ground that breathes life into them. From the outset, I have left no doubt that the reinforcement of our field capacities would be among my top priorities. Let me be very clear here: the field representation system I took over two years ago was a paper tiger. It created the splendid illusion of having strong in-country capacities while indeed, half of the posts were not filled.

SLIDE 4 (Boosting field capacities)

Against this background, within just two years, we have brought down the vacancy ratio of international Professional posts in the field from 48 per cent to now only 11 per cent. This is one result of our new field mobility policy promulgated in April 2006. Furthermore, under this policy existing inequities and discrimination between

headquarters and field staff have been removed; field recruitment has become a rigorous competitive process; field-level expertise to implement TC projects has been enhanced; and mobility and rotation between headquarters and field assignments of staff has increased. As a result, field service is now fully and systematically integrated into the career path of UNIDO staff.

SLIDE 5 (Staff mobility 2006-2007)

Establishing a transparent and functional career development system

In the past two years, we have placed particular emphasis on introducing qualitative improvements in the important area of human resource management. For a specialized agency like UNIDO, it is imperative to place the highest priority on investing in its human capital. The challenges of economic development, globalization, persistent poverty, climate change etc., can only be met by highly professional, specialized and motivated staff.

Following an analysis of staffing and skill requirements, we have initiated targeted recruitment so as to allocate scarce resources where they are most needed. The recruitment drive for field and headquarters posts has rendered positive results in staffing and career development. I will just mention a few key indicators.

SLIDE 6 (Number of appointments in 2006 and 2007)

From the beginning of my term until today, 49 new professional staff members have been appointed and 27 staff in the General Service category; a total of 76. The 49 new staff members in the professional category amount to a renewal ratio of 20 per cent. It bears mention that 9 are from member states, which were so far not represented in the Secretariat, while 15 are women. At the same time, 10 of those recruited were under 35 years. Our strategy of a partial conversion of senior posts into a higher number of lower level posts thus has contributed to a noticeable rejuvenation of UNIDO. This will be reinforced by the new Young Professionals Programme that will be launched at the beginning of 2008 as part of our new biennial budget.

The recruitment drive of the last two years has been implemented in a balanced manner, with due regard to the need to bring in state-of-the-art skills from the outside, and the need to ensure the career development of staff on board.

SLIDE 7 (Number of staff promoted, 2004-2005 and 2006-2007)

The number of staff promotions has increased from 71 in the previous biennium to 110 in the current biennium, i.e. by 55 per cent.

At the same time, the performance management culture has been reinforced through establishing performance indicators for field offices and setting targets through staff compacts concluded between staff and management, as implemented in the PTC Division.

Resources were invested in learning programmes ranging from orientation programmes, results-based management, project design, technical and general skills upgrading, and leadership and management development programmes. The learning effort was inclusive

of our field and support staff. A total of 15,000 training hours were implemented – more than double the number in the previous biennium.

I am a strong believer in communicating with staff in an open and transparent manner. I held meetings with all branches and with randomly selected staff so as to have a direct dialogue. I regularly meet with all new staff members irrespective of their grade so as to communicate to them my expectations and listen to their views.

Dialogue with staff will also continue through the newly elected Staff Council and the Joint Advisory Committee. I count on the cooperation and dialogue with the elected staff representatives in the interest of UNIDO and its most important asset, namely its staff.

In order to provide a harmonious and productive working environment, we have instated the services of a staff counsellor and will introduce in the near future the function of an Ombudsperson as an informal conflict resolution and mediation facility. My message is clear: Human resource management has been and will continue to be a priority.

Outlook: Challenges ahead

Mr. President, Excellencies,
Distinguished Delegates,

Where does UNIDO stand today? I submit that our Organization is what I wanted it to be when you elected me: “a trusted, efficient and effective partner for development”. Today, we are recognized as an agency with a relevant mandate, a focussed contribution to achieving international development goals, a constructive role in furthering UN reform and coherence, and a highly motivated staff meeting ambitious standards of competence, performance and integrity.

All key indicators are moving upwards: our TC delivery is growing, as is the level of funds mobilized for future implementation. With our budget being subject to a tight ceiling, this implies increasing productivity of our staff whose dedication and exceedingly hard work cannot be overemphasized.

SLIDE 8 (Assessed contributions by Member States)

Likewise, collection rates of assessed contributions are reaching record high levels: 94 per cent in 2006 while we anticipate a similarly high, possibly even higher level for 2007. UNIDO is in sound financial health. I sincerely thank you, the Member States, for this high level of support. Simultaneously, I am urging Member States to continue in this spirit also in the next biennium. I state the obvious in emphasizing that to effectively plan and carry out the activities proposed in the new Programme and Budget, an assured and timely contribution by the Member States is essential.

I take this opportunity to thank the Member States who have completed their respective Payment Plans and note with appreciation the timely contributions of those with ongoing multi-year plans. With your cooperation, the number of Member States without voting rights is forecast to be down to 36 at the end of this year – indeed the lowest level since 1991. I would strongly encourage the other Member States in arrears to use this

arrangement, where possible, and thus demonstrate commitment to meeting their financial obligations.

SLIDE 9 (Key challenges ahead)

Mr. President,

In concluding, I would like to highlight a number of challenges that I consider to be key in shaping our agenda for the next two years:

- In programmatic terms, I intend to strongly drive cooperation and coherence in the field of energy. My appointment as Chair of UN Energy calls for dedication and commitment. I do believe that the link between energy access and climate change needs to be reinforced, that fighting climate change can only be moved forward if and when it is considered as part and parcel of the broader discourse on development. Immediately after this Conference, I will proceed to Bali to take part in the debate on climate change and convene a meeting of UN Energy.
- Furthermore, and still related to programmatic issues, I see the need for UNIDO to sharpen our profile in the area of poverty reduction. Our contributions are no doubt critically important, whether in agro-industrial development, entrepreneurship and SME promotion, private sector development, or investment promotion. But exactly how each of our interventions, directly and indirectly, reduces poverty, must be better conceptualized, demonstrated and measured.
- We see great potential in enhancing our cooperation with development finance institutions, such as the regional development banks, the Islamic Development Bank, the OPEC Fund and IFAD. The pilot cooperation initiated with IFAD can serve as a model to show how UNIDO can leverage its technical expertise for mobilizing large loan programmes and improving their quality. In this context, we have decided to second, initially for the next biennium, a UNIDO staff member to Rome in order to develop joint programmes with both FAO and IFAD.
- In all of these efforts, performance measurement will be key. We need to get our baselines right if we want to be able to assess progress. Both donors and recipients of UNIDO projects expect nothing less. This is why results-based management (RBM) in all its dimensions (for TC programmes, headquarters support functions and staff performance appraisal) will remain a priority for me. I anticipate a full mainstreaming of RBM throughout UNIDO by the end of the next biennium.
- Finally, ethics and accountability are key to our credibility as an impartial UN organization with the highest standards of integrity; they are yet another key dimension of the coherence of the entire UN system. Ethics and accountability are not optional – they are the overarching principles governing the way we act, wherever we operate. They demand that we perform our duties in a transparent and fair manner, observing the Organization’s rules and regulations. They demand that we make decisions, take action and be responsible to all stakeholders – first and foremost our Member States. And when I say “we”, I do not mean just the staff of UNIDO but also those with whom we work: consultants, experts and

suppliers. I will make the further strengthening of our ethics and accountability functions one of my top priorities for the next year.

I thank you for your attention and wish us all every success in the deliberations to follow this week.