

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



**Opening Statement
by
Kandeh K. Yumkella
Director-General**

**at the
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INTRODUCTION

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

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

Let me start by expressing my gratitude to and confidence in our President, Ambassador Bazoberry Otero of Bolivia. Together with the members of his Bureau, and based on the experience of our thirty-fourth session, we can be confident of smooth proceedings under his able leadership.

Mr. President,
Distinguished delegates,

I. THE CURRENT GLOBAL CONTEXT

From the Food-Fuel-Finance (3-Fs) crises to the Volatility-Vulnerability-Viability (3-Vs) challenge

At the time of your last Board meeting in May, the world was trying to grapple with the Food, Fuel and emerging Financial crises, the so-called three-Fs. At that time, the World Bank estimated that over 100 million people would be pushed below the poverty line and that most of the gains we had achieved in reaching the MDG targets were at risk of being wiped out. I say “emerging financial” crisis because at that time, we considered it a mortgage crisis restricted to the housing sector. Six months later, we are beginning to feel the impact on the real sectors – especially manufacturing – and some economists describe it as the worst economic crisis in the past seventy years.

It is not for me to recount in detail the turbulence that engulfed the planet after a sudden and sharp cut in the supply of credit, which evolved into a solvency crisis and which may even engender a global deflationary trend. You are reading it in the papers every day. You are feeling its effects. Leaders of the world have come together to start rebuilding the system. To guard against a shock of this nature hitting us once more, such global action is much needed.

These are volatile times. Volatility brings vulnerability to poor nations. Remember how we reeled in shock as the price of oil hiked upwards and upwards. Where would this end, we asked ourselves. And that was 2005. Since then, the shocks we have witnessed have multiplied month by month. They are almost numbing. You know, the price of oil today is actually more or less as it was in 2005 – but who could have guessed that only a few

short months ago? And who would dare to guess its price in two months time? We can say the same for other commodities, such as food.

Robert Zoellick of the World Bank recently indicated that there is a risk of capital inflow to developing countries drying up, exports dropping, investments falling off in response, growth decelerating. Such a scenario would mean crises far beyond those experienced so far, potentially undermining the viability of business and fragile governmental structures.

Instead of the three-Fs, we might talk about the three-Vs: volatility, vulnerability, and viability.

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As the Secretary-General has said: **“we have heard much about how the problems on Wall Street are affecting innocent people on Main Street; we need to think more about those around the world with no streets”**

What have we learned from the current crises?

As the debate rages on about what caused the crisis, how it should be contained, what the impact on the real economy could be and how developing and transition economies will be affected, some stylized facts are emerging:

1. Globalization has created even greater interdependence and market connectivity than we assumed existed. Economic effects and impacts move faster than we ever believed possible. For example, the crisis spread within eight weeks to engulf the whole world, including countries as far apart as the United States, Iceland, Hungary, Ukraine, Poland, China and South Africa;

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2. The links between the financial sector and the real economy are more substantive than initially thought; hence unfettered and excessive greed in Wall Street has led to the closure of factories around the world, as well as job losses and misery for innocent workers on every part of the globe. The Secretary-General put this clearly just yesterday: **“today’s financial crisis will be tomorrow’s human crisis.”**
3. Stereotypical solutions that may be based on ideology must give way to pragmatic evidence-based solutions tailored to meet the specific realities of economies. As former US President, Bill Clinton said on the World Food Day forum at the General Assembly in October, “we literally blew it” because we assumed that the markets can solve every problem or can correct themselves;
4. Smart public-private sector partnerships, backed by effective regulations, trump total laissez-faire;

5. “Development doctors”, that is, practitioners of development policy, may need to heal themselves first. We must have a sense of humility: when things go wrong we should step back and reflect on our own possible mistakes. We, the purveyors of development paradigms, cannot put the blame on the recipients.

Implications for multilateralism

The agenda facing the multilateral development system - already difficult – has been further complicated by the crises. In addition to meeting the MDGs, addressing climate change and the food crisis, we are now faced with a global economic recession and deflation the likes of which have not been seen in over seventy years. In short, this autumn the international community was exposed to new realities of globalization. Thus the UN system, and for that matter UNIDO, cannot have a static vision.

1. Coordinated multilateral consensus and action is required on many fronts

Never has the world been more interdependent, never has it been more shaped by technological, economic and social progress – and never has it been more vulnerable to economic shocks. Functional and effective multilateralism is the world’s best hope for progress, shared prosperity and peace – the best hope to fix the broken threads. And not just the financial system, but also the multilateral trading system, the system to fight climate change and encourage energy diversity, and the system to ensure predictable multilateral development assistance.

Multilateral action requires a commitment to multilateral development assistance and a completion of the Doha Round negotiations, plus an agreement on climate change in Copenhagen. We must not lose our resolve here – at this moment in Doha, nations are gathered to review the implementation of the Monterrey Consensus on Financing for Development (FfD). But FfD has been presented with what Dr. Supachai of UNCTAD has called a “double whammy”: not only must the Monterrey process deliver on the commitments made in 2002, but now it must do so in a much changed, weakened, international economic environment. Non-aid flows to developing countries are already falling at an alarming rate: remittances have dropped by about 5 % and are projected to fall much further as recession grips the wealthier countries. The OECD estimates a 40 % decline in FDI to developing countries.

2. Trade matters for poverty reduction

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As you can see from the chart on screen, the relationship between growth in income and growth in trade is a strong one.

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Yet, as this second chart shows, globalization is nonetheless starkly uneven. Income disparity between Least Developed Countries (LDCs) and OECD countries has almost doubled since 1980!

This underlines the importance of arriving at a rule-based, predictable, development-oriented trading system.

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Just over a week ago, I was in Siem Reap, Cambodia, at the Ministerial Conference of the LDCs, which UNIDO organized together with WTO. I was greatly heartened by the commitment that the ministers gathered there made to further deepen their participation in global trade. It was a particular pleasure to work closely with Pascal Lamy, who reaffirmed both his resolve to finalize the negotiations in the Doha Development Round. He also expressed his belief in the necessity for strong and growing Aid for Trade measures to really translate Doha into reality.

Mr. Lamy also recognized that there must be stronger support for capacity development to allow poorer countries and their enterprises to participate in trade at all. Trade capacity-building is, of course, one of UNIDO's main priorities and we are widely recognized as a leader in Aid for Trade.

3. A new low-carbon or green industrial vision is needed

Earlier this year, when the price of a barrel of oil peaked at almost \$160, it seemed that interest in alternative sources of energy was peaking as well. Yes, there were legitimate worries about certain types of biofuel production and the effect on food supply. But nations and energy corporations around the world gave serious thought to strategies for the low carbon era. There were moves to invest in research in solar, wind, and hydro energy. Now that the see-saw has dipped back again, the temptation is to say, what's the hurry. But there are sound economic reasons for investments in renewable energy and the infrastructure to support them. Such investments will stimulate demand in the short run and have a positive impact on long-term productivity.

Last month, UNEP launched its Green Economy Initiative. It seized the chance to redirect investment into the Earth's natural capital – forests, peatlands, soil and waters. UNIDO supports this fully. And our own Green Industry Initiative will complement it. We aim to reduce the “climate footprint” of manufacturing activities, bring about more efficient use of energy, materials and other resources, promote the design and manufacture of environmentally friendly products, and respond to potential environmental barriers to trade.

Green industry represents a real opportunity for the developing world. Those countries that take advantage of it will have both the cleanest environment and the fastest-growing business.

During my time as Chairman of UN-Energy, I have become more and more convinced that renewables are the critical link between fighting global climate change and fighting poverty. Developing countries need to expand access to reliable and modern energy services if they are to grow. Lack of power already clips more than 2 % off the annual growth rates of a number of countries in sub-Saharan Africa. If you take South Africa out of the equation, the region's remaining 700 million citizens have access to just the same amount of electricity as do a quarter of the population of Germany!

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UNIDO projects, like the one you see here in Western Rwanda, are built by locals, using local materials. This mini-hydro facility powers not only small industries, but also 250 households and a medical clinic.

4.The role of industrial policy

The failure of some countries, and particularly LDCs, to reap the benefits of globalization is in part due to the failure to build up an adequate industrial policy base. The prevailing ideological view during the Washington Consensus era was that the market would take care of the economy: it seemed at times that the only industrial policy to command widespread support from economic gurus was that there should be none at all.

Yet developing countries could not have been expected to achieve what no other country was able to do: to industrialize without industrial policy or to develop rapidly without industrialization. The multilateral system needs to consider ways in which targeted industrial policies can form the cornerstone of a new economic trajectory firmly rooted in green growth.

II. RESPONSE OF UNIDO TO THE NEW REALITIES

Mr. President,
Distinguished delegates,

As some amongst you will surely know by now, pessimism is not in my nature. I believe in the ability of the poor to lift themselves out of poverty through productive activities. That is no blind faith – we have tangible evidence to prove it. No country has left poverty behind without building a productive base, without entering into trade. And this means investment in people, in developing capacity and in creating an environment in which economic growth can flourish. We find “can do” people in all nations. But “can do” policies are often missing.

The UNIDO Medium-term Programme Framework 2010-2013 (MTPF), which you will be discussing at this Board meeting, must be forward-looking and must ensure that the Organization is agile enough to assist countries in dealing with the issues I have just mentioned. The MTPF must give consideration to the fact that factories are already closing in emerging economies due to the financial crisis, that the potential investment

expected for clean technologies and green energy may not be realized, that governments may not be able to fulfill their commitments to combating climate change, that the bottom billion may be pushed much further below the poverty line of a dollar a day.

Within this context UNIDO, has established a solid base over the past three years to ensure that it can contribute meaningfully to the new global socio-economic and political realities. Over the past few years, we have positioned UNIDO as a respected niche player within the United Nations development system, we have demonstrated that we can be a conceptual leader and significant contributor through our contributions to the One-UN initiative, our effective Chairmanship of the UN-Energy Group, and our new role as co-convenor of the technology transfer cluster of the Secretary-Generals' climate change initiative. In three years we have established a new Energy Branch and a Trade Capacity Building branch both of which have already shown positive results – for example, the current TCB programme portfolio is now at about 40 million euros with a pipeline of over 400 million euros for 2010-2015; within one year the Energy Branch has conducted three major global forums in Asia, Africa and Latin America and designed a US\$150 million programme for the Global Environment Facility.

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III. A SHARED VISION FOR UNIDO

In 2005, before you entrusted me with the responsibility for our Organization, I shared with you my vision for a UNIDO, which, under my stewardship, would become a trusted partner for its stakeholders. I promised to enhance its core functions; to make the most of its capacity to contribute to the Millennium Development Goals (MDGs); to grow its support for the LDCs and Africa; to consolidate partnerships at the country level; and, to strengthen the Organization's global forum activities.

It is for you, distinguished delegates, to judge – but I hope you will find that our management and our staff have done their best to keep to my vows. My responsibility to you as Director-General is to make UNIDO – your Organization – one that is fit for purpose. That was true in 2005, and it remains true now.

1. UNIDO as a trusted partner

My vision was to see UNIDO complete its break with darker times and to make its mark as a trusted partner for economic growth to benefit the poor. I believe we can say that our financial performance over the past few years demonstrates an ever-increasing vote of confidence in our work. In 2007 we reached an all-time high for funds mobilized for technical cooperation – US\$172.7 million.

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The projections for 2008 show a further increase in our available uncommitted funds and in our technical cooperation delivery. Our delivery is now twice what it was at the start of

this decade. Yes, I have worked my staff hard to achieve this. But we are all mindful that we must deliver on your behalf. We need to earn your trust and will continue to do so.

[SLIDE 10]

UNIDO has been at the coalface of UN system-wide coherence before we even had a name for it. Part and parcel of our recent reforms has been our alliance with UNDP. This continues to go from strength to strength – tomorrow, in fact, we are launching our joint project on business coalitions for climate change in China and South Africa. In this spirit, we have built partnerships across the United Nations and the broader multilateral system. We now work in synergy with UNEP, FAO, UNCTAD, ILO, ITC, IFAD and others across the breadth of our technical activities.

Coherence is not merely about eliminating contradiction or duplication. Its value, above all, is in releasing the full potential of the entire UN system’s developmental capacities and expertise. The dialogue on System-wide Coherence: the Next Steps, which we hosted in March this year, is one example of how we contribute to sustaining the momentum for coherence. There is a lot more to say on this, but time is moving on. Hot off the presses and – hopefully – landing on the desks before you as I speak, is our new publication, “The Contribution of UNIDO to United Nations system-wide coherence: synergy at work”. I hope that you will find it a useful illustration of what your Organization is doing to rise to the challenge of Delivering as One.

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The decision to vest in me the chairmanship of UN-Energy highlights, I believe, the esteem in which my UN colleagues hold this Organization. This has been underscored further by the Secretary-General’s invitation to UNIDO to serve as co-convenor for the focus area of technology transfer for climate change along with UN-DESA.

Let me also inform you that the global energy challenge was debated at the Chief Executives Board (CEB) retreat last month, and that UNIDO, on behalf of UN-Energy, contributed the key paper.

2. Enhanced core functions

Over the past few years we have continually re-moulded our organizational structure to meet these shifting challenges while retaining our core thematic priorities. I have already mentioned some of these innovations to you. But let me say a few more words about the MTPF 2010-2013.

The draft MTPF represents a significant departure from previous documents, introducing a number of major structural innovations. For the first time, it contains an overarching development objective – “industrial development for poverty reduction, inclusive globalization and environmental sustainability”. This explicitly links industrial development to UNIDO’s well-established three thematic priorities. UNIDO’s orientation

toward results-based management is now copper-fastened, as illustrated in the programmatic results matrix. The new MTPF further introduces a set of measurable policy and institutional outcomes, which are to be achieved at regional and country levels.

You will discuss these during the course of your deliberations at this Board. But I hope you will see this as a solid example of our determination to embrace change to strengthen our capabilities.

3. Enhanced UNIDO contribution to achieving the MDGs

The impact of the current crises will make achievement of the MDGs more difficult – but more vital – than ever. Pro-poor industrialization, particularly through private sector development, has always been at the heart of what we do.

I have battled to see economic growth against poverty placed firmly on the MDG agenda. As Deputy Secretary-General Migiro said recently: without encouragement to engage in productive activities, is it any surprise that the resourcefulness of the poor is often devoted to the means of staying alive rather than to building long-term prosperity?

This year our own capacity to deliver on the MDGs was strengthened by my appointment of a Special Adviser.

And I am pleased to see that the growth agenda is coming back where it belongs. This is reflected strongly in the weight that the “One Programmes” in pilot countries give to projects in support of productive capacities and industrial policy development.

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Promoting the participation of women in industry, and especially women entrepreneurs like these in Viet Nam, has been the main focus of our contribution to MDG3, on gender equality. In July this year we convened prominent women and men from across the UN system – including the Special Adviser to the Secretary-General on gender issues, Mrs. Rachel Mayanja, representatives from development banks, the private sector, media and Member States, in an Expert Dialogue meeting. Following its recommendations, the UNIDO Executive Board is now in the process of adopting a comprehensive policy on gender equality and the empowerment of women.

Another target of central relevance to UNIDO is MDG7, on ensuring environmental sustainability. The IPCC tells us that greenhouse gas emissions have increased by 70 % between 1970 and 2004. And industry is responsible for 65 % of this increase. We are targeting this through our Green Industry Initiative, and our focus on clean and renewable energy.

Our Montreal Protocol and Stockholm Convention programmes are successfully assisting enterprises in eliminating ozone-depleting substances and persistent organic pollutants

respectively. Our collaboration with UNEP in building up National Cleaner Production Centres has assisted industry worldwide to reduce waste and pollution and in cutting energy and water consumption.

And we are making real policy contributions. Based on our expertise in developing projects on energy management systems, we are now helping ISO to design a global approach for a new standard on energy management.

4. Consolidation of support to the LDCs and Africa

UNIDO's mandate is universal. But Africa and the LDCs warrant special attention. In sub-Saharan Africa, progress toward meeting the MDGs has lagged behind most of all. One of the most critical challenges for many LDCs is the need to provide employment to growing populations. By 2020 there will be about 1.4 billion Africans. The majority of these will be young people living in cities. Young people with no prospect of employment hold little hope for the future. In order for the young women and men of Africa to earn a living in their own countries, we must target the sector of the economy with the most potential for job creation – and that is industry.

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As you can see from the screen, the share of our technical cooperation delivered to LDCs continues to grow, more than doubling in the last four years and now just under 18% of total delivery.

Our partnership with the African Union and NEPAD through our technical cooperation activities is stronger than ever. The number of expert group meetings on issues of particular interest to Africa grows apace.

I mentioned our co-organization of the LDC Ministerial Conference, along with WTO. And just last month, UNIDO supported the African Ministers of Trade and Industry in the CAMI meeting in Durban, a prime example of how a UNIDO-led initiative has blossomed – this was the second CAMI meeting to be fully “owned” by the African Union Commission and to feed into the next summits of the African Union.

5. Stronger country-level partnerships

When I promised in 2005 to match the reforms made within UNIDO with stronger partnerships at country level, the UN system was just about to embark on the process of efforts toward improved coherence. Through the “Delivering as One” initiative, over the past year an important dimension – and so far the most advanced one – of system-wide coherence has been the drive toward coherence at the country level.

UNIDO has been actively participating in the “Delivering as One” pilot countries since December 2006. Of course there will still be difficulties ahead. Some 90 countries will roll out their UNDAFs over the next three years. The demand for a collective response at

country level will test our capacity – and that of other UN system bodies – to provide leadership and effective headquarters support to innovative country-driven approaches. Simplifying and harmonizing business practices will be a major challenge. This is a particular concern to specialized agencies such as UNIDO as we are bound by operational practices based on policies and rules determined by you, the Member States, in governing bodies such as this Board. We hope that you will bear this in mind as we move forward to strengthen further our country-level partnerships.

In tandem with these system-wide reform efforts, UNIDO adopted a new Field Mobility Policy in 2006 to strengthen the field network, to increase professional staff capabilities and to strengthen technical cooperation programming and implementation. As a result, UNIDO's professional field staff now numbers 66 people in total.

6. Strengthened global forum activities

Since the early 1990s, a number of UNIDO global forum activities, and in particular research and publications, were downscaled or discontinued. As a result, gaps appeared in international research on important and emerging industrial development issues of relevance to industrial decision makers.

Technical cooperation remains our focus. But for a knowledge-based Organization like us, it cannot be the only one.

In the New Year we launch our Industrial Development Report. Professor Paul Collier, whose book “The Bottom Billion” captured the imagination of the world, gave you a preview in September. I must admit I am quite excited about the finished result. In many ways it represents a leap in product sophistication for UNIDO – a progressive, solid, thought-provoking analysis of where industrial development is going, with some arresting recommendations. And it's a good read.

Our Annual Report for 2008 will devote a special chapter to our growing research and global forum activities. Let me give you now a few examples of some of the major activities we have undertaken recently:

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- Global forum activities – Ministerial conferences:

- LDC Ministerial Conferences**

- Aid-for-trade – An industrial agenda for LDCs, Siem Reap, Cambodia, 19-20 November 2008

- Conference of African Ministers of Industry (CAMI)**

- 17th Conference, Cairo, Egypt, 19-21 June 2006
 - 1st Extraordinary Session, Midrand, South Africa, 24-27 September 2007
 - 18th Conference, Durban, South Africa, 24-28 October 2008

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- Global forum activities – Technical conferences
 - Regional Forum on CSR, Zagreb, Croatia, 9-10 March 2006
 - Ibero-American Ministerial Meeting on energy security, Montevideo, Uruguay, 26-27 September 2006
 - UNIDO/AU high-level consultative meeting on productive and decent work for youth in West Africa, Accra, Ghana, 19-20 February 2007
 - International conference on Biofuels, Kuala Lumpur, Malaysia, 5-6 July 2007
 - Technology Foresight Summit, Budapest, 27-29 September 2007

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- 1st Global Agro-Industries Forum (in cooperation with FAO), New Delhi, India, 8-11 April 2008
- International Conference on Renewable Energy, Dakar, Senegal, 16-18 April 2008

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- Global Renewable Energy Forum, Foz do Iguaçu, Brazil, 18-21 May 2008
- International Conference on Sharing Innovative Agribusiness Solutions, Cairo, Egypt, 26-27 November 2008

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Mr. President,
Distinguished delegates,

As we in UNIDO know more than most, reform is a complicated process. But it is a rewarding and invigorating one. We have achieved a lot in the past few years – on creating economic growth against poverty, on “greening” this growth. And for this I must give much-deserved credit to my senior management team and to our great staff.

But as I enter the final year of my mandate as Director-General, and in the context of these new global crises, I must confess that I am humbled by the challenges before us. There is still much to do to improve our Organization further. That is why I wish to tell you now that I stand ready to continue to serve you for a further term.

Development is a work in progress. We face some stark challenges. Many of the broken threads of globalization need to be re-stranded. And in doing our part, I can assure you that UNIDO will not be found wanting.

Thank you.