

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



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

**Vienna, 5 May 2009**

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

I would like to welcome you warmly to the twenty-fifth session of the Programme and Budget Committee. To begin with, I wish to express our most sincere thanks to H. E. Mr. Triyono Wibowo for his able chairmanship, and for being with us today despite his busy schedule in his new function as Vice-Minister of Foreign Affairs of his country. Thank you, Excellency, for your commitment and flexibility.

At the same time, I should also like to congratulate you, Mr. Herasymenko, and the other members of the new Bureau, on your election. I am confident that under your able guidance, this session of the PBC will be conducted in an efficient and productive manner.

It is my great pleasure to welcome the Auditor-General of Pakistan, Mr. Tanwir Ali Agha, the External Auditor of UNIDO, who will present his Interim Report to the Committee under agenda item 3. The Secretariat places great value in the recommendations of the External Auditor and is prepared to take remedial measures as necessary. During the course of the audit and the preparation of the report, the Secretariat has provided extensive responses and information on the issues covered by the audit, and appreciates that these have been included in his report for the benefit of the Member States. As always the progress report on the implementation of his recommendations will be provided to the External Auditor on his subsequent visits.

Mr. Chairman,  
Distinguished Delegates,

### **Session agenda**

This session of the PBC has a long agenda covering a large number of important administrative and financial issues. In going through this agenda you will be considering the financial situation of UNIDO, our performance in the mobilization of financial resources, and issues related to our adoption of the International Public Sector Accounting Standards and the adjustments that we will have to make to our financial regulations as a result. You will also be called upon to consider the issue of the appointment of an External Auditor for the period following June 2010, when the term our current External Auditor expires. Last, but emphatically not least, you will have to consider our programmatic objectives and priorities for the biennium 2010-2011, and the related financial and budgetary issues. These will include not only our overall resource requirements, but also such matters as the scale of assessments for the apportionment of regular budget expenses and the working capital fund.

In this connection, I am pleased to be able to inform you that the Secretariat has distributed an extensive and comprehensive set of documents to facilitate your deliberations on these important issues. These documents include the Annual Report for 2008, which, as in the past two years, has been prepared with a broader audience in mind, so that it may also serve as a useful advocacy tool. As a further innovation,

the new Annual Report will be made available in electronic format as a CD containing all of the different language versions.

In addition, the Secretariat has distributed a number of specific documents related to the various individual agenda items, which provide the information needed for their effective consideration. In this connection, I would like to express my sincere regret for the delays encountered in the finalization and distribution of some of these documents in all official languages. Please be assured that the Secretariat is well aware of the critical need to provide you with high-quality documentation in a timely manner for the meetings of the policymaking organs, and we will reinforce our efforts to fulfill this requirement in the future.

Mr. Chairman,  
Distinguished Delegates,

### **Programme and Budgets 2010-2011**

In view of the comprehensive documentation that has been placed at your disposal in advance of this session of the PBC, I would like to focus my comments this morning on the subject of the programme and budgets for 2010-2011. As you are aware, the proposals that I am submitting to you are the outcome of a process of close consultation with you, the Member States. This consultation process began long before my proposals were formulated, and has continued thereafter. I myself, and several of my senior managers, have had informal meetings with you, individually and collectively, on this subject. I would like to take this opportunity to assure you that I have taken full account of the feedback we have received from you in drafting the proposal that lies before you.

My responsiveness to your advice is underlined by the very fact that I am submitting a budget proposal based on a zero real-growth scenario. As you will recall, I have been arguing for some time that there is an urgent need for the Member States to invest in this Organization – which is as much your Organization as it is that of us who serve in it. Already in the introduction to the Programme and Budgets for the current biennium, 2008-2009, I underlined that there was an acute need for UNIDO to increase its staff and other core capacities to meet the demands placed upon it by Member States and enable it to respond to the changing requirements of multilateral development cooperation. This is even truer today than it was two years ago.

On the other hand, however, I recognize that the scope for Member States to make these additional investments has been severely constrained under the changed global economic conditions prevailing today. In response, I have refrained from requesting these additional investments in the coming biennium even though – and I stress this point again – they are sorely needed. Instead, we shall continue to focus on introducing further efficiency-enhancing measures through a comprehensive process of change management that I have already initiated. The point needs to be made, however, that after a decade of continuous reform, the scope for further cost-free efficiency gains has been exhausted and that the change management process that I am planning to implement in the coming years will require significant investments. I will return to this subject later in another context.

First of all, however, I would like to make a few substantive points about the proposed programme and budgets for 2010-2011. In formulating this document, which effectively constitutes our work programme for the coming biennium, I have deliberately opted for a process of evolutionary change – to embed important and necessary innovations in a foundation of continuity. While time constraints prevent me from giving you a detailed presentation of this approach – which is in any case provided in the Executive Summary of the Programme and Budgets document - I would like to highlight a few salient features.

In the programmatic context, the following points stand out:

- The broad structure of the programme and budgets 2010-2011 mirrors that of the programme and budgets, 2008-2009, with the same nine major programmes.
- At the same time, the programmatic content of the programme and budgets 2010-2011 has been fully aligned with the medium-term programme framework 2010-2013. This has resulted in a streamlining of the technical cooperation services provided by UNIDO, and a reduction of the number of substantive programme components from twenty-seven to eighteen.
- The programme and budgets 2010-2011 also mainstreams the programmatic enhancements that have been introduced in recent years, such as South-South cooperation, youth employment, women in industrial development, energy access, partnerships with international financial institutions, and industrial skills upgrading.
- In addition, it incorporates a number of important new programmatic elements related to the climate change agenda and to the increasingly pressing need to support our Member States in the determination of effective industrial policy solutions.
- The close alignment of the proposed programme and budgets 2010-2011 with the medium-term programme framework 2010-2013 has resulted in the application of a coherent results-based management framework linking the former to the latter. This applies both to programmatic activities and management processes.

From the financial point of view, I would like to emphasize the following features:

- We have continued to strengthen the technical cooperation programmes relative to those providing managerial and support services, with the share of the former rising to 43.2 per cent from 42.1 per cent in the previous budget.
- Particular efforts have been made to strengthen Major Programme C, dealing with poverty reduction through productive activities, with the share of resources directed towards this major programme having increased from 15.9 per cent to 17.0 per cent.
- The programme and budgets 2010-2011 anticipates a significant increase of 12.5 per cent in technical cooperation delivery relative to 2008-2009, from €174.7 million to approximately €197 million.

More broadly, the programme and budgets 2010-2011 continues to give high priority to maintaining UNIDO's contributions towards increased coherence in the

development-related activities of the United Nations system, and to a further strengthening of UNIDO's field operations. It also provides for a continuing rejuvenation of the Organization, both through the replacement of retiring senior staff by a larger number of lower-level staff, and through a continuation of the Young Professionals Programme, which will soon become operational as the first recruits under this programme join UNIDO.

Mr. Chairman,  
Distinguished Delegates,

### **Unutilized balances of appropriations**

As I mentioned before, the proposed programme and budgets 2010-2011 has been formulated within the framework of a zero real growth in resources – in other words, apart from necessary adjustments for cost increases, the resources available to UNIDO under the regular and operational budgets are scheduled to remain unchanged from this biennium. At the same time, however, the demand, and indeed the need, for our services, is continuing to increase. This is underlined not only by the requests for development support that we keep receiving, but also by the growing volume of voluntary contributions for technical cooperation and global forum activities that donors are continuing to entrust to us. Despite the constraints imposed upon us by the standstill in our budgetary resources, we therefore need to be able to provide a continuously increased volume of services.

To square this circle, of increasing our services with severely limited resources, we need to continue our efforts to increase the operating efficiency of UNIDO. In recognition of this fact, I have initiated the programme of change management and business process re-engineering that I referred to a few minutes ago. Through this programme, I want to introduce a simplification of operating procedures and a more effective use of information and communication technologies, as well improvements in our knowledge management system and a more effective integration of our field resources in our substantive activities. Several measures have already been introduced in this connection, and a number of low-hanging fruits have been harvested.

Much more needs to be done, however, and I have established several working groups to analyze both the needs and costs of these activities. In doing so, I have also sought to benefit from the experience of sister organizations within the UN system that have already trodden this path. Not surprisingly, our research has shown that while the benefits to be derived from the change management and business process re-engineering initiatives will be substantial, their achievement will require initial investments, especially in the installation of a dedicated enterprise resource planning, or ERP, system.

In addition, I firmly believe that UNIDO needs to strengthen the services that it provides under our thematic priority of poverty reduction through productive activities. These services provide the most critical contribution that we can make towards achieving the principal millennium development goal of ending poverty and hunger. We are convinced that there is an urgent need to develop an expanded

portfolio of activities in this field, and also to enhance UNIDO's ability to respond rapidly to critical assistance requirements in urgent situations. To achieve these objectives we need to invest more resources in this area, but we find that we continue to face serious challenges in mobilizing funds for such activities even though Member States share our concerns.

Against this backdrop of much needed investments to upgrade our delivery infrastructure and reinforce priority technical cooperation programmes, I am requesting the Member States to permit the Secretariat to retain the unutilized balances of appropriations that are due for distribution in 2010. I have submitted a note detailing this proposal to the Committee, which cites historical precedents and gives more comprehensive explanations of the way in which I propose to use these resources. While I understand that an approval of this proposal will entail a suspension of certain financial regulations, I firmly believe that this does not necessarily present an insurmountable hurdle, as is borne out by previous decisions taken by the General Conference in this respect. I would therefore like to urge the Committee to consider this proposal favourably and adopt the draft decision suggested in the note that I have provided.

Mr. Chairman,  
Distinguished Delegates,

### **Need for further investment in UNIDO**

If I have focused on issues of financial resources in my statement, I have done so for a reason, and I request your understanding for this. The fact of the matter is that UNIDO has faced more than a decade of budgetary erosion, and I believe that this is a point worth reiterating. Even while many of our sister organizations in the UN system have been granted increases in their budgets, sometimes on a very substantial scale, we in UNIDO have often been forced to make do with budgets that have not even fully compensated us for external cost increases. In fact, the regular budget of UNIDO was approved at a level lower than zero-real-growth for two of the last three biennia. The 2004-2005 budget suffered a loss of 1.6 per cent and the 2008-2009 core budget a loss of 0.9 per cent. Each reduction represented a loss in real core capacity, which the organization had to absorb. Even more significantly, such "negative real-growth" budgets have a cumulative effect, since each successive budget uses the preceding budget as its base, so that the cuts in one budget get propagated into the next budget.

Indeed, a further reduction in the budget below the level presented in my submission would make it extremely difficult for UNIDO to meet its obligations to you, the Member States, in terms of the services you expect us to provide. I would like to reassure you that I take these obligations very seriously. The value of our technical cooperation delivery has increased steadily during the past four years, and in 2008 reached some \$124 million. The last time UNIDO implemented such amounts was in 1993, when our delivery amounted to \$119 million. Significantly, moreover, the implementation in 2008 was achieved with a little over half the staff that we had in 1993. It is beyond every doubt that we have dramatically raised the productivity of our staff.

As we look forward, we anticipate a substantial increase in the resources available to us for technical cooperation:

- At the thirty-first session of the IDB, in June 2006, the Member States requested me to seek direct access to the Global Environment Facility for all focal areas where UNIDO had a comparative advantage. We were successful in obtaining this access. Since then, our GEF portfolio has been growing rapidly. Currently, we have some \$27 million of GEF funds available for implementation. We have another \$124 million worth of GEF projects under preparation, and further project concepts are awaiting GEF clearance for preparation.
- As for the Montreal Protocol, we currently have some \$43 million of funds available for implementation, while from the present replenishment, which runs until the end of 2011, we can count on receiving \$90 million worth of new projects.
- To these environmental funds we can add a significant pipeline of projects in the areas of trade capacity building, private sector development, agro-industry and, specifically, Economic Partnership Agreements of the European Union. The latter alone could bring us between \$150 million and \$200 million over a period of four years.

While we greatly welcome and value the confidence of our donors and other partners in providing us these technical cooperation funds, we also need to match them with a growth in our budgetary resources in order to be able to utilize them effectively. In short, we face a critical need to strengthen our core capacities to meet these challenges, and depend on every cent in our budget to be able to do so.

I am reassured in this connection by the fact that Member States are fully aware of this situation and have frequently expressed their full support for UNIDO to be adequately resourced to meet its commitments. Specifically, I recall some of the statements made at the thirty-third session of the Industrial Development Board in the debate on the Programme and Budgets for 2008-2009, when a budget was approved that fell short of zero-real growth. On that occasion the Group of 77 appealed to Member States to continue their strong support of UNIDO and not to inhibit its growth, while the spokespersons of the African and Asian Groups and the EU also stressed that they would have preferred a decision based on the original zero real-growth submission. GRULAC also stressed that the consensus reached on that occasion should not set a precedent for the future – a sentiment that was echoed by a number of individual delegations as well.

Against this background of continued support and goodwill for our Organization and the important work that we are doing, I am confident that you will reach a decision that will reflect a full understanding and appreciation of our needs.

Mr. Chairman,  
Distinguished Delegates,

**Nominations for the post of Director-General, 2010-2014**

In concluding my statement this morning, I would just like to mention that the deadline for the submission of nominations for the post of Director-General of UNIDO expired some two weeks ago. It turns out that apart from my own nomination, no other nomination has been received. I would therefore like to take this opportunity to thank you for the confidence you have expressed in me, and to convey my great appreciation for the guidance and support I have received from you during my first term as Director-General. This has been crucial in enabling us to achieve together significant progress and tangible results. I look forward to being able to serve our Organization for a further four years in the same spirit of cooperation and partnership with all of you.

Mr. Chairman,  
Distinguished Delegates,

I thank you for your attention and wish you a successful and productive meeting.