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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



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

**at the
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Mr. President, Excellencies,
Distinguished Delegates, Ladies and Gentlemen,

It is my great pleasure to warmly welcome you to the 36th session of the Industrial Development Board.

Let me start by expressing my gratitude to the outgoing Bureau, and in particular to Ambassador Bazoberry Otero of Bolivia who chaired the 34th and 35th sessions of the Board. His commitment and leadership assured the constructive and smooth conduct of these last sessions.

I also wish to congratulate our new President, Ambassador Sonny Ugokwe of Nigeria, as well as the new Bureau, on their election. I am confident that under your able leadership, Mr. President, we can be assured of a successful conclusion to our present session.

Mr. President,
Distinguished delegates,

You have before you in the coming days a full and challenging agenda. I hope, however, that you will understand if I leave the introduction of the individual agenda items as they arise to my senior management.

This is the last session of the Board during my current term of office. For me it is something of a milestone. It brings to my mind that day, four years ago, when I waited with some trepidation for the phone call that would inform me whether or not I had been given the honour of serving as your Director-General.

But this milestone also causes me to reflect on my past four years at the helm of UNIDO, to consider the successes I have had, to mull over the mistakes I have made. It also causes me to consider the future. In preparing for the Board meeting today, I asked myself – if I were to be elected to office for a second term, what would my priorities be? How could I make UNIDO more effective, more responsive, and more relevant than before?

In seeking out the answers, I decided to turn to three sources. These will form the backbone of my introductory statement to you this morning. The first is economic theory on growth and development, which has gone through many twists and turns over the years. The second is a consideration of where we are now, the challenges facing us in development, and industrial development in particular. For the third source, I decided to go back to the UNIDO Constitution, to look for inspiration for the future within the founding documents of the past.

SOURCE 1: ECONOMIC DEVELOPMENT THEORY

Fifteen or twenty years ago, the lot of the development economist was quite a straightforward one. Or, perhaps, a simplistic one. The answer to the travails of poor nations seemed obvious, and the standard, “one-size-fits-all” remedy was “stabilize, privatize and liberalize”. As the cold war ended, not with a bang but a whimper, economics finally found the certainty that had eluded it for so long. What was holding back developing countries was not an imperfect mix of public policy on industry and trade. It was, so it was claimed, the very existence of such policies in the first place.

We believed it – hook, line and sinker. We made sure that countries followed the new mantra to the letter, even if they may have had reservations. And I speak from experience. I was once a minister, a member of Sierra Leone’s structural adjustment conditionality committee, charged with implementing this same prescription.

It did pay off to a certain extent. With the liberalization of markets, trade flourished, and hundreds of millions of people were lifted out of poverty. Globalization indeed seemed to be delivering on its promise. Mankind, according to Francis Fukuyama, had reached its logical zenith in economic liberalism. A few years later, Thomas Friedman painted a world made flat by globalization.

Suffice it to say things did not quite work out as intended. We also made mistakes. We believed that the market would solve everything. It took the world’s most calamitous economic breakdown since the days of the Great Depression to finally change our minds. We quickly came to realize that, while the market can be a force for good, it too has its limitations.

As for UNIDO, it found itself caught up in these recent ideological debates. In a laissez-faire era, our Organization faced a real existential challenge. If the market would fix our problems and decide where resources should be allocated, then why should the world need an agency to promote industrial development or to help nations form industrial policy?

Today the world is reflecting once again. Questions are being asked about the role of the state in an economy. Industrial policy, and the policy space afforded to individual countries, is clearly back on the menu. You might say “But we’ve been down that road before. Before the 1980s the general consensus, left and right, was that industry was the main lever for development, and that this required governmental action. And that didn’t work either.”

But when I herald the return of industrial policy, I do not mean that the state should stifle the market, which – working well – is a proven lever for dynamism, innovation and growth. What I have in mind is rather what Peter Mandelson calls “a more capable strategic state... that understands how to steer and shape the networks and institutions of a globalized economy and society”.

It is true also that the old productionist tradition of development economics lacked a human dimension. New strategies for development need to strongly link the two – human development simply cannot be advanced without a concurrent transformation in the underlying productive structure and capabilities.

And such strategies need to go far beyond piecemeal activities such as localized entrepreneurship development projects or microfinance schemes, as useful as these often are on a small scale. Instead, they need to identify and act on the opportunities that the changing world and a country's domestic landscape provide for the establishment of new, dynamic, sustainable manufacturing industries that can maximize equitable growth.

Strategic industrial policy simply requires a wider vision.

As the agency specialized in industrial development, what advice can UNIDO impart in this context? Should we concentrate on “nuts and bolts” technical cooperation at the country level, or should we be part of this broader debate?

I firmly believe we need to re-enter the debate. For too long we have been afraid to debate policy. Let me give you an example from my early days with the Organization. When the Asian financial crisis hit in the late 1990s, UNIDO prepared a paper on the value of governments guiding the extent to which capital should be permitted to move out of a given country. It was a well reasoned and, in the economic context of the time, a potentially useful text. Yet the decision was taken not to circulate the paper. Why? In a nutshell, we were afraid to rock the boat.

Six months later, the Financial Times published a report highlighting the success of India, China and Chile, and asking how they had managed to avoid the worst of the fallout from the crisis. The answer was – just as UNIDO had posited – that speculators were not given free reign to remove their capital overnight. So we eventually circulated the paper. But, in truth, we were six months too late.

In the years to come, we must no longer be afraid to share knowledge and to be part of the intellectual debate. UNIDO cannot be a backbencher, but rather should be an intellectual leader in promoting growth and development. We owe it to our constituents.

SOURCE 2: THE CHALLENGES BEFORE US

[CLIMATE CHANGE]

One game changer in the rehabilitation of industrial policy – even before the economic crisis hit – was, and continues to be, how to face up to the challenge of climate change. We may lose sight of it from time to time in the face of financial upheavals or viral pandemics, but climate change remains the defining issue of our time.

Some Member States may in the past have expressed concern about the extent of our mandate on climate changes issues. But climate change goes to the heart of industrial development. If new sustainability standards are agreed, this impacts on industry. If energy efficiency requirements are introduced, this impacts on industry. The nexus between climate change and industrial development is so close that green industries, and green jobs, are among our greatest hopes of emerging from the economic crisis that afflicts us.

Some regions have realized this for some time. When I travelled to Asia two years ago, trade ministers said to me – you know what we are worried about? If the countries we export to are examining the carbon footprint in the production system now, where will it all end? Is there to be a new wave of technical barriers to trade based on environmental standards?

After my tour of Asia, I was convinced that green industries are the path to the future. In that region, companies are innovating, coming up with the new technologies that prove that industry can be green, and that green industries can be profitable. It is our duty to make sure that poor regions and countries elsewhere do not miss out on this opportunity.

[ENERGY]

Energy is the other side of the climate coin. I have, in fact, sometimes been asked why we are now spending so much time on energy issues. Let me tell you – I made a strategic decision to establish a new Energy and Climate Change Branch at UNIDO exactly because energy is so central to what we do. As I undertook my duties as chair of UN-Energy, I became even more persuaded of this. Just last week, the Secretary-General of the United Nations decided to establish his first High-level Advisory Group on Energy and Climate Change, which he has also kindly asked me to chair. He is convinced of its centrality in the global debate on climate change.

And it is just as central for industrial development. We did not evolve this vision on energy by remaining rooted at our headquarters in Vienna. We went to Malaysia to look at advances in bio-energy. We went to Uruguay to examine renewable energy strategies. We went to Brazil and to Africa to learn more. And yesterday came one fruit of our efforts – the Vienna Energy Conference. This was originally planned as a meeting for some four hundred participants from government, industry and civil society. But interest grew and more registered. So we expanded to six hundred participants. Then still more registered!

The huge interest in the Conference is clear evidence of relevance of energy to the global debate. Another signal of this is that today we have some \$60 million of programmes on energy in the pipeline – more even than on private sector development, or agro-industry. Did we make the right decision in forming this vision on energy for industrial development? I believe so. But the work before us in this area is tougher now than ever.

[MILLENNIUM DEVELOPMENT GOALS AND AID ARCHITECTURE]

The achievement of the Millennium Development Goals is still a formidable challenge for mankind. At the General Assembly last year we reviewed the progress made so far, and the Secretary-General tasked me with chairing the first of the panels. As we debated the issues, it became obvious that, when we framed our goals in 1999, the growth agenda had been ignored. We believed at the time that, if we invested only in the social sectors – more schools, more hospitals – things would improve. Development aid shifted suddenly to social sector investments.

Of course we need to invest in education and in health, but at the same time, economies must grow. Those countries that have made the best advances toward achieving the MDGs are also those that have done the most to promote growth. As the Deputy Secretary-General concluded, the growth agenda is back. And I now see this issue as very much alive – there is an internal debate in a number of donor countries on balancing investments into the social sectors with the promotion of economic growth.

A related issue is the continued need for a more effective and more coherent aid architecture. There are some provocative voices right now deriding the role of aid, even laying the blame for the ills of developing countries at its doorstep. I reject this outright. There are numerous examples of countries that have benefited from aid and then graduated to middle income status and beyond. The point is rather: how do we do it better? The move toward United Nations system-wide coherence is one step in the right direction, but we need to go further. We need to better join together the various donors and agencies into a coherent framework, responsive to the requirements of individual countries and to the global community.

SOURCE THREE: THE CONSTITUTION OF UNIDO

Finally, let me turn to the Constitution of UNIDO. What roles did our founding fathers foresee for us?

In agreeing to found a specialized agency charged with promoting industry for development, UNIDO Member States foresaw activities across four mutually supportive pillars. One of these is **technical cooperation and capacity building**, and this is indeed the traditional core of UNIDO's activities. We can be justly pleased with the advances that our Organization has made in technical cooperation – forging ahead from the era of uncertainty and restructuring to now deliver at record levels; gaining trust as a valued partner for implementation – the largest provider of trade-related technical assistance in the UN system, the agency highest rated by the Multilateral Fund for the Montreal Protocol, and the list goes on.

I intend to ensure that, in the years ahead, UNIDO not only continues to meet these high standards, but even surpasses them. Nevertheless we should not lose sight of the fact that the UN system delivers only a marginal fraction of global economic development aid – and, within this, UNIDO's share is only a small portion.

For a UN agency to add value in our changing times, it needs to be more than a mere implementer. It needs to move upstream – to grow practical knowledge, and to bring this knowledge and best practices to those in need.

For UNIDO, this means reviving and rebuilding its three other pillars to deliver more on industrial policy and strategy.

First, we must further strengthen our **analytical and advisory** work. UNIDO's Industrial Development Report is a shining example of how we can contribute to knowledge, but we can do more. More to meet the changing development requirements of least developed countries and middle-income countries, more to meet global challenges on the future of our shared planet – through applied research and policy advice.

Secondly, we must consolidate our **convening** role. Those who founded UNIDO fought hard to have an agency that would bring Member States together to discuss and debate what industry and manufacturing means for development. We have a responsibility to do this. For those who might wonder why I as Director-General invested so much time on forums – these were not mere talking shops. They were well-calculated, strategic events, supported by a number of countries including Austria, Brazil, Malaysia, Mexico, Philippines, Senegal and Uruguay. The convening role is by no means a trivial role. Indeed UNIDO was created to be – at least, in part – an “UNCTAD for industry”.

Lastly, and closely related to our convening role, we must take a fresh look at our **normative functions** – finding common global standards that nations can agree to, whether they are on sustainability, green energy or energy efficiency. In many respects, this is the least well known of the roles assigned to us by Member States, yet one with much potential for creating the conditions conducive to the sustainable industrial development of our Member States. This is why I will today be meeting with representatives of the International Organization for Standardization, to re-emphasize our ongoing partnership. And this is also why we have strengthened our relationship with the World Trade Organization.

In short, looking at the future, we will continue to build our technical cooperation responsibilities. But in today's knowledge economy, it is not just the nuts and bolts at the country level that matter. We must move upstream to be part of the global debate. We must give countries the opportunity to express their views on industry, and help them to frame the policies they need for equitable growth.

Four years ago, when I was designated Director-General, I was asked to come and speak to the Member States as they met in the Industrial Development Board. This was not the established protocol for these occasions, so I had not thought to prepare a text. Nevertheless, I came. And, as I recall, I began to speak about my mother, and my community in Sierra Leone. Some may have thought the subject matter and tenor of my address somewhat unusual for a Board meeting. But I was moved emotionally. Why? Because my thoughts turned to my home village, where I knew my mother was praying

for my election. And I still think of that village today, because when I leave Vienna – a city we all enjoy and among those in the world with the highest quality of life – I must return to that reality of where I come from, my village, my home. A place where there is no running water and no electricity. Where children run barefoot through dirty, unpaved streets.

And I ask myself, what am I going to do to change their lives?

So if you hear me pressing my staff to do better, or emphasizing the importance of field mobility, it is because poverty is real, and we are here to address it. If I emphasize change management in the Organization, it is because change is necessary to meet this challenge. If our administrative practices do not change, we run the risk of being left behind, and we run the risk of letting down those we serve.

CONCLUSION

Mr. President,
Distinguished delegates,

I have just painted to you in very broad strokes a portrait of our Organization in the future. I look forward to getting down to work on the canvas and unveiling the result to you in due course. It may not be a masterpiece, and in fact it will always be an unfinished work – indeed, that is the essential point. As an Organization we must always be responsive to changing needs and changing times. Development must address both human needs and economic growth. We must reject the strict dogma of theories and models and accept that market failure, and human frailty, require flexibility and a certain degree of pragmatism.

The laissez-faire era has left its marks, both on national and multilateral levels. The rationale for maintaining international institutions in the economic development and productive spheres was sometimes questioned in the past. But without international cooperation through such means, the danger of economic upheaval and uncertainty is very real – for the global economy, and above all for developing countries.

Looking ahead, UNIDO should stand for, and act on, what it was designed for – inclusive, equitable and sustainable industrial development. No other international institution is better placed – and better equipped – to do so.

Thank you.