

CHECK AGAINST DELIVERY

**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**



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

**at the  
twenty-sixth session of the  
Programme and Budget Committee  
Vienna, 7 September 2010**

[SLIDE: GENERAL SLIDE]

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

I would like to welcome you all warmly to the twenty-sixth session of the Programme and Budget Committee. To begin with, I wish to express my congratulations to Mr. Eduardo da Costa Fariás of the Permanent Mission of Brazil for his election to the chairmanship of this Committee, and to the other members of the new Bureau on their election. I am confident, Mr. Chairman, that under your able guidance, this session of the Committee will be conducted in an efficient and productive manner.

It is my great pleasure also to welcome Mr. Mohammad Ayub Khan Tarin, Additional Auditor General of Pakistan, who, in the unavoidable absence of his colleague, the External Auditor, will represent him and present his report to the Committee.

Mr. Chairman,  
Distinguished Delegates,

You have a long agenda before you over the next two days, covering an extensive range of important administrative and financial issues facing your Organization. I propose to take you through some of the main points of the agenda now, on the understanding that further details will be available from my relevant staff as individual agenda items arise.

Following this, I would like to take the opportunity to put you in the picture on a number of ongoing and upcoming global issues in which we in UNIDO are asked to take an active role. I will then ask Mr. Dmitri Piskounov, the Managing Director of our Programme Development and Technical Cooperation Division, to present some exciting information on the breadth of UNIDO's participation in the fifth replenishment cycle of the Global Environment Facility, or GEF-5, which runs from this year until 2014.

Lastly I wish to consider what challenges arise from the increased demand for our services, not only for the GEF-related activities in our environment and energy cluster, but also for our trade capacity-building services and those in our poverty cluster. In particular I wish to focus on the necessary resource requirements.

### **Session agenda**

#### Item 3: Report of the External Auditor, financial performance report and programme performance report for the biennium 2008-2009

Allow me to start with some words on item 3 of the agenda, the report of the External Auditor, financial performance report and programme performance report for the biennium 2008-2009. The detailed audit report before you contains helpful recommendations that – you can be assured – the Secretariat will implement to the fullest extent possible. We are grateful for the close cooperation extended to us by the

External Auditor, and for the seamless value addition provided by the various auditing teams.

The financial report shows that 2008-2009 saw a higher collection rate in assessed contributions than the previous biennium, with the shortfall in the collection rate being reduced to 6.1 per cent from 6.4 per cent in 2006-2007.

At the end of the biennium, the net under-utilization of the regular budget stood at 8 per cent. Of course we want this figure to be as close to zero as possible. But uncertainties in the collection of assessed contributions lead to less favourable utilization levels. At the onset of each biennium, we plan our expenditure at levels within the expected collection rate of assessed contributions – therefore, predictable and prompt payment by Member States goes a long way to ensuring that funds are fully utilized in line with the approved budget of UNIDO.

You will note from the report that the value of UNIDO's ongoing technical cooperation programmes and projects totalled just below \$700 million as of 31 December 2009. The delivery value of TC programmes in 2009 was the highest since 1992 – amounting to just below \$140 million. This represents more than twice the delivery over the corresponding figure for the year 2000 – despite the effective freeze in our regular budget. I will return to this point later.

Item 4: Financial situation of UNIDO

Item 7: Mobilization of financial resources

Item 4 of the agenda concerns the current financial situation of UNIDO, and item 7 deals with funds mobilization. The delivery of technical cooperation in the first half of 2010 stood at \$87.8 million – the highest half-yearly delivery in the history of UNIDO, and significantly higher than the figure of \$79.4 million achieved in the same period last year. The change management initiative has not disrupted our delivery in any way.

Yet the collection rate for assessed contributions is down on the last two years. By the end of July 2010, the rate stood at 75.9% compared to 77.2% in 2009 and 84.2% in 2008 respectively for the same period. Altogether 73 countries have fully paid their 2010 assessed contributions. Member States are invited to make their payments as soon as possible in order to allow for utilization of those funds within the biennium.

I am pleased to announce that Brazil has agreed to a payment plan for settling its outstanding assessed contributions over a period of 5 years. I would like to recognize the personal involvement of the Ambassador of Brazil and his staff. This is an excellent development in the spirit of the strong and growing partnership that exists between Brazil and UNIDO, and I encourage other Member States in arrears to seek similar solutions together with the Secretariat.

Item 5: Unutilized balances of appropriations: Programme for Change and Organizational Renewal and technical cooperation activities

Let me say a few words on item 5. Our Programme for Change and Organizational Renewal (PCOR) is on schedule, and detailed information on this is available in the

relevant document before you today. We have achieved much so far, including the elaboration of our mission statement, which will now be incorporated into our planning frameworks.

A number of further achievements have taken place since the document was issued in July. Chief among these is the business process redesign exercise that has just concluded – we brought more than 100 staff from throughout the Organization together with external experts to devise from scratch how we can do things better, more efficiently and more productively.

This has in turn allowed us to finalize the software requirements for a new enterprise resource planning system. The tender process is now underway, and we expect this to be concluded by October. Therefore, while the integrity of the procurement process means that information on the companies bidding and associated costs is not yet available, we will be able to provide this at the time of the Board meeting in November. We anticipate that an implementing partner will be in place by the end of this year, with the software selection taking place shortly thereafter.

A further milestone is the launch of a 360 degree staff appraisal system on a pilot basis, to be extended to all staff by the beginning of next year. We are starting with senior management – after all, change management also means a culture of strong and principled leadership. This is a fundamental change, bringing a clear results orientation right into the heart of human resource management.

As far as funding for change management is concerned, no further funds have been received. In fact, there is still a shortfall of €383 million between the sum approved by the General Conference and that received from the unutilized balances of appropriations and voluntary contributions.

A second document before you outlines developments in the trust funds on food security and renewable energy established as a result of last year's General Conference decision. The trust funds exist to seed innovative, partnership-based programmes in these two areas, and we can now see this beginning to bear fruit. For example, the food security trust fund, together with an additional contribution from Finland, has enabled us to begin work on a large programme to strengthen agro-based value-chains in eleven poor countries, together with FAO and IFAD.

#### Item 6: Accounting standards

Item 6 concerns UNIDO's implementation of the International Public Sector Accounting Standards (IPSAS). Adopting IPSAS means a major change in UNIDO's financial accounting and reporting, resulting in the enhanced transparency, accountability and comparability of our financial statements. The new IPSAS-compliant processes went live on schedule in January of this year and the first set of IPSAS-compliant financial statements will be produced for the year 2010.

Item 8: Aligning the MTPF reporting cycle with the comprehensive policy review of operational activities for development of the United Nations system

The last agenda item I wish to raise at this point is item 8, the alignment of our medium-term programme framework, or MTPF, cycle with that of the quadrennial comprehensive policy review of operational activities for development, or QCPR. All UN funds, programmes and specialized agencies have been asked by the General Assembly to align their programmatic cycles with the new QCPR, which should be negotiated by the end of 2012, and to ensure that their programmatic frameworks are coherent with it.

We therefore propose that our current MTPF 2010-2013 should remain in force until its scheduled expiry in 2013, and that the next MTPF cycle should run from 2014-2017. This would allow us to take into account the QCPR while remaining as closely aligned to it as possible. The funds and programmes will also align their planning cycles in this manner, and it is expected that other specialized agencies will do so too.

Up to now, UNIDO's planning cycle has been based on quadrennial MTPFs which have in fact been replaced every two years. Alignment with the QCPR means an end to such "rolling" frameworks. Instead, we are proposing to institute biennial midterm MTPF reviews to permit adjustments and adapt to changing circumstances.

The current requirement that the Secretariat indicate a general ceiling of anticipated resources for the following biennium will from now on be conveyed in connection with both the submission of the MTPF and the midterm review. I will turn to this again in a few moments.

Mr. Chairman,  
Distinguished Delegates,

**Upcoming issues**

Permit me now to highlight a few of the upcoming issues facing the Organization. First, I would like to briefly go through some of the main global issues coming up over the next few months. This is my first chance to speak to Member States since our Board meeting in May, and between now and our next Board meeting in November there will be a lot on our collective plate.

MDG Review Summit

Later this month is the MDG Review Summit at the General Assembly. We are five years away from 2015, the target year for achievement of the Goals. And, as the 2010 MDG Report makes clear, there is still much to do. We have reported to you in the past on how we are playing our part, and in particular on how growth in the productive sectors is of paramount importance in the fight against poverty. I will be in New York for the summit, and I will be taking that message with me.

You know I have long believed that energy is the missing MDG. It is not too late to set and achieve goals on energy access and energy efficiency outside the MDG framework. I believe it, the Secretary-General believes it, Carlos Slim and other

members of the Advisory Group on Energy and Climate Change believe it. Just a couple of weeks ago I was in Norway with Helge Lund, CEO of Statoil, and he and his team believe it too.

While in New York, I will be meeting with UN-Energy and AGECC to work on pushing forward the energy agenda. Together we plan to call for a decade on sustainable energy for all, starting from 2012. A media campaign will be launched in 2011 to mobilize support for energy access. UNDP, UNEP and UNIDO, with support from the UN Foundation and the Government of India, are working on a global fund to finance energy access programmes in poor countries. Further design of this fund will take place during the Delhi International Renewable Energy Conference (DIREC) on October 27-29.

### COP-16 and preparations for Rio+20

In November and December, COP-16 will take place in Cancun, Mexico. There is a lot to play for this time around. The global community did not quite get there last year in Copenhagen, and it is vital that we finally agree on how to effectively tackle the scourge of climate change. UN-Energy will be hosting a side-event on energy efficiency at the Conference, and UNIDO will also hold an event demonstrating our successes in implementing our Montreal Protocol programme.

A closely related subject is the preparations for Rio+20, the UN Conference on Sustainable Development to take place in 2012. Just a few weeks ago, the Secretary-General announced a High-level Panel tasked with preparing the ground for the summit. The panel has been asked to produce a plan for the promotion of low-carbon growth and increased resilience to the impact of climate change, while simultaneously addressing the challenges of poverty and hunger as well as water and energy security. These are vital areas in which UNIDO is active, and we will be providing much-needed input to the process as it goes forward.

### Global meeting of UNIDO Representatives

Towards the end of the year, we will hold a meeting of our UNIDO representatives currently active in the field. As all UN organizations do, we intend for this meeting to take place in the field itself, away from headquarters. This is part of our strategy to move out to the regions and strengthen our field operations, while ensuring that our field network retains its necessary coherence. The meeting in Mauritius will consider industrial development realities and experience in the field, including joint action with the wider UN system. UNIDO and Mauritius go back a long way. As you will know, Mauritius is sub-Saharan Africa's success story in industrialization. And one key element in this success was UNIDO's work some two decades ago in helping to design the export processing zones that underpinned the structural transformation of the economy.

Mr. Chairman,  
Distinguished Delegates,

### **Anticipated resource requirements**

[SLIDE: TECHNICAL COOPERATION DELIVERY]

Now let me return to our resource requirements. I have just mentioned some of the pressing global issues on which we are called to be active. Earlier I gave you our technical cooperation delivery figures for the last biennium and for the first six months of 2010. The message is a clear one: we are continually delivering more with less. Take a look at this graph. Our regular budget is frozen in time, but we are delivering twice as much as we did ten years ago. We have done well. Better than well, in fact.

But I must be honest with you. This is not sustainable. As the demands on us increase, so too does the immense pressure on our regular budget. Our change management process is one key means we are using to increase efficiency and make the most of every last cent. But even this will not be enough.

Distinguished Delegates,  
Ladies and Gentlemen,

I would like to hand over at this juncture to Mr. Piskounov, who will outline how UNIDO will contribute to GEF-5. We are looking at a new way of doing business. We are proposing a model through which we assess the demand for our services over a five year period, assess our capabilities to design and implement the programmes, and take strategic investment decisions to finance these programmes.

*PRESENTATION BY MR. PISKOUNOV, MANAGING DIRECTOR, PROGRAMME DEVELOPMENT AND TECHNICAL COOPERATION DIVISION*

[SLIDES ON GEF-5]

Distinguished Delegates,  
Ladies and Gentlemen,

You have heard the scenario for GEF-5. The targeted UNIDO share during the cycle is more than twice our current overall yearly delivery. Why are we setting such a high target? Because we know that we are the agency with the expertise and experience to get the job done, and because this fact is well recognized by our partners and counterparts. We have a proven record in project formulation and implementation in all the areas within our environment and energy cluster. We are thought leaders, ahead of the curve in driving forward the green industry agenda.

Mr. Piskounov has outlined to you the returns that can be expected to accrue to UNIDO through participation in GEF-5, which we can then plough back into our activities. He has also explained the immediate implications for the Organization in terms of resource requirements.

To meet this growing demand from GEF, we need to make some investments in project formulation and implementation. We have just decided in our Executive Board to approve €1.7 million from the reserves of our operational budget for this purpose. These, and future, investments will be recouped fourfold, if not more. Above all, what we need are the people to design and implement the programmes foreseen. And this is just for our GEF programmes, remember. We have also established a GEF liaison office in Washington, which we expect to play a similar role to our EU liaison office in Brussels.

[SLIDE: MEXICO MP COLLAGE]

Even within our environment and energy cluster, we have further activities that can be scaled up – our work under the Montreal Protocol, for example. We are consistently ranked as the top performer by the Montreal Protocol Fund, based on independent evaluations, but with more investment we can achieve so much more. On the screen behind me you can see a selection of images from our programme in Mexico, including the inauguration of a major chlorine recovery facility together with Mexico's Federal Minister of the Environment and Natural Resources, as well as a refrigerator scrapping facility that painstakingly recovers ozone-depleting substances from the thousands discarded. And this is just one UNIDO programme among many.

[SLIDE: BANGLADESH COLLAGE]

What we are planning to do for our GEF activities can also be replicated in our poverty cluster and trade capacity-building activities. In a similar vein, we wish to mobilize €200 million for our poverty-related programmes. In terms of funding, we will target the EU and our traditional donors, but also the Russian Federation, China, India, Brazil, the GCC countries and others. I intend to get working on this straight away. Our change management process will be aligned to this way of doing business. This will mean more investments, greater returns, and greater development impacts. The demand for our services is already there, and is growing. UNIDO is the largest provider of trade-related technical assistance in the UN system. We have a strong track record. But the demands on us to design and run ever larger TCB programmes are increasing all the time.

On the screen you can see me talking with employees in a textile enterprise in Bangladesh. They, along with many others in the country, are in business and earning incomes because they are able to stay competitive in export markets through quality and innovation. UNIDO has played a key role, in partnership with the European Union and Norway, through our Bangladesh quality support programme.

The main sectors of industry we have targeted are textiles – an enormous growth area for Bangladesh – and seafood exports, which require high-tech laboratory testing of the type you can see in the inset picture. I spoke with the EU representative in Bangladesh and he had the highest praise for what UNIDO has achieved. He wanted to ramp up our cooperation immediately. No problem. But I also want to go a step further and elaborate a wide-ranging plan with the EU, along the GEF model.

[SLIDE: SRI LANKA ENTERPRISE]

This business in Sri Lanka is another that is able to stay competitive by keeping in tune with product standards and retailer requirements. You can see from the billboard behind us that enterprises in developing countries are increasingly required to meet stringent environmental demands – demands for low-carbon production, energy efficiency, water efficiency, and so on. This is where green industry meets trade capacity-building – this is the future of development and poverty reduction. And UNIDO is the UN agency with the know-how to make it work.

Let me tell you about another innovative element of our Sri Lanka programme. We helped to establish a food certification body, which has now teamed up with the municipality of Colombo to set up a food safety marking scheme for hotels, restaurants and caterers. A true public-private partnership. NORAD was our partner on this, as they are on a range of trade capacity-building activities. In fact, my friends from Norway tell me that, when they funded their first UNIDO project in this area ten years ago, there was no previous donor experience in dealing with quality infrastructure. That initial funding has now grown into a \$30 million commitment from NORAD. This is yet another example of how we can grow our activities and achieve tangible results.

[SLIDE: GENERAL SLIDE]

I know that you are waiting for me to get to the bottom line: our budget requirements.

In the relevant document before this Committee, we project an increased requirement of three per cent. We also mentioned once again the growth in our delivery and the increase in demand for our services. Well, since we issued this document, things have developed further. We now see demand growing at an even greater rate. We need to invest in our Organization, above all to have the right people to initiate and manage technical cooperation programmes of the highest calibre.

There is also a General Assembly request for us to explore the issue of funding. In its recent resolution on system-wide coherence, which followed years of discussion and negotiation, the General Assembly stressed the importance of adequate funding. In fact, the resolution introduces the concept of a “critical mass” of funding, which it describes as including the level of resources adequate to produce the results expected in strategic plans, including administrative, management and programme costs. The governing bodies of specialized agencies are invited to explore how to raise a critical mass of funding in their 2012-2013 budgets.

Our assessment now is that, to arrive at this critical mass, we will require an increase in the regular budget of six per cent in real terms for the biennium 2012-2013, and we will present our detailed proposals to you on this in the coming months.

I am not going to be bashful about this. I know that some of you will point to the continuing effects of the financial crisis as reason enough not to increase our regular budget. Everyone is under strain, you will say. But our shared global development goals have not gone away, and without increased investment, they will simply not be met.

UNIDO has not seen any growth in its regular budget since the early 1990s. As I said earlier, we have been frozen in time where our regular funding is concerned. Yet so much has changed since those days. We are a changed organization, focused, results-driven, lean, efficient. We are doing our utmost to increase this efficiency to the highest degree possible, to squeeze value out of every last cent. That's why I have been so forceful about change management. But there is a limit. There comes a time when greater results need greater investment.

You know, we have not even kept in line with zero real growth since the 1990s. Zero real growth almost inevitably means less than zero, because of a less than optimal collection rate and other reasons.

It almost looks like we are being punished for doing more with less. Surely that can't be the case?

Distinguished Delegates,  
Ladies and Gentlemen,

Allow me to repeat this fact in clear and straightforward terms. I am asking for an increase in the regular budget because we have proven ourselves, because we are the right agency for the task of delivering results in sustainable development. We have had much success, but I am not a person who believes in resting on his laurels. I know we can do more now, in the next biennium, and after I have handed over the duties of Director-General to someone else.

We have a duty to perform. But as Member States, the shareholders in what is your organization, set up to achieve the results that you want, you also have the responsibility to allow us to perform. And that is what I am asking of you.

Thank you.



***PARTNER FOR PROSPERITY***



*PARTNER FOR PROSPERITY*

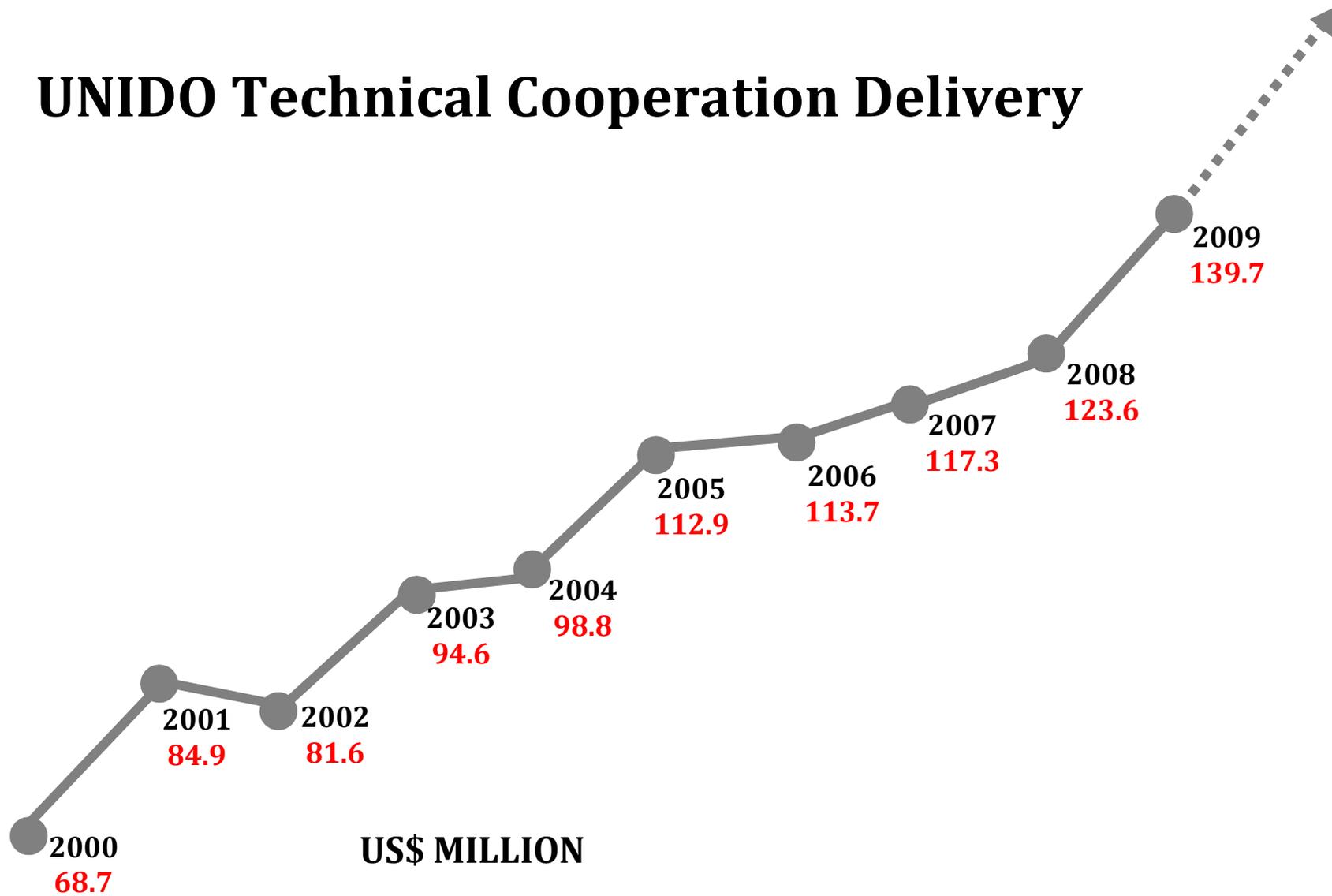
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# UNIDO Technical Cooperation Delivery





*PARTNER FOR PROSPERITY*

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**Presentation  
by  
Mr. Piskounov  
Managing Director, PTC**

**GEF-5**

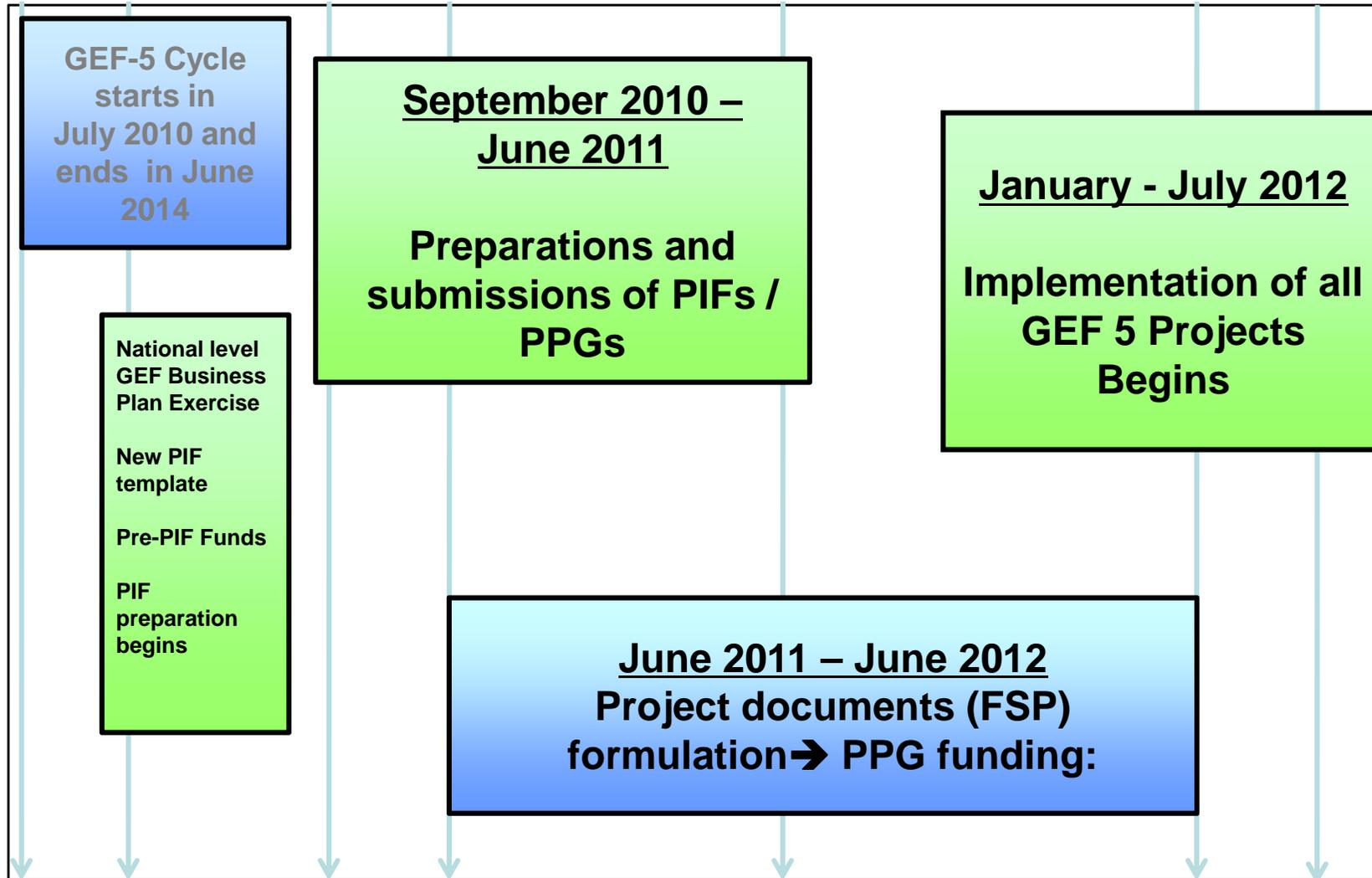


# GEF-5 Replenishment

Focal Area	Resource envelope of US\$ 4,200 million
Biodiversity	1,200
Climate Change Mitigation (EE, RE)	1,350
International Waters	420
Land Degradation	400
Chemicals (1): POPs	340
Chemicals (2): ODS	25
Chemicals (3): Chemicals Management & Mercury Reduction	20
POPs Enabling Activities	35
<b>TOTAL</b>	<b>3,790 million</b>

In the **focal areas** in line with **UNIDO's comparative advantages**, and according to our estimates the **UNIDO total** project portfolio is assessed to be:

**GEF Trust Fund US\$324 million and a minimum co-funding of US\$600 million**



Jul 2010 Sep 2010

Oct 2010

Jan 2011

June 2011

July 2012

July 2012 - June 2016

Concurrent implementation: GEF- 4 approvals & MP approvals (actual commitments and future ExComs)



# Funding Requirements for GEF Projects

The preparation / implementation of projects funded under Multilateral Environmental Agreements is characterized by distinctive modalities and constraints in the use of the approved funding:

**UNIDO co-funding** is required at three stages of the project cycle

- Pre-Project Identification Form (PIF) (activities before formulation of PIF)
- PIF / Project Preparation Grant (PPG) Finalization of full-fledged project document and Implementation
- Project Implementation

Investment of US\$ 7.2 million over 3 biennia will generate US\$ 48.2 million (from the E+E cluster from the implementation of the 2010-2014 E+E programming, including US\$ 18.2 million from Montreal Protocol programme)



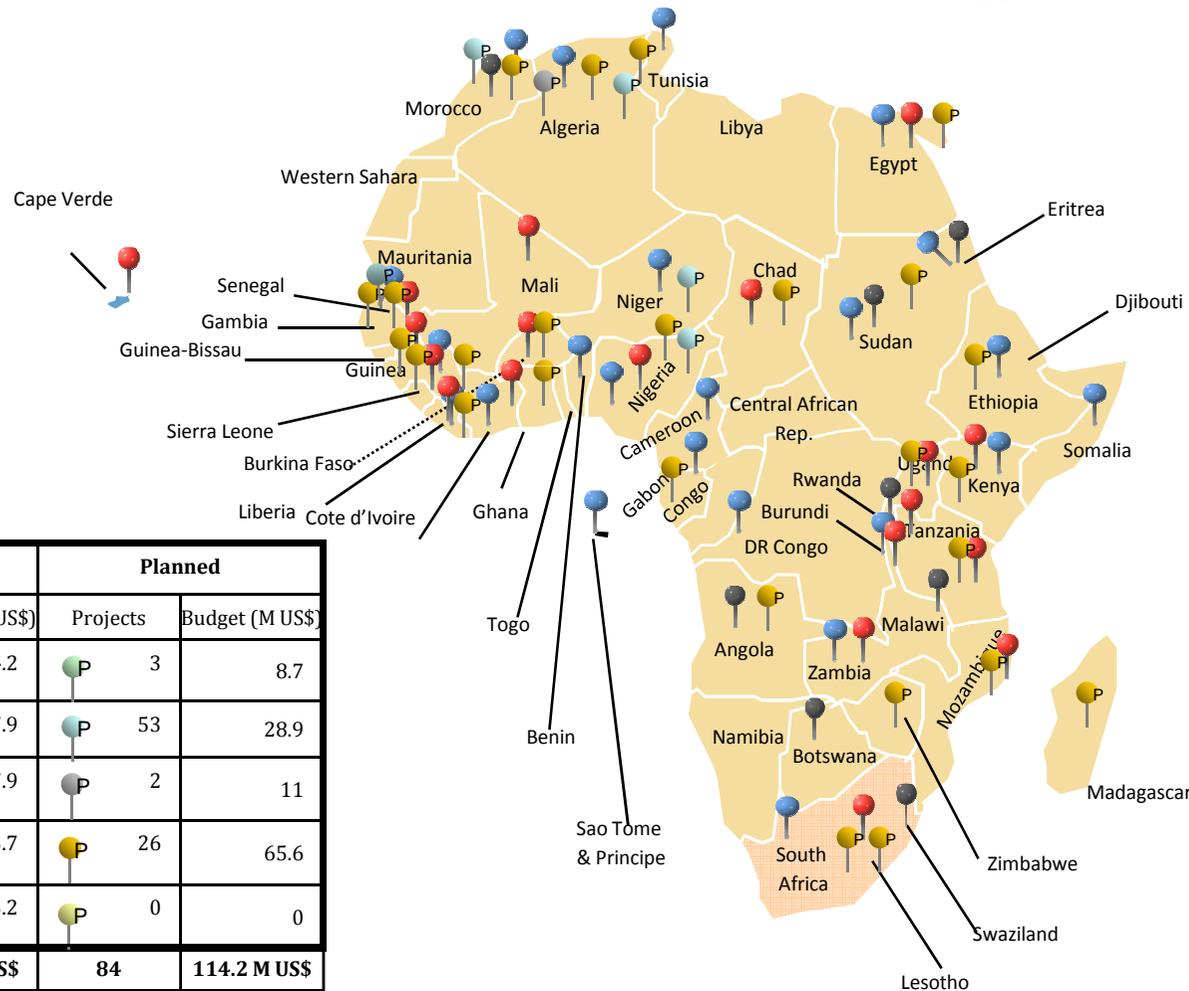
# **New Modalities of Operations**

- **New approaches to use of project experts**
- **Strengthening of Field Offices with E+E capacities**
- **Delegation of implementation responsibility to partner institutions**



# Africa

## Ongoing and Planned Environment and Energy Activities

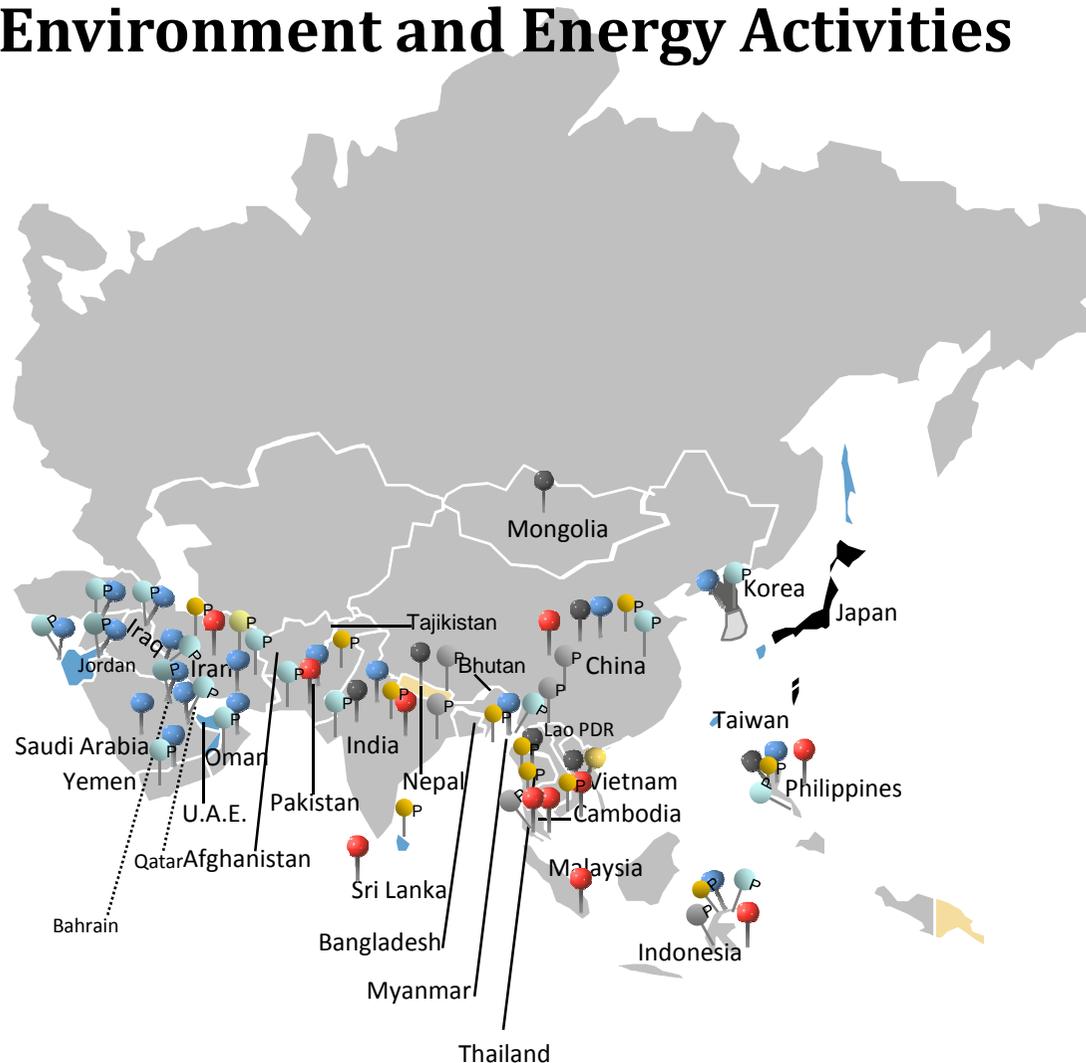


	Ongoing		Planned	
	Projects	Budget (M US\$)	Projects	Budget (M US\$)
WMU	3	14.2	3	8.7
ODS	75	27.9	53	28.9
POPs	11	7.9	2	11
ECC	34	15.7	26	65.6
CPU	13	5.2	0	0
<b>Total</b>	<b>136</b>	<b>70.9 M US\$</b>	<b>84</b>	<b>114.2 M US\$</b>



# West Asia and Asia Ongoing and Planned Environment and Energy Activities

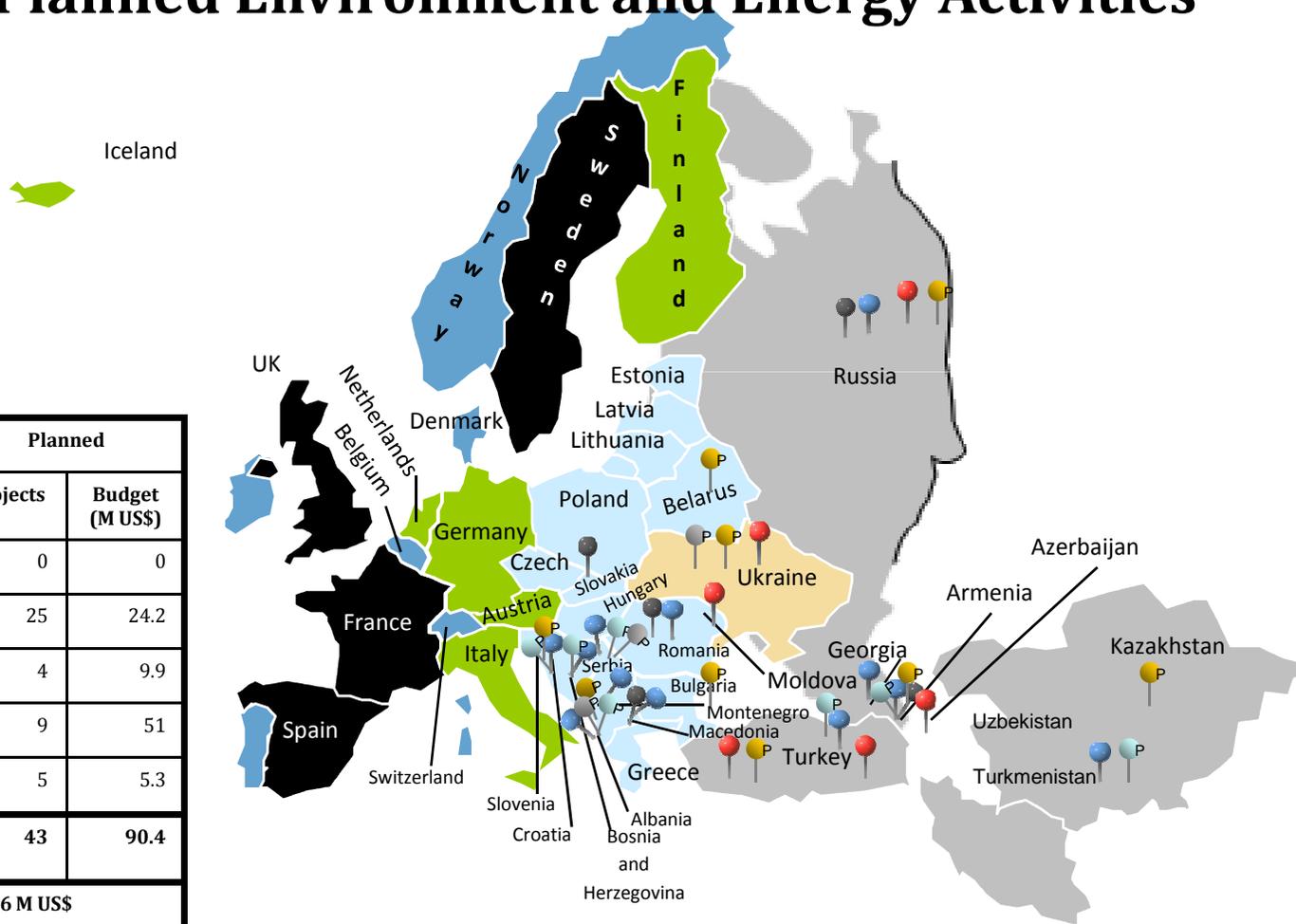
	Ongoing		Planned	
	Projects	Budget (M US\$)	Projects	Budget (M US\$)
WMU	0	0	0	0
ODS	66	58.3	73	166
POPs	15	52.6	13	63.5
ECC	19	6	10	82.5
CPU	18	18.6	7	13
<b>Sub Total</b>	<b>118</b>	<b>135.5</b>	<b>103</b>	<b>325</b>
<b>Total</b>	<b>221 Projects / 460.5 M US\$</b>			





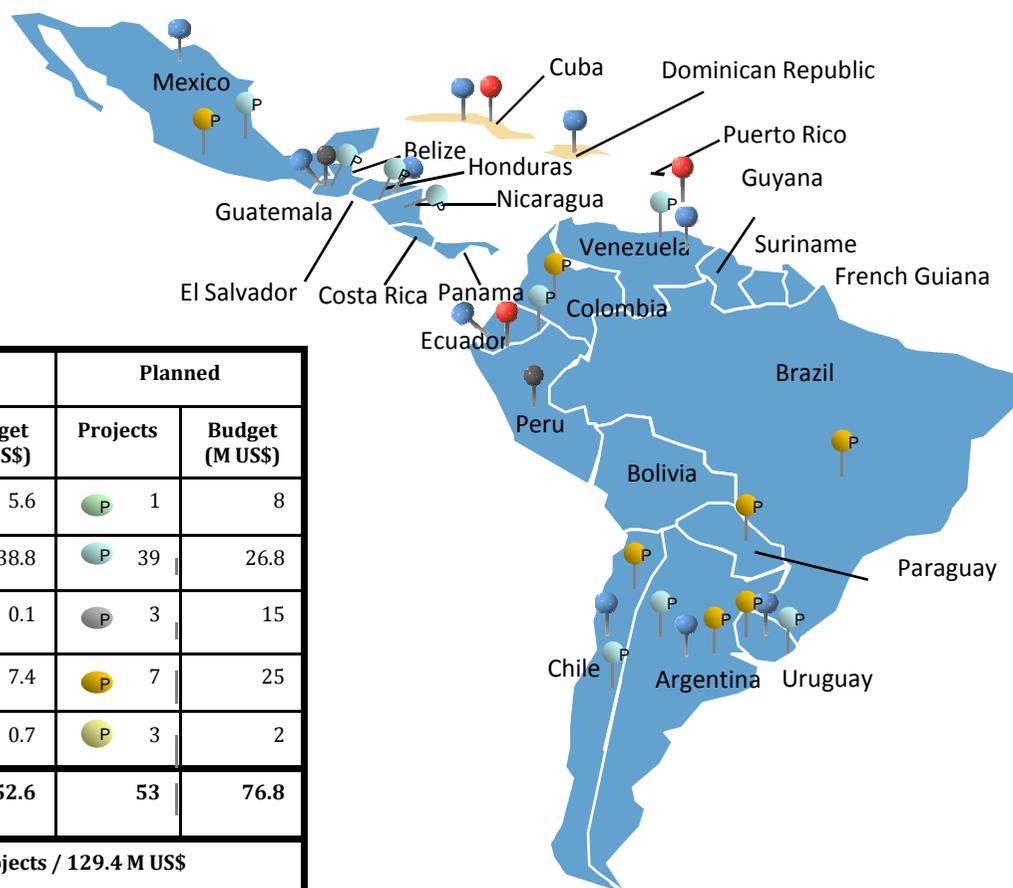
# Europe & Central Asia Ongoing and Planned Environment and Energy Activities

	Ongoing		Planned	
	Projects	Budget (M US\$)	Projects	Budget (M US\$)
WMU	1	1.5	0	0
ODS	42	11.8	25	24.2
POPs	5	7.6	4	9.9
ECC	7	0.7	9	51
CPU	9	4.6	5	5.3
<b>Sub Total</b>	<b>64</b>	<b>26.2</b>	<b>43</b>	<b>90.4</b>
<b>Total</b>	<b>107 Projects / 116.6 M US\$</b>			





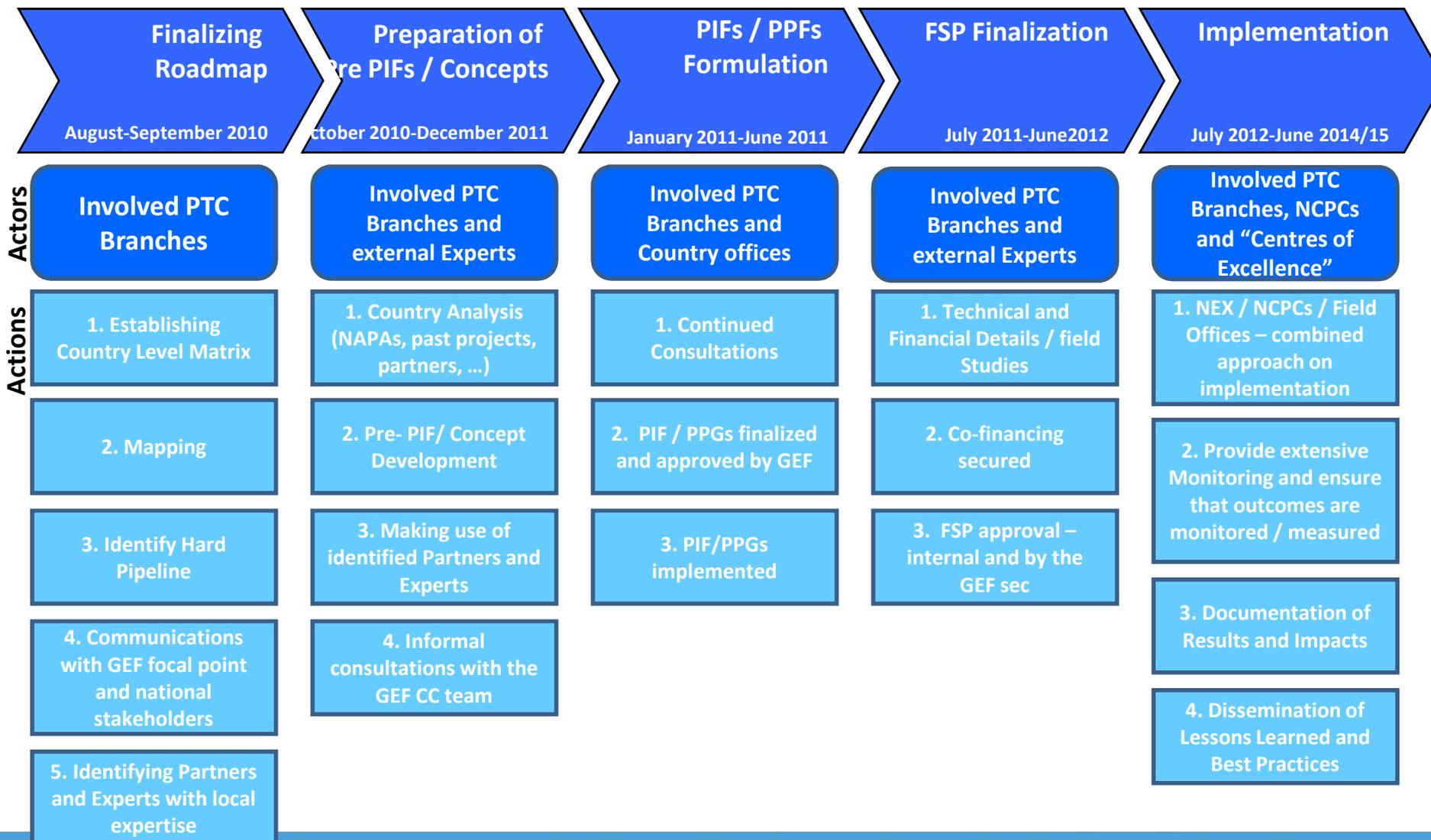
# Latin America & the Caribbean Ongoing and Planned Environment and Energy Activities



	Ongoing		Planned	
	Projects	Budget (M US\$)	Projects	Budget (M US\$)
WMU	3	5.6	1	8
ODS	40	38.8	39	26.8
POPs	1	0.1	3	15
ECC	6	7.4	7	25
CPU	5	0.7	3	2
<b>Sub Total</b>	<b>55</b>	<b>52.6</b>	<b>53</b>	<b>76.8</b>
<b>Total</b>	<b>108 Projects / 129.4 M US\$</b>			



# The Way Forward



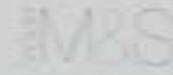






# Our Achievements

Plan A



Energy

46%



Water

63%



Carbon Footprint

60%



Waste to Landfill

0%

