

CHECK AGAINST DELIVERY

**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**



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

**at the  
twenty-seventh session of the  
Programme and Budget Committee  
Vienna, 11 May 2011**

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

I would like to extend a warm welcome to all participants in the twenty-seventh session of the Programme and Budget Committee. At the outset, I wish to congratulate His Excellency Mr. Yatani, Permanent Representative of Kenya to UNIDO, on his election to the chairmanship of the Committee. Likewise, I wish to congratulate the other members of the Bureau, Mr. Rosenberg (Ecuador), Mr. Akil (Pakistan), Mr. Groff (Switzerland) and Mr. Uskov (Russian Federation) on their election. I am confident that with your able guidance, this session of the Committee will be conducted in an efficient and productive manner.

Mr. Chairman,  
Distinguished Delegates,

You have an extensive range of items on the agenda over the next couple of days. Looking at item 3, permit me to remind you that the interim report of the External Auditor will be submitted to the next session of the Industrial Development Board in a combined report together with our first IPSAS-compliant financial statements. As usual, the related programme performance report is included in the Annual Report for 2010.

Other important agenda items include the mid-term review of the medium-term programme framework 2010-2013, the Programme for Change and Organizational Renewal, and the trust funds on food security and renewable energy. The agenda also includes, of course, a number of items of a financial nature, including the Programme and Budgets 2012-2013.

All of the relevant documents under these agenda items have been made available, and presentations on the financial items have been given during the various pre-session briefings in advance of this session of the PBC. Please be assured that my staff will be ready to respond to any issues raised on these agenda items during the course of the Committee meeting.

[SLIDE: TECHNICAL COOPERATION DELIVERY, 2000-2010]

From the documents that have been made available to you, you will see that our Organization has continued to perform solidly in efficiently and effectively providing developmental services to Member States. In particular, you will see that our delivery of technical cooperation services recorded another sharp increase in 2010, to US\$ 153.5 million. This represents an increase of US\$ 13.8 million, or almost 10 per cent, over the previous year. It is also the highest delivery figure recorded by the Organization since it became a specialized agency, except for the year 1990 – when, incidentally, UNIDO had more than twice the current number of staff.

Moreover, this upward trend is being maintained in 2011. We are fully confident of reaching record delivery levels this year, depending on the global economic situation.

[SLIDE: NET APPROVALS TREND, 2000-2010]

This continued increase in the level of delivery is only one indicator of the strength of our Organization. An even more important indicator is the continued growth in the financial resources made available to us by our donors to finance specific projects and other developmental activities. These include both bilateral donors and institutions such as the Global Environment Facility, the Montreal Protocol Fund, the MDG Achievement Fund and the Human Security Trust Fund. The willingness of our stakeholders and partners to entrust us with these resources underlines their confidence both in the relevance of what we do, and in the efficiency and effectiveness of how we do it. At the end of 2010, the net approvals of such resources stood at US\$ 182.7 million, the highest ever recorded by the Organization. Other things being equal, these trends should enable us to sustain the growth trend in our service delivery achieved in past decade, depending of course on developments in the global economy.

In this connection, I am pleased also to share with you news that, together with the other members of the UN cluster for trade and productive capacities, we have just signed a framework agreement with Switzerland for a large-scale programme in Lao. Likewise, we are just about to sign an agreement with Sweden to fund a US \$2.8 million programme on heavy industry training in Iraq.

[SLIDE: ANNUAL REPORT]

As we all know, service delivery figures alone do not tell the full story of the developmental importance of what we do. We are increasingly, and justifiably, being asked to ensure that our services contribute to the achievement of specific developmental objectives, and to show that they achieve the outcomes expected. In this connection, I can assure you that we are fully committed to managing for results. Having established a results framework in the context of our medium-term programme framework, we are now in the process of operationalizing this framework through the change management initiative, or Programme for Change and Organization Renewal as it is formally known – in particular through the implementation of our new enterprise resource planning system. This will enable us to collect and collate the data needed to provide you with indicators of our contribution to development results, while having the additional benefit of allowing us to reap significant efficiency gains.

In the meantime, I invite you to consult our Annual Report 2010, which provides you with extensive qualitative and quantitative indicators of the developmental outcomes of our services.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

It is against this background that I wish to concentrate this morning on the agenda items related to the financing of our Organization, and in particular on my proposals for the Programme and budgets, 2012-2013.

As you may know, I first came to the Vienna International Centre in 1995 to take part in a meeting of the policymaking organs such as this. I was then a minister representing my country on the governing bodies of UNIDO. The work of UNIDO made quite an impression on me. I liked what it stood for, and the following year I joined as a staff member.

That was in 1996. Not an auspicious year to change career perhaps: just a few weeks after I arrived in Vienna, the news broke that a principal Member State was to withdraw. This implied a loss of about 25 per cent of assessed contributions, and frankly posed a significant threat to our continued existence.

[SLIDE: TECHNICAL COOPERATION DELIVERY 1995-2000]

As a counterpoint to the first slide I showed you, let me present to you in this slide what happened to our service delivery between 1995 and 2000, as a salutary reminder of the difficult times we lived through. In fact, it took us about three biennia to recover our growth momentum, and the delivery level of 1997 was not restored until 2004. Moreover, this decline in our service delivery was only a symptom of the much broader disruption we suffered. We were forced to adopt a very painful round of emergency measures, which necessitated the net abolition of 143 posts and 99 staff separations.

Not only did this cause a serious disruption in our operations, but it also proved very expensive for Member States. Indeed, as has been indicated to you in presentations given by my staff last week, and in the relevant conference room paper distributed at this session of the PBC, Member States were called upon to relinquish their unencumbered balances of appropriations in both the sixth and seventh sessions of the General Conference to fund the separation indemnity reserve, from which US\$10.8 million was spent on the separation programme.

We should bear in mind that budgetary adjustments entail a cost. It means not just that figures should be cut, but also has stark implications for our programmes, which would require adequate consultation with Member States.

[SLIDE: TECHNICAL COOPERATION DELIVERY, 2000-2010]

Although we were hit hard by the events of the latter half of the 1990s, we have succeeded in turning ourselves around. With the support of the Member States and the commitment of our staff, we were able to do more than merely withstand the shock, and have become one of the most reformed and value-oriented entities in the UN system. And despite the fact that we have had to sustain ourselves on maintenance budgets for the

past decade and a half, which have often amounted, in effect, to less than zero real growth, we are poised to deliver more than ever before. But as you know, the United Kingdom has regrettably announced its decision to withdraw from UNIDO with effect from the end of 2012.

We are of course very disappointed by the UK's decision. The report issued by the Department for International Development (DFID) looked at the criticality of organizations in delivering UK aid objectives. While finding clear evidence of development results, as well as a positive history of reform, cost-control and partnership, the report concluded that our mandate is too sharply focused to be significant to UK objectives.

We have presented to you a programme for the next biennium that underscores the strong and continued relevance of our Organization in the face of global challenges. Green growth and green industry, energy access, the continued effects of the food, fuel and financial crises, youth unemployment in LDCs and middle-income countries – all of these themes go beyond the economic realm and pose a grave threat to global social and political stability.

I just returned last night from the Fourth UN Conference on LDCs, which is taking place in Istanbul. This major conference has been three years in the making. The first day of the meeting was all about the productive sectors, and about how manufacturing will be key to dealing with the growing youth bulge in LDCs. The ILO and World Bank are raising this issue in separate reports. We are pleased to see the matter receive such attention – but, more than ever, we need a strong, dedicated agency to push for sustainable industrial development.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

As was presented to you in a series of recent briefings, the programmatic framework we are presenting to you in the Programme and Budgets 2012-2013 introduces a number of important refinements to enhance synergies and efficiencies with a view to increasing the effectiveness of our service delivery. Without going into too much detail, let me summarize the principal changes:

- The Programme and Budgets 2012-2013 consolidates the developmental services we provide under our thematic priorities of Poverty Reduction through Productive Activities, Trade Capacity-building, and Environment and Energy, into one Major Programme – Major Programme C. The rationale behind this move is to ensure increased linkages between the services provided under the respective thematic priorities and enable us to adopt a more holistic approach to our technical cooperation activities.

- The Programme and Budgets 2012-2013 also brings our field network into Major Programme C, in order to enable it to mesh more closely together with our technical cooperation services. By empowering our field offices to participate more fully in our technical cooperation delivery, and by linking them more closely with headquarters through the ERP system currently being put into place, we are establishing a platform for a seamless implementation mechanism of our development services between headquarters and the field.

The increased participation of field offices in our technical cooperation activities will also allow us to gain additional efficiencies through the cost-effective recruitment of national programme officers in these offices to manage our projects and programmes rather than having to expand our more expensive pool of headquarters staff for this purpose.

- With the new Major Programme C being focused on technical cooperation activities, the cross-cutting functions of advocacy, quality assurance and funds mobilization, which were previously distributed in the former Major Programmes B to E in the Programme and Budgets 2010-2011, have been consolidated into the new Major Programme D of the Programme and Budgets 2012-2013. Similarly, the policy advisory functions previously located in Major Programme C have now been moved to Major Programme D in order to permit increased synergies with the research functions located in that Major Programme.

As explained by my staff in the pre-sessional consultations with Member States, this extensive revision of the Programme Structure did not allow for a direct comparison between the Major Programmes of the Programme and Budgets 2010-2011 and 2012-2013. In particular, such a comparison leads to misleading results for Major Programme C, which shows a slight decrease because of the transfer of some functions to Major Programme D, and a significant increase in Major Programme D, precisely because of the absorption of these functions.

This brings me to the financing of the proposed programme and budgets. At the meeting of the Programme and Budget Committee in September last year, I described how increasing demand for our services would require an increased investment in the Organization. In fact, ever since I took office at the end of 2005, I have been making this point. But I never formally proposed a budget increase. I wanted us to prove we deserved it first – in terms of increased delivery, in terms of greater efficiency and effectiveness, and in terms of the type of organizational change that our stakeholders demand.

By last year, I believed we had reached the point where we could turn to our Member States and say: look what we have achieved despite a regular budget frozen for 15 years. We have overcome our handicap, and have achieved what no other UN agency can claim to have done: more than doubling delivery while halving staff resources.

I was set to present proposals for a regular budget increase of 6 per cent. As you know, I thought about this further over the winter months and prepared a regular budget proposal

on the basis of only a three per cent increase. Finally, I had to once again reconsider my approach, and have now proposed to you a budget foreseeing a zero real growth scenario for the regular budget. This, in other words, is yet again a mere maintenance budget, where the only increase in overall resource levels is in line with inflation.

I changed my mind with a heavy heart, but I had to take cognizance of the exceptional circumstances prevailing right now, where many Member States are facing economic difficulties. A zero real growth scenario is not ideal, but it would at least allow us to sustain the growth trend in our service delivery.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

Over the past few weeks we have had the benefit of listening to Member States in a series of briefings and informal consultations on the Programme and Budgets 2012-2013. While the views expressed were varied, I could perhaps categorize them into three main issues: (1) the absorption of the assessed contribution of the United Kingdom; (2) the absorption of inflationary cost increases; and (3) domestic budgetary constraints.

I would like to stress, and reassure you, that I fully understand the concerns that you, the Member States, have raised. At the same time, however, I cannot shake off my experiences of having lived through a similar situation in the latter half of the 1990s, the impact of which I described to you a few minutes ago. Having been charged by you to act in the best interests of our Organization, I feel duty-bound to impress upon you my concerns for the future of UNIDO. I am therefore requesting you to give our Organization the same commitment and support that it needs to ensure its continuity as a purveyor of critical development services.

In making this request, I am very gratified to note that many Member States have responded sympathetically to our budget proposal, and called for efforts to identify innovative ways of financing it. It is my sincere hope that we will be able to come together during this session of the PBC and agree on a budget for 2012-2013 that will enable our Organization to emerge from these trying times with the minimum of damage.

In an earlier meeting, I presented an option of a transitional budget in 2012-2013 that would provide a zero real growth in the regular budget of UNIDO, while at the same time leaving the total assessed contributions paid by Member States unchanged at their current levels. In that context, I suggested that maintaining at least a zero real growth in the regular budget would give us the stability and time needed to adjust to the shock we are facing as a result of the loss of the UK's assessed contribution.

In particular, I suggested that this would allow us to further increase our technical cooperation delivery in 2012-2013, and hence also increase the income of our operational budget. In addition, it would also give us the time needed to reap the full benefits of the

increased operating efficiencies that our Programme for Change and Organizational Renewal will give us from 2014 onwards.

A number of Member States, in considering these issues, have suggested during the pre-session briefings that a viable option could be to explore using unencumbered balances of appropriations (UBs) to fund the gap for the 2012-2013 biennium arising from the withdrawal of the United Kingdom, and also to cover the inflation adjustment.

A full history of such actions in similar circumstances has been distributed in a conference room paper.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

[SLIDE: TRANSITIONAL FINANCING]

Should you choose to accept our proposal for transitional financing, the slide on the screen sets out the suggested modalities. The resource level provided in our proposed programme and budgets 2012-2013 remains as we have outlined, at zero real growth in the regular budget. This would be financed through three sources: assessed contributions from the Member States, the sum of which would remain unchanged at 2010-2011 levels, the constitutionally-fixed contribution of the United Kingdom for 2012, and the retention of UBs to finance both the missing contribution from the UK in 2013 and the inflation adjustment for the biennium.

As a part of my proposal for this transitional funding mechanism, I suggested that an open-ended working group of interested Member States could be established in mid-2012 to review UNIDO's mandate and mission, and to support the development of a sustainable budget concept for the future. This working group could consider all relevant options in terms of budgetary priorities, resources, and funding modalities. Such working groups are foreseen in the Rules of Procedure of the Policymaking Organs and have been deployed in the past to deal with such issues as amendments to the Financial Regulations and the collection of arrears.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

As I present my budget proposal to you, I am confident that you will give full consideration to the best interests of our Organization. In particular, I hope very much that you will take into account the pressing need to help us overcome the loss of the UK contributions in order to ensure that we do not suffer the same disruption that we suffered a decade and a half ago.

Please be assured that the Secretariat will provide you with all the information and assistance that you might need in the course of your deliberations.

Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentlemen,

Allow me to remind us all of the purpose of this budget.

Globalization is set to continue, and developing countries need economic growth to produce the jobs that will give opportunities to their growing populations. This desire to grow and trade their way out of poverty must be accommodated within the boundaries of what our planet can sustain. This challenge is precisely what UNIDO is about. We are a unique, focused and lean organization, which delivers value for its stakeholders. We are at the forefront of the UN system's response to some of the most pertinent issues facing the development agenda in the 21<sup>st</sup> century.

One strong message that Member States have delivered to us in the briefings and informal consultations so far is that they value the Organization and recognize its growth in the face of adversity over the last number of years. We strongly appreciate this support – after all, we are here at your behest, to carry out the services that you wish to see from us.

At the same time, we also heard loud and clear that many delegations represent countries that are undergoing financial and economic difficulties of their own, and which have had to take sometimes unpalatable decisions on the allocation of resources.

Please be assured that I, as Director-General of UNIDO, pledge that the Secretariat will do all it can to share the burden that we all face in these difficult and exceptional times.

We are aware of our duty to you as Member States to deliver our programmes with maximum efficiency and effectiveness.

But we also rely on you to empower us to perform. In this connection, we are heartened by the messages of support that we have received from you, and I am therefore confident that your deliberations will lead to a successful outcome – an outcome that will take due account of the financial constraints you face while also providing us with the resources we need to make our contribution to the global development agenda.

Thank you.



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## **Statement by the Director-General**

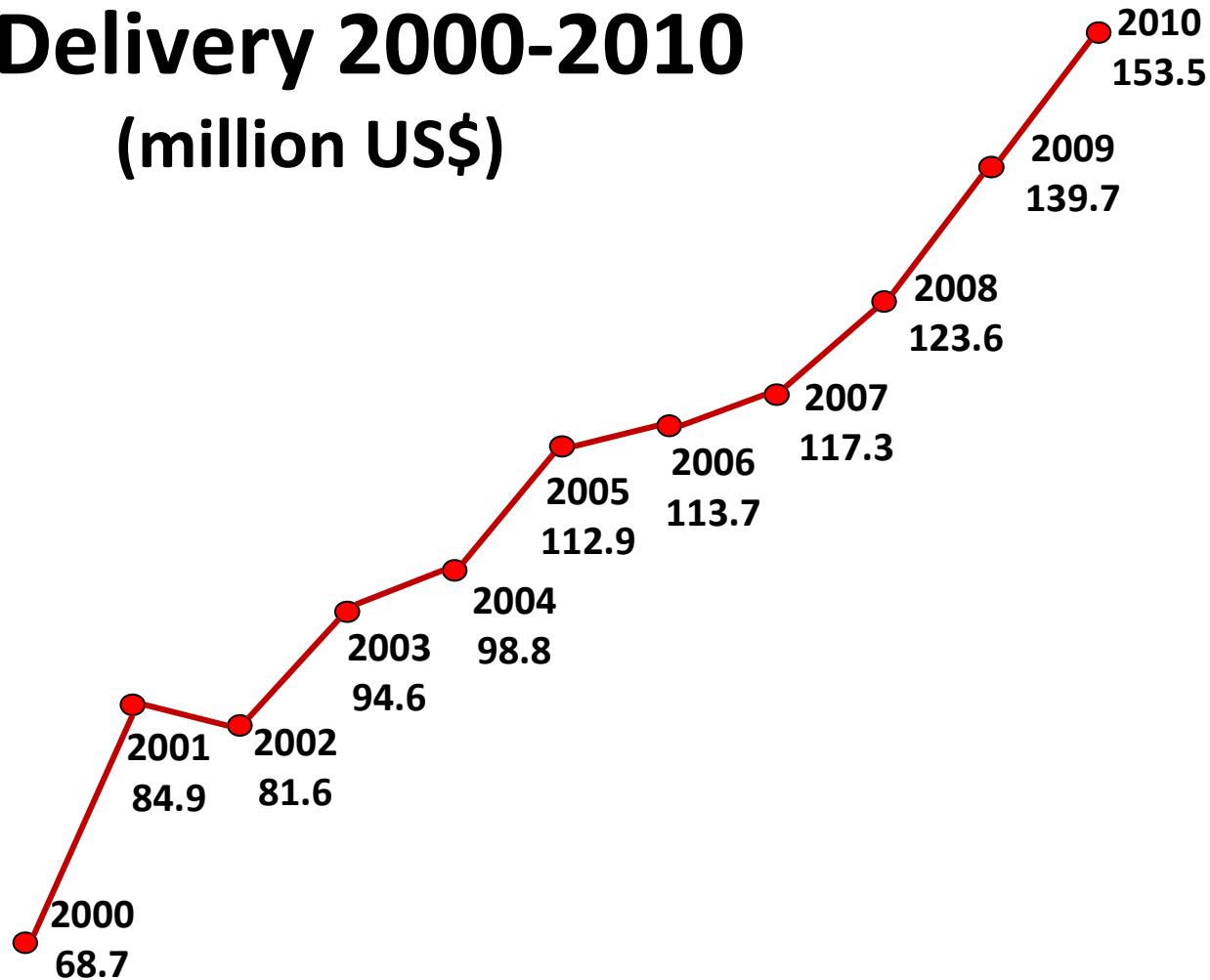
### **Twenty-seventh session of the Programme and Budget Committee**

**11 May 2011**



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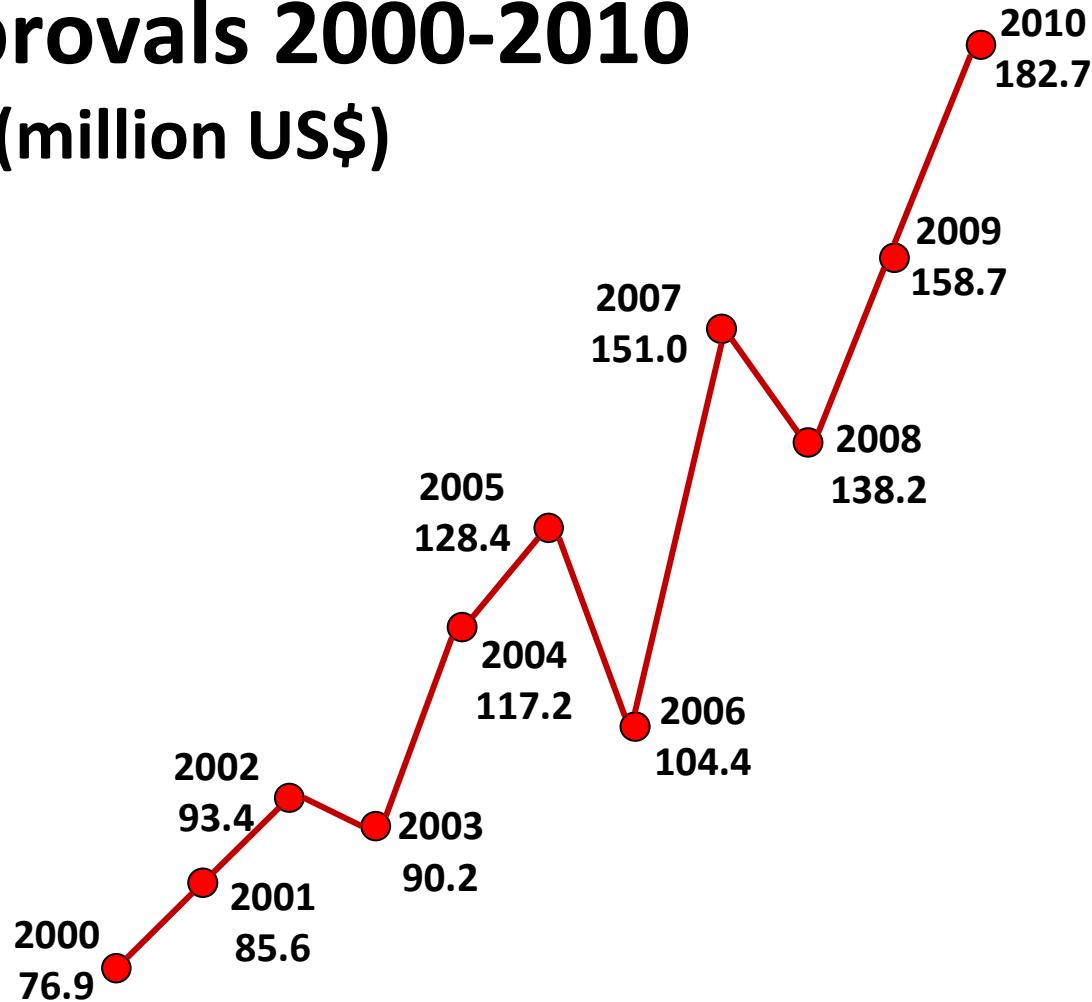
## TC Delivery 2000-2010 (million US\$)





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## Net approvals 2000-2010 (million US\$)





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التقرير السنوي  
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Annual Report  
2010

Informe anual  
2010

Rapport annuel  
2010

Ежегодный доклад  
2010

年度报告  
2010

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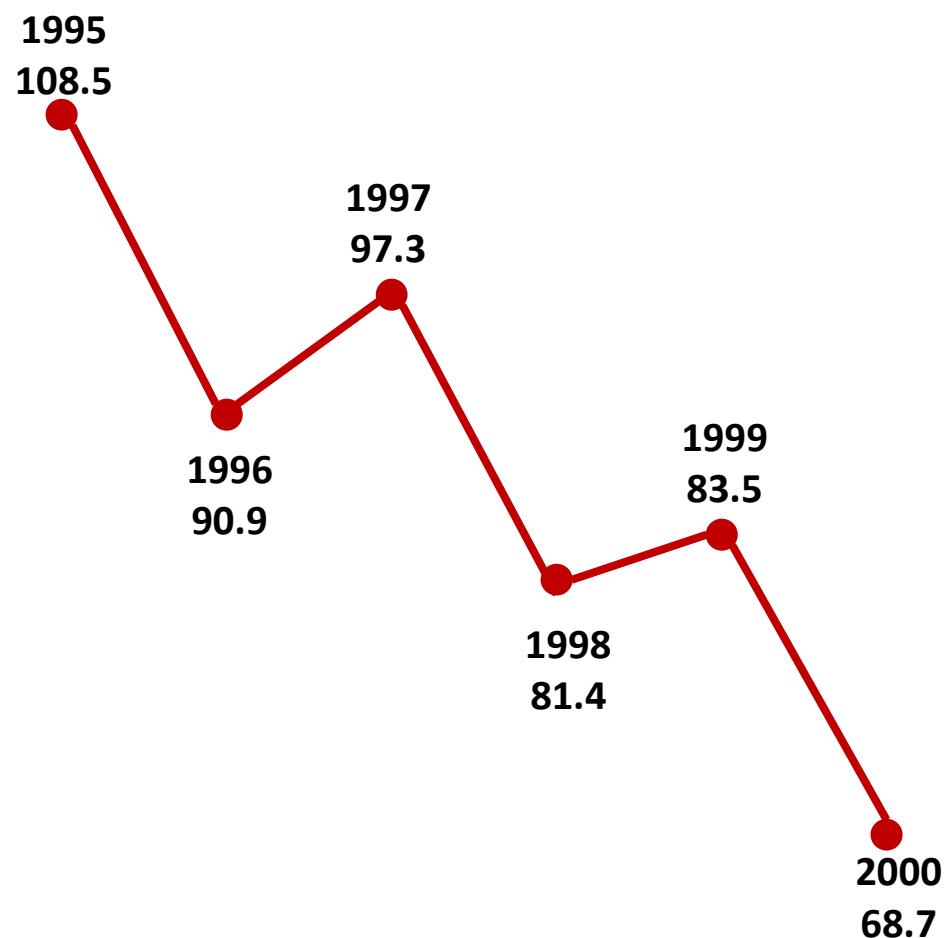


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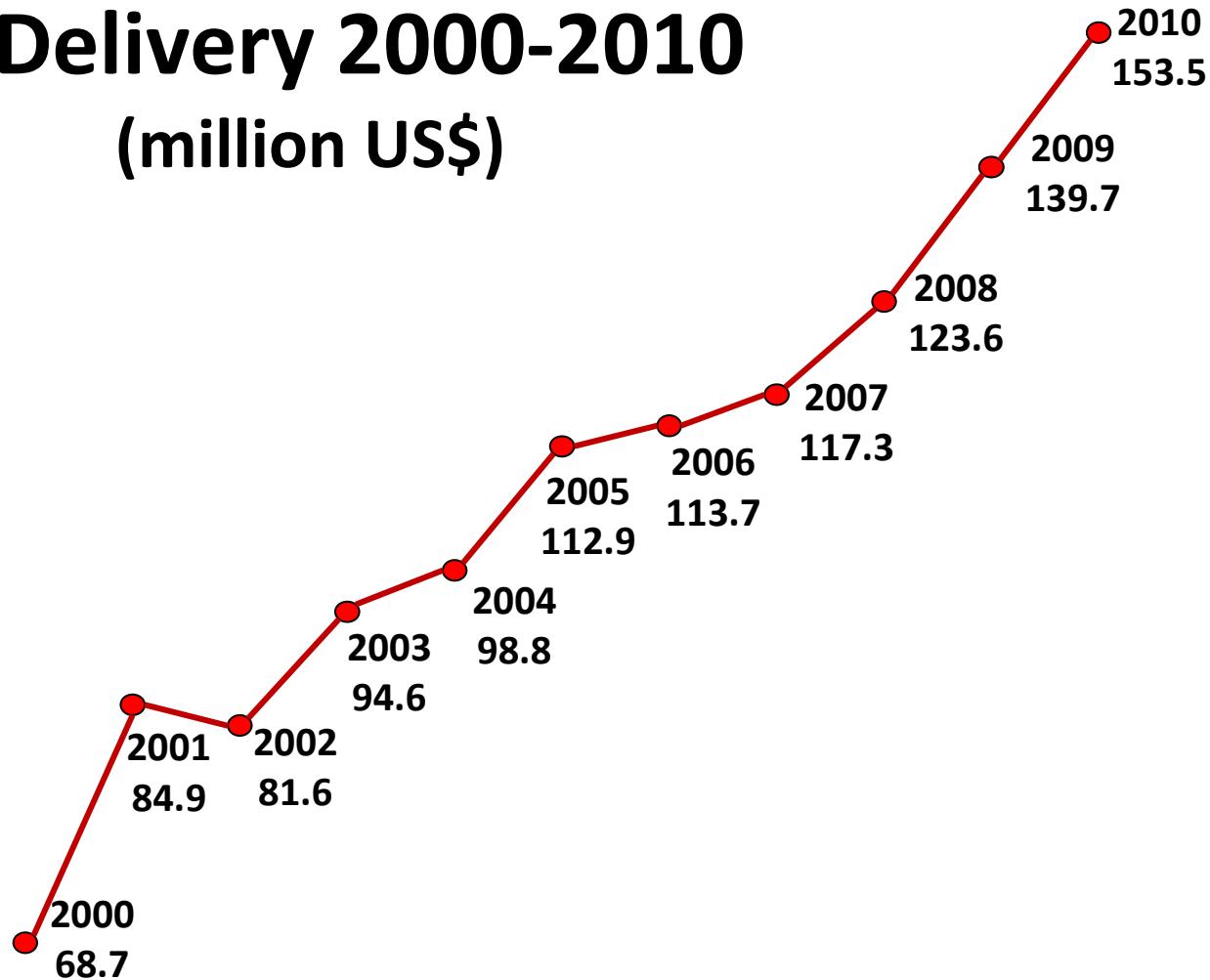
## TC Delivery 1995-2000 (million US\$)





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## TC Delivery 2000-2010 (million US\$)





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# Transitional Financing

- Zero real Growth Regular Budget
  - €160,675,438 net requirements
- Financed through:
  - Assessed contributions in the amount of  
€142,307,637 – unchanged from 2010-2011 level
  - Contribution of withdrawing member state:  
€ 7,229,081 – fixed constitutionally
  - Retention of Unutilized Balance of Appropriations: € 11,138,720 – one time measure