

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



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

**at the
fortieth session of the
Industrial Development Board
Vienna, 20 – 22 November 2012**

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

[SLIDE: PARTNER FOR PROSPERITY]

1: INTRODUCTION

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

Let me start by expressing my gratitude to the outgoing Bureau, and in particular to His Excellency Mr. Cho Hyun of the Republic of Korea who chaired the thirty-ninth session of the Board. Ambassador Cho, it was due to your commitment and leadership that the last session was conducted in such a constructive manner.

I also wish to congratulate our new President, His Excellency Mr. Balázs Csuday of Hungary, 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.

Let me say at the outset that rarely have I seen such a full and challenging agenda at a session of the Board. Looking at the long list of agenda items, what strikes me immediately is that this will be no ordinary session. This week you will take further steps towards framing a new strategic direction for this Organization. In addition, you will consider the process of selecting my successor to the post of Director General. Both of these matters will prove decisive for the future of UNIDO. They also give me pause to reflect on my own time at the helm, and especially on developments and innovations that I believe will stand UNIDO in good stead.

It is on the stewardship of this Organization since 2005 that I propose to concentrate in my address to you today, before looking ahead to consider how UNIDO can maintain growth in challenging times. In doing so, I will also refer to a number of the items on the agenda of this meeting of the Board. To facilitate your deliberations, the Secretariat has submitted a comprehensive set of documents on all agenda items. My staff stands ready to provide additional introductions and information as necessary when these items are taken up for consideration.

[SLIDE: ACCEPTANCE SPEECH 2005]

2: *FROM 2005 TO NOW*

Mr. President,
Distinguished delegates,

The transition to a new administration inevitably calls to my mind that afternoon in December 2005 when I stood before the General Conference as Director-General for the first time. About six months earlier, after my election to the post by Member States, I had come to the IDB and had spoken “off the cuff”. I remember that I spoke animatedly about my mother, my home village in Sierra Leone, my aspirations to change the lives of those held back by lack of water, lack of power, lack of hope. By the time the General Conference came around, I was no less impassioned. But I had spent the intervening months planning for my administration and I wanted to speak in language that tempered vision with practicality.

I had high ambitions for UNIDO then just as I do now. Yet I had to take various matters into consideration: for one thing, we had just emerged from a difficult and lengthy period of restructuring that meant approaching any further organizational changes with great care. For another, at the very General Conference at which I was appointed, Member States had just adopted the Strategic Long-term Vision – an overarching policy framework to which my administration would now be bound. I took the adoption of that document as a vote of confidence by Member States in UNIDO and sought to complement it with an action-oriented manifesto. So in 2005 I set out my own vision for UNIDO in the years to come, a vision through which I knew UNIDO would be able to punch above its weight.

[SLIDE: VISION FOR UNIDO]

In order to fortify our programmes, I announced that it would be necessary to build stronger external **partnerships** and develop **human resource capacity**. I promised to:

- Intensify cooperation with Member States;
- Partner more with UN organizations, academia, the private sector and civil society; and
- Strengthen the commitment and response of UNIDO’s staff.

In terms of substantive **programmatic areas**, I highlighted the following:

- Stimulating the growth of small and medium-sized enterprises in developing countries, to create economic opportunities and reduce poverty;
- Building up the trade capacity of developing countries; and
- Promoting access to reliable energy supplies and access to know-how and technologies for environmentally-friendly industry.

As I look back at my statement of vision, I believe my team chose the right themes and correctly identified partnerships as the basis for UNIDO's future growth and relevance. In fact, I am pleased to say that we have far surpassed the ambitious manifesto we set out 2005.

Our greatest successes in recent years – such as the Green Industry Platform, our work in trade capacity-building, the efforts we took to bring energy into the global development agenda – were largely because of a careful balancing of our different functions: technical cooperation; research, analysis and advisory services; standard-setting and compliance; and convening and partnerships. I will return to this later in the context of UNIDO's future.

Let's take a look at the scorecard, starting with external partnerships and human resource capacity.

[SLIDE: PARTNERSHIPS]

EXTERNAL PARTNERSHIPS AND HUMAN RESOURCE CAPACITY

Bilateral voluntary contributions

The last few years have seen a clear broadening of the donor base and a deeper relationship with many established donors, inter alia with our host country, Austria, and with Bahrain, France, Germany, Italy, Norway, Spain – including through the MDG Achievement Fund – Sweden, Switzerland and Turkey. Engagement with Japan has increased immensely. In the last two years alone, Japan donated the largest amount from its supplementary budget funds in UNIDO history. Collaboration through the UN Trust Fund for Human Security has also increased. In addition, a large-scale partnership on green industry has been initiated. We have also seen new relationships emerge with, among others, China, Finland, India, the Republic of Korea, Nigeria, the Russian Federation, South Africa and Slovenia. Even non-Member States have made substantial voluntary contributions in recent years, specifically Canada and the United States. In fact, 2012 marked the first time direct contributions were received from USAID.

What should also be borne in mind is how these bilateral contributions can leverage co-financing for technical cooperation. Of UNIDO's current project portfolio of \$2 billion, \$1 billion dollars comes from direct contributions and \$1 billion from co-financing.

[SLIDE: SOURCES OF NET APPROVALS 2006 AND 2011]

Multilateral contributions

Since my election in 2005, UNIDO has secured funding from multilateral donors on a scale never achieved before. Collaboration with **European Union** institutions intensified to the extent that UNIDO became a major partner for the implementation of the joint Africa-EU Strategy Action Plan 2011-2013. Just last month we played a key part in the

EU's prestigious European Development Days conference. We have long developed complementarities in the area of trade capacity-building, and now see a strong future working together on green industry issues as well. Net approvals of EU-funded technical cooperation amounted to over \$100 million between 2005 and the present.

Apart from the European Union, the Global Environment Facility (**GEF**) and Multilateral Fund for the Implementation of **the Montreal Protocol** have become major contributors. After having implemented POPs-related projects for the GEF since 2000, becoming a full member of the GEF partnership in 2006 was a strategic milestone for UNIDO. This has brought direct access to GEF funds and led to a strong expansion of UNIDO activities within additional GEF focal areas such as energy efficiency, renewable energy, and use of international waters. More than 90 countries have benefitted or are benefitting from GEF-funded UNIDO projects. Under the GEF-4 replenishment cycle, UNIDO is currently implementing a portfolio of nearly \$200 million, while our projected share in the current replenishment cycle (2010-2014) is \$280 million.

[SLIDE: ASSESSED CONTRIBUTIONS]

Assessed contributions

Of course, partnership with Member States goes beyond increased voluntary contributions. In the past number of years, UNIDO has enjoyed a record rate of collection of assessed contributions, with each biennium averaging 90 per cent or above. Payment plans for assessed contributions due from previous bienniums have been entered into with Burundi, Brazil, Costa Rica, Moldova and Ukraine, and payment plans have been drafted for a further 17 countries. We also very much appreciate that Mexico serviced its arrears in a rapid settlement outside any payment plan.

[SLIDE: OTHER PARTNERSHIPS]

UN, multi-stakeholder, academic, business, civil society partnerships

I have always believed that greater UN coherence would be of benefit to UNIDO and its stakeholders. We therefore ensured that we were actively involved in the intensifying reform process, including through hosting a high-level dialogue on "United Nations system-wide coherence: the next steps", in 2008, and through introducing the theme of global governance to the first UNIDO-hosted meeting of the UN Chief Executives Board for Coordination (CEB) in 2010. To provide for practical participation in the pilot countries and 'self-starters' of the Delivering as One initiative, we approved the establishment of a monitoring group for UNIDO activities.

[SLIDE: INSTITUTION BUILDING]

When looking at my legacy where UN coordination is concerned, one particular issue stands out: energy. Suffice it to say that the decision to appoint me as the first agency head to chair UN-Energy provided UNIDO with a golden opportunity to help reshape the UN system's response to energy-related challenges, and we can all be proud of what we have achieved in this regard. This experience brought home to me the reality that UNIDO is stronger when it brings its expertise together with a broad range of players. Our role in further multi-stakeholder partnerships, such as the Secretary-General's Advisory Group on Energy and Climate Change and the High-level Group on Sustainable Energy for All, proved that UNIDO can influence the global agenda in a positive direction. I am sure that this is a model of partnership that will become increasingly relevant for the Organization going forward. The leadership I have provided to UN-Energy has also been recognized by the Joint Inspection Unit (JIU) of the UN system.

In terms of cooperation with individual UN entities, I am pleased to note that links are broader and deeper than ever. We have strengthened our working relationships with, among others:

- UNEP, especially in building our joint network of National Cleaner Production Centres (NCPCs) and our Resource Efficient and Cleaner Production (RECP) programme, and more recently in the framework of the Green Industry Platform;
- FAO and IFAD, on agri-business and agro-industry, value-chain development, bio-energy, and food security;
- ILO, for example in the multi-stakeholder programme for productive and decent work for youth in the Mano River Union countries;
- WTO, UNCTAD and ITC, in the context of the "aid for trade" initiative, which led to the formulation, with other UN organizations, of the very effective Inter-Agency Cluster on Trade and Productive Capacity.

[SLIDE: SOUTH-SOUTH COOPERATION]

UNIDO has enjoyed a strong partnership with UNDP over many years. This has included cooperation in projects, partnerships at the field level, and more upstream activities. In this spirit, we are pleased to welcome UNDP to Vienna as co-organizer of the Global South-South Development Expo, currently taking place at the Hofburg Palace. The Expo is the UN's premier event highlighting the success and potential of development solutions emanating from the 'Global South', and I am proud that UNIDO is the host organization. In this connection, I am also very pleased that UNIDO has been invited by UNDP to make a substantive contribution to the forthcoming Human Development Report for 2012.

[SLIDE: BUSINESS PARTNERSHIPS]

Business partnerships have been greatly increased during my tenure. Our cooperation with METRO group on international quality standards reaped rewards immediately from its inception in 2009, and is being scaled up and replicated with other major international retail corporations, including Aeon of Japan. Partnerships with Microsoft and Hewlett Packard have enriched our entrepreneurship initiatives in many countries. Working together with Scania and the Government of Sweden, UNIDO has achieved notable success in building skills and reviving economic prospects following civil conflict in Iraq.

We are very proud of how we have managed to bring the best of the academic world to bear on the challenges of developing countries. UNIDO's flagship Industrial Development Report has benefitted from inputs from renowned experts; meanwhile, through initiatives such as our Institute for Capacity Development, we have brought academic expertise directly to policymakers from developing countries.

We have also brought civil society closer to our work, whether through mobilizing the know-how and networks of business associations and chambers of commerce at project level, or through encouraging CSO participation in our major conferences. For example, CSOs were actively involved in our 2009 Global Renewable Energy Forum in Leon, Mexico, and in the 2010 Tokyo Green Industry Conference.

[SLIDE: HUMAN RESOURCES]

Human resource capacity

Mr. President,
Distinguished Delegates,

At my inauguration, I also promised to strengthen the commitment and capacity of UNIDO staff. In essence, I wanted to implement a root-and-branch change programme for human capital development even before our PCOR got off the ground. We will give a separate statement on the change management programme and the next steps when the relevant agenda item arises. Suffice it to say that, although there is still some way to go, PCOR is well on track. For now, let me recap on some of what my administration has achieved:

- We completely redesigned the selection process for Professional staff, increasing transparency and fairness;
- A focal point for ethics and accountability was established;
- Action was taken to rejuvenate staff, with just under 80 per cent replenishment of Professional staff since 2005 and the introduction of a Young Professionals Programme;
- A policy on gender equality was adopted in 2009.
- The adoption of the Field Mobility Policy decreased field vacancy ratios;

- The 360-degree appraisal process now gives a holistic overview of staff performance, with clear feedback on personal strengths and development needs;
- Training has been intensified, concentrating on new skills and methods, including results-based management and communication skills;
- An enhanced communications and consultations framework with staff has been institutionalized through regular meetings and improved information flows;
- A revised Human Resource Management Framework in 2010 strengthened succession planning and knowledge management.

I am pleased to be able to report that these measures have led to a significant improvement in staff-management relations. This is a matter of considerable interest in the UN system as a whole, and has been included as one of the topics that the Joint Inspection Unit is currently reviewing. In this connection, I wish to give special recognition to Ms. Odile Dorer, President of the Staff Council for the constructive role she has played.

[SLIDE: TC IMPLEMENTATION v STAFF]

And, lastly, let me remind you that during all this time staff numbers remained almost static while delivery of technical cooperation grew substantially. Moreover, as I have indicated on several occasions in the past, the figures of our technical cooperation delivery do not fully reflect the full volume, and impact, of the services we provide since it excludes the significant amount of co-financing that our programmes attract.

If this co-financing is included, the total volume of our technical cooperation services rises to more than US\$ 1 billion. I know of no other UN agency that has successfully maximized the value of its staff to such an extent. While we can be proud of this, in the long run increased demand for delivery does place great pressure on staff resources which would need to be addressed through greater investment by Member States in their Organization.

SUBSTANTIVE PROGRAMMES

Programmatic areas

[SLIDE: TC IMPLEMENTATION BY THEMATIC PRIORITY]

As you can see, implementation grew across all thematic priorities. Looking back at the programmatic areas I had targeted for expansion in 2005, in some ways these were a reflection of how the world stood at the time. The expectations for a rapid conclusion of the Doha round of trade negotiations were high, and this led to a presumption of increased aid flows for trade-related programmes. The focus on SMEs reflected a vision of how UNIDO could best support productive capacity in a time of increasing globalization and potential for the integration of smaller enterprises into global supply chains. While Doha did not conclude, the Aid for Trade initiative did materialize. We

established a trade capacity-building branch, which has developed a strong reputation and expertise, especially in the area of quality and compliance infrastructure.

Our work on supporting private-sector development, and SMEs in particular, crystallized into mutually supportive programmes on business, investment and technology services; entrepreneurship development; and the particularly important growth area of agribusiness and agro-industry. The latter is a critical driver of economic development for many developing countries that are dependent on agriculture since it provides the basis for the economic diversification, structural transformation and value addition that they so urgently need. It also has important social implications as a source of employment creation, income generation and enhanced food safety and security.

The last of the programmatic areas I wanted to target was energy supply and access to environmentally-sound technologies for industry. Of all components of my 2005 manifesto, I believe that this showed the most foresight. UNIDO had been active in aspects of cleaner production since at least the 1990s, but environmental concerns were still not yet accepted as at the core of industrial development. Energy was something entirely new for the Organization – yet for the first time, UNIDO had an energy branch. But the seeds of the Green Industry Platform and the future direction of UNIDO were sown back in 2005. So too were the seeds of Sustainable Energy for All, for that matter.

[SLIDE: FOUR ENABLERS]

Four ‘enablers’

All of these programmatic areas – which corresponded to the three thematic priorities of poverty reduction through productive activities, trade capacity-building, and environment and energy – grew in scope because we realized that a focus on technical cooperation alone would be too limiting. As I stated at the outset, our greatest successes came when technical cooperation was informed by research and policy advice, was linked to standard-setting and compliance, and was disseminated and expanded through our convening role. These four ‘enablers’ are the lifeblood of UNIDO, and I will always defend them as inherent and necessary attributes of a UN specialized agency. Commitments made by seventy or more partners at Rio+20 to invest in the Green Industry Platform came about because of a chain of UNIDO activities in technical cooperation, in major global conferences, in research, and in reaching out to partners. I have no doubt that we can do the same in agro-industry, in trade capacity-building, and in other areas of industrial development.

3: *LOOKING AHEAD*

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

You will know by now that I tend to prefer to look to the bigger picture during my addresses to the Board. In the past I have spoken to you about the changing development landscape, the rise of ‘global megatrends’ and the need for UNIDO to adapt accordingly. At times some of you may have wondered why I wanted to give my opinion on the financial and economic crises, the food and fuel crises, changing demographics, and so on. You may have wondered why UNIDO should be concerned with such matters, when our programmes had been acknowledged as working well, when our niche seemed relatively secure.

The truth is, I have always been alive to the need for constant change and evolution. As an Organization we must always be responsive to changing needs and changing times. We are the industrial development organization, but the concept of industrial development is itself ever-changing. Two decades ago industrial policy was consigned to the trashcan; today its relevance is recognized again. Ten years ago the MDGs framed development around the social sectors; today the SDGs or post-2015 goals are likely to bring productive capacity back into the fold. Two items on your agenda today are all about change and the bigger picture. These are item 8 on the progress of the informal working group on the future, including programmes and resources, of UNIDO; and item 11 on the selection process for the post of Director General.

[SLIDE: DIMENSIONS OF SUSTAINABLE DEVELOPMENT]

The question I believe Member States should keep in mind as they look to the future of UNIDO is: how do we maintain growth in challenging times? First of all, we need to make sure that our programmes are well aligned with the global development goals, and that those global goals have a place for industrial development. Rio+20 made it clear that sustainable development will be at the centre of the future agenda, and UNIDO is already well placed to act on its three dimensions of economic growth, social inclusiveness and environmental sustainability.

[SLIDE: PROGRAMMATIC FOCUS AREAS]

Secondly, within the context of sustainable development, we should build on our programmatic successes and proven expertise by moving aggressively on four areas in particular, although all UNIDO services remain relevant:

1. the Green Industry Platform: resource efficiency, ecosystems and biodiversity (adaptation);
2. Industrial energy efficiency (for climate mitigation);
3. Agribusiness, combined with industrial upgrading and trade capacity-building for jobs;
4. Strategies for low-carbon and low-emission industrial development;
5. South-South cooperation.

All of these areas require a careful calibration of our functions of technical cooperation; research, analysis and policy advisory services; standard-setting and compliance; and convening and partnerships. I trust that the informal working group will consider this carefully as it plays its role in helping to formulate UNIDO's future strategy together with the incoming administration. For now, the Secretariat needs to continue with the planning of the budget for the next biennium, which will have to absorb the reduction in assessed contributions caused by the departure of Member States.

As we outlined to the Bureau of the Programme and Budget Committee two weeks ago, the timetable is such that we believe it best to retain the current programmatic structure for now. This would mean extending the medium-term programme framework 2010-2013, while giving the next Director General sufficient latitude to re-align it in due course. I am confident that the fifteenth session of the General Conference in December 2013 will have before it a strong statement of strategy to guide the Director General in this regard.

In the meantime, as current members of senior management approach retirement in the coming months. I have made arrangements for the appointment of Officers-in-Charge to the Secretariat's functional divisions and some affected management posts. This will ensure continuity while not tying the hands of my successor. In this connection, I wish to express my appreciation for the sterling work undertaken by departing Managing Directors and other senior staff, many of whom have given long years of service to the Organization.

As regards the fifteenth session of the General Conference, I wish to express my appreciation and enthusiasm for the offer made by the Government of Peru to host that session in Lima. Should the Board decide to approve this offer, it will be the first General Conference to take place outside Vienna since 1993.

Distinguished delegates, some of you will recall that the second General Conference took place in Lima in 1975 and adopted the Lima Declaration and Plan of Action on Industrial Development and Cooperation. I believe that holding the Conference in Lima would be an opportunity for Member States to renew their commitment to promote industrial development and South-South cooperation among the regions.

4: CONCLUSION

Mr. President,
Distinguished delegates,

Before closing, allow me to mention that at this evening's reception to mark this session of the Board, I will be launching a book in honour of the late Professor Sanjaya Lall, entitled "Evidence-based Development Economics: Essays in Honour of Sanjaya Lall". Professor Lall was one of the world's greatest development economists, and from his college at Oxford University he published a staggering amount of top quality research and analysis on areas such as the impact of foreign direct investment in developing countries, the economics of multi-national corporations, and the development of technological capability and industrial competitiveness in developing countries. We in UNIDO are proud to have had a close association with him over many decades. Indeed, it is Professor Lall that we have to thank for the genesis of the Industrial Development Report – he truly understood the need for the action-oriented research that has become our hallmark.

[SLIDE: PROCEDURES FOR APPOINTMENT OF DG]

Professor Lall was always open to change and innovation. In that spirit, and despite the challenges that exist, I look to the future of UNIDO with great optimism. This is an agile and flexible organization that will have much to offer in the post-MDG world. The slide before you shows the schedule and procedures for appointment of my successor. You can be assured that, while I will leave for pastures new in the middle of next year, I will always be an advocate for this Organization and for the intrinsic value of industry for development.

Thank you.





Vision for UNIDO

- Increased cooperation with Member States
- Enhanced external partnerships
- Strengthened staff commitment

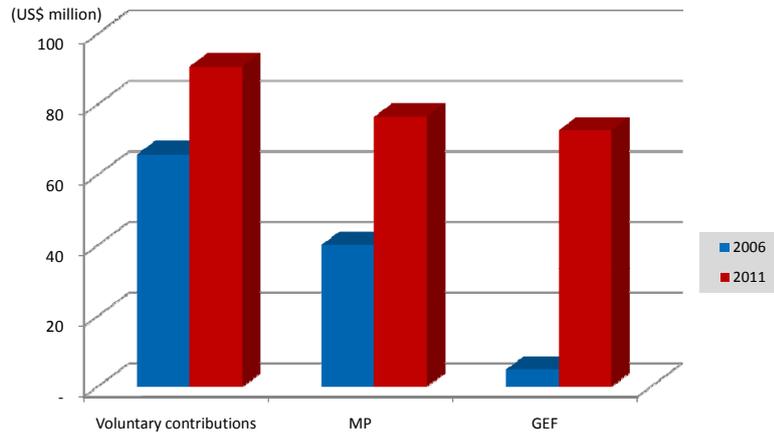
- Poverty reduction through economic opportunities
- Strengthening of trade capacity
- Access to energy and to environmentally-friendly technologies



Partnerships

- Strengthening of existing partnerships
- Developing new partnerships
- Establishing partnerships with non-Member States

Sources of net approvals in 2006 and 2011



Assessed contributions

- The rate of collection of assessed contributions consistently exceeded 90 per cent.
- Since 2006, five Member States have entered into payment plans to pay arrears in assessed contributions
- Payment plans have been drafted for 17 other Member States



- UN system
- Inter-governmental
- Private sector
- Academia
- Civil society
- Multi-stakeholder

Institution building



ECOWAS Regional Centre for Renewable Energy and Energy Efficiency



Bio-energy partnership with Itaipu Binacional

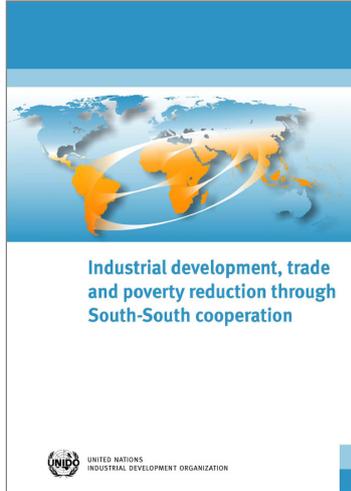
甘肃省太阳能风能协会



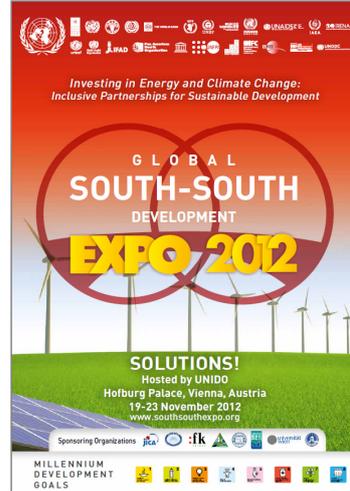
Solar & Wind Energy Association of Gansu Province, China



UNIDO-UNEP Climate Technology Center



2006



2012



Microsoft



METRO GROUP



SCANIA



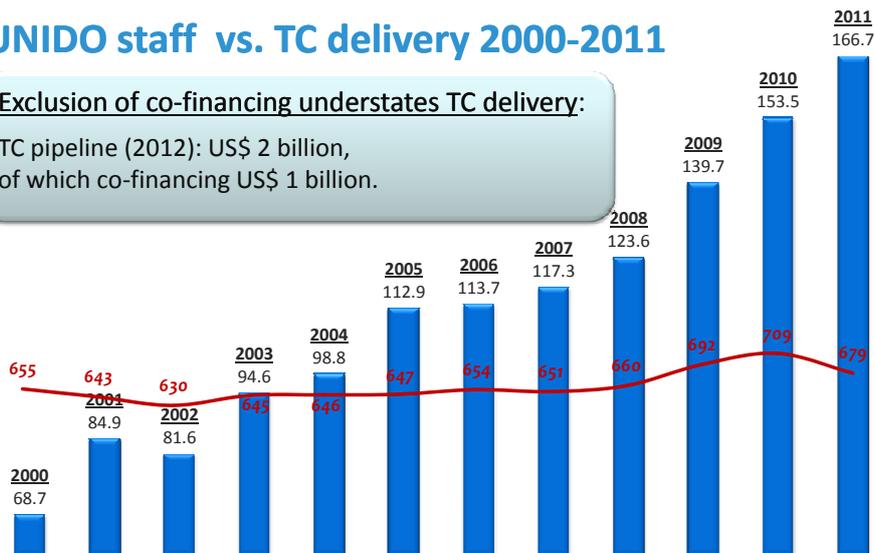


- Redesigned selection process, increasing transparency and fairness
- Focal point for ethics and accountability established
- Gender equality policy adopted
- Rejuvenation of staff
- Adoption of the Field Mobility Policy decreased field vacancy ratios
- Improved information flows, communications and consultations
- Strengthened performance management and succession planning

UNIDO staff vs. TC delivery 2000-2011

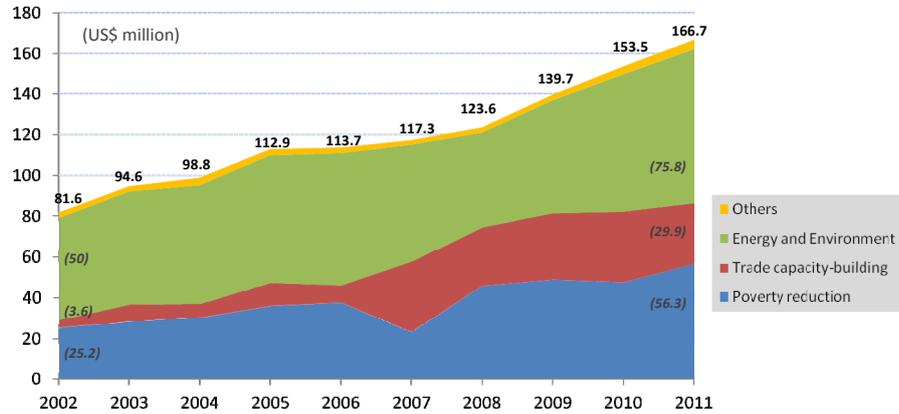
Exclusion of co-financing understates TC delivery:

TC pipeline (2012): US\$ 2 billion, of which co-financing US\$ 1 billion.



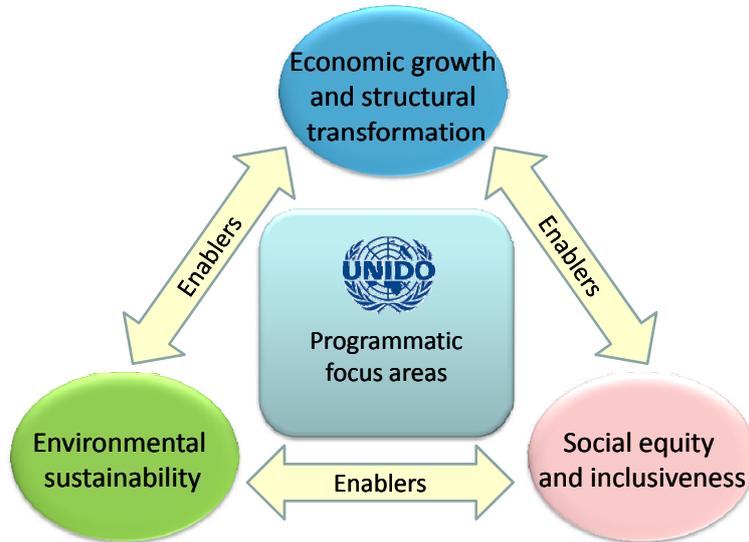


TC implementation by thematic priority



Four “Enablers”

- Technical cooperation
- Analytical and policy advisory services
- Standard-setting and compliance
- Convening and partnerships



Programmatic focus areas

- Green Industry Platform: Resource efficiency, ecosystems and biodiversity (adaptation)
- Industrial Energy Efficiency (for climate mitigation)
- Agribusiness combined with industrial upgrading and TCB for jobs
- Strategies for low-carbon and low-emission industrial development
- South-South cooperation

all other UNIDO services remain relevant



partner for prosperity

Procedures for the appointment of the Director-General

1. **Early December 2012:** Invitations for nominations of candidates to be circulated
2. **24 April 2013:** Deadline for receipt of nominations
(2 months prior to opening date of IDB.41)
3. **21 May 2013:** Candidates' forum
4. **Scenario A: Early appointment of Director-General**
 - 24-27 June 2013: IDB.41: Election of new Director-General
 - 28 June 2013: Special session of General Conference: appointment of Director-General and handing over.**Scenario B: Designation of Acting Director-General**
 - 24-27 June 2013: IDB.41: Election of new Director-General and designation of Acting Director-General until GC.15 (2-6 December 2013).
No special session of General Conference required.

Poverty Reduction through Productive Activities • Trade Capacity Building • Environment and Energy



partner for prosperity