

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



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

**at the
twenty-ninth session of the
Programme and Budget Committee
Vienna, 22 May 2013**

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

I would like to extend a warm welcome to all participants of the twenty-ninth session of the Programme and Budget Committee. At the outset, I wish to congratulate His Excellency Ambassador Soltanieh, Permanent Representative of the Islamic Republic of Iran, on his election to the chairmanship of the Committee. I am confident, Mr. Chairman, that with your able guidance, this session of the Committee will be conducted in an efficient and productive manner. Let me also share my appreciation for the outgoing Chair, Her Excellency Ambassador Stix-Hackl of Austria, whose dedication in challenging times has played a major part in allowing me and my team to bring my budget proposals before you today.

Mr. Chairman,
Distinguished Delegates,

INTRODUCTION

You have an extensive range of items on the agenda over the next couple of days. All of the relevant documents under these agenda items have been made available, and presentations on many aspects of the financial items have been delivered 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.

That said, I would like to briefly mention some of the items before turning my attention to the primary issue for consideration, item 5 on the Programme and Budgets, 2014-2015.

Item 3 introduces the report of the External Auditor. Once again, let me express my gratitude for the work of the various audit teams both in Vienna and in field locations, which led to a very valuable report. UNIDO once again received an unqualified audit opinion on its IPSAS based accounts, which will be reassuring for all stakeholders. As usual, the related programme performance report is included in the Annual Report for 2012. In this connection, under item 13 Member States are invited to consider candidates for the appointment of External Auditor for the period 1 July 2014 to 30 May 2016. It is heartening to see such interest in the position, with seven candidates from a wide range of countries and regions.

Another notable agenda item is item 9, Strengthening UNIDO programmes through unutilized balances of appropriations. This item allows for consideration of the Programme for Change and Organizational Renewal (PCOR) and of developments concerning the trust funds on food security and renewable energy.

From the start of my tenure as Director General to the end of 2012, the total level of unutilized balances of appropriations amounted to €62.9 million, mostly as a result of Member States paying arrears in outstanding contributions. Out of the total amount, Member States voluntarily renounced €22.5 million, of which €5.3 million was specifically earmarked towards PCOR and €17.2 million towards technical cooperation programmes. At this point, I wish to express my sincere gratitude to those Member States that have paid their arrears in outstanding contributions and to those that generously renounced their share of unutilized balances of appropriations. I am particularly proud of having renewed the interest of so many Member States to re-engage with UNIDO.

Delegates may note that at the end of 2013 new unutilized balances will become available for distribution, thanks to the payment of arrears by several countries. I am sure discussions about the potential use of these funds will intensify in the autumn, as the General Conference in Lima approaches.

Item 10, concerning the informal working group on the future, including programmes and resources, of UNIDO, should also be mentioned at this juncture. I am fully aware and very appreciative of the painstaking work that Member States have undertaken as part of this group. The two co-chairs of the process, Her Excellency Ambassador Dengo of Costa Rica and Mr. Groff of Switzerland, have laboured long and hard to bring it to a successful conclusion. I know that everyone in this room shares my view that we owe a debt of gratitude to both of them.

We all look forward to the completion of the report of the Informal Working Group, which will serve as a very important strategic input to the next Director General, particularly in light of the proposed Lima Declaration to be adopted at the General Conference in December, as well as in the context of the next version of the medium-term programme framework (MTPF). I am also convinced that the food-for-thought papers and other exercises carried out during the course of the working group's deliberations will also serve as building blocks.

This links to item 8 on the agenda, under which we are suggesting that the current MTPF be extended for the time being. I believe that doing so will give the next administration the latitude it needs to re-fashion the programmes and strategies of UNIDO in line with new challenges and opportunities.

ITEM 5: PROGRAMME AND BUDGETS 2014-2015

Mr. Chairman,
Distinguished Delegates,

I now wish to turn to my proposals for the Programme and budgets 2014-2015, which is the subject of item 5 on the agenda.

My original proposals were circulated to you in March. Due to the known departure of certain former Member States, these proposals had planned for a significant reduction in the budget compared to that of the previous biennium, even when adjusted for inflation. This was deeply regrettable but unavoidable. My senior management and I did what we could to ring-fence core activities and absorb these reductions through efficiency gains and cost savings. I presented these proposals to Member States on 21 March, and briefings to regional groups were held from 15 to 17 April.

One day after the regional group briefings, on 18 April, the UNIDO Secretariat was informed about the decision of a Member State to withdraw from UNIDO. On the understanding that the necessary steps towards withdrawal are taken in the current year, this will take effect at the end of 2014.

This development inevitably required action on my part to ensure that a viable budget proposal could be put before the Programme and Budget Committee. My management and I lay great store in having the budget approved before my successor takes over at the end of June. Again, this will give the next Director General the latitude needed to make real, informed, decisions on the programmatic and strategic future of the Organization, instead of starting out by fighting fires.

In fact, under Article 14, paragraph 2, of the Constitution of UNIDO, the PBC is required to provide a recommendation to the Industrial Development Board. I recognized that unless changes were made to the original budget proposals, any positive recommendation would be unlikely.

REVISED PROPOSALS

The revised proposals that I present to you follow a series of further internal and external consultations, and I thank Member States for their forbearance and patience as I embarked on these. Following discussions with the outgoing Chair of the PBC, a joint meeting of the bureaux of the Industrial Development Board and the Programme and Budget Committee was held on 2 May. The following week, informal consultations for all Member States were held over the course of two days.

IDB.39/Dec.7

I now wish to take the opportunity to explain the rationale behind these proposals, as well as to go into detail on specific points. The guiding principle has been the one contained in Board decision IDB.39/Dec.7, according to which, upon the departure of any Member State, the Organization's regular budget shall be readjusted so as not to increase the assessed contributions of the remaining Member States.

[Slide: "Revised Proposals"]

Proposals

The funding gap that has emerged for the next biennium following my initial submission in March stands at €5,335,887 in total. In accordance with the IDB decision providing that no Member State should have their assessed contribution increased as a result, it is necessary to reduce the originally proposed regular budget by the same amount.

In identifying measures for reduction, I applied the following two key principles:

- The impact on programmes should be minimized as much as possible, preserving our capacity to deliver technical cooperation services at the estimated value of €18.8 million during the course of the biennium;
- Efficiency gains should be maximized by further reducing administrative support positions, deferring the intended strengthening of the field network, lowering operating costs including travel, and optimizing the costs of policymaking organs sessions and documentation.

My proposals for reducing the original submission are:

1. Twenty posts are to be abolished. The abolition of these posts leads to a saving of €2.07 million. Regrettably, it also means deferring the planned capacity extension of our field network for the time being.
2. Reductions in operating costs will be partly met by ceding the use of two floors by the Secretariat in its Headquarters building. These floors, with a combined service area of around 2,900m², will be handed over to the other Vienna-based Organizations. The resulting cost reduction will amount to about €1.28 million, including the impact of reduced estimates for utility costs.
3. Further savings in operating costs will be obtained by reducing travel expenses and funds for general temporary assistance by €0.62 million and €0.30 million, respectively.
4. I also propose a reduction in the budgeted costs of the Policymaking Organs by €0.74 million. A key element of this reduction is the replacement of written summary records of sessions of the Industrial Development Board and the General Conference with digital recordings, resulting in an estimated saving of at least €0.30 million. The introduction of page limits to documents submitted to sessions of the policymaking organs, as well as a move to electronic document distribution only, completes the proposed measures in this package.
5. Lastly, the Regular Programme of Technical Cooperation will suffer an automatic reduction of €0.32 million in order to comply with the Constitution of UNIDO, which sets the limit of this programme at 6 per cent of the net regular budget. This is regrettable but unavoidable given the reductions elsewhere.

Mr. Chairman,
Distinguished Delegates,
Ladies and Gentlemen,

You have often heard me refer to the big picture, and appeal for support in carrying out the development mandate of your Organization. On this occasion, I have preferred to deal squarely and succinctly with the most pressing issue we face: that of securing a budget for the forthcoming biennium within the next 48 hours.

That is not to say that issues concerning the mandate of UNIDO and its importance for developing countries are far from my mind. On the contrary. The very reason I wanted to focus solely on the Programme and Budgets 2014-2015 is to ensure that the next Director General can hit the ground running and advocate strongly for the role of industrial development in the world.

The approval of a solid budget will give the new Director General the stability needed to lead the Organization and to focus on the future. In a world that is changing so fast, there are a number of challenges: regarding jobs, wealth creation and climate change. If we continue industrialization and resource consumption as we did in the past, we are putting our environment at risk, with the strongest impact on the poor. When you combine the challenges of sustainability with that of job creation and of fighting poverty, a forward-looking Organization is needed that is agile in facing the realities of the world.

The new Director General thus needs the space and the degree of freedom to think ahead of the challenges and opportunities this Organization will face. I have had my share of these. I faced those challenges head-on, and through the close cooperation with our Member States, UNIDO experienced its best performance during the past seven years. My team and I succeeded in many ways, but mainly because I was able to anticipate the future and to project the Organization into various areas of relevance, so as to ensure that the mandate of UNIDO was understood and recognized.

In this regard, it is also important to consider the role that UNIDO will play in the post-2015 development agenda and in defining the set of sustainable development goals that will guide international development cooperation in the next decade or two. We see economic growth and employment creation, the productive sectors, and green industry emerging as key issues.

For these reasons, along with the fact that we have seven fine candidates competing for the post of Director General, I have every faith in the future of this Organization. The candidates come from countries where technology, structural change and industrialization have played a key role, and are thus well suited to lead the Organization through the challenges ahead.

When someone doubts the relevance of this Organization, I ask them to forget ideology and focus on the reality of the world. Looking at the countries that have succeeded in reducing poverty and in meeting the main target of MDG1 —halving the proportion of people living on \$1.25 a day— the real success stories are those countries that moved into manufacturing and industry.

This is all clear evidence that UNIDO's mandate is more relevant than ever. UNIDO is a unique agency that bridges the developmental and humanitarian objectives of the United Nations — Kofi Annan rightly used to say that although development cannot be achieved without peace, so can peace not be secured without development and wealth creation.

Such substantive matters are for another day, but they underpin the need for this PBC session to recommend for approval our budget proposals at the forthcoming session of the Board. I am confident that Member States will rise to the occasion and ensure that the next administration is empowered to deliver on your behalf.

Thank you.



Revised proposals

- Further reduction of the regular budget by € 5.34 million for the biennium 2014-2015.
- Impact on programmes should be minimized to preserve the capacity to deliver TC services of approximately € 318.8 million (USD 420.4 million) during 2014-2015.
- Proposed reduction measures:
 - Abolition of twenty staff posts
 - Vacating of two floors
 - Reductions in travel and GTA funds
 - Cost reductions for PMO meetings
 - Automatic reduction of Regular Programme of Technical Cooperation