

*Director General's speech  
on the occasion of the  
UNIDO Forum on Strategies and Instruments for Inclusive and Sustainable Industrial  
Development (ISID)  
Vienna, 23 June 2014*

Excellencies,  
Honourable guests,  
Ladies and Gentlemen,

It is my pleasure to welcome you today in Vienna as we convene for the first of two Global Forums on inclusive and sustainable industrial development, or ISID, the second of which will take place later this year in October. We are fortunate to have here experts and practitioners from a wide range of backgrounds, with different experiences, lessons and views on industrial development and industrial strategies and policies. I am extremely gratified to see here distinguished guests from government, international organizations, the public and private sectors, financial institutions, academia and civil society. I would like to express my sincere gratitude to all of you for your participation and for your support to UNIDO. With your active engagement, I am confident of the success of this forum.

Let me also express my sincere thanks to the organizers of the forum, and to the Permanent Mission of Hungary for co-hosting the forum dinner, which will take place at the Embassy of Hungary this evening.

In my speech I would briefly like to touch upon the background to this Forum and the origins of the ISID concept.

It is over half a year since Member States endorsed UNIDO's new mandate of ISID during the 15<sup>th</sup> UNIDO General Conference in Lima, Peru. I remarked at the time that the General Conference was a truly historic event - a conference that brought a new spirit to UNIDO. A spirit of inclusive and sustainable industrial development. A spirit of partnership and cooperation. A spirit that makes us aspire for a better and more prosperous tomorrow.

As the driving force behind this forum, the Lima Declaration highlights the role of industrialization in accelerating development. Industry increases productivity, job creation and generates income, thereby contributing to poverty eradication, providing opportunities for social inclusion, including gender equality, empowering women and girls and creating decent employment for youth. As industry develops, it drives an increase of value addition and enhances the application of science, technology and innovation, therefore encouraging greater investment in skills and education, and thus providing the resources to meet broader, inclusive and sustainable development objectives.

The ISID approach departs from the past models of development which are not working for all and are not sustainable. It emphasizes three pillars; social, environmental and economic.

This means that we need to consider the impact of industrial development, not just on economic growth, but also on the environment, on communities and on society at large. In the context of strategies and policies on business infrastructure, we should be inclusive – and engage

with all stakeholders from the outset to minimise environmental impacts, and to maximize the social and community benefits.

Due to the profound economic and social consequences of the international financial crisis, Industrial policy has drawn special attention and also undergone a radical rethinking, with far reaching implications for the central assumptions of economic theory and development, not least with regard to market mechanisms and the role of government intervention. There is a renewed focus on the relevance of industrial policies based on a rationale that markets are not perfectly efficient when left to themselves and that the state has a critical role to play.

I also said in Lima that 2014 must be a year for action and I pledged to work hard to repay the trust that Member States have placed in UNIDO through their support for the Lima Declaration. I am pleased to say that we at UNIDO have made the case for ISID at the national and global levels and have infused our work and our message with the mandate you have given us through the Lima Declaration. Now we are also making a contribution to shaping the global development agenda and defining Sustainable Development Goals.

Member states have addressed the issue of 'why ISID', and now we move to the important question of 'how'. It was my intention when I initiated these forums following the adoption of the Lima Declaration to create a platform to bring together policy makers and practitioners to exchange ideas and knowledge, experience and best practice on promoting the ISID concept. While it is important to recognize that there is no one-size-fits-all model, there are good practices all over the world in pursuing the pillars of ISID.

In terms of operationalizing the ISID mandate, we need to ensure that our operations have a real impact. We need to understand modern industrial policymaking. Sound industrialization is a complex and systematic process that requires a concerted effort by all stakeholders in society. It also requires a holistic approach to the structural transformation of the economy. This may touch upon a variety of areas, ranging from infrastructure and tax systems to education, research and investment.

By improving business infrastructure, countries enhance the general business climate, which in turn strengthens competitiveness and productivity, encourages investments, R&D and innovation, the use of information and communication technology ICT, and job creation. An effective business infrastructure requires multilayered management, ensuring synergy between the various levels of government, national, regional and local, and partnerships between business, government, universities, and civil society. This enables the creation of broad links between knowledge generation and commercialization.

Countries can take advantage of the opportunities, not least those generated by the rapid advancement of scientific knowledge and innovation. In this regard, the fundamental basis for pursuing inclusive and sustainable industrial and economic development is the creation of a business infrastructure that attracts investment, rewards entrepreneurship and ensures the generation and flow of knowledge and technology.

Knowledge sharing platforms have a crucial role to play as we operationalize ISID. Tasked with the function of serving as a global forum for the exchange of knowledge on industrial development, UNIDO is well positioned to assume the role of broker in facilitating such knowledge sharing. During my visit earlier this year to Slovenia, I attended a regional conference organized by the Government of Slovenia and UNIDO on a new generation of science, industrial and technology parks in Eastern Europe and Central Asia. What struck me particularly during my visit and during the conference was the willingness of countries to share their experiences, in this case in the area of business infrastructure. At the same time, the eagerness of the participants to hear from experts on business infrastructure, managers of industrial parks, and policy makers, was clear to see, and signaled that there is no shortage of demand for UNIDO's core service areas.

Our task during over the next two days is to engage in a strategic dialogue on these questions; on how to formulate and operationalise successful industrial development strategies and policies that avoid past failures and emulate past successes. We will see presentations on country case studies on business infrastructure and examples of the recent activities of UNIDO and its partners in the area of industrial and eco-industrial parks. We will hear about best practices, success stories and lessons learned on pursuing ISID from different countries and regions at different levels and stages of industrialisation. We will hear how, by enhancing business infrastructure, countries can start a process whereby they raise competitiveness and productivity, attract investment, spark innovation and create jobs. We will also see that to be effective, planning and maintaining business infrastructure requires coordination between all stakeholders, including various levels of government, business, academic and research institutions and civil society.

Ensuring a link between the knowledge and business sectors of the economy is at the heart of a successful strategy and the presentations and discussions here will elaborate on the mechanisms for the implementation of strategies: the role of soft and hard business infrastructure, such as industrial parks, zones and districts. From UNIDO's side, we will present our activities related to ISID and how we work to promote smart policies and innovative business models.

Tomorrow's sessions will focus on an instrument of business infrastructure that helps to achieve the objectives of separate but cross-cutting development strategies, such as on science and technology, innovation, job creation, education, and regional development - the new generation of industrial, technology, science and innovation parks. Parks are an integral part of business infrastructure development, regional and local development planning, and overall social and economic development. They provide both the physical infrastructure that enterprises need and support services. Parks can support the creation and growth of industrial agglomeration and the development of clusters and facilitate regional development. In this way, they act as catalysts for linkages between business and other pillars of knowledge and innovation-based economic growth. In particular, parks can serve as bridges between academia and industry, boosting scientific and technological advancement and enabling researchers and scientists to meet international standards. In addition, parks can be used as a testing ground for new reforms, policies and approaches to improve the business environment, as demonstrated in many East Asian countries.

The sessions tomorrow will also serve as a platform to discuss UNIDO's approach to leveraging static and dynamic gains from different types of parks and zones, including park planning and design, regulatory aspects, resource mobilization, investment and technology promotion, establishment and management of parks, capacity building of stakeholders, fostering cluster development and collective actions.

Looking ahead, the second Global Forum in October will concentrate on partnerships. UNIDO has adopted a new partnership programme intended to significantly enhance the development impact of UNIDO. We need partnerships to operationalize ISID by melding private sector expertise and leadership with government policy makers, in partnership with international organisations, such as UNIDO, for the benefit of technical cooperation projects.

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Since I took up my position as Director General, I have had the honour to meet with many of you and your distinguished colleagues. I have been encouraged by the positive reception to the ISID mandate and the pledges of support from a wide range of actors.

Let me take this opportunity to talk about ISID within the context of the new global development framework, which, as you know, is currently in the process of negotiation. In this sense, we gather here today at a crucial juncture as the discussions at the global level on the post-2015 development agenda and the formulation of the Sustainable Development Goals, or SDGs, move to the next stage. In these discussions, UNIDO is strategically placed. We have emphasized that the ISID concept matches the complex challenges we face today and remains intensely relevant to countries on every continent. Growth, inclusion, equality, and environmental sustainability still need to be better balanced. Despite some progress in eradicating extreme poverty, reducing pollution, enhancing environmental protection, and increasing resource and energy efficiency, inequalities in income and wealth are on the rise, in high-, and middle-income countries, as well as low-income countries. The big different between the Millennium Development Goals and the SDGs will be the widening of their coverage, to take in sustainable development challenges that are found in lower, middle and high income countries alike, and the targeting of both poverty eradication and environmental protection.

UNIDO has adopted a strong strategic position in the deliberations leading up to the adoption of a new agenda for global development in 2015, and I am confident UNIDO to be firmly integrated in the post 2015 development agenda.

An innovation of the negotiations on the post-2015 development agenda is the call for across-the-board collaboration, including governments, international and regional organisations, the private sector, civil society, academia, and other major stakeholders – to participate actively in shaping the “world we want for all”. Seeing the participation here today, I can say that this innovation is completely in line with UNIDO's mandate.

We are not alone in our thinking. The United Nations Secretary General's High-Level Panel of Eminent Persons established last year concluded in their report that industry plays an important role in creating opportunities for jobs and inclusive growth. The Open Working Group on the Sustainable Development Goals has identified inclusive and sustainable industrialization as a potential goal.

ISID has received strong support from the diplomatic community in New York. The group of "Friends of Inclusive and Sustainable Industrial Development" has been instrumental in bringing our message to the ongoing post-2015 negotiations. And I would like to express my gratitude for the continued efforts of all members of this group to maintain industrialization and ISID in the structure of the SDGs.

It was the Member States of UNIDO that initiated ISID in the Lima Declaration, and Member States now have the unique opportunity to guide the process towards inclusive and sustainable industrial development through your deliberations, consultations and active support at the global level. Your continued leadership, throughout the sessions of the Open Working Group on the Sustainable Development Goals and in the subsequent inter-governmental negotiations, will determine whether the mandate that you have given us in the Lima Declaration will find its place in the global development agenda.

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The role of UNIDO has never been more relevant than it is today, when it has become increasingly clear that we need a new development approach, which looks at society, economy, industry and the environment as a whole, and which is based on profound changes in patterns of production and consumption. Ideas of economic growth, and the policies that underpin them must be linked to environmental sustainability and social and economic inclusion.

I am indebted to you for your support. Your participation here and your backing during the past months for ISID is a clear demonstration of the relevance and timeliness of our discussions on industrialization in the 21<sup>st</sup> century.

I wish you all the best for the discussions and deliberations over the next two days.

Thank you very much.