



United Nations Industrial Development Organization

**Statement of Mr. LI Yong
Director General**

**at the Opening of the
30th Session of the
Programme and Budget Committee**

**25 June 2014
Vienna, Austria**

Madam Chair,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,
Friends and Colleagues,

I would like to extend a very warm welcome to you to the thirtieth session of the Programme and Budget Committee. To begin with, I wish to express my most sincere thanks to H.E. Ambassador Soltanieh of the Islamic Republic of Iran and H.E. Ambassador Stix-Hackl of Austria for their able chairmanship of the twenty-ninth session, and to the outgoing Bureau for its support throughout the year. At the same time, I would also like to congratulate H.E. Mr. Victor Zagrekov, Deputy Director of the Department of International Organizations of the Ministry of Foreign Affairs of the Russian Federation, who has been elected our new chair.

Excellency, I am confident that, under your able leadership and together with your Bureau, this session will be conducted in an efficient and productive manner.

It is also my great pleasure to welcome the Auditor-General of Pakistan, Mr. Buland Akhtar Rana, the External Auditor of UNIDO, who will present his report to the Committee under agenda item 4. At the same time, I am very pleased to welcome the delegation from the Supreme Audit Institution of Germany, which will take over the function of UNIDO's external auditor with effect from 1 July this year.

Excellencies,
Distinguished Delegates,

INTRODUCTION

This is my first session of the Programme and Budget Committee since I assumed the office of Director General of our Organization almost a year ago, and it is particularly gratifying for me to be able to welcome you to such a strategically important meeting of the Committee. We are clearly at a crossroads for the future of the United Nations' development system, with wide-ranging negotiations currently underway towards the formulation of a new post-2015 development agenda.

And, of course, UNIDO is not isolated from this trend. The future of this organization is very much linked to the decisions you – our Member States – will be taking over the next months as to the long-term future state

of our global development system. It will also be your recommendations from this session of the PBC that will guide the future discussions at the next sessions of the Industrial Development Board and the General Conference.

A year of consultations with your capitals, and the negotiations for the Lima Declaration last year, have given me a clear indication of the high demand from member countries in all regions for UNIDO's analytical inputs, policy advice, normative support, and technical cooperation services. The message remains the same wherever I go: We need to do more to advance *inclusive and sustainable industrial development*, or ISID, as UNIDO's primary mandate and universal goal.

To achieve this, we will need a stronger UNIDO, a more efficient UNIDO, as a global institution for industrial development and industrialization. We need to make sure that the Organization is able to respond effectively and sustainably to this demand. We need to work on additional ways to increase our efficiency and effectiveness, to ensure financial stability, to grow our services, and to establish strong partnerships in order to be able to respond to the ever-increasing numbers of requests we receive from you.

Distinguished Delegates,

Ladies and Gentlemen,

You have a complex agenda ahead of you. As the Secretariat has provided you with background documentation on all items of this agenda, I will only refer to those where I would like to provide additional information.

AGENDA ITEM 3 - ANNUAL REPORT OF THE DIRECTOR GENERAL FOR 2013

The Annual Report 2013 presents UNIDO's successful performance in a year of substantial transition. It underlines the Organization's continued capacity to provide a wide range of mandated services in supporting the industrial development of its Member States.

It also highlights the high level of confidence that the Member States continue to place in the Organization, as exemplified by the successful 15th Session of the General Conference in Lima and the adoption of the landmark Lima Declaration which has reinforced our mandate to support global efforts towards *inclusive and sustainable industrial development*.

Of course, you can see that the Report is shorter this year than in the past, due to decisions taken earlier in response to the budgetary stringencies we face. We have nevertheless made an effort to make the Report as comprehensive as possible. Additional information is available on our website, and I look forward to you, the delegates at this session of the PBC, also sharing your specific experiences of cooperation with UNIDO in your statements at this session of the PBC.

AGENDA ITEM 4 – REPORT OF THE EXTERNAL AUDITOR FOR 2013

Let me also briefly comment on the report of the External Auditor. These reports are always an important feedback source for all of us, and I read them with great interest. It was particularly good to read that our new financial system is robust and conforms to accounting standards.

I believe that the report of the external auditors is also important for three other reasons:

First, the financial statements that were audited were the first ones prepared from data obtained from our new Enterprise Resource Planning, or ERP, system. I am very pleased to note that UNIDO received an unqualified opinion on the statements despite the change in the system.

Second, the External Auditor made a critical assessment of the Programme of Change and Organizational Renewal, a multi-year effort that ended last December. The report of the External Auditor provides many useful observations that will be duly considered when we shape the way forward with UNIDO's change process.

And third, the present report is the last one prepared by the team of the Auditor General of Pakistan. I would like to express my sincere gratitude for the excellent six-year long cooperation; for the value addition by the members of the various audit teams; and for the many recommendations that have made our Organization more effective, efficient, transparent and accountable.

I thank you, Mr. Auditor General.

Please allow me to comment on only two specific issues mentioned in the report:

One is the issue of "succession planning", which is strongly dependent on the Organization's budgetary and financial resources.

Mindful of this fact, I am pleased to report to you that I have recently approved new posts for internal and external recruitment. A total of 59 positions have been opened for recruitment, including 5 Director posts, 24 Professional posts, 4 National Officer posts, and 26 General Service posts.

In view of the considerable budgetary constraints faced by the Organization, I have instructed my staff to proceed with all due caution in the recruitment process. However, the demand for UNIDO services is growing enormously and continuously, and we must obtain the required human resource capacity to achieve good results and deliver more to meet the demands of our Member States.

The second issue is the acknowledgement by the External Auditor that UNIDO has implemented the new ERP system without additional staff resources. It is fair to mention that this has not been the case for many other organizations, which have added considerable human resource capacities in the course of the implementation of such a complex system. This system will make UNIDO more efficient, effective, responsive and transparent.

I would like to highlight that this fact signifies not only an impressive success achieved by the staff of UNIDO, but also a continued challenge in the further development and maintenance of this complex system.

Excellencies,

Ladies and Gentlemen,

AGENDA ITEM 5 – FINANCIAL SITUATION OF UNIDO, INCLUDING UNUTILIZED BALANCES OF APPROPRIATIONS

This leads me to Agenda item 5 on the financial situation of UNIDO.

I am pleased to report that the 2014-2015 biennium has started as planned. Spending levels correspond to the approved programme and budgets.

The collection rate of current assessed contributions was 36.8 per cent on 31 March 2014 and reached 75.2 per cent by 20 June 2014. This represents a remarkable increase from the corresponding levels of 65 per cent in 2013 and 68.9 per cent in 2012. I am truly grateful to you, our Member States, for this timely payment of your assessed contributions.

As you know, this timely payment, in line with financial regulation 5.5 and re-emphasized in the Lima Declaration, is critical for us to be able to conduct our operations efficiently and effectively. It also ensures

that resources are used to implement the approved programmes fully, and minimizes the occurrence of unutilized balances of appropriations.

By contrast, late payment of assessed contributions normally results in delayed implementation of programmes.

I would also like to take this opportunity to express my gratitude towards those 21 Member States that have voluntarily renounced their share of the unutilized balances of appropriations. Out of the total amount, almost 1 million Euros were made available for the special account to retain office space for the biennium 2014-2015 and some 3.1 million Euros were made available for the purpose of strengthening the programmes of UNIDO.

Excellencies,

Ladies and Gentlemen,

UNDG AND RC SYSTEM COST-SHARING

When discussing agenda item 5, you will also review the system-wide cost sharing requirements for the United Nations Resident Coordinator system.

Please consider seriously the challenges we will face due to the impending need to participate fully in the scheme.

For the current biennium UNIDO was allowed to contribute a limited amount only. This is called the “base fee”, which amounted to 175,000 US dollars per year. However, from 2016 onwards the expectation is for full payment. The estimated amount for this is approximately 1 million Euros per year.

Your guidance will be required in terms of:

- the *maximum level of contribution*, which UNIDO will be allowed to pay, and
- an *appropriate funding source* for such contribution, taking into account the tight budgetary situation.

I have therefore invited Mr. Hans d’Orville, UNESCO’s Assistant Director-General for Strategic Planning and Representative to the UNGD, to make a statement on the subject. Mr. d’Orville led the UN system-wide team

that considered the issue of RC funding. He has kindly agreed to join us tomorrow morning to make his statement and provide clarifications. He will be available for any questions you may have on this issue.

Excellencies,

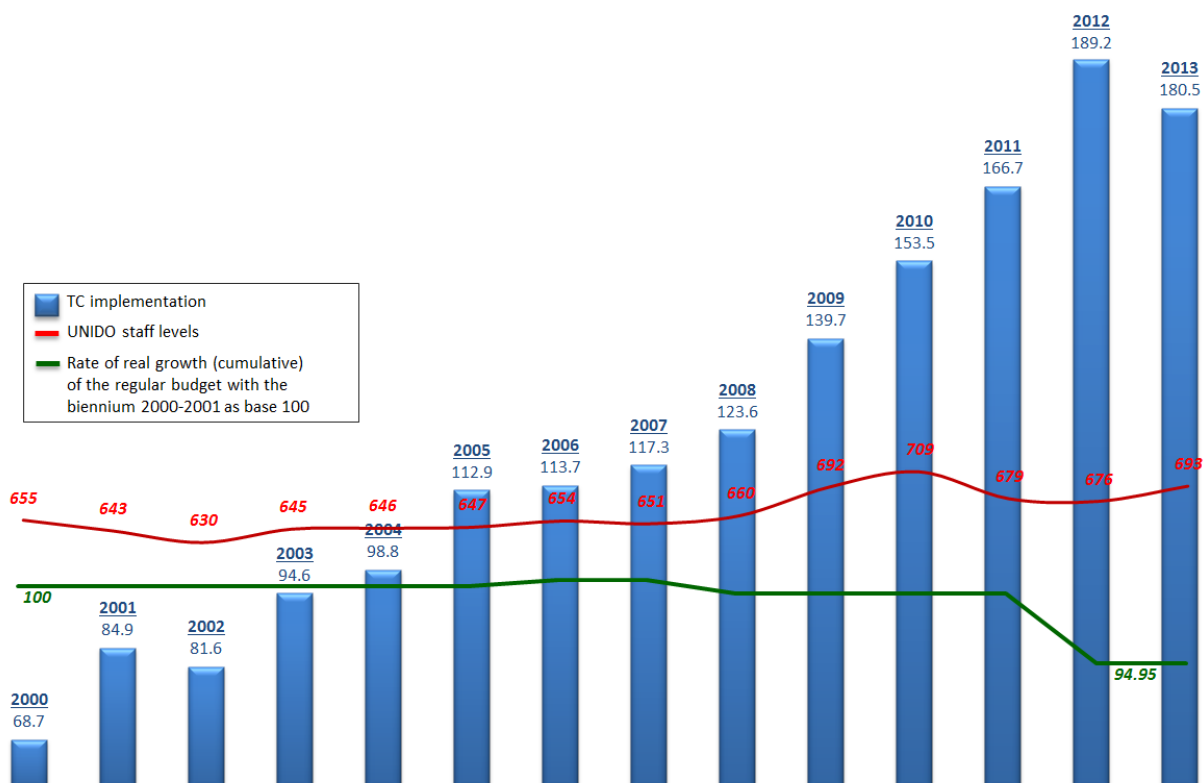
Ladies and Gentlemen,

FINANCIAL SITUATION OF UNIDO

In considering the financial situation of UNIDO, I would like to highlight some more fundamental issues that I believe would need to be considered in the forthcoming meetings of the policymaking organs.

In this connection, let me show you a graph that vividly visualizes the performance of UNIDO since the beginning of the current millennium. It shows three important sets of statistics:

- The blue bars show the levels of our technical cooperation implementation, in millions of US dollars.
- The red line shows the number of our staff.
- The green line shows the rate of real growth of our regular budget as an index based on the 2000-2001 biennium.



The most striking feature of this graph is the phenomenal increase in the implementation of the Organization's various services since the year 2000. This is all the more impressive as it has been achieved with almost unchanged staff resources and stagnant, or indeed declining, budgets from one biennium to the next.

To complement the picture of our financial situation given by the three lines presented in this graph, allow me to quote two additional numbers:

- At the end of 2013, the portfolio of projects and programmes at hand had reached an all-time record in UNIDO's history of 477.7 million US Dollars.
- In the same year, voluntary contributions increased by 18 percent over 2012.

These numbers underline the continued high demand for UNIDO's services. This is a source of great satisfaction to me, and I would like to express my sincere gratitude to you, our Member States and development partners, for this overwhelming testimony of your trust in UNIDO.

At the same time, however, the three lines in the this graph and the two additional numbers I have cited highlight an important dilemma: The renewed mandate of UNIDO, the importance of industrialization in the post-2015 development agenda, and the ever-increasing demand for our services stand in sharp contrast with the budgetary resources available for the delivery of our programmes.

In fact, since the mid-1990s UNIDO's regular budget has been repeatedly reduced, or at best maintained at existing levels, but never increased to match the increased demand for its services. Indeed, the regular budget suffered a very steep reduction of almost 45 per cent already in the period 1994 to 1999. More recently, the regular budget suffered a purchasing power loss of 5 per cent in the 2012-2013 biennium. This was followed by an additional reduction of 9 per cent in the 2014-15 biennium.

Distinguished delegates,
Ladies and Gentlemen,

FINANCIAL MATTERS FOR FUTURE CONSIDERATION

This trend needs to be reversed if UNIDO is to contribute more to the post-2015 development agenda.

The continued testimony of confidence in UNIDO's relevance and the unique value-added of its mandate and services that we are witnessing also places great responsibilities on all of us. We need to recognize that

UNIDO will only be able to deliver the services that our Member States are requesting if the Organization's capacities are adequately strengthened.

As I have already emphasized, the Secretariat has and will continue to systematically pursue efficiency gains at all levels. We are today implementing volumes that would not have been deemed possible only a few years ago. However, efficiency gains alone will not allow us to respond sustainably to the growing demand for our services in the future.

What we need to do is to establish a solid budgetary base for the Organization and to explore ways of making the financial regulatory framework more responsive to the challenges we face.

I am therefore counting on your support for a mutually beneficial solution that will enable us to meet the growing need for inclusive and sustainable industrial development services in the post-2015 period.

Excellencies,

Ladies and Gentlemen,

Let me assure you – our Organization is not in crisis. But we must ensure that the foundations of UNIDO are not gradually undermined.

The preparations for the Programme and Budgets document for the 2016-2017 biennium will start this summer. In this connection, I would like to engage you – the Member States of UNIDO – in a strategic dialogue over the coming months on how to address this important subject and how to meet these challenges with our combined wisdom and knowledge. The Secretariat will present you with proposals, and I look forward to a constructive consultation and positive outcome.

Based on the situation that UNIDO is currently facing, I would like to invite you to consider two issues in particular:

- The first would relate to the required level of the regular budget that would properly support the implementation of the Lima Declaration and the realization of the mandate of *inclusive and sustainable industrial development* that you have given us. As I have shown you on the screen a few moments ago, there is a significant mismatch between the growing demand for our services and the constraints imposed by our declining budgetary resources.

- The second would relate to ideas and options that would allow UNIDO to utilize its approved budget, and the related assessed contributions, to a larger extent. This would need to take into account appropriate mechanisms for the treatment of unutilized balances of appropriations and for securing sustainable funding for major capital investments or replacements.

Excellencies,

Ladies and Gentlemen,

Over the past year, much has been achieved. The Lima Declaration was adopted as a major milestone and represents a significant component of the international development architecture. It will be a very important tool to help countries move out of poverty.

Earlier this year, in the many meetings that I had with you, I informed you of my three goals for this year:

- The **policy goal**, to firmly position inclusive and sustainable industrial development in the post-2015 development agenda.
- The **operational goal**, to operationalize the Lima Declaration and ISID.
- And the **management goal**, to further improve efficiencies and the effectiveness of UNIDO's systems and processes.

We have advanced on all three goals. Inclusive and sustainable industrialization is positioned as an independent goal in current negotiations on the sustainable development goals, and UNIDO is recognized as a major partner in engaging with the private sector in the post-2015 era.

We have also taken great strides to enhance our cooperation and synergies with other development partners. Our collaboration with the other parts of the United Nations Development System is strong. Our cooperation with other partners – including international and national financial institutions, multilateral and bilateral development cooperation agencies, the private sector and academia – is increasing rapidly. This has been highlighted by the very successful Forum on Strategies and Instruments for Inclusive and Sustainable Industrial Development held over the past two days, which many of you attended. With this Forum we have taken a big step forward in operationalizing ISID, based on best practice and programmatic considerations.

We have also further improved our internal management systems. I will soon announce adjustments to the Secretariat structure aimed at aligning the Organization more effectively to meet the objectives and expectations set for UNIDO by the Member States in the Lima Declaration. I will also soon be announcing

changes to the programme and project approval system, which will significantly reduce the time taken for the approval process while ensuring effective quality control.

Let us now work together to ensure that the financial foundation of our Organization remains firm and solid in the long run. This is my request to Member States to consider.

Ladies and Gentlemen,
Friends,

I have travelled to many of your countries, and I have met many of your leaders.

Their interest is clear: **They want to cooperate on industrial development.**

UNIDO is ready to support the industrial strategies of our partners.

But for this we will need a new global partnership for *inclusive and sustainable industrial development* that provides the necessary means to realize this vision, and to allow us to truly eradicate poverty within the next generation.

I count on your continued cooperation, trust and partnership to turn our challenges into opportunities through your combined wisdom.

Thank you very much.