



Statement of Mr. LI Yong
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United Nations Industrial Development Organization

at the

Opening of the
42nd Session of the
Industrial Development Board

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Vienna, Austria

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

Let me start by expressing my gratitude to the outgoing Bureau, and in particular to His Excellency Mr. Aliyar Lebbe Abdul AZEEZ of Sri Lanka as Acting President, as well as H.E. Mr. Antonio García Revilla of Peru who chaired the forty-first session of the Board. Due to your commitment and leadership, the last session was conducted in a very constructive manner.

I also wish to congratulate our new President, His Excellency Ambassador Mr. Tebogo Joseph SEOKOLO of South Africa, 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.

Mr. President,
Excellencies,
Ladies and Gentlemen,

Almost one year has passed since the historic adoption of the ***Lima Declaration*** “Towards inclusive and sustainable industrial development”, which will remain a landmark document for decades to come,

And this year has passed very quickly indeed.

At last year’s General Conference in Lima, I said that there is a famous Chinese saying: “A journey of a thousand miles begins with a single step.”

And that the Lima Declaration was a *great first step*.

I also used the proverb: “Any journey is short, with a friend at your side.”

And I said that we must work in partnership as we embarked on the road ahead – in partnership with you, the Member States; with the private sector and the business community; with academia; and with all other stakeholders of *ISID*, as we have now begun to refer to our new mandate of inclusive and sustainable industrial development.

I was convinced that through such partnerships, our journey will be shortened. And that we would reach our goal much faster. The goal of eradicating poverty within the next generation.

Since then, we have taken many steps, in partnership with you – the Member States of UNIDO – and many bilateral and multilateral institutions. With the strong support of all of you, our staff are moving quickly towards the implementation of the Lima Declaration and *ISID*.

Excellencies,

Ladies and Gentlemen,

At the beginning of this year, I identified three critical management goals for 2014, and informed you about them during our briefing in March:

- The first and most critical goal for 2014 was related to policy, and called for the **successful positioning of the concept of ISID** in all the processes leading to the formulation of the post-2015 development framework.
- The second goal for this year was to **align our services with the ISID mandate** of the Lima Declaration, and to meet the diversified needs of our Member States more effectively.
- And the third goal was to **improve our internal operations** – to make sure that they are carried out more efficiently and effectively.

Let me start with the *first management objective*, the positioning of ISID in the global development agenda.

At the beginning of this year, I requested my Deputy, Mr. Nishikawa, to lead and coordinate our global efforts in advancing the understanding of all our stakeholders and partners for ISID.

He and his global team of UNIDO representatives therefore engaged with leaders and decision-makers in a variety of consultation processes – nationally, regionally and at UN headquarters – to discuss the new universal mandate of UNIDO, deriving from Lima, in the framework of the new sustainable development goals which will take effect after 2015.

At the centre of attention and observation were the formal discussions among Member States which took place in an Open Working Group on the Sustainable Development Goals at the United Nations in New York.

This Open Working Group convened 13 rounds of discussions among Member States on the future global development agenda. I was delighted to acknowledge the incorporation of *inclusive and sustainable industrialization* as a dedicated goal in the Open Working Group's outcome document, together with building resilient infrastructure and fostering innovation, in *Goal 9* of the 17 proposed goals.

In addition, we have significantly advanced the agenda on the importance of partnerships with the private sector in the realization of the SDGs. Throughout 2014, UNIDO was requested by the UN Development Group to co-lead, along with the UN Global Compact, a series of multi-stakeholder consultations on "*Engaging with the Private Sector in the Post-2015 Era*". We issued a major report on this issue in a special event in New York during the opening of the General Assembly in September this year.

At the same time, we have also made extensive efforts to strengthen our dialogues and partnerships with all UN sister agencies, multilateral financial institutions, and the private sector. This process will be continued during the coming year as we seek to increase the impact of our services through such partnerships.

Excellencies, Ladies and Gentlemen,

Now that the scope and ambition of the new post-2015 development agenda has essentially been determined through the identification of the 17 SDGs, we expect the formal negotiations on this subject to turn to the means of implementation and financing for development in the coming year. Of course, we will continue to inform partners and stakeholders in all countries about ISID to ensure that our mandate continues to be properly reflected in these forthcoming negotiations.

This is why the policy objective of positioning ISID in the post-2015 development agenda will remain the most crucial policy objective, also in 2015.

The new development framework will be put in place by the end of 2015, and we need to make sure that UNIDO is fully fit to achieve the challenging mandate and role it is expected to be given within this framework. As we look to the future, the next months will be crucial to establish the right *means of implementation* of this framework that will allow the transformation we all are striving for. These will include a wider range of data gathering and analysis, which is increasingly being referred to as a “data revolution”, and the establishment of an appropriate set of *monitoring, reporting and accountability systems*.

We are therefore committed to strengthening our future *global role in monitoring and reporting on the achievement of SDG 9 on ISID*. While our statistics are already available for most relevant targets under this goal, a more formal reporting mechanism on the worldwide progress made on ISID will need to be established. In this context, I would like to propose that the Bureau of the IDB, under the leadership of the IDB Chair, should act as an official intergovernmental monitoring and reporting body on SDG 9 in the future.

I am just back from the meeting of the UN System Chief Executives’ Board where the Secretary-General informed us that the outcome document of the Open Working Group, containing the 17 SDGs, will be the basis for next year’s deliberations among Member States. I am very pleased about this decision of the General Assembly, as I think that the 17 SDGs as currently proposed are a very balanced set of social, environmental and economic development objectives for our common future.

Among the monitoring and reporting mechanisms envisaged for the Post-2015 agenda, the *Global Sustainable Development Report* will assume a prominent role. This report has been developed by the *United Nations Department of Economic and Social Affairs (UN-DESA)*, and its prototype was launched in New York in July this year during the second session of the High-Level Political Forum. I am proud to announce that we have been given the honour of hosting the Vienna launch of the prototype report this afternoon in a side event of the IDB. We are also particularly pleased that UNIDO will take a lead role in preparing the chapter on economic sustainability in the first full edition of the report to be published in 2015. For this, I would like to express my sincere appreciation to UN-DESA, with which we are cooperating very closely on a number of related issues.

A fuller survey of our activities in positioning UNIDO in the new development framework is given in the document on *“UNIDO and the post-2015 development agenda”* which the Secretariat has prepared for this session of the IDB, and which will form the basis for your deliberations on this issue during this forthcoming year.

Excellencies, Ladies and Gentlemen,

Let me now come to *my second management goal* for 2014, to align UNIDO's programmes to the mandate deriving from the Lima Declaration and ISID.

We all recognized that we need to move from concept to reality. We need to understand the right policy mix that results in successful achievement of the development outcomes that you have set for our Organization:

Lifting people out of poverty.

And limiting environmental degradation.

Based on this imperative and mandate, we have created a new *ISID partnership programme*. To kick-start this programme, and to galvanize inspirations, ideas, concepts, policies, and partnerships, we organized two global *ISID Forums* in 2014, here in Vienna.

In the *first ISID Forum* in June, more than 250 high-level government officials, and representatives of academia, the private sector, non-governmental organizations, development finance institutions, and international organizations, discussed the strategies and instruments needed to pursue *ISID* effectively. The objective was to identify the right policies, best practices, programmes, and instruments that countries could adopt, replicate and scale up in their own specific context when promoting *ISID*.

Following this major event, over 450 participants attended the *second ISID Forum* earlier this month, in which we launched our pilot Programme Country Partnerships in *Ethiopia and Senegal*. The objective of this second Forum was to apply the partnership approach for leveraging resources from various stakeholders to pursue inclusive and sustainable industrial development through concerted and collective action.

In your IDB documentation you find a summary of the key findings and conclusions of the two Forums in *Conference Room Paper 5*. We will also continue to report to you on the partnership programme as it progresses.

At the margins of the second *ISID Forum*, we also organized the first ever Donor Meeting hosted by UNIDO, which successfully gathered some *260 participants from 76 countries*. Almost 10% of the participants were industry representatives, demonstrating the increasing interest in the private sector for *ISID*.

Based on the success of this first event, I have decided to institutionalize such donor meetings and to host them on an annual basis. I believe that it is a part of our duty of accountability to report and discuss our programmes and strategies with and among donor institutions, and to show our donors how we are using the valuable resources they are providing us to implement our programmes and projects.

This will be accompanied by regional investment seminars to promote industrial cooperation and investment at the regional level, and allow investors to scan the available investment opportunities. We are also

considering a web-based information portal and investment seminars for exchanging information and best practice in this context.

In view of these early successes and the need for further adjusting UNIDO's normative and operational programmes to the ISID mandate in the Lima Declaration, this management goal established for 2014 will also remain a major objective in 2015.

Excellencies, Ladies and Gentlemen,

I am pleased to be able to inform you that we have also been able to make considerable progress on my *third management objective* of this year – enhancing the organizational effectiveness of UNIDO.

At the beginning of this year, I convened a management task force to discuss and decide on how best to implement your recommendations as contained in the Strategic Guidance Document provided by the Informal Working Group. We discussed many issues, from programme approval systems to the field network, and from innovative sources of finance to the external relations functions.

Based on these deliberations, we introduced extensive improvements to our operational processes and systems, and to the structure of the Secretariat, in order to enhance the efficiency and effectiveness of our activities and services to our Member States.

Also, following the successful completion of the Programme for Change and Organizational Renewal (PCOR) last year, our Enterprise Resource Planning system has been further improved in 2014 and a large number of additional efficiency gains have been introduced. Our business processes were also accelerated further and made more transparent. The system has also helped to ensure increased compliance with varying donor standards, and considerably enhanced the transparency of our reporting to Member States.

As part of the measures taken to improve the internal management processes, I have also taken steps to significantly simplify the programme and project approval process, and introduce related efficiencies in the project management cycle. In addition, the monitoring function of UNIDO has been strengthened, and I believe that this will have positive repercussions on the effectiveness and results of our programmes and projects.

A more detailed report on management effectiveness and on the conclusion of the Programme for Change and Organizational Renewal has been provided to you in the *IDB documentation* under the respective agenda items.

It goes without saying that the goal of managerial effectiveness and efficiency will remain a major objective in 2015.

Mr. President,

Excellencies, Ladies and Gentlemen,

We have a challenging path ahead, with a new era starting on 1 January 2016, when the new SDG agenda comes into force. It is fortunate that this coincides with UNIDO's strategic planning and budgetary cycles, and that the Organization will therefore be able to adjust its medium-term programme framework as well as its programme and budgets to this new reality.

We must make sure that UNIDO is fit for purpose in this new framework in 2016, and that the strong mandate it will be given through SDG 9 on resilient infrastructure, inclusive and sustainable industrialization, and innovation, will be matched by measures to ensure that it has an equally strong operational and financial basis to fulfil this mandate.

While we have clearly made great strides in strengthening our Organization with regard to its mandate and operations, it will be up to you – the Member States – to ensure that the financial foundation of our Organization remains firm and solid in the long run.

On the budget front, I see three major challenges to be overcome:

- First, the budgetary gaps left by departing Member States have not been compensated;
- Second, two decades of zero growth budgets have effectively resulted in a further contraction of our budget in real terms;
- Third, delayed payments of assessed contributions have prevented us from utilizing the existing budgetary resources effectively.

As I already mentioned to you during the last PBC meeting, the historical development of UNIDO's budget has followed an extremely unfavourable trend. *In fact, it has followed a downsizing trend for 15 years.*

Already in the period 1994 to 1999, UNIDO's regular budget suffered a very steep reduction. In 1996-97, the budget was reduced by 13.5 per cent.

This was followed by an even larger reduction in 1998-99 by 30.9 per cent in real terms.

The 2012-2013 period suffered a purchasing power loss of 5 per cent. This was followed by an additional reduction of 9 per cent in the 2014-15 biennium, bringing the current budget level to 86.3% of the 2001-2002 biennium.

UNIDO's regular budget was repeatedly reduced or held at its existing level, but never increased to match the increased demand for its services, particularly since the mid-1990s. In contrast, some other United Nations entities enjoyed a more responsive budget allocation by Member States when their services were expanded.

As I already said in the PBC: This trend needs to be reversed.

I must stress that our Organization is not in crisis – on the contrary, its mandate and operational foundations are more solid than ever. But we must ensure that the financial foundations of UNIDO are not gradually undermined and eroded.

I have some proposals for the way ahead on this important issue but let me first give you my general comments on the current financial situation.

Ladies and Gentlemen,

The implementation of the biennial budget for 2014-2015 has proceeded according to plan, even though the collection rate of assessed contributions had only reached *87 per cent* by 10 November 2014.

I need to appeal once again to all Member States that have not yet paid their assessed contributions to settle their arrears so as not to cause a negative impact on UNIDO's programme delivery.

In line with the recommendations contained in the Strategic Guidance Document, the Organization has taken concrete steps to strengthen its financial base by mobilizing alternative sources of funding, principally through voluntary contributions from Member States and other benefactors.

Moreover, best practices of other UN Organizations in terms of better utilization of existing resources for capital investments are being proposed for consideration by the Board.

Following your guidance at this current session of the Board, I will therefore submit a report to the next session, through the PBC, in which elements of an improved financial regulatory framework, including the purposes and limits of the proposed Major Capital Investment Fund, will be clearly defined.

Excellencies,

Ladies and Gentlemen,

You will also find document IDB.42/9 on the *"Provisional outline of the medium-term programme framework, 2016-2019"* among your session documents.

In Chapter IV on the *"Budgetary Framework"*, this document states that *"the reinforced mandate of the Organization and the implementation of the thematic framework call for a stable financial basis and additional resources over the current level of the regular budget approved for the biennium 2014-2015. Initial estimates suggest a net regular budget ceiling for 2016-2017 at the level of €150 million."*

I am sure that you will extensively discuss the desired resource levels and ceiling for the implementation of the forthcoming medium-term programme framework.

But please keep in mind during your deliberations that UNIDO's regular budget was repeatedly reduced but never increased to match the increased demand for its services or the increased level of payment obligations towards the common UN system.

Therefore, the funding level of the regular budget for the next biennium needs particular attention, not least in view of the effects of the earlier departure of France and Portugal.

Moreover, the Organization faces increased resource requirements over and above the currently available resources:

Thus, the proposed ceiling of €150 million includes:

- €1.7 million additional cost for the UN Resident Coordinator system;
- €2.1 million as the incremental cost of the new Partnership Programme; and
- €1.5 million for ERP maintenance and fine-tuning.

The proposed increase is about 3.9% of the total regular budget.

Ladies and gentlemen,

Since the current regular budget is already the result of multiple reductions there is no room in it for further shrinking without phasing out specific programmes and further reducing the number of staff.

Moreover, if sufficient resources for contributing to the *UN Resident Coordinator system* would not become available, UNIDO might be marginalized in the overall setting of the UN Development System. The contributions are a prerequisite for participating in all activities of the UN Development Group's working mechanisms at headquarters, regional UNDG Teams, and UN Country Teams. I would like to make UNIDO's programmatic strengths and the new mandate of ISID central to the UN Country Development Frameworks. I would therefore appreciate it if this important subject receives your positive consideration and we can fully commit UNIDO financially to this task.

I am therefore asking for your guidance with respect to the ceiling of the regular budget for the next biennium. The results of the deliberations during this session will assist in the proper preparation of the *Programme and Budgets, 2016-2017*, for timely submission to the PBC early next year.

Excellencies,

Ladies and Gentlemen,

On this *journey of a thousand miles*, several major steps were taken in 2014. Major milestones were reached.

But many miles still lie ahead.

And we will need partners at our side for this challenging journey. Strong *partners for prosperity*.

I am happy to report that since Lima, we have established strong partnerships with financial institutions, including the World Bank and regional development banks, as well as with the private sector. These partnerships will be in full swing in 2015, along with all our regular programmes and activities.

The Lima Declaration's goal of *inclusive and sustainable industrial development* will be UNIDO's development priority – and that of the international community – for many years. We are pleased that this goal has been recognized by the global community in the proposed SDG architecture.

But this also brings a great responsibility.

A shared responsibility to act.

To eradicate poverty and achieve sustainable development together.

Thank you for your *trust and partnership*.