



---

**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

**OPENING STATEMENT OF THE DIRECTOR-GENERAL**

**Mr. CARLOS MAGARIÑOS**

**at the**

**Twenty-seventh session**

**of the**

**Industrial Development Board**

**Vienna, 26-28 August 2003**

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

I would like to warmly welcome you to the twenty-seventh session of the Industrial Development Board. I would like to particularly welcome the Ministers from Burkina Faso, Cote d'Ivoire, Ghana and Sri Lanka who are with us today, as well as the Secretary from the Indian Department of Industry Policy and Promotion; I am certain that we will all benefit from their active participation in our deliberations.

To begin with, let me express our thanks to the departing Bureau for their constructive and able work in leading the deliberations of the IDB, in particular H.E. Mr. István Horváth, Ambassador of Hungary, as well as my congratulations to the new Bureau, in particular to its President H.E. Gonzalez Aninat, Ambassador of Chile, on their unanimous election. I hope that this session of the IDB will also be conducted in an efficient and constructive manner. I am sure that under your able leadership, Mr. President, we will be successful.

Mr. President, distinguished members of the IDB,

The 19<sup>th</sup> session of the PBC was a very important one in which, amongst many items, the programme and budgets for 2004-2005 was discussed. During that meeting, I also explained the role and relationship between the regular budget, the operational budget and voluntary contributions received for technical cooperation activities, as well as how UNIDO has improved its effectiveness and efficiency in delivering technical cooperation. Let me build upon that statement today.

The analysis showed that the relationship between Regular/Operational budgets and extrabudgetary resources, i.e. each dollar/euro approved under the Regular/Operational budgets, versus actual technical cooperation delivery, including support costs, has improved from \$1.01 in 1994-1995 to 0.70 in 2002-2003.

Furthermore, the benchmarking vis-à-vis some other United Nations organizations confirmed the continued effectiveness of UNIDO's operations. As can be seen, as compared to UNIDO's ratio of 0.70, the FAO has a ratio of 1.17, UNESCO 1.66 and ILO has a ratio of 2.52. Although this benchmarking exercise showed a relatively comfortable situation of UNIDO vis-à-vis other organizations and a positive performance over the last five years, I stated that this ratio needs to be further improved in order to enhance the effectiveness of UNIDO's use of resources. In order to achieve this, I presented the only two options available: one: to further reduce the Regular Budget, or second, to increase technical cooperation activities with greater voluntary contributions.

I was pleased to see at our last session of the PBC that the diagnosis I presented was fully shared by Member States, who recognized that the best way to further improve the relationship between the regular budget and technical cooperation was not to drastically cut regular budget resources, as this would have adversely affected the Organization's capacity to deliver services.

The deliberations that took place during the 19<sup>th</sup> session of the PBC were very constructive and demonstrated a great deal of common understanding and commitment towards the Organization; as a result all decisions were adopted by consensus.

I am, therefore, grateful for the recommendations made by the PBC, including the recommendation to this session of the IDB to adopt the programme and budgets for 2004-2005 as contained in document IDB.27/3-PBC.19/3, without major cuts. It was also gratifying to see the confidence placed in me by giving me the flexibility, without requesting a revised programme and budgets document, to identify savings and to seek efficiency gains during the implementation of the programme and budgets. I assure you that I will continue to fulfil your expectations and ensure that our technical cooperation delivery continues to improve in both quantitative and qualitative terms, and that the ratios between the RB/OB and TC will also improve. I will seek your guidance in these endeavors all throughout the biennium.

Mr. President, distinguished delegates,

Following a number of measures introduced to improve the management of programme and project delivery, our technical cooperation delivery is progressing well. We have a very encouraging situation with a delivery until end July 2003 amounting to \$66.1 million, a jump of \$9.6 million over the same period last year. This is the highest delivery that we have achieved for the same period in several years.

Thanks to the continued dedication and commitment of all our staff, you, our Member States, and the contributions received from donors, all indicators show that we could well achieve our implementation target of \$90 million for this year. This would be some \$8.2 million higher than the 2002 delivery of \$81.8 million, and also the highest for several years.

It should be noted that the quality of our TC programmes has also improved over the years, and has already resulted in an increase in voluntary contributions since 1998, which can be seen from the following slide.

- 1998: 20.5 million
- 1999: 33.9 million
- 2000: 25.1 million
- 2001: 34.9 million
- 2002: 41.4 million
- 2003: 42.0 million (expected)

As you see, net approvals from governmental funds have doubled since 1998, which is very encouraging and demonstrates a renewed commitment by the donor community to the work being carried out by the Organization. Obviously, we cannot feel completely satisfied and we will require additional funding if we really want to

complete UNIDO's transformation, increasing the socio-economic impact of our activities at the field level, our focus on LDCs and the Organization's contribution towards the Millennium Development Goals.

Net approvals from the multilateral funds have also registered a considerable increase since 1998 as shown on the next slide, which is also an encouraging sign. Although we can be satisfied with these results, we cannot rest if we want to improve the impact of UNIDO activities at the field level and particularly in LDCs.

- 1998: 33.0 million
- 1999: 38.7 million
- 2000: 43.6 million
- 2001: 42.6 million
- 2002: 48.9 million
- 2003: 49.7 million (expected)

Distinguished delegates,

As I said during the last PBC, we want to work with a group of Ambassadors in mobilizing more funding for the Organization and enlarge its membership. I am pleased to be able to report that an informal working group on voluntary contributions has recently been established under the chairmanship of the Ambassadors of India and Italy, which held its first meeting on 31 July 2003. A large number of Member States have expressed an interest in the work of this group and an agenda for the work of group was already circulated as was promised in that meeting of 31 July 2003. We expect that the deliberations of this informal advisory team will help us to increase the funding for the Organization and to enlarge its membership. I think the increases in government and multilateral funding indicate the appreciation of Member States and multilateral sources about the reforms we introduced at UNIDO.

Mr. President, distinguished delegates,

The financial and administrative performance of the Organization continues to be sound. Our collection rate for assessed contributions as at 15 August 2003 amounted to some 89.5 per cent which, in turn, means that we could well achieve, or come close to, the 93.1 per cent achieved for collections at the end of 2002. Mr. Fornocaldo will give you some more information also on regional performance when he takes the floor.

The area of human resources is another important area that matters a lot for the Secretariat, the top management of the Organization and also for Member States. We anticipate that over 40 professional and higher level staff will leave the Organization in the next couple of years due to natural attrition. As you are already aware, recruitment for a number of senior level positions is also currently underway. As mentioned in other fora, we are undertaking concerted recruitment drives to attract highly motivated staff of the highest caliber to fill these vacancies.

Let me also report in this front, that as one of his first actions, the newly appointed Comptroller General at UNIDO has reviewed the types of contracts being issued by UNIDO for appointments of staff at Headquarters. In view of the initiatives introduced by the Human Resource Management Branch to reduce the time required to select and recruit a new staff member, and to ensure the uniformity of contractual status for all staff at Headquarters, as well as to enhance transparency in the selection and appointment process and to further improve staff career development, the Comptroller General has recommended that no contracts under the 200 series of staff rules (the so-called L contracts), or appointments of a limited duration (ALDs) under the 300 series at Headquarters shall be made in the future. I found a very sound argument for this. When I came here to recruit staff, the recruitment process took as much as 8 or 9 months. That period of time has now been reduced to 3.5 months. Thus, we do not see any reason to continue appointments under L contracts and ALDs. This means that all future appointments at Headquarters will be made only under the 100 series of the staff rules through an open and competitive process.

I am pleased to announce that I have fully accepted these recommendations. Necessary instructions to this effect are being issued. The Human Resource Management Branch has also been instructed to review the relevant staff rules to introduce necessary changes.

With the introduction of these measures, I am giving up my discretionary authority to appoint L and ALD staff at Headquarters.

Existing contractual obligations will be respected and a transition period will be required to carry out a management review in accordance with the programmatic requirements to ascertain which functions currently performed by staff appointed under the 200 and 300 series of the Staff Rules at Headquarters shall be required in the future. Such positions will be advertised under the 100 series of the staff rules, subject to the availability of budgetary resources.

Mr. President, distinguished delegates,

I think that the Organization has shown with these indicators that it is performing well both from the financial and the administrative perspectives. I am pleased to report that, six years since my first appointment of Director-General of UNIDO, I am counting on great support from Member States and from the staff of the Organization. Therefore, as discussed at the Enlarged Bureau last week, I respectfully appeal to the distinguished members of the IDB, that this IDB session should devote greater time to focus its deliberations on matters of a substantive and programmatic nature to enhance the impact of UNIDO's services.

UNIDO continues to work on improving the quantity and quality of its services, and enhancing its relevance, effectiveness, efficiency and impact.

In order to achieve this, we are working on several fronts. One of these is the further refinement of UNIDO's interventions to sharpen the focus of our activities in which the Organization has the necessary expertise and comparative advantage. Another one is the better inter linkage of global forum and technical cooperation activities to further improve UNIDO's technical cooperation activities. Furthermore, in order to improve the impact of our services at the field level, we are reviewing a number of options to achieve a cost-effective decentralization.

These topics are currently being addressed by the three Managing Directors, with the assistance of a number of staff. After my presentation, the three Managing Directors will briefly provide an overview of their major findings over the past year and also present the current status of the three Commissions they have chaired, which were established following the Board of Director's Retreat in February this year. I consider their presentations to be particularly important, as they have almost completed one year with the Organization.

A Retreat for senior staff is also planned toward the end of September this year when the Managing Directors will present the conclusions and recommendations of their Commissions. As in the past, I will be happy to share the outcome of this retreat with you.

I honestly believe that, after discussing so many times administrative and financial issues, we need to devote more time to substantive discussions on how to focus more the programmes of UNIDO. That is why I will be offering a number of luncheons during this session of the IDB. Today we are going to have a luncheon to discuss on our programmes in West Africa. UNIDO has a programme worth \$40 million in West Africa and we have invested already almost half of it. A number of political and economic developments have taken place in the region and we would like to seek your advice on how to further address those problems together with Ministers from the region and those Member States that are developing partners of those countries. We think this type of discussions are extremely important, particularly in view of UNIDO's post-crisis initiative.

Let me say we do not only prepare and distribute papers, but we have the aspiration to practically modify the lives of people. This sometimes entails a lot of risk for our staff working throughout the world. I would like to report to you that I was very happy that the UNIDO staff member part of the World Bank mission to Iraq was able to be evacuated safely after the tremendous terrorist attack against the United Nations Headquarters there. We believe that many of our staff are taking a very important decision by participating in our programmes of post-crisis and we would very much like to seek your advice and support in analyzing these topics.

Tomorrow I will be offering a lunch to review a very encouraging programme that Peru and other developing partners are developing in the Andean region such as Bolivia and which we also have the hope to have the support of Chile. I think it is very important to see how the programme was formulated and how this programme will modify in practical terms the income of the rural population in Peru.

We will also have a luncheon on trade-related issues on Thursday when our staff will present our programmes in Central America, the Mekong and in West Africa.

Let me emphasize that there is nothing like a free lunch: we expect some feedback during those luncheons and we will seek your guidance. These programmes are yours, you are paying for them and our staff are taking risks in undertaking many of those programmes.

We are also going to organize a number of round tables at the next General Conference and a number of people have already confirmed their participation. I am very pleased and grateful to the Government of Austria for already confirming the presence of President Klestil in the opening session. Professor Geoffrey Sachs, the advisor of the Secretary-General on the Millennium Development Goals will also be here to discuss the contributions of industry to the Millennium Development Goals and many other leaders from all over the world are expected at the conference where we can focus more on substance.

If you take a closer look at our technical cooperation portfolio, as you see in this chart, you will see that there is very good reason on technical grounds to do that. The strategic guidelines and the Business Plan gave a lot of importance to the development of services in the area of agro-industries and I do consider that a major topic for the developing and developed countries. However, our technical cooperation delivery in that particular sector amounts to less than 5% of the total delivery of UNIDO and we would like to discuss with you what else we should do to attract more funding to define our interventions in that field. I believe UNIDO has to have larger programmes in areas that will undergo many important developments in the coming years, for example the introduction of biotechnology. The importance of substantive discussions cannot be emphasized enough and cannot be delayed and we would like to seek your help to call the attention of your capitals and work together towards drawing more attention to the substantive UNIDO of work.

To finalize these introductory remarks, I also have the pleasure of announcing the accession of Timor-Leste to the Constitution of UNIDO on 31 July 2003, becoming our 171<sup>st</sup> Member State. I am sure that you will all join me in welcoming Timor-Leste to the work of our Organization. I hope the President of Timor-Leste will be able to join us at the General Conference to discuss on practical terms how UNIDO could be involved in the development of that country.

Thank you very much for your attention, distinguished delegates.