

CHECK AGAINST DELIVERY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



**Opening Statement
by
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Director-General**

**at the
thirty-eighth session of the
Industrial Development Board
Vienna, 24-26 November 2010**

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

It is my great pleasure to warmly welcome you to the thirty-eighth session of the Industrial Development Board.

Allow me to express my sincere gratitude to our President, Ambassador Helmut Böck of Austria, who so ably chaired the thirty-seventh session of the Board and who has kindly agreed to guide us through the thirty-eighth session as well. I am sure, Mr. President, that with your leadership, both you and the Bureau you lead will bring a successful conclusion to the present session.

I would also like to extend a special welcome to the Ministers who have joined us today, as well as to guests from a number of agencies who will be present at our side-event this afternoon.

I can see from the agenda that you have an intensive and challenging work schedule ahead of you over the coming days. To facilitate your deliberations on these matters, the Secretariat has submitted a comprehensive set of documents. I will refer to a number of these agenda items in my statement this morning, although not necessarily in order of their appearance on the agenda. In particular, I wish to inform you of developments concerning our trust funds for food security and renewable energy, and on progress in our Programme for Change and Organizational Renewal (PCOR). My staff will make available additional information as necessary when each item is taken up for consideration. Lastly, I intend to make an announcement concerning some senior staff departures and rotations.

Mr. President,
Distinguished delegates,

This meeting of the Board brings us close to the end of the first year of my second term. For me, 2010 has been perhaps even more challenging than 2006, my first year of office. To give you some context, in February 2006 the High-level Panel on System-wide Coherence was launched in New York. In connection with this, a number of scenarios were floated concerning how the United Nations should operate in future – some of which suggested the discontinuation of certain agencies, UNIDO amongst them.

Two months into my tenure, therefore, we were already facing an existential threat. It was of course a challenging period. But we took action – both to present UNIDO's case and to commit to the coherence process. Indeed, at my first Board in 2006, one of the primary decisions moved by the European Union and Japan especially, was that we should do more to raise our visibility in capitals. This meant five years of focused advocacy, presenting information on what UNIDO does, and hard evidence of success.

The global financial crisis of 2008 brought the real economy to the top of the agenda, and with it the importance of green growth. By 2010, assessed contributions were in line with expectations; funds mobilized were higher than ever before. And yet still this has been a most challenging year in terms of finding the resources needed for a business system that allows us to deliver value for money and work more closely with our sister agencies. I will expand on this point shortly.

First, allow me to present our most recent figures on the financial situation of UNIDO, which comes under item 2 of your agenda.

[SLIDE: Funds Mobilization 2005-present]

Financial situation of UNIDO

I am pleased to inform you that funds mobilized for technical cooperation up to the end of October 2010 are in excess of \$126 million. This surpasses the figure of \$108.5 million raised by the equivalent stage last year, which was itself a record for UNIDO.

But you can see from the graph that it has not been smooth sailing – there is no guarantee that the amount of funds mobilized will constantly increase, particularly these days with the tightening of national budgets and the decline in some traditional donors’ financing for international development. Indeed, for a specialized agency like UNIDO there is always a degree of uncertainty on funding for projects and programmes, which often need to be worked out with both donor and beneficiary on a case-by-case basis.

[SLIDE: TC Implementation 2005-present]

Our technical cooperation delivery likewise continues to rise to new heights. By the end of October 2010, we had delivered just short of \$130 million, as against some \$121 million this time last year. Once again, UNIDO is on track to deliver more than ever before.

We are proving that we can deliver, but we are aware of calls to further improve value for money and results-orientation. I recently received two letters – one from the Permanent Representative of the United Kingdom, addressed to me; and one from the UK Minister for International Development, addressed to the UN Secretary-General. Both were co-signed by a number of countries and emphasized these concerns. The letter sent to me was delivered on behalf of the Geneva Group and particularly expressed the hope that the change management programme would aid in the ready provision of information on project activities to Member States, including information on funding status.

In this connection, I would like to stress that the adoption of our new enterprise resource planning (ERP) system will greatly enhance our ability to provide such information. Both leaner processes and a well-integrated system supporting organization-wide knowledge

sharing, risk management and results-based management remain the key objectives of our change management programme. I will return to this in a few moments.

As always, we have updated the status of assessed contributions in a further Conference Room Paper. The most significant development in this regard is the receipt of the first installment of the payment plan agreed with Brazil. We very much appreciate this as an example of the strong commitment of Brazil to its partnership with UNIDO.

The collection rate of assessed contributions for 2010 stood at 86 per cent at the end of October 2010. A further significant contribution has been received in the past days, and the collection rate is now in line with that of last year. We expect to finish this year with a 92.4 per cent collection rate of assessed contributions.

The number of Member States without voting rights has decreased from 44 on 30 June 2010 to 41 on 31 October 2010. This is however still higher than the 38 and 37 countries in October 2009 and 2008.

As far as the financial regulations of UNIDO are concerned, we have reissued these in a Conference Room Paper presented to the twenty-sixth session of the PBC in order to provide a consolidated up-to-date version after the amendments made at the General Conference a year ago. This is all the more important as at the next PBC we will begin discussing further amendments, mostly in connection with the frequency and disposition of annual audit reports to be provided by the External Auditor. This is necessitated by the adoption of IPSAS.

Trust funds for food security and renewable energy

[SLIDE: Financing of trust funds]

I now wish to move to item 2(c) of the agenda, the trust funds for food security and renewable energy established by Member States in the last General Conference. A briefing for Permanent Missions took place last Friday, in which details were provided on progress in operationalizing the two funds. For those of you who did not have the opportunity to attend, I would like to briefly restate some of the information given.

To finance the trust funds, a total of over €1.5 million was retained from the unencumbered balance of appropriations. Of this, two Member States requested that their share be transferred to the industrial development fund, leaving €1,147,628 available for the two trust funds.

This sum was then allocated as requested by individual Member States. Where no specific allocation was requested by the respective Member States, the resources were shared equally between the two trust funds. This resulted in €498,052 being made available to the trust fund for food security and €649,576 to the trust fund for renewable energy.

In addition, €400,000 was received from Finland in late 2009, before the trust funds were established. This was fully allocated to the agro-industry activities which are the subject of the trust fund for food security.

As far as the trust fund for food security is concerned, in July we launched an innovative programme on agribusiness value chains together with FAO and IFAD. The programme focuses on least-developed countries (LDCs), and is strongly linked to the Africa Agribusiness and Agro-industry Development Initiative (3ADI) which resulted from the High-level Conference on Agribusiness held in Abuja in March of this year. It also extends to two non-African LDCs, Haiti and Afghanistan. An important aspect of our approach is that our initial investment in technical cooperation will have a significant multiplier effect, leveraging substantial flows of resources from bilateral donors, international financial institutions and the private sector. Although these resources will therefore not flow through UNIDO, nor appear in our traditional delivery figures, they will have a significant development impact. We will make sure to report to you on the progress of the programme using a comprehensive, outcome-based reporting system.

On Friday my staff also delivered a presentation on how the trust fund for renewable energy will be used to formulate a number of programmes and projects in selected countries. It is true that the trust fund has not yet seeded any such activities, but you should be aware that the incubation period for energy-related projects can take some time. Feasibility studies are needed and often co-financing is required.

In this connection, we have just been asked by the Global Environment Facility (GEF) to lead their programme in East Africa, meaning that ultimately we will implement about US\$20 million of a US\$60 million programme for the region. The trust fund for renewable energy will provide invaluable support in setting this large-scale programme in motion and in designing concrete projects at the country level. This is an example of how the fund can seed ambitious and broad interventions, which can also be replicated in other regions.

Programme for Change and Organizational Renewal (PCOR)

[SLIDE: Cost of ERP]

I now wish to address the issue that has made 2010 a challenging year so far: our Programme for Change and Organizational Renewal (PCOR). I am pleased to inform you that our Programme has achieved the milestones planned to date. A number of actions have been taken since my report to the Programme and Budget Committee. You will find detailed information on this progress in document IDB.38/9/Add.2. This document was released just this week in order to incorporate feedback received from Member States on the PCOR briefing held on 17 November and in subsequent consultations.

The main point to note is that we have now selected an ERP system and implementation partner. An international bidding exercise was launched in July of this year, and the selection process was completed last week.

During the selection process for the ERP system, we were guided by your decision at the General Conference, in which you requested that the most suitable and sustainable technical solution be sought. The result of the international competitive bidding exercise shows that the total cost of the implementation of the ERP system amounts to €13 million, which is €3.9 million higher than the Scenario III foreseen in our feasibility study.

You can see on the screen how this compares to ERP funding requirements in other UN agencies.

[SLIDE: IAEA, CTBTO, UN implementation of ERP systems]

I firmly believe that this one time investment of €13 million in a new ERP system will make the Organization “fit for the future”. We have so far received €5.3 million through renunciation of unutilized balances of appropriations, and we are grateful to Member States for providing us with the resources for this investment.

[SLIDE: ERP financing requirements]

The slide before you shows the funds already collected for the ERP and how I suggest we meet the remaining shortfall of €7.7 million. This will be through budgetary savings of €1.7 million during the implementation period, as well as the utilization of €5.5 million from the reserve for exchange rate fluctuations. We are also proposing to reallocate €0.5 million received as a voluntary contribution for strengthening fiduciary standards, which are an integral part of our PCOR.

[SLIDE: Relevant Decisions on the Reserve for Exchange Rate Fluctuations]

Let me say a few words of explanation about the exchange rate reserve. It was established at the ninth General Conference in 1999 for the purpose of protecting the Organization from exchange rate fluctuations following the introduction of the euro. At the General Conference last year, Member States decided to approve the partial utilization of this reserve to finance any shortfall needed to implement the programmes described in document IDB.36/7.

You have approved the modernization of systems in our sister agencies. Right now, we are lagging behind, unable to harmonize our business practices with the rest of the UN system because the technology available to us is so outdated. I count on your support to

come to a decision at this Board that will allow us to move forward and truly deliver on our potential.

UNIDO's Four Pillars

Mr. President,
Distinguished delegates,

Our change management reforms aim to further strengthen our ability to marry specialized knowledge with project implementation.

In my address to this Board last year, I put to you the following:

“For a UN agency to add value in our changing times, it needs to be more than a mere implementer. It needs to move upstream – to grow practical knowledge, and to bring this knowledge and best practices to those in need”.

This is at the core of my vision for growth with quality in UNIDO. Our Constitution provides for four pillars of activity: technical cooperation; a convening role; research, analysis and policy advisory work; and normative activities.

[SLIDE: Four pillars]

Technical cooperation remains vitally important. But we cannot carry out high-quality technical cooperation without these other three pillars. The convening role expands knowledge and builds consensus. The research, analysis and policy advisory role provides strategic focus and upstream advice. Our normative function meanwhile provides input into global rules and targets necessary for the achievement of common goals: our influence on the global energy goals is evidence of this. Without all of these complementary activities, project implementation is akin to throwing darts in the dark.

In order to better focus on each of these four pillars, I recently announced some changes in the responsibilities of two of UNIDO's divisions, the Programme Development and Technical Cooperation Division (PTC) and the Regional Strategies and Field Operations Division (RSF).

You are likely to be aware that responsibility for field representation and operations has now moved to PTC. This makes sense, uniting technical cooperation in both HQ and the field as we move towards greater decentralization of our activities, which we will discuss at our global field staff retreat in Mauritius next week. The new RSF, meanwhile, will concentrate on the upstream solutions that a specialized agency needs to offer to developing countries.

This means greater attention to research, analysis and policy advisory services. But please do not be misled into thinking that this equates to ivory-tower thinking. The research and

analysis I mean will have a real, tangible development impact and will inform our TC. In fact, all of our four pillars will become better integrated than before.

The new Division will also have a strong quality assurance and information sharing role. It will be responsible for appraisal and approval of technical cooperation, regional coordination and reporting, portfolio monitoring and risk assessment, and strategic advocacy and resource mobilization.

Environment and Energy issues and the Millennium Development Goals

[SLIDE: World Energy Outlook 2010]

Mr. President,
Distinguished delegates,

I would now like to turn to item 9, environment and energy issues, and also to item 7, on the Millennium Development Goals (MDGs).

We continue to be active together with our partners in UN-Energy and the Secretary-General's Advisory Group on Energy and Climate Change (AGECC) in pressing for ambitious but achievable goals on universal access to energy and improved energy efficiency by 2030.

UNIDO and UNDP worked together with the International Energy Agency (IEA) to produce a chapter of the 2010 World Energy Outlook entitled "Energy Poverty: How to Make Modern Energy Access Universal". This chapter provides new detailed analysis and data on energy poverty and its relation to the achievement of the Millennium Development Goals (MDGs), and was launched at the High-level Plenary Meeting on the MDGs in September. Copies of the complete Report will be distributed to Member States at this meeting of the Board.

Further information on UNIDO's participation in the MDG Summit has been made available in an addendum to our report under item 7 of the agenda.

UNIDO recently advocated for these energy goals at a number of high-level meetings, including the Delhi International Renewable Energy Conference; the Meeting of African Ministers of Energy in Maputo, Mozambique; and the Ministerial meeting of the Latin American Energy Organization, in Managua, Nicaragua.

I am pleased to note that the outcome documents of all three meetings refer to the designation of 2012 as the International Year for Sustainable Energy for All. Just a few days ago, the Group of 77 and China tabled a draft resolution in the General Assembly in support of this. I welcome the recognition by those countries of the importance of the issue, and strongly encourage all distinguished delegates here today to ensure support for the adoption of the resolution in New York.

We will also take this message to the UN Climate Change Conference in Cancún next month and prepare the ground for a major international conference on energy in Vienna next year. The Vienna Energy Conference will bring together major political and technical actors to map the route towards achievement of the AGECC energy goals, including the identification of supportive indicative targets and policies.

We hope that 2012 will be the year of energy. It will also witness the UN Conference on Sustainable Development, or Earth Summit, in Rio de Janeiro. Much has happened since the last Earth Summit in 1992. “Rio+20” will look at sustainability in a new light, specifically through the prism of the green economy in the context of poverty reduction and sustainable development. UNIDO is already contributing to the preparations for the Summit, including through inputs to the High-level Panel on Global Sustainability, ensuring that due consideration is given to issues such as energy for development, green industry, resource-efficient and cleaner production, sustainable global trade and low-carbon technology transfer.

[SLIDE: Partnerships and Triangular Cooperation]

I would now like to highlight some of our other current and future partnerships, including through triangular cooperation, in which two or more partners provide solutions to a third country.

Under agenda item 8, we are presenting a proposal for an enhanced programme to foster the development of a local pharmaceutical industry in developing countries. This will also be featured in our side event this afternoon, at which we will welcome Mr. Michel Sidibé of UNAIDS, Ms. Joy Phumaphi of the African Leaders Malaria Alliance (ALMA) and Dr. Evita Schmieg of the German Federal Ministry for Economic Cooperation and Development, which has generously provided funding for the programme.

The proposed programme is the result of over four years of analytical work in partnership with a number of stakeholders and aims to strengthen the local production of essential generic medicines, especially with a focus on those drugs that combat the three big pandemics – HIV/AIDS, malaria and tuberculosis. The relevant document before you today outlines UNIDO’s approach and the advisory and capacity-building support we have provided so far. This is one example of such a partnership that can yield results.

Another is our programme for **investment promotion in Africa**, AfrIPANet, which seeks to enhance the ability of countries to monitor and improve the developmental impact of foreign and domestic private investment, and assists national institutions in helping private investors to identify investment opportunities. This brings together a host of actors from both the public and private sectors in the industrialized and developing world alike. Later this week at the fourth EU-Africa Business Forum in Tripoli, Libyan Arab Jamahiriya, we will present the preliminary findings of our survey of investors in Africa, and will also announce a renewed partnership with the European Union in our investment promotion programme.

We are also partnering with the **World Bank** on a joint project dealing with the development of light manufacturing in sub-Saharan Africa, specifically enquiring why countries in that region are often not able to exploit their apparent comparative advantage in light manufacturing, and identifying lessons that can be drawn from the experience of Asian countries. This project is likely to shine a greater light on areas and sectors in which UNIDO's technical cooperation can have the highest impact, allowing us to do even more with the resources available to us.

Other ongoing partnerships include our cooperation with Japan on **youth employment and post-crisis rehabilitation** and with Brazil on the use of **biomass**. I am also currently discussing with the Republic of Korea and with China possible new partnerships for the promotion of triangular cooperation for **green growth and green industry**.

Mr. President,
Distinguished delegates,

I have taken you through a broad range of issues currently facing your Organization. The other items on your agenda cover the important issues of multilingualism, the alignment of our medium-term programme framework with the UN system's comprehensive policy review of operational activities for development, and matters related to intergovernmental organizations and NGOs. The Secretariat has provided appropriate documentation on these issues, and will be pleased to provide additional information, if required.

In closing, I would like to make a few announcements concerning staff rotations. Ms. Fabienne Lambert, Director of our Office of Internal Oversight Services, is leaving us for pastures new. She will soon take up the position of Director of the Internal Audit and Investigation Group at UNOPS. I wish to pay tribute to Ms. Lambert for her tireless work for UNIDO over the years. Ms. Amita Misra, currently my Senior Adviser, will serve as Officer in Charge of Internal Oversight Services.

I also wish to mark the fact that this current session of the Board is the last under the diligent guidance of our Secretary, the Director of the Policymaking Organs Secretariat, Ms. Jeannine Orlowski. I am pleased to announce that Ms. Fatou Haidara, currently Director of our Special Programmes and LDC Group, will become the new Director of the Policymaking Organs Secretariat.

I beg your indulgence to say a few words in personal tribute to Ms. Orlowski. Without her considerable patience and fine diplomatic skills, UNIDO would have been a much poorer place. It is a measure of her success in her role that she is held in the highest regard by her colleagues and the staff members of her team and will be sorely missed.

Jeannine, I thank you for your support, wise advice and many years of outstanding loyal service to the Organization. I know I speak on behalf of many colleagues as well as many representatives of the Member States, when I wish you all the very best for the future in your retirement.

With that said, I now ask Ambassador Feroukhi, Permanent Representative of Algeria and Chair of the Vienna Chapter of the Group of 77 and China, along with our President, Ambassador Böck, to present Ms. Orłowski with the inaugural, and richly-deserved, Award for Exemplary Excellence.

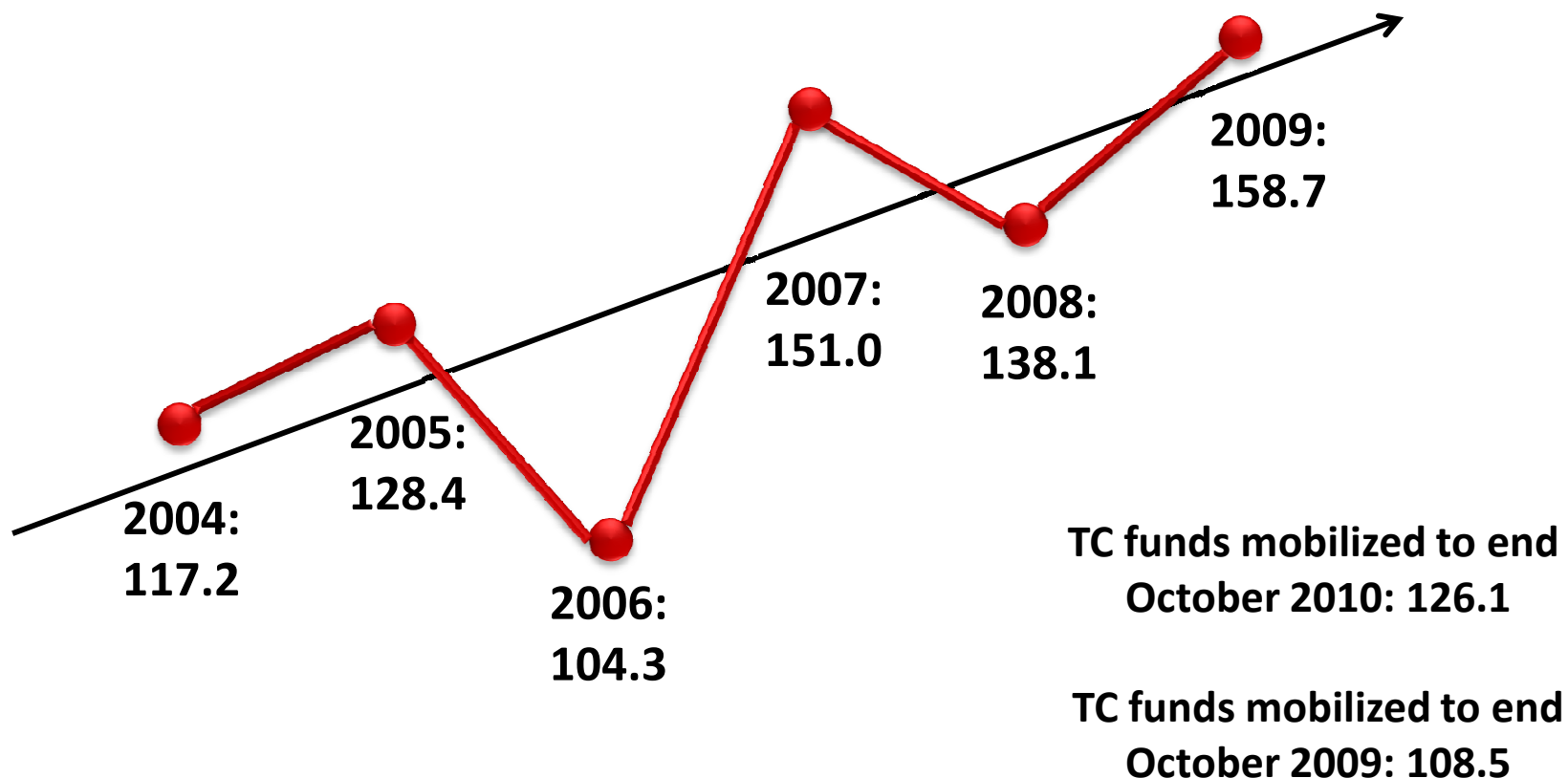
Thank you.



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TC Funds mobilized 2004 – October 2010

(in USD Millions)

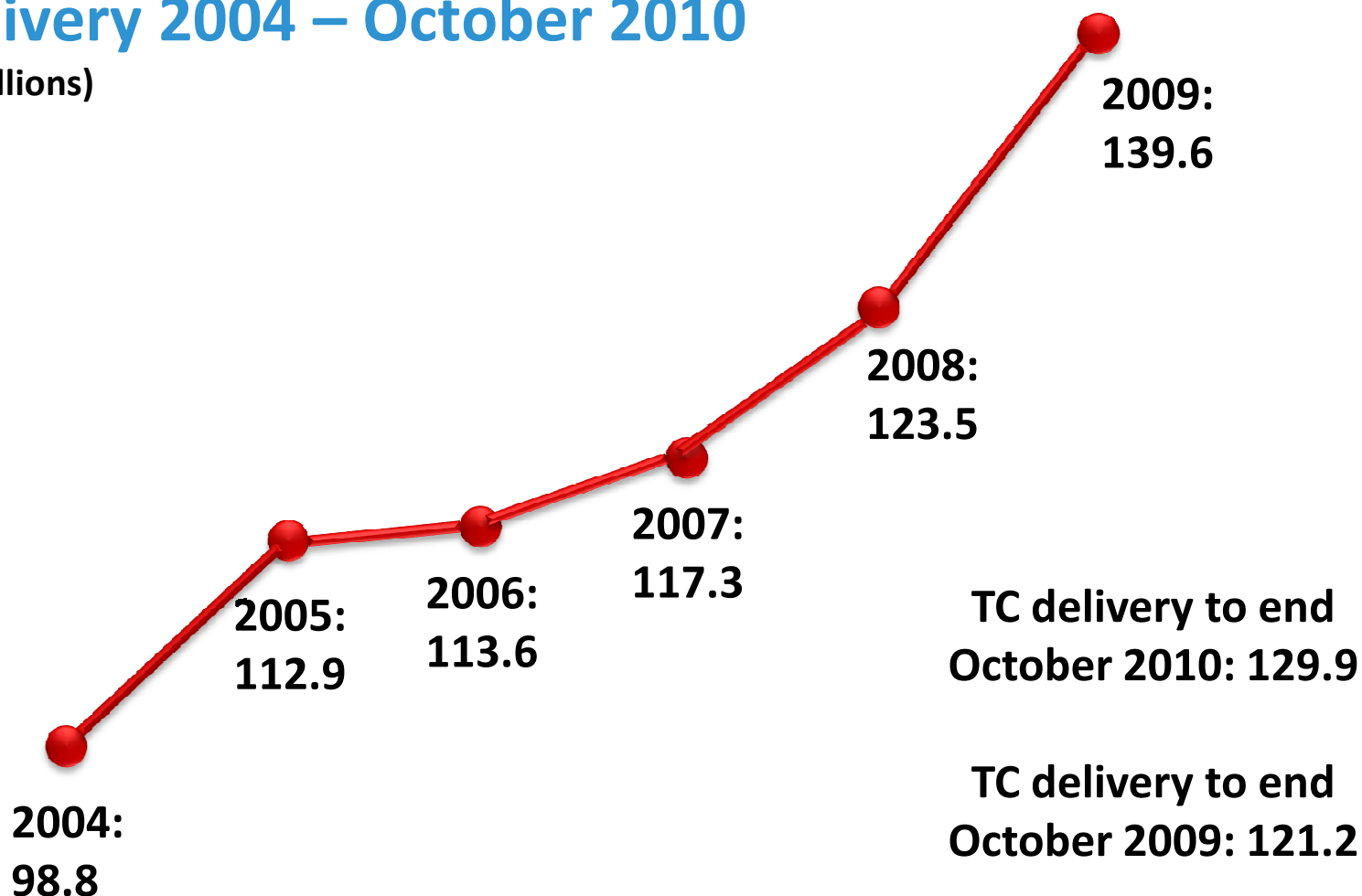




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TC Delivery 2004 – October 2010

(in USD Millions)





Financing of the Trust Funds

Total UBs retained for TC:	€1.516,426
Two Member States requested transfer of their share to their IDF account:	<u>€368,798</u>
Available for the two trust funds:	€1.147,628

Food Security Trust Fund	€498,052
Renewable Energy Trust Fund	€649,576
Total	€1.147,628



ERP Costs

(Euro millions)

Scenarios	III	III+	Additional requirements from III to III+
Total External Costs	9.1	13.0	3.9
Soft- and Hardware	2.5	3.7	1.2 incl. finance, logistics and reporting modules, plus maintenance
Implementation partner	5.0	6.7	1.7 for implementing ERP modules
Training	0.3	1.0	0.7 incl. staff training
Replacement costs of staff	0.5	0.3	-0.2 (less than anticipated)
Project Control	0.8	1.3	0.5 incl. global roll-out



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IAEA, CTBTO and UN Implementation of ERP Systems

IAEA **➔** **€24 mn / Oracle**

CTBTO **➔** **\$8.9 mn / Transition to IPSAS-compliant ERP System**

UN **➔** **\$316 mn / SAP**



ERP Financial Requirements

One-time investment: €13 mn

€5.3 mn

**€5.3 mn
Unutilized
Balances**

€7.7 mn

**€0.5 mn
Voluntary
Contribution**

**€1.7 mn
Budgetary
Savings**

**€5.5 mn
Exchange Rate
Fluctuation Reserve**



Relevant Decisions on the Reserve for Exchange Rate Fluctuations

GC.8/Dec.16 – 9th plenary meeting 3 December 1999

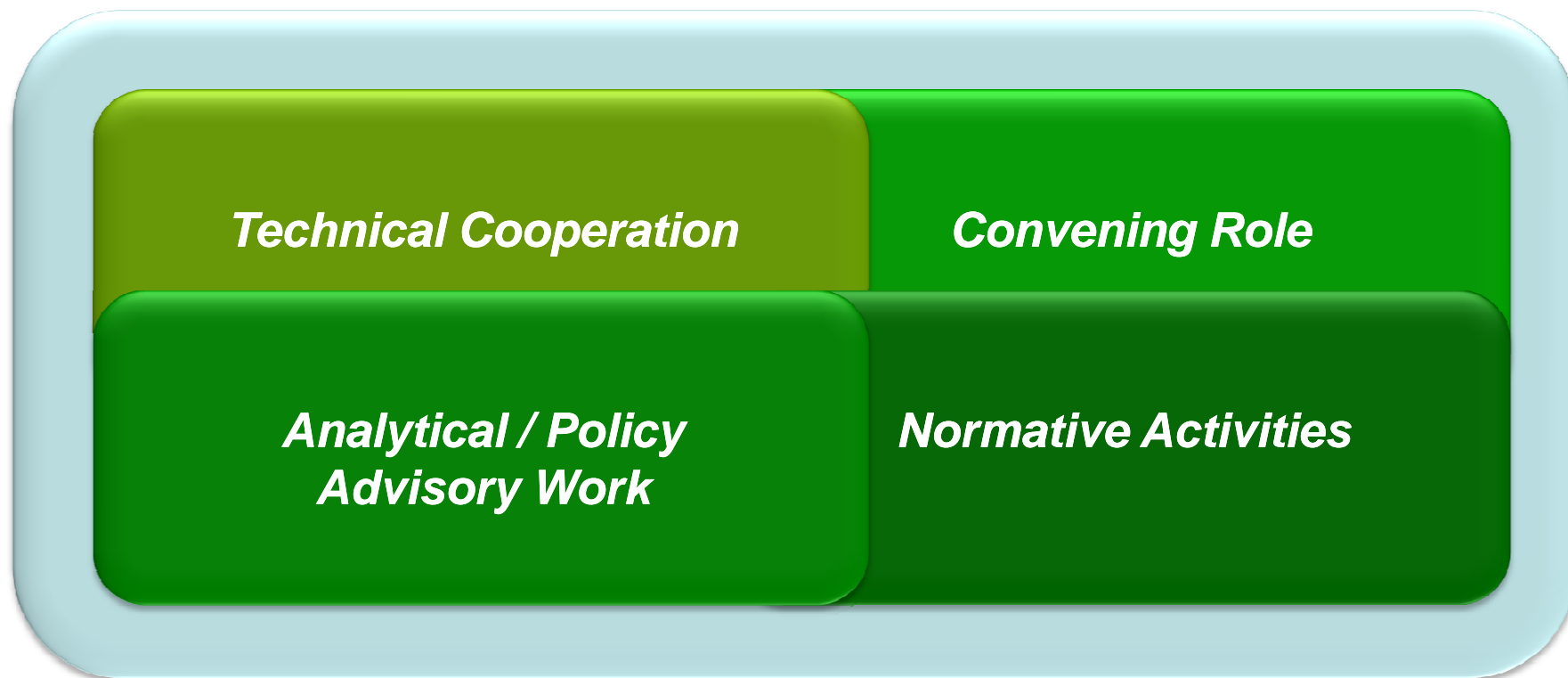
(d) Also authorized the Director-General to establish a reserve, not subject to the provisions of Financial Regulations 4.2(b) and 4.2(c), for the purpose of protecting the Organization from exchange rate fluctuations;

GC.13/Dec.14 – 8th plenary meeting 11 December 2009

(e) Further approved the partial utilization of the accumulated balance of the reserve for exchange rate fluctuations to finance any shortfall in the income estimates in order to fully implement the programmes as described in document IDB.36/7.



Four Pillars



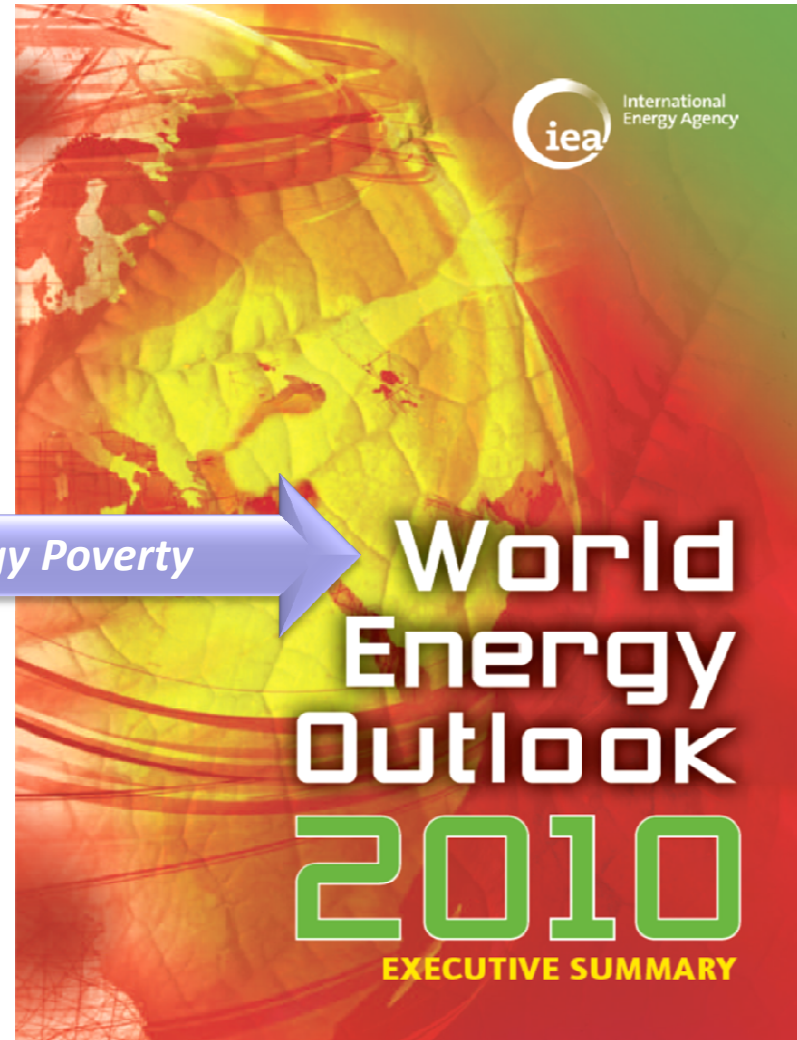


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IEA Report

UNIDO
UNDP
IEA

Chapter on Energy Poverty





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Partnerships and Triangular Cooperation

- ▲ Programme on Local Pharmaceutical Industry / Germany
- ▲ AfrIPANet / European Union
- ▲ Light Manufacturing in sub-Saharan Africa / World Bank
- ▲ Youth Employment and Post-Crisis / Japan
- ▲ Biomass / Brazil
- ▲ Green Industry / Republic of Korea
- ▲ Green Industry / China



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