



United Nations Industrial Development Organization

Distr.: General
23 November 2012

Original: English

Industrial Development Board Fortieth session

Summary record of the 1st meeting

Held at the Vienna International Centre, Vienna, on Tuesday, 20 November 2012, at 10 a.m.

Temporary President: Mr. Cho Hyun.....(Republic of Korea)

President: Mr. Csuday.....(Hungary)

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The meeting was called to order at 10.15 a.m.

Opening of the session

1. **The Temporary President** declared open the fortieth session of the Industrial Development Board.

Election of officers

2. **The Temporary President** said that he had received the following nominations: Mr. Balázs Csuday (Hungary) for the post of President; Mr. Mahmoud Hassan Elamin (Sudan), Mr. Tsutomu Osawa (Japan) and Ms. Ana Teresa Dengo Benavides (Costa Rica) for the posts of Vice-President; and Ms. Supa Tangkittikhun (Thailand) for the post of Rapporteur.

3. *The candidates were elected by acclamation.*

Statement by the Temporary President

4. **The Temporary President** congratulated the new President and other members of the Bureau and wished them success in their work.

5. As the outgoing President, he said that it had been a great honour and privilege to serve as President of the Board and he expressed his sincere appreciation for the warm and constructive support offered to him during his tenure, especially given the heavy workload. As President of the Board, he had focused on facilitating transparent and inclusive dialogue among Member States — inter alia, in the framework of the informal working group that had been set up to provide guidance on the future of UNIDO and its programmes and resources. Since the previous session of the Board, a number of historic and important events had taken place within and outside UNIDO, such as the United Nations Conference on Sustainable Development (Rio+20), the Busan High-level Forum on Aid Effectiveness, the Asia 2050 round table organized by UNIDO in September 2012 and the current Global South-South Development Expo. Such meetings exerted an important influence on UNIDO by indicating where it should focus its efforts.

6. UNIDO had reached a turning point with Director-General Yumkella's appointment as the United Nations Secretary-General's Special Representative for Sustainable Energy for All. It was vital that the Organization should continue to operate efficiently despite any leadership changes. To that end, he had held informal discussions with a view to establishing a basis for consensus regarding the leadership transition. The selection process for the new Director-General would be decided on during the current session of the Board.

7. On assuming his post, he had asked himself what the challenges and opportunities facing UNIDO were, how its relevance could be increased and how it could be differentiated from other international organizations. Such issues were closely related to the validity of industrial policy, the viability of UNIDO during a climate of financial austerity and the Organization's contribution to international development objectives such as the Millennium Development Goals (MDGs). Experience had shown that the Organization's three thematic priorities put it at an advantage. A number of independent international assessments and UNIDO's increasing technical cooperation and fund mobilization were evidence of the international recognition of the Organization's importance. The present issue was how best to streamline the strategy of UNIDO, based on its priorities and the expectations of the international community. Many ideas had been generated on how to do that, and he hoped that the current session of the Board could help bring them to fruition in the near future.

8. Lastly, he thanked all delegations, the Secretariat and the Bureau members for their invaluable help in making his tenure as President an enjoyable one. He wished the next Bureau and all delegations well for the fortieth session.

9. *Mr. Csuday (Hungary), President, took the Chair.*

Statement by the President

10. The President expressed his gratitude to the Board members for electing him to preside over the fortieth session. The outgoing President and Bureau were to be thanked for their important contribution.

11. UNIDO was at a crossroads, which should be seen not only as a challenge but also as an opportunity. It was the responsibility of the Member States to use that opportunity for the benefit of the Organization. He wished to thank the co-chairs of the informal working group, Ms. Dengo Benavides of Costa Rica and Mr. Groff of Switzerland, for their continuing efforts to facilitate discussion.

12. He expressed his desire for a smooth and orderly transition at the executive level of UNIDO and was convinced that all its Member States could work together to ensure that it was achieved.

13. While the Board would not deal with programme and budget proposals at the fortieth session, it was necessary to bear in mind the resources available to UNIDO when considering the various programmes and operations.

14. Lastly, he appealed to the delegates to assist the Bureau in conducting a business-like session by keeping statements brief and concise.

Adoption of the agenda (IDB.40/1/Rev.1 and Rev.1/Add.1)

15. *The provisional agenda (IDB.40/1/Rev.1) was adopted.*

Statement by the Director-General

16. **Mr. Yumkella** (Director-General) expressed his gratitude to the outgoing Bureau, and in particular to the outgoing President. It was thanks to Mr. Cho Hyun's commitment and leadership that the previous session had been conducted in such a constructive manner and he thanked the former President for having consulted him on various issues.

17. He congratulated the new President and Bureau on their election and was confident that, under the leadership of Mr. Csuday, the Board could be assured of a successful completion of its work.

18. He had rarely seen such a full and challenging agenda for the Board. During the fortieth session, the Organization would take further steps toward framing a new strategic direction and would consider the process of selecting his successor. Both actions would prove decisive for the future of UNIDO, and had also given him the opportunity to reflect on his time as Director-General.

19. The transition to a new administration had called to mind his first appearance as Director-General at the General Conference session in December 2005. Following his election six months prior to that, he had been asked to speak spontaneously at the Board. He had spoken animatedly about his mother, his home village in Sierra Leone and his aspirations to change the lives of those held back by a lack of water, energy, economic opportunity and hope. That speech had been quoted more by journalists than any of his subsequent addresses, which had been more analytical and organized. Furthermore, the Organization had just emerged from a difficult and lengthy period of restructuring under his predecessor, and further organizational changes could only be implemented with great care. As newly appointed Director-General, he had been aware of the temptation to make fundamental changes to the Organization, but had been careful not to do so. At the General Conference session during which he was appointed, the Member States had just adopted the UNIDO strategic long-term vision statement. He had considered that to be a vote of confidence and had sought to complement it with an

action-oriented manifesto. In 2005, he had set out his future vision for UNIDO, confident that the Organization would surpass itself.

20. He had known that, in order to fortify programmes, it would be necessary to build external partnerships and develop the human resource capacity of UNIDO. The fact that UNIDO was a small agency put it at an advantage, since it was able to focus, develop its comparative advantage and identify ways in which it could influence the global agenda. However, he had also realized that UNIDO needed to form strategic alliances with countries, institutions and relevant agencies.

21. His agenda had thus comprised three clear objectives: to intensify cooperation with Member States; to partner increasingly with United Nations organizations, academia, the private sector and civil society; and to strengthen the commitment and response of UNIDO staff.

22. With regard to programmatic focus, he had also selected three broad objectives: to stimulate the growth of small and medium-sized enterprises in developing countries in order to create economic communities and reduce poverty; to build the trade capacity of developing countries; and to promote access to renewable energy supplies and expertise, technologies and knowledge relating to environmentally friendly industries.

23. He had therefore moved immediately to create new branches for trade capacity-building and energy. During his first three years as Director-General, he had been accused of trying to convert UNIDO into a trade organization. "People should trade their way out of poverty" had been a popular slogan at that time, and he had spent a lot of time with Pascal Lamy, Director-General of the World Trade Organization. Small countries could not break the cycle of poverty if they did not engage in global trade and he had seen positive results in Asia, which had focused on labour-intensive manufacturing and traded with the rest of the world in order to lift hundreds of millions of people out of poverty. As well as creating a new trade branch, he had created a new energy branch, since he had realized that without energy countries were able neither to prosper nor to deal with climate change.

24. As he looked back on his statement of his vision, he believed that his team had chosen the right themes and correctly identified partnerships as a basis for the future growth and relevance of UNIDO. The team were pleased that they had far surpassed their 2005 ambitions. Their greatest recent successes, which included a green energy platform, work in trade capacity-building and

efforts to bring energy into the global development agenda, were largely due to a careful balance of various functions. They had combined technical cooperation; research, analysis and policy advisory services; standard-setting and compliance; and convening and partnerships. They recognized that, as an Organization of 172 Member States, they had convening power. But how should they use their skills and convening power to create a new dynamic for industrialization and challenge the orthodoxy?

25. For 20 years, people had tried to convince the world that markets would decide everything and that a United Nations agency that focused on industry was not necessary. He was happy that he had not subscribed to that view and that so many Member States had supported him. People had started to express a desire to go back to basics. The productive sector was important and it mattered what poor countries traded; if they traded commodities alone, they would remain poor. Asia had shown that it was necessary to develop technologically, and that in order to deal with resource scarcity and climate change it was vital to look at industry, a major source of pollution. As a community of nations, the United Nations had a responsibility to analyse realities and challenge the existing dogma, just as UNIDO had decided to do in 2005.

26. With regard to partnerships, in particular with new Member States, he stressed that he needed his Member States and that many of the delegates' predecessors had hosted him in their capitals. Recent years had seen an expansion of the donor base. It had also seen strengthened relationships with a number of established donors including the host country Austria, Bahrain, France, Germany, Italy, Norway and Spain, and through the Spanish MDG Achievement Fund, Sweden, Switzerland and Turkey. Engagement with Japan in particular had increased immensely. In the previous two years alone, Japan had donated the largest amount in UNIDO history from its supplementary budget funds. Collaboration through the United Nations trust fund for human security had also increased and a large-scale partnership on green industry had been initiated. New relationships had also emerged with China, Finland, India, Nigeria, the Republic of Korea, the Russian Federation, Slovenia and South Africa, among others. On his first visit to the Russian Federation, the country had decided to make significant voluntary contributions to UNIDO. He had had a deliberate policy to engage with the BRICS countries (Brazil, Russia, India, China and South Africa), and in his first year had visited India and China. Meanwhile, Asian and Gulf countries were applying orthodox economics and using production

systems differently, in order to deal with a new reality — they had to catch up with the rest of the world and fight poverty, while also dealing with sustainability. He realized that the knowledge base and debates taking place within UNIDO had to be inclusive. All views had to be considered, since realities had changed.

27. It had therefore been a deliberate policy to foster new and strengthened relationships and expand the donor base. Indeed, since 2005, UNIDO had secured funding from multilateral donors on an unprecedented scale. Collaboration with European Union (EU) institutions had intensified to the extent that UNIDO had become a major partner for the implementation of the joint Africa-EU Strategic Action Plan for 2011-2013. The previous month, UNIDO had played a key part in the prestigious European Development Days conference. It had long developed relationships in the area of trade capacity-building and currently looked forward to working with various countries and agencies on green industry issues.

28. A good example of a strategic partnership was the Organization's cooperation with the European Union, the value of which had gone up from a mere US\$ 15 million to over US\$ 100 million. During the first two or three years of his incumbency, he had not talked about the financial aspects of programmes but had sought to understand how industrializing countries saw the world: the issue was not one of chasing money for technical cooperation but understanding the dynamics of industrialization and the nature of funding institutions. UNIDO could then, as a neutral agency, bring the two sides together.

29. Within the United Nations system, partnerships had been created with the private sector, academia and others to conduct analyses for a number of useful projects and to establish institutions such as the Economic Community of West African States (ECOWAS) Regional Centre for Renewable Energy and Energy Efficiency, which was the first of its kind in West Africa. A partnership with Itaipu Binacional and Brazil was researching various energy sources, including bioenergy and hydro energy. A joint UNIDO-United Nations Environment Programme (UNEP) project had led to the establishment of a US\$ 52 million solar institute in Gansu province, China, which would probably lead to that region's becoming the biggest provider of solar energy in the world. He was proud of the fact that, although the memorandum of understanding had been signed a mere five years earlier, the project was already completed. UNIDO and UNEP had competed with every agency within and outside the United Nations when climate negotiations had called for new climate technology centres and their

joint tender had been the most successful, on the basis of independent evaluations. Whereas during the first three years of his tenure, some people had said that he was concentrating too much on trade, from the fourth year on he had been said to be focusing too much on energy and the environment. That trajectory had been inevitable because that was the reality that he had seen, on the basis of analysis and experience; and it had served UNIDO well. Technical cooperation on energy had risen from US\$ 20 million to US\$ 100 million. Although UNIDO was a small agency, it had, by 2007, been recognized as the leader on energy issues. UNIDO should continue to act on its strengths, as a small, catalytic, knowledge-based agency. Quality was more important than size: UNIDO had the best information and the best partners and it was not afraid to challenge the orthodoxy. One evaluation had said that UNIDO was not doing much on adaptation and his response was that that had been a strategic choice: other agencies might deal with forests or coastal areas, but UNIDO should remain focused on mitigation, with green industry as one of the pillars of the Organization.

30. Private partnerships were also crucial to the training of human resources and job creation. In the past, UNIDO had been wary of big companies, but, if it wanted to be a dynamic agency that lifted people out of poverty, it must engage with powerful partners, such as the Metro Group or — following a memorandum of understanding signed just two weeks earlier — Louis Dreyfus, another big retailer. Such big firms created supply chains. Small countries could not grow unless they were part of global value chains.

31. Another strength of UNIDO was its publications, one of the first of which was a book on South-South cooperation, and this week UNIDO was hosting the whole United Nations for a global conference on South-South cooperation. He recalled that, in his first year as Director-General, he had received support from the Prime Minister of India, Manmohan Singh, in the form of a US\$ 3 million donation, after a ten minutes' conversation. He had also travelled to China and Brazil. The Organization's focus on energy had paid dividends: the United Nations Conference on South-South Cooperation currently taking place in Vienna had adopted energy as its theme.

32. The rise in the collection rate of assessed contributions showed the confidence that Member States had in UNIDO: collection rates had risen to 90 per cent from around 70 per cent at the start of his tenure. Brazil, Mexico and Argentina had returned to the Organization in full force. Ukraine and others were working with UNIDO on payment plans.

33. One of the principal legacies that he would leave UNIDO was the quality of the staff: almost 200 technical staff had been recruited during his tenure, which represented a change of about 70 per cent. Such rejuvenation was a deliberate policy: as any enterprise knew, its real resource was human capital. The selection process had been redesigned in the interests of transparency, a gender equality policy had been put in place and there was a focal point for ethics and accountability, with a view to appointing the best minds, whether young or old, to the Organization. The field mobility policy had been adopted to encourage people to serve in the field. It was easier to serve in Vienna, but it was important that staff should serve in the field, otherwise they would become elitist academics. If the aim really was to end poverty, staff should be encouraged to spend time in Sierra Leone, Gansu province in China or Coimbatore in India. Poverty, for him, was not an abstract issue: it concerned his mother, his sisters and his brothers. Staff should go into factories, not only in the United States of America and Europe but also in Asia and Africa, to see the reality of how industry was changing, otherwise they would be desktop technicians.

34. He enjoyed good communications with the staff: he had held more town hall meetings than his two predecessors and, in individual branches, he would challenge staff on their approach to energy or trade, and tell them what was happening in other countries. He met every new member of the staff personally. Moreover, he held a meeting every quarter with 20 members of staff, without bosses present, and felt the pulse of the Organization. He had introduced 360 degree staff performance assessment system. UNIDO staff could be evaluated by their peers and bosses by their staff. In that connection, he said that UNIDO had some of the best directors in the world; there would be no problem when he left, because he had built a team of 300-400 people who knew their jobs and were thoroughly professional. The only danger was that other organizations would want to poach UNIDO staff. He was also in constant contact with the Staff Council, whose President he wished to commend.

35. For every dollar that UNIDO raised for technical cooperation, the Government of the country concerned contributed two to three dollars more. A number of donors required that a country matched the donor's contribution. Leverage was also important to make an impact. Another strength of his management team was that directors grew their own programmes over time on the basis of careful analysis. That approach would continue.

36. Another of the Organization's core activities was to use its convening power: it could bring everyone together as a community of nations, where ideas could be exchanged. UNIDO used such meetings as its pulpit. It therefore played a major role in all negotiations, such as those at the United Nations Conference on Sustainable Development. UNIDO also helped States organize conferences in their own countries, sometimes with a view to influencing their industry or encouraging sustainability standards, as in Ecuador and Peru. Meetings to promote green growth had been held in Poland and in Germany and would be held in France and the Republic of Korea. The Delhi Sustainable Development Summit was held annually in India. Such meetings were concerned with ecosystems and biodiversity, since, if factories continued to use raw materials as they did currently, ecosystems would suffer, in cases where, for example, more trees were cut down or mercury was used in mines. UNIDO had issued a publication on industrial energy efficiency in 2011, making the case that it was a unique area for UNIDO activities, on the basis of its long experience. It had been shown that industrial energy efficiency could reduce production costs by up to 15 per cent.

37. UNIDO had also laid a solid foundation for advising on agribusiness and low-emission industrialization. Japan, the Republic of Korea and a number of European Union countries were looking at that area because it was good for their economies. It was, however, of particular significance that, for the first time, UNIDO had a message for rich countries. For decades, it had been seen as a small agency helping poor countries, almost on a level with non-governmental organizations (NGOs) for some donors. A recent development had been that the European Union had invited UNIDO to join its Resource Efficiency Platform.

38. The Organization's financial situation was strong, so he had more confidence in the future than he had had in 2005, when there had been talk of merging UNIDO with another agency. The Organization's value had been understood: even rich countries were trying to create jobs through industry, understanding that services alone were not sufficient. He was shortly going to Tunisia, with the President of the European Union, for a conference that they were jointly organizing on youth employment. There was a need to create 200 million jobs in the short term and 600 million over the next 10 to 12 years. UNIDO was perfectly placed to provide assistance in that direction.

39. Ever since 2005, he had been urging the Organization to hold its General Conference outside Vienna every four years. Even the United Nations Office on Drugs and Crime (UNODC) organized the

Conference of the States Parties to the United Nations Convention against Corruption outside Vienna every two years. The UNIDO General Conference was attended by 1,000 to 1,500 people and, for UNIDO to be a truly inclusive organization, its members should see other regions. He was happy to say that Peru wished to take up that challenge; and his dream was that an Asian country would offer the same in four years' time and an African country four years after that.

40. Lastly, he drew attention to the procedure envisaged for the appointment of his successor: the deadline for the receipt of nominations was 24 April 2013 and a forum at which candidates could be assessed would be held on 21 May 2013. Then the election would take place in June. It remained to be decided whether a special session of the General Conference should be convened, at which the new Director-General would be appointed, or whether the Board would designate an Acting Director-General until the fifteenth General Conference session in December 2013.

Statements by ministers

41. **Mr. Castillo Barantes** (Minister for Foreign Relations and Worship of Costa Rica), after commending the Director-General for his leadership and commitment, which had contributed greatly to the success of the Organization, said that the Board was meeting in the middle of a complex global situation. The international financial crisis continued in a number of major economies, creating market uncertainty. Many developing countries, however, continued to make great efforts to eliminate poverty and inequality, with outstanding results. Their energy needs grew by the year, so effective policies that promoted the development of environmentally responsible industry were increasingly necessary.

42. His Government firmly believed that UNIDO had a valuable part to play in formulating solutions for such problems, with its unique expertise and know-how. Industrial development should not imply only the manufacture of goods or services. UNIDO excelled in multiple directions relating to knowledge creation and transfer, such as the standardization of procedures, the promotion of energy efficiency, the implementation of international agreements and green industry. UNIDO could also make a substantial contribution to the implementation of the Sustainable Development Goals, since an integral part of its experience was closely linked with the agreements achieved at Rio+20.

43. His Government was confident that the Organization would continue to strengthen its cooperation with Latin America and the Caribbean. The region had enormous potential, which he hoped would be tapped by UNIDO in order to help the development process along in the countries of the region and replicate their experiences in other parts of the world. Latin America faced significant development challenges in the long term. Lower foreign demand due to the international financial crisis threatened economies that depended too greatly on the export of natural resources. It was thus necessary to move to more efficient production models with a greater added-value and knowledge content.

44. It was essential to promote the creation of a larger number of small and medium-sized enterprises (SMEs) and thus consolidate the productive structure of Latin American countries in order to increase the number of jobs, internationalize their economies and democratize the benefits of international trade. It was to be hoped that productive innovation processes using cutting-edge technology that contributed to the creation of high-quality goods and services could be strengthened. He therefore urged UNIDO to continue its support for the Latin America and the Caribbean Regional Programme and, in particular, the Industrial Knowledge Bank, which had proved a most effective instrument of South-South cooperation and which would, he hoped, generate large-scale projects that would produce major benefits for the Latin American public and entrepreneurial sectors. The technical platforms agreed in Costa Rica in 2011 and recently in Ecuador would undoubtedly serve as the basis for further technical cooperation in the region.

45. The goals that he had described could not be realized without the active participation of national Governments. His Government therefore wished to express its commitment to the mission of UNIDO. As Chair of the Group of 77 and China, Costa Rica had, in the 1990s, promoted the continued existence of UNIDO in one of the biggest crises that it had faced. It was thanks to the firm support of many developing and developed countries that the promotion of industrial development had been maintained. The Organization belonged to its members and it was up to them to ensure that it grew ever more efficient and produced the desired benefits. A clear and decisive commitment to sustainable industrial development in the developing countries would benefit not only countries like Costa Rica but the international system as a whole.

46. He invited all Member States to back proposals that would benefit them all and boost UNIDO in the international context. In that connection, he invited

Member States to continue the discussion in Costa Rica, at the high-level conference of middle-income countries that would take place in June 2013 in San José. The event would be organized jointly with UNIDO and would constitute an excellent opportunity to underline the importance of inclusive growth and prosperity, environmental sustainability and green industry, along with funding for sustainable economic development.

47. **Ms. Sión** (Minister of Industry and Productivity of Ecuador and President of the fourteenth session of the General Conference) said that her country was undergoing an economic and social transformation leading to fair and equitable development. It was incumbent on all Member States to build a sustainable economy that promoted the responsible use of resources, guaranteed the sustainability of the planet and ensured the welfare of their peoples.

48. Her country's position concerning the programme set out by the Board would be found in the statement to be made by the representative of the Group of Latin American and Caribbean States (GRULAC). Ecuador recognized the effort that had gone into the organization of side activities to discuss sustainable industrial development and the green industry platform. Such discussions would undoubtedly contribute to the exchange of views and good practices, thus helping to strengthen projects that would support sustainable industrial activity.

49. The Organization's work on reducing poverty through sustainable industrial development had led to the holding of the fourth UNIDO-GRULAC Expert Group Meeting in Quito in September 2012 as part of Resource Efficiency Week in Ecuador. The Meeting had agreed on a strategic proposal, which included suggestions on promoting the efficient use of resources, the transfer of cleaner production technologies and the adoption of green growth strategies to promote sustainable development, encourage countries to develop green growth indicators and strengthen regional and international cooperation on implementing green initiatives. The success of the Meeting was largely due to the participation of the UNIDO team, especially the Chief of the Latin America and the Caribbean Regional Programme.

50. The commitment made at the Meeting showed that the green industrial revolution was taking shape in the region. She was convinced that the region had the potential to contribute initiatives and actions that were universally applicable. Her Government had a vision of integrated development that brought together all the various social, economic and political actors. To that

end, it was promoting a green industrial revolution, turning away from the old economic model, which involved extraction and export, and moving to a model of sustainable industrial development that backed production with added value, but the value being such as to benefit people and the environment. One of the Government's objectives was to switch to 95 per cent renewable energy sources by 2016. With an investment of US\$ 5.3 billion, hydroelectric and wind power stations were being built that would generate approximately 3,000 megawatts.

51. Another example of the Government's green initiatives was the Forest Partners Programme, which provided an economic incentive to individuals or collectives to safeguard 66 per cent of unprotected forest, reduce deforestation rates by 50 per cent and promote the sale of Certified Emission Reductions relating to greenhouse gases. Over 800,000 hectares of vegetation had been protected to date.

52. In order to encourage the proper management of waste and promote the recycling industry, the Government had introduced a redeemable tax on plastic bottles, which had resulted in the collection of more than 430 million bottles in the space of less than a year.

53. Green growth indicators had also been introduced jointly with six countries of the region, with a view to establishing a green gross domestic product (GDP) as an integral part of a country's national accounts. It was encouraging that there was wide range participation in the open and transparent dialogue that was prompting the countries of Latin America and the Caribbean to move towards sustainable industry. UNIDO and its Director-General had promoted a break with the past and the incorporation of values and principles in a new form of industrial development. Her Government valued highly the Organization's focus on green industry and its insistence that growth in productivity should be accompanied by benefits for people and the safety of the planet. His appointment to his new post by the Secretary-General of the United Nations only underlined Mr. Yumkella's commitment to integrated development. His commitment motivated the Member States to work with determination, despite the heavy agenda of the Industrial Development Board, but she was confident that their efforts would be crowned with success and produce a good report for consideration by the next General Conference session.

54. **Ms. Triveño** (Minister of Production of Peru) said that, as the Director-General had said, Peru was keen to host the next General Conference in Lima in 2013. Peru was one of the most dynamic emerging

economies of recent years: its economy had grown ever faster over the past decade, almost quadrupling its GDP from US\$ 53 billion in 2000 to US\$ 198 billion in 2012. Over the same period, per capita income had risen from US\$ 2,054 to US\$ 6,500. Projections for the next two years indicated that Peru would continue leading the regional growth in Latin America, growing an average 6 per cent a year. It was a small economy but had great potential to compete in international markets. Peru sought to integrate itself ever more closely with its neighbours and with any country with which agreements of mutual benefit could be reached. Peru was open to the world, as evidenced by the 16 bilateral trade agreements in force, 4 that would shortly enter into force and 5 in preparation. Such agreements had made it possible to find and consolidate markets for Peruvian products, which were becoming ever more competitive. The Government's aim was to generate more good employment and ensure a fairer distribution of wealth. The country had exported over US\$ 44 billion's worth of goods in 2012 to the world's largest economies, a potential market of 4 billion people.

55. Private investment, both domestic and foreign, had also risen to new heights. In the year 2000, private investment had amounted to US\$ 8.7 billion, whereas the amount for 2012 was estimated to be US\$ 42.5 billion; and the rate was still rising. Investment-friendly policies meant that Peru was in second place for Latin America in the "Doing Business 2012" report. The report "The World in 2050" published by the bank HSBC placed Peru among the 30 top economies in the world. It was also the Government's policy to promote integration with other parts of the world, such as the Arab countries and Africa. For example, the Third Summit of South American and Arab Countries had been held in Lima in October 2012 and had proved an extremely positive experience.

56. The country had made significant progress on poverty reduction, although there was still a long way to go. The poverty rate had fallen from 54.8 per cent in 2001 to 27.8 per cent in 2012. Such progress had been possible thanks to the country's economic growth over that period and the public policy to help the most disadvantaged sectors of the population. Despite such achievements, a large number of Peruvians still lacked the necessities of life. That was why the Government of which she was proud to be a member had set itself the challenge of seeking sustained growth. It was the Government's firm belief that the country's next step towards development must be through industrialization, which could create more competitive

businesses and good jobs. That was the aspiration of all emerging countries and it was not an easy task. Peru knew, however, that, with the support of Member States, UNIDO would be an important ally.

57. Currently, 59 per cent of manufacturing industry was concentrated in Lima, but other parts of the country also had great potential for agro-industry; such products as natural colorants and fish were already produced. Peru had a solid economic base on which to build more sophisticated industries with greater added value. The Ministry of Production had therefore been drawing up an industrial development plan, together with the private sector and with support from UNIDO. It was against that background that Peru had formed the firm intention of hosting the fifteenth session of the General Conference, to be held in 2013, and complying with all the requirements for such an undertaking. A team had come from UNIDO to assess the logistical, infrastructure and security aspects of the country's bid. In particular, Peru would comply in full with rule 8 of the rules of procedure of the General Conference concerning the funding of additional expenses applying to General Conferences held outside Vienna. Provision had been made in the 2013 budget for the hosting of the General Conference.

58. Peru had wide experience of organizing and hosting major international events, such as: the 2004 Annual Meeting of the Inter-American Development Bank, which had been attended by over 6,000 people; the Asia-Pacific Economic Cooperation (APEC) Forum 2008, which had been attended by over 10,000 people; the Fifth Summit of Heads of State of Latin America, the Caribbean and the European Union in 2008; the Tenth International Gold Symposium and Second Silver Forum, with more than 1,300 participants in 2012; and the Third Summit of South American and Arab Countries, held in Lima the previous month. Peru was also due to host the annual World Economic Forum on Latin America 2013 and the Annual Meeting of the World Bank and the International Monetary Fund for 2015, which would be attended by over 10,000 people.

59. A possible venue for the General Conference was the Westin Lima Hotel and Convention Centre, a modern building situated in the financial district of Lima, which had all the necessary conditions for holding the Conference. It provided easy access to the country's main roads and was only 15 km from Lima airport. The UNIDO technical team that had visited Lima in October 2012 had confirmed that the Westin could comfortably accommodate the plenary meetings with around 700 delegates, as well as subsidiary bodies of the Conference, round tables and regional group

meetings. There was also room for side events. The Westin could provide simultaneous interpretation, 24-hour service in the business centre and Internet access in all meeting rooms, public areas and rooms, two restaurants and a cafeteria. Rooms could be offered at various prices for all UNIDO delegations.

60. Peru was one of the 51 founder members of the United Nations and had remained an active member, participating in the formulation of policies and contributing to peacekeeping missions. A Peruvian, Javier Pérez de Cuellar, had been the fifth Secretary-General. Moreover, 2013 would not be the first time Peru had hosted a General Conference: the second General Conference of UNIDO had met in Peru in 1975, at which the establishment of UNIDO as a specialized agency had been proposed to provide more effective assistance to Member States. That Conference had also been the scene of the issue of the Lima Declaration and Plan of Action on Industrial Development and Cooperation, in which UNIDO had set itself the goal of achieving a situation in which 25 per cent of industrial production would come from developing countries by the year 2000.

61. The Government was keen to establish South-South cooperation programmes through which it could share experience with other countries and establish projects of mutual benefit. Holding the General Conference in Lima would provide a good opportunity for other countries to see the development dynamic of Peru at first hand and identify opportunities for joint activities. UNIDO had an important role to play in helping countries such as Peru on to the path of sustainable and inclusive industrial development. The Organization was changing in order to address the different realities that existed among Member States. Those countries that had already attained a certain level of industrial development required further help in implementing industrial policies.

62. She congratulated the Government of Ecuador on organizing the Fourth UNIDO-GRULAC Expert Group Meeting, which had discussed industrial policies for growth based on the efficient management of resources. She was confident that the experts' proposal would facilitate the adoption of public policies on the efficient use of resources and clean technologies and strengthen South-South cooperation.

63. With regard to the appointment of the next Director-General, she wished to pay tribute to Mr. Yumkella, who had positioned UNIDO as one of the leading specialized agencies of the United Nations system. He was greatly appreciated in Peru, where, in June 2012, he had held a meeting with President

Humala, who had reiterated the country's interest in hosting the next General Conference session. Her country wished him the greatest success in his future activities.

64. **Mr. Korolec** (Minister of Environment of Poland) commended Mr. Yumkella for his excellent work as the head of UNIDO, which, under his leadership, had evolved to become one of the best and most recognized agencies of the United Nations system.

65. In the past decade Poland had undergone an impressive and positive transition from a development aid beneficiary to a net contributor to international aid programmes. Industry had played a fundamental role in that process. The core mandate of UNIDO was to support and promote the industrial development of developing countries, as well as countries in transition. Industrial development was at the centre of the development equation, and it needed to take place in a sustainable manner to ensure long-term economic growth and social advancement.

66. Poland supported the work of the informal working group on the future of UNIDO, which would contribute towards maximizing the Organization's role, relevance and efficiency in response to the real needs of its Members. Poland continued to be actively involved in the monitoring of the Programme for Change and Organizational Renewal and looked forward to its implementation, as it would undoubtedly impact on the quality of the Organization's interaction with its beneficiaries. The remarkable achievements of UNIDO, especially during the last decade, had been based on a bold vision which had clearly defined three strategic areas of interventions. The strategic long-term vision for the period 2005-2015 was approaching the time where stock needed to be taken of what had been achieved, what remained to be done and what needed to be achieved in the future. Member States should reflect on the future of UNIDO and develop a new vision for the Organization. That was a challenging task, especially in the current context marked by uncertainty and volatility, but it was also an opportunity for Member States to come up with a common understanding on the role of UNIDO as a specialized agency. Such a shared understanding should continue to be firmly based on country ownership, alignment and mutual accountability.

67. While UNIDO had a clear and unique mandate within the United Nations family of institutions, and while that translated into well-recognized comparative advantages that would need to be built on, the overwhelming challenge of development made it

imperative to strengthen cooperation with other development actors. Whether at the level of the United Nations Development Group, adherence to the Millennium Development Goals initiative or cooperation to ensure aid effectiveness, UNIDO was making a noticeable and valuable contribution. At the same time, efforts to facilitate the efficient transfer of knowledge, technology and best practices among Member States, in particular through South-South cooperation, triangular cooperation and public-private partnerships, should be enhanced further. UNIDO should spare no effort to forge new collaborative approaches and to explore innovative ways of cooperation which would benefit all countries, and particularly the least developed countries (LDCs). Poland had a positive story to tell. Today, 33 per cent of the country's GDP came from industry. That was why, throughout the European economic crisis, Poland had remained on a steady path to growth.

68. **Mr. Osman** (Minister of Industry of the Sudan) conveyed his appreciation to Mr. Yumkella on his innovative management style, which had greatly enhanced the role of UNIDO in promoting sustainable development in developing countries and LDCs.

69. The Sudan associated itself with what had been said by the Director-General in his opening statement. It was reassured of the fact that UNIDO had a mature and well-considered strategy, but it needed to continue along the same path to redouble its efforts and expand its responsibility for working for a better future, so that nations could continue implementing its programmes with a high degree of competency and efficiency.

70. He looked forward to a close and fruitful cooperation between the Secretariat and Member States in selecting a new Director-General, to maintain the same level of enthusiasm and efficiency in the Organization's work toward sustainable development, particularly through the promotion of small and medium-sized businesses in developing countries.

71. He hoped that the goal of Sustainable Energy for All by 2030 would continue to be prioritized, with the active participation of all stakeholders. South-South cooperation and international cooperation in general should be promoted and new partnerships created in the areas of energy, climate change and environmental protection. There must be a long-term quest for adequate and effective solutions.

72. Within the context of its Quarter Century Development Strategy, the Sudan had adopted an industrial development strategy focusing on areas where it enjoyed a competitive advantage. The Sudan had considerable capabilities in agricultural production

and animal husbandry. It was focusing on agro-industrial development and had already made great progress in the production of milk and dairy products, food, leather, cement and construction materials, the improvement of its chemical and textile industries and industrial assembly and the production of bioenergy, solar energy and other renewable and clean energies. The Sudan was continuing its efforts to promote well-balanced, sustainable and environmentally sound development.

73. The Sudan had seen a resurgence in industrial development in recent years. Modern technologies had been introduced; industrial production had increased by 9.5 per cent in the past year and the processing industries had come to play a much more significant part in the country's gross national product. The recent economic and political developments in the Sudan had called for the diversification of its productive resources, particularly in the industrial sector, and an effort to expand the variety of sources of revenue and to use indigenous sources more effectively, with a view to building a green economy based on renewable energy and a well-balanced economic approach aimed at achieving full sustainability.

74. There had been many UNIDO programmes implemented in the Sudan involving various sectors of the economy. They had been of great value to development and it was being planned to extend and make permanent many of the recent projects, such as capacity-building, social cohesion promotion, conflict resolution, the rehabilitation and training of women and children, the quantitative and qualitative improvement of professional education and training, and national projects focusing on domestic human resources. UNIDO had been particularly involved in four main sectors: leather, the agro-industrial complex, food production and agricultural machinery. A joint coordination committee had been set up between UNIDO and the Sudan to evaluate and promote the experiences of others in those sectors.

75. Agreements had been signed during the visit of Mr. Yumkella to the Sudan in May 2012 with a view to promoting the energy sector, focusing on solar energy, ethanol and biofuel. An international conference was to be held in the Sudan in 2013 to promote investment and to attract greater industrial development capital. The Sudan was grateful to international and bilateral donors who had supported projects that had been implemented as part of the technical cooperation programme, and it hoped that this cooperation could be continued and expanded. UNIDO had played a key part in mobilizing resources and encouraging current and potential donors to support projects focused on

production capabilities, resource diversification and the promotion of professional training for women and children.

76. The Sudan would continue working closely with UNIDO, supporting all ongoing projects in the country, and looked forward to receiving continued support from donor countries and organizations. It would work tirelessly to prepare an excellent conference for 2013 and was grateful to UNIDO for its support.

77. **Mr. Gatilov** (Deputy Minister for Foreign Affairs of the Russian Federation) said that the Russian Federation had consistently supported the activities of UNIDO and had helped strengthen its position in the international arena. It attached great importance to UNIDO as the leading specialized agency of the United Nations system for industrial development cooperation, and to the positioning of the Organization as a global forum, facilitating the development of effective industrial policies, the transfer of modern technologies, the promotion of economic development and the strengthening of small and medium-sized business and the agro sector.

78. Proof that the Russian Federation recognized the role of UNIDO could be seen in its annual voluntary contribution to the International Development Fund, by means of which a series of important and promising projects in the areas of technological cooperation, industrial ecology, trade capacity-building and the food industry had been implemented.

79. In recent years the Organization had achieved solid results. The volume of technical assistance, resources and technology to help Member States had increased substantially. A prominent role in that regard had been played by the active and persistent work of the Director-General and the managing directors of UNIDO.

80. At the same time, the question concerning the role of UNIDO among international organizations involved in the promotion of development, both within and outside the United Nations system, remained open. Considering the world's difficult financial and economic situation, UNIDO needed to find the best way of achieving maximum efficiency. Attention needed to be paid to transparency, the minimal bureaucratization of work processes and regular reporting to donors and recipients.

81. As a Member State of UNIDO, the Russian Federation was committed to continuing its support of the Organization and assisting the leadership in increasing its relevance. The recommendations of the informal working group on the future of UNIDO,

including programmes and resources, should play an important role in that respect.

82. During the forthcoming discussion of the regular budget for 2014-2015, the Secretariat would have to submit proposals that would take into account the exit of several countries from UNIDO, but also the need to maximize the use of the Organization's internal resources. The Russian Federation hoped to see considerable savings as a result of the Programme for Change and Organizational Renewal, as well as in the introduction of an electronic system of resource planning.

83. It would be important to ensure that the transfer of the leadership of UNIDO was smooth and painless. The Organization should not be left without a suitable political mandate from Member States during the difficult transitional period. Under the circumstances, the optimum period to transfer power would be during a special session of the General Conference of UNIDO in June 2013. In this framework, Member States would approve the appointment of the new Director-General, who could continue the work of enhancing the effectiveness of the Organization.

Organization of work

84. **The President** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, provided that no substantive decisions were taken at the meetings concerned. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

85. *It was so agreed.*

The meeting rose at 12.30 p.m.