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President: Mr. Csuday.....(Hungary)
Later: Ms. Dengo Benavides (Vice-President).....(Costa Rica)

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The meeting was called to order at 10.10 a.m.

Annual report of the Director-General for 2011 on the activities of the Organization (*continued*)
(IDB.40/2; IDB.40/CRP.2; IDB.40/CRP.11)

1. **Mr. Benhocine** (Algeria) said that UNIDO would continue to benefit from the Director-General's capacity for work and dynamism for several more months. The Algerian delegation supported the Director-General's focus on such issues as partnership not only with States and international organizations but also with business and civil society. Access to trade, the rational and innovative use of energy, green industry and South-South cooperation were all at the heart of the fight against poverty.

2. He commended the 36 per cent rise in the rate of mobilizing funds for technical cooperation. He also welcomed the Clusters and Networks Development Programme, which enabled small and medium-sized enterprises (SMEs) to build export consortia in order to ensure access to export markets and better production methods and a technical assistance project run jointly by UNIDO and his Government in the food processing sector in Algeria was proceeding well. The project supported the Government's own efforts under the 5-year plan for 2010-2014.

3. He commended the Organization's activities relating to environment and energy. The designation of UNIDO as the principal implementing agent of the Global Environment Fund for the Implementation of the Montreal Protocol was testament to its role as the leading agency in assisting Member States to carry out their obligations under the Protocol. Algeria was involved in several projects relating to the implementation of the Protocol with UNIDO. The cooperation went side by side with the national strategy to promote clean industry. An agreement on strengthening Algeria's capacity for the ecologically rational management of persistent organic pollutants and the elimination of special waste containing polychlorinated biphenyls (PCBs), signed in October 2010 on the occasion of the Director-General's visit to Algeria, would intensify that cooperation still further. Algeria was waiting for the necessary provisions to be made to embark on the implementation of the project, which aimed at eliminating special waste with treatment technologies using the best environmental practices as stipulated by

the Stockholm Convention on Persistent Organic Pollutants.

4. UNIDO had brought new energy to South-South cooperation and, in addition to acting as coordinator and intermediary, gave enormous assistance to regional economic communities to strengthen their capacity to design and formulate cooperation projects. His delegation urged UNIDO to continue its work in the areas of particular interest for developing countries, including food processing, the pharmaceutical industry and the promotion of productive activities for young people.

5. Algeria paid its contributions on time and in full and invited States that had not yet done so to pay their assessed contributions. It was a matter of concern that former members of the Organization owed over €70 million in arrears. The Secretariat should continue its efforts to recover that sum from the countries concerned.

6. The Board had to decide at the current session on a question of particular importance, namely the way in which the new Director-General would be appointed. His delegation was in favour of the proposal that a forum should be organized to introduce the candidates to the Member States, so that they could put forward their vision on the functioning and the future of UNIDO. Such an approach would give the selection process more transparency, impartiality and, thereby, credibility. The practice recently adopted by the Preparatory Commission of the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) should be followed also by UNIDO in its quest to find the person most appropriate to preside over its future. Both the proposed scenarios would ensure an orderly transition, but his delegation preferred the option of holding a special session of the General Conference, so that the new Director-General could take up his duties immediately after Mr. Yumkella's departure. However, it was prepared to be flexible and to join any consensus that reflected the debate among Member States in that regard.

7. His delegation commended the substantial debate that had taken place in the informal working group on the future, including programmes and resources, of UNIDO. It looked forward to the continuation of the discussions and ultimately recommendations on the development of a strategy on the future. It was to be

hoped that, through the ambitious reform enterprise represented by the working group, UNIDO would find confirmation of its vocation to promote development and the industrial sector.

8. **Mr. Koubaa** (Observer for Tunisia), after associating himself with the statements by the representatives of the African Group and the Group of 77 and China, said that there had not been sufficient debate concerning the issue of jobs for the young over the years. Efforts to improve the situation had, so far, failed. It was evident in his country that the job market needed radical change to provide jobs for graduates, on the one hand, and for marginalized young people, on the other. Tunisia had set up the Agency for the Promotion of Industry and Innovation to address the issue and taken a number of measures. UNIDO had provided great support in that regard and would shortly be helping to organize, jointly with the Agency and the European Union, a conference on youth entrepreneurship in Tunisia and the Middle East and North Africa (MENA) region, from 28 to 30 November 2012. The conference would be attended by over 300 Tunisian companies and would discuss the role of SMEs. It was hoped that new ideas would emerge, with support from Governments, the World Bank, the African Development Bank and the European Investment Bank. He wished to express his delegation's deepest gratitude to UNIDO.

9. **Mr. Marsán Aguilera** (Cuba), after paying a tribute to the leadership and commitment of the Director-General, said that the annual report showed that 2011 had been an outstanding year for the work of UNIDO, in both quantitative and qualitative terms, surpassing the results of 2009 and 2010, with a portfolio of projects worth over US\$ 448.8 million, US\$ 63.3 million more than in 2010. The amount spent on project servicing had reached US\$ 166.7 million, exceeding the previous record attained in 1990, at a time when UNIDO staff numbers had been twice as high. Such figures were a clear demonstration of the fact that UNIDO had become more effective and efficient.

10. UNIDO had regained its excellence in the various branches of industrial development and had become a more efficient organization, able to deal with the actual needs of developing countries. He trusted that the Secretariat would continue to improve steadily.

11. The Industrial Knowledge Bank was an instrument of South-South cooperation that had proved its innovative nature through the exchange of information, experience and good practices in Latin America and the Caribbean. Cuba had benefited from the cooperation that had been provided and, in turn, had been able to help other developing countries. Where the effectiveness of an initiative was clear, it made sense to ensure that it was developed further. He expressed the hope that the Director-General would continue providing the necessary technical and financial support for the Bank.

12. Lastly, his delegation hoped that the trust fund for Latin America and the Caribbean, established at the fourteenth session of the General Conference, would become a means to respond to the region's development needs. So far, it had few resources and had not been able to meet the expectations that had prompted its establishment. His delegation therefore urged the Director-General to make every effort to encourage the donor community to move the project forward, which would be to everybody's benefit.

13. **Mr. Mabhongo** (South Africa) said that, in 2011, UNIDO had once again shown its reliability and effectiveness as a development partner. His Government had collaborated with UNIDO on Greening the Seventeenth Conference of the Parties to the United Nations Framework Convention on Climate Change. It was the first time that the Conference of the Parties had been held in sub-Saharan Africa. UNIDO and his Government had worked together to implement a project covering communication and awareness-raising; non-motorized public transport; a "clean-tech" competition; and solar water heating for rural clinics.

14. The Organization's centres for South-South Industrial Cooperation in India and China had made an important contribution in the area of agribusiness, new and renewable energy technologies, trade capacity-building, technology transfer and institutional capacity-building. The two centres had initiated projects in South Africa and it would be worth considering the establishment of a similar centre for the African continent.

15. In 2011, UNIDO had entered into a partnership with the African Union Commission for the accelerated implementation of the Pharmaceutical Manufacturing Plan for Africa. The pharmaceutical sector having been

identified as a priority for the continent, the Pharmaceutical Manufacturing Plan for Africa was acknowledged as the mechanism by which the sector should be supported. The initial focus for the collaboration with UNIDO would be the formulation of a business plan on the implementation of the project over the next five years.

16. Although 2011 had been a remarkable year for UNIDO in terms of the funds mobilized, it was evident that the distribution of funds by thematic priority was not entirely equal: environment and energy had attracted the greatest share, as compared with the two other thematic priorities of trade capacity-building and poverty reduction through productive activities.

17. Since South Africa had joined UNIDO in 2000, 12 projects had been implemented, with just over half of those being in the energy and environment thematic priority, while the area of poverty reduction through productive activities represented 28.5 per cent of the budget and trade and capacity-building 18.7 per cent. The portfolios had grown significantly over the years. The performance of UNIDO projects was generally good, but some had lacked internal coherence. The country evaluation carried out in 2011 had identified a lack of coherence in a project targeting SMEs, which were a priority for the Government. UNIDO cooperation had been most effective with regard to capacity-building, in such areas as the National Cleaner Production Centre, the Automotive Industry Development Centre and the Durban Energy Office, which had been strengthened. The good evaluation results could be explained by two factors: the strong Government institutions that had participated to ensure that projects were in line with Government policies and the relatively low number of foreign donors, with the largest funding coming from the South African Government. A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the South Africa country evaluation had identified the need for country programmes to be prepared jointly with the main counterparts in the Government and to implement and to define clear indicators and mechanisms for joint monitoring and evaluation.

18. Since UNIDO was the only specialized agency with consolidated programmes on industrial energy efficiency and renewable technologies, the informal working group on the future, including programmes

and resources, of UNIDO should look at ways of drawing on the Organization's uniqueness.

19. **Ms. Stix-Hackl** (Austria) said that, in 2011, UNIDO had attained a project portfolio of US\$ 488.8 million, surpassing the previous year's figure by more than US\$ 63 million. At the same time, the volume of project services had exceeded the previous record from 1990, when UNIDO had had twice the number of staff. That was a remarkable success in a time of economic crisis and constituted proof of UNIDO's efficiency and effectiveness, which in turn created trust among donors. It was also admirable that UNIDO planned to continue to improve and further align the Organization's activities. She commended the initiatives launched, such as the sustainable development goals and the establishment of a high-level forum on sustainable development. UNIDO would continue to contribute through projects such as the Green Industry Platform.

20. It was gratifying that the Vienna Energy Forum 2011, jointly hosted by UNIDO, the International Institute for Applied Systems Analysis and the Government of Austria, had paved the way for the declaration of 2012 as the International Year of Sustainable Energy for All. The next Vienna Energy Forum would be held in 2013 and the necessary financial resources had already been set aside by her Government. The Sustainable Energy for All initiative had been a major success, culminating in the Director-General's new appointment. She trusted that the relationship between UNIDO and the Sustainable Energy for All office would be fruitful and mutually reinforcing.

21. **Mr. Shir-On** (Observer for Israel) said that his country had long extended international development assistance to countries that could benefit from Israeli know-how in various fields. In that spirit, a memorandum of understanding had been signed between Israel and UNIDO in May 2012 and Israel was already increasing cooperation on food security, water management, the empowerment of women and youth and industrial development in developing countries. Israel had already trained about 270,000 people around the world. It was particularly committed to promoting agricultural entrepreneurship among women and young people. The empowerment of rural women was crucial to the fight against poverty, both by removing the barriers they faced and boosting their skills as

leaders and entrepreneurs. Israel thus supported the New Partnership for Africa's Development, which aimed to find African solutions for Africa's problems.

22. With 62 other States, Israel had sponsored a resolution in the Second Committee of the United Nations General Assembly promoting entrepreneurship for development. The draft resolution emphasized the important role played by private sector partnerships in promoting entrepreneurship and generating employment and investment. One of the strengths of UNIDO was its ability to engage with the private sector and align the private sector's corporate strategies with those of the Organization's development policy.

23. Israel had become the world leader in developing sustainable energy. It would shortly be hosting the annual Eilat-Eilat Conference on Renewable Energy, which attracted entrepreneurs and experts from across the globe. UNIDO had accepted an invitation to take part. Israel was also hosting a conference on combating desertification, a phenomenon that threatened the livelihood of over one billion people around the world. Israel stood ready to share its experience in solving the problem. It was further committed to cooperating with UNIDO on the United Nations International Year of Water Cooperation, which was to be held in 2013, building on its own extensive research and innovation in water efficiency, purification and desalination.

24. **Mr. Didonet** (Brazil) commended Mr. Yumkella on his dynamic and productive management of UNIDO and said that there was a widespread perception that, under Mr. Yumkella, UNIDO had recovered its importance and relevance.

25. In 2011, President Dilma Rousseff had launched a new programme that set guidelines for national policies on industrial development, manufacturing, technology and foreign trade. Unfortunately, while industrial development was crucial for poverty eradication and sustainable development, it seemed to have lost support and relevance in international discussions over the course of previous decades. Work was needed to reverse such trends, which had led to the current difficulties faced by UNIDO.

26. The international community should recognize the importance of industrial development for national development and acknowledge the fact that UNIDO had an indispensable and unique contribution to make

in that regard. Current global challenges highlighted the need to strengthen UNIDO in order to benefit from its unique expertise. UNIDO also had an active and crucial role to play in the implementation of commitments emerging from the 2012 Conference on Sustainable Development (Rio+20), which Brazil had been honoured to host.

27. He wished to raise two final points. Firstly, the serious imbalances affecting the Organization had to be corrected. The continued reliance on voluntary contributions was a matter of serious concern for Brazil, and he hoped that the ongoing work of the informal working group on the future of UNIDO would permit progress in that area. Secondly, the historical and influential political role of UNIDO in international development debates should be restored. That matter should be addressed in a new political declaration by the General Conference in 2013.

28. **Mr. Bahk** Sahnghoon (Republic of Korea) said he was pleased to see that UNIDO had achieved record results with regard to funds mobilized, the increase in its project portfolio and the volume of project services delivered. The change management programme was also proving fruitful and he looked forward to the outcome of the full-scale review in the following year's report.

29. While the stage had been set for a significant increase in the volume of technical cooperation provided by UNIDO, he shared Mr. Yumkella's view that such achievements were not grounds for complacency. He expected the increased resources to be deployed efficiently and effectively in order to improve the quality of services and enhance their impact on poverty eradication, economic growth and sustainable development.

30. He emphasized the value of public-private partnerships in successful policy implementation and urged the Organization to continue developing strong strategic partnerships with Member States, development agencies and donors.

31. Production was the main driver of economic growth and employment. Meanwhile, job creation, particularly among the most marginalized groups of society, contributed substantially to poverty reduction. The Republic of Korea welcomed the Organization's emphasis on women and young people and supported programmes that focused on economic empowerment.

32. The work of UNIDO in the field of green industry also contributed significantly to sustainable development and he commended the Organization's forward-looking practice of balancing the achievement of development objectives with environmental sustainability. In that regard, the Republic of Korea supported the Green Industry Initiative and had partnered with the Organization in implementing a range of related projects.

33. As part of his Government's East Asia Climate Partnership initiative, the Korea International Cooperation Agency and Samsung Electronics had teamed up with UNIDO to implement a new e-waste management project in Cambodia, which demonstrated how public-private partnerships could be used to transform environmental challenges into business opportunities and generate employment. In addition, the Republic of Korea and UNIDO had invested €1.3 million in a project aimed at making Korean clean energy expertise available to Ghana and promoting biogas technologies and sustainable growth. In May 2012, the Ministry of Foreign Affairs and Trade of the Republic of Korea and UNIDO had strengthened their productive partnership by signing an agreement on the provision of special-purpose contributions to the Industrial Development Fund.

34. Lastly, he reiterated the firm commitment of the Republic of Korea to cooperate with its international partners to eradicate poverty through sustainable industrial development.

35. **Mr. Swaminathan** (India) emphasized the importance that India attached to the work of UNIDO in fostering industrial development in developing and least developed countries.

36. UNIDO should maintain its focus on building in-house expertise in core fields, particularly its three thematic priority areas, and should continue to create an individual niche for itself. He welcomed the information in the *Annual Report* on successful projects in which the Organization's special strengths had been targeted.

37. He wished to see a more efficient UNIDO, which would require the optimal use of scarce financial and human resources. He strongly urged all Member States to fulfil their obligations to the Organization and pay off outstanding assessed contributions.

38. He also hoped that the objectives of the Programme for Change and Organizational Renewal to improve knowledge management and networking could be achieved in a timely manner.

39. There had been intensive discussion on the future of UNIDO in the informal working group, enabling Member States to identify various strengths, weaknesses, opportunities and threats. India hoped that such elements would form the basis of a series of recommendations, which in turn would provide the necessary guidance and vision to the Organization for the formulation of its future strategy. India welcomed the proposal for the convening of a workshop with an external facilitator.

40. UNIDO had established itself as a valuable partner for growth and prosperity in its mandated fields, but should increase its focus on niche areas in which it had developed expertise.

41. Lastly, India supported the offer of Peru to host the fifteenth session of the General Conference in December 2013.

42. **Mr. Budiman** (Indonesia) said that the current session provided a vital opportunity to discuss the future programmes and activities of the Organization and the provision of sufficient resources for their implementation. The *Annual Report* highlighted the various urgent challenges facing the international community, including the need to create growth for prosperity while maintaining peace and sustainability. UNIDO had adopted various proactive approaches to tackling such challenges through its three thematic priorities. There had been encouraging developments in various areas, which had enabled UNIDO to implement an increasing number of projects and contribute to the achievement of global development objectives. Such measures were crucial and should be continued.

43. Indonesia would continue to support the Organization's Programme for Change and Organizational Renewal, aimed at strengthening its strategic response capacity and the quality of service to its Member States. He commended the establishment of the UNIDO trust funds for technical cooperation in food security and renewable energy. The Organization would continue to play a key role in those areas and thus act as a catalyst for sustainable development.

44. Indonesia wished to thank those States that had contributed to the regular budget of UNIDO in a full and timely manner. Indonesia itself had consistently paid its annual contribution and would continue to do so.

45. The work and programmes of UNIDO to promote sustainable industrial development and international industrial cooperation, in particular in developing countries, had gained currency in the context of the global financial crisis. In that respect, the Organization's vital role in providing technical assistance to developing countries could not be overstated.

46. He commended the continued growth in technical cooperation and was pleased to note the significant increase in the volume of project services delivered in 2011, compared with the previous year. That positive trend was due to funding received through various channels, and he thanked donors for their consistent support. He encouraged UNIDO to find ways to mobilize the cost-sharing required by the various donors.

47. While commending the Organization's positive contribution to the promotion of industrial development in developing countries, Indonesia felt that UNIDO could enhance its work on the three thematic priorities. In that context, the Organization should help developing countries to: focus research and development on the private sector and the needs of society; build science and technology capacity by enhancing relevant institutions, resources and networks at national level; and create a climate of innovation by providing incentive schemes to foster and strengthen the industrial sector.

48. With regard to the issue of succession, UNIDO should consider the option of geographical rotation, as was the practice in other organizations within the United Nations system.

49. **Mr. Formica** (Italy) said that Italy supported developing countries in their efforts to enhance productive capacity and combat unemployment through sustainable industrial development. In times of financial constraint, Italy had continued to contribute to UNIDO and it welcomed the Organization's geographical focus and its three thematic priorities.

50. The current session was crucial. The Organization's future success and sustainability would

depend on its capacity to adapt. Italy appreciated the efforts of the Director-General and his staff in improving the performance of the Organization and encouraged Mr. Yumkella to continue to develop a more efficient and innovative organization.

51. Italy had participated actively in the informal working group on the future of UNIDO and thanked the two Co-Chairs for their efforts. Italy hoped that, at the next General Conference session, Member States could provide the Director-General with the guidance necessary to focus on areas in which the Organization had most added value and to maximize synergy with other organizations, particularly within the United Nations system. The current session should contribute to formulating a strategy in that regard, on the basis of the consultations held within the informal working group.

52. Italy was committed to cooperating with UNIDO and other relevant international partners in the field of renewable energy, which was a top future priority and a common goal for the international community. Italy congratulated Mr. Yumkella on his appointment as Special Representative for Sustainable Energy for All, welcomed the engagement of UNIDO in the Rio+20 process and encouraged the Organization to contribute to the establishment of the post-2015 agenda.

53. Italy prioritized the following initiatives in cooperation with UNIDO: the development of small and medium-sized enterprises; support for interregional projects to promote and develop export consortia in North Africa and Latin America; trade facilitation programmes to improve access to international markets, with a focus on agro-industry; and support for youth employment, particularly in the Mediterranean region.

54. Lastly, Italy attached great importance to investment promotion and technology transfer. The Investment and Technology Promotion Office in Rome played an important role in bringing together investors from Italy and developing countries and facilitating access to sources of funding and technology transfer opportunities.

55. **Mr. Anton** (Spain) thanked Mr. Yumkella for the information provided in the *Annual Report* on the Networks for Prosperity initiative. The project, launched in 2011 and funded by the United Nations Development Programme (UNDP)-Spain Millennium

Development Goals (MDG) Achievement Fund, was intended to establish a global knowledge system to encourage private sector development. As a result of the project, two reports had been drafted in cooperation with the Leuven Centre for Global Governance Studies, the second of which had been presented the previous day at the Global South-South Development Expo. Based on valuable contributions from public and private sector institutions in 14 countries, the reports analysed the vital contribution of knowledge networks to the success of private sector development policies and to economic returns, with a view to formulating policy recommendations that would help developing countries acquire and adapt practical knowledge to boost the private sector.

56. Of particular interest to Spain were two knowledge-sharing activities mentioned in conference room paper IDB.40/CRP.2: the Industrial Knowledge Bank and the Observatory for Renewable Energy in Latin America and the Caribbean.

57. **Mr. Shamaa** (Egypt) said that Arab countries were faced with great challenges, including high unemployment rates among young people, who made up over half of the population of many countries in the region. Industrial development was a sector that would continue to generate new employment in all societies for the foreseeable future. UNIDO had a special role to play in that area. It was essential to formulate the programmes of the Organization in strict accordance with the priorities and needs of Member States, in order to guarantee their impact and sustainability. Resources provided by development partners should also be focused on the needs and priorities of beneficiary States.

58. With regard to UNIDO activities related to energy, he emphasized the importance of the Organization's efforts toward capacity-building and strengthening the energy security of the industrial sector. Egypt would work with UNIDO in pursuing the goal of clean energy generation. The Egyptian Government had sought to highlight potential renewable energies, such as solar energy in heating and utilities. Activities related to energy had a direct impact on the Egyptian industrial sector and on improving the quality of life for the citizens.

59. *Ms. Dengo Benavides (Costa Rica), Vice-President, took the Chair.*

60. **Ms. Kovalevskaya** (Observer for Belarus) welcomed the measures that had been taken to promote the Millennium Development Goals and the progress that had been made in the area of sustainable development. Global efforts were needed to promote green industry. She welcomed the Green Industry Platform and urged the development of a comprehensive strategy to promote green energy and environmentally friendly technology. It would be particularly important to ensure that developing countries and countries with economies in transition had access to green technologies.

61. An important step forward would be the creation of a facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies. The problem was to widen access to current technologies and new and renewable energy sources.

62. In Belarus, attention was paid to the adoption of modern technologies using environmentally friendly materials and products, together with the modernization of industrial activities to increase competitiveness.

63. **Ms. Mutandiro** (Zimbabwe) commended UNIDO for the resources going to technical cooperation delivery. There had been an increase in funds mobilization, in service delivery and in project and programme portfolios in 2011 as compared with 2010.

64. Adequate, stable and predictable financial resources were essential to increasing the effectiveness of UNIDO, but it was imperative to focus on the need to ensure the effective utilization of available resources and limit costs. The growing demand for technical assistance from UNIDO was testimony to its critical and continued relevance in the economic development of Member States.

65. She took note of document IDB.40/CRP.11 concerning the development of local pharmaceutical production in developing and least developed countries, particularly in Africa, and she was encouraged that the African Union Heads of State and Government had endorsed the Pharmaceutical Manufacturing Plan for Africa. Zimbabwe was monitoring the implementation of the plan and hoped that the required resources for its implementation could be mobilized. The production of generic drugs by local

pharmaceutical industries in developing countries was critical for the attainment of the Millennium Development Goals.

66. Zimbabwe had a growing pharmaceutical industry and, under the Industrial Development Plan, its Government was determined to lend the requisite support for its growth and expansion. UNIDO needed to expend more effort in strengthening capacity-building for the production of generic drugs and the expansion of the local pharmaceutical sectors in developing countries through enhanced South-South cooperation.

67. **Ms. Laose** (Nigeria) said that she welcomed the measures taken by the Director-General to stress the promotion of a green economy, sustainable development and trade capacity-building.

68. The support of Nigeria for UNIDO remained strong and its partnership with the Organization had yielded many benefits. The development of agro-industry and the creation of jobs was vital, and Nigeria would appreciate greater UNIDO involvement in those sectors. She called on UNIDO to focus on the special needs of Africa and the least developed countries, including the need for structural changes, job creation and inclusive growth.

69. **Mr. Nishikawa** (Deputy Director-General) noting all the comments and suggestions made, said that he would give due consideration to all the recommendations in the time ahead. He was grateful for the support shown by the Group of 77 and China in connection with the draft resolution on industrial development cooperation being considered by the United Nations General Assembly. With regard to the request of the European Union for the Secretariat to organize a briefing on human resources in a timely manner, such a briefing had already been arranged and would be announced in due course. More information on UNIDO institution- or capacity-building would be made available, as requested by the Asia and Pacific Group. A document containing information on the trust fund for Latin America and the Caribbean would be prepared, and UNIDO would work to increase the efficiency of the fund. He was also grateful for the statements of support for the mandate of UNIDO in the ongoing processes to formulate sustainable development goals in the post-2015 development agenda.

Selection process for the post of the Director-General: Introduction of a candidates' forum (IDB.40/21 and Add.1; IDB.40/26)

70. **Mr. García Revilla** (Peru), speaking on behalf of the Group of 77 and China, said it was natural and logical that developing countries should have an important role in the key management positions of UNIDO, as they were in the best position to define their needs and the challenges and obstacles, as well as to formulate solutions in the field of industrial development. In the present circumstances, a procedure was needed that would ensure a smooth transition, bridging any void that would be generated by the departure of the present Director-General, especially when it coincided with the retirement of a large number of high-ranking UNIDO officers in key divisions and departments.

71. The Group was favourable towards the idea of a candidates' forum, which would entail the amendment of the rules of procedure. Holding a candidates' forum would enhance the transparency and inclusiveness of the selection process and provide a platform for interaction between the candidates and Member States.

72. Given the anticipated scenario of the early departure of the Director-General before the end of his tenure, it would be important to define criteria to deal with similar situations in the future.

73. **Mr. Papademas** (Observer for Cyprus), speaking on behalf of the European Union (EU), said that, bearing in mind the staffing situation and the retirement of many senior management officials of UNIDO, achieving a smooth transition in the Director-General's office was of utmost importance to the EU. It favoured scenario A in document IDB.40/26, calling for a special session of the General Conference to appoint the new Director-General, following the forty-first regular session of the Board. In its call for nominations, UNIDO should stress that the new Director-General would need to be available as of July 2013.

74. He welcomed the proposal in document IDB.40/21/Add.1 for a candidates' forum on 21 May 2013, where candidates could present themselves and their programmes and priorities, and answer questions. Such a procedure would enhance the transparency of the process.

75. **Mr. Budiman** (Indonesia), speaking on behalf of the Asia and Pacific Group, said that the leadership transition process should be inclusive and transparent, allow a smooth handover based on established procedures and ensure the smooth running of the Organization as a whole. He took note of documents IDB.40/21 and IDB.40/21/Add.1 and appreciated the efforts of the Secretariat to follow through and implement the recommendations of the Joint Inspection Unit. A candidates' forum should increase the transparency and credibility of the selection process, as the ideas and qualifications of the various candidates would be made known to all parties concerned.

76. With regard to the two possible scenarios contained in document IDB.40/26, the shorter transition was desirable in order to better ensure the ongoing stability of the Organization. He hoped that a consensus could be reached in informal discussions.

77. **Ms. Laose** (Nigeria), speaking on behalf of the African Group, took note of the documentation made available. Practices already used in other organizations of the United Nations system could be followed. She endorsed the proposal for the introduction of a candidates' forum.

78. **Mr. Rivera Mora** (Observer for El Salvador), speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), said that the election of a new Director-General was extremely important and required a broad consensus, not just with regard to the selection process but also with regard to the final appointment of the new Director-General. A professional needed to be chosen who had high academic and employment credentials, who understood the changes in the Organization and who could respond to the challenges ahead.

79. With regard to the establishment of a candidates' forum, he was aware of limitations of time and resources, but believed that such a forum would contribute to a more transparent election. He recommended that the forum be open only to Member States, the participation of observers and non-governmental organizations being subject to a decision of the Board.

80. Institutional and political uncertainty should be reduced to a minimum, and the ability of the Organization to discharge its obligations and mandates should be guaranteed. He invited Member States to

ensure that the election process was transparent and efficient and to nominate candidates who fulfilled the political, technical and management requirements, so that UNIDO could continue to contribute to the industrial development of developing countries.

81. **Mr. Ozawa** (Japan) expressed support for the proposal in document IDB.40/21/Add.1, based on the model adopted recently by the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization. With regard to document IDB.40/26, which set out two possible scenarios, the designation of an acting Director-General as foreseen in Scenario B entailed having two selection processes instead of one. He was therefore not inclined towards that proposal. Scenario A was better, but it seemed too strict in requiring the availability of the new Director-General as of July 2013. He was not convinced of the practicability of the requirement and worried about the effects it might have on the size of the pool of candidates. Since July and August were often regarded as slow months, he suggested that the requirement for assumption of office be decided no later than the end of August, to provide breathing space for the incoming Director-General after a strenuous selection process. An acting Director-General would not be needed for a period of less than two months, as such a short period could be filled by an officer in charge.

82. **Mr. Cheng** Jingye (China) said that full exchanges and close communications should be maintained throughout the selection process for the next Director-General. China supported the Secretariat's proposal to hold a candidates' forum, which would provide Member States with the opportunity to gain a better knowledge of the various candidates.

83. The retirement of a number of senior officers of the Secretariat over the coming year would require a rapid readjustment and consolidation on the part of the senior management. Therefore, China supported scenario A proposed by the Secretariat, whereby the new Director-General would be selected at the following session of the Board and subsequently appointed at a special session of the General Conference, ensuring a smooth and timely transition.

84. **Mr. Marsán Aguilera** (Cuba) said that the candidates' forum proposed by the Secretariat was a useful mechanism that was already used by other

agencies. It was compatible with the rules and Constitution of the Organization.

85. It would be important to minimize the institutional and political uncertainty of the process. Emphasis should be placed on transparency.

86. **Ms. Mutandiro** (Zimbabwe) said that Zimbabwe endorsed the idea of a candidates' forum, a practice which had proved successful in other agencies. Such a platform would enhance transparency, inclusiveness, fairness and objectivity. She hoped that it would be possible to agree upon a candidate during the forty-first session of the Board, leading to a special session of the General Conference to endorse the candidate, as envisaged in option A proposed by the Secretariat. That arrangement would allow a smooth transition.

Report of the Programme and Budget Committee
(IDB.40/12)

- (a) **Report of the External Auditor** (IDB.40/3)
- (b) **Financial situation of UNIDO** (IDB.40/4; IDB.40/11/Add.1; IDB.40/22; IDB.40/25 and IDB.40/CRP.3)
- (c) **Strengthening of UNIDO programmes through unutilized balances of appropriations** (IDB.40/5; IDB.40/6*; IDB.40/7; IDB.40/8; IDB.40/CRP.4 and IDB.40/CRP.5)
- (d) **Mobilization of financial resources**
(IDB.40/9 and IDB.40/2)

87. **Mr. Ajmal** (Director of the Office for Change and Organizational Renewal) said that the Programme for Change and Organizational Renewal was making fundamental changes to the Organization's operations in order to increase its efficiency and effectiveness and institutionalize results-based management, knowledge and risk management, which, indeed, were issues that had been raised by the informal working group on the future, including programmes and resources, of UNIDO. Much had been achieved: in particular, the Programme remained on track, as confirmed by the External Auditor and two independent assessments carried out by the German company SAP.

88. The aim was to produce specific benefits directly linked with the Organization's mission statement of growth with quality and delivering as one UNIDO. The Programme enabled UNIDO to meet the expectations

of Member States and donors and the needs of recipients. Following extensive work in 2011, there had been a successful implementation of a number of modules

in 2012, including the portfolio and project management system. The module was unique in the United Nations system, in that it captured the entire cycle of a project, beginning with the receipt of request for services and going on to the design of the project, the approval process, planning, implementation, monitoring, reporting and assessment, all within one online module. A project would follow a systematic log-frame structure, which required that outcomes, outputs and activities were clearly spelled out, along with key performance indicators and risks and mitigation measures. Great efforts were also going into designing a user-friendly tool to monitor results-based management, which had recently been introduced internally and also been demonstrated to some regional groups. Member States would have access to the tool during the first half of 2013.

89. Another advantage of using a single module was that the assessment of results-based management made no distinction between the performance of a project manager at headquarters and that of one in the field, thereby promoting decentralization. It would also enable UNIDO to ensure easier monitoring, greater transparency, more information-sharing and consistent reporting on results.

90. Another module was concerned with human capital management. It had been gradually introduced since the beginning of 2012 and supported all processes relating to the recruitment and management of UNIDO staff and consultants, as well as performance management, payroll and many other administrative functions. It significantly streamlined various processes and functions identically at headquarters and field offices. Following best practices, it had been redesigned to follow a two-step electronic approval process, based on the four-eye principle. The effect was greater efficiency and transparency.

91. The finance, procurement and logistics modules were scheduled to be introduced as of January 2013. Many processes had not only been simplified for greater efficiency and accountability but would be fully integrated with the existing modules. The results-based

management dashboard would thus be achieved, as planned, by 2013.

92. Another module, on knowledge management and collaboration, would provide for global access to information and documents by both headquarters and field offices, easier communication between headquarters and the field and improved reporting on results. Training had been given to staff and consultants.

93. Another aim had been to change cultures. As a result, there was better cross-organizational collaboration, teamwork and knowledge-sharing. Moreover, the first mid-term appraisal using the 360 degree performance appraisal system had been carried out. Model teamwork practices had been defined and merit awards were given to teams.

94. A number of challenges remained, however, owing to the complexity and magnitude of the programme. The finance, procurement and logistics module was yet to be introduced; all data must be moved to the new system; the system must be integrated and stabilized; the new roles and responsibilities of staff resulting from the new processes must be defined; guidelines, manuals and instructions must be updated; and the new way of working must be adopted.

95. It was particularly gratifying that the Programme was on track, within the approved funding, in the light of a report by the Joint Inspection Unit on enterprise resource planning within the United Nations system, to be published later in the year, in which the inspectors had found that about 70 per cent of such procedures implemented in the United Nations system had been over schedule and more than 33 per cent over budget.

96. **Mr. Ulbrich** (Director of the Financial Services Branch) said that the Release 3 modules, covering finance, procurement and logistics, would go into operation in January 2013. To illustrate the complexity of the system, he displayed a chart showing the relationship between all the functional areas covered. Funds management would be in two separate modules within the system, together with a controlling module providing an analytical tool. The backbone was the core financial module, which was needed to produce financial statements that were compliant with International Public Sector Accounting Standards (IPSAS). The module would collect all financial

transactions for the various processes and provide a consolidated view of UNIDO's financial position.

97. The financial module also covered the procurement of goods and services, the management of capital assets, stock and warehouse management, the integration of payroll and travel claims processing, and treasury and cash management.

98. A number of improvements would be effected. Regular budget management, including assessed contributions and unutilized balances, would be supported by the same system. The technical cooperation budget management, implemented through the grants management module, would show the resources that were needed to achieve a particular project result. The procurement module would further increase transparency. Use of the module for treasury operations and global banking would make it possible for UNIDO to make payments in countries in which it operated directly through a small number of central banks. The module for processing invoices would greatly increase efficiency. Fixed assets and stock control would also be part of the system, automatically feeding into financial statements as required by IPSAS.

99. Lastly, he drew attention to the schedule of work until "go-live". User acceptance testing and reconfiguration were still under way. In-house user training would start shortly. Data cleansing and preparation were also in progress, but the real data migration would take place over the New Year holiday, when operations would be suspended. Go-live would start on 1 January 2013, alongside the usual procedure of the closure of accounts.

100. **Mr. Yumkella** (Director-General) said that he wished to put the Programme for Change and Organizational Renewal in context. He had started considering change management with his senior managers, four years earlier, establishing what needed to be done. First, they had identified the aspects of the Organization's business operations that needed to change, particularly with regard to setting higher targets for technical cooperation services. A year later, the vision had taken shape. Secondly, the electronic platform had to be changed to support the new processes and business model. Therefore a holistic change management programme, Programme for Change and Organizational Renewal (PCOR), was launched. Changes had involved comprehensive business process re-engineering to adapt the business

model for implementing technical cooperation programmes to allow for greater transparency, and streamline approval processes. For example, a person wishing to take a day's leave had needed four or five signatures on a piece of paper. Following the change, two months later, the process took a few seconds by electronic means. Also UNIDO had been one of the first United Nations organizations using the mainframe system for the payroll. The changes made to the payroll had already saved about US\$ 550,000 in a year.

101. The final — and most difficult — stage of change management was to also change the Organization's culture. Examples of positive culture changes were more accountability, delegation of authority, better knowledge sharing and teamwork as well as a better staff performance management both at headquarters and in the field.

102. One of the most important new processes was the 360 degree performance management evaluation that had been introduced. He himself had gone through it at the testing stage. This new system, where both managers and peers evaluate a staff member's performance, enabled a better management of human resources and talents as well as improved accountability. The 360 degree evaluation revealed what an employee's peers thought of him or her. The same approach was used in corporations and in academia. He was keen to establish such a culture in UNIDO, so that staff were made up of people who truly believed in the importance of bringing solutions to developing countries, not acting as an elite. Member States provided the funding for the PCOR and it was therefore important that the new ERP system could track how much time staff spent on a particular project, how much money was needed to achieve a result and whether the results compared well with other projects.

103. Change management was a slow process: he expected the full results to be felt only in seven or eight years, particularly in the area of culture. The current reform built, in turn, on changes that had started in 1998. Under the Programme, he believed that UNIDO was ready for the next frontier. His successor could easily achieve a significantly higher level of service delivery if performance was tracked over time and staff were motivated.

104. UNIDO had also started to apply the change process to buildings management and it was already

clear that in this area millions of dollars of savings could be made.

105. **Mr. García Revilla** (Peru), speaking on behalf of the Group of 77 and China, expressed concern that two former Member States owed arrears to UNIDO amounting to €71.15 million and that 39 Member States currently had their voting rights suspended owing to unpaid assessed contributions. The Director-General should pursue his efforts to persuade the former to fulfil their financial obligations and encourage the latter to regularize their financial situation by establishing payment plans.

106. The Group of 77 and China noted with concern the fact that many of the running costs of the Organization, including the remuneration of about 20 per cent of regular staff, continued to be covered by the operational budget. Although long-established, the practice was no longer sustainable, especially in view of the probable reductions in voluntary contributions in the future. The Organization's overreliance on its operational budget was a fundamental imbalance that should be addressed by the informal working group on the future of UNIDO. Using operational budget revenues had traditionally been the easiest way to cover a gap in the regular budget through the support cost reimbursement from new projects. The point might well have been reached, however, where UNIDO would be unable to obtain more financial resources through the implementation of new projects. The Organization should shake off what amounted to an addiction to implementation. New financial sources and mechanisms that did not further compromise its structures must be found.

107. With regard to the report of the External Auditor, the Group was encouraged that the Organization's financial statement had been given unqualified approval. However, the External Auditor had suggested improvements in some areas and the Group therefore requested UNIDO to strengthen its supervision of technical cooperation projects and training. It also hoped that UNIDO would in the future implement the recommendations contained in the report.

108. **Mr. Budiman** (Indonesia), speaking on behalf of the Asia and Pacific Group, said that the Group was encouraged that the External Auditor had given the Organization's financial statement unqualified approval and found no material weaknesses or errors. In view of the External Auditor's suggestions on

improvements in a number of areas, UNIDO should strengthen its supervision of technical cooperation projects and training. Adequate measures should be taken to address concerns raised in the report and implement the recommendations contained therein.

109. With regard to the financial situation of UNIDO, the Group welcomed the fact that the rate of implementation of both the regular and operational budgets was comparable with that of previous years. The rise in the collection rate to 88.1 per cent was also encouraging. The Group urged all Member States to reaffirm their support and commitment to UNIDO so that it could perform even better. It was encouraging that 42 States, including 8 least developed countries, had made full payments and that 69 States, including 11 least developed countries, had made a partial payment by March 2012. Member States, and former Member States in arrears, should consider submitting payment plans to reduce their outstanding assessed contributions.

110. With regard to the strengthening of UNIDO programmes through unutilized balances of appropriations, the Group noted with satisfaction that 27 Member States had renounced their share of unutilized balances, thereby making about €13.6 million available for UNIDO programmes. It endorsed the suggestion in paragraph 14 of document GC.14/18 that unutilized balances should be allocated to one of four programmatic areas. In that connection, the Group welcomed the establishment of the trust fund for youth employment. Bearing in mind the large number of trust funds that had been created, however, the Group hoped that available trust funds would continue to be used effectively.

111. With regard to the mobilization of financial resources, the Group welcomed the fact that the volume of extrabudgetary funds mobilized had grown rapidly in 2011. The increasing diversification of funding sources indicated a growing appreciation among donors for the Organization's capacity to promote sustainable industrial development. The Secretariat should increase its efforts to mobilize funds by further exploring the Organization's comparative advantages in its three thematic priorities, namely poverty reduction through productive activities, the promotion of trade capacity-building and improved access to energy and environmental protection. A balance should, however, be maintained among those

priorities, which meant that there should be equitable resource mobilization.

112. In view of the shortage of technical cooperation delivery programmes in Central Asia, donor funds should be mobilized for programmes in the region focusing on the environment, energy and climate change and on trade capacity-building.

113. **Ms. Laose** (Nigeria), speaking on behalf of the African Group, encouraged Member States to continue providing UNIDO with the stable and predictable resources that it needed to fulfil its mandate by paying their assessed contributions and any outstanding dues. The Group hoped that an effective solution would be reached with regard to amounts owed by former Member States.

114. She reiterated the Group's call for more voluntary contributions, including support from the private sector, to help UNIDO expand its activities. The Director-General should continue to engage with inter-agency mechanisms and pursue dialogue with Member States in order to sustain resource mobilization efforts.

115. **Mr. Rivera Mora** (Observer for El Salvador), speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), noted that, according to document IDB.40/CRP.3, the collection rate of assessed contributions had reached 88 per cent by November 2012, slightly higher than that for the same period the two previous years. Although it welcomed the fact that fewer countries lacked voting rights, GRULAC reiterated its concern at the arrears owed by former members of UNIDO and requested that the Board should be told what had been done to resolve the situation.

116. GRULAC remained concerned about the persistent practice of covering a considerable proportion of the Organization's fixed costs from the operational budget. As had been pointed out on a number of occasions, the practice was not sustainable over time and, in view of the likely reduction in voluntary contributions, it posed a threat to the Organization's capacity to carry out its mandate and its commitments on technical assistance. The Organization's dependence on the operational budget was, in the view of GRULAC, one of the main questions that should be considered by the informal working group on the future, including programmes

and resources, of UNIDO. In view of the potential limitations on human and institutional resources, GRULAC was concerned that it would become difficult to obtain additional financial resources.

117. He hoped that the Secretariat would take careful note of two other concerns. The first was the danger of a possible institutional imbalance as a result of the Organization's budget structure. The heads of field offices had not only to deal with administrative management and represent UNIDO but also to mobilize resources for technical cooperation activities. The unpredictability of funding resulting from the Organization's dependence on its operational budget to carry out technical cooperation meant that personnel on the ground were constantly involved in mobilizing resources. Such a situation was costly in both time and human resources, to the detriment of staff members' proper assistance and representation functions.

118. The second issue that was of concern to GRULAC was the urgent need to set up a system of coordination and constant communication between field offices, the Secretariat and the permanent missions of Member States in Vienna. GRULAC therefore proposed that, when the staff of UNIDO field offices met in Vienna, there should be an annual dialogue with permanent missions and regional groups, which could jointly identify the restrictions and opportunities faced by field offices and consider measures to facilitate their role of representation and implementation of technical cooperation.

119. GRULAC was grateful to the Secretariat for its openness in providing permanent missions with regular information on progress in the implementation of the Programme for Change and Organizational Renewal. Following an extremely useful information session held in June 2012, GRULAC noted with satisfaction the useful work being done not only to meet deadlines but also to ensure a proper transition to the new system by every division at headquarters and in the field.

120. **Mr. Marsán Aguilera** (Cuba) said that his delegation approved Conclusion 2012/2 on the report of the External Auditor, Conclusion 2012/3 on the financial system of UNIDO and Conclusion 2012/5 on the mobilization of financial resources.

121. Although UNIDO had grown considerably more efficient, it was important to continue working to readjust its operational mechanisms and internal

structure in such a way that, in the medium term, more resources would be allocated to technical assistance, as had been done by other agencies and programmes of the United Nations system, thus enabling UNIDO to take more direct action in developing countries.

122. His Government hoped that the budget for the period 2014-2015 could allow for a UNIDO office in Cuba, as recommended in the country report in 2012 and as his delegation had been requesting the Director-General since 2011.

123. **Ms. Nishi** (Japan) said, with regard to agenda item 4 (b), that her delegation welcomed the Secretariat's proposal on the introduction of digital recordings and supported the proposed draft decision, in the interests of saving costs.

124. **Mr. Bayer** (Turkey) said that the global economic and financial crisis had had a negative impact on the work of UNIDO. The withdrawal of some States had forced the Organization to reconsider budgetary requirements and its future. The crisis had, however, proved that the sustainable industrial development that was the Organization's greatest strength was essential. The demand for development assistance continued to grow even as the impediments to the work of UNIDO increased. A balance must be found between the various priorities. UNIDO was trying to reform itself and his delegation commended the progress made in deciding the future of the Organization. In particular, it attached importance to the workshop in the context of the informal working group on the future, including programmes and resources, of UNIDO, to be held on 31 January 2013. The informal working group should also consider the increasing volume of the Organization's technical cooperation delivery capacity.

125. It was important that any adverse impact of the reform process was kept as small as possible and that the momentum that UNIDO had achieved in recent years was retained. Such a balance required effort from both the Secretariat and Member States, which had shown their support by voluntarily agreeing to use unutilized balances to strengthen UNIDO programmes. His delegation attached great importance to programmes to support the least developed countries (LDCs) and energy and environment. UNIDO should continue to focus on LDCs, which were the most vulnerable segment of the international community, particularly in the area of agro-industry. His delegation

supported the ministerial declaration on the structural transformation of LDCs and the implementation of the Istanbul Programme of Action for the Least Developed Countries for 2011-2020.

126. His delegation also supported the Organization's activities in the field of environment and energy, in particular green industry. The energy initiative could represent a strategic path for the Organization's future programmatic orientation.

127. **Mr. Ulbrich** (Director of the Financial Services Branch) said, with regard to the report of the External Auditor, that the Secretariat was looking carefully at all the recommendations contained in the report and was implementing them as fast as it could. As for the concerns raised by several delegations or groups regarding the Organization's overreliance on the reimbursement of support costs, which some thought should be considered by the informal working group on the future, including programmes and resources, of UNIDO, he said that he had made a presentation to the working group on the role and magnitude of such

reimbursements in relation to the total budget. It had been followed by a fruitful discussion and he offered to make the same presentation to any State or group of States in order to provide further factual evidence.

128. Lastly, he said that there had been a positive response from Member States on the issue of unutilized balances from the previous year, which had been voluntarily renounced by many countries for technical cooperation activities and programmes. In that connection, he drew attention to document IDB.40/CRP.3, which contained, in annex II, a list of the preliminary amounts of unutilized balances of appropriations that would become available for distribution by the beginning of 2013. He invited Member States to look at their own share of that amount and, if possible, voluntarily renounce their share for technical cooperation programmes, in the spirit of the previous decision of the General Conference.

The meeting rose at 1.15 p.m.