

15 January 1999

Austria: UNIDO - Business Day

Wirtschaftskammer Österreich

18 January 1999

9:00 - 12:30

Programme:

Welcome

Mr. Egon Winkler, Director, Foreign Trade Department, Austrian Federal Economic Chamber

Key note addresses

Ms. Benita Ferrero-Waldner, State Secretary, Ministry for Foreign Affairs

Mr. Carlos Magariños, Director-General, UNIDO

UNIDO technical cooperation activities: Experiences and possibilities for cooperation with Austrian firms

● **Overview of mechanisms for technical cooperation and procurement activities:**

Mr. Octavio Maizza-Neto, Director, Executive Office of the Director-General

(Overview of UNIDO services and areas of possible cooperation with Austrian firms; project cycle, project components: subcontracting, purchase of equipment and services, training, consultancy, reference to UNIDO business tools of interest to Austrian companies, i.e. COMFAR, BEST, FIT, examples of UNIDO cooperation with the private sector, i.e. Fiat, investment promotion etc.)

● **IPS Vienna: Service office for Austrian firms. Business opportunities in developing countries and countries in transition: Success stories and programme for 1999**

Messrs. Erich Padaurek and George Gieseke, Head and Deputy Head, IPS Vienna

(Presentation of the IPS office, delegates programme, programme for 1999)

- **UNIDO technical presentations on environment, energy and agro industries as well as private sector development**

Private Sector Development

Ms. Vera Gregor, Private Sector Development Branch

(The UNIDO partnership programme is a mechanism to help private sector enterprises to improve the cost performance of its off-shore operations through a consortium of international and national civil society organizations, world class universities, local enterprise partners and host governments. The example of Fiat.)

Technical presentation on Environment (with emphasis on Montreal Protocol, Municipal waste management, Energy and Agro-industries)

Mr. Cahit Gürkök, representing the Sector Support and Environmental Sustainability Division, Director of the Industrial Energy Efficiency Branch

(The UNIDO Montreal Protocol Programme aims at assisting developing countries in meeting their obligation in eliminating ODSs in subsectors such as refrigeration, aerosols, foams, solvents halons and methyl bromides. Possibilities for cooperation with Austrian firms: UNIDO projects involve the purchase of services such as consulting, training, supply of equipment and safety certification.

UNIDO has, in cooperation with UNEP, programmes in the management of municipal waste in Africa and Chile. The services particularly required are consulting and training.

The energy programme covers areas such as climate change and common development mechanisms of the Kyoto Protocol, industrial energy efficiency, electric power generation and transmission and distribution as well as application of renewable energy sources. Consulting and training services as well as supply of equipment are required for the implementation of these projects.

With emphasis on textile, food production and wood industries. Main areas of activities and prospects for possible cooperation with Austrian firms based on past and on-going involvement of Austrian firms.

Technical experts:(for questions and answers)

Mr. George Anestis, Montreal Protocol Branch

Mr. Christian Beinhoff, Cleaner Production and Environmental Management Branch

Mr. John Moll, Agro-industries and Sectoral Support Branch

COMFAR: Computer Model for Feasibility Analysis and Reporting

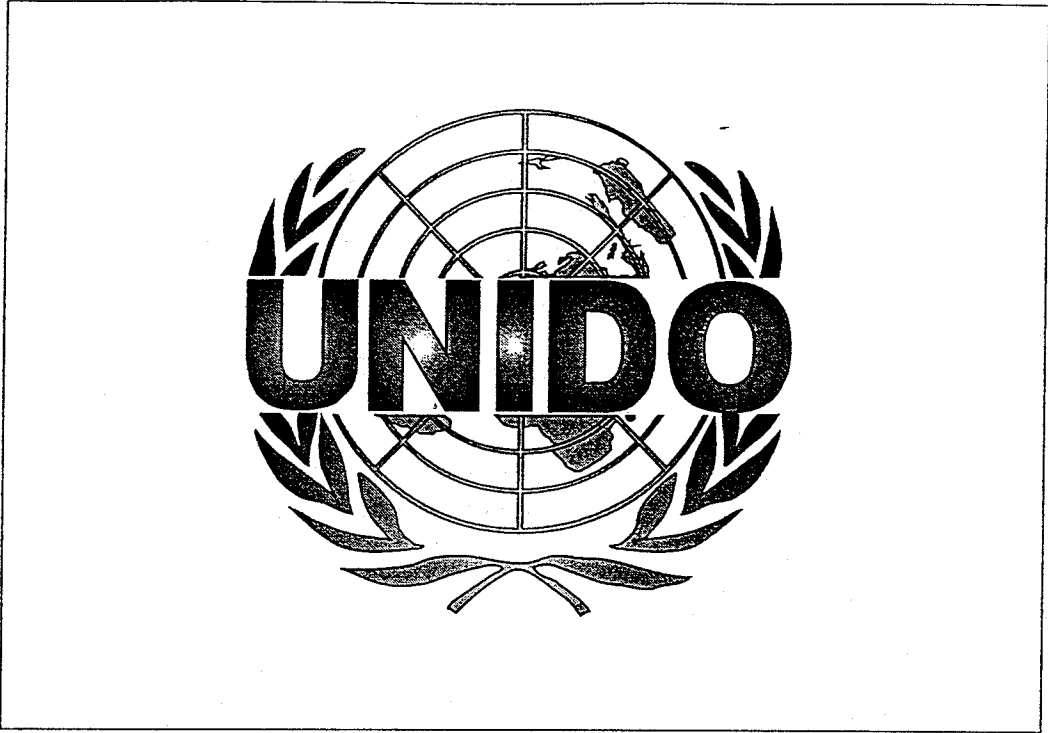
Mr. Robert Novak and Mr. Andreas Scherney, Investment and Technology Promotion Branch

- **Dialogue with Austrian companies: questions and answers**

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Refreshments

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18-05



Slide 1- UNIDO logo

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Madam Minister, Mr. Chairman, Ladies and Gentlemen,
Good Morning!

- I am very pleased and honoured to be here with you today. On behalf of UNIDO, I sincerely thank the Austrian Chamber of Commerce — Dr. Egon Winkler, in particular — for arranging today's *UNIDO Business Day*.
- We are very happy to see so many from Vienna's and Austria's business world. The invitation is to discuss how you can work with UNIDO to increase your business opportunities — for that is the real purpose of our meeting this morning.
- We are particularly honoured that Dr. Benita Ferrero-Waldner is able to be with us, and I thank her for her kind words for me and for UNIDO this morning. As State Secretary for Foreign Affairs, she has been a constant support for UNIDO during my term of office in the past twelve months, and immediately before that when the outlook for UNIDO was less secure than it is today.

- Today things are different. Under the guidance of our Member States (and from our host Member State, Austria, in particular) we have a transformed UNIDO — into a forward-looking agency that will maintain its identity within the United Nations system.
- Another constant support, has been Austria's Permanent Representative for UNIDO, has been Ambassador Irene Freudenschuss. She was the prime initiator of today's meeting and we have worked particularly closely together for the past six months, the period of Austria's EU Presidency. I am sure we shall continue to cooperate in her new capacity as Chair of the Group of Western and Other Countries' Representatives in Vienna.

UN-private sector partnership

“Strengthening the partnership between United Nations and the private sector will be one of the priorities of my term as the Secretary-General. Without greater cooperation, the social and economic needs of the developing countries would not be met”.

Kofi Annan, February 1998, Davos, World Economic Forum



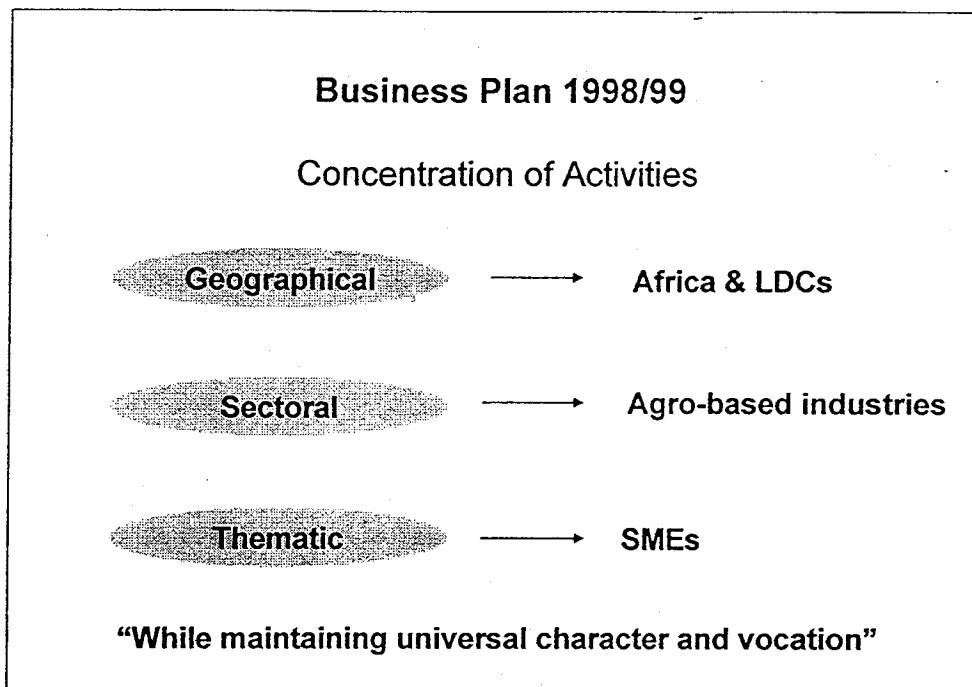
Slide 2 - UN-private sector partnership

Ladies and Gentlemen,

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- It will not have escaped your notice that the United Nations and the private sector are moving closer together. Kofi Annan has made it a priority for the UN system. Business leaders like Ted Turner have put their money at the disposal of United Nations causes, among which are our own concerns for *industrial* development.
- There is huge potential for cooperation between the UN and the business community. The UN's goals are peace, security, human rights and sustainable development. Your goals are necessarily different, but they can only succeed to the extent that national governments, who rely on the United Nations, also succeed in building safe, stable environments and improving the standards of living.
- A key factor in improving living standards in developing economies is investment in industry, in the institutional and physical infrastructure (which is increasingly a public-private partnership), in training and education, and in environmental improvements.

- UNIDO helps remove the impediments to investment in poor countries. When those barriers are brought down, investments will increase: both foreign and domestic. Living standards will rise. Poverty will be reduced. Social and economic systems will stabilize. Investors will increase further. This is the virtuous circle. The private sector is a crucial motor.
- What is perhaps not so obvious is that in this area, and in many other activities concerned with economic and social development, the United Nations will in future function increasingly as a single system — in contrast to the discrete activities of independently operating UN agencies of the past.
- This greater UN system cooperation and private sector cooperation will, I predict, be Kofi Annan's lasting legacy to the world. As he pointed out in the last World Economic Forum in Davos: *“One of the jobs the United Nations does best, but should do even better, is to prepare the ground in the world's poorest countries for the foreign and domestic private investment that would lift them out of poverty.”*
- For UNIDO meanwhile, our relations with the private sector are a hallmark of our efficiency and effectiveness. As a Minister for Industry I learned at first hand what governments can do best for industry. I learned also that industrialization proceeds at the pace and largely in the directions decided by the private sector.
- It is crucial, therefore, that we speak the same language. It is crucial that we use it for a dialogue. The issue is how best we (as the international organization for industrial development) can help create the environment for investment and cooperation that business needs in developing and transition economies.



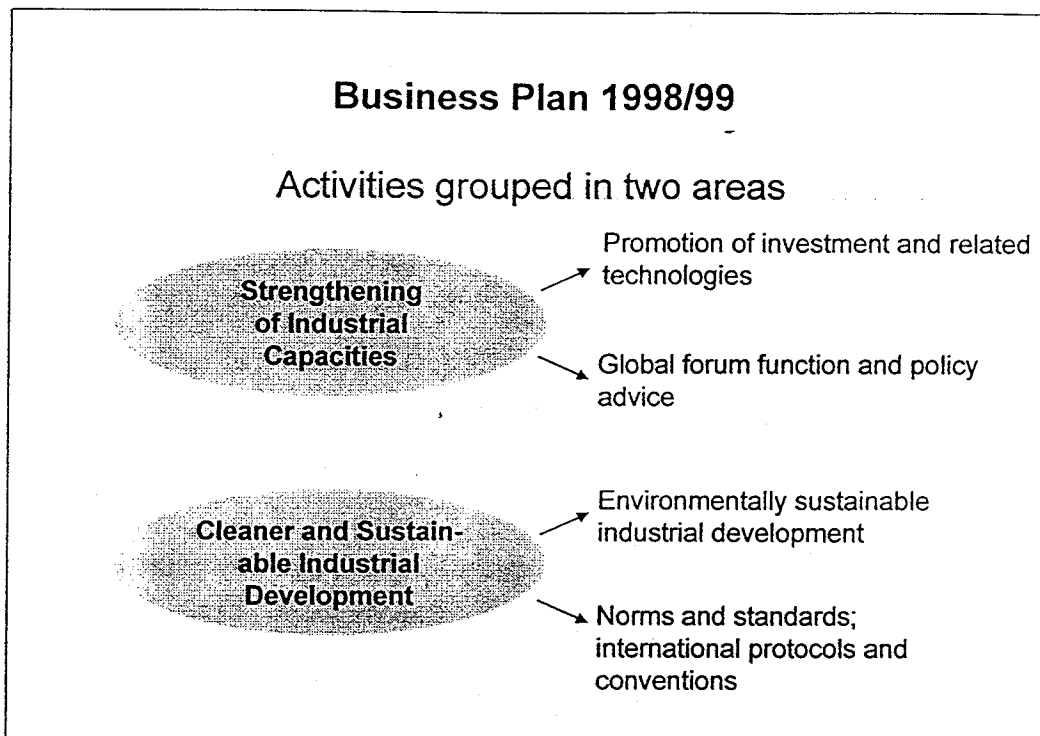
Slide 3 — Business Plan 1998/1999 (Concentration of activities) 1/2

- I will not go into the details of all the changes we have made in the last year. But I believe you may find some aspects interesting and useful, in particular some new public-private sector approaches we are developing to address the really large, complex issues of industrial development.

- First, the changes here in Vienna. In some quarters, United Nations agencies have the reputation of being bloated democracies, with overpaid staff who are loyal only to themselves. The reason why UNIDO today is none of these things goes back to its new Business Plan.

- The Business Plan of December 1997 is not something dreamt up by international civil servants. It came directly from UNIDO Member Governments.

- It told us that, above all, we had to concentrate only on areas of comparative advantage. It spelled out what these are:
 - Supporting *institutions* rather than individual enterprises
 - Concentrating on industry in Africa and least developed countries (LDCs) elsewhere
 - Emphasizing agro-based industries,
and
 - Focussing on help for small and medium-sized firms.



Slide 4 — Business Plan 1998/1999 (Activities grouped two areas) 1/2

- The Business Plan groups our activities under two further headings:
 - Strengthening industrial capacities
 - Cleaner and sustainable industrial development
- Later this morning, the presentations of my colleagues will explain some of this in more detail.
- Strengthening of industrial capacities of the transition and developing economies means, of course, that they become better partners for European business.
- Private Sector Development — one of this morning's topics — also means they consume more resources that, through UNIDO, Austrian firms are particularly well-placed to supply.

Slide 4— Business Plan 1998/1999 (Activities grouped two areas) 2/2

- Representing the area of cleaner and sustainable industrial development this morning, we have:

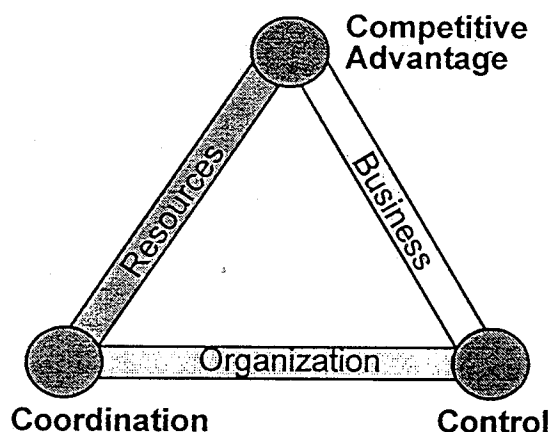
- Phasing out ozone-depleting substances under the Montreal Protocol
- Climate change and the development mechanisms of the Kyoto Protocol

(Just as UNIDO became a major player in the Montreal Protocol, we are now positioned [since the Buenos Aires meeting last November on climate control] to play a similar role in future in the much larger international programme foreseen to implement the Kyoto Protocol.)

- For the third of the *areas of concentration* called for by the Business Plan, we have for you a presentation on our work in the field of agro-industry. This covers:
 - food processing
 - wood processing and its products
 - leather products
 - textiles and garments

and has already involved cooperation with Austrian firms.

The Vision behind the Transformation



Adapted from "Creating Corporate Advantage" by David J. Collis and Cynthia A. Montgomery, Harvard Business Review, May-June 1998

Slide 5 — The Vision behind the transformation

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- The transformation UNIDO underwent last year touched every corner of the Organization. The aim was real change. This meant new structures and procedures to ensure more focus, more efficient use of fewer resources and more flexibility.
- But underlying the transformation has been a corporate strategy whose design draws on business (rather than international organization) experience.
- The new strategy is a carefully constructed system of mutually-supporting parts.
 - One part ensures clarity concerning the business UNIDO is in.
 - The second addresses the organizational structure and procedures that bring the Organization to life.
 - The final part focuses on the resources (human and financial) that UNIDO has at its disposal.

- All three components are aligned in terms of a strategic triangle. At its corners are UNIDO's coordination and control mechanisms — mechanisms any firm or organization needs in order to deploy resources effectively and achieve strategic goals.
- The three elements — business, organization and resources, plus the coordination and control mechanisms — have led to many changes: the way we operate, the way we are organized and administered, the way view our staff, and above all, what is in our programmes.
- The have also been directed towards the apex of the strategic triangle, namely to achieve competitive advantage (for there is competition among international organizations, just as among businesses). The aim is to put UNIDO on a firm footing for the next century.

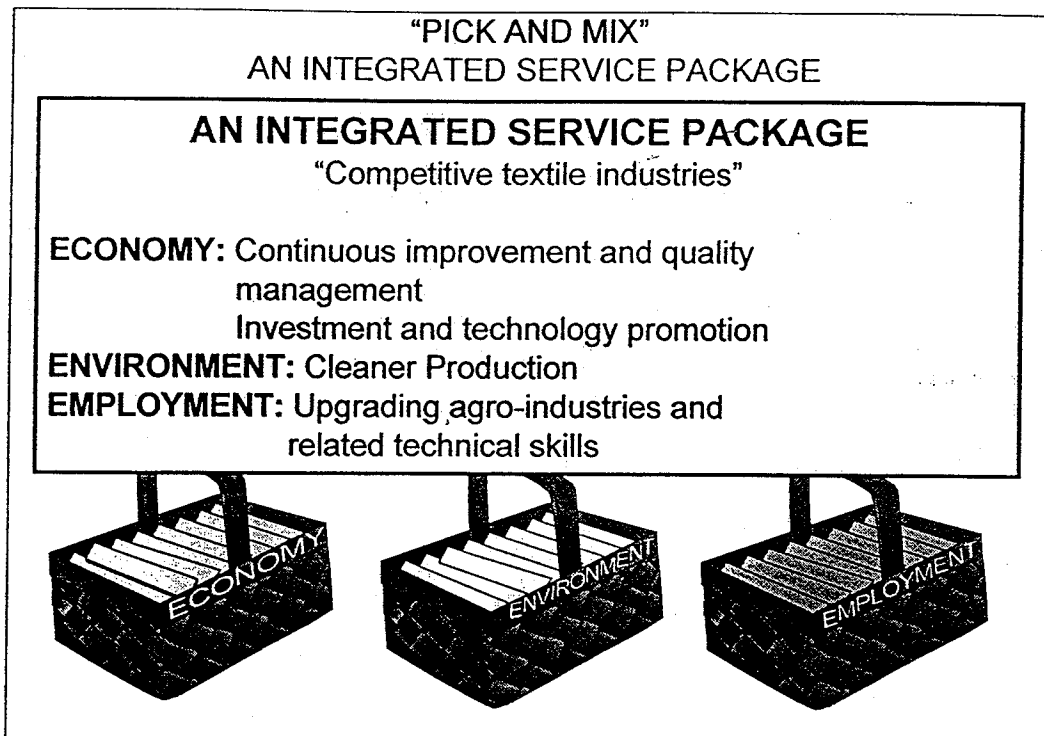
UNIDO Service Modules				
The 16 Service Modules according to level of intervention and the "3Es"		COMPETITIVE ECONOMY Making industry more efficient	PRODUCTIVE EMPLOYMENT Promoting employment in industry	SOUND ENVIRONMENT Environmentally friendly industry
LEVEL OF INTERVENTION	GOVERNANCE, POLICY and STRATEGY	Industrial policy formulation and implementation Statistics and Information	SME policy framework Policies for women entrepreneurship development	Environmental policy framework Climate convention and Kyoto Protocol
	SERVICES TO ACCELERATE SUSTAINABLE INDUSTRIAL DEVELOPMENT	Metrology, standardization, certification and accreditation Continuous improvement and quality management Investment and technology promotion	Entrepreneurship development Upgrading agro-industries and related technical skills	Energy efficiency Rural energy development Cleaner production
	BUSINESS and SUPPORT SERVICES			Pollution control and waste management Montreal Protocol
Sustainable Industrial Development				

Slide 6 — UNIDO Service Modules

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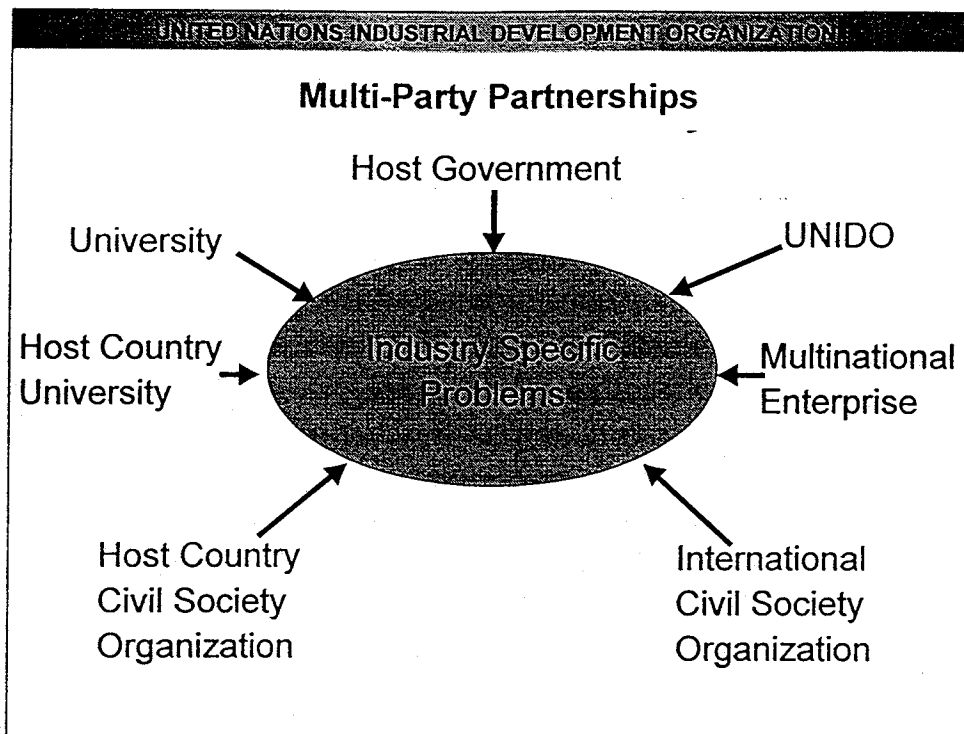
- What does all this change add up to?
- Let me first explain what it means to our clients — the governments and institutions who look to UNIDO for industrial development services.
- I will then suggest what it can mean for industry in developed countries like Austria, where UNIDO mostly sources the inputs for those services.
- A key marketing step was to clarify our service offer for clients.
- We did it by
 - divesting some of our services, and
 - by rearranging the remainder into 16 service modules.

- Some clients seek governance, policy and strategy remedies.
- Others want strategies to accelerate sustainable industrial development.
- Still others are looking for business and support services.
- Some are looking to make their industry more efficient, to promote employment in industry, or to make industry more environmentally-friendly.
- To accommodate these various interests, clients can now pick and mix among the service modules, depending on their needs and perspectives.



Slide 7 — An integrated service package for the textile industry

- Mostly clients are actually looking for a combination of services.
- For example, an African country might want to raise the competitiveness of its textile sector. This could call for:
 - Strengthening a training centre's capability to introduce continuous improvement and quality management techniques to small and medium firms
 - Refocusing an investment promotion office on the partnership requirements of the textile sector
 - Improving a research institution's knowledge of state-of-the-art textile technology
 - Transferring environmentally-sound fibre and textile materials technology via a Cleaner Production Centre,
- and/or
- Upgrading human skills with management and advanced operator training programmes



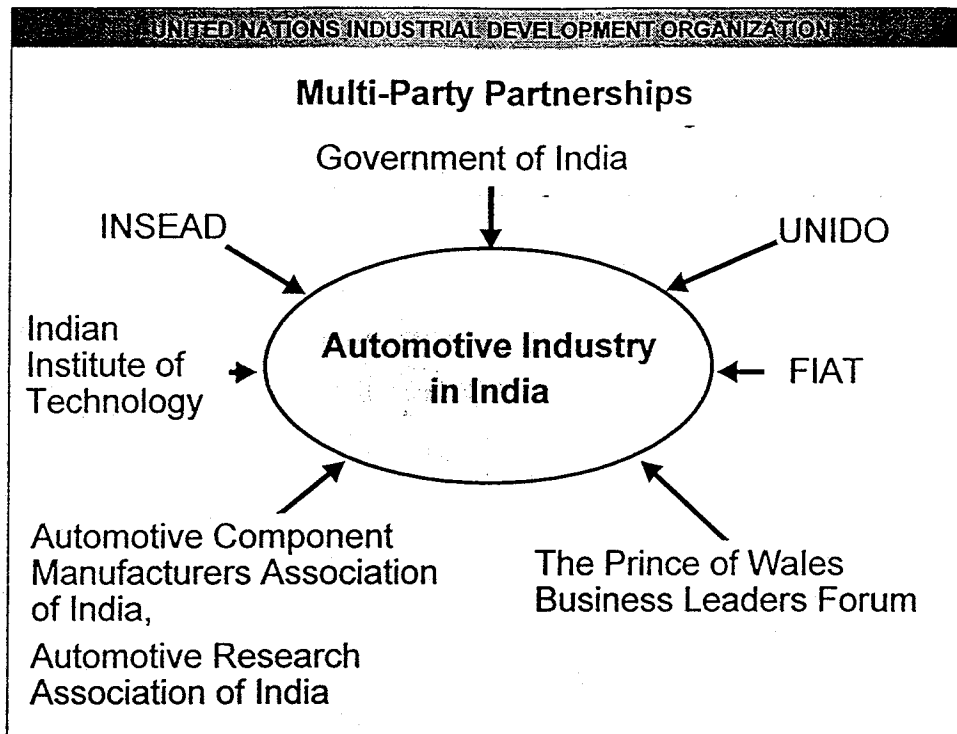
Slide 8 — Multi-Party Partnerships (1)

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- The client feedback from this comprehensive approach to industrial development (which, where appropriate, *always* involves other UN agencies) has been overwhelmingly positive.
- Its benefits for UNIDO's private sector partners in developed countries like Austria, you will shortly hear directly through presentations on:
 - Mechanisms for technical cooperation, and
 - The Investment Promotion Service (IPS) Vienna, and its Business Opportunities in Developing Countries and Countries in Transition.
- Meanwhile, in the few minutes remaining, I would like to outline for you a completely new initiative. Its primary goal is to involve still more private business in industrial development.

- The idea, called Multi-Party Partnership recognizes that the process of sustainable industrial development can be extremely complex. It is especially complex in the poorest countries, where success depends on many things coming together simultaneously. In fact, it is very often too complex for any one single organization. It is beyond the capabilities of a multinational company, a government, a non-governmental organization or even a multilateral organization like UNIDO — when they act alone.
- Any of us on that list can provide part of the solution. But it takes an integrated approach, with public-private partnerships that can deliver specialized inputs from a number of cooperating parties, to ensure that the changes are truly sustainable.

- One of several models we are considering as a solution combines resources from up to 7 different entities:
 - a host government
 - a large company
 - an international NGO
 - a national NGO
 - a national academic institution
 - a developed country academic institution
 - and
 - UNIDO



Slide 9 — Multi-Party Partnerships (2)

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- An example from India will illustrate. The central task, identified by the UNIDO Country Office in New Delhi, was to upgrade the whole automotive industry in India. This called specifically for:
 - Sustaining local entrepreneurial development and technological advancement; and,
 - Strengthening the business environment, in particular through transfer of foreign technology and capital;
- The improved performance of India's automotive components sector should come through:
 - Identifying inherent sector-wide (in some cases industry-wide) problems;
 - Formulating international norms and standards based on research results;
 - Formulating and implementing sector- or industry-wide cooperation projects.

- The case demanded resources from all 7 types of organization I mentioned:
 - The multinational company is FIAT
 - The international NGO is the Prince of Wales Business Leaders Forum in the U.K.
 - The Indian NGOs are the Automotive Component Manufacturers Association of India, and the Automotive Research Association of India
 - The India academic institution is the Indian Institute of Technology
 - The developed country academic institution is INSEAD in France
 - The India Government is represented by the Ministry of Industry and the Ministry of Small-Scale Industries.

- FIAT and UNIDO together will:
 - Assess the Indian automotive component sector
 - Develop a competitive network of potential automotive components and suppliers
 - Identify sector and/or industry-wide problems
 - Exchange suitable relevant methodology, analysis tools and instruments
 - Formulate relevant international norms, standards and best practice
 - Formulate with the Government of India a sector-wide and industry-wide cooperation programme to enhance India's competitiveness in automotive component manufacturing;

and

 - Define areas for cooperation with other parties.



Slide 9 — UNIDO logo (peroration)

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- To sum up briefly, the year 1998 was UNIDO's year of transformation. This yielded:
 - Far-reaching administrative, structural and programmatic changes;
 - A vision and corporate strategy that links business clarity with organizational changes and available resources — all with a view to enhanced competitive advantage;
 - Fundamental revision of UNIDO's programmes to prepare them for integration by clients according to their own needs for efficiency improvements, employment creation and/or environmental friendliness;

It also led to:

- New approaches to partnership, particularly with the private sector, in order to take on the increasingly complex tasks of industrial development.

- Where does Austria, UNIDO's host country fit into this scheme of things? Another presentation this morning will explain how we buy the goods and services that keep the Vienna International Centre running, and that are needed for our project work.
- Meanwhile, your contact for participating in the substantive programmes is also just one phone call away — to the IPS Vienna Service office. That is also the way to participate in investment and technology forums, and to make your own technologies, equipment and services better known to the developing countries and transition economies.
- At the same time, the globalizing world economy means that industry in a small country like Austria also has to find its niche. Being a giant on the world market is an unlikely option. The tasks and risks associated with tomorrow's volume markets may also prove too great for many firms.
- Austrian companies will no doubt find their place in cross-national production networks, which compared to North America, are still relatively underdeveloped in Europe. But it is as sources and developers of technology that Austrian firms can exploit their talent to the full — especially, I suggest, by developing and selling turnkey product systems to the developing world.
- Many third world companies, even in relatively advanced countries like Korea and Malaysia, lack high-end, quality designs for their product ranges. And what they are looking for is not just the prototype that would be sufficient for firm in Europe. At their level of development, they need complete product systems — production models and turnkey production systems.

Slide 9 — UNIDO logo (peroration)

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- Delivering them is a genuine niche for Austria.
- Creating the surrounding conditions that ensure its viability and sustainability is the complementary niche for UNIDO.

- Madame Minister, Dr. Winkler, Ladies and Gentlemen

I thank you for your attention to what I have had to say. I hope you will give equal attention to the very practical presentations that UNIDO experts have prepared for you this morning.

I look forward also to an outcome that (as a result of the ensuing discussions) will significantly raise the levels of Austrian industry's involvement in UNIDO's work.

Thank you.