

### **Item 3. Annual report of the Director General for 2021**

Distinguido señor Presidente,

Quisiera comenzar expresándole las sinceras felicitaciones de Brasil por su elección y me permito comunicarle, señor Presidente, el más sincero deseo de mi delegación de colaborar en la conducción de nuestros trabajos. Extiendo al señor Director General igualmente las felicitaciones de mi delegación.

Mr. Chair,

Like all the members of this Board, Brazil believes in the power of industrial development to create decent jobs and speed up the process of structural changes towards economic and social development. We also concur, on the other hand, with the introduction of the annual report which points out the period of crisis that the world is going through, and that we are facing a global economic outlook that is gloomy and uncertain.

Among the many consequences of the crisis, trade has had a slowdown and the expansion of global value chains (GVCs) has stalled. Serious threats have emerged to the model of trade related growth, which has helped developing countries grow faster, lifting many out of poverty. Geopolitical fragmentation has exposed vulnerabilities in global food and energy production and distribution systems, triggering a cost-of-living crisis around the world. Not to mention the accelerating climate change. Many countries are constrained by rising debts and shrinking fiscal space, and thus, face the risk of even higher inflation and a wage-price spiral. Since we cannot, at this moment, predict when prospects will have sufficiently improved, we need to prepare for a period of tighter credit and financial instability.

We need to act on a scale unmatched in recent history to provide effective support to businesses in manufacturing, to sustain and support jobs, families and employment. With a fierce competition for loan offers, official development aid (ODA) will be as vital and indispensable than never, especially for the Least Developed Countries, which will be hit first and hardest.

The good news is that the UNIDO has a few assets that play in its favor. It has the technical capacity to generate ideas for projects rather than choosing among them. It has bottom-up mechanisms to identify the industrial sectors that have potential to develop, and then backing them up with the proper inputs. UNIDO also works with priority sectors, like those identified by GRULAC countries in the regional meeting Panama in October last, which by nature have some appealing features, like favoring goods that require capabilities that are similar to those that already exist in a country, or which induce important complementary investments, and represent the next step in a sequence development stages. As the Independent Oversight Advisory Committee (OAC) noted: evaluation, oversight and investigation functions have evolved

positively, which we hope will strengthen accountability and value for money within the organization.

Mr./Madam Chairperson,

Like many in this Board, Brazil is confident in the vision and the actions that we signed up to in UNIDO's constitution and in the new Lima Declaration, and we hope that, in a moment when governments will have a number of difficult decisions, UNIDO will sustain its original mission to further industrial policy.

Thank you.

## **8(b) UNIDO strategy in response to climate change**

Senor(a) Presidente(a),

The Board is invited to provide guidance to the Secretariat on further action regarding UNIDO Draft Strategy to Climate Change, prepared in response to General Conference resolution GC.19/Res.2. Since my delegation has already presented comments in writing, I will discuss the general structure of the current document and on how to proceed in mapping the areas of work.

First, the draft strategy presents a solid background note. It mentions potential future emission consequences, and options on how to deal with them, while highlighting the root cause of the rise in the planet's temperature, namely the accumulated emissions of greenhouse gases by industrialized countries over the last 200 years.

The introductory remarks also identify corporations as causing some of the problems with the natural environment, while underscoring that they can serve as a source for solutions. There is no reference to the heterogeneity of the firms, even though some business actors operate in intrinsically environmentally problematic activities, notably the coal and oil industries. Therefore, we should keep in mind that there are some business models which are more aligned to sustainability, in sectors as renewable energy, agriculture and eco-tourism, than others which are hard-to-abate sectors or based on overconsumption.

The next section presents nine operational principles, which, while not being specific to the industrial vocation of UNIDO, stimulate a reflection on the changing societal needs and the expectations that modern corporations will also playing an important role in environmental management and social affairs. UNIDO aligns itself with the United Nations Greening the Blue initiative, commits itself to identifying examples of good practice from which stakeholders might learn in order to develop their own capacities for

implementing climate change strategies and stresses the need to level the playing field so that developing countries can benefit from significant transfer of know-how, climate technologies and capacity development to modernize and decarbonize industries.

The principles are generally acceptable, but we would like to suggest additional text on mitigation measures. It could be added to paragraph 15, on climate adaptation and resilience, or part of a dedicated principle on the need to cut emissions. The purpose is to complement the present work with the long-term goals for adaptation and resilience, and for financial flows to be reoriented, consistent with mitigation and adaptation objectives.

The draft strategy goes on to define ten areas of work, each one with a systematic overview of the main aspects and issues related. Some of the areas of work identified include organizational culture, the potential role of renewables, and a proposal, on paragraph 23, for UNIDO to influence the global discourse on issues at the intersection of climate action and ISID such as circular economy and industrial decarbonization, which should be the subject of further debate.

In general, the draft strategy is a positive step forward, but it has yet to be agreed and implemented. When finished, UNIDO will equip itself with a complex apparatus, designed to support developing countries in the context of meaningful mitigation and adaptation actions. Yet, the task remains on connecting this comprehensive overview of the current policy of climate change with the present tools, methods and techniques associated with the management of climate change within the organization and its field offices.

The chapter proposes a methodology for measuring credit gaps – the difference between desirable and actual levels of credit – making use of firm-level data.

There are practical benefits in connecting firms to the financial system. This implies the need for programmes of dialogue with the financial sector development, specially designed to address the such as improvements in collateral frameworks, and targeted financial and advisory support, for example, financial literacy and improvements in accounting standards in conjunction with a genuine reform agenda geared to improving institutional quality. These can help to reduce information asymmetries and increase firms' capacity, appetite and confidence in engaging with the banking sector.