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Mobilization of financial resources

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Report by the Director General

The present report responds to the mandate provided by decision IDB.25/Dec.5 in which the Director General is requested to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization effort. It should be considered in conjunction with the *Annual Report of UNIDO 2015*, which provides information on mobilization of financial resources for that year. The report also provides substantive reporting on the thematic trust funds, the trust fund for Latin America and the Caribbean, and the two special accounts financed through unutilized balances and other voluntary funding.

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I. Introduction

1. Given the limited availability of funding for technical cooperation activities from the regular budget of UNIDO, as defined by the Constitution, the mobilization of extrabudgetary funding for the delivery of UNIDO services is imperative. As shown in the *Annual Report 2015*, the volume of these extrabudgetary funds mobilized in 2015 reached \$173.8 million (including the net change in the level of future payments due under signed agreements). Net funds made available for implementation increased for the fourth consecutive year, reaching \$205 million in 2015. This figure represents the second highest level ever attained by the Organization.

2. Funding from the Global Environment Facility (GEF) increased to \$75.2 million, the highest level in the history of UNIDO. Funding from the Montreal Protocol in 2015 amounted to \$31.9 million. Funding from governmental sources through a variety of channels exceeded \$92.4 million. In 2015, the European Union, Switzerland and Japan were the three largest single donors in this category.

II. Thematic focus and progress on funds mobilization

3. The continuously strong performance in mobilizing new resources for UNIDO programmes is clear evidence for the wide recognition of the Organization's comparative advantages and for the focus on its thematic priority areas. The work of the Organization continues to be seen as an effective response to global concerns, including poverty, lack of employment and social instability, access to regional and international trade, food and energy security, and environmental degradation and climate change.

4. Guided by the Lima Declaration (GC.15/Res.1) and the 2030 Agenda for Sustainable Development, the Organization will continue to promote inclusive and sustainable industrial development (ISID) by strengthening its capacity to create shared prosperity and advanced competitiveness while safeguarding the environment. In the implementation of industry-related sustainable development goals and targets, UNIDO will further strengthen existing and forge new partnerships with organizations with complementary mandates and skills, as well as with representatives of the public and private sector, financial institutions, academia and civil society, so as to continuously improve the services it provides to Member States and increase the efficiency and effectiveness.

5. In addition to 13 governmental donors providing more than \$1 million each, funding from multilateral funds as well as multi-donor trust funds present a sound and diversified funding basis for the future. UNIDO continues to pursue innovative sources of financing, including through additional contributions from traditional and emerging multilateral and bilateral sources.

6. The two issues of concern continue to be, as noted in previous years, the requirement of some donors, such as the GEF, for co-funding of projects, and the limited availability of funds that UNIDO can programme. These would be critical in order to respond rapidly to requests for assistance as well as for the design phase of projects and programmes. On the latter issue, the resources contributed by Member

States through renouncing their share of the unutilized balances of appropriations for the benefit of the trust funds listed below provide an important basis.

III. Trust fund on food security

7. This section covers recent progress since the last report in April 2014 (IDB.42/5-PBC.30/5).

8. Since the last report, technical cooperation activities amounting to €542,303, compared to €1,863,709 from the creation of the trust fund in 2010 until the last report, were financed from resources of the trust fund. The funds were mainly allocated to African least developed countries (LDCs), such as the Democratic Republic of the Congo and Ethiopia, but also to Cameroon, Senegal, South Africa and Uganda. They were also allocated to projects in the Asia and the Pacific region, in Central America, and in Armenia, Nicaragua and the State of Palestine.

9. Using this core funding, a sizeable amount of financial resources from other financial sources has been mobilized for technical cooperation interventions. The projects funded from this trust fund in Armenia, the Democratic Republic of the Congo, Nicaragua and the Sudan triggered follow-up projects of over €10 million, having a leverage effect of a factor of 29.4 and thereby meeting the donors' expectations of a significant leverage of the trust fund resources. Preparatory assistance is currently being implemented in Cameroon, Eritrea, Nigeria, Senegal and Uganda, with an expected leverage effect of a similar magnitude.

10. Requests for further interventions were recently received from the Philippines, Rwanda, Samoa, and Viet Nam. The constant requests from Member States in the area of food security and for the expansion of the Accelerated Agribusiness and Agro-Industries Development Initiative (3ADI) call for further contributions to this trust fund.

IV. Trust fund on renewable energy

11. The trust fund has been fully operational for over four years, and significant progress has been achieved. To date, 15 projects developed with the support of the trust fund have been approved by the Global Environment Facility for grant funding of around \$42 million, as well as \$234 million to be leveraged as co-financing. Projects funded by the GEF include those in Albania, Argentina, Cambodia, Cameroon, Chile, Côte d'Ivoire, the Dominican Republic, Egypt, India, Kenya, the Lao People's Democratic Republic, Madagascar, Nigeria and the United Republic of Tanzania.

12. In addition, seven non-GEF projects have been developed with the support of the trust fund with grant funding of \$11 million. These include projects in the Caribbean region, Ethiopia, India, Kenya and the Southern African Development Community (SADC) region, as well as a cross-cutting project to mainstream gender considerations in sustainable energy programmes.

V. Trust fund for Latin America and the Caribbean

13. As a trust fund for Latin America and the Caribbean was established in 2011 (IDB.40/8 and IDB.41/12). The terms of reference for the utilization of the trust fund were approved by the Group of Latin American and Caribbean Countries (GRULAC) in October 2013.

14. The main goals of the trust fund are to promote South-South cooperation and strengthen regional complementarities, leverage regional value chain opportunities, establish closer dialogue between national stakeholders, and facilitate the exchange of knowledge and solutions among actors in the region. The resources of the fund may be used for the co-financing of training activities with regionally recognized institutions in the areas of UNIDO's work, and as seed capital for the development of pilot projects of regional scope.

15. In addition to contributions from Member States of the region, \$1 million was transferred by the Government of China in April 2014. GRULAC and UNIDO agreed on four initiatives to be funded: (a) Exploring advanced technologies to improve regional value chains in Brazil and Uruguay, supported with an overall budget of €86,400; (b) Improving productivity and competitiveness of fishery value chains in the region, supported with and overall contribution of \$760,000, including financial support from the OPEC Fund for International Development; (c) The UNIDO Regional Industrial Knowledge Bank, supported with a contribution of €60,000; (d) Establishing a regional cooperation platform for sustainable industrial parks in the region with a contribution of \$760,000.

VI. Partnership Trust Fund

16. In view of the deployment of UNIDO's partnership approach in the context of the Programme for Country Partnerships (PCPs), and following recommendations of the United Nations Joint Inspection Unit (JIU) to further promote soft-earmarked voluntary contributions, a Partnership Trust Fund was established in 2015.

17. The terms of reference of the Partnership Trust Fund are annexed to document GC.16/CRP.5. The trust fund is expected to contribute to the development, coordination, and launching of PCPs, as well as the organization of global forum activities dedicated to the promotion of partnership initiatives primarily targeting governments, the private sector and development finance institutions towards the action-oriented promotion of ISID. With support of the trust fund, UNIDO will, complementary to its technical assistance, mobilize additional partners and leverage resources to accelerate ISID.

18. At the time of this report, the following Member States have contributed to the fund: China, with \$4 million including support costs; Italy, with €151,994; and the Russian Federation, with €246,709.

VII. Special Account of Voluntary Contributions for Core Activities (SAVCCA) and Major Capital Investment Fund (MCIF)

19. At its forty-third session the Board took note of the establishment of two new special accounts: (a) the Special Account of Voluntary Contributions for Core Activities (SAVCCA), to facilitate the receipt, management and usage of voluntary contributions for core activities, and (b) the Major Capital Investment Fund (MCIF), as a funding mechanism to secure funding for major capital investments or replacements (decision IDB.43/Dec.6 (i)). The purposes and limits, as well as the special financial rules governing the operations of these accounts are contained in document IDB.43/5.

20. At the time of reporting, first contributions to the two special accounts were received by UNIDO, namely €171,128 from Switzerland and €1,232 from Malta for the MCIF, and €1,233 from Malta for the SAVCCA.

VIII. Action required of the Committee

21. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

“The Industrial Development Board:

(a) Takes note of the information contained in document IDB.44/5-PBC.32/6;

(b) Decides to delegate to the Director General the authority to approve projects for financing under the Industrial Development Fund in 2016 and 2017 in accordance with the priorities defined in the medium-term programme framework 2016-2019 (IDB.43/9 and Add.1);

(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO including for the recently created Partnership Trust Fund as well as the Special Account of Voluntary Contributions for Core Activities (SAVCCA) and the Major Capital Investment Fund (MCIF);

(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to respond rapidly to requests for assistance and develop and implement its programmatic activities in a prompt and coordinated manner;

(e) Requests Member States to consider contributing to UNIDO to enable the Organization to work with funding sources requiring co-funding, either through contributing to the dedicated trust funds or by special purpose funding at country or global level;

(f) Encourages Governments of recipient countries to play an active role in sharing with UNIDO the responsibility for mobilizing funds for jointly agreed priority activities, and specifically to take the lead in identifying and accessing funds available at the country level, including local cost sharing

opportunities, and funds from bilateral donors, multi-donor trust funds, United Nations Development Programme, World Bank as well as other development finance institutions;

(g) Strongly recommends that Member States cooperate with and support the Organization in its efforts to develop and promote its programmes and initiatives in the international development context, and especially through international conferences and other forms of dialogue, in order to ensure that these initiatives are well known, their relevance for international development targets are recognized, and resources are made available.”
