



**Industrial Development Board**

**Fiftieth session**

Vienna, 21–23 November 2022

**Programme and Budget Committee**

**Thirty-eighth session**

Vienna, 21–22 June 2022

Item 7 of the provisional agenda

**Mobilization of financial resources**

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**Report by the Director General**

This is a revised version of the above-mentioned document, including an amendment to the number of funding partners mentioned in paragraph 2 and the addition of subparagraph (b) in the draft conclusion included in paragraph 11.

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 2021*, which provides information on the mobilization of financial resources for that year.

**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 2021* in the section “Funding and Financial Contributions”, voluntary contributions for UNIDO development cooperation services increased by 38 per cent in 2021 compared to 2020, reaching \$197.3 million net of programme support costs. The overall portfolio of projects and programmes for future implementation remained at a high level of \$575.2 million and funds mobilized reached \$194.7 million.

2. In 2021, funding from governments and institutions reached a historically unprecedented amount of \$121.9 million, of which \$39.3 million stem from the European Union, which remains the single largest funding partner in this category. Twelve<sup>1</sup> governmental funding partners contributed more than \$1 million net of

<sup>1</sup> Governmental funding partners with contributions exceeding \$1 million net of programme support costs allocated to projects for implementation in 2021 (in millions): Japan \$21.8, Switzerland \$13.8, Italy \$6.9, Germany \$6.2, China \$6, Sweden \$5.5, Norway \$2, the Russian Federation \$1.9, Bahrain \$1.5, the United States of America \$1.3, India \$1.1 and Australia \$1.

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programme support costs. Funding from the Global Environment Facility (GEF) also increased markedly compared to the year 2020, reaching \$45.9 million. Similarly, funding from the Multilateral Fund for the Implementation of the Montreal Protocol (MLF) increased to \$22.7 million in 2021.

## II. Thematic focus and progress on funds mobilization

3. The overall thrust of resource mobilization efforts undertaken by UNIDO jointly with its Member States remained focused on the Organization's main thematic priorities, as reconfirmed in the UNIDO medium-term programme framework (MTPF) 2022–2025, which target the dimensions of (i) advancing economic competitiveness; (ii) shared prosperity from industry; (iii) safeguarding the environment; and (iv) strengthening knowledge and institutions.

4. The strong performance in these joint efforts evidences that the priorities and the comparative advantages of the Organization have further gained in relevance. UNIDO is thereby equipped to respond to key development goals of the international community as well as to address the economic consequences of the COVID-19 pandemic and the disruptions caused by climate change, which severely affect developing economies and their productive sectors, in particular those in least developed countries. Of particular relevance in this regard is the acknowledgement of UNIDO's specific strength in developing concrete and result-oriented partnerships with the private sector, and synergies with interventions of financial development institutions, both of which remain a key driver of UNIDO's partnership approach implemented in particular in the context of the Programmes for Country Partnership (PCPs).

5. Equally important is the recognition of the critical relevance of UNIDO's activities to promote gender equality and the empowerment of women and girls, as emphasized in the Abu Dhabi Declaration (GC.18/Res.1) and the subsequent resolution titled "UNIDO, gender equality and the empowerment of women" (GC.19/Res.1), which underlined the appreciation for the work undertaken notably to increase the access of all women to productive resources, to promote women's agency in climate change adaptation and mitigation, and to build the knowledge and capacity for gender-responsive industrial development.

6. Under the thematic priority of safeguarding the environment, funding from GEF increased again substantially in 2021, as anticipated in the *Annual Report 2020*, thus overcoming the cyclical downturn faced in the two previous years. This notwithstanding, efforts have also been undertaken to further diversify funding sources and to strengthen the engagement with the Green Climate Fund and the Adaptation Fund, to which UNIDO was accredited in late 2020. These activities and the nature of the funding mechanisms increase requirements for programmable resources to enable required preparatory assistance and co-financing. They also underline the importance for Member States to meet their commitments made in the Funding Compact. With almost all voluntary contributions provided to the work of UNIDO remaining tightly earmarked to specific projects, the Organization's capacity to seize new opportunities requiring co-financing or preparatory assistance and to respond swiftly to increased demands remains constrained.

## III. Programming thrust for the biennium 2022–2023 and outlook for funds mobilization

7. UNIDO's programming will be guided by the MTPF 2022–2025, which sets out the strategic direction over the next four years, as well as the Abu Dhabi Declaration (GC.18/Res.1), and, inter alia, the above-mentioned resolution titled "UNIDO, gender equality and the empowerment of women" (GC.19/Res.1), the resolution to develop a UNIDO strategy in response to climate change (GC.19/Res.2) and the Vienna Ministerial Declaration for the Least Developed Countries (GC.19/Res.3).

8. As emphasized in the MTPF 2022–2025, a major effort is required to further scale up UNIDO’s interventions and the resources required for that purpose to achieve the mandated results and impact. Significant progress has already been made by the Organization to diversify the instruments through which it discharges its mandate, notably with the promulgation of a new and state-of-the-art UNIDO grants policy. These efforts are fully aligned with an increased focus on programme approaches, which, based on the rationale underpinning the PCPs, leverage resources of multiple public and private sector partners to scale up the scope, impact and efficiency of technical cooperation activities.

9. The call for action to address the recovery from the pandemic and to fast-track the Decade of Action to achieve the Sustainable Development Goals has in the meantime been overtaken by a global crisis triggered by the armed conflict in Ukraine, which, above and beyond its humanitarian consequences, prompted a major shock on commodity markets, with a particularly dramatic impact on developing countries. The resulting increase in food and energy prices is likely to stall progress in reducing poverty and will call on significant efforts of the international community to mitigate the resulting human and economic toll. UNIDO’s contributions to mitigate the crisis will be guided by the Steering Committee of the Global Crisis Response Group on Food, Energy and Finance, recently established by the Secretary-General of the United Nations, and will capitalize on the Organization’s comparative advantages in the field of food security and access to renewable energy for productive sectors. The contributions of UNIDO to this collective endeavour will have to be complemented by increased resource mobilization efforts undertaken jointly with its Member States and other funding partners. The commitment made by United Nations Member States in the context of the Funding Compact to double the levels of resources channelled through development-related inter-agency pooled funds and single-agency thematic funds will be of particular relevance to facilitate swift responses to time-sensitive requests for assistance from Member States.

10. With regard to cooperation with GEF and MLF, and based on the established pipeline, the outlook for future funding remains positive, as outlined in the *Annual Report 2021*. Similarly, the resource mobilization outlook with UNIDO’s main funding partners remains generally positive, despite the implications of the ongoing crisis in Ukraine remaining unpredictable.

#### IV. Action required of the Committee

11. 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.50/7/Rev.1-PBC.38/7/Rev.1;

(b) Decides to delegate to the Director General the authority to approve projects for financing, previously selected by UNIDO and the donor, under the Industrial Development Fund in 2022 and 2023 in accordance with the priorities defined in the medium-term programme framework 2022–2025 (IDB.49/8-PBC.37/8);

(c) Encourages Member States and other funding partners to increase their voluntary contributions to UNIDO, including for the 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 funding partners 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 funding partners, multi-donor trust funds, the 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.”

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