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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 2023*, 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 the Organization's services is imperative. As shown in the *Annual Report of UNIDO 2023* in the section "Funding and financial contributions", funds mobilized in 2023 increased by 44 per cent compared to 2022, reaching the highest levels ever attained by the Organization of \$328.4 million, and funds made available for implementation amounted to \$241.3 million, net of programme support costs. The overall portfolio of projects and programmes for future implementation increased by 17 per cent over the previous year, reaching \$725.6 million.

2. Marking a new milestone, funding from governments and institutions reached \$146.5 million in 2023, underscoring its pivotal role for UNIDO to respond to increasing demand for its services to accelerate the 2030 Agenda for Sustainable Development. Voluntary contributions from Member States accounted for the largest share of funding with \$78.6 million. The group of 16 governmental funding partners that contributed more than \$1 million (net of programme support costs) was spearheaded by Germany with \$33.7 million, followed by Italy with \$9.6 million, Japan with \$6.6 million, Switzerland with \$6.6 million and Sweden with \$4.3 million.¹

¹ Further governmental funding partners with contributions exceeding \$1 million net of programme support costs allocated to project implementation in 2023 (in millions) included: Norway \$3.6, Canada \$3.3, China \$3.1, United Kingdom of Great Britain and Northern Ireland \$2.3, Russian Federation \$2.2, Finland \$2, Austria \$1.8, Bahrain \$1.4, Republic of Korea \$1.3, United States of America \$1.3 and India \$1.2.



3. Contributions from the European Union reached the unprecedented amount of \$45.6 million, while funding from the Global Environment Facility (GEF) also rose to \$60.4 million. Similarly, funding from the Multilateral Fund for the Implementation of the Montreal Protocol (MLF) increased to \$29.3 million in 2023.

II. Thematic focus and progress on funds mobilization

4. The strong performance in mobilizing new resources for UNIDO programmes evidences the wide recognition of the Organization's comparative advantages and the relevance of its work for the acceleration of the Sustainable Development Goals (SDGs).

5. In alignment with the medium-term programme framework (MTPF) 2022–2025, UNIDO continued to support resource mobilization efforts of its Member States towards the Organization's main thematic priorities. Safeguarding the environment remained a focus of contributions, with \$148.9 million in 2023, or 62 per cent of the total funding. Allocations towards advancing economic competitiveness amounted to \$42.1 million, whereas the thematic areas of creating shared prosperity and cross-cutting services benefited from \$40.9 million and \$9.4 million, respectively.

6. The geographic focus of contributions of UNIDO funding partners remained primarily dedicated to Africa, with \$67.0 million, followed by global and interregional interventions with \$59.4 million, Asia and the Pacific with \$42.2 million, Latin America and the Caribbean with \$32.7 million, the Arab region with \$30 million and Europe and Central Asia with \$9.9 million.

7. In addition to the 32 governmental donors that provided voluntary contributions to UNIDO in 2022 and 2023, funding from multilateral funds as well as multi-donor trust funds present an increasingly diversified funding basis for the future. The Organization continues to pursue innovative sources of financing, including through additional contributions from traditional and emerging multilateral and bilateral sources and works towards the establishment of impact-driven financial schemes for the benefit of its Member States. Of particular relevance remains UNIDO's strength in developing concrete and result-oriented partnerships with the private sector as well as synergies with financial development institutions, as implemented in a systematic manner in the Organization's Programmes for Country Partnership and mainstreamed throughout UNIDO's development cooperation approaches.

8. The cooperation with the European Union was further reinforced during the reporting period, as evidenced by the continuous increase of financial support towards UNIDO's development cooperation services, notably to promote African economic integration, trade and standards, as well as circular economy, decarbonization and sustainable energy, which are among the priority areas identified at the fifth High-Level Dialogue between UNIDO and the European Union held in Brussels on 12 December 2022.

9. Over the past two years, under the eighth funding cycle of GEF (GEF-8), UNIDO further strengthened its partnership with the Facility and its climate adaptation focused funds, the Least Developed Countries Fund and the Special Climate Change Fund. Increased cooperation with GEF was stimulated by Member States' demand for UNIDO services in responding to programming efforts of the flagship GEF-8 Integrated Programmes. This resulted in GEF approving a significant number of cross-cutting project concepts for further development. UNIDO's GEF-8 portfolio programming effort focused on scalable and programmatic approaches, which laid a solid foundation to further increase the Organization's services to its Member States to address their priorities, focusing on climate action, circular economy solutions and hazardous chemicals elimination along supply chains.

10. Cooperation with the Green Climate Fund (GCF) was also expanded through strategic programming consultations and engagements with the Fund, UNIDO's active participation in GCF's regional dialogues and engagements during the 2023

United Nations Climate Change Conference. This led to UNIDO formulating and submitting additional GCF readiness and full proposal concepts to the Fund for consideration.

11. With its Adaptation Fund accreditation, UNIDO continued elaborating project concepts and full-scale proposals in Africa and Asia. The Organization also joined the Adaptation Fund Climate Innovation Accelerator partnership to accelerate innovation in climate adaptation through small grants and technical support programmes globally, which resulted in the approval of a related project amounting to \$10 million.

12. UNIDO continued to actively contribute to the work of the Fiduciary Management Oversight Group of the United Nations, in furtherance of common and consistent approaches applied across the United Nations development system towards multi-partner trust funds and joint programmes, in particular. These instruments remain of great relevance to facilitate inter-agency cooperation, notably at country level, and to protect and accelerate progress towards the SDGs.

III. Programming thrust for the biennium 2024–2025 and outlook for funds mobilization

13. During the current biennium, UNIDO's programming continues to be guided by the MTPF 2022–2025, the strategic direction given by the Abu Dhabi Declaration (GC.18/Res.1), recently adopted resolutions as well as the priorities set on this basis by the Director General. As emphasized in the MTPF 2022–2025, major efforts are required to further scale up UNIDO's interventions and the resources required to achieve higher impact. The progress made in recent years in this regard was further reinforced through several recent large-scale interventions supported respectively by Germany, Japan, the European Union and the United Kingdom of Great Britain and Northern Ireland. Further to the successful shift from project-based cooperation modalities to a more programmatic engagement, as piloted with countries such as Norway and Switzerland, efforts will also be pursued to replicate programmatic approaches towards further increasing the impact, effectiveness and efficiencies of UNIDO's services for the benefit of its constituencies.

14. The resource mobilization outlook with UNIDO's main funding partners remains positive, with a significant pipeline under consideration by governmental funding partners as well as the European Union, GEF and MLF, although some funding instruments remain subject to cyclical fluctuations and are accordingly less predictable.

15. UNIDO will also reinforce its support towards South-South and triangular cooperation with its inherent opportunities to promote innovation and as a means for developing countries to share knowledge, best practices, technologies and resources to support inclusive and sustainable industrial development.

16. As part of the reform of the United Nations development system, United Nations Member States developed the Funding Compact in 2019 to boost the transformative and collaborative action required to advance the 2030 Agenda.² The commitments by Member States to ensure predictable and flexible funding for development included a pledge to increase core resources and to double the levels of resources channelled through development-related inter-agency pooled funds and single-agency thematic funds. Five years after its adoption, the Funding Compact is being reviewed in a consultative process with United Nations Member States that began in December 2023. The outcome of this process will be important to accelerate the achievement of the SDGs by 2030.

17. In line with the Funding Compact, UNIDO invites its Member States to facilitate longer-term and more flexible funding, be it with voluntary contributions for core activities through the UNIDO Innovation and Transformation Fund (ITF), or with

² [A/74/73/Add.1](#).

voluntary contributions for development cooperation interventions, notably through the Organization's thematic trust funds or the general-purpose segment of the Industrial Development Fund.

18. The ITF, as presented to Member States in documents IDB.51/6-PBC.39/6, PBC.39/CRP.8 and IDB.51/CRP.11, reinvigorates the former Special Account of Voluntary Contributions for Core Activities to finance core capacities needed to transform UNIDO's service offer and thought leadership, and to increase the scale and impact of the Organization's operations. The ITF targets a budget of €15.8 million over the current biennium to be mobilized from Member States and from other public, private and institutional partners. Contributions to the ITF have so far been modest, with the United Kingdom being the only funding partner with a contribution exceeding \$100,000. Recent expressions of interest and support are encouraging, notably a pledge of \$300,000 from the Qatar Fund for Development in Qatar.

IV. Action required of the Committee

19. 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.52/8-PBC.40/8;

(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 2024 and 2025 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 UNIDO Innovation and Transformation Fund (ITF) 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.”