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Unutilized balances of appropriations:

**Programme for Change and Organizational
Renewal (change management initiative) and
technical cooperation activities**

Programme and Budget Committee

Twenty-sixth session

Vienna, 7-8 September 2010

Item 5 of the provision agenda

Unutilized balances of appropriations:

**Programme for Change and Organizational
Renewal (change management initiative) and
technical cooperation activities**

Unutilized balances of appropriations: Technical cooperation programmes

Report by the Director-General

In compliance with decision GC.13/Dec.15, the present document presents information on the special trust fund accounts for technical cooperation activities during the biennium 2010-2011 that were established with part of the amount of unutilized balances of appropriations due to Member States in 2010.

Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1-4	2
II. Trust Fund on Food Security	5-9	2
III. Trust Fund for Renewable Energy	10-15	3
IV. Action required of the Committee	16	5

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I. Introduction

1. In decision GC.13/Dec.15, Member States agreed that up to €3 million of the amount of unutilized balances of appropriations due to Member States in 2010 should be utilized for technical cooperation activities during the biennium 2010-2011. In accordance with this decision, the funds were to be set aside in accounts that aimed at:

(a) Increased food security through agribusiness and agro-industry promotion; and

(b) Renewable energy for productive activities.

2. As previously indicated in document IDB.36/12/Add.1, within the three thematic priorities of UNIDO, these two specific sets of interrelated activities could help to make important and direct contributions to addressing the food and energy issues while also contributing directly to the overall poverty reduction strategy.

3. In February 2010, Member States were informed (Information note No. 3 of 18 February 2010 refers) that a total of €1,516,426 had become available for these special accounts. Although the overall amount available would only be sufficient to finance a few individual projects, and would therefore be unlikely to produce a significant impact if used solely for project implementation, UNIDO recognized the potential of using this initial funding for developing programmes in the above-mentioned priority areas. This would thus help to replicate the successful model and experience of the Trade Capacity-building Trust Fund which has been used to mobilize funding for a larger portfolio of projects.

4. Accordingly, the funding that was set aside from the unutilized balances of appropriations has been used to establish two dedicated trust funds. At this relatively early stage, it is envisaged that these trust funds will be managed according to the model previously established with the Trade Capacity-building Trust Fund, with clear and specific criteria, which would focus on the development and promotion of fundable programmes. It is hoped that these trust funds would result in programmes worth at least ten times the originally invested amount, thus providing strong leverage. In addition, the core amounts are to form the basis for further voluntary contributions to the trust funds by Member States, resulting in further leverage and enabling an expansion of activities in these priority areas.

II. Trust Fund on Food Security

5. This trust fund will finance activities aimed at increased food security in terms of availability, accessibility and safety of food. This includes activities aimed at post-harvest loss reduction; food value chains and related agribusiness development; food safety and quality control; and the equitable integration of small scale agro-enterprises into market-oriented systems. The promotion of agribusiness and agro-industry will also facilitate the development of programmes that can in turn be submitted to the donor community for additional funding.

6. The key challenge is to promote participation of the poor in the production and commercialization of high-value crops, livestock and derived products, and to do so

in an economically and environmentally sustainable way. There is a renewed impetus from donors and policymakers to take on this challenge by making the necessary investments in the agro-industrial sector, especially for Africa and least developed countries (LDCs). This includes investments in primary production capacity and in downstream support services like agro-processing, storing and marketing in order to increase the profitability of agribusinesses in which the poor participate.

7. The multidisciplinary approach to industrial development that is used by UNIDO can make a significant contribution to the implementation of these new initiatives. As such, the goal is to leverage the current attention on agriculture in order to accelerate the development of agribusinesses and agro-industries in Africa and LDCs. It will do so through the design of programme interventions that are well coordinated with key partners in order to avoid fragmented efforts. The proposed approach also recognizes that countries are heterogeneous and as a result interventions are tailor-made to address the key constraints that are specific to each country, ensuring greater impact on industrial development, poverty reduction and food security.

8. The proposed programmes will seek to directly target small producer organizations, small and medium-scale agro-industries, policymaking governmental institutions, private and public support service providers and agriculture and industry ministries.

9. For projects to be undertaken under this trust fund, UNIDO is working closely with the United Nations Economic Commission for Africa (ECA), the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the African Development Bank and the African Union. In consultation with these partners, a first batch of 12 countries (10 of which are in the LDC category) was identified in June 2010 for joint programming activities over the following months. This cooperation will enable the implementation of adequate interventions that will unleash new financing opportunities that can be supported by international financial institutions and the domestic banking sector.

III. Trust Fund for Renewable Energy

10. The main objective of this trust fund will be to formulate a portfolio of projects and programmes in selected countries to scale up the use of renewable energy for productive uses. This trust fund will primarily finance activities that would seek to promote renewable energy for enhancing access to energy and supporting income generation activities that would in turn help to reduce poverty in rural and peri-urban areas. This includes activities aimed at addressing barriers to renewable energy technologies such as policy, technical, financial and capacity; augmenting rural electrification; promoting private sector investments; and strengthening energy and climate security.

11. For industrial development to be accelerated in developing countries and countries with economies in transition there will be a critical need to develop reliable and more widely-available sources of renewable energy, and to use this energy more efficiently. Thus, renewable energy will clearly be a critical component

of any integrated energy solution in the future. In this way, low carbon holistic solutions will play a key role in enhancing economic development and alleviating poverty for the almost two billion people currently without access to modern forms of energy. The key challenge will be to effectively link reliable and affordable modern energy services based on renewable energy with productive uses and industrial applications. However, this will require enhanced investments, innovative policies and institutional frameworks for their wide scale use and dissemination.

12. UNIDO recognizes that the increased deployment of renewable energy technologies is critical to promoting access to energy and moving towards low carbon energy transition in developing countries. In order for this to succeed, efforts will not only be needed towards technology demonstration and capacity-building, but will also require enhanced access to financial and human capital. In doing so, UNIDO will build on its experience and expertise in designing the programmatic approaches for promoting renewable energy based mini-grids in rural areas. A good example of such an initiative is the strategic programme on energy developed by UNIDO (and funded by the Global Environment Facility (GEF)) for countries of West Africa.

13. UNIDO will use its multidisciplinary approach to support renewable energy markets and foster partnerships and networks at the regional and subregional level. The proposed approach envisages using the UNIDO renewable energy technological centres, such as the International Solar Energy Centre (ISEC), the International Centre for Small Hydropower (ICSHP), National Cleaner Production Centres (NCPCs) and partner institutions in order to impart training and build national capacities. An important element of this approach will be to strengthen South-South cooperation in the field of renewable energy to provide reliable energy services for poverty reduction.

14. The proposed projects and programmes will seek to leverage funds from GEF, multilateral as well as bilateral donors and public and private sector financial institutions, and would directly target policymakers, experts, resource institutions, private and public sector utilities, energy service providers, small and medium-scale industries, local communities and energy, environment and industry ministries. The projects to be undertaken through this trust fund will be closely related to the activities under the food security trust fund since they will also require reliable supplies of energy that can be provided by renewable sources of energy at the local level.

15. To design and implement projects under this trust fund, UNIDO intends to work closely with its counterparts including national energy organizations, United Nations organizations active in energy issues, United Nations Regional Commissions, regional banks including the African Development Bank, the African Union and the European Union. This cooperation will also strengthen global partnerships and networks such as UN-Energy and the United Nations Secretary General's Advisory Group on Energy and Climate Change (AGECC), which are both currently chaired by the Director-General of UNIDO.

IV. Action required of the Committee

16. The Committee may wish to propose to the Industrial Development Board, the adoption of the following draft decision:

“The Industrial Development Board:

“(a) Takes note of the information contained in document IDB.38/10-PBC.26/10;

“(b) Notes the progress achieved in the implementation of decision GC.13/Dec.15;

“(c) Encourages Member States to contribute voluntarily to the Trust Fund on Food Security and the Trust Fund for Renewable Energy.”
