



# United Nations Industrial Development Organization

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## Industrial Development Board

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### **Inclusive and sustainable development in middle-income countries**

## **Inclusive and sustainable industrial development in middle-income countries**

### **Report by the Director General**

In line with decision IDB.50/Dec.6, this document reports on UNIDO's activities and strategic approach related to cooperation with middle-income countries (MICs) and outlines the scope and major initiatives for programmatic engagement between the Organization and MICs. It builds on the information provided in the last report to the Board (IDB.50/19).

## **I. Background**

1. According to the World Bank, 105 UNIDO Member States are currently classified as MICs.<sup>1</sup> Against this background, UNIDO prepared a strategic framework for partnering with MICs, adopted at the eighteenth session of the General Conference in 2019 through resolution GC.18/Res.9.
2. UNIDO's strategy for MICs has a dual approach. While the strategic framework for partnering with MICs aligns the Organization's strengths and expertise with the specific needs of MICs, the workplan for partnering with MICs aims at operationalizing the strategic framework through practical actions and initiatives.
3. In this context, and considering the new Secretariat's organizational structure established in 2022, the UNIDO strategic approach for MICs is being gradually adjusted to the emerging priorities of the Organization to ensure consistency and coherence with UNIDO's new vision of progress by innovation.

<sup>1</sup> Number as at 1 April 2023. The World Bank classification of countries by income is available at: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

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## **II. UNIDO workplan for partnering with MICs**

4. An updated workplan for the implementation of the strategic framework is submitted for consideration by the fifty-first session of the Board in conference room paper IDB.51/CRP.4. The workplan collects inputs received from Member States and reflects the aforementioned alignment with UNIDO's new vision of progress by innovation.

## **III. Emerging UNIDO initiatives**

5. Through UNIDO's strategic framework for partnering with MICs and its related workplan, UNIDO identifies thematic areas and functions with potential for strengthening engagement with MICs beyond traditional technical cooperation.

### **A. Policy function**

6. UNIDO's Multilateral Industrial Policy Forum (MIPF) responds to a demand from Member States for UNIDO to expand and scale up its provision of industrial policy advisory services. The Forum's inaugural edition in 2023 addressed how industrial policy can be effectively leveraged to accelerate progress on the Sustainable Development Goals (SDGs), and particularly SDG 9. The Forum's thematic priorities, focused on how to harness industrial policy to address complex challenges, namely climate change, the digital transformation and gender equality. The MIPF reinforced partnerships within UNIDO and with multilateral entities. In response to a request by the Group of Latin America and the Caribbean, UNIDO hosted a side-event on industrial policy in the Latin America and the Caribbean (LAC) Region on the margins of the Forum.

7. UNIDO's Global Industrial Policy Advice Facility was established in December 2021, to provide Member States with sound policy advice and capacity development towards a sustainable and inclusive transformation of industry. In total, 13 of 18 interventions carried out in 2022 took place in MICs.

8. Under the Global Programme for Hydrogen in Industry, UNIDO, in collaboration with the International Renewable Energy Agency and the German Institute of Development and Sustainability, is developing a policy toolkit to help policymakers in designing a green hydrogen strategy, which focuses on both the production and the domestic offtake of green hydrogen.

9. In 2022, UNIDO scaled up its policy advisory efforts, inter alia by contributing to the formulation of the Albania National Strategy for Development and European Integration 2030 and, in cooperation with the European Union, supporting the development of Jordan's Artificial Intelligence Strategy. In 2023, UNIDO is developing the De-carbonization Roadmap for Morocco's industrial sector and will also undertake diagnostics, capacity-building and policy advisory activities for the preparation of an industrial development strategy in Ukraine.

### **B. Normative role**

10. To advance its normative role, UNIDO established an internal focal points network from across the Organization in 2022. The normative initiative acknowledges the specific characteristics of MICs in the development of a formal strategy to advance UNIDO's normative role and aims to provide specific solutions to bottlenecks and challenges at the normative level.

11. UNIDO is developing and implementing an Organization-wide, integrated, risk-based and transparent partnership approach to foster a partnership culture and a state-of-the-art partnership management tool, which will be operationalized in 2023.

This tool will elevate UNIDO's partnership management and streamline the partnership cycle, including with and within MICs.

## C. Convening and partnerships

12. As part of the new structure of UNIDO's Secretariat, the Division of Public Private Partnerships was established with the aim of strategically cultivating partnerships between the public and private sectors. By fostering these partnerships, the division seeks to unlock additional resources, including in MICs. UNIDO conducted a partnership mapping exercise in October 2022, to evaluate ongoing partnerships, their impact and to develop recommendations moving forward.

13. In 2022, UNIDO's Global Programme for Green Hydrogen in Industry launched the Global Partnership for Hydrogen application in Industry in Egypt and Morocco. It also supported the establishment of the Global renewable Hydrogen Forum, launched at COP27, to help coordinate hydrogen projects amongst countries and unlock required investments. UNIDO, in collaboration with Hydrogen Europe, is developing a skills map for the green hydrogen value chain to be applied when conducting a skills gap assessment in MICs. This map will be first applied in Egypt, Morocco, Namibia and Tunisia. In partnership with the International Organization for Standardization (ISO), UNIDO is developing an international technical standard for hydrogen based on the amount of equivalent carbon dioxide emitted during its production process.

14. The SDG 9 Accelerator Platform, launched in 2022 for the LAC Region, home to 25 MICs, builds networks and partnerships that connect countries and donors. It also acts as a gateway to a plethora of ideas and opportunities for advancing SDG 9. While strengthening the SDG 9 platform, the regional conference "Accelerating SDG 9 in MICs in LAC" was held in March 2023. Its objectives were to shed light on the role of industrialization in overcoming barriers in MICs, such as the middle-income trap, as well as to channel policy resources in MICs towards advanced manufacturing technologies while encouraging investment in innovation.

15. As requested in IDB.50/Dec.6, UNIDO is organizing, in close collaboration with Member States, a side event on the margins of the 2023 high-level political forum on sustainable development to highlight UNIDO's efforts to support the attainment of SDG 9 and its targets in MICs.

16. UNIDO continues expanding its Investment and Technology Promotion Offices (ITPO) network by supporting the establishment of an ITPO in Argentina. This ITPO will act as a mechanism to contribute to the inclusive and sustainable industrial development and drive economic growth of Argentina and the LAC Region through technological advancement, job creation and export opportunities.

## D. Technical cooperation

17. Technical cooperation (TC) continues to be at the center of UNIDO's service delivery, both in terms of resource allocation and of value creation for Member States. The TC thematic area "supporting environmentally sustainable industry" continues to represent the majority of UNIDO's portfolio (53.9 per cent of TC delivery in 2022), followed by "shared prosperity from industry" (21.1 per cent), "economic competitiveness" (19.9 per cent) and "cross-cutting services" (4.4 per cent).<sup>2</sup>

18. In order to identify and prioritize potential UNIDO actions to address specific gaps and challenges in MICs, UNIDO established a cross-divisional task force in

<sup>2</sup> Refer to UNIDO's Annual Report 2022 Appendix A, page 9, available at: [www.unido.org/sites/default/files/unido-publications/2023-04/annual-report-final-appendices-2022-en.pdf](http://www.unido.org/sites/default/files/unido-publications/2023-04/annual-report-final-appendices-2022-en.pdf).

2022, to explore ways to increase the transformational impact of UNIDO in this group of countries and to better coordinate TC activities within the Organization.

### **E. Strengthening knowledge and coordination**

19. At United Nations system-wide level, UNIDO is actively participating in several streams of work of particular relevance to MICs to measure progress beyond indicators related to gross domestic product. These efforts include discussions at the level of the United Nations Economist Network, and the High-Level Committee on Programmes.

20. The UNIDO Knowledge Hub platform comprises industrial development trainings on trade, innovation and investment. The platform is essential for the continuous development of investment promotion stakeholders. Hundreds of users have successfully completed the certification on investment project preparation and appraisal.

## **IV. Action required of the Board**

21. The Board may wish to take note of the information contained in the present document.

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