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## **General Conference**

### **Twentieth session**

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Item 22 of the provisional agenda

### **UNIDO activities related to cooperation with middle-income countries**

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

The present document reports on UNIDO activities related to cooperation with middle-income countries (MICs) and outlines the scope and major initiatives for programmatic engagement by UNIDO and MICs.

## **I. Introduction**

1. According to the World Bank classification based on income, 105, a majority of UNIDO Member States are MICs. Against this background, in its resolution GC.18/Res.9, the eighteenth session of the General Conference adopted the UNIDO Strategic Framework for Partnering with Middle-Income Countries and requested the Director General to prepare a workplan for its implementation.
2. Following decisions by the IDBs (IDB.49/Dec.11 and IDB.50/Dec.6), UNIDO prepared the workplan, which was adopted and updated subsequently by the Board. The objective of UNIDO's cooperation with MICs through the workplan is to accelerate ISID, as well as the attainment of SDG 9 on industry, innovation and infrastructure, and its targets in MICs during the Decade of Action to deliver the SDGs. In the last two years, the Director General has reported on the progress made by UNIDO on its cooperation with MICs ([GC.19/18](#) and [IDB.51/20](#)).
3. An updated workplan for the implementation of the strategic framework was submitted to and considered by the fifty-first session of the Board in conference room paper IDB.51/CRP.4. The updated workplan was integrated with the inputs received from Member States and reflects alignment with UNIDO's motto, "Progress by innovation".

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## II. Global trends

4. With one third of global gross domestic product (GDP) and home to three quarters of the world population, MICs continue to play a significant role in global development. MICs also account for one third of global exports in goods and services, and 45 per cent of investments.

5. The “middle-income trap” is a major challenge to most of these countries. External shocks, rising cost of living, food insecurity, growing sovereign debt burden, geopolitical and geoeconomic tensions, increased environmental degradation and the escalating climate crisis are vulnerabilities of the MICs, all of which have exacerbated over the years.

6. The High-level Political Forum on Sustainable Development (HLPF), was held from 10 to 19 July 2023, under the auspices of the Economic and Social Council. To better position the concerns and realities of MICs in the overall discussion on how to achieve the SDGs, the HLPF included a specific meeting on “Overcoming middle-income countries’ challenges in advancing the 2030 Agenda”.

7. The call by MICs for a more nuanced and multidimensional classification system moving beyond GDP is gaining traction. Such a holistic system of measurement would reflect countries’ development integrated with social and climate justice, intergenerational equity and socioeconomic equality, which is necessary for the further development of MICs. Such a shift in classification would enable them and the international community to take effective climate action, share technology and provide access to finance.

## III. Programmatic engagement by UNIDO in MICs

8. Responding to the need to go beyond traditional technical cooperation, UNIDO continues to provide the MICs with: (i) analytical and policy inputs to governments’ transformation agendas in the area of sustainable industrial development; (ii) technical advice for the appropriate adjustment of national norms and standards to, for example, facilitate the inclusion of micro-, small and medium-sized enterprises from MICs into global value chains; and (iii) organization and facilitation of global forums and seminars to raise awareness of the importance of policy mechanisms, cooperation opportunities and best practices among policymakers and the private sector on areas such as the circular economy, energy transition and the digital transformation of the industry.

9. UNIDO identified and started the implementation of several emerging initiatives covering policy advisory, normative and partnership functions to strengthen its engagement with MICs. Some of the new initiatives covering policy advisory function include: UNIDO’s Multilateral Industrial Policy Forum, the organization of the side-event on industrial policy in the Latin America and the Caribbean (LAC) region on the margins of the Forum, UNIDO’s Global Industrial Policy Advice Facility, and the Global Programme for Hydrogen in Industry.

10. Several partnership and normative initiatives are progressing with different partners in the areas of, inter alia, energy, standards and policy. UNIDO is developing and implementing an Organization-wide, integrated, risk-based and transparent partnership approach to foster a partnership culture. A state-of-the-art partnership management tool will elevate UNIDO’s partnership management and streamline the partnership cycle, including with and within MICs. 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. In partnership with the International Organization for Standardization, UNIDO is developing an international technical standard for hydrogen, based on the amount of equivalent carbon dioxide emitted during its production process. 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, contributing to the advancement of SDG 9. While strengthening the SDG 9 platform, the regional conference “Accelerating SDG 9 in MICs in LAC” was held in March 2023. UNIDO through the Eco-industrial Parks (EIP) programme, continues to assist MICs to transform regular industrial parks into EIPs by helping them overcome economic, technical, organizational, and regulatory/policy barriers that impede the uptake of EIP practices in Colombia, Egypt, Indonesia, Peru, South, Africa, Ukraine and Viet Nam.

11. As requested in IDB.50/Dec.6, UNIDO organized, in close collaboration with Member States and the Like-minded Group of Countries Supporters of Middle-Income Countries, a side event on the margins of the 2023 high-level political forum. The side event, titled “SDG 9 in Middle-Income Countries: Accelerating the Achievement of the 2030 Agenda”, complemented the SDG 9 session of the HLPF, held on 12 July 2023. The event explored strategies and initiatives to drive progress in MICs, enabling them to effectively generate employment, boost income levels, drive socioeconomic development, and preserve the environment by decoupling economic growth from natural resource depletion and pollution. The discussions highlighted the importance of industrial policy mechanisms, technological mastery, infrastructure development, skills enhancement and education to overcome challenges such as the middle-income trap, access to funding, and the role of the informal industrial sector and small and medium-sized enterprises.

12. Technical cooperation (TC) continues to be the main vehicle of UNIDO’s service delivery, both in terms of resource allocation and value creation for Member States, which largely benefits the MICs. 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>1</sup>

13. At the United Nations system-wide level, as part of its efforts to strengthen knowledge and coordination, UNIDO is actively participating in several streams of work of particular relevance to MICs to measure progress beyond indicators related to GDP. These efforts include discussions at the level of the United Nations Economist Network, and the High-Level Committee on Programmes. Moreover, the UNIDO Knowledge Hub platform comprises industrial development trainings on trade, innovation and investment.

#### **IV. Action required of the General Conference**

14. The Conference may wish to take note of the information contained in the present document.

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<sup>1</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).