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

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

Further to the High-Level Conference of Middle-Income Countries, hosted by the Government of Costa Rica and co-organized by UNIDO in San José, in June 2013, and following the subsequent decision by the Board at its forty-first session (decision IDB.41/Dec.4), this document reports on UNIDO activities related to cooperation with middle-income countries (MICs), updating a previous report (document GC.16/13) and the information contained in the *Annual Reports of UNIDO 2015 and 2016*. The present report outlines the scope and prospects for programmatic cooperation between UNIDO and MICs.

## **I. Introduction**

1. Middle-income countries (MICs) are the biggest group of developing countries as classified in terms of gross national income (GNI). MICs are largely classified in two groups: countries with a GNI per capita between \$1,045 and \$4,125 are considered as lower middle-income (LMI), those between \$4,125 and \$12,736 are considered as upper middle-income countries. Though MICs differ in terms of territory, population, economic development and other social factors, they share some common characteristics in demographics and economic development.
2. The San José declaration adopted by the MICs conference held in Costa Rica in 2013 acknowledged the important contribution of UNIDO in the development of MICs. It also identified some specific challenges faced by MICs regarding industrial development and the need to increase and enhance the efforts towards knowledge sharing and networking, including the strengthening of existing platforms and networks. The conference also requested UNIDO to highlight the link between industrial development and finance in the current international discussions on access to finance and to advocate the needs and challenges of MICs in this context.

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3. In many MICs, the share of competitive industrial sectors in manufacturing with high value addition remains low, and exports oriented towards low value added agriculture and extractive industries are vulnerable to global price fluctuations. As a result, the majority of MICs are unable to compete either with low-wage manufacturers in low-income countries, or with high technology innovators in high-income countries (HICs). They therefore face the so-called middle-income trap.

4. To achieve competitiveness and sustainability and to avoid the middle-income trap, more work is needed to strengthen their: (i) industrial competitiveness and trade; (ii) private sector and partnership development supported by good governance; (iii) accountability; and (iv) institutional capacity. Moreover, MICs need to scale up their efforts to achieve regional integration, cooperation and connectivity. This will further contribute to address the challenges in achieving higher efficiency in productivity, energy access and efficiency, and innovation.

5. MICs face the challenge that while official development assistance remains an important source of capital and investment, its flow is dwindling. As MICs make progress in income generation, they reduce their access to concessional finance. Nevertheless, it remains an option despite reduced access to it. As a response, in July 2015 the Addis Ababa Action Agenda urged better and focused United Nations support for MICs.

6. The successful implementation of the 2030 Agenda and achieving the Sustainable Development Goals (SDGs) could transform the development process in MICs. In light of UNIDO's mandate to achieve inclusive and sustainable industrial development (ISID) and its important role in the implementation of Goal 9 and related Goals, the Organization continues to use its resources and technical capacity to assist its Member States in creating shared prosperity, advancing economic competitiveness and safeguarding the environment.

## **II. Scope for programmatic engagement by UNIDO in middle-income countries**

7. Following the World Bank classification, 97 Member States of UNIDO are MICs. As a result, UNIDO's programmatic interventions and development cooperation take into account the specific development challenges faced by MICs in achieving ISID and SDGs.

8. Recognizing the importance of knowledge sharing, UNIDO continues to be a centre of excellence and lead convening actor of knowledge sharing connecting HICs and MICs. The Organization collects, processes and further develops relevant information, experience, knowledge, and resources to support industrial development in MICs. Together with partners, UNIDO organized several global forum events which served as knowledge sharing and partnership building platforms. Some examples of this include:

(a) In March 2017, UNIDO and the Ministry of Economy of the United Arab Emirates organized the Global Manufacturing and Industrialization Summit to build universal consensus among governments, businesses and civil society, to take a transformational approach towards shaping the future of manufacturing;

(b) From 9 to 12 May 2017, UNIDO organized and hosted the fifth Vienna Energy Forum. It highlighted the importance of the linkages between climate and development, the synergies among the SDGs and the importance of joint and integrated approaches for a successful implementation;

(c) From 28 May to 3 June 2017, UNIDO, in cooperation with the Ministry of Foreign Affairs of the Russian Federation, conducted the interregional event "Strengthening Alliances between Latin America and the Caribbean and the Russian Federation Week" in St. Petersburg. This event created a platform for value chain

integration and partnerships, as well as promoting economic integration and innovative solutions;

(d) In 2016, the Green Industry Conference for Asian countries was organized by UNIDO in Ulsan, Republic of Korea. In the region, UNIDO promotes sustainable city projects with the World Bank in India and Malaysia. UNIDO also provides assistance and contributes to national initiatives, such as “Make in India” and “China Manufacturing 2025”.

9. Over the reporting period, UNIDO also continued to use its technical cooperation projects to assist MICs in building national capacities. Some of the examples include:

(a) To support the development agenda of MICs in the Asia and Pacific region, UNIDO continues to strengthen a number of networks and to build partnerships with regional organizations. These include the Association of South East Asian Nations, Pacific Island Forum, Shanghai Cooperation Organisation, and the D-8 Organization for Economic Cooperation;

(b) In the Europe and Central Asia region, UNIDO explored and harnessed partnerships with governments, bilateral donors, development finance institutions and international finance institutions, the private sector, academia, and United Nations entities in Albania, Georgia, Montenegro, and the Republic of Moldova in preparation for their respective country programmes. UNIDO is providing analysis and advice to MICs on various aspects of business infrastructure to foster development along the New Silk Road Economic Belt;

(c) Despite the challenges faced in the Arab region, UNIDO has been successful throughout the recent period to sustain its efforts in fostering partnerships with local stakeholders and governments to ensure development in such areas as upgrading agricultural value chains, establishing renewable energy plants and building vocational capacity. These have assisted in creating jobs for youth and women;

(d) There are currently four ongoing and successful projects funded by the UNIDO Latin America and Caribbean (LAC) Trust Fund. They support a network of activities for strategic cooperation and for the promotion of ISID in the region. Part of this effort is the Industrial Knowledge Bank, which covers 17 countries in the LAC region;

(e) UNIDO directs its efforts toward mitigating inequalities by aligning itself with the international agendas affecting African MICs. These include the 2030 Agenda for Sustainable Development, the African Union’s Agenda 2063 for the socioeconomic transformation of the African continent, and the Third Industrial Development Decade for Africa;

(f) A number of capacity-building activities were carried out and directly benefitted Cabo Verde, Côte d’Ivoire, Ghana, and Nigeria, four MICs in the Economic Community of West African States. These activities include the “long term comprehensive RE and EE Capacity Building Programme for the ECOWAS region (2016-2021)”.

10. As a response to the quadrennial comprehensive policy review 2016, UNIDO is working with the United Nations system as part of the United Nations Development Assistance Frameworks in 116 countries, 78 of which are MICs.

11. UNIDO has designed frameworks of potential UNIDO engagement in MICs and is formulating several country and regional programmes. In addition, the Programme for Country Partnership will be extended to more countries in all regions.

12. Based on the understanding gained from the voluntary national reviews conducted in the context of the High-level Political Forum on Sustainable Development 2017, UNIDO will continue its efforts to encourage the pooling of resources of MICs and HICs, as well as partnerships to address the challenges faced

by MICs and to facilitate horizontal MIC-MIC knowledge and experience exchange and networks.

### **III. Action required of the Conference**

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

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