



## **Industrial Development Board**

### **Forty-Seventh session**

Vienna, 1–3 July 2019

Item 17 of the provisional agenda

### **Sustainable industrial development in middle-income countries**

## **Strategic Framework for Partnering with Middle-Income Countries**

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

In line with decision IDB.46/Dec.10, and following its requested consultation process with UNIDO Member States, the present document informs on the outcome document for establishing a UNIDO strategic framework for partnering with middle-income countries.

## **I. Introduction**

1. At its seventeenth session, the General Conference mandated UNIDO to develop a strategic framework for cooperation with middle-income countries (MICs) (GC17/Res.6).
2. Following GC17/Res.6, the forty-sixth session of the Industrial Development Board adopted Decision IDB.46/Dec.10, requesting the UNIDO Director General to organize consultations with Member States for the finalization of the draft strategic framework, to present it for consideration to the Board at its forty-seventh session.
3. UNIDO's strategic framework for partnering with MICs is founded on the Organization's consideration of MICs as key partners given their dual role as recipients and contributors of development aid, and also on the critical importance of the role of MICs in South-South knowledge exchange and cooperation. The strategic framework is also based on the mandate of UNIDO to promote the achievement of inclusive and sustainable industrial development (ISID) in its Member States, particularly through the implementation of Goal 9, to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

For reasons of economy, this document has not been printed. Delegates are kindly requested to bring their copies of documents to meetings.



## II. Consultation process

4. As requested by Member States through Decision IDB.46/Dec.10, the UNIDO Secretariat held five informal consultations with regional groups between January and April 2019 as follows:

- Group of Latin America and Caribbean Countries (GRULAC): 30 January 2019
- States in List D: 14 February 2019
- Africa Group: 15 February 2019
- Asia-Pacific Group: 18 February 2019
- Western European and Other States Group (WEOG): 5 April 2019.

5. A preliminary version of the Strategic Framework for Partnering with MICs was shared with the members of the respective regional groups in advance of the meetings. During the meetings, the UNIDO Secretariat delivered a presentation on the highlights and the approach adopted by the Organization. Member States participating in the meeting expressed their views on the document and provided recommendations on specific areas to be addressed. Member States were also invited to share their inputs in written form.

6. In April 2019, UNIDO circulated internally a new version of the strategic framework for partnering with MICs containing inputs received from Member States. Subsequently, the document was submitted to the UNIDO Executive Board for the Organization's corporate approval.

7. The final version of the strategic framework was presented to UNIDO Member States in a briefing held on 30 May 2019. The document was considered ready for adoption by the Board at its forty-seventh session.

## III. Rationale for the strategic framework

8. The 97 UNIDO Member States within the middle-income category are crucial providers of resources to the Organization as showcased by their contribution of nearly 41 per cent of UNIDO's current Regular Budget (RB) through assessed contributions (40.92 per cent of the RB total, according to the UNIDO scale of assessment for 2018).

9. The engagement envisaged in the framework for partnering with MICs is in line with UNIDO's medium-term programme framework (MTPF) 2018–2021. The strategic framework will guide UNIDO's partnership and cooperation with MICs.

10. The strategic framework for partnering with MICs concentrates on selected development challenges in which UNIDO has a significant role to play. The framework identifies common ISID challenges for MICs and the related UNIDO actions aiming at overcoming them. However, specific regional, subregional, cross-boundary and country-level challenges, gaps and bottlenecks for MICs are expected to be identified and addressed through the UNIDO regional strategies elaborated by its respective regional Divisions (Africa; Arab region; Asia and the Pacific; Europe and Central Asia; and Latin America and the Caribbean).

## IV. Strategic goal and vision

11. As mandated by GC.17/Res.6, the overall goal of the strategic framework is to "advance UNIDO's industrial cooperation activities with and to promote inclusive and sustainable industrial development in middle-income countries". The envisaged engagement is outlined below under each of the four thematic priorities of the MTPF 2018–2021, namely: (a) creating shared prosperity; (b) advancing economic

competitiveness; (c) safeguarding the environment; and (d) strengthening knowledge and institutions.

#### **A. Creating shared prosperity**

12. In the context of its strengthened partnership with MICs, the Organization will aim at catalysing its expertise in: (a) improving agricultural processes and modernizing industrial manufacturing to help MICs achieve their respective structural upgrading by contributing to create decent jobs; (b) strengthening producer groups and access to markets; (c) helping increase the value added to primary production; and (d) providing access to digital infrastructure and ensuring energy security and environmental protection.

#### **B. Advancing economic competitiveness**

13. UNIDO's focus on technology transfer and skills development will accelerate the implementation of good technology practices and industrial skills development in MICs. The Organization will therefore promote and scale up the implementation of programmes on: (a) disseminating and uptake of new and enhanced technologies, and introducing innovations in manufacturing processes; (b) facilitating the adaptation to rapid technological changes; (c) fostering prospects for industrial and trade diversification, value addition, enhanced productivity and economic growth; and (d) providing policy-advisory services to governments on compliance and certification of global norms and regulations in the respective areas.

#### **C. Safeguarding the environment**

14. Through its environment and energy-related programmes and projects, UNIDO will address the priorities of MICs in this area by: (a) assisting governments, institutions and industries to best adapt their production methods, move towards resource efficient and cleaner production systems and develop sustainable and efficient energy solutions; (b) promoting green economies and providing circular economy solutions that promote recycling, resource recovery and the sustainable use of natural resources; and (c) supporting MICs in meeting their obligations under multilateral environmental agreements, including the Montreal Protocol, the Paris Agreement, the Stockholm Convention and the Minamata Convention on Mercury.

#### **D. Strengthening knowledge and institutions**

15. This thematic priority of the MTPF 2018–2021 enables a shift from a conceptual and sectoral perspective to a perspective focused on advancing ISID through the cross-sectoral knowledge and institutional capacities of the Organization. Activities under this thematic priority will therefore encompass all functions of UNIDO. The associated UNIDO services in such areas as policy analysis or capacity-building on industrial statistics are of high relevance to MICs.

#### **V. Priority areas of intervention**

16. The strategic framework for partnering with MICs complements and consolidates the existing focus of UNIDO's actions in MICs with a goal- and impact-oriented approach. Challenges and opportunities faced by MICs in the context of the 2030 Agenda for Sustainable Development call for UNIDO's assistance, given the Organization's mandate of ISID promotion and its potential to influence the implementation of all the industry-related goals and targets of the 2030 Agenda.

17. In this context, the strategic framework is configured around a combination of development priorities in the following core areas:

(a) **Technology:** UNIDO will contribute to bridge the so-called “technological divide” between developed and developing countries by promoting ISID through all possible concerted measures, including the development, transfer and adaptation of new technologies at the multi-sectoral level, as well as providing the necessary policy advice to ensure full compliance with global regulatory frameworks;

(b) **Human Capital:** UNIDO’s approach within this priority area will aim at expanding and up-scaling platforms to promote industrial skills development, particularly among young people and women in MICs. UNIDO’s role as a catalyst of knowledge through public-private development partnerships (PPDPs) will be specifically promoted. In parallel, supporting the establishment and upgrading of vocational training schools to address those gaps in skills, as demanded by job markets in specific sectors or industries, will be prioritized;

(c) **Environmental Sustainability:** UNIDO will assist MICs to achieve green industrial transformation through: (i) the implementation of low-carbon technologies and circular systems; (ii) the adoption of circular perspectives for waste management and circular business models based on complementarities and synergies to strengthen productivity; (iii) the enhancement of sustainable value chains generating green jobs; (iv) the creation of sustainable cities and eco-industrial parks; and (v) the implementation of multilateral environmental agreements (Montreal Protocol, the Stockholm Convention, the Minamata Convention on Mercury, and the United Nations Framework Convention on Climate Change).

## VI. Means of implementation

18. Effective industrial development assistance will be provided through UNIDO’s four enabling functions of: (i) technical cooperation; (ii) analytical and research functions and policy advisory services; (iii) normative functions and standards, and quality-related activities; and (iv) its convening role. UNIDO’s approach will be facilitated by the following operational mechanisms:

(a) *Partnerships and financing:* UNIDO will stress the identification of strong national partner institutions (business associations, universities, knowledge hubs, NGOs) for pursuing joint initiatives when it comes to ISID. In addition to the traditional model for partnering with MICs, and through the Multilateral Fund for the Implementation of the Montreal Protocol and the Global Environment Facility (GEF), the strategic framework will have a particular focus on:

(i) **Partnering with the business sector and development finance and international financial institutions (DFIs/IFIs):** By consistently partnering with the business sector, it will be ensured that voices from the industry in MICs are funnelled into UNIDO’s technical assistance and normative interventions. In parallel, a gradual expansion of multi-stakeholder approaches such as the Programme for Country Partnership (PCP) will serve to increase UNIDO’s role in the industrial development of MICs by assisting them to achieve higher development impact. Efforts will also be focused on deepening cooperation with DFIs/IFIs, particularly by providing technical assistance with grant support from DFIs/IFIs, and by supporting MIC governments in the implementation of IFI/DFI-financed programmes or projects;

(ii) **Partnering within the United Nations system:** UNIDO will actively mobilize its assets in the field in order to participate in joint funds mobilization within United Nations Country Teams, and will explore opportunities arising from the repositioning of the United Nations Development System, including from the new generation of United Nations Development Assistance Frameworks (now renamed United Nations Sustainable Development Cooperation Framework). While system-wide coordination at the field level

remains essential, UNIDO will also work towards engaging in the political discussions being held, in particular at the United Nations Secretariat in New York. UNIDO's Department responsible for MICs will strengthen its engagement with the ongoing MIC process being developed in New York, coordinated by the United Nations Department of Economic and Social Affairs and led by the Like-Minded Group of Countries Supporters of MICs;

(iii) Exploring alternative mechanisms for financing ISID, including self-financing: UNIDO will prioritize the high potential to develop and scale up self-funding activities in MICs. Given their income status and development achievements, particularly in upper-MICs, some of their ISID priorities can be addressed predominantly by means of self-funding or self-financing, thereby highlighting MICs' ownership of their development;

(b) *South-South and Triangular cooperation (SSTC)*: Based on the need to expand and scale up transfer of new technologies within the framework of South-South and triangular cooperation, as well as on the Organization's comparative advantage and proven expertise for ISID implementation, UNIDO will: (a) identify and assess the potential opportunities for SSTC at regional level; (b) follow a demand-driven, tailor-made identification of southern industrial development solutions; and (c) build on existing experiences. SSTC modalities will emphasize: (i) industrial upgrading; (ii) women's economic empowerment and entrepreneurship; (iii) development of green technologies and sustainable energy solutions; (iv) resource efficient and cleaner production; (v) youth entrepreneurship and job creation, and (vi) agri-business development.

## VII. Monitoring and evaluation

19. UNIDO's Department of Programmes, Partnerships and Field Integration (PTC/PPF) will be responsible for following up on the achievement of results of the UNIDO approach to MICs. PTC/PPF will act as the coordinator of the activities of departments, divisions and field offices, ensuring coherence and alignment with the overall UNIDO framework for cooperation.

20. Progress will be reported through the UNIDO Annual Report, the UNIDO integrated results and performance framework, and the UNIDO Open Data Platform.

21. Evaluation of the activities implemented within the context of the strategic framework for partnering with MICs will be conducted by the Independent Evaluation Division at UNIDO.

## VIII. Action required of the Board

22. The Board may wish to take note of the information provided in the present document.