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**UNIDO activities related to cooperation with
middle-income countries taking into account
the San José Declaration**

UNIDO activities related to cooperation with middle-income countries

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, from 12 to 14 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) and outlines the scope and prospects for programmatic cooperation between UNIDO and the MICs.

I. Introduction

1. Middle-income countries (MICs) are defined as economies with a gross national income (GNI) per capita above \$1,045 but below \$12,736, while a GNI per capita of \$4,125 separates lower-middle-income and upper-middle-income

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economies.¹ In addition, MICs are highly diverse in terms of territory, population, economic development, natural resource endowments, geopolitics and other social factors. Current United Nations reports identify 104 MICs, which are home to five of the world's seven billion people and 73 per cent of the world's poor people. MICs represent about one third (\$24.6 trillion in 2014) of global gross domestic product and are major engines of global growth.

2. The "San José Declaration", adopted at the High-Level Conference of MICs in 2013, calls for the establishment and strengthening of structures to enable dialogue, knowledge-sharing and networking on issues critical to pursuing inclusive and sustainable development (ISID) in MICs, while outlining specific challenges of MICs.

3. Despite notable progress, many MICs are falling behind in achieving the Millennium Development Goals (MDGs) and face similar structural and institutional weaknesses, skill gaps, and numerous market and governance failures. The share of competitive, high value added industrial sectors in manufacturing remains low, and exports that are oriented towards low value added agriculture and extractive industries are vulnerable to global price fluctuations. Many MICs are unable to compete either with low-wage manufacturers in low income countries, or with high technology innovators in high income countries (HICs), therefore facing the so-called middle income trap.

4. In the present global setting of intensified innovation and learning, shorter product cycles, kaleidoscopic comparative advantage, and accelerated technological change, MICs need to build productive and innovative capabilities, foster ISID, energy and material efficiency and effectiveness, shift to low-carbon consumption and production patterns, and increase the uptake of environmental technologies, as mandated by the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). UNIDO has been active in shaping the 2030 Agenda for Sustainable Development and will work with MICs to implement the SDGs, particularly Goal 9 ("Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation") and other SDGs related to the Organization's activities: Goals 1 (poverty alleviation); 5 (gender); 8 (inclusive and sustainable economic growth, full and productive employment and decent work); 6 (water management); 7 (access to energy for all); 10 (reduce inequality within and among countries); and 17 (partnerships).

5. Official development assistance and concessional finance remain important for many MICs, although access is reduced as countries' incomes grow and they may not be able to receive sufficient financing from other sources. Following the third International Conference on Financing for Development in July 2015, the Addis Ababa Action Agenda urges better and focused United Nations support for MICs. It also calls for strengthened efforts to address financing gaps and low levels of investment in MICs, and for the use of innovative mechanisms and partnerships to encourage greater international private financial participation.

6. Future United Nations strategic frameworks in MICs need to target the development challenges of diverse MIC subgroups and their potential to contribute

¹ World Bank 2016 fiscal year country and lending groups <http://data.worldbank.org/about/country-classifications>.

to the provision of public goods. They should build on the MDGs, 2030 Agenda and associated SDGs, and be inclusive, including governments, the private sector, academia and development finance institutions (DFIs).

II. Scope for programmatic engagement by UNIDO in the MICs

7. Currently, 97 of UNIDO's 170 Member States are MICs. To address MICs' economic, social and environmental challenges, UNIDO pursues development cooperation with MICs in thematic areas of trade capacity-building, energy and environment, and poverty reduction through productive activities, and uses a diverse set of instruments.

8. UNIDO will continue to broker and create knowledge-sharing platforms to pool and share resources and accumulated knowledge of HICs and MICs to support national international development agendas. Examples to date include:

(a) Consultations with the private sector, exploring how businesses can contribute to sustainable development, held in Brazil, Mexico, Mongolia, Poland, Slovakia, Turkey, and in Vienna;

(b) The High-level Conference on MICs in Amman, in 2013, discussing equitable growth; the role of industrialization for economic development; access to energy; water scarcity and food security; social inclusion; and the role of private sector partnerships;

(c) The Baku International Industry Conference in Azerbaijan in 2014, which addressed the specific challenges facing resource-rich MICs and how to leverage resources from DFIs and the private sector;

(d) The 2015 workshop "Strengthening International Alliances in the Global Market" in Ecuador, which explored building business linkages among small and medium-sized enterprises (SMEs) from the Latin America and the Caribbean region (LAC), the Eurasian Economic Union and Brazil, the Russian Federation, India, China and South Africa (BRICS). It showcased intra-BRICS cooperation and partnerships for trade and investment to support SMEs;

(e) The 2014 UNIDO forum in China on the New Silk Road which discussed corridors (transport, economic, and industry) for deepening regional integration and resulted in concrete projects and partnerships with the Asian Development Bank;

(f) The UNIDO side event on "The role of technology transfer in the promotion of inclusive and sustainable industrial development" at the second China International Technology Fair, held in Shanghai in 2014;

(g) The summit in Jaipur, India, in 2015 on "Partnerships for Shared New Realities";

(h) The international conference on industrial development in MICs in 2015 in Belarus, which identified policies and strategies to promote high value added industrial sectors and means of implementation through multi-stakeholder partnerships;

(i) The UNIDO project “Partnership between Russia and Brazil in technology and innovation for development of SMEs”, the India South-South Industrial Cooperation Centre, and the establishment of the Pacific Centre for Renewable Energy and Energy Efficiency in Fiji all contributed to the strengthening of South-South and triangular cooperation;

(j) UNIDO’s Industrial Knowledge Bank in the LAC region, which is an innovative mechanism to facilitate the exchange of knowledge and expertise in pursuing ISID;

(k) UNIDO’s Green Industry Platform, bringing together business, government and civil society to scale up and mainstream the application of green industry policies and practices throughout manufacturing;

(l) The “Green Conference” held in 2015 in Bahrain, which explored how to incentivize the uptake of green technologies and practices;

(m) UNIDO participation at the fifth meeting of the BRICs Trade Ministers in July 2015 resulted in the 2015 Ufa Declaration of the seventh summit of the BRICS, reiterating UNIDO’s mandate to promote and accelerate ISID, and the BRICS strategy for economic partnership, prioritizing the UNIDO-BRICS Technology Transfer Network. UNIDO projects on social and economic inclusion of marginalized groups (including youth, women, refugees and ethnic minorities), which identify and support promising innovative business concepts and models for job creation in Europe and Central Asia, as well as the Arab region;

(n) UNIDO’s livelihoods and economic recovery programme in crisis and post-crisis MICs in the Arab region.

9. UNIDO’s Programmes for Country Partnership (PCP), currently piloted in Ethiopia and Senegal, are a new and innovative model for achieving ISID, leveraging multi-stakeholder technical, human, and financial resources to maximize the impact of UNIDO’s technical cooperation (TC). MICs from Africa, the Arab region, Central and South Asia, and Latin America requested inclusion in future PCPs.

10. UNIDO facilitated numerous TC and policy advice activities in MICs, inter alia:

(a) The “EQuIP — Enhancing the Quality of Industrial Policies” project, which supports policymakers in the LAC region in formulating and designing policies and strategies for ISID;

(b) UNIDO’s assistance in helping Mexico comply with Montreal Protocol commitments, and become the first Latin American country to cease production of ozone-depleting substances;

(c) UNIDO’s work in Lebanon, enhancing SMEs’ productive capacities, competitiveness and access to markets through technology upgrading and transfer, management and market-oriented capacity development, and business mentoring;

(d) A regional MED-TEST project for Egypt, Morocco and Tunisia, through which UNIDO addressed industrial pollution hot spots;

(e) UNIDO’s work in Iran (Islamic Republic of), which is accelerating the uptake of energy efficiency in industrial sectors by, inter alia, setting up voluntary

energy agreements, providing a framework for national energy management standards, and assisting in capacity-building;

(f) UNIDO's assistance to the Government of Nigeria in implementing its Strategic Framework Vision 20:2020 and Transformation Agenda to improve competitiveness and diversification in the non-oil sectors;

(g) UNIDO's work in South Africa, assisting the Department of Energy achieve industrial energy efficiency through innovative policy tools in energy management planning.

11. Furthermore, a capacity-building programme for policymakers and government officials from 25 MICs on the future of manufacturing was organized by UNIDO's Institute for Capacity Development in 2014. UNIDO has also developed a strategy and agro-industry policy for the Arab region, to improve food security and create jobs.

12. UNIDO continues to build political commitment to pursue ISID by concluding memorandums of understandings, joint declarations, and framework programmes of cooperation with governments, supranational organizations, DFIs and international organizations. UNIDO is working with the United Nations system as part of the United Nations Development Assistance Frameworks in 116 countries (78 MICs).

13. UNIDO has designed frameworks of potential UNIDO engagement in MICs and is formulating several country and regional programmes. These aim to ensure overall coherence in UNIDO's delivery of technical assistance, to foster collaborative partnerships with different partners, and attract potential donors.

14. UNIDO will continue its efforts to leverage resources from various stakeholders, to encourage pooling of MICs' and HICs' resources and partnerships to address MICs' challenges, and to facilitate horizontal MIC-MIC knowledge and experience exchange and networks. It will seek to expand funding modalities for TC projects with MICs, including self-funding and special purpose funds for regional projects.

III. Action required of the Conference

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