



# General Assembly

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Item 22 (b) of the preliminary list\*

**Eradication of poverty and other development issues:  
industrial development cooperation**

## Industrial development cooperation

### Note by the Secretary-General

The Secretary-General hereby transmits the report of the Director General of the United Nations Industrial Development Organization, submitted in accordance with General Assembly resolution [75/231](#).

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\* [A/77/50](#).



## **I. Industrial development in review**

### **A. Introduction**

1. Two years since the previous report on industrial development cooperation ([A/75/158](#)), and with only a few years left until the target year of 2030 for the attainment of the 2030 Agenda for Sustainable Development, the global community is confronted by multiple global crises.

2. Poverty is far from eradicated, inequalities are growing and climate change is causing destruction. The coronavirus disease (COVID-19) pandemic caused major disruptions across the globe, setting back decades of development progress, while the economic recovery of industrialized and developing economies showed significant disparities.

3. The fragile recovery of the global economy is severely affected by conflicts, including the effects of the armed conflict in Ukraine. Beyond the immediate humanitarian crisis, the economic effects are spreading worldwide: the decline in the supply of important commodities and products, particularly in the food and energy sectors, is slowing growth and increasing inflation.

4. The current crises serve as a reminder that the proper functioning of global economic and industrial production systems is essential to all nations and societies. Current research and the two previous reports ([A/75/158](#) and [A/73/121](#)) provide clear evidence of the positive impact of industrial development and related international cooperation on poverty eradication, employment creation, inclusiveness and addressing the triple planetary crisis of climate change, pollution and biodiversity loss.

5. Appreciation of the role of economic growth in development is experiencing a renaissance. Support for inclusive and sustainable industrial development, as explicitly contained in Sustainable Development Goal 9, is stronger than before. In its resolution [75/231](#), the General Assembly recognizes the unique mandate and important contribution of the United Nations Industrial Development Organization (UNIDO). In the Abu Dhabi Declaration (see GC.18/INF/4, resolution GC.18/Res.1), adopted in 2019, Heads of State and Government, ministers and representatives reaffirmed their commitment to UNIDO as the central coordinator of industrial development in the United Nations system, welcoming its crucial role in accelerating the achievement of Goal 9 and all other industry-related goals set out in the 2030 Agenda for Sustainable Development.

6. Section I of the report focuses on recent trends in industrial development, as well as the impact of three defining global crises: the COVID-19 pandemic and recovery from its socioeconomic impacts; global consequences of conflict, including on food, energy security and finance; and the triple planetary crisis.

7. Section II describes the role of industrial development cooperation in implementing the 2030 Agenda and provides an overview of the programmatic focus of UNIDO. A message by the recently appointed UNIDO Director General on his priorities for the Organization concludes the report.

### **B. Recent trends in industrial development**

#### **Trends in manufacturing**

8. Growth in manufacturing remains a major source of poverty reduction in many countries through employment creation and income generation. Following a sharp drop in 2009 owing to the global financial and economic crises, global manufacturing

growth recovered and remained relatively stable at an average annual rate of 3.4 per cent in the period from 2000 to 2019.<sup>1</sup>

9. In 2019, world manufacturing was already decelerating, owing mainly to tariff and trade tensions between the world's leading economies. The impact of the COVID-19 pandemic on global value chains and the restricted movement of people and goods resulted in a drop in manufacturing production of 1.3 per cent in 2020. Although the extent of the impact was not the same everywhere, most regions experienced a downturn in manufacturing production in 2020 and a recovery of varying intensity in 2021.

10. The most severe impact of the COVID-19 pandemic on global manufacturing was observed in the first half of 2020, leading to the first global decline in manufacturing since the financial crisis of 2008.

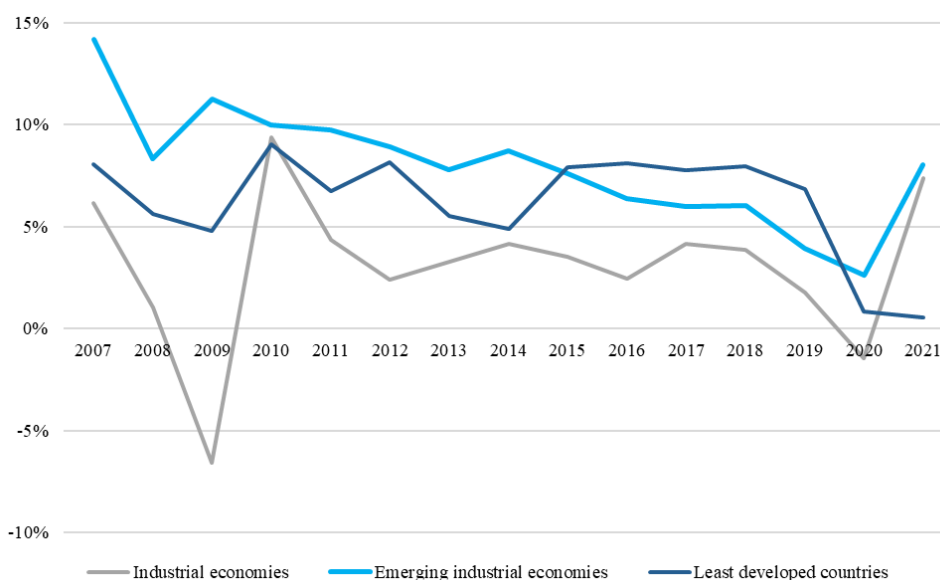
11. In 2021, growth in global manufacturing production surged, reaching 7.2 per cent, thus surpassing its pre-pandemic level. Despite global economic disruptions, manufacturing value added reached an all-time high of \$14,589 billion (at 2015 constant prices) in 2021. However, industrial recovery remains uneven across the world.

12. The *Industrial Development Report 2022: The Future of Industrialization in a Post-Pandemic World* shows that countries with stronger manufacturing capabilities and more diversified industrial sectors have weathered both the economic and the health impact of the COVID-19 pandemic better than others.

Figure I

**Annual growth of manufacturing value added, selected country groups, 2007–2021**

(Percentage at 2015 constant United States dollars)



Source: UNIDO National Accounts Database 2022 (<https://stat.unido.org>).

13. Manufacturing growth in industrial economies dropped to -1.4 per cent in 2020. In addition, emerging industrial economies witnessed a slowdown to 2.6 per cent. In 2021, both groups recovered fairly quickly. Manufacturing in least developed

<sup>1</sup> UNIDO elaboration based on data from the UNIDO statistical databases (<https://stat.unido.org>).

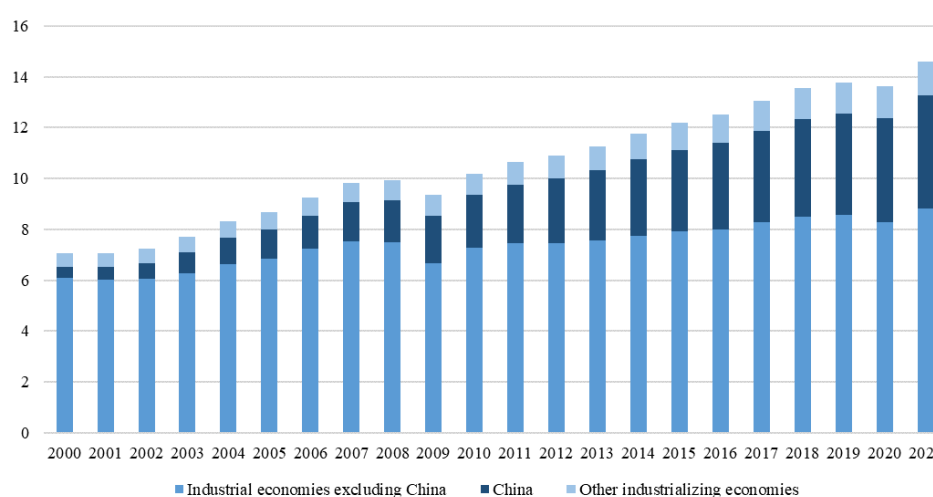
countries experienced a more persistent impact from the pandemic, with growth sinking to 0.8 and 0.5 per cent in 2020 and 2021, respectively (see figure I).

14. The swift growth of industrial production in middle-income industrial economies has contributed to a significant increase of their global share. The share of those economies, including China, increased from 20.9 per cent in 2000 to 41.9 per cent in 2021. China has become the largest manufacturer in the world, accounting for one third of global manufacturing production. Although industrial economies, excluding China, continue to dominate global manufacturing, their share shrank from 86.2 per cent in 2000 to 60.5 per cent in 2021 (see figure II).

Figure II

**Distribution of manufacturing value added by country group, 2000–2021**

(Thousand billions of 2015 constant United States dollars)



Source: UNIDO National Accounts Database 2022 (<https://stat.unido.org>).

15. Target 9.2 of the Sustainable Development Goals is aimed at doubling the share of industry in gross domestic product (GDP) in least developed countries. Despite the disruptions of the COVID-19 pandemic, the global share of manufacturing value added in total GDP increased from 16.2 per cent in 2015 to 16.9 per cent in 2021.

16. While high-income countries benefited from significant policy and financial support to firms and households and the rapid vaccination roll-out, industry in least developed countries stagnated owing to subdued and volatile global demand and disruptions in global trade, in addition to tighter domestic economic policies and limited fiscal space.

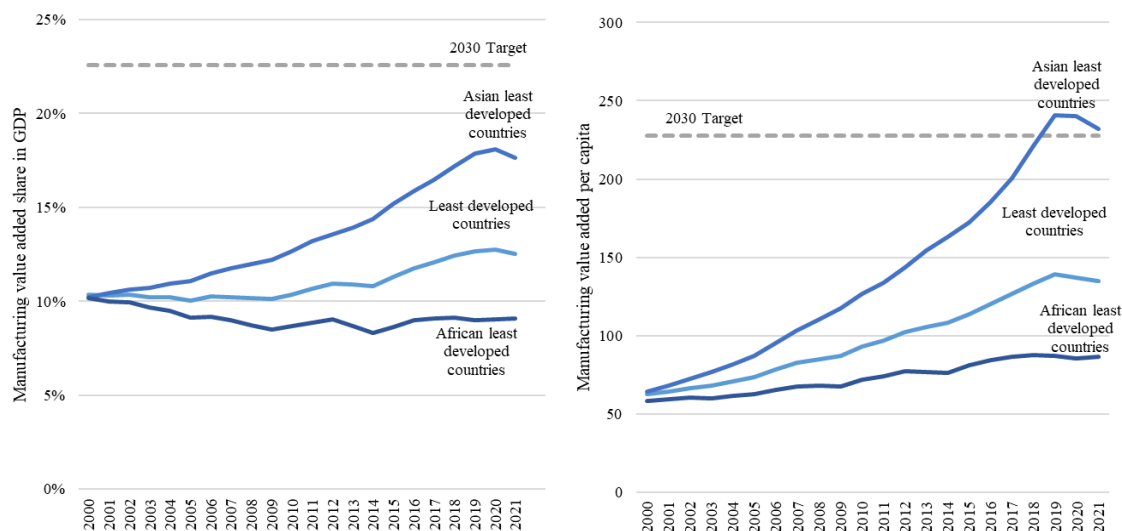
17. Disparities in manufacturing productivity are observed between the least developed countries, with manufacturing value added per capita of \$134, and high-income industrial economies, with \$6,541 in 2021. Home to almost 14 per cent of the global population, the least developed countries produce 1 per cent of global manufacturing value added. Although the share of manufacturing in GDP for the group of least developed countries rose from 10.4 per cent in 2010 to 12.5 per cent in 2021, performances vary significantly within the group.

18. Even before the COVID-19 outbreak, manufacturing share of GDP and manufacturing value added per capita in African least developed countries were stagnant. Asian economies revealed very positive prospects towards reaching target 9.2 by 2030, and were thus clearly driving the growth of the entire group. Nevertheless, the global crisis slowed manufacturing growth in all least developing

countries, setting back progress towards the targets. As the global recovery has been uneven, recovery prospects remain uncertain (see figure III).

**Figure III**  
**Progress of the least developed countries towards the achievement by 2030 of indicator 9.2.1 of the Sustainable Development Goals**

(Share of manufacturing value added in GDP and manufacturing value added per capita, at 2015 constant United States dollars)



Source: UNIDO elaboration based on UNIDO statistical databases (<https://stat.unido.org>).

## Employment

19. Industry, including small-scale industrial enterprises, is a major source of employment in developing and emerging economies and is therefore fundamental to providing income and to poverty eradication efforts.

20. The number of manufacturing jobs increased from 393 million in 2000 and remained stable around 450 million workers worldwide between 2012 and 2019.<sup>2</sup> The COVID-19 pandemic caused unprecedented disruption to labour markets around the world. The manufacturing sector was among the most severely hit at the outset of the pandemic, initially via supply chain disruptions and containment measures, followed by a decline in demand.

21. The International Labour Organization (ILO) estimates that nearly one in three jobs in manufacturing supply chains globally is likely to have been eliminated or to have witnessed a reduction in working hours or payment or other worsened conditions.<sup>3</sup> Some of the worst effects were registered in garment supply chains, which employ large numbers of women workers. Women, especially young women, have been among those most affected.

22. The global share of manufacturing employment in total employment decreased significantly, from 13.7 per cent in 2019 to 13.1 per cent in 2020.<sup>4</sup> The impact of the pandemic on labour markets has been particularly pronounced in middle-income countries, which have long leveraged participation in production chains as a source

<sup>2</sup> UNIDO elaboration based on ILOSTAT database, “Employment by sex and economic activity: ILO modelled estimates, November 2021”, available at <https://ilostat.ilo.org/data>.

<sup>3</sup> ILO, *World Employment and Social Outlook: Trends 2022* (Geneva, 2022).

<sup>4</sup> UNIDO elaboration based on ILOSTAT database, “Employment by sex and economic activity: ILO modelled estimates, November 2021”.

of employment and growth. Manufacturing employment in middle-income countries declined by 8.9 per cent in 2020, compared with 3.4 per cent in low-income and 3.9 per cent in high-income countries.<sup>5</sup>

23. In 2021, the recovery in employment continued to be fragile and often uneven. Despite the economic activity rebound, global employment has not yet reached pre-pandemic levels.

24. Lockdowns, workplace closures and other containment measures during the earlier waves of the pandemic affected all entrepreneurs. However, small businesses were hit much harder, as they are more vulnerable than larger ones to economic downturns. Small businesses operating in manufacturing and manufacturing-related services also faced significant challenges owing to the decline in demand, supply chain disruptions and movement restrictions.

25. Access to financial services could provide some manoeuvring space for companies, but, according to the most recent available data, only one in three small manufacturing enterprises has a loan or line of credit. Access to credit remains uneven across countries. While industrialized countries have implemented an unprecedented fiscal and monetary response to address the recent crises, developing countries face the challenge of financing the response to the pandemic, servicing external debts and avoiding a major debt crisis.

26. Sub-Saharan African countries and least developed countries suffer the most from a lack of credit. Only 15.7 per cent and 17 per cent, respectively, have access to financial services, which is well below the global average. In contrast, the Latin American and Caribbean countries and Oceania (excluding New Zealand and Australia) have the largest proportions of small manufacturing firms with a loan or line of credit, at 44.2 per cent and 45 per cent, respectively.<sup>6</sup>

### **Manufacturing sectors and trade**

27. In 2019, the medium- and high-technology manufacturing sectors accounted for 45.1 per cent of total manufacturing. The share of such sectors was 51.7 per cent in high-income industrial economies, compared with 11.2 per cent in low-income economies.<sup>7</sup>

28. The COVID-19 impact and recovery paths showed varying speeds and intensities, differing by manufacturing sector. Higher technology industries had better performance and therefore recovered faster, which was mainly attributable to the production of computers, electronics and optical products, electrical equipment and pharmaceuticals. Most industries using medium and high technology, with the exception of motor vehicles and other transport equipment, have recovered, already reaching pre-pandemic levels. The production of motor vehicles is facing greater challenges worldwide owing to supply chain disruptions in resources and intermediate goods.<sup>8</sup>

29. In comparison, lower-technology industries, such as textiles and clothing or coke and refined petroleum products, remain below their pre-pandemic production levels. Manufacturing of basic consumer goods such as food products has followed a stable growth trajectory, with limited losses since the beginning of the pandemic.

<sup>5</sup> ILO, *World Employment and Social Outlook*.

<sup>6</sup> UNIDO elaboration based on the World Bank enterprise surveys (2022).

<sup>7</sup> UNIDO elaboration based on the UNIDO Competitive Industrial Performance Index database 2021.

<sup>8</sup> UNIDO elaboration based on the UNIDO Quarterly Index of Industrial Production database.

30. In 2020, for the second year, the value of world merchandise trade decreased by 7.4 per cent after two consecutive years of growth. Global exports accounted for \$17.6 trillion in 2020, which is \$1.4 trillion less than the previous year, which reflects the effects of COVID-19.<sup>9</sup> Trade in manufactured goods represented 70.2 per cent of world merchandise exports in 2020, with a value of \$12.4 trillion.

31. In 2021, the value of overall global trade reached a record level of approximately \$28.5 trillion, an increase of approximately 25 per cent relative to 2020 and an increase of approximately 13 per cent relative to the pre-pandemic level of 2019. During the fourth quarter of 2021, trade in goods increased by almost \$200 billion, reaching approximately \$5.8 trillion, a new record. The positive trend for trade in 2021 was largely the result of increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand owing to economic stimulus packages.<sup>10</sup>

### C. The recovery from the pandemic and industrial development

32. The most recent report on industrial development cooperation (A/75/158) referred to how the COVID-19 pandemic and the measures taken to contain it had caused a deep global recession and the worst economic crisis in decades. In 2020, the global economy shrank by approximately 3 per cent and global poverty increased for the first time in a generation.<sup>11</sup>

33. Contractions in output, spending, employment and overall economic growth characterized the early stages of the pandemic. Many households and firms, already burdened with unsustainable debt levels prior to the pandemic, were not prepared to withstand a shock of that scale and duration to income and revenue. Disproportionate income losses among disadvantaged populations led to a dramatic rise in inequality within and across countries.

34. The socioeconomic impact has been very different across regions and countries, revealing and worsening some pre-existing economic fragilities and reflecting deep underlying differences in the capacity to respond to extreme events.

35. The *Industrial Development Report 2022* found that countries with a larger share of manufacturing in GDP weathered the crisis better. Industrial capabilities were found to be a key ingredient of resilience at both the firm and the country level.

36. The industrial sector contributes to three important dimensions of resilience: (a) manufacturing industries are vital to providing essential goods that are critical to life and national security; (b) manufacturers played a key role in supplying goods critical to tackling the COVID-19 emergency itself; and (c) the manufacturing sector contributes to the recovery and growth of national economies.

37. Another factor of resilience identified in the report relates to the level of digitalization of firms and, in particular, the adoption of advanced digital production technologies. Digitally advanced firms – those using the latest digital technologies in

<sup>9</sup> United Nations Conference on Trade and Development (UNCTAD), *UNCTAD Handbook of Statistics 2021* (Geneva, 2021).

<sup>10</sup> UNCTAD, “Global Trade Update”, February 2022.

<sup>11</sup> Global real GDP growth in 2020 is estimated at -3.1 per cent in International Monetary Fund, *World Economic Outlook: Recovery during a Pandemic; Health Concerns, Supply Disruptions, and Price Pressures* (Washington, D.C., 2021), and at -3.5 per cent in World Bank Group, *Global Economic Prospects* (Washington, D.C., June 2021). See also World Bank Group, *World Development Report 2022: Finance for an Equitable Recovery* (Washington, D.C., 2022).

their production process – were able to weather the crisis better in terms of impact on sales, profits and lay-offs.

38. As countries recover from the current crisis and prepare for the next, these factors of resilience should be strengthened. At the same time, a greener and more inclusive path of development needs to be taken. If steered correctly, industrial policies can play a key role in achieving that important objective. Industry itself needs to become more resilient, including against disruptions in global value chains, volatile commodity markets, climate change and other risks.

39. Preliminary evidence suggests that the recovery from the crisis may be as uneven as its initial economic impacts, with emerging economies and economically disadvantaged groups needing more time and support to recover losses of income and livelihoods.

40. Aligning industrial policies with the narrative of building a better future means putting them to work for the achievement of the Sustainable Development Goals, while taking into account the megatrends that are likely to shape the future of industrialization. Domestic efforts alone will not be sufficient, and the international community is called to strengthen its efforts in supporting the most vulnerable countries.

41. Post-pandemic industrial policies should promote development in a socially inclusive manner. That means paying special attention to the most vulnerable groups, helping them recover in the short term and supporting the strengthening of their resilience in the medium to long term. Inclusive industrial policies should aim not only at creating decent jobs, but also at increasing the participation of informal workers, youth and especially women in the manufacturing sector.

42. Intensified international industrial policy coordination should help to boost a rapid and sustainable recovery that leaves no one behind. That requires improving access to finance and technology, enhancing governance mechanisms in order to secure uninterrupted flows of essential goods, a more even distribution of the costs of disruptions in global value chains and establishing selective policies and performance criteria to encourage innovation and create complementarities. Improved international frameworks for transboundary disaster risk management and placing environmental sustainability at the forefront of recovery efforts will also be essential.

## **D. Global stability and industrial development**

43. At a difficult moment for the world economy, and adding to the destabilizing effects of the COVID-19 pandemic, the armed conflict in Ukraine presents a serious setback for the global economic recovery. The conflict is causing enormous loss of life, human suffering and destruction of infrastructure. As of 1 July 2022, over 6.2 million people are displaced in that country and more than 8.4 million refugee movements out of Ukraine have been recorded since 24 February 2022.<sup>12</sup>

44. Apart from the tragic humanitarian crisis in Ukraine and the sanctions aimed at pressuring the Russian Federation to end hostilities, the conflict has global spill-over effects that extend far beyond Eastern Europe. Supply chain disruptions, clogged ports, logistics strains and strong demand for merchandise had already increased price pressures prior to the conflict. Higher prices of imported goods have contributed to inflation across the globe.

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<sup>12</sup> Office of the United Nations High Commission for Refugees, “Ukraine Situation”, Flash Update No. 19, 1 July 2022.



## Energy

45. Energy markets were already tight before the start of the crisis. Fossil fuel prices almost doubled in 2021 following increased consumer demand as the world started recovering from the COVID-19 recession.

46. The conflict in Ukraine has triggered a major energy supply and security crisis that has sent commodity prices to new highs, with wider implications for the global economy. In the first half of 2022, crude oil prices increased by 57 per cent and natural gas prices by 122 per cent.<sup>13</sup>

47. The significant increase in oil and gas prices is fuelling inflation worldwide and may also have long-term implications for the energy transition. On the one hand, it could shift some countries' investments back into extractive industries and fossil fuel-based energy generation, risking a reversal of the current trend towards decarbonization. On the other hand, it could have the positive effect of accelerating the transition towards alternative sources of energy, especially in countries that wish to strengthen their resilience by sourcing energy more locally.

48. The path chosen will depend on political leadership and maintaining momentum towards meeting the commitments of the Paris Agreement and the 2030 Agenda. As the manufacturing industry is a major consumer of energy, inclusive and sustainable industrial development will play an influential role in that regard.

## Food security

49. There are production and export challenges in relation to food. Those challenges were already associated with reduced availability and price increases and are further exacerbated by the recent conflict.

50. The Russian Federation and Ukraine are among the most important producers and exporters of agricultural commodities and products in the world. Their contribution to global production is particularly significant with respect to wheat, sunflower seed, barley, rapeseed and maize. Many countries that are dependent on imported foodstuffs and fertilizers, including several least developed countries, rely on Russian and Ukrainian supplies to meet their consumption needs.<sup>14</sup>

51. According to the Food and Agriculture Organization of the United Nations, the Russian Federation and Ukraine account for 30 per cent of global wheat and 80 per cent of sunflower oil production. Worldwide, 36 countries import more than half of their wheat from those two countries.<sup>15</sup> Given the importance of wheat as a food staple, supply gaps increase food insecurity, for instance in the Near East and North Africa. Animal production is also concerned, as feedstuff made from grains, soy and oil cake is an important cost factor.

52. The consequences for developing countries are severe, especially as increases in food prices hurt low-income households the most. Food typically makes up one third to half of their spending. Higher global food prices and scarcity make developing countries' food imports so expensive that they risk increasing rates of hunger and undernourishment.

53. Livelihoods and future crop yields are also affected, as many food producers face challenges to accessing fertilizers, other agrichemicals and agricultural inputs.

<sup>13</sup> UNIDO elaboration.

<sup>14</sup> Food and Agriculture Organization of the United Nations (FAO), *Impact of the Ukraine-Russia conflict on global food security and related matters under the mandate of the FAO*, CL 170/6, May 2022.

<sup>15</sup> United Nations, Global Crisis Response Group on Food, Energy and Finance, "Global impact of war in Ukraine on food, energy and finance systems", Brief No. 1, 13 April 2022.

Fertilizer prices have already risen throughout 2021, with the most notable increases registered for nitrogen fertilizer and phosphorus, which rose in tandem. High and volatile energy prices play a role, as natural gas is needed for the production of ammonia, an important input for nitrogen-based fertilizers. Fertilizer prices increased by over 20 per cent in the first half of 2022 as a consequence of the armed conflict, trade disruptions and economic sanctions.<sup>16</sup>

54. Several countries have initiated subsidy schemes to protect farmers against rising fuel and fertilizer prices. Those costs will put further pressure on the limited fiscal space in many developing countries. This adds to other adverse dynamics in less developed countries facing debt distress because of COVID-19-related measures, lower tax revenue in the period 2020–2021 and inflation.

55. For low-income developing countries, the food industry plays a particularly important role for value addition, employment and sustained growth. The food industry often pays a higher wage than agricultural work or many jobs in the service sector. The challenges described above have the potential to undermine the nascent food industry in less developed countries.

## **E. The triple planetary crisis and industrial development**

56. Fifty years ago, for the first time, the United Nations Conference on the Human Environment, held in Stockholm, placed the environment at the centre of the international agenda. Meanwhile, it has become evident that decoupling development and economic growth from pollution and environmental degradation is necessary and possible. However, climate change, biodiversity loss and pollution are at levels that could not have been foreseen in 1972.

57. Since then, a sharp increase in global trade, human population growth and unsustainable consumption and a large-scale move towards urbanization and globalization have transformed the world. Human-induced climate change has caused adverse impacts to nature while hitting the world's most vulnerable communities first and hardest.

58. The impact of climate change has manifested in more frequent and more severe weather events, extremes of heat on land and in the ocean, heavy precipitation, drought and fire.

59. The role of the industrial sector in that regard is threefold: (a) industry is one of the largest sources of greenhouse gas emissions; (b) it is also a leading provider of technological solutions and inclusive and green jobs; and (c) at the same time, it is itself affected by climate change and resource degradation.

60. Industry was responsible for 34 per cent of greenhouse gas emissions in 2019, including emissions from electricity and heat production. Cement manufacturing alone produces a staggering 2.2 billion tons of carbon dioxide every year, or 8 per cent of all global emissions, which is expected to double or quadruple by 2050. Industry also fuels unsustainable consumption patterns that currently exceed 100 billion tons of resources annually, further threatening terrestrial and freshwater ecosystems. Plastic waste is suffocating our oceans and killing marine biodiversity.<sup>17</sup>

<sup>16</sup> FAO, "Information note: The importance of Ukraine and the Russian Federation for global agricultural markets and the risks associated with the current conflict", 25 March 2022.

<sup>17</sup> Ellen MacArthur Foundation, "Building a world free from waste and pollution" (available at <https://ellenmacarthurfoundation.org/articles/building-a-world-free-from-waste-and-pollution>) and "Completing the picture: How the circular economy tackles climate change" (available at <https://ellenmacarthurfoundation.org/completing-the-picture>).

61. Industry is also the victim of the impact of the triple planetary crisis of climate change, biodiversity loss and pollution. Risks for businesses include disrupted supply chains, increased insurance costs and labour challenges. Climate-related events are already affecting more than one in four companies worldwide through infrastructure damage and the scarcity and high cost of resources, including limited ones such as water.

62. By pursuing inclusive and sustainable industrial development, the industrial sector also holds solutions, such as innovative technologies, best practices, methodologies and techniques, to improve resource and energy efficiency, induce changes in consumer behaviour and ensure a just transition of the workforce towards sustainable production.

63. New low-emission processes can contribute to reduced greenhouse gas emissions by fundamentally changing underlying production processes and resources. In contrast to the prevalent linear model of production and consumption, a circular economy approach has the potential to reduce global greenhouse gas emissions from key industry materials by 40 per cent, or 3.7 billion tons, by 2050.<sup>18</sup> Circular practices such as waste minimization, the reuse of products and components and recirculation of materials, in addition to decarbonization of energy generation, have the potential to restore a sustainable relationship between society and nature.

64. Transformational change of energy and industrial systems, land management, buildings and infrastructure and lifestyles will be needed to put the global economy on track to reach net-zero emissions by 2050, slow down biodiversity loss, revive ecosystems, and implement the 2030 Agenda.

65. Industrial development cooperation can provide multilateral solutions guided by global solidarity and informed by science and risk assessments as a response to the major crises of today.

66. Sustainable industrial development could be fostered through North-South, South-South and triangular cooperation to boost innovation and knowledge transfer, capacity-building and investment in environmentally sound and low-emission technologies in least developed countries, middle-income countries, landlocked developing countries and small island developing States.

## F. Conclusions

67. Before the COVID-19 pandemic, some progress was being made on advancing the 2030 Agenda, including in poverty reduction, increasing energy access and advancing gender equality, but it needed to be significantly accelerated.

68. The multiple, interlinked and simultaneous global crises the world is currently facing – the COVID-19 pandemic, the impact of conflicts and the triple planetary crisis – are putting the viability of achieving the Sustainable Development Goals by 2030 at great risk. Those global crises have halted, if not reversed, decades of development progress.

69. Compared with pre-pandemic levels, an additional 75 to 95 million people will live in extreme poverty in 2022 (see [E/2022/55](#)). Since 2019, the number of people experiencing hunger has increased by 46 million in Africa, by approximately 57 million in Asia and by approximately 14 million in Latin America and the Caribbean.<sup>19</sup>

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<sup>18</sup> Ellen MacArthur Foundation, “Completing the picture”.

<sup>19</sup> Global Crisis Response Group on Food, Energy and Finance, “Global impact of war in Ukraine”.

70. The recovery of the global economy is challenged by new COVID-19 variants and continued vaccine inequity, global supply chain disruptions, policy uncertainties, distress in financial markets, rising inflation, increases in interest rates and unsustainable debt in developing countries.

71. The world is also witnessing the highest number of violent conflicts since 1945, with numbers of refugees and forced displacement at record levels. In mid-June 2022, the Office of the United Nations High Commissioner for Refugees reported that the threshold of 100 million forcibly displaced people had been surpassed. The armed conflict in Ukraine adds further challenges, as the Russian Federation and Ukraine are large exporters of key food items, fertilizer, energy and minerals.

72. In 2021, global inflation had already reached record levels owing to imbalances in supply and demand, increasing commodity prices and strong consumer demand. Supply shortages and further price increases continue to fuel inflation worldwide in 2022. Increased interest rates, a policy response to inflation, lead to higher debt servicing costs for the developing world.

73. The combination of the food, energy and financial crises at an already difficult moment in history will hit the poorest the hardest. The poorest are also the ones that feel the impact of the triple planetary crisis most imminently and strongly.

74. Despite a temporary reduction in carbon dioxide emissions in 2020, global energy-related carbon dioxide emissions rose by 6 per cent in 2021 as demand for coal, oil and gas increased. Based on current national commitments, global emissions are set to increase by almost 14 per cent over the current decade, which could lead to a climate catastrophe unless Governments, the private sector and civil society work together to take immediate action (see [E/2022/55](#)).

## **II. Industrial development cooperation and the 2030 Agenda**

### **A. Introduction**

75. In the Lima Declaration of 2013 (see GC.15/INF/4, resolution GC.15/Res.1), the General Conference renewed the mandate of UNIDO, defined inclusive and sustainable industrial development and reaffirmed the unique role of UNIDO as the central coordinator in the United Nations system of international industrial development cooperation. It also laid the foundation for Sustainable Development Goal 9.

76. In 2019, in the Abu Dhabi Declaration, that mandate was re-emphasized and guidance provided for the way forward into a decade of action. The role of UNIDO as a platform for private sector cooperation, in the fourth industrial revolution, and as lead agency of the Third Industrial Development Decade for Africa (2016–2025) (resolution [70/293](#)) was accentuated.

77. As outlined above, the major global challenges and crises underscore the renewed momentum and increasing support from the international community for solutions in the sphere of industrial development cooperation. The role of the United Nations in the joint response to global crises is indisputable, and so too is the need for specialized agencies such as UNIDO to support member States in their efforts. Neither governments nor the private sector can solve the wide-ranging challenges of today alone.

78. UNIDO acts as the platform for industrial development cooperation within the United Nations system and works closely with a wide range of partners. Fully committed to strengthening the United Nations development system, UNIDO also

supports the reform initiated through General Assembly resolution [72/279](#) as a far-reaching transformation for more cohesive and coordinated inter-agency collaboration.

79. UNIDO advocates a balanced implementation of the three dimensions of sustainable development and welcomes the reinvigorated resident coordinator system, which enhances the outreach and representation of the entire United Nations system, including the specialized agencies, leading also to stronger cooperation among entities.

80. In the implementation of its mandate, UNIDO follows the medium-term programme framework for the period 2022–2025 ([IDB.49/8–PBC.37/8](#)). The dual objective of the previous framework 2018–2021 is maintained in order to scale up the results of UNIDO interventions and to better integrate the four core functions: technical cooperation; analytical and research functions and policy advice; normative functions, including standards and quality-related activities; and convening and fostering partnerships for knowledge and technology transfer, networking and industrial cooperation.

81. UNIDO works in partnership with most organizations of the United Nations system including the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the International Labour Organization, the International Telecommunication Union, the International Trade Centre, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme, the United Nations Environment Programme, the United Nations Educational, Scientific and Cultural Organization, the United Nations Human Settlements Programme (UN-Habitat), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the World Health Organization, the World Tourism Organization, the World Intellectual Property Organization, the World Trade Organization (WTO) and the institutions of the World Bank Group.

82. Moreover, UNIDO broadened its engagement with international and regional development banks, regional economic and political organizations and a wide range of private sector partners.

83. UNIDO continues to implement its Programme for Country Partnership as a high-impact solution to make inclusive and sustainable industrial development a reality in Africa and beyond. The Programme was first introduced in 2014. The pilot phase comprised Cambodia, Ethiopia, Kyrgyzstan, Morocco, Peru and Senegal and the Programme's portfolio progressively expanded to include Côte d'Ivoire, Egypt, Rwanda, the United Republic of Tanzania and Zambia. In 2021, Nigeria became the newest Programme for Country Partnership approved for development. Going forward, the Programme will be further strengthened and may gradually expand to additional countries.

84. Given its long-standing mandate to maintain worldwide industrial statistics and its unique role within the international statistics system, UNIDO serves as custodian agency for six industry-related indicators under Goal 9. In that role, it provides data for the global database of Goal indicators and contributes, inter alia, to the annual *Sustainable Development Goals Report*.

85. The sections below provide a selective and short but balanced overview of the programmatic focus of UNIDO on the contribution to the fulfilment of the 2030 Agenda, the Paris Agreement, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, the Beijing Declaration and Platform for Action and other relevant instruments. More detailed information can be

found in UNIDO annual reports (see [IDB.50/2–PBC.38/2](#) for 2021 and [IDB.49/2–PBC.37/2](#) for 2020).

## **B. Shared prosperity from industry**

86. The adverse impacts of the global crises described above have undermined progress on the reduction of poverty and inequalities. In many least developed countries, the slow recovery of employment, weak income growth and limited fiscal space hamper poverty eradication efforts. The majority of the world's poor continue to live in rural areas, lacking infrastructure and decent employment opportunities.

87. UNIDO continues to promote inclusive and sustainable growth by facilitating a fairer distribution of prosperity and increasing the participation of diverse disadvantaged groups in productive activities. This is a prerequisite to eradicating multidimensional poverty, making growth inclusive, as well as for reducing pressures from over-exploiting natural resources.

88. UNIDO adopts an integrated approach by combining development cooperation interventions and policy advice to remove barriers faced by women, young people, displaced people and disadvantaged groups and to foster their potential as driving forces of sustainable development. It helps them move away from poorly paid informal employment into higher-skilled and better-paying productive activities. A wide range of initiatives helps to create decent job opportunities, develop vocational and entrepreneurial skills and catalyse a sustainable and dynamic private sector.

89. The UNIDO Entrepreneurship Curriculum Programme is an initiative that provides young people with the tools necessary to create sustainable enterprises and ultimately improve their livelihoods. To date, several millions of secondary students in assisted countries have taken entrepreneurship classes.

90. UNIDO recognizes the role of women and young people in the modernization of rural areas, which accommodate 75 per cent of the world's poor and food-insecure populations. Most of them make their living from farming or farm labour.

91. UNIDO contributes to transforming food systems for sustainability, nutrition and fairness. It applies its long-standing expertise in post-agriculture processing and light manufacturing to helping small and medium-sized enterprises develop agro-industry for maximum profitability and efficiency.

92. UNIDO supports technological upgrading, agro-enterprise development and agribusiness investment. It helps to reduce post-harvest losses in agricultural value chains. By improving the testing capacities of local authorities to upgrade food quality and safety to further increase consumer confidence in locally produced and processed agro-products, UNIDO supports inclusion in value chains and access to markets, thereby creating shared prosperity, while focusing specifically on small and medium-sized enterprises.

93. To support its beneficiary countries in cost reduction, large-scale job creation and improving the sustainability of local agribusiness value chains, UNIDO supports the establishment of integrated agro-industrial parks where firms can share facilities. Within a radius of 150 to 200 kilometres, one agro-industrial park of 250 hectares can provide a market outlet for over one million smallholder farmers, offering employment and reducing poverty in rural areas.

94. In the face of unprecedented intersection of global crises that have revealed our shared vulnerability and interconnectedness, UNIDO complements its activities with post-crisis and human security programmes to create shared prosperity by supporting local and global recovery efforts through restoring and innovating productive capacities. Rehabilitating damaged industrial infrastructure and restoring employment and productivity facilitate economic recovery and stabilize communities.

95. In this endeavour, UNIDO recognizes the key role of international development cooperation and sustainable industrialization in the interconnection between people, shared environment and economy and of reducing poverty and gender and economic inequality and de-risking food systems. International development cooperation should prevent further deviations from our common path towards achieving the Goals.

### **C. Economic competitiveness**

96. Inequalities among and within countries present great challenges. In order for the 2030 Agenda to succeed, addressing those challenges must be at the heart of global efforts. One starting point is to help developing countries benefit from local production and value creation and integration into trade. Rapid technological transformation is another such challenge: technologies and innovations should be seized as opportunities to reduce the digital divide.

97. UNIDO fosters an entrepreneur-friendly environment, business investment and technological progress. It recognizes the crucial role of small and medium-sized enterprises and of clusters of small enterprises for inclusive and sustainable industrialization, the creation of formal and decent jobs, economic dynamism and innovation. To improve productivity among small and medium-sized enterprises and increase their competitiveness, UNIDO delivers customized upskilling programmes and establishes support systems and guidance.

98. Industrial and technological upgrading at the sectoral and firm level remains at the core of the activities of UNIDO. UNIDO applies a spectrum of tools and programmes to accelerate modernization in the agrifood processing, automotive, textile and apparel, leather, cement and pharmaceutical sectors.

99. Research and industrial diagnostics help to determine comparative advantages or high export potential, while industrial policy advice helps to maximize industrial competitiveness, productivity, resource efficiency and the diversification of manufacturing sectors. Improved regulatory frameworks and reinforced institutional capacities are a result and an enabler of successful interventions.

100. UNIDO plays a crucial role in the internationalization and competitiveness of enterprises by helping small and medium-sized enterprises establish their eligibility to enter foreign markets. It helps companies to expand their trade capacities, increase productivity, and assure users and authorities that products are of high quality and comply with the standards required to enter regional and global value chains and markets, thus overcoming technical barriers to trade.

101. Programmes also support national conformity assessment bodies in product testing and calibration. This type of standard-setting support proved to be beneficial also in the early COVID-19 response, for instance, when UNIDO supported the development of harmonized regional standards for personal protective equipment, adopted by the Economic Community of West African States in May 2020 as benchmark for all 15 of its member countries and for Mauritania.

102. UNIDO highlights the role of multi-stakeholder engagement in reshaping business practices and aligning them with efforts to rethink measures of progress and prosperity, as underlined in Our Common Agenda. Cross-sectoral cooperation is emphasized in an overwhelming majority of the UNIDO support provided to Governments and institutions, including advice and formulation of industrial policies and regulatory frameworks; standard-setting; providing conformity assessment services; quality compliance development along value chains; investment and technology promotion; advice on sustainable business and quality infrastructure; and technological learning and innovation.

103. UNIDO deploys its convening power to share best practices, encourage innovation, foster the transfer of technologies and attract investors. Through the network of investment and technology promotion offices, UNIDO creates collaborative links between investors and suppliers of technology in developed and developing countries and economies in transition.

104. It therefore plays an important role in the internationalization and increased competitiveness of enterprises, with an emphasis on small and medium-sized enterprises and clusters, and their eligibility to enter global value chains through technology adoption and access to investors.

105. UNIDO also invests in continual research and analysis, technical cooperation and convening of activities to address the ongoing phenomenon of the digitalization of industry and its potential as a driver of inclusive and sustainable industrialization. UNIDO acknowledges the potential of digitalization to create a wide spectrum of unprecedented growth opportunities for developing countries while considering the need for appropriate infrastructure and regulations so that the development gap is not widened further.

#### **D. Environmentally sustainable industry**

106. This is a critical point in history, as the world faces growing threats to the environment, biodiversity, climate change and security in its broadest sense. The COVID-19 pandemic has revealed how vulnerable and exposed humanity is to global threats. The current moment also creates a unique opportunity to usher in a new age of prosperity and well-being by accelerating investments in the transition to green, sustainable, efficient, inclusive and resilient economic growth, conscious of social and environmental justice. It already generates rapid innovation and cost reductions for many countries and needs to continue decoupling growth from environmental impact.

107. Industry and industry-related energy consumption are often cited as a major cause of and contributor to climate change, biodiversity loss and environmental degradation. Industry is also credited with providing technological solutions, creating inclusive and green jobs and improving the well-being of people around the world.

108. UNIDO builds on its long-standing experience in supporting national and global efforts to spur sustainable industrial development, reduce emissions and strengthen resilience. Emerging and developing countries in particular suffer the most from environmental injustice, even though their share of responsibility for climate change is relatively low. UNIDO assists Governments, institutions and industries to make an effective transition towards a circular economy, cleaner production, decarbonization and renewable energy solutions.

109. UNIDO continues to promote the transition to a circular economy at the global, regional and country levels in order to mitigate climate change, slow down the rate of biodiversity loss and reduce pollution. It joins forces with Governments, sister agencies and the private sector, among others, in this effort through the Global Alliance for Circular Economy and Resource Efficiency and the global consultations on circular economy initiated in 2021.

110. UNIDO programmes provide a wide range of technical support and capacity-building to promote the circular economy model, including through the establishment of eco-industrial parks. The parks not only increase the competitiveness of businesses but also significantly increase efficiency by optimizing the use and sharing of energy and resources with neighbouring companies.



111. Resource efficiency coupled with cleaner production is at the core of UNIDO environmental interventions aiming at improved resource productivity and efficiencies and reduced social and ecosystem-related risks. A remarkable example of sound and innovative management of resources is the performance-based circular business model of chemical leasing, pioneered by UNIDO.

112. In addition, UNIDO is facilitating sustainability of water supply to industries, particularly in water-scarce areas. It also advises and provides technical assistance and capacity-building to various stakeholders to help them implement innovative nature-based solutions in the food-energy-water nexus infrastructure and consequently boost resource efficiency and create additional value.

113. Building on its vast expertise in the field of renewable energy projects and the application of clean energy technology in industry, UNIDO successfully collaborates with a wide range of partners globally, including through the establishment and continuous support to the Global Network of Regional Sustainable Energy Centres. Collaborations between various stakeholders across the globe, including from the public and private sectors, financial organizations and academia, are crucial to an inclusive energy transition, to unlocking the potential of climate-friendly technology and to the concept of leaving no one behind.

114. Innovative, forward-thinking solutions and sustainable energy technologies, such as green hydrogen derived from renewable energy sources, are needed to ensure a drastic cut in industrial emissions in hard-to-abate sectors like aluminium, cement, chemicals and steel. UNIDO supports its member States in fostering applications, beneficial policies, robust legal frameworks and coherent international standards for the global uptake of innovative environment-friendly technologies, such as green hydrogen, by industry.

115. UNIDO continually intensifies efforts to support its member States in developing carbon-neutral industries through, inter alia, the industrial deep decarbonization initiative.

116. Recognizing the growing importance of green hydrogen, UNIDO launched a global programme in July 2021 to foster the application of green hydrogen in industry.

117. Other noteworthy developments include the expansion of the Global Cleantech Innovation Programme to 14 partner countries and the Private Financing Advisory Network, which has reached \$2 billion in mobilized investments.

118. UNIDO continues to support developing countries and economies in transition in safeguarding the environment through the meeting of their obligations under multilateral environmental agreements, such as the Montreal Protocol on Substances that Deplete the Ozone Layer, the Stockholm Convention on Persistent Organic Pollutants, and the Minamata Convention on Mercury.

119. Under the Minamata Convention, UNIDO applies a life-cycle approach to help countries complete their national assessment and build national plans for mercury management and elimination through safer and more productive technologies for innovative, inclusive and sustainable businesses.

120. In 2020, the UNIDO portfolio of projects under the Montreal Protocol resulted in the phasing out of more than 700 tons of ozone-depleting substances and in avoiding the potential emission of 72 million tons of carbon dioxide equivalent, which is equivalent to the emissions from 16 million passenger vehicles driven over the course of one year. Interventions by UNIDO led to better management of hazardous wastes containing persistent organic pollutants. Those wastes were of an amount equivalent to that generated annually by a city with 240,000 inhabitants.

## E. Outlook by the Director General

121. Having recently assumed the position of Director General of UNIDO, I would like to add a few remarks in my personal capacity.

122. The world is facing a multitude of simultaneous threats and challenges: climate change, the COVID-19 polyandemic and hunger and poverty, exacerbated by current geopolitical crises. There are global energy and food insecurities, and inflation is rising worldwide.

123. The latest assessment reports of the Intergovernmental Panel on Climate Change warn of an imminent climate catastrophe in our lifetime. The negative consequences of global warming are worse than previously feared.

124. The poorest of the poor are hit the hardest by all of this, while the gap between rich and developing countries is widening. The world population will increase to almost 10 billion people by 2050. Many millions of young people will need jobs and income. Today, a lack of prospects and discontent with living conditions challenge political stability.

125. In my new function as the Director General of UNIDO, I reiterate what I called for when I was the Federal Minister for Economic Cooperation and Development of Germany: we need more global solidarity, we need more international cooperation and we need a holistic approach. To achieve the Sustainable Development Goals and the goals set in the Paris Agreement, we need to act now.

126. I am convinced that a world without hunger is possible. I am convinced that we can stop climate change. Today, we have the knowledge, technologies, and even the funding. We need the political will to make a change.

127. The first and most important point is to fight hunger and poverty. We need to create decent jobs, give prospects to young women and men, and increase incomes locally. Increased incomes enable access to food and resilience to food price increases. Major progress must also be made with respect to productivity, efficiencies, better local cooperation in food production, distribution and marketing. Processing, packaging and avoiding post-harvest losses are important, as 40 to 50 per cent of food is lost between farm and fork.

128. We must ensure that the local producers and small entrepreneurs in developing countries benefit. Local value addition and income generation can make a difference in that regard. One of my priorities is therefore to promote binding international standards for global supply chains. We did this in Germany with the supply chain law in 2021. The European Union is now working on a Europe-wide approach. UNIDO has great expertise in the area of standards and compliance, and I plan to work on this initiative in close cooperation with the World Trade Organization, UNCTAD, the International Labour Organization and other relevant partners.

129. The climate and energy challenge is another priority. Without energy, there is no development and no progress. There will be no jobs, no industrialization and no growth. While global energy access has increased to 90 per cent, there are still 759 million people without electricity, three quarters of them in sub-Saharan Africa.

130. We must promote energy and resource efficiency worldwide, support the transfer of clean energy technologies, facilitate partnerships for investments in infrastructure and invest in transformative solutions. The development of green hydrogen and new technological solutions offer opportunities. It will be especially important to decarbonize the hard-to-abate sectors such as steel and cement. Overall, we must promote unprecedented change by promoting systems innovation, including technologies, policies, financing and broad engagement at all levels of society. We need to ensure a just transition towards environmentally sustainable economies and societies for all.

131. We need to pay closer attention to young women and men. Out of a global population of almost 8 billion, 3.5 billion are below the age of 30 and over 1.2 billion are young people. In the poorest countries of the world, the youth population is growing extremely rapidly. By 2050, that population will have almost doubled. We must create approximately 600 million jobs in the next decade to meet their needs. We need to do much more to provide young people with the right skills, to enable them to learn, to empower them to find decent employment or to become entrepreneurs. Digitalization can be a game-changer in many ways beyond smart industry, optimized energy production or sustainable food production. We must ensure that the young people around the globe are prepared with the right skills and have equal access to digital technologies.

132. Young people are also a great asset. They can be agents of change. Their innovative spirit and desire for opportunities will drive the creative solutions we need for a better future. The young people of today and the ones born tomorrow will live in the world that we are shaping now.

133. My motto is “progress by innovation”. I believe that the challenges we face today can be solved through global solidarity, increased international cooperation and innovative approaches. An industrial development that is both sustainable and inclusive can be a powerful response to many of these global challenges. I would like to promote the role of UNIDO as a partner in sustainable development and to strengthen its role as a platform for the international exchange of innovations, know-how and transformative technologies as effective solutions to our pressing global challenges.

## **F. Conclusions and recommendations**

134. With only few years left to achieve the Sustainable Development Goals, the international community must accelerate progress towards the “world we want”. The major global crises described in the present report have put the development progress of past decades at risk.

135. More than ever, it has become clear that the challenges of today know no borders and affect everyone, everywhere. The response must be coordinated and global. Concerted efforts by the international community through coordination, knowledge-sharing, technology transfer and targeted support are required. Multilateralism must be strengthened, with the United Nations system and its specialized entities at the centre with sufficient authority and funding.

136. Solutions that are affordable, practical and realistic exist. Industrialization, for example, has lifted hundreds of millions of people out of poverty, providing them with jobs and income. The close link between inclusive and sustainable industrial development and long-term economic, social and environmental development remains undeniable and valid today.

137. The experiences of the past three years further underscore the reliance of humanity on manufactured products and global value chains. Industry also plays a critical role in limiting or even reversing the triple planetary crisis of climate change, pollution and biodiversity loss.

138. UNIDO should continue to build upon its long-standing knowledge and technical expertise in its mandated areas of work and its abilities to mobilize multistakeholder partnerships for inclusive and sustainable industrialization. It will pursue the objective of integrating and scaling up its services as a path to narrowing many of the widening gaps and challenges that characterize the current global development situation.