



Industrial Development Board

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Inclusive and sustainable industrial development in middle income countries

Workplan of the Strategic Framework for Partnering with Middle-Income Countries

Report by the Director General

In resolution GC.18/Res.9, Member States requested the Director General to prepare a workplan for the implementation of the Strategic Framework for Partnering with middle-income countries (MICs). This document outlines a workplan for partnerships between UNIDO and MICs, within the Organization's mandate and resources. The approach proposed in the workplan ensures the most effective use of UNIDO resources in MICs in line with the core ISID priorities established in the Strategic Framework as adopted by Member States.

I. Background

1. In resolution GC.17/Res.6, the General Conference requested the Director General to identify and discuss with Member States a strategic framework for the collaboration of UNIDO with MICs. The objective of this initiative was to accelerate inclusive and sustainable industrial development (ISID) in this group of countries. An outline of the UNIDO Strategic Framework for Partnering with MICs (IDB.46/13) was presented to the Board at its forty-sixth session. The Board requested the Director General to organize consultations with Member States for the finalization of the draft Strategic Framework (IDB.46/Dec.10). At its forty-seventh session, the Board took note of the UNIDO Strategic Framework for Partnering with MICs, and recommended its adoption to the General Conference. Adopting the Strategic Framework, GC.18/Res.9 also requested the Director General to prepare a workplan for its implementation.

2. The annexed workplan has been prepared ensuring coherent alignment with the strategic priority areas established by the Strategic Framework, namely: (i) Technology Advancement; (ii) Human Capital; and (iii) Environmental Sustainability. The workplan consolidates a continued approach of active engagement

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with MICs, identifying effective ways of working with relevant stakeholders, leveraging its flagship programmes, and its technical cooperation portfolio of projects in this group of countries.

3. With the Strategic Framework and its related workplan, UNIDO aims to ensure systematic engagement with MICs by facilitating technology transfer, investments, and supporting policies that are crucial for advancing industrial development in this group of countries.

II. Action required of the Board

4. The Board may wish to take note of the information contained in the present document.

Annex

Strategic Framework for Partnering with Middle-Income Countries: Workplan Proposal

Table of Contents

	<i>Page</i>
I. Context and rationale	4
Impact of COVID-19	4
Regional dimension	5
Consistency with the Strategic Framework	5
II. Core mechanisms	6
Integrated packages	6
South-South and triangular industrial cooperation (SSTIC)	6
III. Workplan	7
Main factors underpinning the workplan	7
Approach	7

I. Context and rationale

1. The international community acknowledges the relevance of a systemic and long-term approach to build productive capabilities of middle-income countries (MICs). The global conditions of the second half of the twentieth and the beginning of the twenty-first century, when a number of countries progressed in income categories, have changed. Globalization has facilitated the rise of emerging economies and the Global South with their ability to, in some cases, compete in low- and high-tech activities.

2. Industry plays a key role in the complex and challenging transitions into and out of middle-income status, which involve dealing simultaneously with existing and emerging technologies and capabilities. In successful transitions, MICs' markets gradually take advantage of automation to produce goods and services more cost-effectively, and the manufacturing share of value added in gross domestic product (GDP) tends to stabilize. In these cases, as economies develop further, the private sector delivers fast growth, thereby improving productivity, importing existing technologies or penetrating external markets. Small and medium-sized enterprises (SMEs) play an increasingly important role in these contexts, supporting economy-wide productivity growth.

3. However, the use of pre-existing technologies in the respective countries, and gradual but slow improvements in the efficiency of production often drives the industrial transformation required by middle-income economies to transition to high-income status. On the other hand, consolidated advanced economies enjoy a comparative advantage in terms of innovation and the design of global value chains (GVCs). In these cases, incorporation of modern technologies for advanced manufacturing in MICs might be postponed "sine die", creating the conditions for such problems as premature de-industrialization or the middle-income trap.

4. MICs also face the persistent challenge of rising pollution. This is partly explained by fast industrialization, not based on clean technologies, which usually happens during the final stages of their transition from least developed countries to MICs and before they can properly undertake transition and structural change processes to strengthen their comparative advantage in low pollution sectors. The result is that, in some cases, MICs become more polluting per unit of GDP than both low-income and high-income countries. Demand-driven policy measures, such as providing incentives for the private sector, particularly SMEs, to pursue energy savings and make industrial and economic growth greener, play a key role in mitigating such negative impact.

Impact of COVID-19

5. Among its many impacts, the COVID-19 pandemic greatly disrupted global value chains, in which production crosses one or more borders before final assembly. This resulted in a decline in demand and prices, which greatly affected, and will still affect in the short- and mid-term, lower- and upper-MICs, at least until global value chains are re-established and demand is completely resumed.

6. However, disruptions across industries and countries have varied. An example of this can be seen in Latin America, which is typically categorized as a middle-income region. In countries such as Argentina, a recent UNIDO analysis¹ has highlighted the continued operation of food processing and the production of basic healthcare products and related activities, such as packaging, logistics, and laboratories for food safety, during the preventative measures in response to the initial COVID-19 outbreak. In parallel, activities linked to leisure and sports, furniture, footwear, and related industries shut down almost immediately.

¹ UNIDO article: "*Managing COVID-19: Between policy and politics in Latin America and the Caribbean*", 2020. <https://iap.unido.org/articles/managing-covid-19-between-policy-and-politics-latin-america-and-caribbean>.

7. Estimations on the social and economic impact of this global pandemic are, as expected, devastating. In many cases, the poverty incidence will impact even those in employment, particularly those in the informal sector in MICs. As a result of the COVID-19 crisis, the International Labour Organization (ILO) estimates an additional 9 to 35 million working poor in 2020², most of them living in MICs. Therefore, the pandemic is making even more evident the correlations between informal employment, socioeconomic inequalities, and poverty, three major challenges to be addressed in lower- and upper-MICs.

The regional dimension

8. There are some generic lessons about industrial development that apply to all MICs. These concern, among others: productivity improvement; incorporation of new technologies; and specialization on those new technologies, which relates to skills and labour force development.

9. A smart inclusive and sustainable industrial development (ISID) approach towards MICs is typically defined by a combination of social and economic characteristics of countries which go beyond national borders, actually creating common regional identities. Identification of regional pathways for inclusive and sustainable industrialization, and the adoption of regional approaches towards ISID, generates powerful insights for the design of distinctive perspectives on the policy measures to be adopted.

10. UNIDO has developed a series of regional strategies early 2020 identifying specific ISID challenges, bottlenecks and opportunities according to the respective contexts and circumstances of each region, also includes categorizations of countries by income level. Regional approaches identify interventions targeting the priorities of MICs and are well aligned with the Strategic Framework.

Consistency with the Strategic Framework for Partnering with MICs

11. This document presents the workplan requested by UNIDO Member States for the implementation of the UNIDO Strategic Framework for Partnering with MICs (GC.18/Res.9³).

12. The Strategic Framework consolidated UNIDO's position as the reference agency for accelerating ISID and the achievement of Sustainable Development Goal 9 in MICs. The workplan provides tools and instruments for its consistent and coherent operationalization.

13. The main goal of the Strategic Framework for Partnering with MICs is to promote and advance ISID in MICs through the following priority areas: (i) technology advancement; (ii) human capital; and (iii) environmental sustainability. The workplan identifies implementation mechanisms and desired outcomes in these areas.

14. The Strategic Framework for Partnering with MICs highlights the importance of adopting multi-stakeholder and integrated approaches when partnering for this group of countries, due to the heterogeneity of MICs' societies and challenges. Working with partners through UNIDO programmatic approaches which integrate functions, capacities, and resources facilitate engagement to global development trends and support better integration at regional level.

15. UNIDO engagement is based on a combined and integrated implementation of its core functions: (i) technical cooperation, implementing projects and programmes; (ii) policy and analytical work, delivering industrial diagnostics, strengthening capacities, and informing the design of policy strategies; (iii) convening role,

² ILO paper: "COVID-19 and the world of work: Impact and policy responses" www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf.

³ Resolution to be found here: www.unido.org/api/opentext/documents/download/15995008/unido-file-15995008.

catalysing and supporting national and regional industrial priorities; (iv) normative role, ensuring consistency with international standards and norms. The workplan identifies UNIDO packages and tools, which support and facilitate such integration of resources and functions.

16. In terms of financing, the Strategic Framework mentions the potential for self-financed activities in MICs. This approach is to be implemented in combination with cross-cutting instruments such as South-South and triangular industrial cooperation (SSTIC), which serve to stimulate the role of MICs as facilitators of ISID acceleration, capitalizing on UNIDO's catalytic role to facilitate these processes.

17. Basic premises for the operationalization of the Strategic Framework include a common understanding of challenges and solutions, the availability of reliable data and information, adequate capacity for the analysis, planning and implementation of policies and programmes, and effective and systematic progress monitoring and impact evaluation.

II. Core mechanisms

Integrated packages

18. From upgrading industries to creating jobs, while safeguarding the environment, UNIDO efforts to accelerate the achievement of ISID and the attainment of SDG 9 work best when implemented in an integrated manner. In the past few years this has been confirmed by the greater impact achieved through the integration of ISID tools into UNIDO packages. Therefore, a successful implementation of the workplan will greatly rely on the implementation of transformative ISID integrated packages.

19. The integration of UNIDO's functions and services through the CPs/PCPs programmatic packages might be appropriate for MICs, since the impacts achieved through these programmes have the potential to be scaled-up at regional and sub-regional level. The country industrial diagnostic, undertaken to identify ISID challenges and opportunities, defines the programmatic framework of activities, together with the division of roles and responsibilities between UNIDO and government counterparts. A well-defined resource-mobilization strategy combines self-financed elements critical for MICs' ISID acceleration. These elements strengthen Government's ownership of the process, with a strong partnership component aimed to attract national and international donors and partners through a partner-donor mapping tool, developed during the formulation phase to identify funding opportunities.

20. UNIDO has designed specific initiatives for the post-COVID-19 industrial recovery in MICs. The COVID-19 Industrial Recovery Programme, for example, recognizes the advantages of integrating functions, sectors, and areas in its phased approach, to achieve a stronger ISID impact. The programme consists of the following five phases: (i) assessment and analysis; (ii) consensus building; (iii) developing a National Industrial Recovery Plan; (iv) piloting national industrial sector recovery; and (v) replicating pilot success to achieve national industrial sector recovery.

South-South and triangular industrial cooperation

21. UNIDO defines SSTIC as a form of collaboration between and among countries of the South for the promotion of ISID, supported by UNIDO and a northern or southern partner. It therefore complements the Organization's approach to MICs as defined in the Strategic Framework.

22. Beyond this corporate definition, SSTIC is a key mechanism for operationalizing ISID approaches that replicate good practices, particularly at the regional level. It also serves to leverage national and international resources from MICs governments, financial institutions, or business sector entities.

III. Workplan

Main factors underpinning the workplan

23. The main objective of the workplan is to operationalize the Strategic Framework. Through this workplan, UNIDO aims to increase the productive capabilities of MICs, which are critical for upgrading and developing industrial innovation in an inclusive and sustainable manner.

24. The workplan emphasizes: (i) the integration of UNIDO's programmatic approaches into the national policies, strategies and visions of MICs, through UNIDO's country industrial diagnostics; and (ii) the transmission and dissemination of successful practices through SSTIC and regional cooperation, to facilitate the transition between country income categories.

25. Successful implementation of the workplan will rely on several critical factors, including commitments on behalf of governments to design industrial policies, strategies and visions developed at the national level, but also engaging with regional and sub-regional existing frameworks.

26. UNIDO will make use of its resources in the most efficient and effective manner, cognizant that acceleration of ISID and attainment of Goal 9 in MICs requires concerted efforts and knowledge, policy, and programme coordination.

Approach

27. Implementation of the workplan requires the following three major outcomes:

(a) Enhanced integration and adoption of new technologies in MICs accompanied by the implementation of evidence-based mechanisms for designing, implementing, monitoring and assessing industrial policies that facilitate the adoption of such technologies;

(b) Enhanced public-private collaboration in addressing ISID challenges related to the development of industrial skills in MICs;

(c) Adoption by policymakers and relevant stakeholders in MICs of circular practices that improve manufacturing production systems in a sustainable manner, including through the implementation of multilateral environmental agreements.

28. This workplan defines a step-by-step approach, not a method, to accelerate the achievement ISID goals identified in the Strategic Framework. It includes a series of UNIDO technical modules and outputs to facilitate these achievements, expected contributions from the governments of MICs, a series of major outcomes, and associated indicators to monitor progress.

29. The workplan also identifies specific UNIDO actions to support ISID efforts in MICs. These have been designed to strengthen knowledge-sharing and awareness-raising activities related to ISID challenges affecting MICs.

30. Indicators to track progress have been included taking as reference the current design of the UNIDO Integrated Results and Performance Framework, which is in the process of being reformulated at the time of writing this workplan. Based on this reformulation, changes in the selected indicators shall be introduced, if necessary.

PROPOSAL FOR A WORKPLAN OF THE UNIDO STRATEGIC FRAMEWORK FOR PARTNERING WITH MICs

ACTION/IMPACT AREAS	MAJOR UNIDO TOOLS FOR MICs ISID DEVELOPMENT	ROLE OF MICs GOVERNMENTS	MAJOR OUTCOME	UNIDO INTRA-ORGANIZATIONAL MICs-SPECIFIC OUTPUTS	INDICATORS OF SUCCESS ⁴
<p>TECHNOLOGICAL UPGRADING AND CAPACITY-BUILDING</p> <p>(Facilitating the smooth transition to Industry 4.0 in services related to agro-industries, mining, energy, and manufacturing related services; supporting value chain upgrading/innovation (upgrading processes, products, functions and value chains); supporting adoption of Industry 4.0 in MSMEs digital transformation; supporting institutional adjustments (rules, regulations, norms and standards for inter alia innovation, interoperability, and cybersecurity);</p>	<p>- Industrial modernization and MSMEs. Supporting the digital transformation of MSMEs, aiming to enhance their productivity, competitiveness and increase their inclusion in clusters and value chains. The UNIDO toolkit includes programmes like the CIRP (COVID-19 Industrial Recovery Programme) In line with the UNIDO workplan to MICs, the CIRP has a strong regional component and relies on a strong partnership between the national governments, UNIDO and development finance institutions.</p>	<p>- Leverage the disruptions caused by the Covid-19 pandemic to undertake needed policy/structural reforms and ensure that the economic recovery strategies focus on inclusive and sustainable growth</p> <p>- Design industrial policies and strategies focused on innovation; Industry 4.0 roadmaps; Industry 4.0 curricula.</p>	<p>- MICs can harness the Fourth Industrial Revolution for industrial recovery and inclusive and sustainable economic growth.</p> <p>- Industrial policies are informed, fit-for-purpose and support innovation, digital transformation, and a smooth transition towards the Fourth Industrial Revolution</p>		<p>✓ # of MICs showing the adoption of new technologies</p> <p>✓ # of new technologies and digital solutions adopted by firms or institutions in MICs</p> <p>✓ # of firms with improved labour productivity</p> <p>✓ # Adoption of new policies/economic frameworks guiding transition to digital manufacturing/ 4IR</p>

⁴ Pending full adoption of the new UNIDO indicators' framework, to be reflected in the new Integrated Results and Performance Framework (IRPF).

ACTION/IMPACT AREAS	MAJOR UNIDO TOOLS FOR MICs ISID DEVELOPMENT	ROLE OF MICs GOVERNMENTS	MAJOR OUTCOME	UNIDO INTRA-ORGANIZATIONAL MICs-SPECIFIC OUTPUTS	INDICATORS OF SUCCESS ⁴
<p>deploying sector specific approaches, e.g. the automotive, agriculture, textile and apparel, and other sectors; mapping existing technological advancements and requirements for the future of skills and developing new curricula for education and vocational training; supporting and mainstreaming Science, Technology and Innovation (STI) including national, regional and sectoral systems of innovation; strengthening the innovation ecosystem and the enabling environment; promoting investment, with a focus on digital infrastructure, and strategic partnerships, particularly with the business sector)</p>	<ul style="list-style-type: none"> - Food systems. Agro-industries in MICs are transforming rapidly. UNIDO will support MICs to improve the competitiveness of their food systems through access to support services, advanced technologies, finance, markets, and trade opportunities. - Quality infrastructure - GQSP. The Global Quality and Standards Programme (GQSP) supports countries to align the demand for and supply of quality services required to prove and verify the quality of products. This facilitates the introduction of their products in international markets. - Impact investment. UNIDO's ITPO network offers value-added services throughout the entire investment promotion cycle from 	<ul style="list-style-type: none"> - Work towards attracting and retaining Foreign Direct Investment (FDI) in the country. - Support investment promotion strategies and facilitate a conducive investment climate, focused on ISID and SDG-9 impact. Investment promotion strategies for ISID should also be reflected in the expansion of the UNIDO Investment and Technology Promotion Offices network in MICs. 		<p><u>Establishment of MICs network</u></p> <p>Establishment of an informal internal network to enable the Organization to utilize, channel, and institutionalize the knowledge and experiences of its staff in MICs in a systematic manner; the proposed informal network can be used to gather, evaluate and promulgate knowledge; members of the network could form a pool to support and contribute to context-based programmatic approaches to MICs.</p> <p><u>Analysis and diagnostics</u></p> <p>Country diagnosis reports providing the strategic direction to ensure optimization of the country's</p>	

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	<p>identification of partners to ensuring the viability of projects.</p> <p>- EQuIP. EQuIP is an institutional capacity-building package to train public servants and analysts for public policy to be based on informed decisions and a critical examination of empirical evidence. In terms of the policy cycle, EQuIP comes in at an early stage addressing two segments of the cycle related to industrial diagnosis and industrial strategy formulation. EQuIP has recently introduced a gender and Industry 4.0 component to support industrial policy development, thereby integrating two key priorities for MIC</p>	<p>- Promote regular dialogue among relevant stakeholders and ISID actors, including through the organization of investment forums to align investment flows (public, private) to priority areas.</p>		<p>industrialization and technological pathway.</p> <p><u>Engagement with the RCs, RCOs, and UNCT members of the UN reform,</u> leverage on UNIDO's experience in RCs/RCOs/UNCT partnerships, especially during the post-COVID social and economic recovery.</p>	

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<p>UPSKILLING, TRAINING AND EDUCATION (Bringing together public, private and development partners to design training curricula for context-based workforce skill-sets requirements; bringing forth dialogue on the topic of future of industrial skills in MICs; scaling-up skills development programs; strengthening women's economic empowerment and entrepreneurship skills; bridging the digital skills gap and gender divide; building a digital business and innovation ecosystem to foster entrepreneurship and innovation, especially for youth and women.)</p>	<p>- ECP (Entrepreneurship Curriculum Programme) entrepreneurship is introduced as a subject in technical and vocational schools on a nationwide basis. - EDIP (Enterprise Development and Investment Promotion Programme) is a similar UNIDO packaged approach to develop the capacities of potential entrepreneurs/investors and assist them in developing their own private businesses. The LKDF is a platform that promotes industrial skills development among young people in emerging economies, which matches demand and supply based on market's needs.</p>	<p>- Support an integrated application of UNIDO tools and resources through the implementation of integrated packages such as PCPs and CPs</p>	<p>- Enhanced public-private collaboration in addressing ISID challenges related to the development of industrial skills in MICs. - Boosted economic inclusion of women, youth, and vulnerable groups through increased livelihood opportunities.</p>		<p>✓ # of jobs created or retained ✓ # Number of MSMEs reporting increased market inclusion</p>

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<p>ENVIRONMENTAL SUSTAINABILITY (Supporting the adoption of low-carbon technologies and circular systems; supporting the adoption of circular perspectives for waste management and circular business models based on complementarities and synergies to strengthen productivity; enhancing sustainable value chains generating green jobs; deploying and integrating renewable energy systems within industrial facilities; optimizing energy systems in energy intensive enterprises, in line with ISO 50001 standards; supporting sustainable cities and eco-industrial parks; supporting the multilateral environmental</p>	<ul style="list-style-type: none"> - STEPP⁵ (Sustainable Technology Promotion Platform) is a tool designed to share information on energy-efficient and environmentally-friendly Japanese technologies that contribute to sustainable industrialization. It is of high applicability in MICs since it promotes transfer of such technologies to emerging economies. - Bioeconomy. UNIDO support MICs in developing and adopting bioeconomy and circular economy approaches to provide populations with sustainable livelihoods while ensuring environmental sustainability of productive activities.. - Tool-box for green industrial policy and trade⁶ to be used in 		<p>Policymakers and relevant stakeholders in MICs adopt circular practices that improve manufacturing production systems in a sustainable manner, also including through the adoption of appropriate technologies and implementation of multilateral environmental agreements.</p>		<ul style="list-style-type: none"> ✓ Cumulative tons of pollutants reduced or phased out ✓ Cumulative improved energy efficiency ✓ Cumulative improved material efficiency

⁵ For more information on how to utilize STEPP www.unido.or.jp/en/activities/technology_transfer/technology_db/.

⁶ For more information on the Tool-box for green industrial policy and trade www.un-page.org/files/public/gita_manual_150ppi_full_3.pdf.

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<p>agreements (Montreal Protocol, the Stockholm Convention, the Minamata Convention on Mercury, and the United Nations Framework Convention on Climate Change (UNFCCC).)</p>	<p>two main ways: 1) as a stand-alone resource by decision-makers who want to consider a wide range of trade-related policy options to advance certain pre-set goals; and 2), when a government is still in the process of exploring whether or not to implement a green industrial policy and no general or specific goals have been set.</p> <ul style="list-style-type: none"> - Clean technology and innovation. The Global Cleantech Innovation Programme (GCIP) for SMEs identifies and nurtures cleantech innovators and entrepreneurs; builds capacity within national institutions and partner organizations for the sustainable implementation of the cleantech ecosystem and accelerator approach; and supports national 				

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	<p> policymakers to strengthen the supportive policy framework for SMEs and entrepreneurs. - Energy efficiency. Capacity building programmes for stakeholders across the industrial energy efficiency value chain (e.g. energy managers, technology suppliers, financiers, among others), to enhance skills in and knowledge of energy efficiency design and implementation. </p>				