A novel approach

International collaboration for sustainable economic diversification

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Where do we stand? What major global challenges are we facing?

1. A series of unprecedented crises have underscored the fragility of progress towards the SDGs.

2. At mid-way point to 2030, the developing world still has a significant journey ahead to reach the SDG targets.

3. SDG 9 shows the lowest scores consistently across regions, low levels of innovation are particularly alarming across all regions.

4. Two megatrends are radically altering the global landscape: decarbonization and digitalization.

At the mid-way point to 2030, decarbonization and digitalization present major challenges and opportunities for developing countries to close widening gaps.

Source: UNIDO, SDG Summit Paper and UN SDG Progress Report 2023
Growing divide in digital technologies

- The adoption of digital technologies continues to be unequal across countries and firms.

- The Industrial Development Report (IDR) 2020 found:
  - 10 economies account for 90% of all global patents and 70% of all exports directly associated with 4.0 technologies.
  - The average share of firms in Africa, Asia and Latin America, using 4.0 technologies in their production process is below 2%.

The concentration of digital technologies in developed economies, has exacerbated the digital divide, with developing countries lagging behind.

Source: UNIDO, IDR 2020
Growing divide in green technologies

- Global production is currently undergoing a green transition: **green technologies have been growing steadily** since 2000.
- Once viewed as a significant contributor to environmental challenges, **industry is now increasingly recognized as a solution**.
- Industry is at the center of the green transition: **6 out of every 10 green patent applications are submitted by industrial firms**.
- Green technologies are concentrated in developed economies: **85% of green patents are held by industrial firms from just five countries**.

**The concentration of green technologies in developed economies, has led to a green divide, with developing countries lagging behind.**

Source: UNIDO, IID policy brief series
UNIDO's latest assessment of SDG9 indicators reveals that there is a large gap in innovation between LDCs and developed countries.

Source: UNIDO, SDG Summit Paper
The role of industrialization and industrial capabilities in closing gaps

- Industrialization is positively correlated with SDG progress.

- Industry has a tremendous potential to close the digital and green divides due to its high innovation.

- However, the innovation capacity of an industrial ecosystem is defined by its industrial capabilities (i.e. productive, technical and innovation capabilities).

- Thus, engaging with new technologies and closing the green and digital technological divide requires industrial capabilities at a national and firm-level.

Source: UNIDO, IDR 2020
The role of industrial policies in closing gaps

Increasing global awareness that industry holds the key to tackling some of the key challenges confronting the world goes hand in hand with a strong resurgence of industrial policy (the use of industrial policy has doubled over the past 10 years).

This resurgence, however, is primarily driven by the industrialized countries implementing ambitious industrial policy strategies centered around decarbonization and digitalization.

Unless developing countries match these efforts with the implementation of modern industrial strategies, green and digital divides will continue to deepen.

Source: UNIDO, IID policy brief series
Forward-looking industrial policies are essential

Even with insights gained from past experiences and guidance from best practices, implementing an effective industrial policy remains a complexity endeavor. However, **5 key ingredients define modern industrial strategies.**

1. **SDG-Oriented**
   - Specific objectives and clear strategies for selecting and building critical industries that have potential to accelerate SDGs.

2. **Future-ready**
   - Leverage ongoing transformative changes (i.e. decarbonization, digitalization, and recalibration of global supply chains).

3. **Public-private coordination**
   - Open collaboration between the government and business.

4. **Context based**
   - There is no-one-size fits all approach as the emphasis on the different levels of interventions will vary from country to country.

5. **Regional coordination**
   - Crucial to address region specific priorities, challenges, and opportunities.

Source: UNIDO, SDG Summit Paper
Major challenges of designing and implementing industrial policies

1. Financing
   - Developing countries often face financial constrains due to limited access to sustainable finance.
   - It is crucial to match industrial policy programs with budgetary leeway.

2. Implementation of industrial policies
   - Inconsistency and short-termism of industrial policies undermine the success of industrial strategies.
   - Strengthening design and implementation capacities at state level to carry out their own industrial policies is key.

3. Lack of industrial capabilities
   - Developing countries often lack absorptive capacity and access to digital and green technologies.
   - Enhancing firm level capabilities and their absorptive capacity by improving human capital (knowledge/skills), infrastructure and access to technology is paramount.

Source: UNIDO, SDG Summit Paper
3 industrial policy solutions for the green transition

In preparation for the 2024 IDR, UNIDO collected inputs from Member States and experts, which pointed to **green windows of opportunities** in Africa, Asia, Latin America and Eastern Europe.

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Source: UNIDO, SDG Summit Paper
UNIDO’s call: Global solidarity with a renewed spirit of international partnerships is needed

1. Inclusivity and synergies

Rules of the game around trade, investment and technology must be supportive to accelerate SDGs. Developing countries should be included in investment, technology transfers and partnerships to facilitate policy implementation. Use industrial policy as the driver of creating synergies across different policies to make progress on SDGs.

2. Strengthening industrial policy capacity

In the current context, framing industrial policies and strategies is a complex endeavor. Developing countries need to strengthen their capacity to develop effective industrial strategies. Investment in these capabilities must begin now.

3. Regional coordination

No country can do it by themselves. Collaboration at regional level on industrial policy is also needed to address region specific priorities, challenges, and opportunities. For example, the development of green hydrogen infrastructure requires regional cooperation.

Source: UNIDO, SDG Summit Paper
Thank you!