



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

Progress by innovation



# International collaboration for sustainable economic diversification

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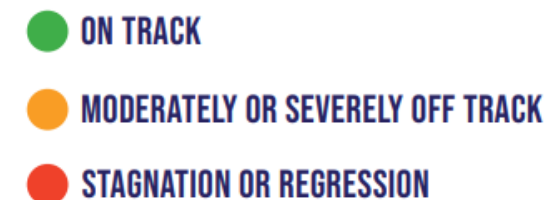
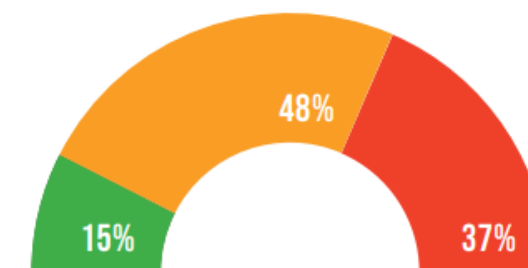
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## Where do we stand? What major global challenges are we facing?

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**.

### A **CONCERNING PICTURE** OF SDG PROGRESS AT THE **MIDPOINT**:



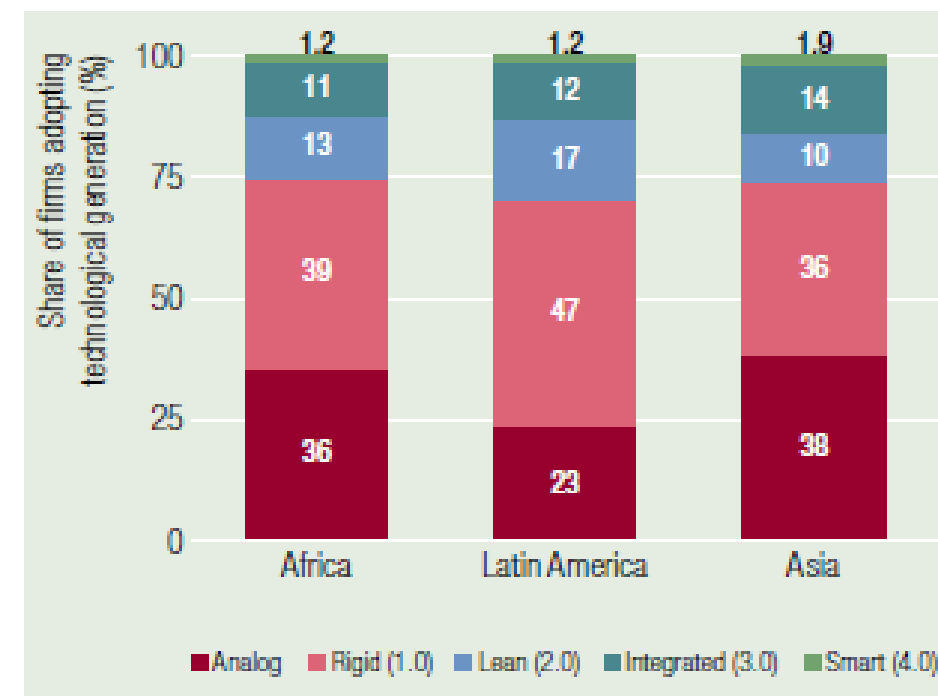
**At the mid-way point to 2030, decarbonization and digitalization present major challenges and opportunities for developing countries to close widening gaps.**



## 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%.**

*Diffusion of 4.0 technologies among manufacturing firms in Africa, Asia and Latin America, 2021*



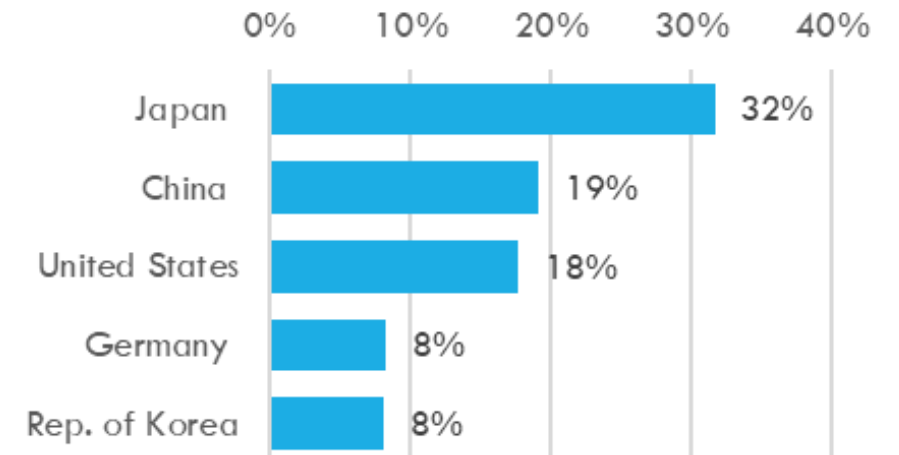
The concentration of digital technologies in developed economies, has exacerbated the **digital divide**, with developing countries lagging behind.



## 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.**

*Top 5 green patent holders*



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



## A large gap in innovation



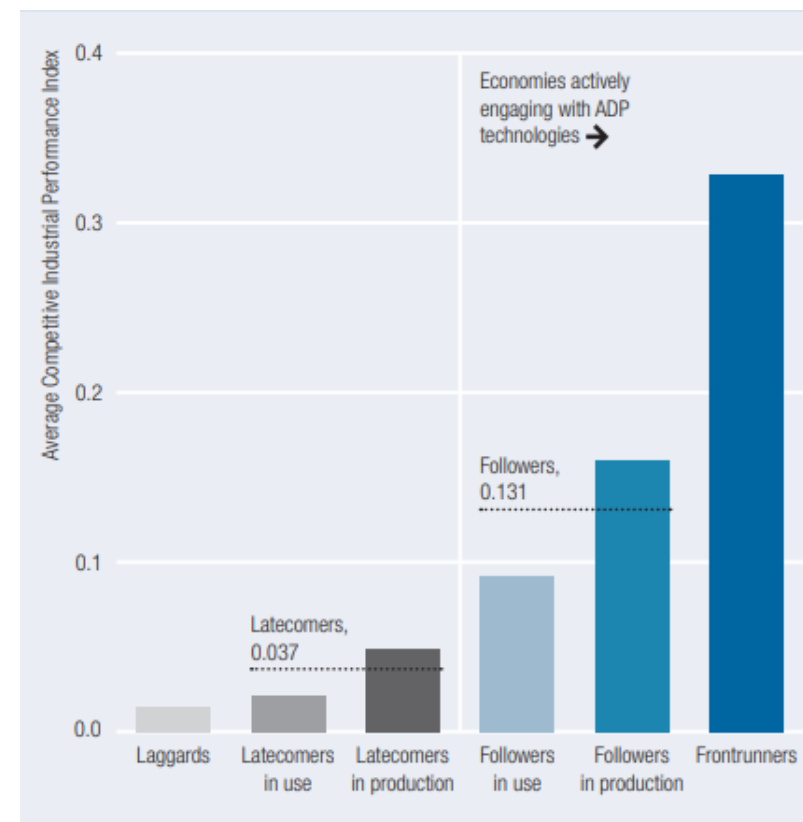
UNIDO's latest assessment of SDG9 indicators reveals that there is a **large gap in INNOVATION** between LDCs and developed countries.



## 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.**

*Engaging with 4.0 technologies requires increasing industrial capabilities*





## 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.**



Presidency | South Africa  
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President **#Ramaphosa**: We are developing the productive base of the economy, by enhancing current industrial policy measures, leveraging local procurement, sharpening the Industrial Policy Action Plan, promoting export competitiveness & taking advantage of regional opportunities.



The White House  
@WhiteHouse

President Biden's CHIPS and Science Act is a game changer – investing \$52 billion to make semiconductors here in America.



European Commission  
@EU\_Commission · 21 feb. 2018

**#EUIndustryDay** kicks off tomorrow!  
We will take stock of the progress made since we released our **Industrial Policy Strategy** in 2017 and discuss ways forward to further develop industrial competitiveness in Europe → [europa.eu/!NP89wj](https://europa.eu/!NP89wj)





## 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.





# Major challenges of designing and implementing industrial policies

1

## Financing

- Developing countries often face financial constraints 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.



## 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.

INDUSTRIAL POLICY SOLUTIONS	SDG Acceleration		UNIDO SUPPORT	PROGRAMS	REGION
	Direct	Indirect			
Create industrial clusters around the production of green products			Identify opportunities to diversify in sectors and products with green potential	DIVE diagnostic tool	Latin America
Promote industrialization around clean energy production			Using green hydrogen to propel local industries	Green Hydrogen Industrial Clusters Guidelines	Global
Foster circular economy to tap into new markets			Sharing knowledge and best practices on circular economy	Capacity development programs on industrial policies for circular economy	Middle East



# 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.



**Thank you!**