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ROUND TABLE 4: ISSUE PAPER

Post-crisis industrial rehabilitation and reconstruction

Vienna, Austria

Round Table 4

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Tuesday, 2 December 2003, 3:00 - 5:00 p.m.

Introduction

The issue paper aims at identifying the potential UNIDO interventions in post crisis situations resulting from military conflicts (post-conflict) as well as natural disaster or economic collapse (post crisis). As the term 'post crisis' has a wider application it was used subsequently throughout the text in both scenarios.

In all cases of natural disaster and civil conflict, there has been widespread damage to the social and economic infrastructure in terms not only of the loss of physical establishments, but the loss of qualified human skills and indigenous knowledge. A large proportion of the population has also been displaced.

Such disaster and civil strife exacerbate the economic challenges facing the affected countries and regions by destroying physical infrastructure and distribution networks, disrupting markets and financial systems, and undermining confidence of the country in the future. Civil life is often dominated by widespread militarization and the displacement of people, which hinders access to previous livelihoods and to basic services. In such an environment, social organization and family units break down, and the gender roles are changed.

Since the early 1990s, at the end of the Cold War, internal conflicts at the country and regional level emerged as a major new concern. Each of the cases varying and being unique, flexible priority setting is required for devising policies and strategies for the recovery and reconstruction. Interventions for post crisis rehabilitation need to tackle the root causes of conflict based on its 'specificity'. Furthermore, common to such situations is the need to bridge the gap that is created when humanitarian assistance begins to taper off and longer-term reconstruction aid is still in the planning stage. This applies unanimously whether the disaster is war, industrial or natural calamity.

Countries affected by crisis/conflict have been faced with social and economic dislocation which inevitably reduces the productive capacity of the economy and the ability of the affected populations to generate sustainable livelihoods. The resulting poverty, hunger and risks to health, child mortality and lack of education are in direct

conflict with the goals of the Millennium Declaration. They call for external interventions to ameliorate their adverse impact in the short term and overcome them more comprehensively in the longer term. Given the evident inability of the crisis-affected countries to undertake these interventions on their own, they will require substantial support from the international community to help them to overcome the setbacks they have suffered.

International Response to Crisis Situation

The international response to disaster and conflict situations is challenged to address the whole spectrum from emergency and relief, via reconstruction and rehabilitation, to sustainable long-term development. This will typically involve a continuum of activities beginning with humanitarian relief measures intended to meet the immediate nutritional and housing needs of the affected population, leading to the rehabilitation or reconstruction of the damaged or destroyed physical infrastructure, strengthening institutional capacity, and the restoration of the human resource base as a platform for sustainable development. In case of a post-conflict situation, there are additional dimensions to be incorporated, such as conflict resolution (e.g., peace negotiations), reconciliation and conflict prevention.

Particular attention needs to be given to the appropriate timing and sequencing of assistance. As the support activities needed in post crisis situations are closely interlinked and the needs vary significantly from one case to another, it is usually very difficult to draw discrete lines between the evolving stages of post crisis assistance. Many agencies involved in emergency relief extend their programmes into rehabilitation and reconstruction work. At the same time, development agencies may identify opportunities for appropriate interventions in some instances or in specific sectors even during what is normally viewed as an “emergency relief” or “conflict” phase.

Against this background, the support of the international community needs to be extended in an integrated manner incorporating multi-sectoral and multi-dimensional approaches towards the recovery efforts. All major multilateral and bilateral aid agencies work in a wide spectrum of activities for crisis and disaster reduction (prevention, preparedness and mitigation) and recovery (rehabilitation and reconstruction). These activities are, however, complemented closely by a longer-term development agenda, with issues such as capacity-building for poverty eradication and sustainable livelihoods, sound governance, environment (including the sustainable use of natural resources), and gender equality.

Importance of economic recovery

The economic recovery of a post crisis country depends heavily on the success of the transition from the emergency and relief phase to the rehabilitation and reconstruction phase and ultimately to the development phase of the recovery process, since the rebuilding of the domestic economy needs a smooth restoration of access to all relevant internal and external resources. While social infrastructure and security are the priority areas to be restored, the economic recovery, particularly in terms of

reviving markets, creating opportunities for income earning, and absorbing the population in need of employment, should accompany the efforts of national conciliation or disaster relief. From this broad scope of post crisis economic recovery, UNIDO will specifically focus on its core competencies of industrial rehabilitation, reconstruction and development.

In order to achieve these objectives, an integrated package of rehabilitation and reconstruction assistance is needed. This package should comprise, *inter alia*, the following elements:

- Re-establish the framework of governance by strengthening government institutions, restoring law and order, and enabling the organizations of civil society to work effectively;
- Restore important physical infrastructure, including key transport, communication, and utility networks, and rehabilitate key productive sectors in order to provide critically important goods and services;
- Provide assistance to those affected by war through the reintegration of displaced populations, demobilization and reintegration of ex-combatants, revitalization of the local communities most disrupted through the provision of credit lines to subsistence agriculture and micro enterprises, and support for vulnerable groups such as women and children as well as female-headed households;
- Rebuild and maintain key social infrastructure by strengthening the education system to provide of qualified and skilled human resources and rehabilitating and improving the health care;
- Jump-start the economy through investment in key productive sectors, create the conditions for a resumption of trade, savings, and domestic and foreign investment; and promote macro economic stabilization, rehabilitation of financial institutions, and restoration of appropriate legal and regulatory frameworks.

UNIDO Initiative for Post Crisis Industrial Rehabilitation and Reconstruction

Basic Principles

UNIDO has launched a thematic initiative specifically addressing the need of industrial rehabilitation and reconstruction in crisis affected countries. This is based on the experience and lessons accumulated in various technical cooperation projects and is based on the following principles:

- *Sound diagnosis*

Through its specialization on industrial development, UNIDO is able to support the efforts of host governments to analyze the needs for industrial rehabilitation and reconstruction, identify the kinds and levels of intervention required, and formulate appropriate policy advice and technical cooperation proposals. Based on a thorough

assessment of the situation and clear identification of demand for industrial recovery, UNIDO would provide the appropriate mix of its existing services that would be needed to meet the specific requirements of the country concerned.

- *Tailor-made responses*

UNIDO's involvement can ensure that a signal is given at the earliest stage to the government, international aid agencies and donors regarding the need for an integrated approach based on striking a balance between the humanitarian relief operations and the restoration of productive capacities, especially in the industrial sector, as a source of local inputs for the relief operations and the basis for a sustainable longer-term recovery.

The level of interventions would vary depending on the type and dimensions of crisis/conflict and the timing and course of actions taken by UNIDO will be determined according to UNIDO potentials and capacities.

- *Donor coordination and inter-agency collaboration*

UNIDO can play an important role in linking the host government's needs with the most feasible and appropriate bilateral and multilateral activities to promote the recovery of the industrial sector as well as the related institutional and physical infrastructure. UNIDO's intervention for economic and industrial recovery would be harmonized with other implementing agencies and stakeholders.

Phases of Interventions

The activities within UNIDO's initiative can be grouped into three phases ranging from Emergency Relief and Humanitarian Assistance Needs to Reconstruction/Rehabilitation and Sustainable Development.

1) Emergency Relief and Humanitarian Assistance Needs

During this initial phase, the most feasible activity that UNIDO can contribute is to perform a Needs Assessment and Absorption Capacity review to understand clearly the socio-economic situation of the country and identify the areas of UNIDO's interventions which could generate added value for the rehabilitation and reconstruction phase of the country.

In this endeavour, some critical elements have to be duly looked into. They are, inter alia, understanding the level and status of destruction and damages made, the root causes of the conflict, the role of respective local actors, the cultural and historical background of the country, the condition of environmental degradation and pollution, the availability of resources – physical, human and financial - required for industrial rehabilitation, and the role of local institutions and social groups in the past. These are the issues that facilitate a good understanding of the modalities for an effective interaction of actors involved in the country, which is required for successful rehabilitation and reconstruction initiatives. Through an in-depth analysis on those

issues mentioned above, specific needs would be identified for rehabilitating a group of key industries selected on the basis of their relative importance to the immediate post-crisis relief efforts and their significance to other enterprises and industries which have close supply and/or procurement linkages.

UNIDO's intervention in the Needs Assessment and Absorption Capacity review process can be based on two types of information:

- Information outside UNIDO's specialization, and therefore, where the organization will have to create alliances with other groups or agencies in order to have a more holistic view and understanding of the situation (such as social, cultural, financial, educational or legal aspects).
- Information UNIDO can contribute and assess through its experience, to the multi-stakeholder process.

2) Rehabilitation and Reconstruction

The phase of rehabilitation and reconstruction is where UNIDO could provide more value added through the implementation of its services and by strengthening the industrial sector as well as public and private institutions with industrial and economic mandates.

In concrete terms, the following four major areas of intervention would be identified:

- Strengthening key industrial sectors
 - a) Techno-analysis of productive sectors and provision of methodologies and tools for economic and industrial sector analysis
 - b) Assistance to rehabilitate selected enterprises
UNIDO rehabilitation assistance will focus on micro and small scale industry, in such sectors as woodworking, metalworking, blacksmithing, food processing and the production of building materials and agricultural tools and equipment, and essential medicine
- Promoting income generating activities
 - a) Establishment of community-based production units and related basic infrastructure
 - b) Assistance in designing job creation programs through inter alia foreign investment promotion
 - c) On-site training programmes for technical skill upgrading
 - d) Development of training programmes specifically designed for rural and women entrepreneurs, including refugees, internally displaced people and especially youth, in many cases, ex-combatants, by establishing links to on-going community-based activities and social services (such as health, nutrition, literacy, and awareness building on human rights)
- Institutional strengthening
 - a) Assist public institutions in developing a coherent industrial strategy for recovery and future growth and establish a sound policy framework for industrial development

- b) Assistance to rehabilitate and rebuild SME support institutions in providing advisory services to entrepreneurs as per their specific rehabilitation needs
- c) Capacity building of public and private sector institutions
- d) Immediate institutional strengthening of the government organizations and staff responsible for industrial recovery and development
- Infrastructure rehabilitation
 - Identify appropriate technology and assistance in immediate technology transfer required to rehabilitate water supply, waste management and energy sectors

3) Sustainable Development

Once a certain lack of stability of the country's situation is observed and a positive transition emerges from the rehabilitation and reconstruction phase towards more long-term development, the type of assistance required for the country evolves into assistance required to achieve sustainable development.

Based on the areas UNIDO is proposing for post-crisis situation, a focus would be placed on the following activities.

- Promotion of industrial competitiveness
- SME connection with regional and global markets
- Strengthening governance system and institutional support

Key issues to be addressed by the Round Table

Key questions for general discussion:

- How important is the concept of Human Empowerment as referred to in the report, *Human Security Now* (Sen & Ogata, Commission on Human Security, New York 2003)
- What are the main political and economic challenges for post crisis response and related strategy setting?
- What are the priority needs for each of the stages of emergency, humanitarian relief, rehabilitation, reconstruction and development?
- What are the roles of the government, the private sector, donors and United Nations agencies?
- What is the key contribution of the industrial sector in post crisis rehabilitation and reconstruction?

Specific questions regarding UNIDO's role in post crisis assistance:

- What should be the most tangible and feasible contribution (in terms of concrete interventions) that UNIDO can involve itself in for economic recovery?

- In the continuum from relief to development, how early should a needs assessment and absorption capacity analysis be made, taking into account the need for a long-term sustainable development strategy?
- What kind of strategic alliances should UNIDO seek with other agencies and partners?
- Does UNIDO need a specific approach and/or mechanism/structure to address post crisis assistance in order to respond appropriately and promptly to urgent support requirements?

Summary

UNIDO's initiative for post crisis assistance thus aims at:

- Facilitating the understanding of the need for an effective involvement in post crisis recovery
- Emphasizing the importance of economic recovery in post crisis countries and UNIDO's potential contribution to recovery, specifically in the area of industrial rehabilitation
- Creating a common understanding that UNIDO's post-crisis initiative is based on three basic principles, i.e., sound diagnosis, tailor-made responses and close donor coordination and inter-agency collaboration
- Identifying three phases and respective strategies for UNIDO's post crisis intervention in: Emergency Relief and Humanitarian Assistance Needs, Reconstruction/Rehabilitation and Sustainable Development.

More in-depth consideration of these issues is included in a separate discussion paper.

