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**UNIDO's response to the COVID-19 pandemic**

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**Report by the Director General**

The present report provides information on the impact of COVID-19 on industrial development and the response of UNIDO to the crisis and its socioeconomic consequences.

**I. Background**

1. The COVID-19 crisis started as and remains primarily a public health emergency with widespread loss of life and human suffering. The measures required to contain the spread of the virus turned the pandemic into the worst economic crisis in decades, resulting in contractions in output, spending, employment, and overall economic growth.
2. Industry is experiencing shocks on the demand and the supply side. Shop closures, unemployment and lower incomes result in lower spending and demand, even in countries where containment measures were less stringent so far. On the supply side, with factories closed or operating below capacity, output decreased. Production is further hampered by the lack of intermediate supplies. Reduced manufacturing output is reflected in declining trade.
3. Large revenue losses and liquidity shortfalls affect even companies that were otherwise stable and competitive. Unpaid creditors and workers, as well as bankruptcies and lay-offs are expected as a consequence.
4. Unemployment rates have reached exceptional levels. The collapse of companies in the manufacturing sector, with its deep and extensive linkages to the agricultural and service sectors, could multiply the negative impact.
5. Global foreign direct investment is also affected, manifested by unprecedented outflows of capital from emerging economies. Remittances, an important source of income in developing countries, have dropped sharply.

For reasons of economy, this document has not been printed. Delegates are kindly requested to bring their copies of documents to meetings.



## II. The response of the United Nations system

6. Under the leadership of the Secretary-General, the United Nations system launched a joint comprehensive response to COVID-19 to save lives, protect societies and recover better. Based on these health, humanitarian and socioeconomic pillars, the joint response contains three main plans:

(a) The *Strategic Preparedness and Response Plan* to address immediate health needs. Prepared by the World Health Organization (WHO), it outlines the public health measures that all countries need to implement and prepare for. It is financed through government budgets, the UN Central Emergency Response Fund (CERF) and the WHO Solidarity Response Fund, open to corporations and individuals;

(b) The *Global Humanitarian Response Plan* to ease the impacts in the most vulnerable countries. Coordinated by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and humanitarian agencies, it sets out the priorities for the COVID-19 response in vulnerable and poor countries and serves as the primary vehicle for raising resources for 50 priority countries;

(c) The *United Nations framework for the immediate socioeconomic response* to deliver rapid recovery. The framework guides the actions of the United Nations system through the next 12 to 18 months to help socioeconomic recovery. A dedicated Recover Better Trust Fund will support efforts in low- and middle-income countries with financial requirements projected at \$1 billion in the first nine months. At the end of June 2020, \$45 million or five per cent of the expected funding have been secured.

7. The Secretary-General's report *Shared Responsibility, Global Solidarity: Responding to the socioeconomic impacts of COVID-19* issued on 31 March 2020 is the basis for the elaboration of the socioeconomic response. The report called to (i) suppress transmission to stop the pandemic and save lives; (ii) mitigate effects on lives, livelihoods and the real economy; and (iii) build back better.

8. The *United Nations framework for the immediate socioeconomic response*, which builds on the Secretary-General's report, aims to (i) tackle the immediate emergency; (ii) focus on the social impact and economic response; and (iii) recover better. The framework outlines five streams of work:

(a) Ensuring that essential health services are available and protecting health systems;

(b) Helping people cope with adversity, through social protection and basic services;

(c) Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes;

(d) Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and

(e) Promoting social cohesion and investing in community-led resilience and response systems.

9. These five streams are connected by a strong environmental sustainability and gender equality imperative to "build back better".

10. The focus of the response lies at the national and sub-national level, using the United Nations country teams under the leadership of the United Nations resident coordinators, with support from the United Nations Development Programme (UNDP) as the technical lead, and drawing from the expertise of United Nations development system entities working as one.

### III. The UNIDO response framework

11. The UNIDO framework *Responding to the crisis: building a better future*, published in May 2020 in alignment with the United Nations framework, outlines the UNIDO approach for the next 12 to 18 months. It is based on clear country needs, as part of and in partnership with the United Nations development system, and involves partners, such as the business sector, international financial institutions, and funding partners.

12. Assistance is provided within the mandate of UNIDO and in line with its four core functions of technical cooperation, policy analysis and advice, norms and standards, and convening and partnerships.

13. The framework outlines three integrated packages to support Member States with comprehensive socioeconomic recovery approaches:

(a) “Prepare and contain” to support the preparation for the health crisis and containing its economic consequences, and to protect supply chains, the productive sector and its workers. This means supporting the diversification of manufacturing capacities and adapting industry to ensure access to critical supplies, such as personal protective equipment (PPE) and pharmaceuticals, among others. An important contribution in this regard are assessments and analyses, policy advice and normative support, mapping, information sharing and partnership formulation;

(b) “Respond and adapt” to support the adaptation of the productive sector to respond to the crisis, utilizing inclusive and sustainable solutions, and building resilience. In addition to supporting the repurposing of manufacturing towards the production of urgently required PPE and medical equipment, this package promotes inclusive and environmentally sustainable solutions, to help micro-, small and medium-sized enterprises (MSMEs) and support continued learning through virtual outreach and innovative approaches. This also includes supporting hospitals with medical waste management and assisting the local pharmaceutical manufacturing sector;

(c) “Recover and transform” to support the recovery and transformation towards inclusive, resilient and sustainable economies. This stream includes support to governments through socioeconomic diagnostics and advisory services for the planning and execution of sustainable economic growth and structural transformation plans. UNIDO aims to provide a holistic approach for a transition into low-carbon economies through circular industrialization plans and solutions for environmentally sustainable economic recovery.

### IV. UNIDO support to Member States

14. Following the guidance by host country authorities, the UNIDO Secretariat required personnel to work from home between 16 March and 18 May 2020. Despite travel restrictions, closures of borders, companies and governmental institutions and other containment measures around the globe, the value of UNIDO technical cooperation delivery between March and June 2020 was on average only 9.8 per cent less than in the same period last year.

15. Given that the manufacturing sector, industry-related services and their workforce are directly affected by the crisis and will constitute one of the most important elements of the recovery period, the mandate of UNIDO has undeniably become more important than ever.

16. While the economic dimension of sustainable development has gained renewed recognition in recent years, UNIDO’s core competence and comparative advantage lies in the areas that will require the most support once the immediate health crisis subsides, including job creation and income generation, trade, food security, innovation and technology, as well as energy and environmental services.

17. In addition to the implementation of ongoing and planned programmes and projects, UNIDO started specific activities to respond to the challenges of the crisis as a matter of urgency from early February 2020.

18. Particularly at the early stages of the crisis, it was important to provide information on the consequences of the pandemic and measures to mitigate the impact. The Department of Policy Research and Statistics has published a series of analyses, opinion pieces and articles on the impact of COVID-19 and its mitigation.<sup>1</sup>

19. This includes analyses of the importance of industrial policy and means to minimize the negative impact on industry; value chain disruptions and lessons learned from past disruptions; prospects of automation and reshoring of manufacturing; fostering recovery through science, technology and innovation; the global contraction of foreign direct investment; as well as analyses of the impact on regions such as Africa, the Arab region and Latin America and the Caribbean.

20. Drawing on longstanding experience with industrial upgrading and modernization of enterprises and institutions, UNIDO launched the “COVID-19 Industrial Recovery Programme” (CIRP).

21. The publication *Responding to the COVID-19 Crisis: Pathway to Business Continuity and Recovery* provides guidance to MSMEs in responding to the crisis and for building a better future.

22. A global call for “Innovative ideas and technologies vs. COVID-19 and beyond” attracted 1,100 applications from 108 countries and identified innovative solutions.

23. The following activities are exemplary of UNIDO projects on the ground:

(a) In Africa, UNIDO supports the local production of PPE and health equipment in Burkina Faso, Côte d’Ivoire, Guinea, Kenya, Madagascar, and Nigeria, while continuing its programme to boost the local pharmaceutical production of essential medicines. In South Africa, UNIDO and United Nations Environment Programme (UNEP) support focuses on medical waste management. In Senegal, UNIDO plays an important role in the United Nations economic response and works with academia on producing organic disinfectants extracted from cashews and mango oil;

(b) In the Arab region, UNIDO, the United Nations Population Fund (UNFPA), the WHO and the International Labour Organization (ILO) collaborate in Morocco to ensure the continuity of primary healthcare and hospital services. In Egypt, UNIDO supports the preparation of strategic foresight for manufacturing. UNIDO helped develop the economic response strategy of the State of Palestine. In Somalia, UNIDO policy advice contributed to the socioeconomic response. UNIDO’s Investment and Technology Promotion Office (ITPO) in Bahrain carried out a survey of entrepreneurs and provides business counselling for start-ups;

(c) In Asia and the Pacific, the ITPOs in Beijing and Shanghai were the first UNIDO offices to extend support as public-private partnership platforms for the deployment of robot delivery vehicles and the promotion of a new disinfectant in February 2020. A platform in India helps MSMEs to reactivate their business. Other countries supported in PPE production or medical waste management include Bangladesh, India, Iran (Islamic Republic), and the Philippines. Studies in Malaysia and Thailand informed on the COVID-19 impact on SMEs. A survey in the region with over 1,000 responses from seven countries resulted in a study at the firm-level;

(d) In Europe and Central Asia, UNIDO works with UNDP, the United Nations Children’s Fund (UNICEF), the International Organization for Migration (IOM) and UNFPA to support light industry in Armenia and enhance medical gear production

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<sup>1</sup> Information on the UNIDO response, including links to analyses, articles and project stories can be found at: <https://www.unido.org/unidos-comprehensive-response-covid-19>.

capacities. PPE production in Tajikistan and medical waste management in Kyrgyzstan are also supported;

(e) In Latin America and the Caribbean, UNIDO supported the socioeconomic impact assessments of Bolivia (Plurinational State of), Colombia, Ecuador, El Salvador, Mexico and Venezuela (Bolivarian Republic). In Brazil, UNIDO partners with a non-profit organization to support SMEs during the pandemic through an online platform. In Colombia, a guide for businesses enabled compliance with new industrial protocols.

24. The COVID-19 pandemic is setting back the development progress of decades. Sharp decreases in foreign direct investments, remittances, exports, and incomes will need to be compensated for with increased official development assistance. Member States, the donor community and financial institutions will need to devise a feasible recovery model considering the need for quantitatively and qualitatively adapted funding.

25. Inclusive and sustainable industrial development will remain a key priority for economic recovery and to build a more inclusive, sustainable and resilient future.

## **V. Action required of the Committee**

26. The Committee may wish to take note of the information contained in the present document.

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