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PRS NEWSLETTER

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Dear Readers,

As the final days of this unprecedented year draw to a close, I would like to express my sincere appreciation to the entire PRS team for the extraordinary commitment and determination shown during the course of this difficult year, which has completely altered our realities. Yet instead of approaching the challenges associated with COVID-19 as an observer, PRS actively explored the opportunities inherent in those challenges to move from a state of uncertainty and powerlessness to one of empowerment and action. The pandemic has clearly demonstrated that the expertise, tools and guidance PRS can offer UNIDO Member States to build back better and improve their resilience are now more relevant than ever. Going forward into 2021, I am convinced that PRS will continue making an impact.

Over the last month, PRS's momentum has not let up; this second E-newsletter provides an overview of PRS's manifold activities, including several publications and numerous contributions to webinars and virtual events held around the globe. The Department's activities cover a wide range of topics, such as the implications of COVID-19 on the future role of global value chains, the significance of science, technology and innovation for achieving the SDGs, how developing economies can capture the 'digital dividend' associated with the Fourth Industrial Revolution, and many other interesting and relevant issues. We hope you enjoy reading the newsletter and find it useful.

As we approach the festive season, let me extend my warmest wishes to you and your families this holiday season.

Hiroshi Kuniyoshi

Deputy to the Director General and Director ad interim of the Department of Policy Research and Statistics, EPR/PRS

Our newsletter mailings are a convenient way to stay connected and keep readers up to date on PRS's latest news.

We welcome any feedback, comments and suggestions for further improvements at prsnewsletter@unido.org.

PUBLICATIONS

[Importance of Manufacturing Development and Structural Change for Pro-Poor Growth](#)

By Nobuya Haraguchi and Juergen Amann

Chapter 3 in *Part I: Industrial Promotion in Retrospect and Prospect* of the book in both [Designing Integrated Industrial Policies Volume I – For Inclusive Development in Asia and Designing Integrated Industrial Policies Volume II – For Inclusive Development in Africa and Asia](#) published by Routledge—a comprehensive reference work on industrial development and on the current state of (de)industrialization in Southeast Asia and China—illustrates that manufacturing is a highly complex and dynamic sector with an important mandate to promote and retain economic success at different stages of economic development. Not accounting for these growth potentials by inadequately capturing the underlying dynamics of manufacturing may result in a sub-optimal allocation of resources, which, in turn, may adversely affect countries' development opportunities.

[Capturing the 'Digital Dividend' in Developing Economies](#)

By Alejandro Lavopa and Elisa Calza

Developing countries are more likely to gain knowledge in frontier 4IR technologies through international than through domestic channels; participation in global value chains (GVCs) can be one such international conduit, and is linked to a wider diffusion of knowledge and greater opportunities for learning and capacity development. The adoption of such technologies, in turn, is associated with better performance and higher labour productivity, returning a 'digital dividend' to those able to implement these technologies and their associated processes. Yet firms with low absorptive capacity will not be able to capitalize on these advantages due to their lack of knowledge and skills to identify, use and maintain the relevant technologies. That is, equal attention must be paid to developing local human capital by fostering knowledge creation and diffusion.

[Management of the COVID-19 Pandemic Impact on Moroccan Agro-industry and Recovery Strategies](#)

This report, which is the product of a collaboration between PRS, AGR and PFC/RFC/ARB on a study conducted in June 2020 by a team of experts from UNIDO and the African Development Bank, examines the socio-economic impact of the COVID-19 pandemic on Morocco's agrifood industry, given the industry's dependence on imports and exports and the situation on world food markets. It develops policy responses with the objective of mitigating the pandemic's medium- to long-term impacts on the agro-industry. The findings provide policymakers and business leaders with practical

information on which measures could support Morocco's agrifood industry in the face of the pandemic.

Risk, Resilience and Recalibration in Global Value Chains

By Adnan Seric, Holger Görg, Wan-Hsin Liu and Michael Windisch

Despite the fact that global value chains (GVCs) have demonstrated some degree of resilience amid the current global economic shock, supply chain disruptions have induced many countries to reconsider the potential benefits of regionalizing or even localizing their value chains. Although the roll-out of effective vaccines in late 2020 and early 2021 may loosen the grip of COVID-19 on the global economy, ongoing protectionist and geopolitical trends suggest that the world is unlikely to see a return to business as usual.

How the G20 Can Advance Sustainable and Digital Investment

By Matthew Stephenson, Mohammed Faiz Shaul Hamid, Augustine Peter, Karl P. Sauvart, Adnan Seric, Lucia Tajol

PRS contributed to this policy brief as part of the tracks *TF1: Trade, Investment, and Growth* and *TF11: (COVID-19) Multidisciplinary Approaches to Complex Problems*. At the beginning of the new decade, the world is facing the twin challenges of increasing both the quantity and quality of investment flows. Investment flows must be restarted in a way that helps firms and societies adapt to the downturn and seize the opportunities of digitization to transform ways of doing business while establishing frameworks to ensure that investment flows make the maximum contribution to sustainable development.

Policy Actions to Safeguard the Operations of GVCs in Times of Crisis and Beyond

By Mohammad S. Alrajeh, Anthony Hammond, Olayinka Idowu Kareem, Stefan Pahl, Adnan Seric, Aleksander Siemaszko, Mark Votruba, Ahmad Younis

PRS contributed to this policy brief as part of the tracks *TF1: Trade, Investment, and Growth* and *TF11: (COVID-19) Multidisciplinary Approaches to Complex Problems*. COVID-19 has spurred calls for the renationalization of value chains to safeguard the supply of essential goods, but global value chains (GVCs) offer a solution to supply shortages and the Group of Twenty (G20) must take the lead to safeguard production in GVCs. Focusing on essential industries, such as healthcare and food supply, key policy actions are proposed to enhance the robustness of production systems by reducing trade costs and increasing multilateral cooperation.

Value Added In Industrial Statistics and National Accounts - Equal In Theory, Different in Practice

By Martin Haitzmann and Valentin Todorov

This Working Paper provides a comprehensive overview of the major influencing factors for possible deviations of figures from two different data sources, namely detailed structural business statistics data in industrial statistics (commonly based on surveys and censuses), which provide figures on the *value added of manufacturing industries*, and

manufacturing value added, which measures an exclusive and exhaustive contribution of manufacturing to an economy's gross domestic product (GDP) and thus explicitly refers to the national accounts concepts. While these two figures need to be equal in theory, they differ in practice, despite structural business statistics data being among the most important data sources in many countries.

[World Manufacturing Production, Quarter 3 – 2020](#)

By UNIDO Statistics

The most recent figures for the third quarter of 2020 indicate that [manufacturing activity has bounced back](#) following a steep decline in the first half of the year due to COVID-19 containment measures implemented around the globe. China's manufacturing output grew by 8.2 per cent year-on-year during the third quarter, exceeding its pre-crisis level and reverting to previous growth trends. Most industrialized and developing economies also returned to growth, but have yet to reach their pre-crisis production levels. The effects of COVID-19 on different industries varied as well, with medium high- and high-technology industries registering a 0.1 per cent growth rate compared to the same quarter in the previous year, sustained by positive trends in the production of basic pharmaceuticals, computer, electronic and optical products and electrical equipment.

RECENT EVENTS

[Thailand: Driving towards Industry 4.0](#)

The virtual event was organized by UNIDO in collaboration with the [Digital Economy Promotion Agency \(DEPA\)](#) on 24 November in Bangkok. DEPA released the results of a new survey on the adoption and diffusion of Industry 4.0 among manufacturing firms in Thailand, which was a follow-up to the survey implemented in 2019 in the context of the [Industrial Development Report \(IDR\) 2020: Industrializing in the Digital Age](#). Presenting the IDR 2020, PRS's Alejandro Lavopa stressed that strengthening industrial capabilities remains a major avenue to engage with new technologies, concluding that Thailand is well-positioned to exploit the opportunities these technologies open up. The challenge, however, is to foster the indigenous production of digital technologies and their local adoption. Nobuya Haraguchi contributed to a [high-level panel discussion](#) on how Thailand can move towards Industry 4.0, considering that the impacts of COVID-19 seem to have been less severe for the country than the averages for Asia.

[Impact of COVID-19 on manufacturing industries in the world and Eurasian Economic Region](#)

PRS's Nobuya Haraguchi made a presentation at the international macroeconomic seminar [COVID-19 Pandemic: World Economy Symptomatic and Treatment](#) organized by the [Eurasian Economic Commission \(EEC\)](#) in cooperation with the Interstate Bank on 26 November. The seminar focused on the challenges and prospects the COVID-19

pandemic has engendered for regional integration. Haraguchi described the scope of the crisis from the perspective of shifts in industrial value added, concluding that industrial production during the COVID-19 pandemic has experienced sharper declines compared to the 2008 financial crisis, but that a quicker recovery has been observable as well.

Switching It Up: The Effect of Energy Price Reforms in Oman

Nicola Cantore of PRS presented a keynote speech at the panel discussion ***Accelerated Climate Change and the Food-Energy-Water Nexus*** as part of the virtual [12th International Conference on Applied Energy \(ICAE2020\)](#), which took place from 1–10 December 2020 in Bangkok under the theme “*Sustainable Energy Solutions for Changing the World*”. He presented the results of a study on the effect of changes in fossil fuel subsidies on Oman’s manufacturing industry, an oil-rich economy. Using a novel firm-level micro data set on Omani manufacturing enterprises, the research work shows that increases in fossil fuel energy factor prices lead to improved productivity and efficiency, as well as to notable business upgrading. The findings indicate that subsidy reforms may not only be used to achieve environmental goals; they can also drive upgrading and modernization processes of firms, which ultimately improve their economic performance.

Innovation and Entrepreneurship: Conceptual Issues

PRS’s Fernando Santiago was in charge of the organization of *Session 3: Innovation and Entrepreneurship* of a series of pilot online training workshops organized by UNIDO in partnership with the [UN Inter-agency Task Team \(IATT\) on STI for the SDGs](#) to build national capacity in science, technology and innovation (STI) in developing countries to achieve the [Sustainable Development Goals \(SDGs\)](#). In his keynote presentation, he stated that innovation and entrepreneurship are two sides of the same coin, and under the right conditions, they both contribute to job creation, productivity and economic growth, socio-economic change, such as poverty reduction and the formalization of firms, while the SDGs reinforce the notion that economic and technological aspects are as important as social and distributive considerations.

Manufacturing Summit 2020

PRS’s Fernando Santiago presented a keynote address entitled ***Industrialization for Inclusive and Sustainable Development Beyond the Pandemic: Global Lessons and Experience*** at the online event organized by the [Department of Trade and Industry of the Philippines](#) on 9 December 2020. His presentation focused on the implications of COVID-19 for the global development agenda and the strategic response to address the challenges to build back better by using the SDGs as a system of guiding principles for future industrialization. Policies geared to deliver win-win-win solutions that balance growth, environmental and social concerns need to be designed and the need for capacity-building reinforced as the basis for more resilient societies.

[Jamaica's Economic Survival. An Industrial Approach](#)

On 9 December 2020, PRS's Anders Isaksson made a presentation on industrial policy and economic development, focusing in particular on the differences in economic development of Jamaica and Mauritius, at the [Ministry of Labour and Social Security Virtual Productivity Forum](#). Isaksson highlighted the strong correlation between industrial development, productivity growth and welfare enhancement. Using macro and industrial sector data for Jamaica and Mauritius, he demonstrated the importance of structural change and productivity growth to explain the relative success of Mauritius and the crucial role industrial policy has played to achieve these goals. He furthermore emphasized the significance of supporting innovative activities to generate technology-led economic development.

[World Summit of Public Policies](#)

Fernando Santiago of PRS presented *Public Policies for Inclusive and Sustainable Industrial Development in the 4th Industrial Revolution* at the 10 December 2020 online event that focused on [Rebuilding the World](#). He argued that the COVID-19 crisis reintroduced an often forgotten dimension of industrial policy, namely ensuring that investment decisions and the promotion of industrial activities anticipate emerging disasters, that they contribute to the management of unexpected shocks, and support recovery from the ensuing socio-economic crises. The manufacturing sector provides scope to explore and transform challenges in health and other social policies into opportunities for more inclusive and sustainable industrialization.

[Globalization at the Crossroads: Risk, Resilience and Recalibration in Global Trade and Value Chains](#)

The COVID-19 pandemic is putting globalization to the test. In this context, the focus of the Fifth Edition of the [Forum on Globalization and Industrialization](#), a joint initiative of UNIDO and the [Kiel Institute for the World Economy \(IfW Kiel\)](#), was on the key challenges of assessing risks to global value chains and developing strategies to increase their resilience. This year's Forum was held virtually on 15 December 2020, and brought together more than 300 participants from over 60 countries. Based on recent experiences, all panellists agreed that one of the main lessons the pandemic has taught us is that value chains have to become more resilient, but this cannot be achieved by turning inward. Companies should instead focus on building up diversified supply chains that can create development potential for new regions. The link to the recording of the event can be found [here](#).

[Sustainable Peru – Perú Sostenible](#)

This virtual event was organized by [Perú 2021](#) on 15 December 2020 to discuss Sustainable Development Goal 9 (SDG-9) with representatives from the private sector with the aim of jumpstarting strategies towards the achievement of SDG-9 in Peru. PRS's Fernando Santiago, in collaboration with the UN Resident Coordinator in Peru and the Coordinator of [PCP Peru](#), contributed to the panel on industry. The link to the recording of the event can be found [here](#).

PROGRAMMES AND PROJECTS

[New Intelligence Unit for Industrial Competitiveness](#)

A new Intelligence Unit for Industrial Competitiveness (UICI) was inaugurated in Havana, Cuba, on 27 November 2020, as part of efforts to build the sustainability of activities under the project “[Support to the Government of Cuba for the review and development of its industrial strategy and policy](#)”, financed by the Republic of Korea through the [Korea International Cooperation Agency \(KOICA\)](#), and [implemented by UNIDO since 2016](#). The project’s primary objective is to boost Cuba’s industrial competitiveness. All of the stakeholders involved in the project attended the inauguration ceremony. The UICI, hosted by Casa Consultora DISAIC, will strengthen the Government of Cuba’s analytical capabilities and support services, such as the provision of timely information to decision makers to design and implement industrial policies, and will improve their capacity to monitor and evaluate the country’s manufacturing sector, industrialization strategies and other initiatives.

[KOICA-funded online training on industrial policymaking for participants from Southeast Asia](#)

From 23 November to 4 December, UNIDO hosted an online training course for policymakers from Cambodia, India, Myanmar and Viet Nam as part of the project [Joint capacity development programme with Korea International Cooperation Agency](#). During 20 live sessions, participants were introduced to the basics of evidence-based industrial policymaking and to diverse issues related to inclusive and sustainable industrial development, such as diversification; dynamism and global value chains; gender and industrial development; circular economy, and digitization and Industry 4.0. The course also included a group work assignment where participants worked together to produce a policy brief. Guided by experts, they applied some of the concepts and analytical tools they had acquired in the course to their individual countries’ situations.

[Standards and Metrology Supporting Quality Control in SMEs in Times of the Pandemic](#)

This webinar for policymakers from Cambodia was organized by PRS/RPA in collaboration with the Department of Digitalization, Technology and Innovation from 7–9 December 2020 as part of the project [Support to the Royal Government of Cambodia in its effective implementation of a major development strategy and policy through institutional capacity-building](#). The three-day online workshop explored how standards and metrology can support Cambodia’s quality control infrastructure, particularly with regard to SMEs. It also addressed the impact of COVID-19 on the country’s manufacturing sector and the requirements for upgrading Cambodia’s quality infrastructure. The webinar hosted representatives from the Cambodian Ministry of Industry, Science, Technology and Innovation (MISTI), the Ministry of Tourism, Ministry of Commerce, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Economy and Finance (MEF), as well as other relevant stakeholders.

[Building Science, Technology and Innovation Capacity in Developing Countries](#)

This [three-part, agency-wide interactive webinar series](#), which attracted over 50 government officials from 24 countries and was organized in partnership with the [UN Inter-agency Task Team \(IATT\) on STI for the SDGs](#), was launched on 19 November 2020 with Session 1 on *Current Approaches to STI Policy Making in the Context of SDGs*. The first two sessions dealt with existing approaches for the design and implementation of science, technology and innovation (STI) policies, and examined case studies on how policies are being geared towards achieving the SDGs. How to strengthen and adapt STI policies to deal with the COVID-19 pandemic and any future crises was also discussed. The final session on *Innovation and Entrepreneurship* focused on providing practical and conceptual support for innovative entrepreneurship through policies that create business opportunities for start-ups and small and medium-sized enterprises (SMEs) while driving productivity, job creation and economic growth.

[Introduction to the EQuIP Methodology for the Analysis of Global Value Chains \(GVCs\)](#)

PRS's Nicola Cantore made a [presentation at a virtual master class](#) on the [EQuIP methodology](#) for Latin American policymakers, organized by the [Chamber of Industry of Uruguay](#) on 2 December 2020. The objective of the course was to provide policymakers with a tool to analyse opportunities in supply chains, and to offer the private sector and public officials technical assistance that allows them to connect their capabilities with global demand.

[PCP Peru](#)

Peru's [Ministry of Production \(Produce\)](#) is developing a new industrial policy for the country. PRS's Fernando Santiago reviewed a document produced by the Ministry on global trends and their effects on the prospects for Peru's industrial development. Santiago's presentation examined the impact of COVID-19 on the country's industrial sector by exploring total manufacturing production over time, the impact of COVID-19 on different technology groups and on total manufacturing production and MSMEs over time in the Latin America and Caribbean (LAC) region.

