

COVID-19 Industrial Recovery Programme



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



The Challenge

The coronavirus COVID-19 pandemic is the defining global health crisis of our time and the greatest challenge we have faced since World War Two. Since its emergence in Asia in late 2019, the virus has spread to every continent (except Antarctica).

Every country needs to act immediately to prepare, respond, and recover. Addressing the pandemic will occur in two main phases:



RESPONSE PHASE

The pandemic is in full swing

To save people's lives, mitigation measures are in place, which severely curtail economic activity.



RECOVERY PHASE

The pandemic is under control with vaccines /drugs and partial herd immunity.

Containment measures continue but are less disruptive. As restrictions are lifted, the economy starts to return.

The success of the pace of recovery will depend crucially on policies undertaken during the crisis. If policies ensure that workers do not lose their jobs, renters and homeowners are not evicted, companies avoid bankruptcy, and business and trade networks are preserved, the recovery will occur sooner and more smoothly.

The United Nations Industrial Development Organization (UNIDO)'s response for this specific approach will target the recovery phase. Much of the initial recovery phase economic activity in the developed world will be atypical as it upgrades its national health systems and prepares for a future pandemic response (for example, massive increased production of ventilators and Personal Protection Equipment for national emergency stockpiles). UNIDO will consider what the business environment will look like after this initial surge of responsive action is over.



COVID-19 Impacts on Industry



81%

UNEMPLOYMENT

Unemployment is likely to be at unprecedented levels by the time of the recovery phase: 81% of the world's workforce is affected with the majority of job losses and declining working hours occurring in critical sectors – of which manufacturing is one. McKinsey estimates that 1/3rd of all jobs in Africa (both formal and informal) are at risk from the pandemic.



↑ 80-130
MILLION

POVERTY

Poverty is likely to rise significantly: assuming a 5% contraction in per capita incomes, the world could witness a potential increase in the number of poor people, relative to the 2018 figures, of more than 80 million for the US\$1.9/day poverty line, of more than 130 million for the US\$3.2/day standard.



-3%

MACROECONOMIC IMPACT

The macroeconomic impact will be severe with the global economy projected to contract sharply by -3% in 2020, much worse than during the 2008–09 financial crisis.



FINANCIAL IMPACT

The financial impact is already occurring with significant reduction in remittances from developing country workers locked down in Europe and thus unable to transfer – formally or informally – funds home. As remittances to certain regions of the world outweigh significantly FDI, this is a severe problem.



↓ 13-32%

TRADE IMPACT

The trade impact will be significant with global merchandise trade set to plummet by between 13 and 32% in 2020 due to the COVID-19 pandemic



THE INDUSTRIAL SECTOR IN ALL DEVELOPING COUNTRIES WILL BE IN A STATE OF DISARRAY IN THE COVID-19 RECOVERY PHASE. UNIDO NEEDS AN EFFECTIVE RESPONSE TO SUPPORT THEM WITH THE CHALLENGES THEY WILL FACE.



The Response

The COVID-19 Industrial Recovery Programme (CIRP) is carefully focused to provide highly effective, targeted support to national governments with the restructuring of their industrial sector in order that they can meet national needs in the COVID-19

recovery phase. The CIRP offers a phased approach to industrial recovery that is primarily focused on supporting Least Developed, Low Income and Lower Middle-Income countries.



ASSESSMENT OF THE IMPACT OF COVID-19 ON THE COUNTRY'S INDUSTRIAL SECTOR

The scale and duration of the pandemic in the country

The degree of existing linkage of the country's enterprises into regional and global value chains

The survival rate of industrial enterprises in the country during the lockdown period of the pandemic

Impact on the health and welfare of the country's population

The extent to which those regional and global value chains were disrupted by the Pandemic

The nature of the industrial sector of the country

CONSENSUS WITH
KEY NATIONAL
STAKEHOLDERS

**COVID-19
INDUSTRIAL
RECOVERY
PLAN**

PILOTING PRIORITY
REGIONAL VALUE
CHAIN/CLUSTER
DEVELOPMENT

REPLICATING
SUCCESS TO
ACHIEVE REGIONAL
INDUSTRIAL SECTOR
RECOVERY

DESIRED FUTURE GOALS FROM THE COUNTRY'S INDUSTRIAL SECTOR

Food Security

Improved matching
of the country's
supply and demand
of critically important
products

Pandemic
Preparedness

Minimised impact on
the global climate
through sustainable
consumption and
production

Disadvantaged
groups benefit from
the recovery of the
industrial sector

Employment
Creation / Retention

Economic
Resilience

PHASE 1

ASSESSMENT AND ANALYSIS

The impact of COVID-19 on the industrial sector of different countries will vary significantly depending on a range of factors. COVID-19 will have highlighted both strengths and weaknesses in the existing industrial structure of every country, and the industrial sector of each country will have to be analysed on the basis of the impact data to determine how best to ensure the appropriate future balance of:



FOOD SECURITY



IMPROVED MATCHING OF NATIONAL
SUPPLY AND DEMAND OF CRITICALLY
IMPORTANT PRODUCTS



ECONOMIC RESILIENCE



DISADVANTAGED GROUPS
BENEFITTING FROM THE RECOVERY OF
THE INDUSTRIAL SECTOR



PANDEMIC PREPAREDNESS



MINIMISED IMPACT ON THE GLOBAL
CLIMATE THROUGH SUSTAINABLE
CONSUMPTION AND PRODUCTION



EMPLOYMENT



A detailed assessment report on the national industrial sector (macro, meso and micro) in each supported country will be prepared to be used by the national government to agree with key national stakeholders on the nature of the industrial sector that will be supported in the recovery phase.



PHASE 2

CONSENSUS BUILDING

The industrial sector is likely to have suffered significantly during the lockdown phase of the Pandemic. Enterprises that were dependent on global value chains will have been significantly harmed, and most enterprises will have been damaged during national lockdowns: some will not have survived.

In the COVID-19 recovery phase, there is likely to be a wide range of differing pressures on national governments and it is likely that stakeholders in the industrial sector will have differing views on the problems faced, the challenges ahead and the objectives of national industrial sector recovery. In this context, the need for consensus building will be crucial.



A broad national debate will be established with the support of UNIDO (using the analytical data gained from Phase 1), with the aim of better understanding the new reality after the pandemic and assisting stakeholders to agree a robust consensus on the future nature of the industrial sector.



PHASE 3

DEVELOPING A NATIONAL INDUSTRIAL RECOVERY PLAN

Since existing national industrial development plans alone will no longer be sufficient to address the challenges posed by the new reality, the CIRP Programme will support the preparation of a National Industrial Recovery Plan.



The National Industrial Recovery Plan will be based on achieving the agreed national consensus and will identify:



Key national (and/or regional) value chains in which local production centres should be developed.



Existing national (and/or regional) legislation/regulation which needs to be revised and new national legislation/regulation which needs to be introduced in order to support the growth of national and regional value chains designated as of special national importance.



Funding sources for the recovery programme (commercial, state-funded and/or from a development finance institution).



Support programmes to be implemented at the enterprise level which aim to:

- i. Develop national/regional value chains designated to be of national importance
- ii. Support existing enterprises to realign from value chains which are not considered of national significance into value chains considered of national importance, especially using new digital technologies.



PHASE 4

PILOTING NATIONAL INDUSTRIAL SECTOR RECOVERY

Once the National Industrial Recovery Plan is finalized and endorsed by the national stakeholders, UNIDO will support tailored and effective piloting through a number of stages:



STAGE 1

Selection of priority value chains for piloting of national industrial recovery actions



STAGE 2

Selection of cluster development or value chain development approach



STAGE 3

Identification of pilot enterprises to receive support through the CIRP



STAGE 4

Implementation of the enterprise-specific upgrading programme



STAGE 5

Monitoring of each enterprise-specific upgrading programme to assess its effectiveness

PHASE 5

REPLICATING PILOT SUCCESS TO ACHIEVE NATIONAL INDUSTRIAL SECTOR RECOVERY

Even if an individual pilot project is deemed successful in using innovation to upgrade, its impact on the challenges facing the national economy in the COVID-19 recovery phase will be immeasurably small. Broader impact at scale can only be achieved through inclusive scale-up and replication.

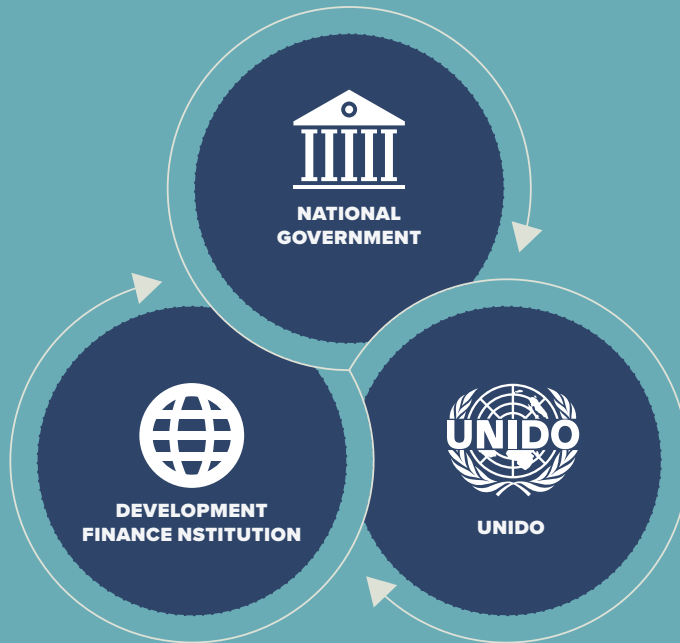
Therefore, the replication of successful pilot projects will be encouraged to lead to national industrial sector recovery.



The ways in which an enterprise successfully upgraded (its key elements, structures, processes, outcomes and costs) will be communicated to other enterprises in the country through an effective communication/demonstration campaign to publicise and tell other enterprises that there exists a provable and implementable way through which they can improve their own performance.

A partnership for successful National Industrial Recovery

The implementation of the CIRP requires a strong partnership between the national government, UNIDO (as provider of critical technical support) and a development finance institution (as provider of critical investment funding).



The Regional Dimension

Certain aspects of the COVID-19 recovery make it clear that a national approach must be supported by a regional dimension:

It is unrealistic to envisage that every nation can produce every product or service deemed as critical for the post-COVID-19 recovery phase.



Dependency on global value chains can be reduced through an increase in regional value chains – but this requires a strong regional dimension.



Pandemics (by definition) do not respect national borders: one country's hard work in the recovery can be damaged unless it is undertaken in a coordinated manner with its neighbours.



UNIDO will therefore support regional organisations to develop and implement appropriate regional industrial recovery plans comparable to those to be developed by national governments (and aligned and coordinated with such national industrial recovery plans), so as to ensure the development of intra-regional value chains of strategic importance.





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