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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 the COVID-19 pandemic on industrial development and the response of UNIDO to the crisis and its socioeconomic consequences.

I. Background

1. One year after the World Health Organization declared the COVID-19 outbreak as a pandemic, the world is still grappling with the public health emergency and the economic crisis that it is causing. Over two million deaths attributed to COVID-19 in January 2021 make it one of the deadliest pandemics in modern history.
2. The pandemic devastated economic activities worldwide, leading to a decline in output, spending, employment, and overall economic growth, ultimately resulting in the deepest recession since the Second World War.
3. While global manufacturing was already decelerating in 2019, the pandemic had a major impact on industry. According to UNIDO estimates, manufacturing production dropped by 8.4 per cent in 2020, and the global share of manufacturing value added in total gross domestic product fell from 16.5 per cent in 2019 to 15.9 per cent in 2020.¹
4. The pandemic also had an immediate and strong impact on international trade. The first signs of the trade downturn were evident in January 2020, with most of the major economies recording negative trends. The sharpest drop in international trade occurred in the second quarter of 2020, with global merchandise trade falling by more

¹ UNIDO (2020), *World Manufacturing Production: Statistics for Quarter III 2020*, UNIDO, Vienna.

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than 20 per cent, relative to the second quarter of 2019. Trade trends in the second half of 2020, although still not positive, were significantly better.²

5. Already in April 2020, containment measures and workplace closures had affected almost 2.7 billion workers, representing about 81 per cent of the global workforce. The International Labour Organization estimates that working-hour losses in 2020 were approximately four times greater than during the global financial crisis in 2019.³ Despite some improvement in the second half of 2020, unemployment rates in most countries remained well above pre-crisis levels.

6. The United Nations estimates that job and income losses have pushed some 131 million additional people into poverty in 2020, many of them women, children, informally employed workers, and people from marginalized communities. Women have been especially affected by the pandemic, as they make up more than 50 per cent of the workforce in labour-intensive service sectors, where working remotely is often not an option.⁴

7. Beyond these short-term dynamics, the COVID-19 crisis is likely to have major long-term consequences. While global economic activity is growing again, it is not likely to return to business as usual in the foreseeable future. Among the major shifts triggered by the pandemic are the accelerating pace of digitization and automation, the fourth industrial revolution, and its impact on labour markets and productivity.

8. The socioeconomic effects of the COVID-19 pandemic can be long-lasting and severe, unless global policy responses are initiated for a robust and sustainable recovery. Those actions should comprise smart investments in economic, societal and climate resilience, revitalization of global trade, avoidance of premature austerity policies and addressing widening inequalities.

9. The achievement of the 2030 Agenda for Sustainable Development is severely jeopardized by the COVID-19 crisis and depends on the political commitment of Member States to put the world firmly on the path to recovery.

10. Stimulus measures, estimated at \$12.7 trillion in 2020,³ prevented a total collapse of the world economy, but will burden future generations unless a significant part is channelled into productive and sustainable investment that spurs economic growth and builds resilience against future economic, social and climatic shocks.

11. The decreases observed in foreign direct investments, remittances, exports, and incomes will need compensation through increased official development assistance. Member States, the donor community and financial institutions will need to develop feasible recovery models considering the need for quantitatively and qualitatively adapted funding.

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

II. The response of the United Nations system

13. As reported previously, the UNIDO response to the crisis forms part of the joint United Nations Comprehensive Response to COVID-19, launched and led by the Secretary-General.

14. The *United Nations framework for the immediate socio-economic response to COVID-19*, in particular, guides the actions of the United Nations system to help socioeconomic recovery.

² UNCTAD (2021), *Key statistics and trends in international trade 2020 – Trade trends under the COVID-19 pandemic*, UNCTAD, Geneva, 18 January 2021.

³ ILO (2021), *ILO Monitor: COVID-19 and the world of work. Seventh edition*, ILO, Geneva.

⁴ DESA (2021), *World Economic Situation and Prospects: February 2021 Briefing, No. 146*, United Nations, New York.

15. The joint response by the United Nations system is prepared and implemented by the United Nations country teams (UNCT) and their member entities, under the leadership of the United Nations resident coordinators. It draws from the expertise of United Nations development system entities working as one.

16. Each UNCT elaborates the joint country-level response in “Socioeconomic response plans” (SERPs). At the time of writing, 121 UNCTs have finalized their national SERPs.

III. UNIDO support to Member States

17. As outlined in section III of document [IDB.48/11–PBC.36/11](#), the UNIDO framework *Responding to the crisis: building a better future*, in alignment with the United Nations framework, outlines the UNIDO approach for the 12 to 18 months after publication in May 2020.

18. 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.

19. The framework outlines three integrated packages to support Member States with comprehensive socio-economic recovery approaches:

(i) “Prepare and contain” to support countries prepare for and contain the health crisis and its economic consequences;

(ii) “Respond and adapt”: to support the adaptation of the productive sector, including micro-, small and medium-sized enterprises (MSMEs), in responding to the crisis through inclusive and sustainable solutions as well as the management of medical waste; and

(iii) “Recover and transform” to support the recovery and transformation towards inclusive, resilient and environmentally sustainable economies.

20. As most recently reported in [IDB.48/CRP.5](#) in November 2020, UNIDO started specific activities to respond to the COVID-19 crisis as a matter of urgency in early February 2020, in addition to the implementation of ongoing and planned programmes and projects.

21. The support of UNIDO in response to the COVID-19 crisis includes the following groups of activities:

(i) Monitoring, situational analyses and information sharing, including through articles, analyses, and opinion pieces on the impact of COVID-19 and its mitigation, as well as timely and detailed statistics on the impact of COVID-19 at the country and industry levels;⁵

(ii) Surveys of manufacturing firms;

(iii) A global call for innovative ideas and technologies;

(iv) Launch of the COVID-19 Industrial Recovery Programme (CIRP);

(v) Guidance for MSMEs, including on business continuity and recovery;

(vi) Knowledge-sharing through online conferences, webinars and training;

(vii) Emergency response assistance, including support to governments in the procurement of critical supplies;

(viii) Harmonization of quality standards for hand sanitizers, medical face masks, other personal protective equipment (PPE), and lung ventilators;

(ix) Revitalization of light manufacturing by repurposing for PPE production;

⁵ See [UNIDO website](#).

- (x) Supporting the local production and testing of PPE, medical devices, etc.;
- (xi) Capacity-building for MSMEs, and small and medium-sized enterprises (SMEs) and entrepreneurs for workplace safety, to contain economic consequences and adapt to the crisis;
- (xii) Medical waste management and disposal of hazardous medical waste; and
- (xiii) Building back better: supporting an economic recovery towards inclusive, resilient and environmentally sustainable economies.

22. UNIDO will continue its efforts in responding to the crisis and building a better future, both as a contributor to joint efforts of UNCTs, and the provision of its expertise as the industrial development organization of the United Nations system, and through the implementation of its programmes and projects. An update to the UNIDO framework *Responding to the crisis: building a better future* in the second half of 2021 will define the UNIDO service offer for the period after the immediate health crisis subsides.

23. Through the implementation of its mandate of inclusive and sustainable industrial development, UNIDO contributes to the socioeconomic response, the economic recovery, and to building a more sustainable future.

IV. Action required of the Committee

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