

This note summarises emerging trends in economic recovery and resilience strategies in the context of COVID-19, based on a review of published information of the DCED's 25 member agencies. It is complemented by a **summary of short-term adjustments of Private Sector Development (PSD) interventions in response to COVID-19**. October 2020

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DCED members' immediate coronavirus response has largely focused on the survival of vulnerable businesses and sectors, and leveraging private sector contributions to crisis management. While the trajectory and impacts of the virus remain uncertain, agencies are now exploring the role of PSD in promoting longer-term recovery.

## New budget allocations to finance recovery efforts

While most short-term responses have been financed by existing budget allocations, some agencies have now pledged additional finance to stimulate economic recovery and strengthening health systems: For example, Germany is making more than one billion euros available as part of its immediate COVID-19 development budget, while USAID has allocated an additional \$53 million in August 2020, bringing its total global COVID-19 response package to \$1.6bn. Many are also funding multilateral responses such as the IFC's \$8bn fast-track financial support package, which combines short- and longer-term assistance to existing client companies.

## Emerging strategic priorities for economic recovery

Despite the pandemic's devastating effects around the world, rebuilding economies is seen as a window of opportunity to fundamentally re-think the way 'things are done' and to promote businesses and sectors that help address existing global development challenges. Agencies also recognize an urgent need to take more decisive action on SDGs that have been particularly negatively affected by COVID-19. Some funders - like DFAT Australia and BMZ Germany – also explicitly link sustainable economic recovery to future crisis resilience, stability and refugee flows. As a result, specific thematic priorities for post-crisis PSD include:



- **Greener growth** (e.g. OECD, FCDO UK, EC, German BMZ and UNDP): This is probably the most common policy objective linked to the 'building back better' agenda (see also the national initiatives [here](#)). There seem to be different drivers behind this. The socio-economic effects of the crisis have opened up space for making new strategic choices about the sectors that should receive long-term government support (e.g. the [airline industry vs activities aligned with climate goals](#)). [Public support to green growth](#) has increased, alongside growing awareness of the links of infectious disease with [biodiversity loss](#), [climate change](#) and [mass meat production](#). In response to the economic shock, governments have also demonstrated their [ability to orchestrate national responses and intervene in their economies in subtle ways](#) – something they may be now more willing and able to do in support of green growth.
- **Promoting functioning and more sustainable global supply chains** (e.g. FCDO, IFC): This priority is driven in particular by concerns about workers' livelihoods and social protection in developing countries in light of the simultaneous shock to global demand and supply, e.g. in the textile industry.
- **Digitalisation** (e.g. World Bank): The digitalisation of the global economy is widely recognized as a key source of future growth that has received a further boost by the social distancing required during COVID-19. Several agencies therefore see it as one of the most promising sectors for promoting skilled jobs and encouraging business start-ups, especially for young people.
- **Creating economic opportunities for women and other vulnerable groups** (e.g. ITC, DFAT, Sida Sweden): This is seen a critical foundation for a sustainable recovery, as women and girls in particular have [suffered disproportionately](#) from the economic and social consequences of the pandemic – reversing important progress made towards gender and economic equality.

While efforts to translate these priorities into practical programmes are still ongoing, emerging mechanisms of support are further explored below.

### Mobilising the private sector to support recovery objectives

DFAT’s [Business Partnerships Platform](#) has launched calls for COVID-19 recovery partnerships, focusing on gender and green recovery. USAID has created a [Private Sector Engagement and Partnerships Fund](#) to mitigate secondary impacts of COVID-19 in partners countries. In order to keep vulnerable workers in global supply chains in safe and secure employment, FCDO’s [Vulnerable Supply Chains Facility](#) co-finances workplace initiatives with major UK retailers in eight developing countries.

Sida are also engaging in broader dialogue with business and investor platforms on how to ‘build back better’; the Global Investors for Sustainable Development Alliance, for example, has issued a [statement](#) advocating for responsible business conduct and alignment of investment with sustainable development objectives.

### Prioritising Business Environment Reforms that are critical enablers of recovery efforts

Agencies are beginning to support governments in prioritising longer-term reforms that bolster recovery efforts. In this context, ILO has published [guiding principles and priority areas for post-COVID-19 business environment reforms](#). They imply an increased urgency and critical opportunity to build momentum for standard reforms that make it easier to start, grow and close a business, or to access to SME finance – as these are more important than ever to ensure business survival and sector competitiveness. Discussions at the World Bank also highlight the role of [sectoral reform in high-growth sectors](#), such as those linked to digital or green technologies, and an opportunity to [link tax reform components of stimulus packages to new ‘green’ taxes and incentives](#) to reduce carbon emissions.

### Continued support to MSME continuity and recovery

Several agencies believe that an inclusive and sustainable economic recovery depends on continued direct a

assistance to help MSMEs survive and thrive. To facilitate this, UNIDO has issued [guidance](#) for MSMEs on business continuity and recovery. DFAT has launched an [Emerging Markets Impact Investment Fund](#), which will help SMEs in the South-East Asian and Pacific region recover from the pandemic. Through its [fast-track facility](#), IFC continues to provide liquidity to SMEs, including those involved in global supply chains. There are also plans to integrate green recovery considerations into investments across different sectors (e.g. [UNWTO/IFC](#)).

### Next steps: Internal planning processes and external consultations

Many agencies are still analysing how COVID-19 is changing the dynamics for their particular areas of interest, e.g. [FAO](#) for food markets and [UNIDO](#) for industrialisation. Agencies have also set up temporary task forces to strengthen their internal planning capacity (e.g. USAID’s [Agency Planning Cell](#)).

Other initiatives engage the wider public in the debate about what ‘building back better’ should look like. Examples include the ILO’s [global summit](#) on coronavirus and the world of work and [Germany’s public consultation](#) on its sustainability strategy, partly motivated by the need to increase support to the SDGs to mitigate the negative impact of COVID-19.

Looking ahead, the strategic prioritisation of recovery efforts is likely to gain further in importance should GDP reductions lead to lower ODA and PSD budgets, as already illustrated by spending reviews in Denmark and the UK.

