

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

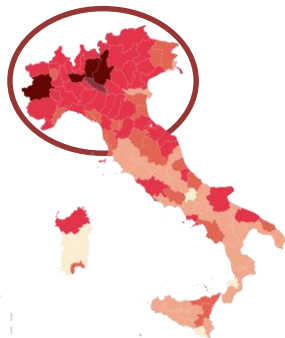
CRISIS, CHALLENGES & OPPORTUNITIES FOR REGIONS AND CITIES

WEBINAR CIM ALTO MINHO, 16 SEPT 2020

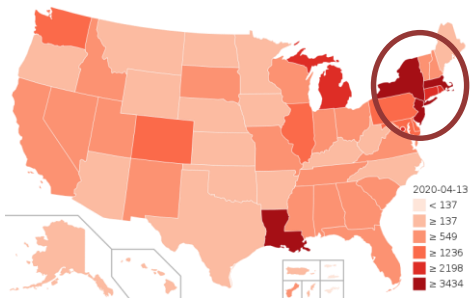
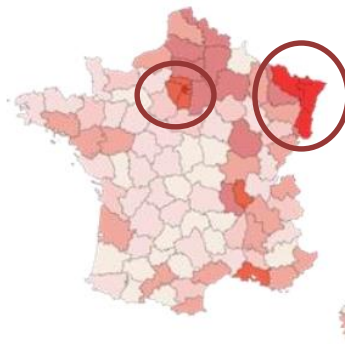
Joaquim Oliveira Martins, Deputy-Director
OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)

Covid-19 cases have been concentrated in some cities and regions within countries

Italy
41% confirmed cases are in **Lombardy**

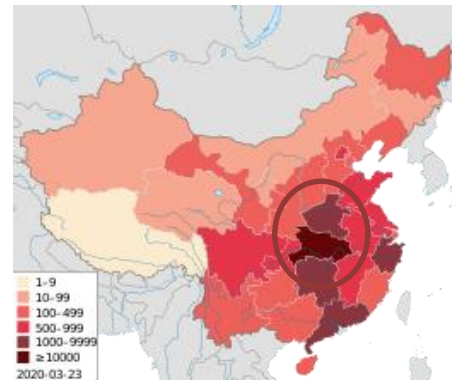


France
37% in **Île-de-France**
30% in **Grand est**



United States
40% in **New York**

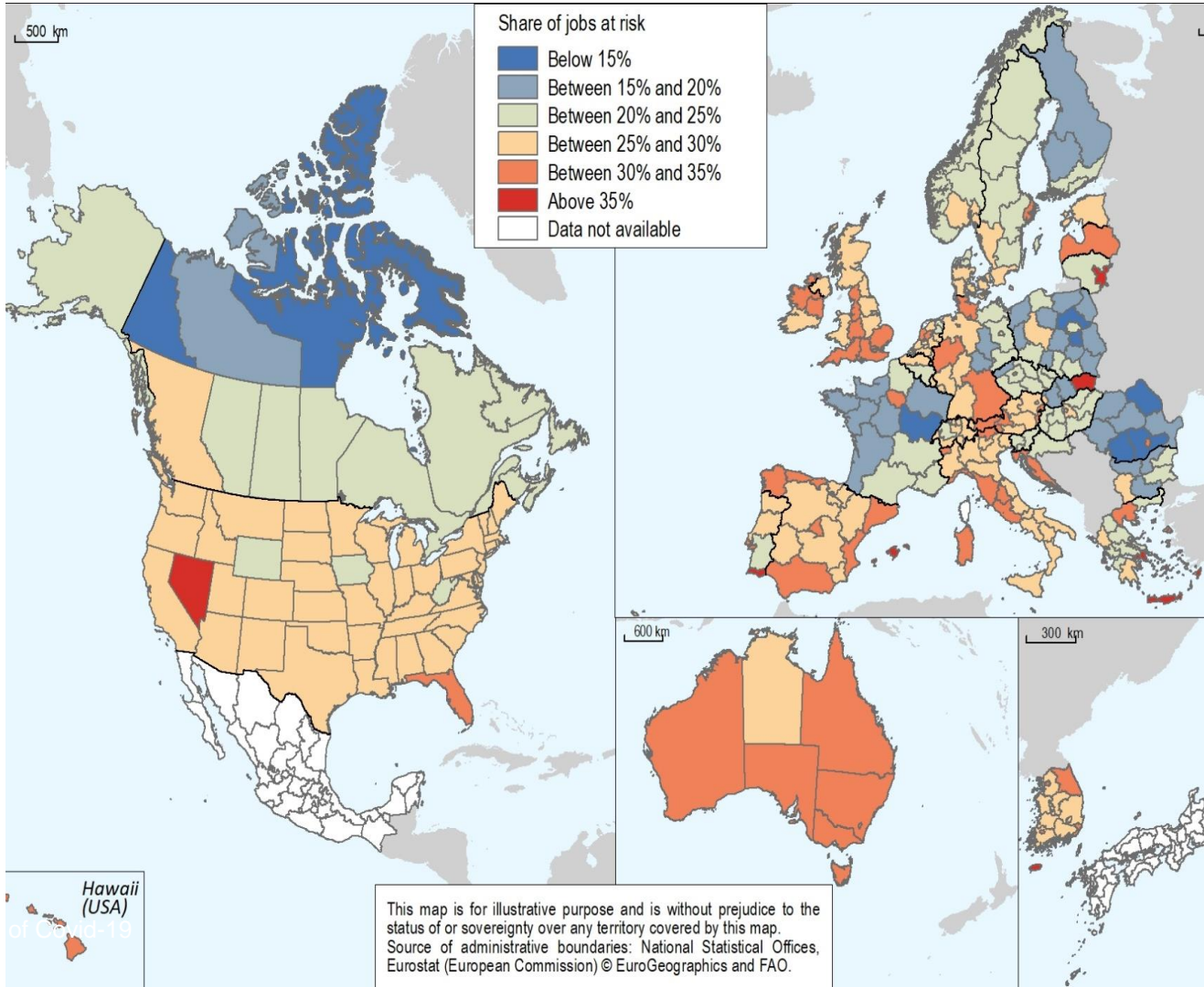
China
83% in **Wuhan Province**



Some regions have a higher share of jobs at risk from containment measures

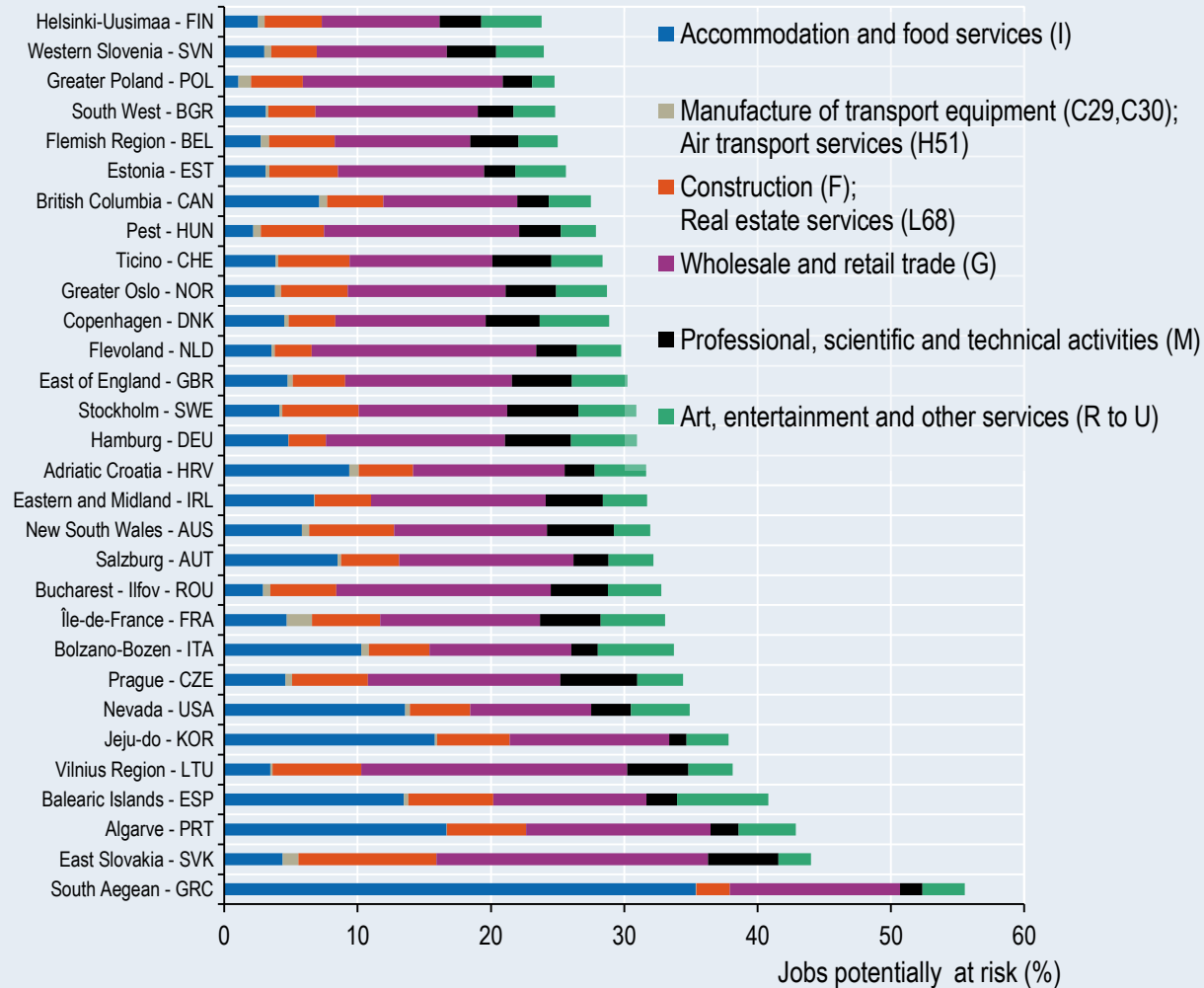
The **share of jobs potentially at risk** during confinement ranges from **15% to 35%** across OECD regions

Regional differences in the share of regional employment at risk vary by **more than 20 percentage points**



Tourist destinations and large cities have a higher share of jobs potentially at risk in the short term

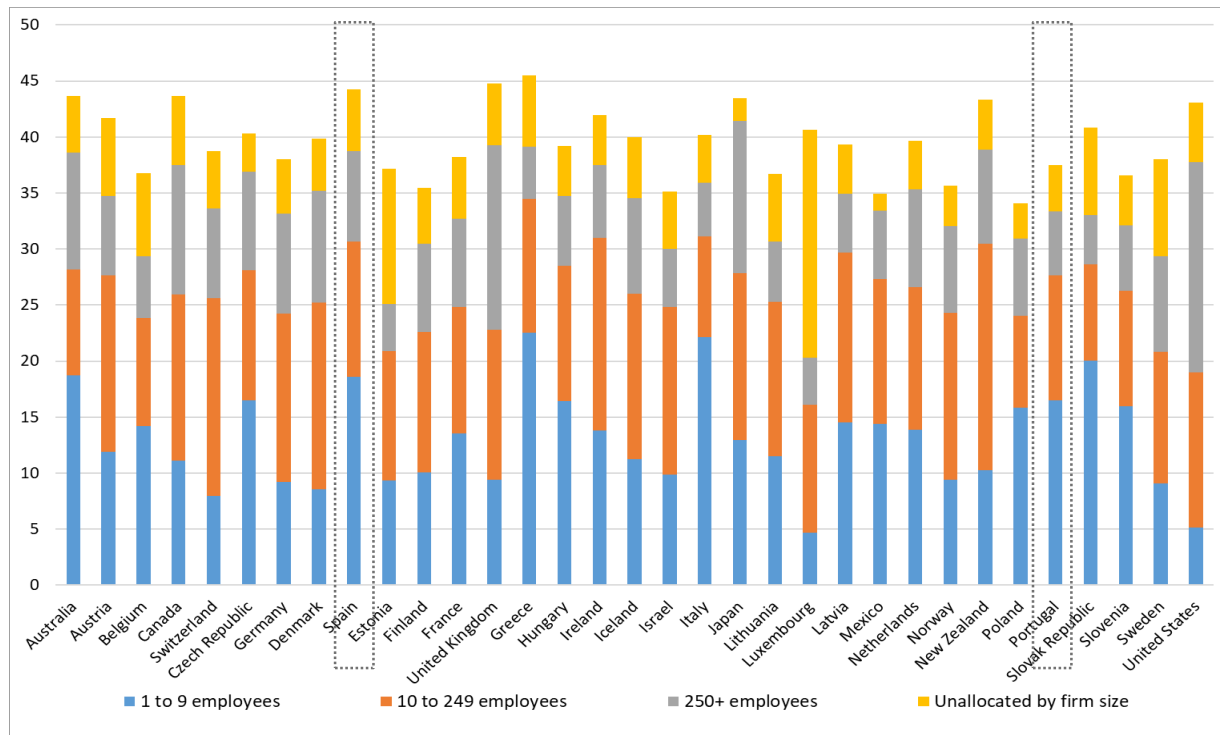
Regions with the highest share of jobs potentially at risk, by country



SMEs are at the epicenter of the Covid-19 crisis

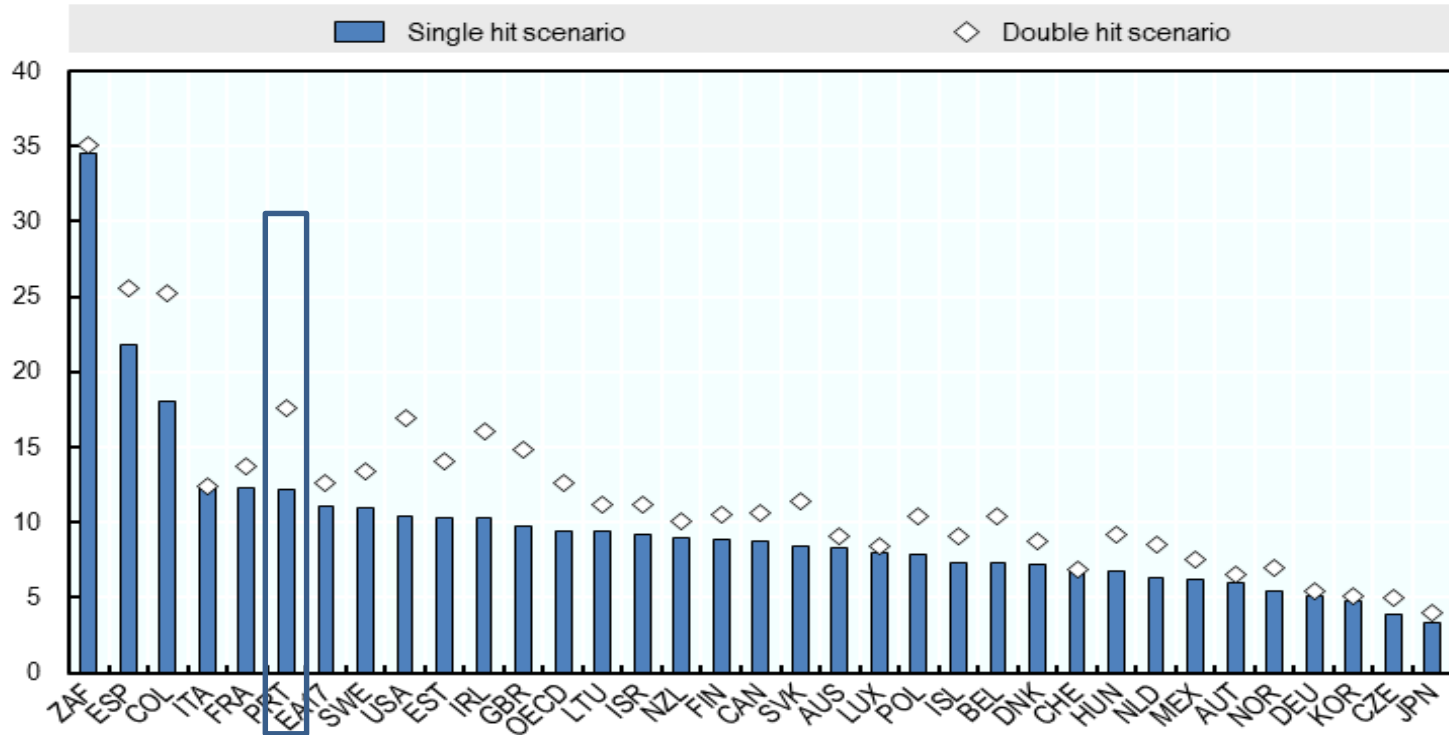
- **Over 50%** of SMEs are experiencing an increasingly strong drop in revenue
- **More than 50%** risk being put of business in less than three months
- Smaller firms dominate in the most affected sectors - **75%** of all jobs
- **Self-employed are hit strongly**

Share of total employment in the most adversely affected sectors by firm size (%)

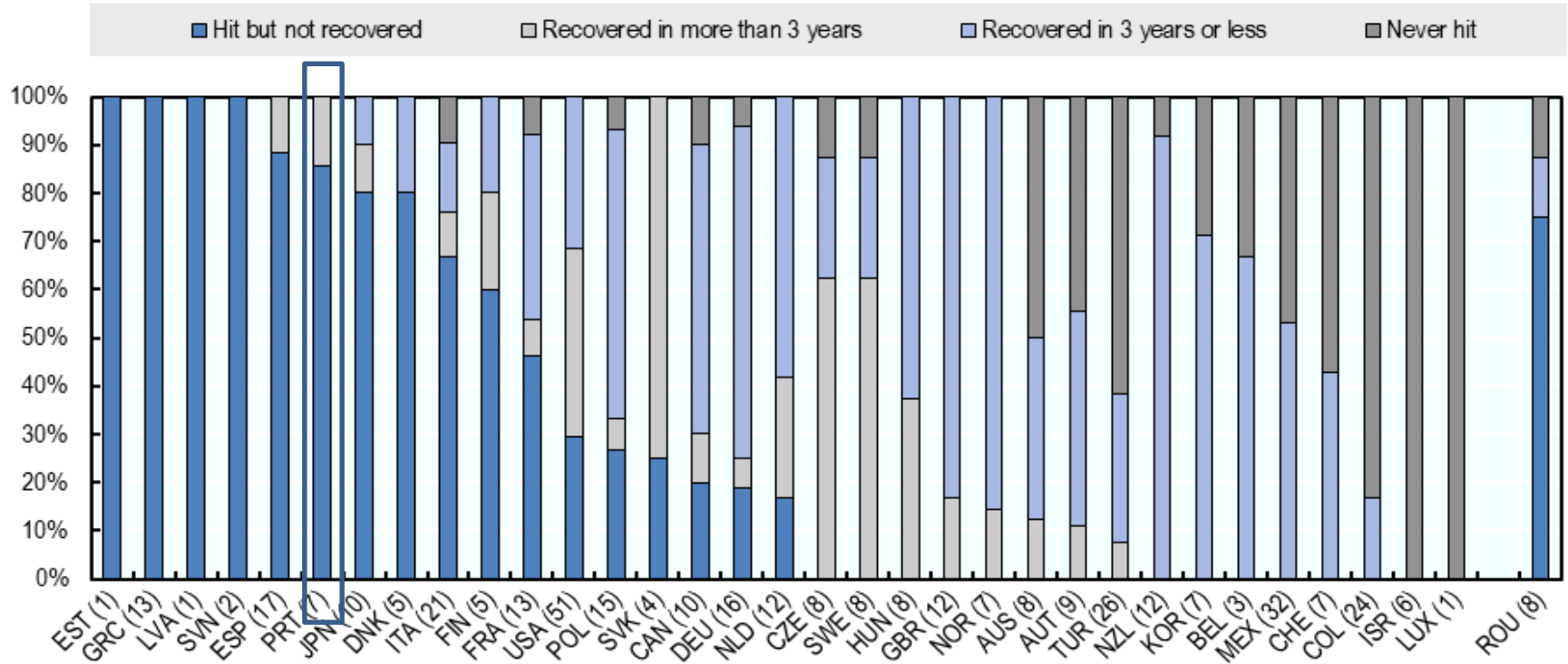


Unemployment is projected to spike to levels higher than the 2008

Projected unemployment rate, Q4 2020

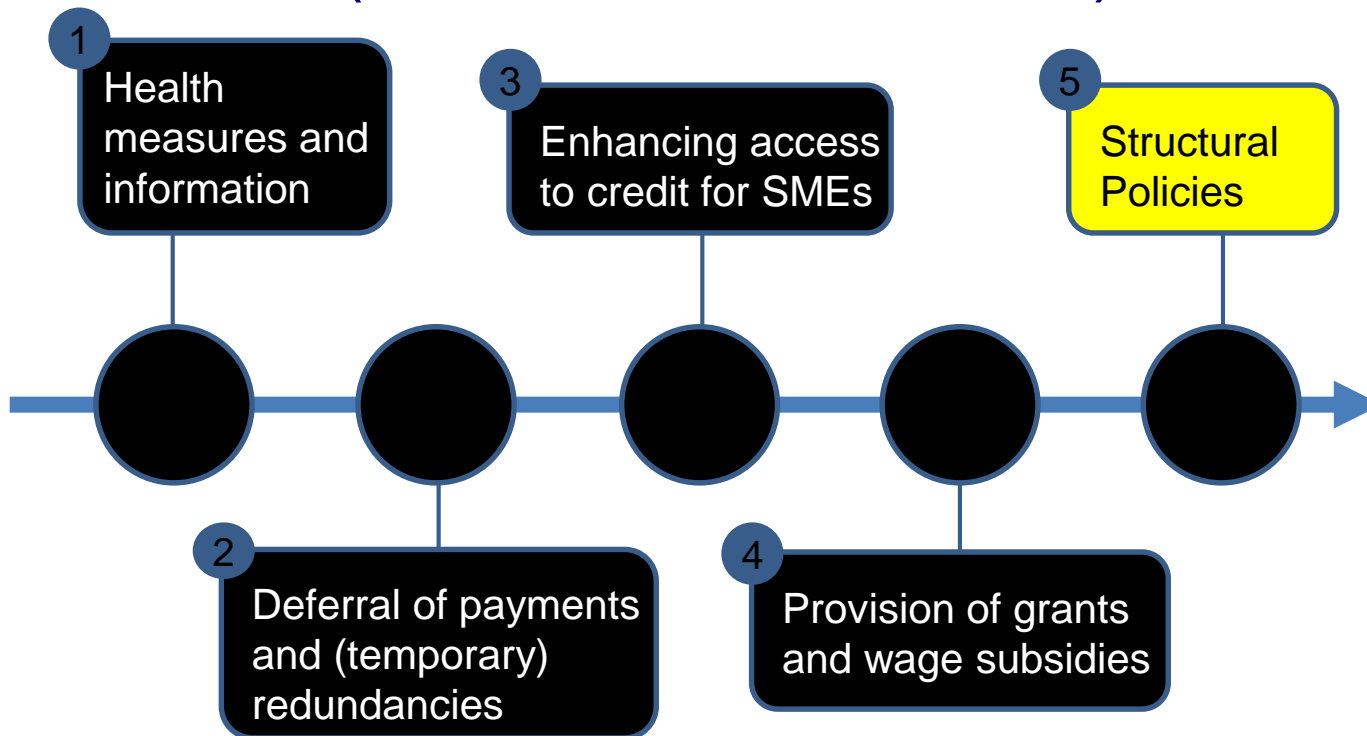


Employment recovery across regions from the 2008 crisis



Source: "Regional labour markets", OECD Regional Statistics (database)

Governments have responded mainly on short-term measures (“act now, review later”)



Gradual shift **from crisis management** and rescue policies...

... **To structural policies**

The Portuguese SME policy response was based on deferrals

Selected discretionary fiscal measures adopted in countries in response to COVID-19

As of 23 June 2020, % of 2019 GDP

	Immediate fiscal impulse	Deferrals	Other liquidity/ guarantees
Belgium	1.4%	4.8%	21.9%
Denmark	2.1%	7.2%	2.9%
France	4.4%	8.7%	14.0%
Germany	13.3%	7.3%	27.2%
Greece	3.1%	1.2%	2.1%
Hungary	0.4%	8.3%	0.0%
Italy	3.4%	13.2%	32.1%
Netherlands	3.7%	7.9%	3.4%
Portugal	2.5%	11.1%	5.5%
Spain	3.7%	0.8%	9.2%
United Kingdom	4.8%	1.9%	14.9%
United States	9.1%	2.6%	2.6%

A shift in focus towards structural policies

Challenges

- *Lower capacity* as public and SME debt increase
- *Less pressing demand* as lockdowns are gradually lifted
- *Addressing heterogeneous needs, differentiating policy action and reaching the right targets* (e.g. start-ups versus family businesses, cities vs. rural areas?)
- *Urgency and speed* of policy intervention and adaptation
- *Pre-existing structural weaknesses*

Focal points

More of *structural policies* (skills, training, innovation, regulatory FWK, infrastructure)

Supporting *digitalisation*, teleworking and e-commerce, as well as new business models and reconversion

New approach to smart specialisation and internationalisation?

Industrial policy in strategic areas (automotive, aerospace, medical/pharma.) with focus on supply chains & resilience

Instruments

Smart conditionality in public support and funding

Gradual phasing out of crisis measures

Public private *partnerships*, e.g. for infrastructure, data sharing

Taxation and smart regulation

Competition neutrality

Training and apprenticeship

Insolvency regimes and second chance for entrepreneurs

E-government

Cities are at the frontline of managing the crisis

Support to business & economic recovery

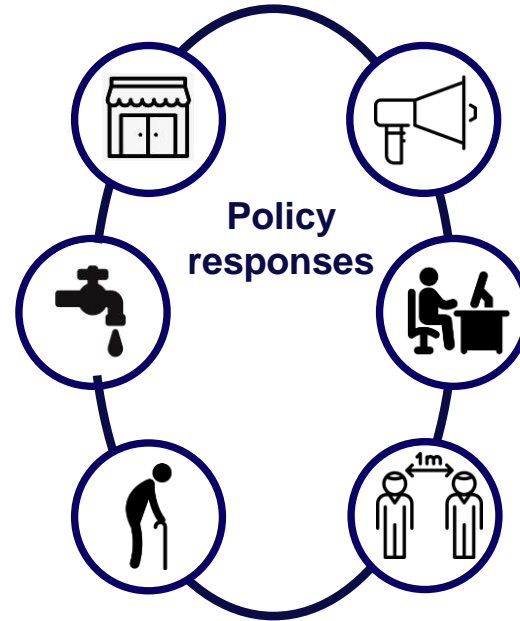
Milan announced a **mutual aid fund** to help those most in need and support recovery of city activities

Continuity of local public services

In **Detroit**, **water services** are to be temporarily restored to thousands of households previously disconnected due to unpaid bills amid a public health outcry

Vulnerable groups

Ljubljana organised **food delivery** for children from at risk families and elderly citizens. The Ljubljana Health Centre has ensured psychosocial support via phone or email



Communication & awareness

Bristol and **Dusseldorf** have broadcast **video messages** from the mayor on social media

Workplace & commuting

Tokyo is promoting **teleworking** up to four times a week for municipal staff to introduce flexible working hours

Social distancing & confinement

Moscow is embracing **e-learning** through the "Moscow Electronic School" so that pupils can follow their studies online.

Managing the crisis in local labour markets

Navigating national programmes

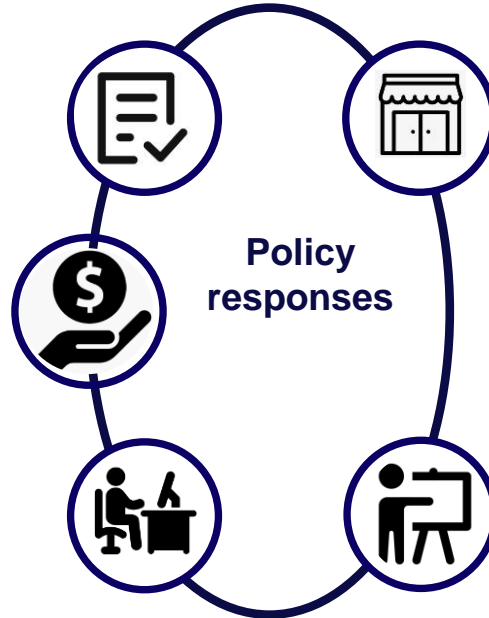
In **Canada** many cities help low-income individuals, the self-employed and recently laid-off workers to apply for the Canada Emergency Response Benefit

Implementing partner for national government

Italian regions are responsible for disbursing the national redundancy fund.

Connecting workers to essential jobs

The **US** National Association of State Workforce Agencies launched a national website for displaced workers to access COVID-19 employment opportunities



Providing direct financial assistance to SMEs

The **Basque Country** (Spain) set up a 25 million EUR credit line at 0% interest to support SME liquidity, while the government prepares a EUR 500 million credit line. **Berlin** allocated over EUR 100 million in support of micro enterprises and freelance workers

Offering access to skills

The **Occitanie region** (France) launched a EUR 4 million plan to “train rather than fire” and expanded e-learning programmes

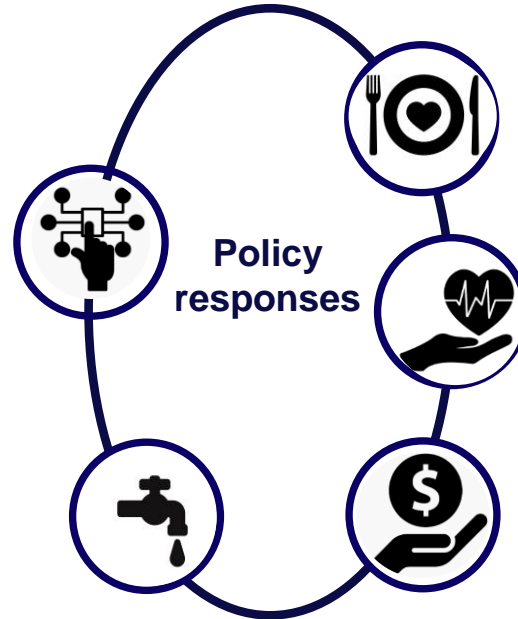
Policy responses in Rural areas

Improving digital infrastructures

In **Korea**, initiatives support full access to WIFI internet in rural schools and low-income families

Ensuring basic services to rural households

The *ReConnect Program* in the **US** reconnects water and electricity to rural households that have not fulfil payments



Community responses to help deliver food & medical equipment

Rural cooperatives in **Italy** offer free grocery deliveries to people over 65-years-old

Mobilising local networks of health care workers

In **Belgium**, communities set-up car-sharing initiatives in rural areas

Supporting rural business and communities

Community Futures Network provides access to capital to rural business and community in **Canada**

Opportunities for cities and rural areas

Accelerating the digital transition



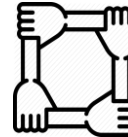
- More rapid automation of jobs
- Rise in teleworking
- Online delivery of local education and training
- Greater shift from bricks and mortar to online commerce
- Increased need for digital infrastructure and tools for all communities and households

Revisiting globalisation



- Re-location of production in strategic/ essential goods and services
- Restrictions on international movements of people
- Diversification of suppliers

Increasing preferences towards public goods



- Increased willingness to implement green measures, albeit pressure to create any job fast
- Greater role for the social economy and corporate social responsibility in local development
- Revisiting job quality for essential workers
- Resilient health systems

Re-engineering cities



- Changes to local spatial planning
- Rethinking cultural and sporting events

Digitalisation can bring economic efficiency in all places

Raise the quality and reducing costs of service delivery (e-Health and e-Education)

Attract new economic activity and connecting to new markets (e-Commerce)

Improve productivity of firms (automation, 3D printing)

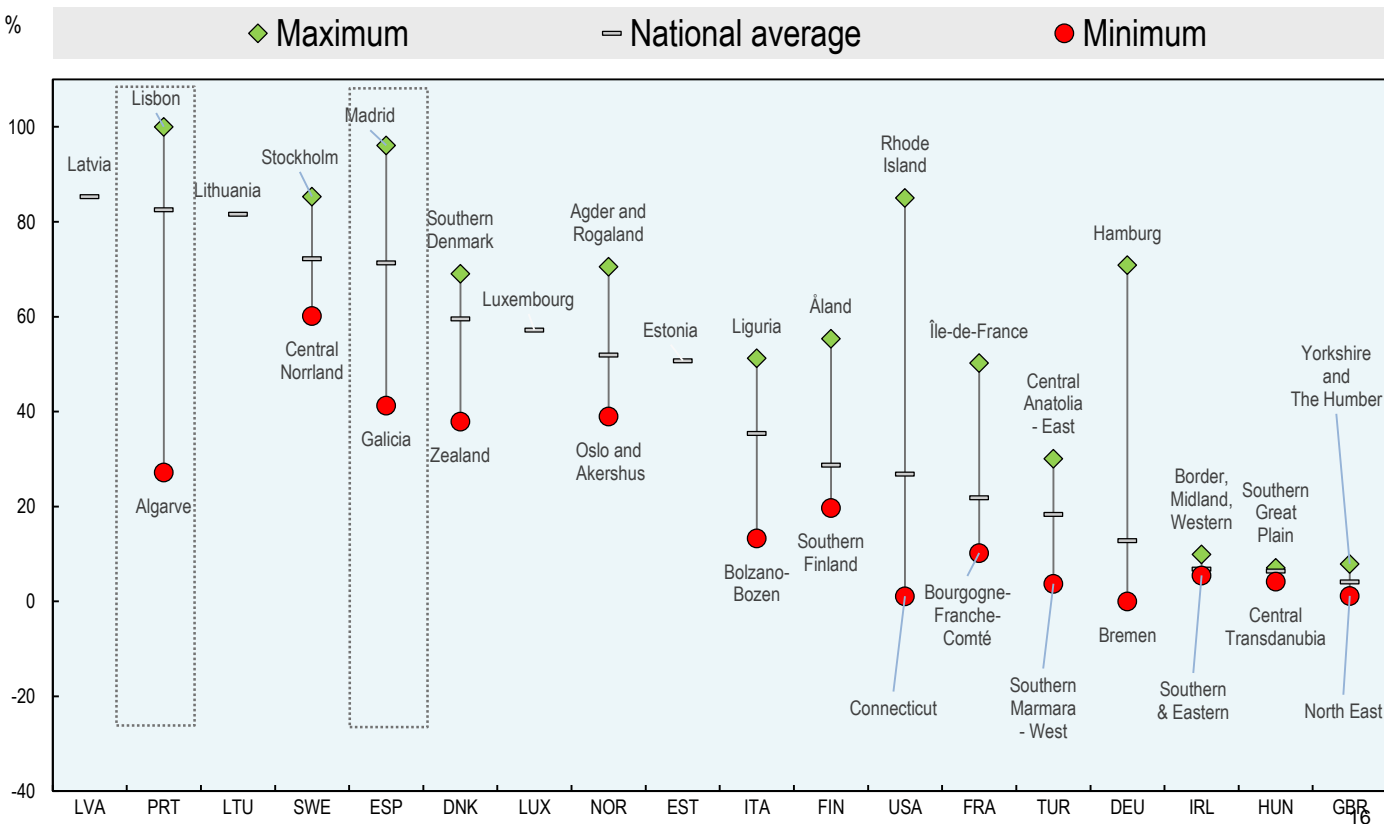
Increase resilience to shocks (teleworking)

Transformation towards smart cities (smart transport systems and electric grids)

Regional differences are significant in high-speed internet access

Coverage of optical fibre internet access in OECD regions

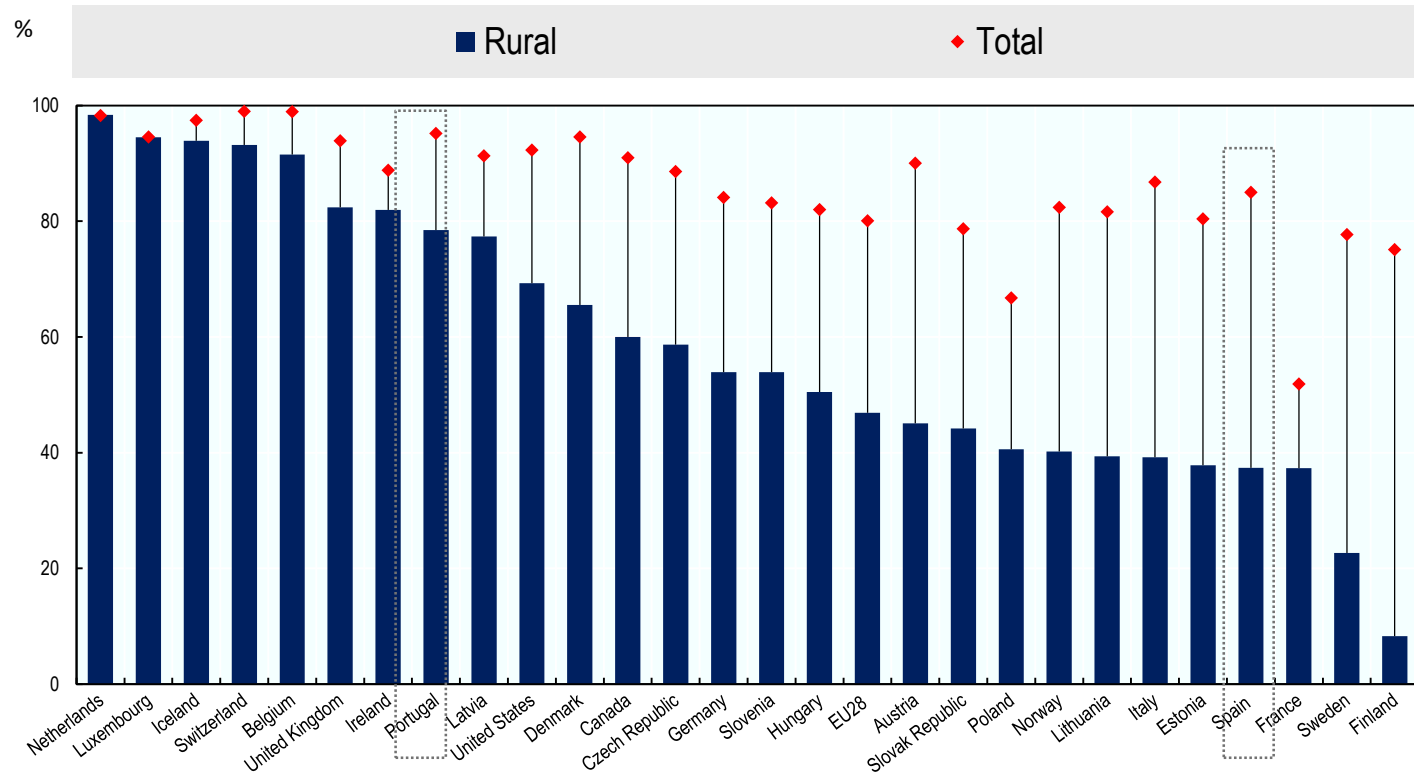
Differences are especially wide in **Germany, Portugal, and the United States**



Rural households have lower broadband quality than on average

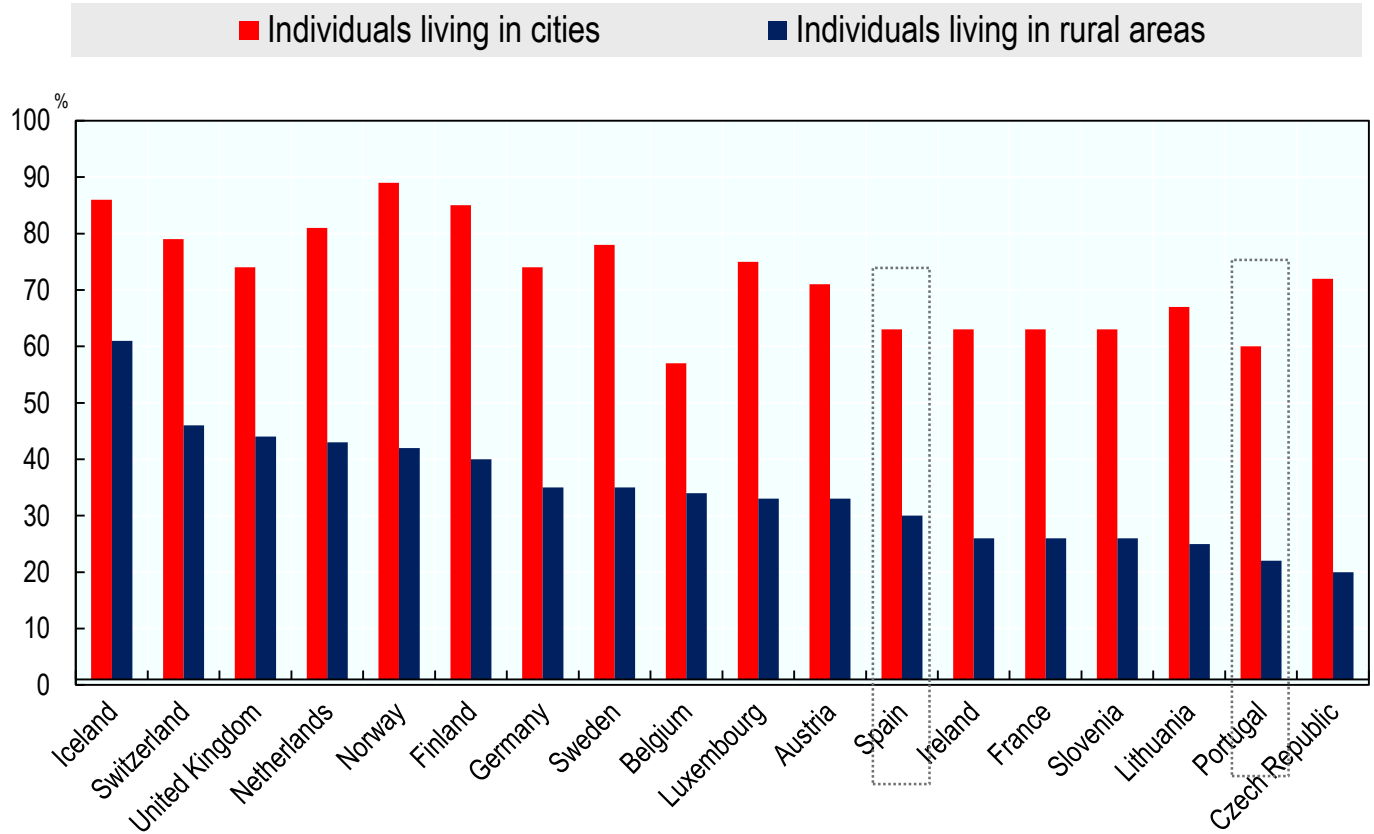
Households in areas where fixed broadband with a speed of 30 Mbps or more is available, as a % of the total

Just **56%** of rural households have access to a fixed broadband with a minimum speed of 30 Mbps



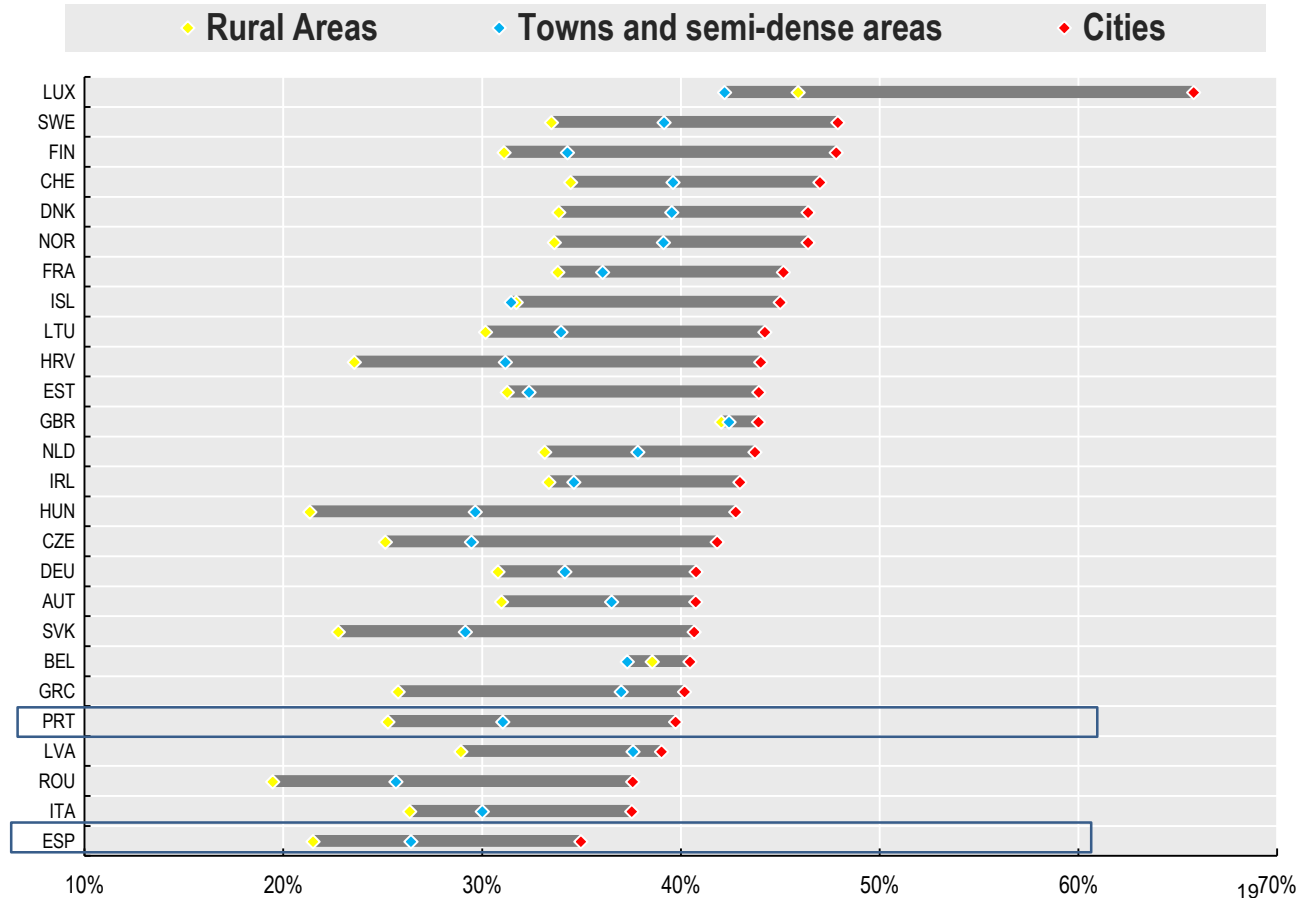
Digital skills are lower in rural areas than in cities

Share of individuals living in rural areas and cities in Europe with basis or above digital skills (2019)



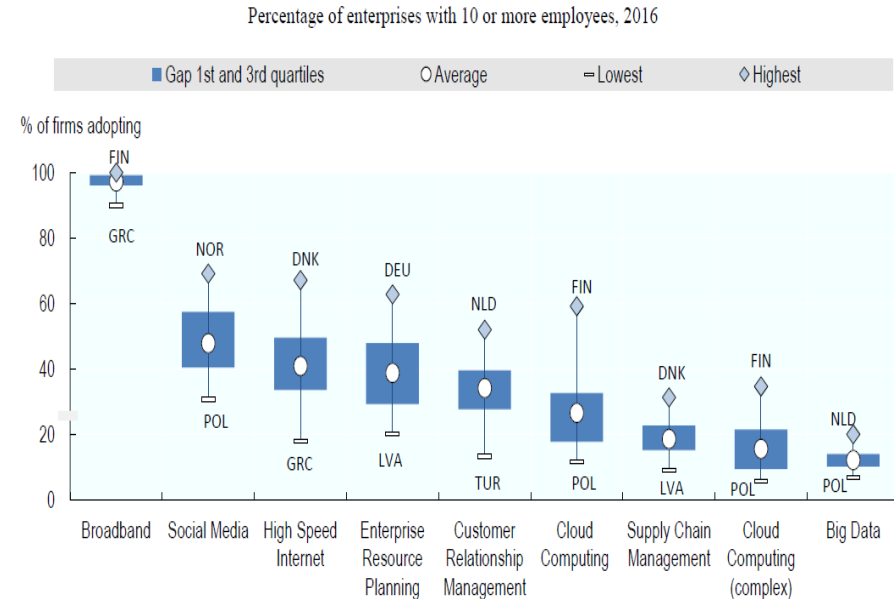
Rural areas have fewer occupations amenable to teleworking

Teleworkability
across cities, towns
and rural areas in
European countries



Emerging technologies could benefit low-density areas

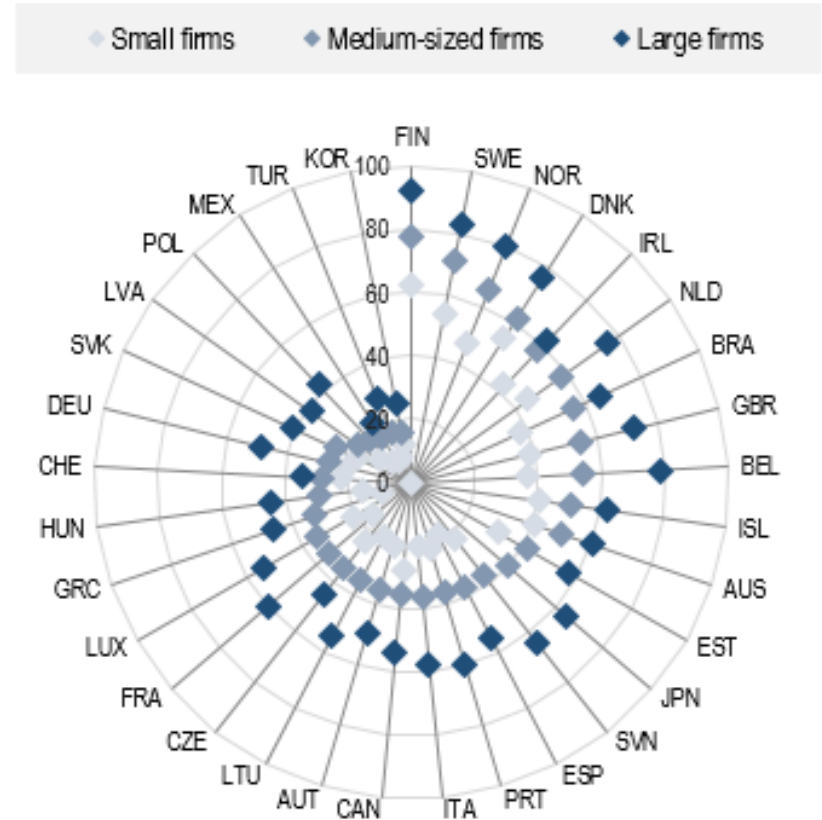
- Additive manufacturing (e.g. 3D printing)
 - Drastically reduces costs of small production runs and tailor-made goods
- Autonomous vehicles (self-driving cars)
 - Can make a large number of professional drivers redundant
 - Can make transport much more efficient and convenient, but could also lead to congestion and sprawl with inadequate regulation
- Civic technology solutions
- Drones
 - Potential solution for goods delivery
- Virtual reality and augmented reality
 - New teleconferencing solutions
 - Remote specialist consultations (e.g. in medicine, engineering, ...)
 - Increased adoption of teleworking



Source: Andrews et al. (2018).

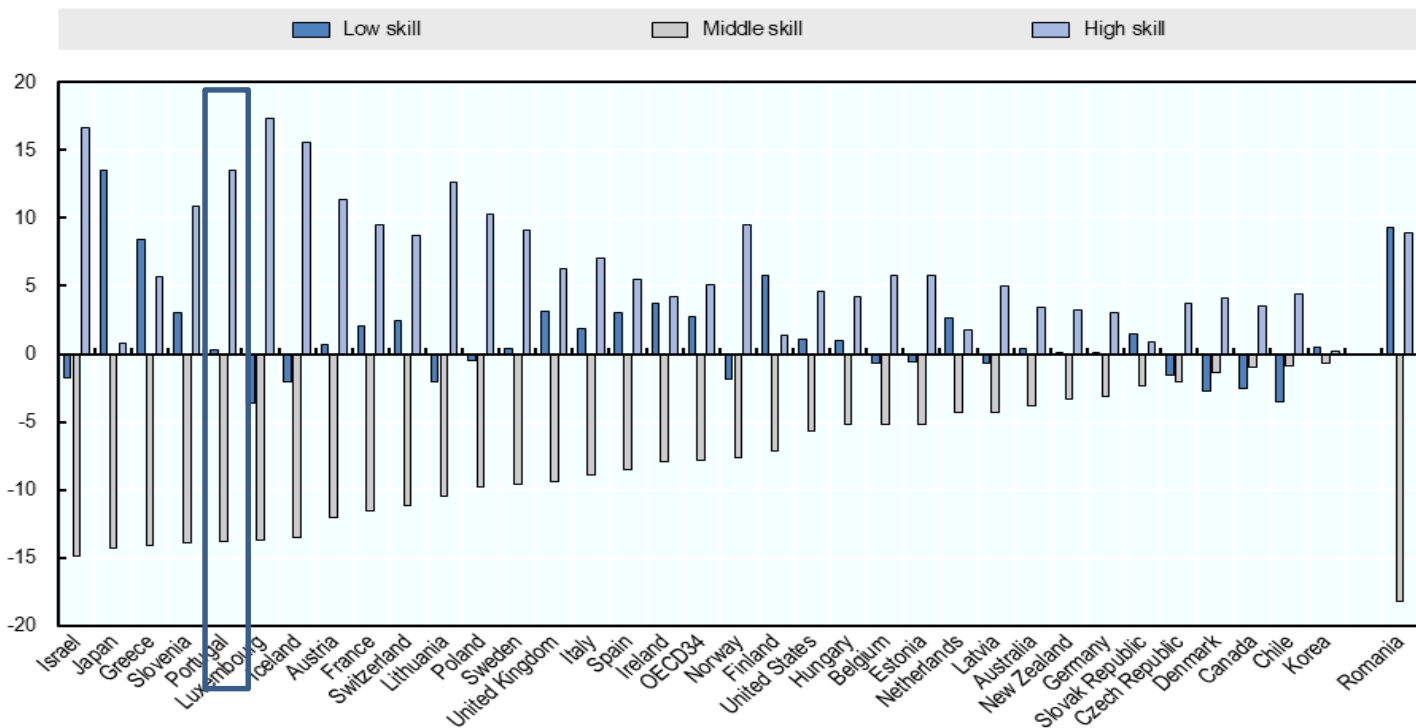
Smaller firms are often at a disadvantage in innovation

Cloud computing adoption rate (% of firms by size, 2018)

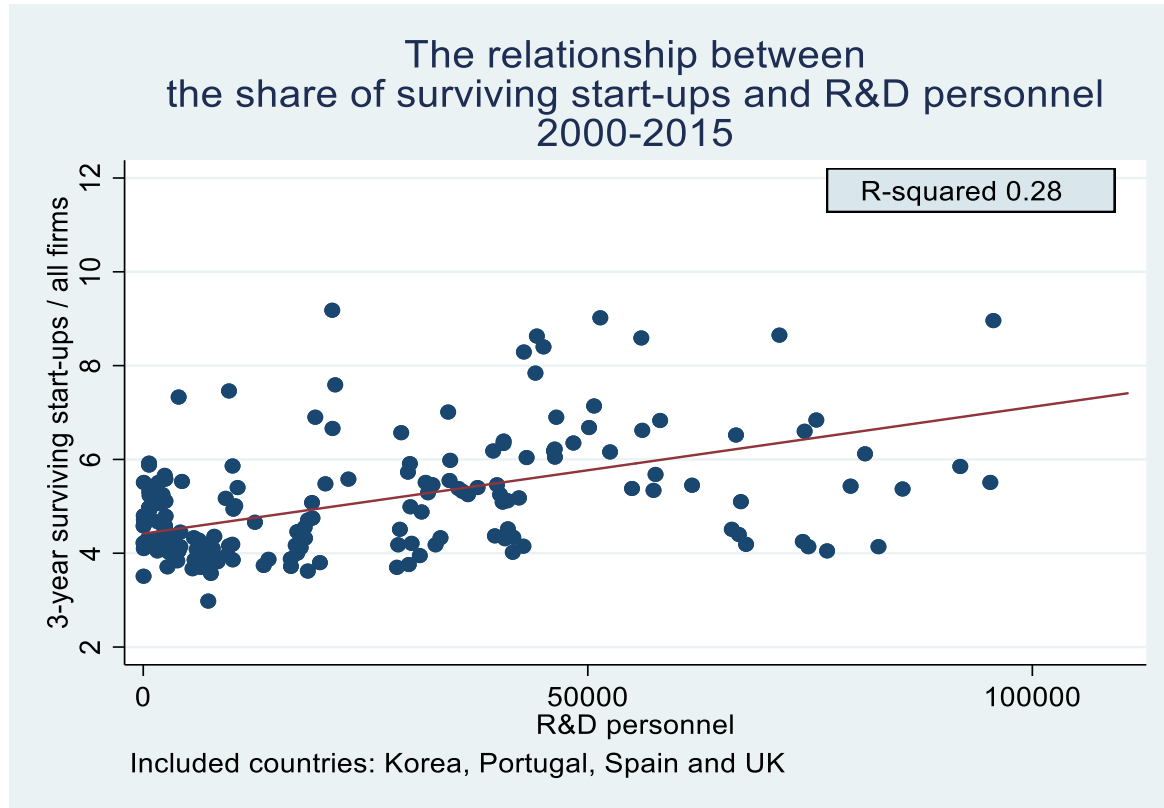


Source: OECD SME and Entrepreneurship Outlook 2019 based on business use of ICT data.

The share of middle-skill jobs has declined across OECD countries



Links between knowledge conditions and entrepreneurship



Demographic challenges

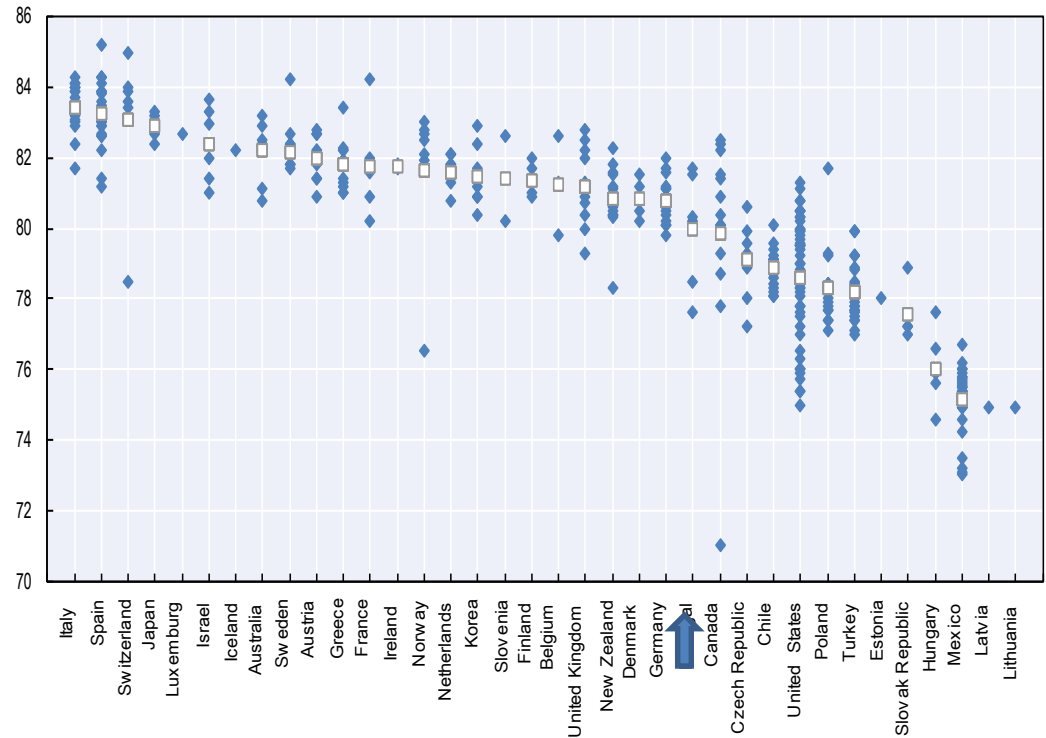
- Rising life expectancy
- Ageing
- Population decline
- Urbanisation
- Migration

- 57% of all OECD regions are expected to decline in population by 2050

- Demographic shocks are going to be very asymmetric between different types of regions

- Automation and migration can compensate for ageing and population decline

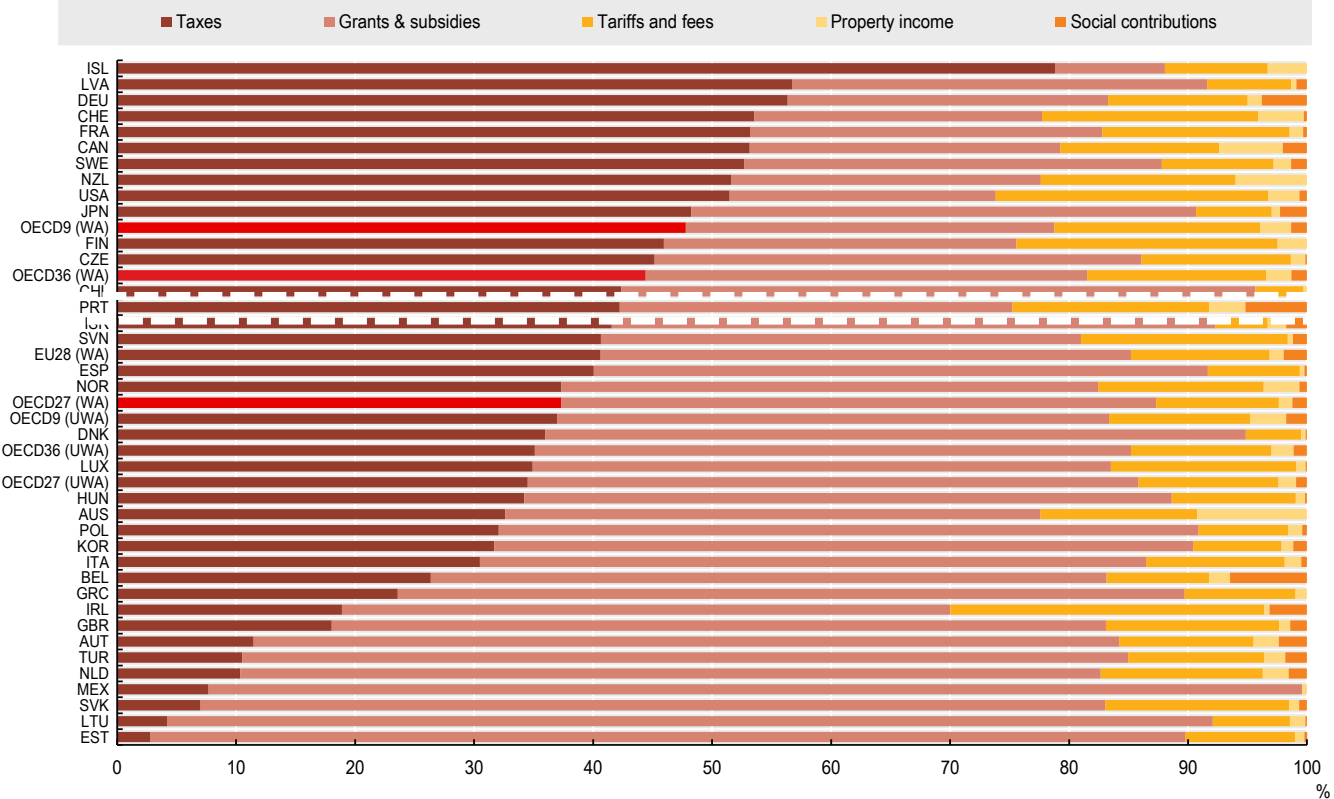
Life expectancy at birth in TL2 regions



The strategic role of Multi-level Governance

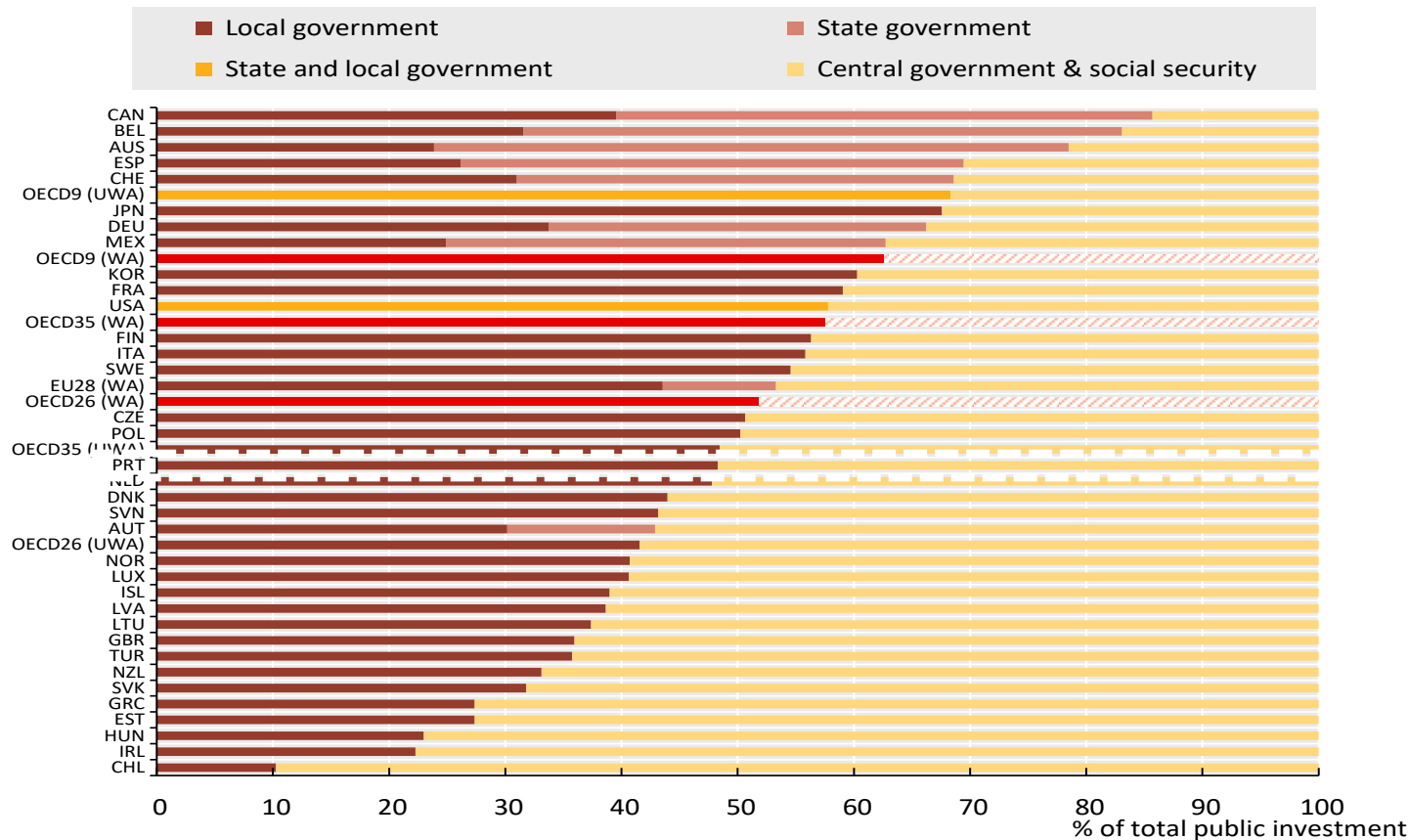
- ❑ A central government cannot have as many policies as different types of cities and regions. Designing place-based policies is a **too complex task to be centralised**.
- ❑ But decentralisation needs to be organised as a **partnership** and not only as a process of autonomy and devolution of competencies. By delegating certain tasks central governments can be more strategic
- ❑ Decentralisation works better when it is done in a **process allowing for the asymmetry of capacities at the local level** and experimentation (learning-by-doing)
- ❑ To find the right scale: address governance fragmentation of **metropolitan areas**, promote **supra-municipal cooperation** and use of a **regional level**

Sources of subnational governments' revenues, OECD 2018

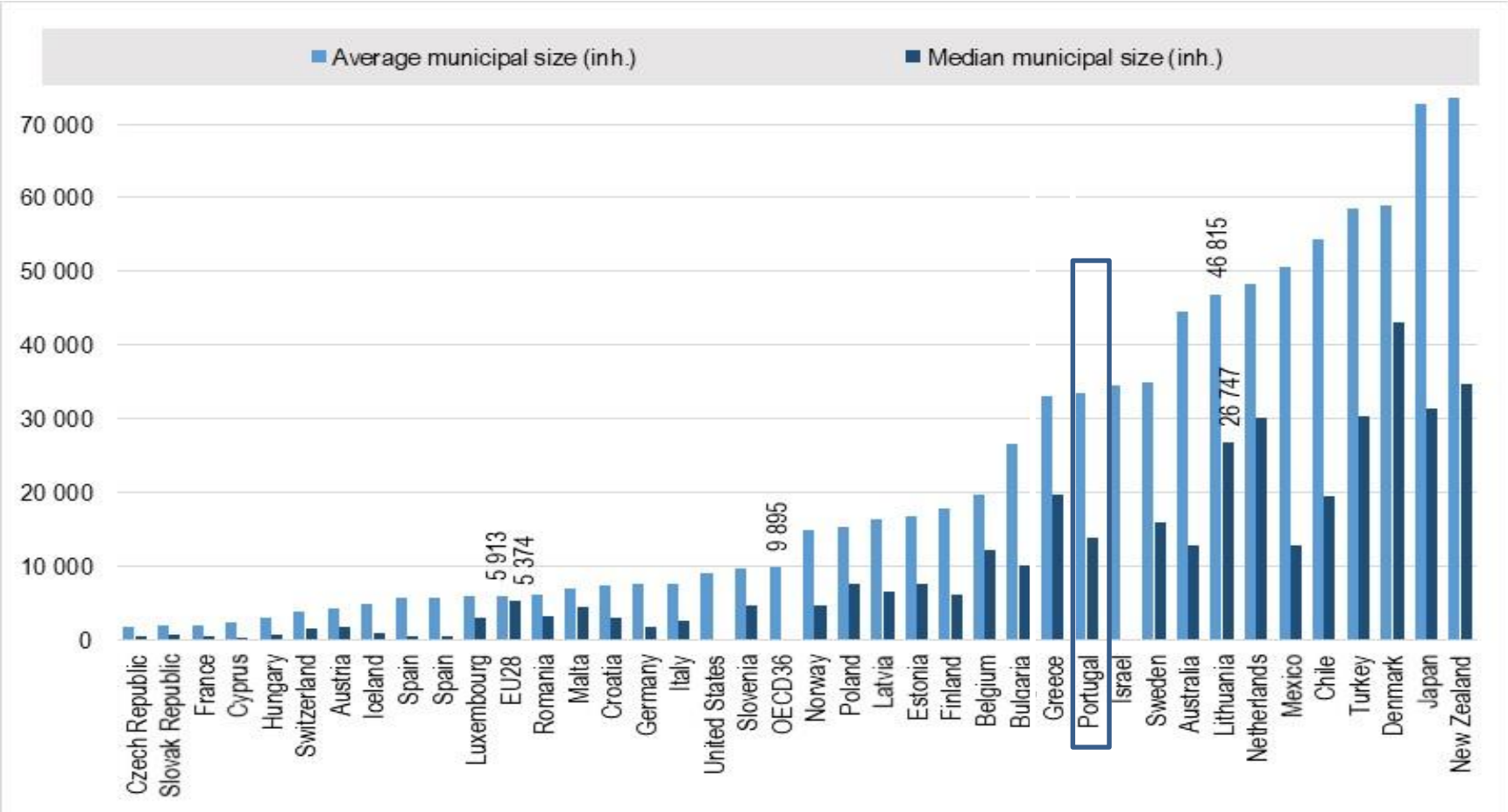


Share of Subnational Governments in Public investment

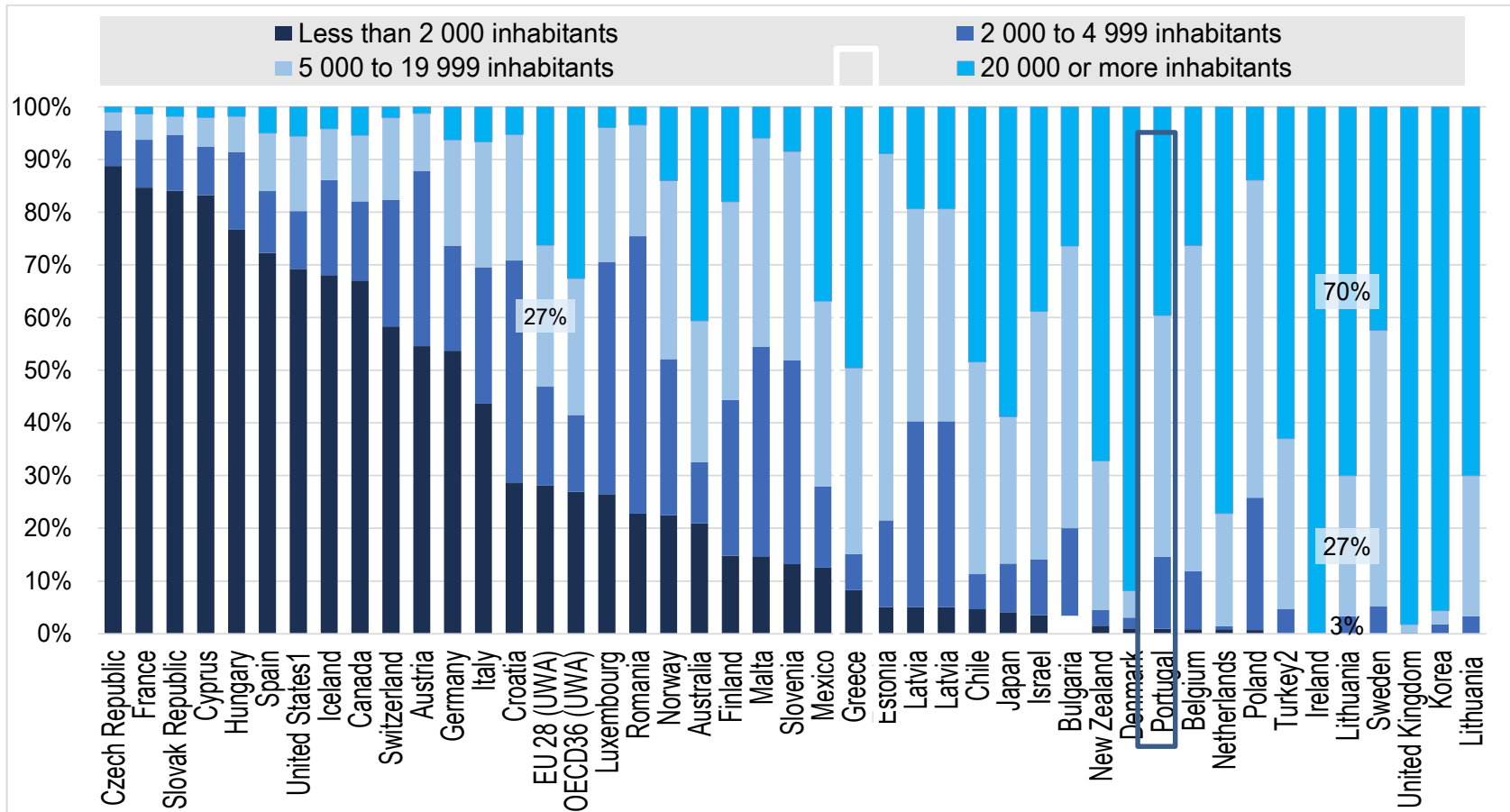
Subnational investment in % public investment (2018)



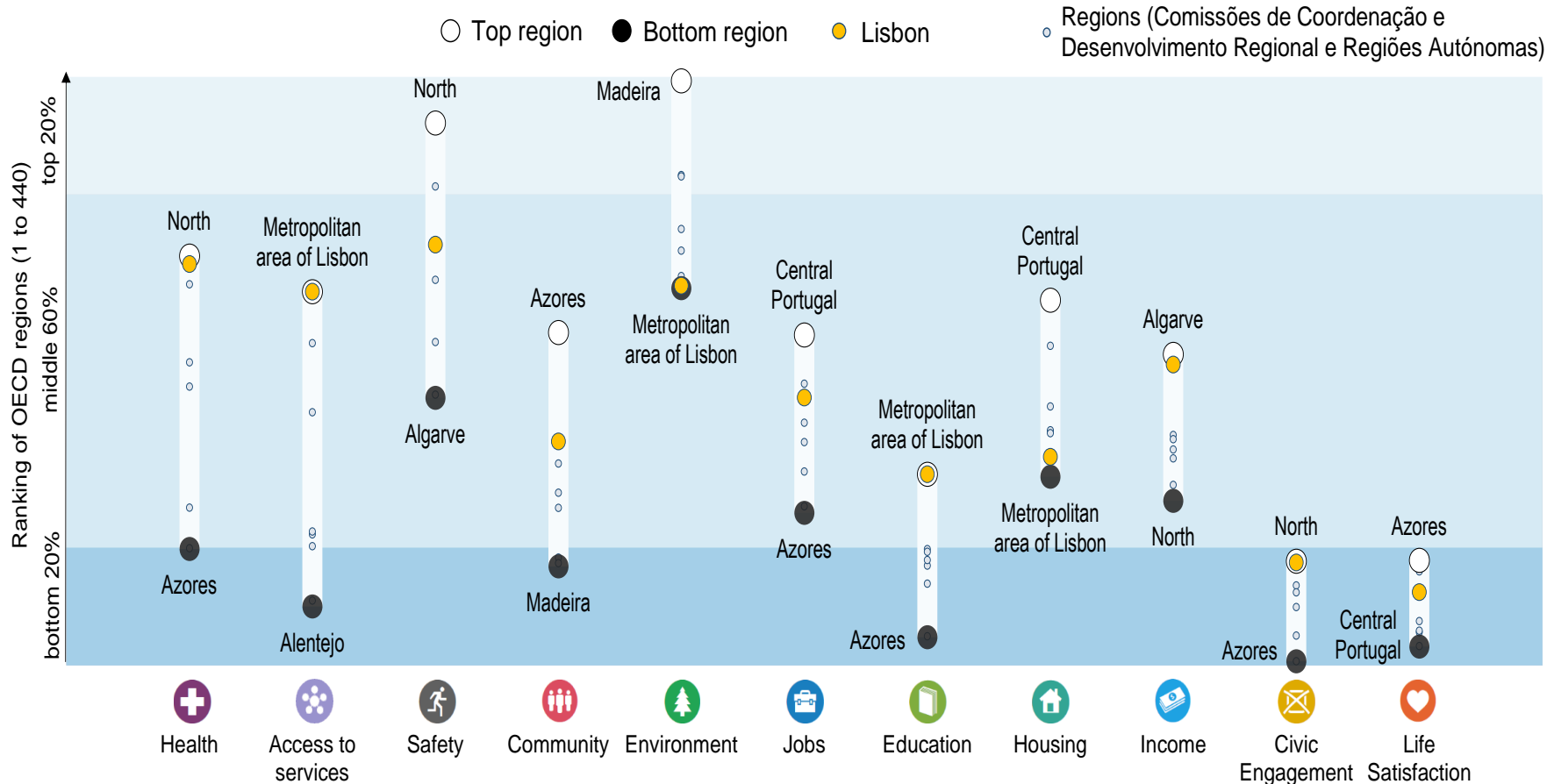
Portuguese Municipalities are relatively large



Size structure of municipalities in the OECD



Well-being regional gaps – Portugal



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Obrigado!

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