



REBUILDING THE URBAN ECONOMY

Key purpose: Provide an analytical framework to understand the economic impact on cities as a result of COVID-19, with a focus on the fiscal challenges of cities in the developing world.

Keywords: Urban economy; labour markets; urban finance; fiscal resilience; public and private investment; finance for sustainable development; multilateral support

Introduction – Bruno Dercon Impact, Short-term Responses – Hannes Berggren & Philip Bonera Future Directions and Key Messages – Marco Kamiya





- EMPLOYMENT & BUSINESS Loss of income, bankruptcies
- INEQUALITY Vulnerable groups, digital divide



Projected growth under COVID-19 conditions in selected African primary cities



COVID-19 FISCAL IMPACT ON URBAN AREAS

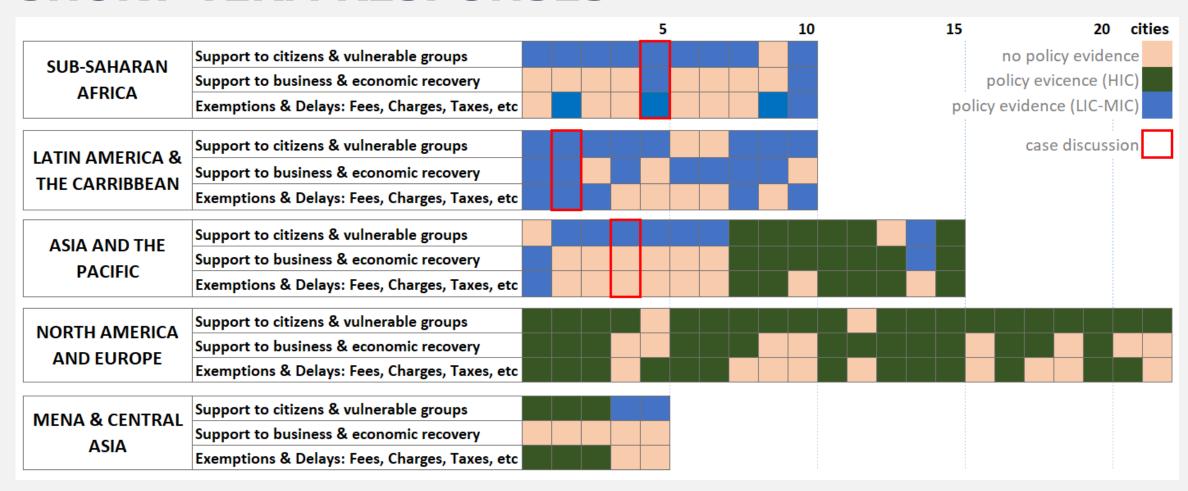
- SCISSOR EFFECT Decreased revenue, increased expenditure
- PRO-CYCLICAL RISK Strict spending rules, reliance on IGFT



The Fiscal Scissor Effect



SHORT-TERM RESPONSES



Case Study 1: Freetown, Sierra Leone



☐ Support to the vulnerable:

Food delivery to the poor & the elderly; distribution of hygiene materials

□Support to businesses/economic activity: support to urban farming activities; availing space for ongoing activities of traders and vendors

☐ Municipal taxes/fees: discounted property tax and business licenses

Freetown, Sierra Leone



Case Study 2: Bogota, Colombia



- ☐ Support to the vulnerable: Raised additional \$13m for vulnerable populations & healthcare sector
- ☐ Support to businesses/economic activity:
 Urban real estate projects for employment
 generation; promote urban agriculture;
 entrepreneurship and women employability
- ☐ Municipal taxes/fees: postpone of payment of property & vehicle taxes (with a 10% discount); industry & commerce taxes



Case Study 3: Kerala, India



Community volunteers preparing meals for distribution

□ Support to the vulnerable: Relief food distribution drives to the poor, migrants, & laborers.



SHORT-TERM SUPPORT TO CITIES

MULTI-LEVEL
 RESPONSE
 National
 governments to
 support cities

Central government support

Subnational government action

Level of government

- Suspend fiscal rules for SNGs
- Provide emergency transfers to SNGs
- Guarantee SNG debt incurred by pandemic

- Ensure coordination of action
- Ensure sufficient revenues for SNGs
- Provide financial support to SNGs

- Attend the health crisis
- Enforce confinement
- Support employment
- Support local businesses
- Support people, especially vulnerable citizens

- Sustain public investment
- Sustain SNG employment
- Provide social protection support to citizens

Time

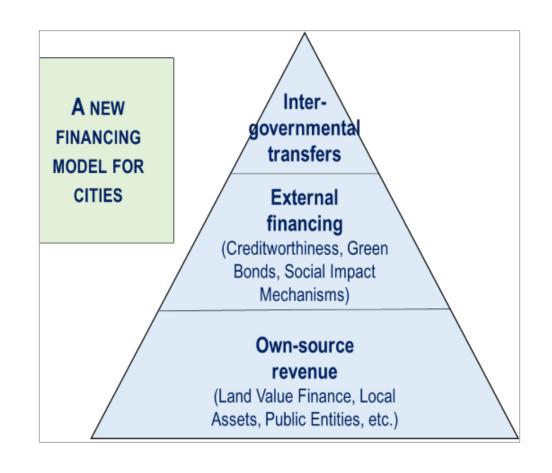
Immediately

Short-term



The Future Urban Economy

- □ INVESTING IN CITIES
 For a green, digital
 and inclusive urban
 structural
 transformation
- □ A NEW FINANCING
 MODEL
 Resilience &
 sustainability







Key Messages

- 1. Due to adverse regulatory frameworks, cities and regions are at risk to miss opportunities to support a green, inclusive, gender-equal and sustainable local recovery.
- 2. Cities operating on the frontline of the pandemic are in dire need of multilateral support.

