



COVID-19: REGIONAL POLICY CHALLENGES AND RESPONSES

Round table: **International cooperation for regional development**

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The global context: a crisis without precedent

- Influenza following the Great War: a world that was far less interconnected, in terms of flows of goods and people, or of rules and institutions.
- Better prepared than a century ago to manage the health impacts of COVID19, but...
- ...the economic shock is unprecedented.
 - The **OECD expects global GDP to contract by 4.5%** in its *baseline* scenario.
 - **All G20 economies except China will shrink** this year. The hardest-hit countries are likely to record declines of 10% of GDP in 2020.
 - Worldwide, we could see **as many as 90 million people pushed into extreme poverty** this year alone, a 14% increase in one year. More may follow in 2021.
 - The baseline scenario sees global GDP by end-2021 at the level of end-2019: with reference to pre-crisis trends **a loss of 7.5-80% of global GDP** (equivalent to the economies of France and Germany).
 - Downside scenario could be a loss of 13%. The *optimistic* scenario – a loss of 4.8%.



Some good news? A few silver linings...

Though grim, **this outlook is better than it appeared in the spring:**

- We are **still struggling to control the spread** of the virus but we are far better able to treat it: **COVID19 mortality rates have fallen dramatically** since May-June.
- **Policymakers reacted** quickly and managed to buffer the initial shock. Activity rebounded as confinement measures started to ease.
 - *However, momentum in many countries appears to be plateauing and **confidence remains weak**, against the backdrop of a resurgent virus in many countries.*
- Recovery plans are **a once in a lifetime opportunity to encourage greener, more inclusive growth**. This should be taken into account in the design of support policies.
 - But so far, over 50% of support to energy sectors in the OECD area has gone to fossil fuels. We risk (again) rebuilding an unsustainable *status quo ante*.
- **Global value chains** proved more robust than many had feared.



The spatial consequences: what this means for regions

Health impact

- Within and across countries, incidence of the virus tends to be higher in dense urban areas, especially those that are important global hubs – but there are exceptions.
- Mortality, though, is often higher elsewhere: rural regions, poorer regions and regions with older populations have tended to be more vulnerable.
- This is linked to inter-regional disparities in access to healthcare.

Economic impact

- The protracted slow-down in trade and global demand will hit rural economies, given their reliance on tradable activities (agriculture, mining, tourism, etc). *This has clear implications for regional policy and the urban/rural divide.*
- Buffering the shock: inter-regional differences in savings, ability to work remotely, business demography, quality of (especially digital) infrastructure, access to online learning.

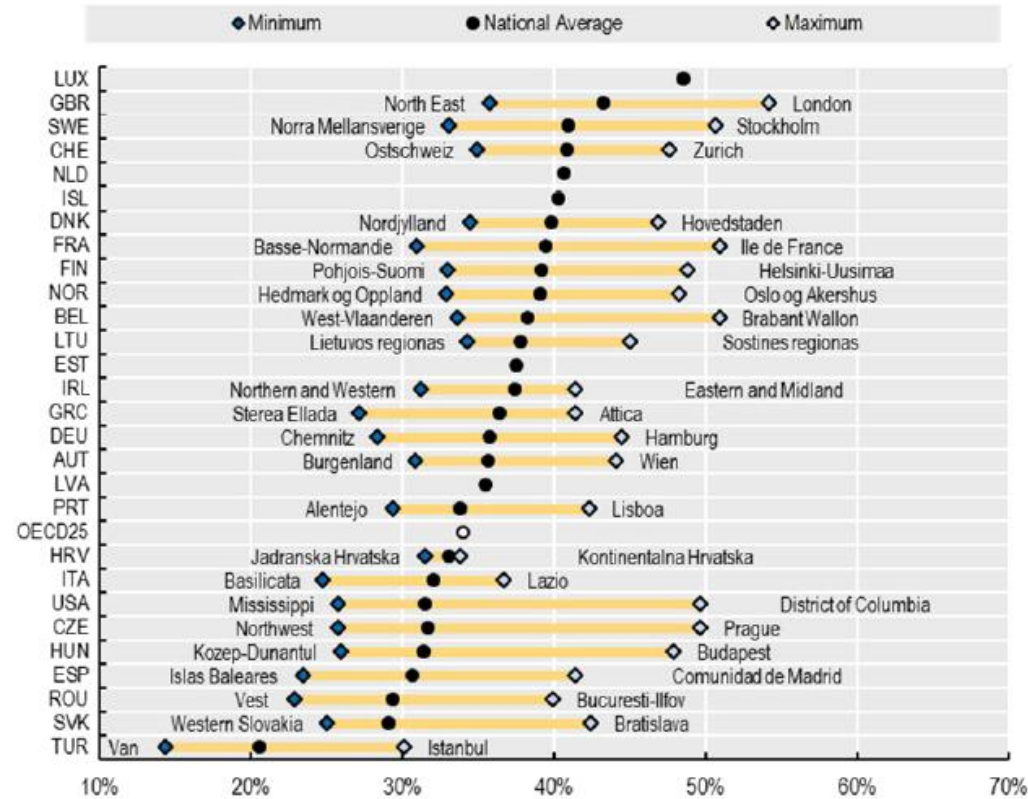
Concatenating health and economic impacts

- Places with more workers in essential jobs (agriculture, food processing, etc.) are doubly at risk: limitations on telework and social distancing increase economic harm AND health risks.

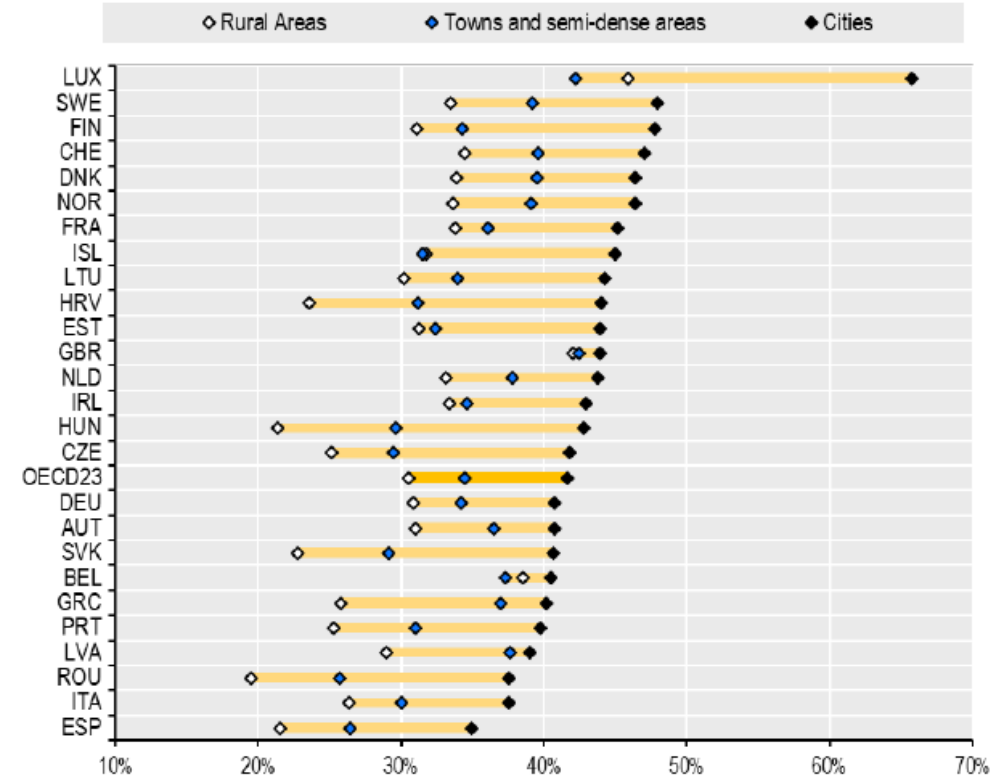


Potential for remote working varies greatly

Share of jobs that can potentially be performed remotely (%), 2018, NUTS-1 or NUTS-2 (TL2) regions



Share of jobs that can potentially be performed remotely (%), 2018, NUTS-1 or NUTS-2 (TL2) regions



Note: The number of jobs in each country or region that can be carried out remotely as the percentage of total jobs. Countries are ranked descending order by the share of jobs in total employment that can be done remotely at the national level. Regions correspond to NUTS-1 NUTS-2 regions depending on data availability. Outside European countries, regions correspond to Territorial Level 2 regions (TL2), according to the [OECD Territorial Grid](#).

Source: OECD calculations based on European Labour Force Survey, American Community Survey, Turkish Household Labour Force Survey and Occupational Information Network data (accessed in April 2020).

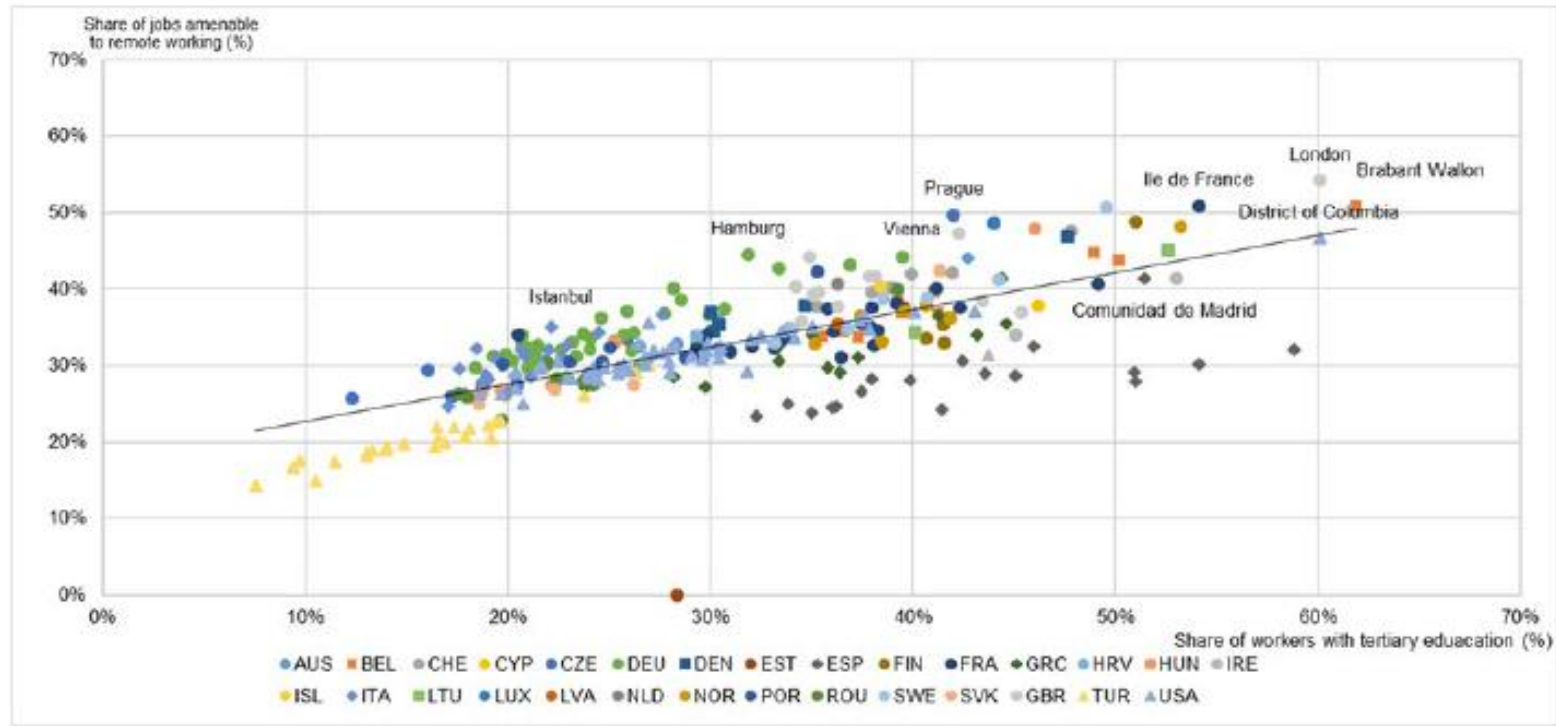
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Source: OECD calculations based on European Labour Force Survey, American Community Survey, Turkish Household Labour Force Survey and Occupational Information Network data (accessed in April 2020).



The potential for remote working increases with skill levels in the region

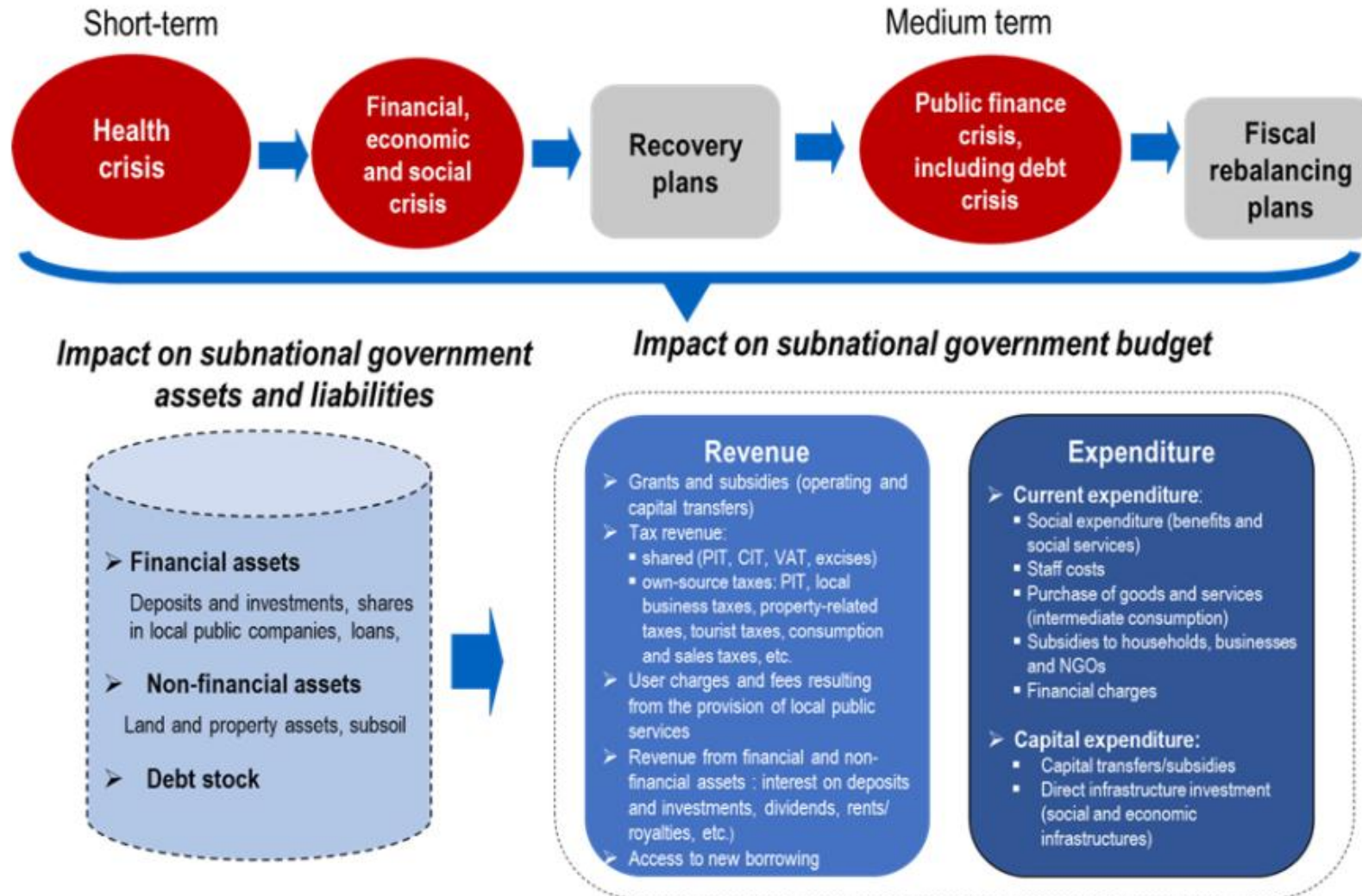
Share of jobs that can be performed remotely (%) and workers with tertiary education (%), in 2018



Note: The number of jobs in the region that can be performed remotely as the percentage of total jobs (vertical axis), and the share of workers with tertiary education in total workforce (horizontal axis). Regions correspond to NUTS-1 or NUTS-2 regions depending on data availability. Outside European countries, regions correspond to Territorial Level 2 regions (TL2), according to the [OECD Territorial Grid](#). Source: OECD calculations based on European Labour Force Survey, American Community Survey, Turkish Household Labour Force Survey and Occupational Information Network data (accessed in April 2020).

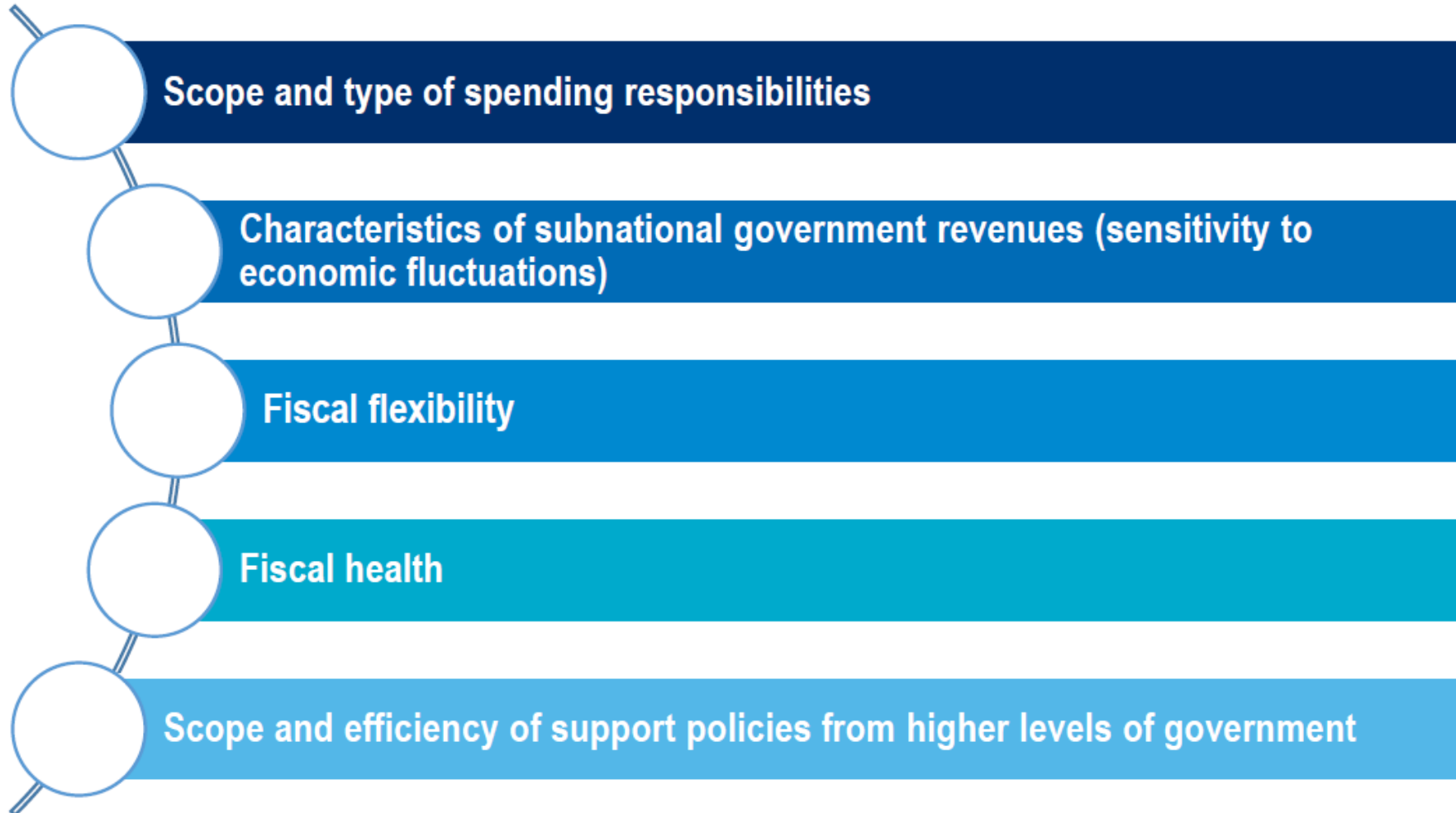


Front-line governments: the cascading effect of COVID-19 on sub-national government finances





Differentiated impact on subnational government finance: five main factors





Looking ahead: post-COVID opportunities for rural places

Opportunities

Higher relevance to enhance quality and use of digital tools/broadband in rural regions

Remote distributed work might increase linkages between rural and urban

Shift in consuming habits can favor local products and destinations

Greater awareness to ensure accessibility to quality services (ehealth, e-education)

Reshoring of strategic industries that were once delocalised (i.e. raw materials)

Momentum to accelerate a just transition towards a low-carbon economy for rural communities

Mobilise and strengthen local networks and co-operative structures to face future shocks

New potential for rural tourism: sustainable and higher value



Looking ahead: regional policy challenges

- Recovery packages must reflect diagnosis of specific regional vulnerabilities.
- That, in turn, will require critical bottom-up, as well as top-down input.
- Inter-regional skills gaps and digital divides (both digital skills and digital access) matter more than ever.
- Most countries need to invest more in the quality of provision of on-line learning opportunities.
- “Building back better”: recovery packages must give more attention to sustainability and inclusion – don’t repeat the mistakes of the global financial crisis.



The cross-border dimension

- It is easier to close down unilaterally than to reopen: reopening requires co-ordination
- Co-operation across jurisdictions is essential to limit the risks of second wave of the virus: in border regions, this is true even across international frontiers.

Cross-border cooperation should be actively pursued, and supported at all levels of government, in order to promote a coherent response recovery approach across a broad territory (e.g. border closure and reopening, containment measures, exit strategies, migrant workers).



THANK YOU FOR YOUR ATTENTION