

Executive summary

Place-based policies are essential to building an inclusive, resilient and sustainable recovery from the COVID-19 crisis

The COVID-19 pandemic has had a profound impact on the health of our societies and economies. It has highlighted that risks to human health can trigger a systemic crisis. Economic and social systems may only be as resilient as their weakest link. The interdependencies between resilience and inclusiveness have thus been laid bare. Anticipation has proven critical to mitigating systemic crises. However, while the crisis is global, there are significant differences across countries and the impacts also differ strongly within countries. Understanding the causes of these spatial differences and, in particular, dealing with their outcomes, especially for the most vulnerable and worst-hit communities, is critical for improving resilience and “building back better”. Resilience also requires that we address the global environmental challenges – including climate change – that make pandemics more likely. All of this reinforces the importance of multi-level governance and local actors in implementing and designing mitigation measures and in supporting an inclusive and resilient recovery.

The COVID-19 crisis is unrivalled in scale and regional differences in a century

COVID-19 has reinforced existing territorial inequalities. Whilst density was initially expected to be an important determinant in infection rates, containment strategies, including the ability to work from home, have lessened its impact. People living in poorer areas, in crowded living conditions and working in jobs less amenable to remote working, were harder hit than their more affluent neighbours. Rural areas were generally exposed later. Their disproportionate shares of older and less healthy populations, more limited health capacities and lower shares of jobs amenable to remote working were readily exploited by the virus.

Employment at risk from lockdowns varied from less than 15% to more than 35% across 314 regions in 2020, with those dependent on heavily affected sectors, such as tourism, particularly exposed. The potential for remote working across regions is also uneven. Equally, differences exist in the relative importance of non-standard employment, which includes undeclared, temporary or self-employed workers, who often benefit less from social protection. These differences contribute to regional employment and poverty impacts.

The substantial costs of the COVID-19 pandemic to human life and economies, with its territorially different impacts, reinforce the importance of place-based, co-ordinated policy responses. While effective central governments need to set the national strategy, these need to go hand in hand with bottom-up local approaches.

Climate change is a global challenge requiring local, inclusive and early action

Climate challenge also threatens the foundations of well-being. It is also global and territorially different, albeit on a larger scale and longer time horizon than the COVID-19 crisis. Responses also need to include regional and local actors. Key risks from global warming above 2 degrees Celsius include worldwide food shortages as well as high risks of water scarcity in dryland regions. To prevent these risks, most OECD countries are aiming for net-zero domestic greenhouse gas (GHG) emissions by 2050. Costs vary and can be modest in fossil fuel-importing high-income regions. Well-being benefits beyond the protection of the climate, for example from lower air pollution, as well as growth in new green technologies, could more than offset the costs in many places. However, in some places, the transition costs may be higher and policies and support will be needed to address the needs of vulnerable communities in particular, to avoid new geographies of discontent emerging.

Subnational governments have a strong stake in this transformation because:

- Variation in emissions per capita is larger within than between countries.
- Well-being benefits largely arise locally.
- Regional governments are better placed to understand local vulnerabilities.
- Subnational governments have key competencies in energy use, land use and urban policy.
- Governments at all levels need to assess investment decisions against the net-zero-emission target.

Delaying action raises costs substantially. It also raises risks of dangerous, irreversible climate “tipping points”. Many regions are far off near-term benchmarks, for example in phasing out coal, expanding renewables or refurbishing buildings. Similarly, regions are not preparing road-freight hubs for zero-emission technologies and logistics. Many city dwellers are able to reach destinations more quickly in their own car than in shared transport, especially in poorer cities. Marginalised poor people bear the highest risks from climate change.

Multi-level governance and finance need to mainstream the climate challenge

Subnational governments are responsible for most public spending and investment with impacts on the climate and environment.

- Transfers between subnational governments need to be linked to climate policy goals so that subnational governments have the incentives and resources to act consistently with net-zero emissions.
- Subnational revenue and spending should integrate green budgeting and public procurement while eliminating environmentally harmful subsidies.
- Borrowing frameworks should make room for investments that serve the net-zero-emission transition.
- Governance structures and policy evaluation that integrate the scientific community in collective decisions help ensure early cost-saving actions.

Cities require major rapid transformations

Metropolitan regions contribute more than 60% of production-based GHG emissions. Moreover, in high-income cities, emissions inherent in the consumption of goods and services, which are largely produced elsewhere, are often much higher than production-based emissions.

- National urban policies should co-ordinate sectoral policies, such as transport and housing, across metropolitan areas and their hinterlands, to reach net-zero emissions.
- Cities can adopt policies to reach net-zero emissions in conjunction with better urban living. For example, digital-based, on-demand ride-sharing not only lowers emissions and energy consumption but also reduces congestion and pollution while saving costs, boosting innovation and freeing urban space, provided it replaces individual car use. Mobility in the Greater Dublin Area, for example, could be delivered with only 2% of the current number of vehicles and 37% less congestion while improving connectivity and equitable access to the population.
- Cities hold large potential for modular technologies to integrate renewables, heat pumps and other green infrastructure.
- High-income cities can take the lead on circular economy initiatives to make consumption more consistent with net-zero emissions, by eliminating food waste and encouraging sharing and reuse of goods for example.

Rural regions are pivotal for their natural endowments

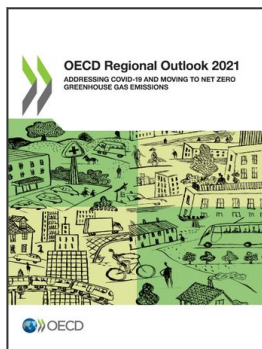
Ecosystem services and the potential from the use of renewables in rural regions are key to well-being and reducing emissions. But ageing, lower education levels and less diversified economic activity put rural regions with carbon-intensive industries at bigger risk and per capita emissions are often higher in rural than metropolitan regions.

- Rewarding ecosystem benefits boosts GHG emission reduction and rural development.
- Participation in profit and decision-making makes renewables projects more attractive in rural regions, where they are often needed the most.
- Innovation in agriculture, urban-rural connections and renewable energies can help diversify economic activity.
- Low operating costs of electric vehicles carry significant potential for rural regions, where car use is particularly intensive. Laying out charging infrastructure seamlessly requires particular attention in thinly populated areas.

Smart specialisation and well-designed support help leave no region behind

On average across regions, only 2.3% of employment is in sectors broadly defined as being at potential risk of some employment loss from climate policies consistent with the Paris Agreement. But in some large subnational regions, this may exceed 6%, such as Gyeongnam Region in Korea and Silesia in Poland, and some of these risks may even be concentrated within these regions. Some of them already have higher poverty and long-term unemployment, reinforcing the importance of supporting the transition in strongly affected places early on, whilst also helping to keep political support for the transition. In this context, smart specialisation can connect new, net-zero-emission activities to established local businesses, skills and assets, avoiding regional economic decline.

- Building consensus around future specialisations among early local stakeholders from higher education institutions, innovative businesses, regional and local governments, is key.
- Skills mapping can identify future occupations and skill needs. Engaging local employers can help align skills with needs for reaching net-zero emissions.



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