URBAN ECONOMIC RESILIENCE IN CRISIS: CHALLENGES AND SOLUTIONS

United Nations Special Programme for the Economies of Central Asia (SPECA)
Urban economic resilience

The **capacity** and related capabilities of urban communities to **plan for and anticipate** negative shocks, including long-term stresses, to their economies, **reallocate and mobilize resources** while placing their economies on the path to sustainable economic growth and simultaneously strengthening their capacity to deal with any future shocks.

- **Stable gross city product growth per capita**
- **Stable (increasing) own source revenue growth**
- **Stable (increasing) labor force participation rates**
- **Declining inequality rates**
Dimensions of urban economic resilience

**Business environment**
- Industry concentration
- Supply chains
- Market orientation
- Firm size
- Economic informality
- Entrepreneurship
- Role of public sector
- Financial strength

**Labour market conditions**
- Occupational flexibility
- Labour market regulations
- Wages and working hours
- Alternative job opportunities
- Mobility
- Social security mechanisms

**Basic service infrastructure and connectivity**
- Energy supply
- Water supply
- Robustness of critical facilities
- Housing stock
- Access to communication
- Coverage and access to urban mobility systems

**Financial environment**
- Debt markets
- Equity markets
- Government financing
- Financial technology (fintech)
- Complementary financing mechanisms

**Economic governance**
- Ease of doing business
- Resilience in development planning
- Leadership in times of economic crisis
- Macroeconomics and urban economies

Define the conditions in labour markets

Determine demand for labor

Determine supply of labor

Determine demand for capital

Determine supply of and access to capital

Determine conditions in capital markets

Approach and key products

- Resilience diagnostic
- Economic Resilience Performance report
- Resilience planning
- Economic Resilience Building Plan
- Resilience planning
- Financing briefs & strategies

What is working well and what is not working
What needs to be improved, by how much and how
How it can be financed
How city economies reacted to COVID-19?

**Impact on city own source revenues**

- **Subang Jaya, Malaysia**: -7%
- **Bishkek, Kyrgyzstan**: -9%
- **Accra, Ghana**: -23%
- **Hoi An, Viet Nam**: -34%
- **Suva, Indonesia**: -35%
- **Harare, Zimbabwe**: -55%

**Shock and recovery types**

- **Type I**: Strong shock and slow recovery
- **Type II**: Strong shock and fast recovery
- **Type III**: Medium-to light shock and slow recovery
- **Type IV**: Medium to light shock and slow recovery

**LOW ECONOMIC RESILIENCE**
Type I. Strong shock and slow recovery
Type II. Strong shock and fast recovery

**STRONGER ECONOMIC RESILIENCE**
Type III. Medium-to light shock and slow recovery
Type IV. Medium to light shock and fast recovery
Performance diagnostic results

Urban Economic Resilience Performance

City of Accra resilience performance

City of Harare urban economic resilience performance overview

Alexandria City resilience performance

Latin America

Africa

Western Asia

Asia and the Pacific

Central Asia (CIS)
Key correlations (relative importance of resilience dimensions)

Intervening factors beyond city control

- Duration and extent of lockdowns and COVID restrictions
- Budget decisions by the central government (subsidies and supplementary finance or deductions)
- Legal and regulatory changes affecting intergovernmental transfers

\[
\begin{align*}
R^2 &= 0.232 \\
&= 0.357 \\
&= 0.117 \\
&= 0.380 \\
&= 0.176
\end{align*}
\]
Performance explains ~70% of impact and recovery time

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<tr>
<th>Resilience area</th>
<th>Explanatory power</th>
<th>Dimension(s)</th>
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| Business environment                                | Moderate          | • Moderate negative correlation with economic activity concentration  
• Strong to moderate negative correlation with dependence on external value chains and external exports  
• Moderate positive correlation with informality (!)  
• Moderate to low correlation with the other indicators |
| Labour market                                        | Moderate          | • Strong positive correlation with social security mechanisms  
• Moderate to low correlation with the other indicators (labour mobility) |
| Financial system                                     | Strong to moderate | • City fiscal space is strongly positively correlated (especially the revenue capacity, less so revenue diversity)  
• City fiscal health and its debt raising capacity is moderately positively correlated  
• Moderate to low correlation with the other indicators |
| Economic governance                                 | Moderate to low   | • Moderate positive correlation with the strength of local economic governance  
• Moderate to low positive correlation with the other indicators (scope and quality of city planning and investment readiness) |
| Basic service infrastructure and connectivity        | Moderate          | • Moderate correlation with health service coverage  
• Moderate to low positive correlation with coverage and functionality of basic public services and infrastructure  
• Low correlation with the other indicators |
4 R's of urban financial resilience for recovery

RINGFENCE revenues: Engage with the central government, development partners and other partners to minimize the drop in municipal revenues from own sources and intergovernmental fiscal transfers.

REPRIOTIZE budgets: Reallocate budgets to maximize funds for activities that contribute to inclusive, green and resilient recovery.

REINFORCE budget and fiscal autonomy: Engage with the central government and development partners to achieve a city’s maximum discretion over its budget and ensure an adequate fiscal autonomy.

REBUILD fiscal space better: Diversify and unlock sources of finance (public and private) and apply new financing approaches and techniques for inclusive, green and resilient recovery.
UNCDF suite of financial solutions for partners

**BRIDGE Facility**  
*(ON Balance Sheet)*  
- WHAT?  
  Concessional Loans, Guarantees, Quasi equity  
- FOR WHO?  
  SMEs, FSPs, Municipalities, Project developers  
- POTENTIAL FOR SUB-WINDOWS?  
  Yes- Thematic/Geographic  
- FUND POSITIONING  
  Accelerator for early-stage companies; warehouse for BUILD.

**BUILD Fund**  
*(OFF Balance Sheet)*  
- WHAT?  
  Loans, Quasi-equity, Equity  
- FOR WHO?  
  SMEs, Financial Services Providers  
- POTENTIAL FOR SUB-WINDOWS?  
  Yes- Thematic/Geographic  
- FUND POSITIONING  
  Early-growth fund to prepare companies to attract private funding in future.

**IMIF Fund**  
*(OFF Balance Sheet)*  
- WHAT?  
  Equity, Bonds  
- FOR WHO?  
  Municipalities, sub-sovereign local governments  
- POTENTIAL FOR SUB-WINDOWS?  
  Yes- Thematic/Geographic  
- FUND POSITIONING  
  Support local governments to achieve the SDGs and the Paris Agreement.

**UNCDF**  
*Grant/Loan/Guarantee*
Thank you!

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https://urbanresiliencehub.org/urban-economic-resilience-covid-19/
https://uncdf.org/mif

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