

“Investment in sustainable infrastructure is a key piece of post-pandemic rebuilding. Governments need to invest strategically to build more resilient regions and communities in the wake of COVID-19. This implies a change in the investment-mix and a stronger focus on preparing for future shocks, including the climate-related crises.”

– Dorothee ALLAIN-DUPRE, Organization for Economic Cooperation and Development, Paris





Dorothée ALLAIN-DUPRE  
Organization for Economic  
Cooperation and  
Development (OECD)  
Paris, France



Yingyin WU  
Organization for Economic  
Cooperation and  
Development (OECD)  
Paris, France

### Sustainable infrastructure in regions and cities for post-COVID-19 recovery

Investing in sustainable and resilient infrastructure in regions and cities is a critical element of post-pandemic rebuilding. The regional and local impact of the COVID-19 crisis is highly heterogeneous, with significant implications for policy responses and investments for recovery. For example, large urban areas have been hard hit, but within them deprived areas are more strongly affected than less deprived ones.

The OECD policy paper *The territorial impact of COVID-19: Managing the crisis across levels of government* (4th edition, OECD, 2021 forthcoming) illustrates this regionally differentiated impact. The policy paper calls for a territorial approach to policy responses on the health, economic, social, fiscal fronts, as well as very strong inter-governmental coordination.

The crisis also shed light on the pre-existing territorial disparities in access to infrastructure, notably health and digital infrastructure. For example, remote regions in the OECD see a decreasing rate in hospital beds per 1000 inhabitants of 22%, much higher than the all-region average of 6%. By 2018, regions close to metropolitan areas were equipped with almost twice as many hospital beds per 1 000 inhabitants than remote rural regions.

For digital infrastructure, the urban-rural gaps are also significant. The OECD study showed that 56% of rural households have access to fast broadband (>30 Mbps), in comparison to over 85% in urban areas. If no strong policy actions taken, these metropolitan-rural divides could be even amplified post COVID-19 in a context of tight fiscal constraints (OECD, 2020).

Subnational governments are responsible for almost 60% of total public investment across the OECD, and almost 40% around the world (OECD, 2020 forthcoming; OECD/UCLG, 2019). Regions and municipalities are at the frontline of the

crisis management and recovery, but they face significant challenges in delivering infrastructure investment, with a dangerous “scissors effect” of rising expenditure and falling revenues. According to a survey jointly conducted by the OECD and the European Committee of the Regions (CoR) with 300 subnational representatives in the European Union, 63% of respondents stated that the impact of the crisis on subnational governments is strong (OECD, 2020). To achieve a successful COVID-19 recovery, subnational public investment should not be sacrificed like after the 2008 crisis. Since then, it took seven years for subnational public investment to recover to the 2008 level.

Post-COVID-19, governments also need to invest in infrastructure to meet the substantial need to “build back better”, i.e. building more resilient regions and cities in order to cope with future shocks, regardless their nature. This includes infrastructure investment that focus on addressing climate change, facilitating digital transition, enhancing healthcare, etc.

Subnational governments have a critical role to play in investing in sustainable and resilient infrastructure, which is essential for post-pandemic rebuilding. The OECD is developing a Handbook on delivering sustainable infrastructure for post-COVID-19 recovery, which will also support the work of the G20 on quality infrastructure (OECD, Forthcoming). The Handbook provides concrete recommendations and examples on effective governance of infrastructure,

mobilisation of financial resources, as well as subnational governance and finance in infrastructure, in order to achieve key objectives such as low carbon transition, resilience, regional inclusiveness, and sustainable development. Regarding subnational infrastructure investment, some of key messages include:

Regions (states and provinces) and municipalities need to incorporate long-term objectives in their investments for recovery. They should focus on green and digital priorities as top priorities, but also on building more resilient health systems and investing in social housing to reduce disparities across and within regions.

The capacity of subnational governments in financing and implementing infrastructure is key for effective implementation of the recovery strategies. One important perspective is that subnational governments need to integrate infrastructure investment priorities in broader regional or local development strategies, instead of investing in a solely sectoral-oriented siloed fashion. National governments should provide corresponding support to strengthen the capacities of subnational governments to design and implement public investment projects. While many public investment projects can be launched in the short-term, care must be taken not to focus on speed as the only criteria, and to avoid atomising investment funding into a myriad of small projects. Intermediate levels of government – regions, states, provinces – should be included in national investment recovery strategies.

Subnational governments should optimise and diversify their financial resources for infrastructure investment. They should optimise the use of public funding resources (e.g. national grants, taxes and fees), including to explore innovative instruments such as land-value capture mechanisms. Subnational governments also need to mobilise the private sector and institutional investors for applicable infrastructure projects through appropriate financial mechanisms.

#### References:

OECD. (Forthcoming). Implementation Handbook for Quality Infrastructure Investment in a Post-COVID-19 Context. Paris: OECD Publishing.

OECD. (2020). OECD Regions and Cities at a Glance. Paris: OECD Publishing.

OECD. (2020 forthcoming). Subnational Government in OECD Countries: Key data 2018. Paris: OECD Publishing.

OECD. (2020). The impact of the COVID-19 crisis on regional and local governments: Main findings from the joint CoR-OECD survey. Paris: OECD Publishing.

OECD. (2021 forthcoming). The territorial impact of COVID-19: Managing the crisis across levels of government, 4th edition. Paris: OECD Publishing.

OECD/UCLG. (2019). OECD-UCLG World Observatory on Subnational Government Finance and Investment (SNG-WOFI) Database. Récupéré sur [https://stats.oecd.org/viewhtml.aspx?datasetcode=SNGF\\_WO&vh=0000&vf=00&l&il=blank&lang=en&vcq=1111](https://stats.oecd.org/viewhtml.aspx?datasetcode=SNGF_WO&vh=0000&vf=00&l&il=blank&lang=en&vcq=1111)