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Response to the COVID-19 pandemic at the city level and building urban economic resilience

Lessons learned from building urban economic resilience at the city level during and after the COVID-19 pandemic

Note by the Secretariat

Summary

This document contains lessons learned from helping local governments strengthen urban economic resilience at the city level and build back better post-COVID-19 within the United Nations Development Account (UNDA)-funded project “Building Urban Economic Resilience during and after COVID-19”. The project was implemented over the period 2020-2022 in collaboration with the United Nations Regional Commissions (RCs), the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Capital Development Fund (UNCDF).

The document will be further developed to guide the work of the United Nations Economic Commission for Europe (UNECE) in helping cities strengthen resilience to negative shocks, including natural and man-made disasters, through follow-up consultations with the United Nations RCs, UNCTs and members of the United for Smart Sustainable Cities (U4SSC) initiative (<https://u4ssc.itu.int/>).

The Committee is invited to take note of this document.

I. Introduction

Cities have been at the epicentre of the COVID-19 pandemic, accounting for an estimated 90 percent of all reported COVID-19 cases¹ as the size of their populations, combined with their high level of interconnectivity, rendered them particularly vulnerable to the spread of the virus.² Cities, as well as towns and suburbs, rose to the challenge. They upscaled public health preparedness to curb the spread of the virus pursuant to the World Health Organization advisory guidelines³ and launched support measures to cater to the emergency needs of inhabitants across neighbourhoods, age groups and economic activities⁴, especially those belonging to vulnerable segments.

However, cities and local governments were quickly overwhelmed by the disruptive impact of health protection measures, particularly during the early pandemic period. This period saw countries implementing nationwide lockdowns, the sealing-off of many cities, the closure of educational institutions, non-essential businesses and all forms of public transport. The negative impact of these measures was compounded by the lockdown and health protection measures in trading partner countries, which caused severe supply chain disruptions. These disruptions resulted in supply shortages that left the health sector and utility service providers struggling to meet the demand for their services. The disruptions also left many enterprises, particularly micro, small and medium enterprises, struggling to survive. Pay cuts and furloughs assumed an increasing trend so that losses in lives were compounded by livelihood crises.⁵

For many cities, the impact of the pandemic was amplified by climate change effects. Several cities suffered from floods, heatwaves and droughts⁶, while others were hard hit by a series of earthquakes (e.g., cities in Albania and Croatia) that caused considerable damage to the cities' housing stock and urban infrastructure.⁷

Cities across the globe suffered setbacks that are akin to complex humanitarian emergencies associated with disasters. The coping strategies of local governments as well as households, basic utility service providers and enterprises, are being challenged by the unfolding socio-economic crisis, so that vulnerabilities are aggravated. It, therefore, stands to reason to avoid treating the pandemic as a temporary shock whose effects can be swiftly reversed once normality is attained. Several reports by the United Nations noted that the pandemic exacerbated many pre-existing systemic vulnerabilities, with the consequence of aggravating informality and homelessness, as well as income and gender inequalities.⁸

¹ UN-Habitat, *World Cities Report 2022: Envisaging the Future of Cities*. Available at https://unhabitat.org/sites/default/files/2022/06/wcr_2022.pdf. For a more detailed overview of COVID-19 cases reported by cities, see UN-Habitat Urban Indicators Database (<https://data.unhabitat.org/pages/covid19citydata>).

² United Nations, *Policy Brief: COVID-19 in an Urban World*, July 2020. Available at https://www.un.org/sites/un2.un.org/files/sg_policy_brief_covid_urban_world_july_2020.pdf.

³ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>.

⁴ For detailed examples of support measures implemented by cities, see, for example, OECD *Cities Policy Responses*, July 2020. Available at: <https://www.oecd.org/coronavirus/policy-responses/cities-policy-responses-fd1053ff/>; United Nations *Policy Brief: COVID-19 in an Urban World*, July 2020.

⁵ See UNECE Findings and recommendations emerging from UNECE COVID-19 impact assessments targeting micro, small and medium enterprises in selected countries, 2021 (https://unece.org/sites/default/files/2021-10/COVID-19%20Impact%20assessments.Summary.Paper__0.pdf).

⁶ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7995187/>.

⁷ http://geofizika-journal.gfz.hr/vol_38/No2/38-2_Herak_et_al_a.pdf;
<https://reliefweb.int/report/albania/albania-earthquake-final-report-mdral008>.

⁸ See, for example, United Nations *Policy Brief: COVID-19 in an Urban World*, July 2020; ESCAP *Sustainable Cities Post-Coronavirus Disease Pandemic*, 2020

Local and regional governments need to, therefore, build local capacities to strengthen resilience to disasters; address the long-term strategic needs of their inhabitants; contribute to overcoming the global challenges of today's world, particularly climate change; and ensure the successful achievement of the Sustainable Development Goals (SDGs) following the principles set out in the 2030 Agenda for Sustainable Development (2030 Agenda) and an overarching commitment to leaving no-one behind.

II. The work of UNECE in support of strengthening local resilience and building back better post-COVID-19

The above concerns formed the focus of the United Nations Development Account (UNDA)-funded project “Building Urban Economic Resilience during and after COVID-19”,⁹ which was implemented in the period 2020-2022 in collaboration with the United Nations RCs, UN-Habitat and UNCDF. The project targeted 16 cities from across the globe.¹⁰ The project involved developing a range of knowledge and capacity-building resources, which were piloted during training workshops.¹¹

The project also involved evidence-based assessments of the impact of the pandemic on the local economies of the 16 targeted cities in the UNECE region, including Bishkek (Kyrgyzstan), Kharkiv (Ukraine) and Tirana (Albania), with a view to helping these cities develop economic recovery and resilience plans for building back better post-COVID-19. The UNECE cities were also assisted in identifying potential sources of development funding for financing urban economic development and infrastructure projects aimed at supporting urban economic resilience and post-COVID-19-sustained recovery.

The impact assessments were conducted using the “Urban Economic Recovery and Resilience Diagnostic and Planning Tool”,¹² aimed at helping city leaders and local authorities ascertain the strengths and weaknesses of their institutional and operational arrangements from the perspective of economic recovery and resilience as well as the structural weaknesses undermining the achievement of sustainable economic growth with equity. The tool features city-focused indicators that are grouped under five categories:

1. Resilience of local business environment;
2. Resilience of local labour market;
3. Resilience of local financial system;
4. Resilience of economic governance;

(https://www.unescap.org/sites/default/files/CED6_INF5.pdf); World Bank Responding to COVID-19 in Urban Settings : Emerging Evidence, Lessons, and a Look Ahead, 2021

(<https://openknowledge.worldbank.org/handle/10986/36298>); UNECE Summary of the Second Forum of Mayors, 2022 (ECE/HBP/2022/3); and UN-Habitat, *World Cities Report 2022: Envisaging the Future of Cities*.

⁹ <https://urbaneconomicresilience.org>

¹⁰ The project focuses on strengthening the capacities of local governments in the following sixteen countries globally: Albania (Tirana); Cameroon (Yaoundé); Ecuador (Guayaquil); Egypt (Alexandria); Fiji (Suva); Ghana (Accra); India (Pune); Kuwait (Kuwait); Kyrgyzstan (Bishkek); Lebanon (Beirut); Malaysia (Subang Jaya); Perú (Lima); República Dominicana (Santo Domingo); Ukraine (Kharkiv); Viet Nam (Hoi An); and Zimbabwe (Harare).

¹¹ The resource materials along with detailed information on training workshops are published on the project website at <https://urbaneconomicresilience.org>

¹² <https://urbaneconomicresilience.org/deliverables-resources/urban-economic-recovery-and-resilience-diagnostics-and-planning-tool-dpt/>

5. Resilience of basic service infrastructure and connectivity.

The analysis was based on the general Urban Resilience Principles developed by UN-Habitat (see table 1 of the annex). The principles were used to assess the resilience of cities to negative shocks and systemic risks, such as the COVID-19 pandemic, and were complemented by the Specific Principles for Managing Covid-19 Response and Recovery developed by UNCDF (see table 2 of the annex).

III. Lessons learned and recommendations for future activities

The lessons learned from this project were discussed during a workshop that brought United Nations agencies together with representatives from local governments as well as national and regional experts, organized on 22 June 2022 in Katowice, Poland during the eleventh World Urban Forum.¹³ The workshop was held under the theme “Fostering SDGs localization and NUA Implementation through strengthening the capacities of national and local authorities in urban planning to enhance resilience and strengthen recoveries from the COVID-19 pandemic” Below is a brief summary of lessons learned along with recommendations for the consideration of cities. UNECE stands ready to assist the cities in implementing these recommendations in collaboration with the United Nations RCs, UN-Habitat and UNCDF as well as the United Nations Country Teams.

- 1. The capacity of cities to withstand the impacts of systemic risks such as pandemics is contextual.** All the beneficiary local governments continued to undertake critical functions in the fields of city management, supporting economic growth, social protection, reducing poverty and illiteracy, and other social protection and development functions. However, the cities’ success in addressing the different needs of their inhabitants, especially those belonging to the vulnerable groups, varied by level of economic and social development as well as political stability.

Cities showing low and intermediate levels of resilience capacity require technical assistance and capacity-building to upscale their capacity to address the emergency needs of their inhabitants while ensuring the continuous delivery of basic functions. Cities have to also focus on strengthening the resilience of the enterprises, particularly micro, small and medium enterprises, many of which were unable to obtain bank loans. This shows that for micro, small and medium enterprises, the banking system is not a source of resilience, begging the need to promote the development of credit guarantee schemes for these enterprises. Furthermore, the capacity of cities to withstand adversity is not constant.¹⁴ This capacity changes depending on several factors, particularly the duration of shocks and stresses. As such, city capacities must be measured and assessed at specific points in time, with solutions tailored accordingly.

Recommendation:

1.1 Within the project, the online City Resilience training programme¹⁵ was developed and two global training workshops were organized to facilitate the exchange of experiences. More needs to be done to support capacity development, networking and the exchange of

¹³ <https://unece.org/info/Housing-and-Land-Management/events/368211>.

¹⁴ For further details on this, see the Global Compendium of Practices on Local Economic and Financial Recovery published by UN-Habitat in cooperation with the RECs (<https://urbanresiliencehub.org/wp-content/uploads/2020/12/global-compendium-of-practices-covid-19.pdf>).

¹⁵ <https://www.cityresiliencetraining.com/course/login/index.php>.

experiences and best practices. In this respect, the Forum of Mayors¹⁶ as a United Nations platform for promoting new multilateralism and the exchange of best practices and mutual learning among UNECE cities has an important role to play.

2. **Urban planning is multisectoral and, as such, requires horizontal coordination between the different city departments and municipalities as well as vertical coordination between local and national government authorities.** Local beneficiary governments established various coordination mechanisms with national authorities to facilitate pandemic response. It is important to further strengthen such coordination mechanisms within the context of a “whole government” approach. The project showed that coordination mechanisms established by some of the beneficiary cities, especially with the national level, were either weak or *ad hoc*.

Recommendations:

- 2.1 The experiences and best practices of the cities with strong coordination mechanisms that are consistent with the “whole of government” approach need to be better documented and disseminated.
- 2.2 Advanced training programmes need to be developed to help cities strengthen vertical and horizontal coordination in a manner that is consistent with the “whole of government approach”.
- 2.3 Cities need to be assisted in learning from the experiences of other countries through networking programmes and events.

3. **Consultations with and engagement of the business community in the development of post-COVID pandemic recovery plans is essential for achieving sustained recovery.** In many cities, consultations and cooperation with the business community, including entrepreneurs, requires further strengthening.

Recommendations:

- 3.1. There is a need to document best practices for ensuring continuous consultations with the business community.
- 3.2. Business communities should participate in the development of local post-COVID-19 recovery as well as disaster mitigation, adaption and reduction strategies and major development strategies and initiatives. Local governments should establish appropriate institutional arrangements, such as innovation centres and public-private sector consultative mechanisms.
- 3.3. Advanced training programmes need to be developed to help city authorities establish continuous consultations with, and engagement of, the business community.

4. **Many cities lack the required resources to finance urban development initiatives for ensuring sustainable, climate-resilient urban growth.** As a result, the potential for urbanization to act as a catalyst for unlocking the cities’ social, economic and environmental development is not used to its full potential. Furthermore, the lack of adequate urban infrastructure, such as sanitation and public transport, as well as the lack of affordable housing, adversely impacts the everyday life of inhabitants and undermines the achievement of SDGs.

¹⁶ The Second Forum of Mayors took place on 4 and 5 April in Geneva, Switzerland. More information is available at <https://forumofmayors.unece.org/>.

Today, many cities in the UNECE region lack the required expertise to prepare and implement infrastructure development initiatives and projects. There is, therefore, an urgent need to help cities prepare bankable initiatives and projects that will translate their visions and aspirations into reality.

Recommendation:

4.1 Building on the policy papers on city financing¹⁷ by UNCDF, and recommendations on engaging the international financial institution (IFIs) in financing urban development, continue the work initiated as part of the UNDA project to support cities in mobilizing resources from IFIs and promoting use of innovative financing mechanisms such as public-private partnerships.

- 5. People-oriented governance.** During the pandemic, many cities adopted effective mechanisms to disseminate up-to-date information on the spread of the virus and the WHO advisory guidelines as well as health protection and emergency support measures implemented at the national and local levels. However, concerns were raised at both the national and local levels over the engagement of the public in developing these measures. The project also suggests that more can be done to improve the participation of inhabitants in developing city-level policies and plans.

Recommendation:

5.1 Local governments need to establish dynamic people-oriented planning processes focused on improving transparency, ensuring broad-based participation, and attracting bright, energetic, visionary people to public service. Best practice guidelines and training programmes need to be developed to help cities establish and maintain such planning processes.

- 6. Evidence-based approaches to policymaking are essential for ensuring that no one is left behind.** The impact of the pandemic on urban resilience and the resulting implications for post-COVID-19 recovery was assessed using the UNCDF diagnostic tool that was developed within the context of the project. The tool was used to collect data from the 16 beneficiary cities and guide the analysis.¹⁸

The tool allowed for arriving at a better understanding of the key challenges facing cities and for developing concrete recommendations. The lack of data was one of the main challenges that the project faced, as many cities do not have their own systems for collecting and analyzing statistical and non-statistical information. In its Guidance for evidence-based policymaking, UNECE (2020) emphasized the importance of evidence-based policymaking for sustainable housing and urban development.¹⁹

Recommendations:

6.1 There is a need to support cities in developing evidence-based approaches to decision-making and establishing the required systems for collecting statistical and non-statistical information on a regular basis.

¹⁷ <https://www.uncdf.org/article/7589/local-government-finance-is-development-finance>

¹⁸ See City Reports – Urban Economic Recovery and Resilience Diagnostics - Urban Economic Resilience. Available at <https://urbaneconomicresilience.org/deliverables-resources/>.

¹⁹ https://unece.org/DAM/hlm/documents/Publications/2020_Guidelines_on_evidence-based_policies.pdf.

6.2 There is also a need to help cities implement innovative tools for supporting city planning. In this respect, the UNDA project developed recommendations for the use of innovative city planning tools, such as nature-based solutions, digital tools, planning public spaces, etc.²⁰

²⁰ These tools are available at <https://urbaneconomicresilience.org/deliverables-resources/>.

Table 1. UN-Habitat Urban Resilience Principles

<p>Principle 1: Dynamic nature of urban resilience</p> <p>Resilience is not a condition but a state that cannot be sustained unless the system evolves, transforms and adapts to current and future circumstances and changes. Therefore, building resilience requires the implementation of context-specific and flexible plans and actions that can be adjusted to the dynamic nature of risk and resilience;</p>
<p>Principle 2: Systemic approach to cities</p> <p>Recognising that cities are comprised of systems interconnected through complex networks and that changes in one part have the potential to propagate through the whole network, building resilience requires a broad and holistic approach that takes into account these interdependencies when the urban system is exposed to disturbances;</p>
<p>Principle 3: Participation in planning and governance</p> <p>A resilient system ensures the preservation of life, limitation of injury, and enhancement of the ‘prosperity’ of its inhabitants by promoting inclusiveness and fostering comprehensive and meaningful participation of all, particularly those in vulnerable situations, in planning and various governance processes. Such an approach can ensure sense of ownership, thus achieving successful implementation of plans and actions.</p>
<p>Principle 4: Multi-stakeholder engagement</p> <p>A resilient system should ensure the continuity of governance, economy, commerce and other functions and flows upon which its inhabitants rely. This necessitates promoting open communication and facilitating integrative collaborations between a broad array of stakeholders ranging from public entities, private sector, civil society, and academia to all city’s inhabitants.</p>
<p>Principle 5: Strive towards development goals</p> <p>Resilience building should drive towards, safeguard and sustain development goals. Approaches to resilience should ensure that efforts to reduce risk and alleviate certain vulnerabilities do not generate or increase others. It must guarantee that human rights are fulfilled, respected and protected under any circumstances. In addition, more specific principles for managing COVID-19 economic response and recovery developed by UNCDF should also be kept in mind (see table 2).</p>

Source: UN-Habitat (2018) The City Resilience Action Planning (City RAP) Tool²¹

²¹ https://unhabitat.org/sites/default/files/documents/2019-05/cityrap-tool_booklet_05032019-compressed.pdf

Table 2. UNCDF Specific Principles for Managing Covid-19 Response and Recovery

<p>Learning lessons from the crisis</p>	<p>Throughout the world, the COVID-19 crisis has exposed and in some cases aggravated all kinds of inequalities that have long existed side by side with growing prosperity in other segments of the larger population. This has provided useful lessons for extending immediate relief to populations in need and initiating processes for recovery, reconstruction, and regeneration towards more equitable and sustainable societies in the future.</p> <p>Vulnerabilities exposed by the crisis that require prominence in recovery and rebuilding efforts are <i>income and wealth inequality, digital inequality, poor sanitation systems, poorly planned cities, weak databases, informality and vulnerability, and inadequate governance systems.</i></p>
<p>Financing recovery and reconstruction</p>	<p>With most city economies severely weakened and businesses and households under profound financial strain from the crisis, local and national governments will bear varying shares of the burden of financing recovery and reconstruction, depending on the financial health of each city before the crisis and existing national laws governing intergovernmental financial transfers. For developing countries with incipient or no markets for municipal bonds to finance resilient infrastructure (SDG 9), this is an opportunity to develop such markets over the medium-to-long term, along with better use for other alternatives, such as public-private partnerships. At the same time, the quest for own-source revenues that are more resilient and resistant to economic shocks should continue as well as the efforts to improve local revenue management systems and eliminate inefficiencies in public expenditures. National and local governments should work towards improving their investment attractiveness and readiness without a damaging race to the bottom by municipalities in an attempt to outcompete each other.</p>
<p>Leaving No One Behind</p>	<p>This is a central feature of the United Nations 2030 Agenda and should include serious efforts to identify groups that might be at risk of being harmed by the recovery and reconstruction efforts or excluded from them. In the words of the socioeconomic response framework of the United Nations, ensuring that no one is left behind should include an “analysis of the human rights and gender impacts to inform the design of policies that address these risks, protect development gains and reduce the risk of social violence in the coming months and beyond.” In addition to this, particular attention should be paid to industries most likely to provide employment for vulnerable groups, while paying attention to other industries, for example, those most likely to pay taxes and sustain the overall local economy.</p>

Mainstreaming resilience into sustainable urbanisation	In addition to targeted interventions based on the peculiar needs of each locality, cities should also pursue “resilience-proofing” by ensuring that all local development plans include such key ingredients as emergency or contingency funds (that are managed and replenished periodically in line with law), emergency food reserves, special emergency committees made up of government, the private sector as well as community leaders and civil society organizations.
Promoting sustainable urbanization	Every decision taken and initiated as part of the recovery and reconstruction effort must pass the test of sustainability by being assessed for its impact on the environment and marginalized and vulnerable groups in line with the 2030 Agenda as well as other global frameworks, such as the Paris Climate Agreement, that aim to promote sustainable development in all its forms. Indeed, the crisis should be an opportunity for cities to revise and recalibrate their pre-crisis development plans in line with the SDGs and the new COVID-induced realities, such as the role of digital technology in the future and the need to address old problems with new and innovative solutions.
Entrepreneurial government	A government, either local or national, may be run “like” a business, even if not “as” a business with a profit motive, drawing on the principles of agility and efficiency found in the private sectors (but without compromising sustainability and resilience as discussed above). Such a government will be required to help guide the investments needed towards not only short-term recovery efforts but also long-term transformation and sustainable development long after the COVID-19 crisis has been overcome. COVID-19 thus provides the opportunity to take a fresh look at the interplay between public and private roles in local economic development and re-structure them for greater synergy, complementarity, effectiveness and efficiency. This means that the public sector will not only be reactive to crises but it would be proactive and co-create opportunities through partnerships with the private sector and the larger society.

Source: UNCDF (2021) Guiding principles and practices for urban economic recovery and resilience²²

²² <https://www.uncdf.org/article/6196/guiding-principles-and-practices-for-urban-economic-recovery-and-resilience>.