

## Rethinking Decentralised Development Cooperation in light of the Covid-19 pandemic

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### *DDC challenges and priorities to respond to Covid-19 pandemic*

**The COVID-19 pandemic brings unprecedented challenges to drive sustainable development in both OECD and non-OECD countries.** With over 100 countries in lockdown, the COVID-19 pandemic brings with it the third and greatest economic, financial and social shock of the 21st century, after 9/11 and the global financial crisis of 2008. This shock brings a halt in production in affected countries, hitting supply chains across the world, a steep drop in consumption together with a collapse in confidence and, finally, a sharp decline in services that reflects the consequences of lockdowns and social distancing, especially in urban settings.

- On the one hand, local, regional and national governments are entirely focusing on responding to the pandemic and designing recovery measures for the medium and long term. Governments priorities have drastically changed and their human and financial resources are entirely utilised to face the crisis. This can have a strong impact on development cooperation activities, in particular for cities and regions, where limited human resources will have even less time to devote to peer-to-peer learning and exchanges with other cities and regions.
- On the other hand, external private finance to developing countries in 2020 could plunge by about USD 700 billion compared to 2019 levels based on current estimates (1.6 times the magnitude of the GFC shock).<sup>1</sup> Poverty levels will increase for the first time since 1990s. Even prior to the crisis, developing countries faced steep challenges to finance the SDGs with an estimated USD 2.5 trillion annual financing gap.

**The pandemic knows no borders. Covid-19 had a strong and diverse territorial impact that might exacerbate the already existing huge territorial disparities within and across countries.** Many of local and regional governments in developing countries lack health system capacities. Uganda has only 0.1 ICU bed/100,000 population. In contrast, the United States has 34.7 beds/100,000 population.

**Cities and urban settlements in developing countries are most affected by the sanitary crisis, and are also likely to suffer most from the economic crisis.** Indeed, in developing countries, urban areas face higher risks related to COVID. For example, the Accra region in Ghana accounts for 3,981 cases out of a total 5,127 or 78% of all cases.<sup>2</sup> A third of national GDP (31%) comes on average from the largest city in African countries. However, per capita expenditure of African local authorities are among the lowest in the world at USD 26. In addition, while the overall response to COVID-19 is often co-ordinated by the central government, sub-national governments have a key role to play to raise awareness and communicate with citizens, ensure continuity of local public service delivery, support business recovery, support vulnerable groups, but also enforce nation-wide measures related to physical distancing and working patterns.

**Now more than ever innovative approaches at the subnational level are required to respond to the crisis – both in the short term to “stop the bleeding” and over the mid to long-term to “build back better” placing people and planet at the heart of financing.** Vulnerabilities of health systems in developing countries could compound the effects of COVID-19. Aid provided by OECD subnational governments through Decentralised Development Co-operation (DDC) provides an

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<sup>1</sup> 2021 Global Outlook on FSD (forthcoming)

<sup>2</sup> <https://ghanahealthservice.org/covid19/>

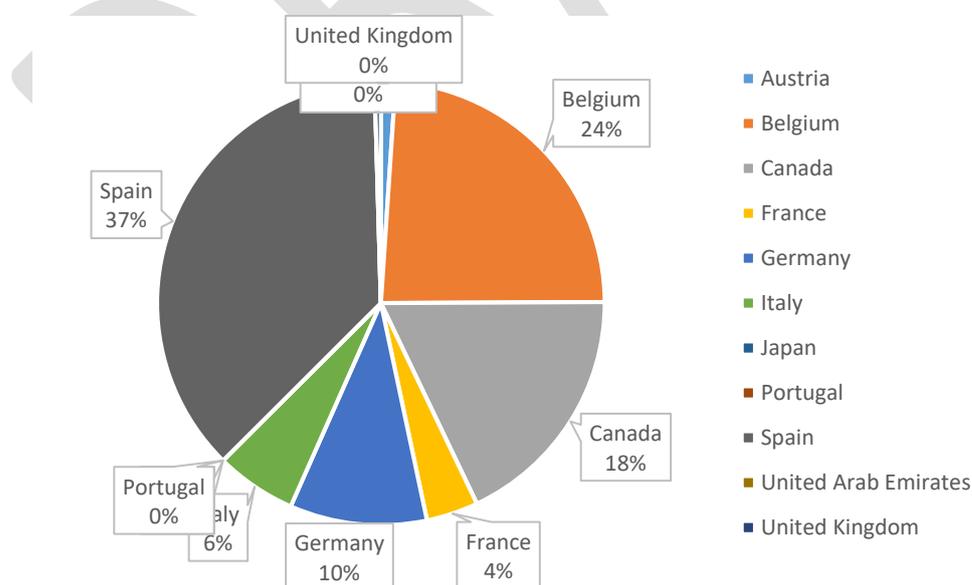
opportunity to leverage scarce ODA resources to strengthen international solidarity and more effective multi-level financing among cities and regions to fight the pandemic.

**DDC trends reflect the important role of cities and regions from donor countries in responding globally to the pandemic, particularly in support of SDG 3 “Good Health and Well-Being”.** Despite the 2008 global financial crisis, DDC increased by 35% from USD 1.7 billion in 2005 to USD 2.3 billion in 2017. Moreover, in 2017 DDC health sector financing represents 14% of total bilateral DDC or USD 266 million (2016-17 avg). As shown in Figure 1, 14% of DDC targets SDG 3 “Good health and well-being”.<sup>3</sup> The top 5 providers of DDC to SDG 3 include Spain (37%), Belgium (24%), Canada (18%), Germany (10%) and Italy (7%), comprising more than three quarters of the total (see figure 1).

**Figure 1. DDC to SDGs (2015-16 averages, excluding in-donor, net disbursements)**



**Figure 2. DDC to SDG 3 by donor (2015-16 avg, excluding in-donor, net disbursements)**



<sup>3</sup> <https://sdg-financing-lab.oecd.org/explore?country=DAC%20members&distribution=providers&finance=commitment&from=2017&oda=true&oof=false&other%20private%20flows=false&private%20grants=false&target=All%20Recipients&to=2017>

*Leveraging expertise and know-how through DDC to build back greener, fairer and smarter cities and regions*

Aid to developing countries must be impactful. The EU notes “There is a real risk that the benefits of development assistance may be captured by political and economic elites in partner countries highlighting the need for development cooperation strengthen governance, social inclusion and access to resources.”<sup>4</sup> (para G)

**In the short-term, DDC can support the emergency response to the pandemic.**

- **Cities are exchanging knowledge and lessons learned on COVID-19 responses.** For example, the early response of Taiwan and Singapore to the COVID-19 outbreak stand out. Both Taipei and Singapore applied the lessons from past pandemics and had the investigative capacities, health systems and, importantly, the right kind of leadership in place to rapidly take decisive action. They are sharing their responses as should providers of DDC.
- **Associations of cities and regions** (e.g. UCLG, ICLEI, C40, Eurocities) have played a key role in collecting good practices on local and regional responses to COVID-19 and in promoting the exchange of those good practices among their partners in OECD and non-OECD countries, including through webinars, notes, etc.

**Over the mid to long-term, DDC could be instrumental to build back better.** Beyond global health, DDC is a longstanding support mechanism for other global public goods that can promote resilience to the health pandemic, such as climate change adaptation and gender equality and women’s empowerment<sup>5</sup>.

In addition to financial aid, cities and regions in donor and partner countries can support each other through the exchange of knowledge and good practices to build back a more sustainable “new normal”.

**Greener cities and regions.** DDC can contribute to strengthening the transition to a low-carbon economy. Key actions from cities and regions should include:

- mainstream **climate mitigation and adaptation priorities** in stimulus packages and investments to recover from the crisis;
- encourage more efficient use of resources, and more sustainable consumption and production patterns, notably by promoting **circular economy**;
- improve **urban planning to promote multi-modal transport**, such as active and clean urban mobility (e.g. proximity & walkability; combining supply-side and demand-side transport management policies);

**Inclusive cities and regions.** DDC can help sub-national governments implementing measures to promote more inclusive societies. Cities and regions should:

- provide **efficient social and community services for disadvantaged groups** such as health care and home care (e.g. elderly and homeless people), through the design and implementation of ambitious social innovation strategies and a repurposing of empty buildings;

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<sup>4</sup> [https://www.europarl.europa.eu/doceo/document/DEVE-PR-648376\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/DEVE-PR-648376_EN.pdf)

<sup>5</sup> The main thematic areas of DDC include climate change (USD 41 million in 2014-15) and gender equality and women’s empowerment (USD 163 million in 2014-15).

- ensure that those left behind (e.g. migrants, low-wage workers) **are targeted with customised employment and activation programmes** that are adaptable, relevant, flexible and respond to the new needs of the local labour market after the crisis;
- take measures to adjust **housing quantity, quality and affordability** to the variety of housing needs, with a view to promote social cohesion and integration with sustainable transport modes;

**Smarter cities and regions.** DDC can represent a key tool for cities and regions to embrace the potential of digitalisation in the post-Covid scenario. Cities and regions should:

- leverage digitalisation to deliver more efficient, sustainable, affordable and inclusive **local public services**, such as real-time data, electronic congestion tolls, smart parking systems, IoT sensors, smart contracts;
- ensure that **new technology in public transport** (e.g. app-based ride services) is inclusive and sustainable including to those with reduced mobility and those in underserved communities as well as those with lower access to technology, while safeguarding the privacy of individuals;
- adopt **appropriate regulation for the sharing** and gig economy to further employment security, protect the public interest and workers' social safety nets, considering social distancing rules to be applied in the long run.

**In this context, the Sustainable Development Goals are more important than ever** as they provide governments with a long-term and holistic framework to rethink the “New Normal” through the lens of sustainability. They SDGs provide a common roadmap and vision to engage local stakeholders, including the private sector, civil society and citizens in co-creating and building our future in a more sustainable way.

Moving forward, a **solid multi-level governance system** is key to make the most of DDC as a tool to recover from the crisis in the medium and long term. **Governments should focus on the following cross cutting governance recommendations:**

- **Promote the exchange of knowledge and good-practices** among subnational governments in donor and partners countries **to promote fairer, greener and smarter cities and regions in the post-Covid scenario.**
- **Strengthen coordination mechanisms between different levels of government** with the aim of reducing in-country disparities and inequalities, and ensuring that no one is left behind.
- **Enhance cooperation with and through local and regional governments**, for example building on the EU's Team Europe package of more than €20 billion to help the most vulnerable countries, in particular in Africa and the EU's neighbourhood, in the fight against the pandemic and its consequences.
- **Promote budget support** as an aid modality also at sub-national level.
- **Set incentives to improve reporting on DDC ODA flows and priorities** to monitor and increase transparency on the support provided to the health sector and to other sectors relevant to strengthen resilience to health pandemics.

Some key issues for discussion:

- *How could development co-operation better tap into their domestic sub-national governments for capacity building and technical assistance (e.g. hospitals might be managed locally, effective crisis response might have been decided locally, etc.) and expertise to share experience and expertise on crisis management?*
- *How to use regional resources to help when the crises hit the poorest?*
- *How could the DDC providers most efficiently support local health systems? (e.g. question of sub-national lending in context of sanitary or other crisis)*

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