Title: Managerial Lessons in the COVID Era: Infrastructure Investment and City Development

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Overview of this paper

- The Growth Ponzi Scheme
  - Governments with fading fiscal income are attentive to induce ***more growth*** by releasing more lands, issuing development permits, and offering tax deductions to overcome the near-term fiscal deficit.
- Root Cause of the Growth Ponzi Scheme
  - Fiscal Discipline: Mathematically, as long as the city continues to grow at an accelerating pace, the GPS works just fine. Therefore, opportunists are desperately trying to ***sustain the growth rate at all costs***.
  - Organization Culture: City managers and investors working in transitioning cities and recovering states are often more anxious to. ***grow from new developments.***
  - Investment Acumen: Three outstanding investment malpractices with distorted acumen include ***1)hazard of extrapolation, 2)fictitious growth as a mean to justify electoral rhetoric, and 3)mutually conflicting policy and investment offset.***
- Conclusions
  - We should praise for leaders with ***a long-term view*** and ***sustainable growth mindset***.
  - These leaders devote to fostering the authentic growth features to create a virtuous growth with ***lasting livability*** for the cities and ***fiscal strength*** for the generations, not too fast and not too slow, but in structural sequence with a systematic approach.

Source: Chao2022

General observations of this paper

- The strengths of the paper is to warn against pursuing short-term growth in the face of the long-term effects of COVID19.
  - A frequently asked question in the COVID era is how much capital do we need to keep the growth?
  - We should reframe the question: how much can we grow without compromising ***long-term sustainable value***?
- In fact, governments are always desperately seeking growth. Investors are hunting for profit. Therefore, GPS is a problem that could occur at any time in infrastructure investments that take a short-term perspective. For example, the specific examples in this paper are not problems specific to COVID19.
  - Debt transfer scheme in unbankable and negative cash flow projects
  - Offsetting consequences of conflicting policies and investments: highway vs. transit
- It would be better to identify ***infrastructure developments*** that address the uncertainty of COVID19 and ***adequate financial resources*** for governments.
- We will review the strategies for infrastructure investment and city development after COVID-19 using the paper “Cities Policy Responses”(OECD2020).

Impact of COVID-19 on cities (OECD2020)

- Economic impact
  - ***Budget constraints among subnational governments*** are expected to be long lasting.
  - The potentially dangerous effects of spending cuts, and calls for avoiding a "scissor effect" of reduced local revenues and increased expenditures, as well as for ***ensuring public investment***.
- Social impact
  - The impact of COVID has compounded with existing socio-economic vulnerabilities and disproportionately affected ***vulnerable populations and minorities***.
- Environmental impact
  - Economic uncertainty tends to induce firms to ***reduce or postpone investment and innovation activity***, which is particularly important for investments in the energy sector.

Source: OECD2020

City strategies for long-term recovery and resilience (OECD2020)

Inclusive recovery	Local business support and employment Affordable housing construction and renovation Support to vulnerable populations
Green recovery	Sustainable urban mobility Energy efficiency
Smart recovery	Digital solutions for smart city and virtual space
Recovery in the tourism, culture and creative industries	
Holistic strategies for urban resilience	Drastic changes towards more sustainable, equitable and resilient societies.

Source: OECD2020

City strategies for long-term recovery and resilience (OECD2020)

- To implement integrated and forward-looking post recovery measures, governments should leverage ***adequate financial resources*** for inclusive, green and smart cities:
  - Facilitate the uptake of ***innovative financial mechanisms***, which includes sustainability bonds to finance public spaces, urban infrastructure, neighbourhood development and affordable housing;
  - Exploit the potential of specific ***financial instruments*** in case of crisis or unpredicted economic shocks, such as contingency funds/reserve funds, lines of credit, and moratoriums on rent payments;
  - Leverage ***private sector funding*** where appropriate with a view to maximise related opportunities and address risks;
  - Encourage companies, notably SMEs, to prepare ***business continuity plans*** that also consider the risk of health crises and systemic shocks, and foresee, amongst others, flexible and remote working and digitalisation;
  - Explore innovative ***participatory budgeting*** for citizens to have a say on how public funds are spent, in particular for programmes and infrastructure projects pursuing inclusive objectives;
  - Promote financial models forms that encourage a ***social economy*** including those which engage citizens through cooperatives or other forms of social enterprises in areas such as decentralised renewable energy, food production and distribution.

Source: OECD2020

Recommendations for better policy implications

- Conduct an analysis to envision projects that is likely to fall into the GPS in city strategies for long-term recovery and resilience: Inclusive recovery, Green recover, Smart recovery, etc.
- Consider appropriate financial resources and evaluation schemes in government that do not fall into the GPS: innovative financial mechanisms, financial instruments, private sector funding, business continuity plans, participatory budgeting, social economy, etc.