World Cities Day

October 31, 2023

BETTER CITY, BETTER LIFE

Financing sustainable urban future for all

— Municipality of Üsküdar in Istanbul, Türkiye —

UN-HABITAT

CONCEPT NOTE

Roundtable Session #1

Monday, 31 October 2023
14.00pm - 16.00pm
Theme: Financing sustainable urban future for all

September 2023

Overview:

Cities are here to stay, and the future of humanity is undoubtedly urban. Cities are the engine of global economic development, accounting for more than 80% of global GDP. Cities are also the source for some of the current existential challenges that the world is facing – being responsible for over 70% of the world's energy consumption and its associated greenhouse gas emissions and being the biggest source of pollution in the world. The current urban population accounts for 56% of total global population and is expected to grow to 68% in 2050. This translates into an increased population of 2.2 billion people that will almost be entirely absorbed by cities.

This rapid urbanisation together with the impacts of current global existential threats is adding significant strain on existing infrastructure and demands considerable investments into increasing its current capacity – I.e., infrastructures in waste management, water and sanitation, transport and mobility, and new energy. The United Nations (UN) Sustainable Development Goals (SDGs) address these global challenges and set up guidelines to which this sustainable urban future can be realised. To achieve the UN SDGs, there is great need for financing at scale for sustainable urban development globally, especially in emerging markets and developing economies.

How this immense population growth in cities is managed can contribute to vastly contrasting future urban outcomes. A sustainable urban growth that focuses on a healthy concentration of economic activity can produce urban futures that unlock agglomeration benefits – such as increased economic productivity, greater exchange and spillover in knowledge capital, and more efficient management of resources. On the opposite end, inefficient urbanisation resulting from the lack of sustainable development financing can result in diseconomies of scale and negative externalities, further exacerbating current issues that contribute towards decelerating current progress towards achieving the UN SDGs – such as poverty, climate change, and pollution.

As we approach the halfway mark in this Decade of Action, recent overlapping crises and challenges in the global macroeconomic landscape have created an increasing divergence in global progress towards the UN SDGs. An increasingly VUCA (volatile, uncertain complex, ambiguous) global landscape coupled with the focus on the economic recovery from COVID-19 are exacerbating the differentiated capacities of countries to respond towards this multi-faceted issue. Fiscal constraints remain a key driver in this widening "pandemic recovery gap" as developing economies are met with financing at higher volatility, borrowing costs and shorter maturities. This finance divide has contributed to diminished capacity to finance appropriate recovery initiatives from the pandemic in developing countries and has the potential to translate into further reduced infrastructure development capacities if left unaddressed, setting back progress towards the UN SDGs.

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As the focus on economic recovery from COVID-19 coincides with the urgency to accelerate the achievement of the SDGs in this Decade of Action, cities are now more dependent than ever on private capital to support the scale, finance, and implementation of city development projects. Traditionally, infrastructure construction within cities has been predominantly financed by the public sector. This scenario is rarely adequate in achieving the full scope of investments needed to fund its completion. Private equity across the globe has access to levels of capital that is more than capable of closing this financing and infrastructure gap. Tapping into a fraction of the global private sector market alone is sufficient to fund all investments needed to achieving the UN SDGs.

However, private capital is often reticent to invest in less established markets due to the expense and inherent risks associated with such activities. Perceived risks such as political instability, regulatory, currency fluctuations, and institutional capacity are examples of associated risks that translate into higher borrowing costs and shorter maturities, further constraining the ability of governments to sustain large-scale public investments. Infrastructure investments from private equity predominantly flows into operational infrastructure projects within developed markets and very rarely the remains of these potential funds find their way into construction infrastructure projects in developing economies. Multilateral interventions and incentives are needed more than ever to position sustainable urban development projects to tap into extensive global private capital market.

The SDG Cities Global Initiative provides a response towards the need for accelerated action on the local implementation of SDGs during this Decade of Action. While there are many varying factors that contribute to this infrastructure funding gap, one of the primary obstacles centers around the lack of quality prepared projects. The initiative aims to catalyse international commercial capital and blended finance interest for late-stage project preparation, and ultimately, construction once the preparation phase is complete. Through this mechanism, the SDG Cities Global Initiative aims to support over 1,000 cities to accelerate their progress of the UN SDGs and the impact this would have on around 1 billion lives.

Whilst the SDGs Global Cities Initiative centers on increasing the institutional capacities of cities and government to prepare projects that are viable and appropriate for private sector investments, strategic reforms in the fiscal, regulation, and systemic environments are equally important factors contributing towards securing private sector investments that need to be considered. The challenge in facilitating private capital in sustainable urbanisation in emerging markets and developing economies though remains multifaceted and complex, provides a clear path and establishes its integral role in accelerating current progress towards achieving the UN SDGs by 2030.

Objectives:

The main objective of this roundtable is to examine and refine recommendations received throughout Urban October on how to best facilitate the financing of the Sustainable Urban Development.

Proposed Programme

1. Welcome and opening remarks (15 mins)
2. Fire-starters (20 mins)
3. Facilitated roundtable discussion with Q&A (50 mins)
4. Financing solutions showcase from UN-Habitat and UNDP (15 minutes each) (30 mins)
5. Closing remarks (5 mins)

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