

Supporting the Urban Dimension of Development Cooperation: Enhancing financial positions of cities in developing countries to achieve sustainable urban development

As requested by the European Parliament, European Commission and UN-Habitat are working on an initiative that seeks identifying relevant measures to advance viable models for mobilizing finance for urban development at all levels of government. The initiative works with an Advisory Group, chaired by Sir Paul Professor Collier, University of Oxford, and consisting of representatives of the European Investment Bank, African Development Bank, UN Capital Development Fund, UN Economic Commission for Africa, and United Cities and Local Governments.

In many developing countries, providing adequate infrastructure for the rapidly expanding urban areas and their population is constrained by access to finance and debt servicing capacity. Addressing these constraints requires prerequisites such as effective regulations, innovative strategies, finding new sources of revenue and assigning the adequate roles for national, regional and local governments – all of them becoming essential elements in strategies to strengthening access to finance for urban development.

The initiative pursues several goals:

Improve knowledge of policy makers in the field of access to finance and integrated investment planning (integrating financial, spatial and legal dimensions), particularly in cities.

Determine gaps and bottlenecks in instruments and tools and practices for funding urban development in the developing countries vis-à-vis good European experiences of the financial capacities of municipalities to deliver prosperous and sustainable urban development.

Envisage and qualify capacities needed both at the cities in the developing countries and at the international institutions for empowering them to deliver sustainable urban development using new planning and financial instruments, including blending grants and loans.

Improve capacities of cities in the developing world in the field of access to finance and sustainable integrated investment planning.

Formulate recommendations to strengthen institutional and financial framework enabling such models of finance.

Once the issues to be investigated had been agreed, the research team, consisting of UN-Habitat and the International Growth Centre (an economic research centre based at the London School of Economics, operated in partnership with University of Oxford's Blavatnik School of Government) supported by UNCDF, carried out missions to several cities: Kampala in Uganda, Dakar in Senegal, Mzuzu in Malawi, and Hargeisa in Somaliland, Somalia looking at:

Prospective Revenues, Land Value and Dead Capital in Public Finance;

Policy and Regulatory Environment for Access to Finance;

Vehicles for Untapped Potential of Investment in Improving Infrastructure;

Capacity of City Financial and Investment Management.

The initiative will now complete the investigations and gather African and EU cities and key stakeholders at a regional Africa workshop in February 2020 to exchange experiences and discuss further collaboration, leading to insights and eventual recommendations on the described issues.

The Policy session at the European Parliament in November 2019 serves the purposes on informing the further direction of the initiative.