



## HABITAT III OPEN-ENDED INFORMAL CONSULTATIVE MEETINGS

### THEMATIC PANEL ON FINANCING URBAN DEVELOPMENT

FRIDAY 29 APRIL 2016, CONFERENCE ROOM 3

11:00 AM – 12:00 PM

#### **Presentations**

- Luis Zamorano Ruiz, Director General de Desarrollo Urbano, Secretaría de Desarrollo Urbano y Vivienda, Gobierno de la Ciudad de México

#### **Panel Discussion**

##### **Moderator**

David Jackson, Director, Local Development Finance Practice, UNCDF

##### **Panelists**

- Hilmar von Lojewski, Councillor for Urban Development, Construction, Housing and Transport, German Association of Cities
- Agnes Kalibbala, Director of Housing, Ministry of Lands, Housing and Urban Development, Uganda
- Oleg Goluchikov, Senior Lecturer in Human Geography at Cardiff School of Planning and Geography, Russia

Under the Mexico City Declaration for Habitat III “*Localizing finance for inclusive change*”, some of the following were identified as *Key Drivers of Action*

##### *Fiscal and financial decentralization*

- Provide timely, predictable, and adequate government financial transfers commensurate with the accountable mandates for service provision by the local government,
- “Bottom-up” national development implies adequate intergovernmental allocation of resources, subsidiarity and sound sub-national fiscal policies that include a greater ability of local, metropolitan and regional governments to raise their own revenues and have access to predictable transfers
- Engaging in adequate fiscal reforms that push up fiscal decentralization to ensure local governments have the ability to manage both urban development projects as well as the necessary funding.
- Encourage a shift in behaviors and management culture to start a transition from a financial system based mainly on grants and subsidies from the central government to a system based on a financing mix including performance-based grants and incentives.

##### *Endogenous resources and land-based financing*

- Consider that with the support of national governments and partners, local resources can be used to help financing local development.
- Enhance the capture of the appreciation in land value generated by infrastructure



- Redistribute land value gains and charges, as well as investments to intentionally promote territorial equity and avoid spatial segregation
- Better orient property development and the capturing of land value; developing tools in coordination with national governments allowing for a simplified and more effective tax-collection process.
- Develop a comprehensive public strategy on land management and use regulatory mechanisms
- Improve land management methods and engage in the necessary reforms to create a land and property register

*Access to banking, capital markets and innovative financial intermediation*

- Provide local governments with an adequate range of debt finance possibilities, and subsidized loans and other types of credit for self-financing projects
- Support local governments that are not in capacity to access the credit market directly or alone in developing their creditworthiness over time through incentives and technical assistance

*Promoting private sector investments and new alliances*

- Establish appropriate financial mechanisms and set up a well-resourced operational fund for facilitating implementation of the new urban and human settlements agenda.
- Set-up an enabling environment to encourage the private sector to invest in local infrastructure and work in partnership with national and local governments
- Set up local public procurement systems that prioritizes local economic development
- Develop a strong legal framework and strengthen the capacity of local governments to promote, manage and monitor public-private partnerships (PPPs),
- Leverage south-south cooperation and innovative aid modalities
- Private sector to contribute to advancing gender equality and women's empowerment as well as through increased investments in female-owned companies or businesses.
- Encourage PPP's management models based on semi-public companies to ensure local governments are involved in and committed to the administration and management of the public services

*Financial empowerment, capacity building, transparency and accountability*

- Ensure that national and local civil servants and administrations are empowered with adequate knowledge and skills to tackle financial.
- Build investors trust by encouraging local governments to improve their fiscal performance
- Recognize that for the efficient use of resources, better management of city assets and effective delivery of public services is required ("do more with less

*Metropolitan finance and intra- and inter-municipal coordination*

- Coordinate municipal finance planning with spatial planning and economic development planning.
- Distinguish metropolitan areas as functional areas, as they do not coincide with the administrative structure, boundaries and sectoral vision of traditional politics.
- Consider that financing metropolitan areas requires specific responses, in topics like debt management, planning agencies or metropolitan development funds.
- Promote and develop at national level, a legal and institutional framework that enables intermunicipal cooperation and the support of local financing structures.
- Allow the implementation of pooled financing mechanisms that allow local governments to access the capital markets jointly.



*Social and solidarity economy and finance*

- Consider that social and solidarity economy and finance constitute a source of resilience to the recurrent crises capable of catalyzing the redistribution of wealth and financial innovation

*Informal economy and new patterns of consumption and production*

- Foster strong policies and institutions for local economic development and cultural initiatives towards more inclusive, innovative and creative cities.
- Engage in the quest to transform current patterns of production and consumption that have proved unsustainable for the society and the environment
- Address the negative consequences of the traditional frameworks of action of economics and finance that result in crises, and raise awareness in public and private stakeholders about the importance of "rethinking and redesigning" those frameworks towards more sustainable, equitable and supportive systems.

*Climate and resilience finance*

- Consider the economic impact at the urban scale of the transition to a low carbon economy and its financing.
- Investments will create new markets, address the long-term opportunities and risks from climate change, and promote wider socio-economic benefits, minimizing social and environmental harm.
- Recognize the Cities Climate Finance Leadership Alliance as a major step forward in better connecting demand and supply in resilient and low-carbon local infrastructure financing.
- Ensure that local governments have access to global, regional, and national climate finance mechanisms, directly or through domestic financing institutions.
- Scaling up investments in sustainable, low-carbon and climate-resilient development at subnational
- Allow for the implementation of ecological tax reform, creation of green taxes, local carbon markets; financing for sustainable and resilient development.

*Social production of habitat and the right to adequate housing for all*

- Recognize that an inclusive city is not only the one that provides universal access to basic services, but the one guaranteeing dignified, fully-serviced housing to vulnerable populations.
- Consider that urgent measures need be taken to facilitate access to housing for all and specifically for the most vulnerable, through national housing finance policies,
- Urban growth has been developed and financed by the communities themselves, through a process known as "Social production of habitat and housing".

*Local and regional governments as world actors*

- Allow and promote at country level a legal and institutional framework that enables international relations of cities and local governments, in those subjects that are of their legal competence.
- Support city-to-city cooperation and local governments' networks as a mean to strengthen capacities and facilitate exchanges of knowledge and good practice on urban financial management.
- Strengthen cooperation among multilateral agencies, national governments and local actors in the construction of the New Urban Agenda

A full version of the Mexico Declaration is available at [www.habitat3.org/the-new-urban-agenda/rt-meetings](http://www.habitat3.org/the-new-urban-agenda/rt-meetings) or on this link [here](#)



## GUIDING QUESTIONS

### FOR FINANCING URBAN DEVELOPMENT

1. Meeting the Sustainable Development Goals and the Paris Agreement in an urbanizing world will require significant infrastructure investment. Where will this money come from? Just saying "private sector" is not clear enough. How will we match the risk and return ratios?
2. From mega cities to small towns, how will the politics and economics of urban areas affect the financing options?
3. Zero sum game or new partnership. The importance of urban financing could be seen as a challenge to central government access to resources, particularly if cities begin to gain access to funds like the Green Climate Fund. Also municipal borrowing is often included in national debt statistics and therefore discouraged by IMF and others. How can urban finance be presented to central governments as a win-win rather than as a competition for resources?