



SPECIAL SESSION

CREATIVE INVESTMENT AND FINANCING MECHANISM FOR LOCAL GOVERNMENT

Key words

2030 Agenda; Basic Services; Equality; Finance; Housing; Infrastructure; Innovation; Investment; Land; New Urban Agenda; Poverty; Sustainable Development Goals

Objectives of the session

The main objective of this session is to identify investment and financial opportunities and innovative instruments available to local governments to support implementation of the New Urban Agenda and urban related dimensions of the 2030 Agenda. This session further aims to illuminate chief barriers to creative investment and financing mechanisms, by providing specific examples from local governments.

Introduction of the topic

A more effective, coordinated and accelerated mechanisms for implementation of urban development solutions is needed to harness the value of urbanization and unleash the potential of cities to provide solutions to poverty, inequality, climate change, and other barriers to sustainable development. Among the greatest need to implement the New Urban Agenda is the mobilization of long-term finance and identification of innovative financial solutions (e.g. green/water/sanitation bonds).

The current level of Overseas Development Aid (ODA) is insufficient to address the challenges of rapid unplanned urbanization, or to support the implementation of principles outlined in the New Urban Agenda that will enable cities to harness the value of urban growth. Accordingly, there is a need to leverage private sector and blended finance in a more consistent manner, and draw from various funding sources, including multilateral and bilateral financial institutions, global and domestic capital market institutional investors, cooperation agencies, private-sector lenders and investors, and microfinance banks.

The finance needs cannot be underestimated. Today, one billion city dwellers live in slums, often with lack of access to basic and urban services. It is estimated that by 2025 the number of households living in unsafe, inadequate housing, or that are financially stretched (by spending more than 30 percent of their income on housing costs) could reach 1.6 billion people.



Access to formal housing finance is limited for most of the population, with only 7 percent of people in developing economies having access to a loan to build, purchase, renovate or improve their dwelling. One estimate sets the housing affordability gap at US\$650 billion per year, or 1 percent of global GDP. The urban infrastructure financing gap is in excess of US\$4.5 million.

Guiding Questions

Q1: What are the major finance gaps for cities that can be addressed through creative finance mechanisms?

Q2: What are successful examples of such mechanisms working at scale to achieve sustainable urban development?

Q3: Working more closely with private sector and harnessing blended finance opportunities is a major theme across the United Nations and elsewhere (and will be a primary focus of the next G20), but what does it mean at a practical level (e.g. what does the public sector need to do open access to such opportunities)?