

# »» Solutions for Sustainable Cities

Financing Sustainable Urban Development

ISOCARP Workshop at Metropolitan Solutions 2016

Berlin, 01 June 2016

**KFW**

## »» Challenges and opportunities

- By 2050 nearly 70% of the world's population will probably live in cities
- About 90% of the projected population growth until 2050 will occur in Africa and Asia
- Cities are responsible for 60 – 80 % of the world-wide energy consumption and for around 75 % of the CO2 emissions
- Nearly 900 million people live in informal settlements today

- Cities produce more than 80% of the global GDP
- Cities are centres of innovation, culture and prosperity if managed properly.
- Due to the density of the population social and economic services can be provided more efficiently and effectively.

## »» Huge investment needs

More than US\$ 65 trillion!

This is, according to UN Habitat, the global need for urban infrastructure investment over the next 15 years

In a business as usual scenario

## »» Sources of income in developing countries and emerging economies

### Sources

- National transfers
- Own revenue generation (e.g. from fees, local taxes, land value capture)
- Debt Finance
- Private investment

### In most developing countries and emerging economies

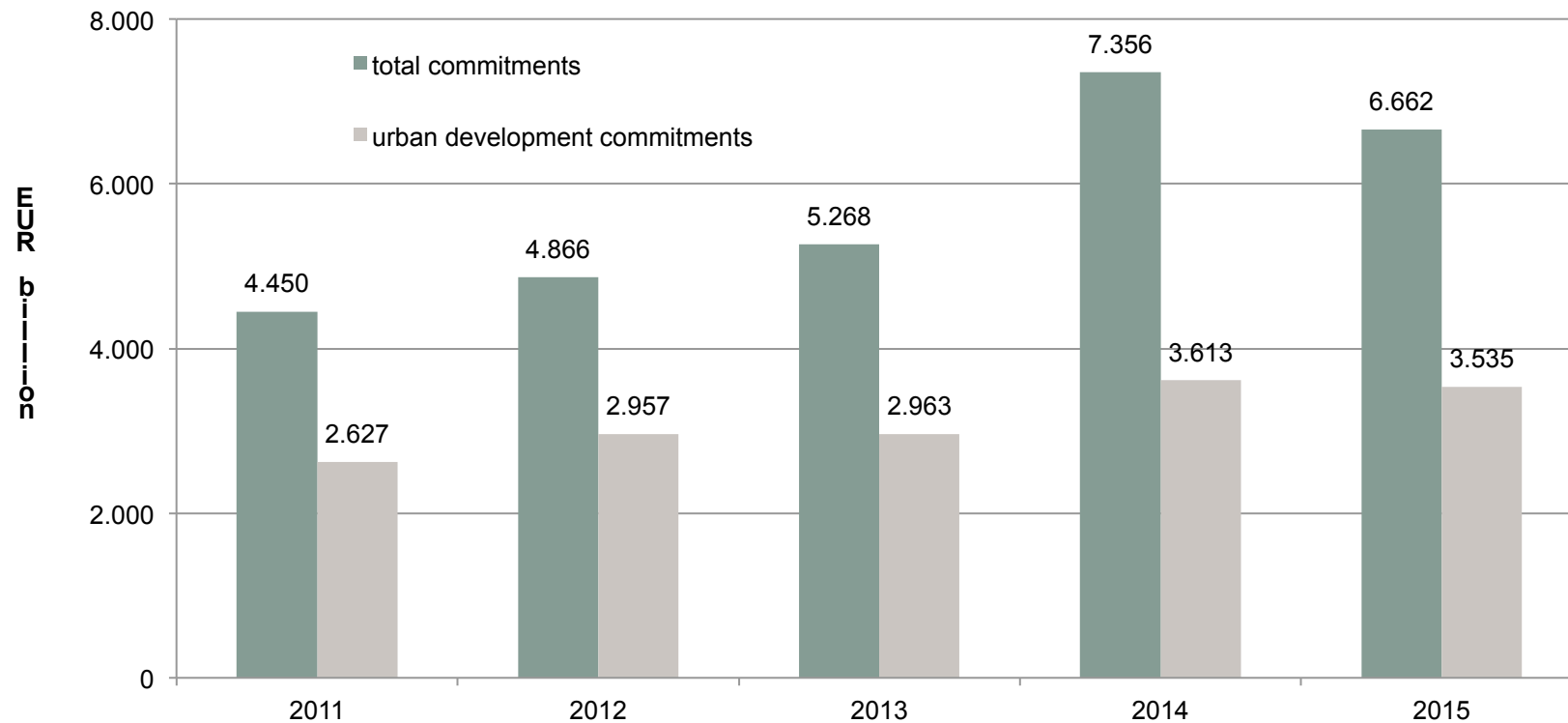
- Unreliable / insufficient national transfers
- Insufficient own revenue generation
- Lack of legal and regulatory frameworks
- Limited access to debt finance
- Capacity constraints

What can development banks, such as KfW do?

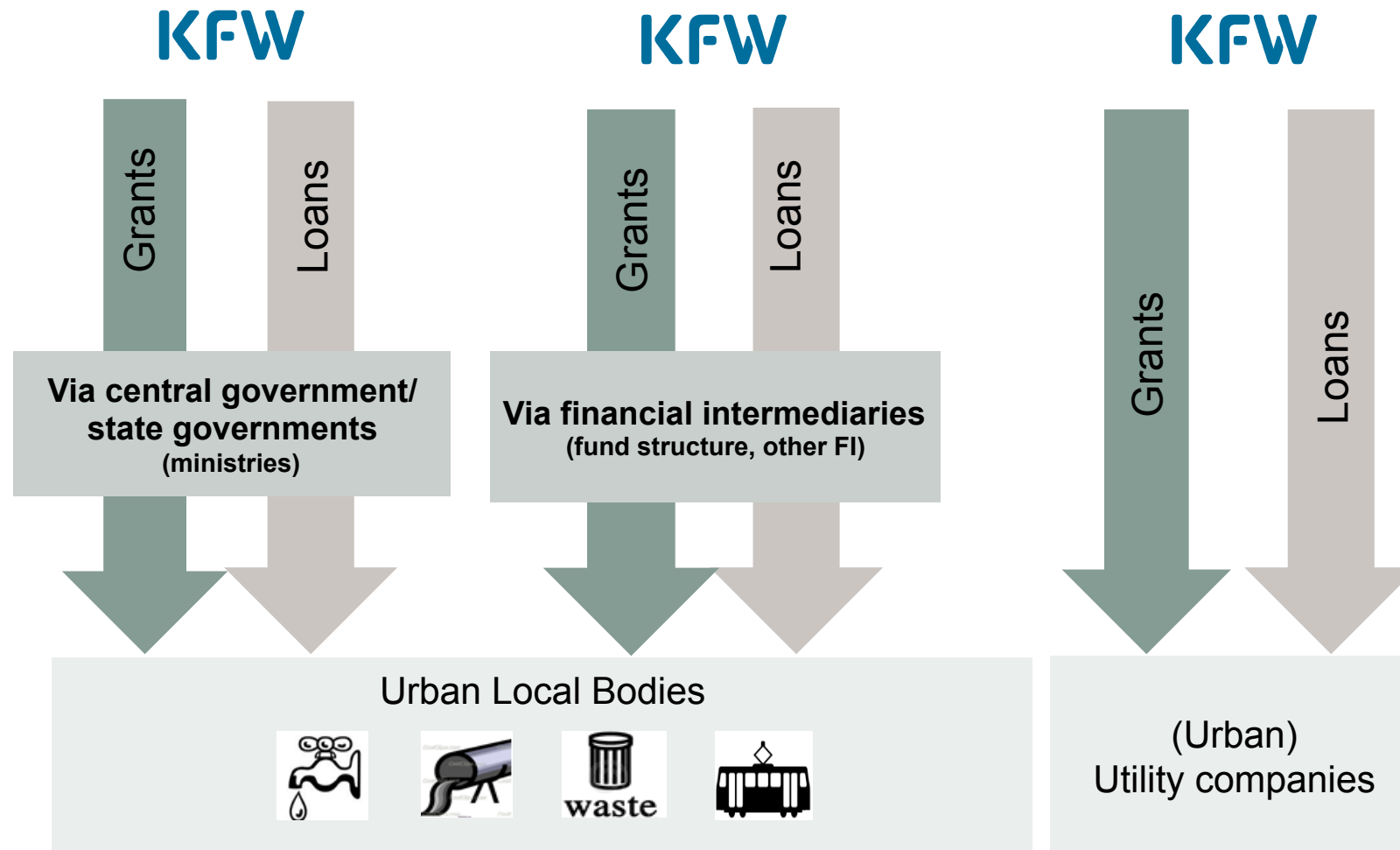
## »» KfW supports sustainable development in cities ...

Urban development commitments 2011-2015

EUR 15,7 billion EUR out of EUR 28,6 billion in total (55%)



»» ... however urban local governments are not direct recipients



## »» Promoting Public Transport Suburban Train, Tunis

### Challenges

- › Increasing traffic volume and environmental damage in the conurbation Tunis

### Approach

- › Suburban line, complementary to the existing „Métro Leger“, for more capacity in public transport

### Impacts

- › Efficient public transport
- › Reducing environmental damage
- › Reducing health risks
- › Securing or rather creating jobs
- › Fast, secure and environmentally friendly connection to workplaces, markets and public just as social services



### Information

- › Construction of the tracks for the first two suburban lines, construction of a tunnel (length 266 m), 12 railway stations and one head of repairs

### Donors:

**EIB, AFD, KfW**

# »» Resilient Cities – Climate Change Adaptation

## Climate resilience and poverty reduction in Beira

### Challenges

- › Parts of the city are located just above sea-level
- › Rainfall causes additional floods
- › Floods lead to health risks and hamper economic prosperity of poor population

### Approach

- › Holistic approach for urban resilience and poverty reduction

### Impacts

- › Improved urban resilience against the effects of climate change
- › Poor population and informal economy are protected against floods
- › Reduction of health risks, securing and creating employment



### Information

- › Cooperation with WB (green belt)
- › Cooperation with GIZ (waste management)
- › PPP for reforestation and sustainable usage of mangrove forests
- › Educational cooperation

**Donors: KfW**



## »» Promoting Energy Efficiency

Program for renewable energy, energy efficiency and environmental protection (Eco Casa), Mexico

### Challenges

- › Mexico has the second largest population in Latin America with increasing tendency
- › Growing demand for housing
- › Increasing private energy consumption

### Approach

- › Promote energy-efficient social housing by providing credit to Eco Casa program

### Impact / Results

- › Thousands of new energy efficient apartments and houses available
- › More than a million tonnes of carbon dioxide saved throughout the life of the housing
- › “Lighthouse” example for climate friendly housing



### Key Aspects

- › Cooperation with Federal Ministry for Economic Cooperation and Development (BMZ)
- › Cooperation with Latin American Financing Facility of the European Commission
- › NAMA Financing Facility

## »» Still, development cooperation (ODA) can play an important role

- Unreliable / insufficient national transfers
- Insufficient own revenue generation (e.g. from fees, local taxes, land value capture)
- Lack of legal and regulatory frameworks
- Limited access to debt finance
- Capacity constraints
- Supporting infrastructure development
- Capacity development (sectoral and financial management)
- Strengthening and supporting financial intermediaries (national development banks, funds, etc. )

As ODA will not be sufficient to close the infrastructure gap, it is essential that these funds are used for leveraging further financial resources.



»» Thank you for your attention