Solutions for Sustainable Cities

Financing Sustainable Urban Development

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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

- **KFW**
  - Grants
  - Loans
  - Via central government/state governments (ministries)

- **KFW**
  - Grants
  - Loans
  - Via financial intermediaries (fund structure, other FI)

- **KFW**
  - Grants
  - Loans
  - (Urban) Utility companies

Urban Local Bodies
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

![Map of Mexico](./image.png)
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