



# COALITION FOR URBAN TRANSITIONS

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A New Climate Economy Special Initiative

## Financing the Urban Transition

PwC and LSE Enterprise

## What we did...

An applied research framework that was both global and country focused

### **Key research questions**

The Financing the Urban Transition work-stream seeks to address three key research questions around **how to raise, steer and blend finance effectively into compact, coordinated and connected urban development.**

1. *Where sources of capital are available and what prevents it from being directed effectively towards compact, connected urban infrastructure that supports sustainable development?*
2. *Which specific instruments have greatest potential to mobilise private investment in compact, connected and coordinated urban development alongside public finance?*
3. *How does economic development and country context affect the ability and needs of a country to successfully finance the urban transition?*

### **Work-stream objective**

**To empower national decision makers** with the knowledge and tools to unlock and direct urban finance – enabling compact, connected urban infrastructure that supports sustainable development.

### **Finance workstream scoping and research - progress and next steps**

2016 – Mar '17

- **Landscape review of funding models and finance instruments**
- **2 x draft case studies – Uganda, Mexico**

Mar '17 – Apr '17

- **Final report and annexes (global review, instruments inventory)**
- **3 x case studies – Uganda, Mexico, India**



An aerial night view of a city, likely New York City, with numerous skyscrapers and buildings illuminated. A prominent light trail, possibly from a train or subway, winds through the city from the top left towards the bottom center. The overall color palette is dark blue and black, with bright white and yellow light trails.

# Key messages I

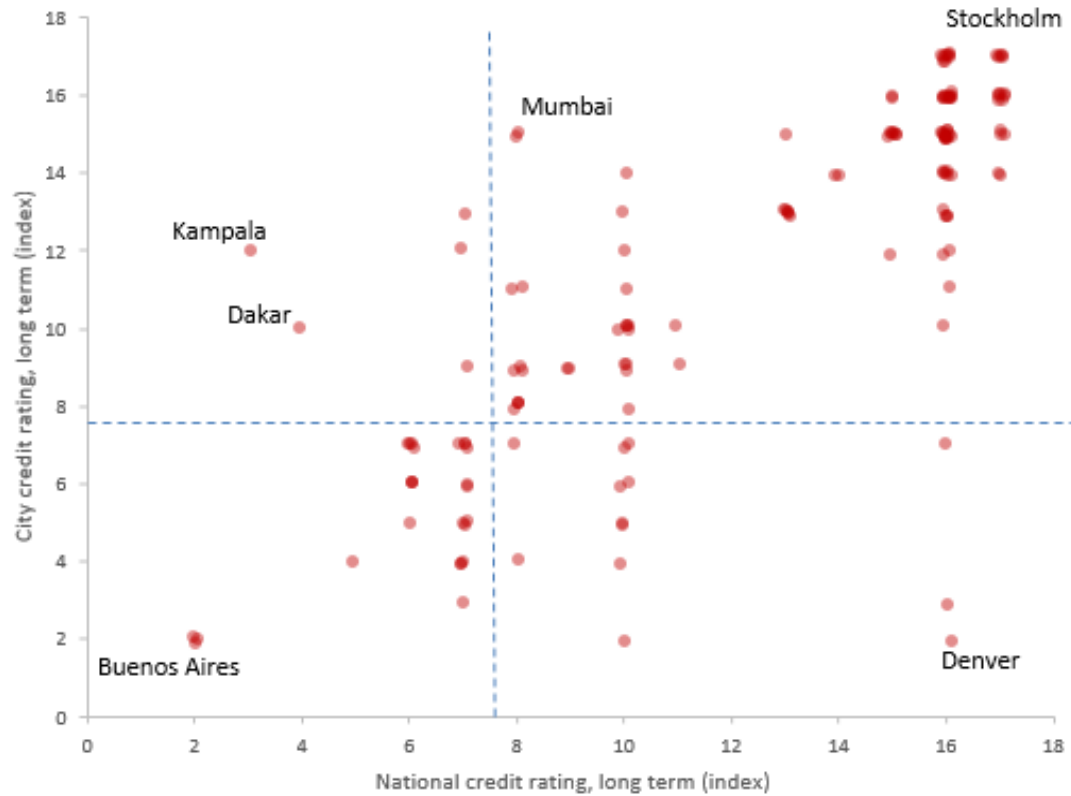
Global review findings

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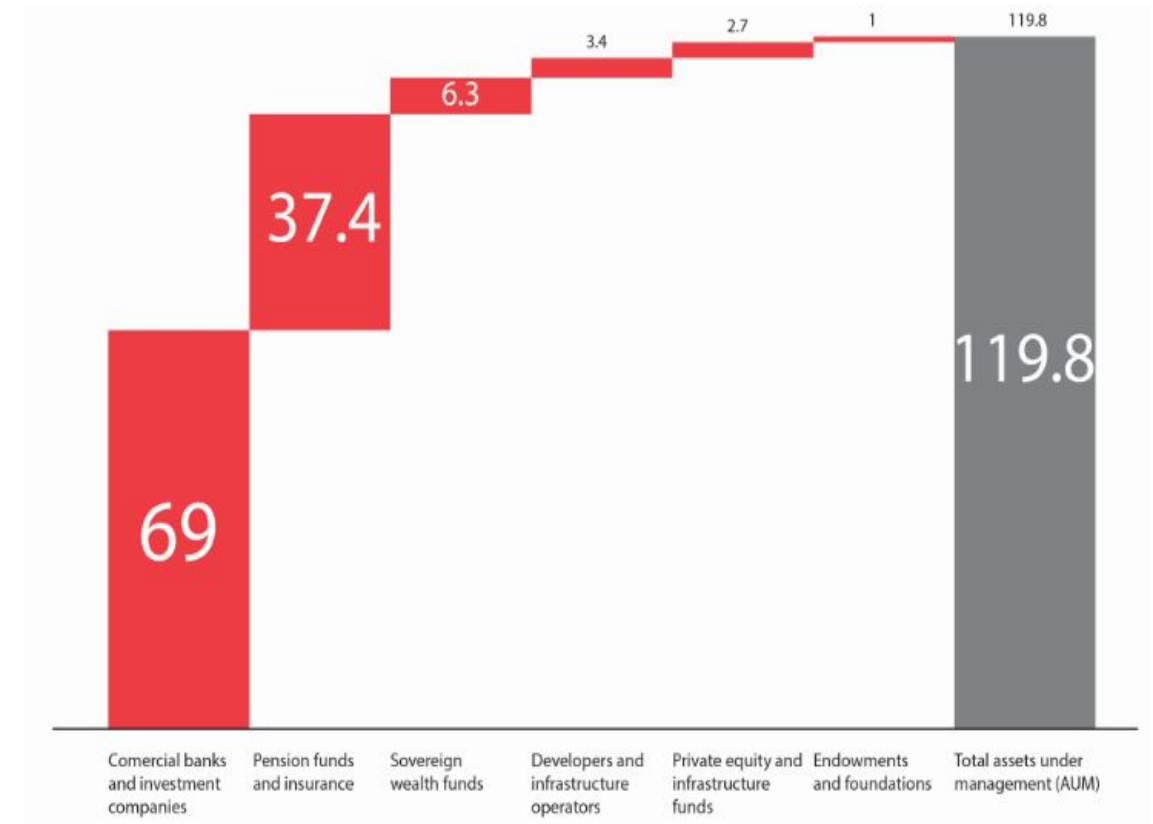
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## Global review: What we found

Financing gap of developing countries: between USD 1.2 and 2.3 trillion per year.



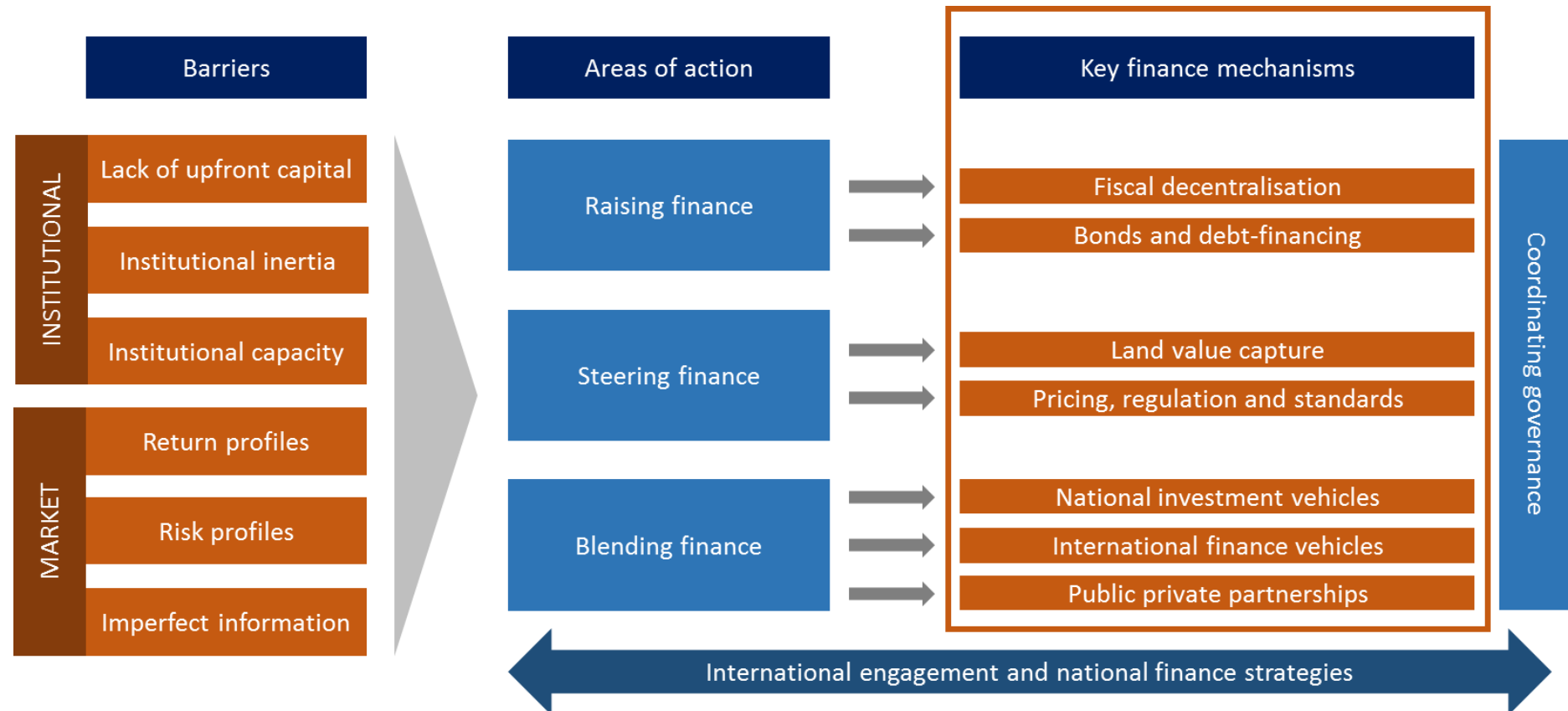
City versus national financial maturity



Sources of finance: AUM (USD trillions)

## Global review: What we found

- 72 finance instruments identified with potential for 3C infrastructure investment
- Interviews with Finance Working Group and other experts to identify 7 key finance mechanisms for more detailed research under Phase 2. Criteria: relevant for 3C infrastructure, potential for financing at scale, national government control or major influence, evidence of previous success.







# Key messages II

Country application findings

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## What we found: Country level headlines

- **UGANDA:** Getting the fundamentals right to **raise and mobilise** urban finance
- **INDIA:** Active management of rapid urban growth to **steer and direct** finance
- **MEXICO:** Explore the potential of private sector investment through innovative instruments to **leverage and scale** urban finance

### Emerging recommendations

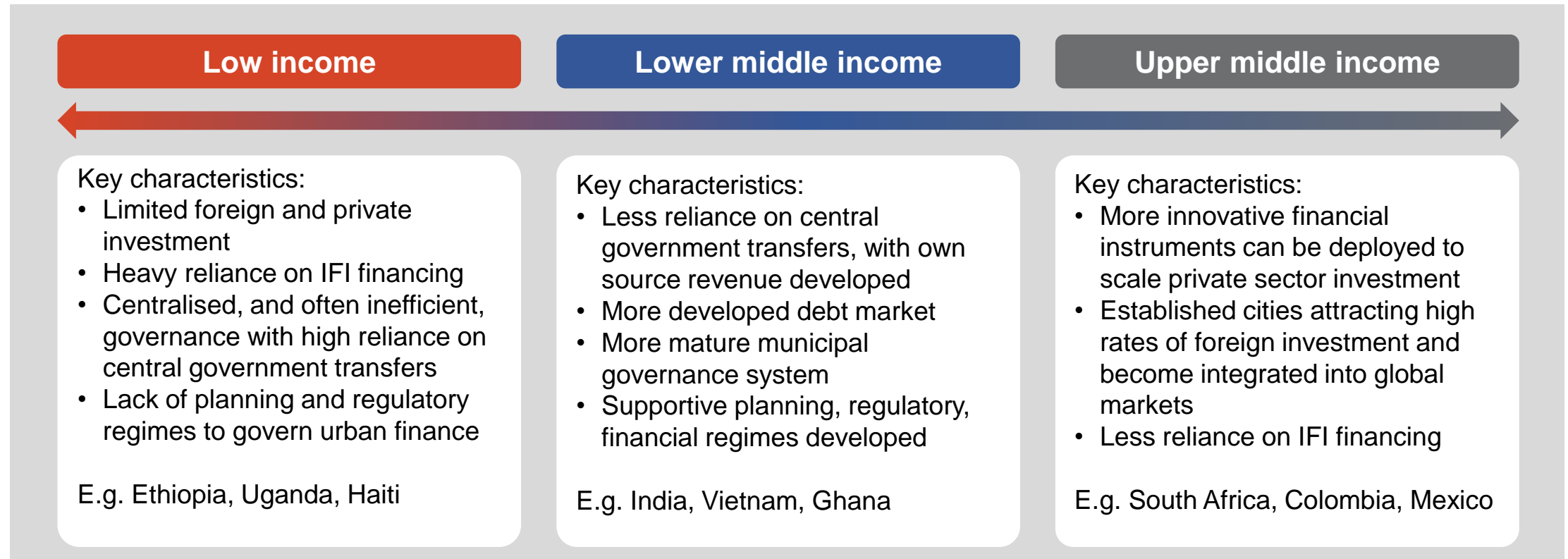
Uganda	India*	Mexico
<ul style="list-style-type: none"><li>• Release the constraints of central government transfers</li><li>• Implement a 'municipal development fund' to provide credit to local governments</li><li>• Build local capacity in financial and urban planning</li></ul>	<ul style="list-style-type: none"><li>• Importance of constitutional structure and regulatory framework in unlocking investment</li><li>• Need to involve stakeholders and develop market solutions</li></ul>	<ul style="list-style-type: none"><li>• Pilot land value capture in growing secondary cities</li><li>• Expand pooled finance mechanisms for smaller municipalities</li><li>• Scale, support and de-risk PPPs</li></ul>

\* These India findings will be updated by March 15<sup>th</sup>

## What it means: Characteristics of urban financing systems in low to middle income countries

The global review highlights seven financing instruments which are under-utilized by low and middle-income countries.

The country level findings bring us to consider what step-wise **national urban financial transitions** look like, what supports them and what changes as countries grow. This is developed based on findings from the case studies in Uganda, India and Mexico, providing an example of the types of challenges that are faced by countries at lower income, lower middle income and upper income status.

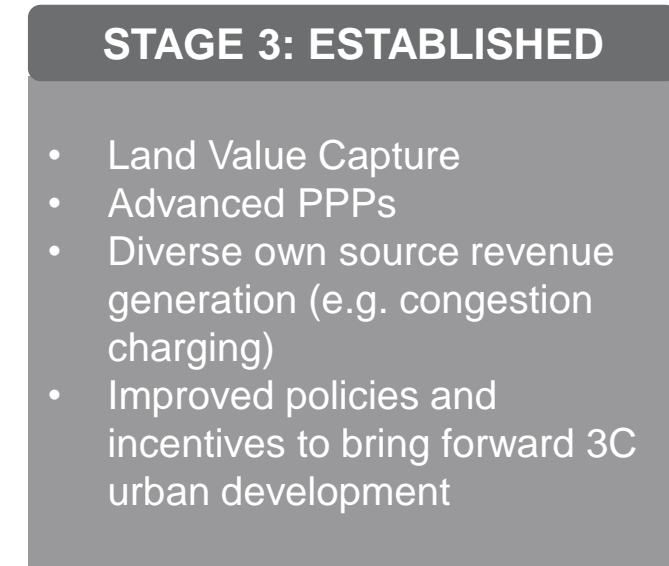
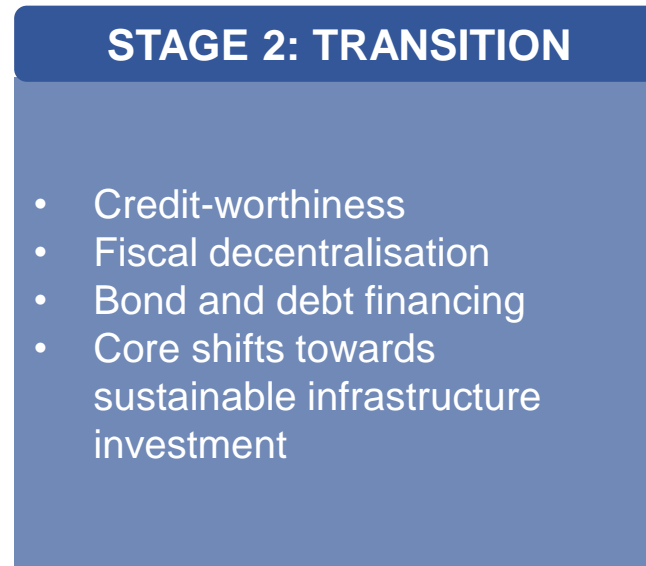




## What it means: Financial maturity framework

*Countries at different stages of development experience different challenges in raising, steering and blending finance, requiring a unique set of financial instruments and supporting policies at each stage to unblock these barriers.*

*Finance ministries must consider different reforms and instruments as their countries move through different stages of financial maturity.*





# Consultation time

Your views on how to develop the key messages

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## **Key consultation questions:**

- **How do these findings resonate and how can we improve the structure and messaging of the draft global or country findings?**
- **Does the narrative of the maturity framework resonate with your findings? Is there any relevant work and research that we can reference that can support, evolve or challenge the 'maturity framework' proposition?**
- **Which emerging recommendations do you see have most potential? Are there other countries we should explore?**
- **How can we take forward these recommendations?**
- **What are the potential linkage to other workstreams and partners?**



# Thank you

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