Multi-Partner Implementation Facility for Sustainable Urban Development – A global programme to achieve sustainable human settlements

Effective, Coordinated and Accelerated Implementation of Integrated Sustainable Urban Development

Executive Summary

Good urbanization is vital to achieving the Sustainable Development Goals (SDGs). This is not only because urban areas will absorb the majority of future population growth, accommodating 3.5 billion new urban dwellers by 2050, but because they concentrate economic activities and influence social change. Urban areas have the further potential to help combat climate change, connect rural and natural environments, and create system-based solutions to multiple, complex challenges.

The 2030 Agenda for Sustainable Development, which aims to ‘leave no one behind’, recognizes the importance of leveraging good urbanization as a solution to the global challenges of poverty, exclusion, peace and security. The New Urban Agenda (NUA), adopted by Member States in October 2016, provides a direct link between urbanization and sustainable development by offering a practical framework for the implementation of the 2030 Agenda at the local level. When well planned and managed, and supported by sound and enforceable legislation and regulatory frameworks and a strong urban economy, urbanization can be a transformative force for enhanced social welfare and stability, economic growth, and sustainable development.

Unfortunately, for many cities, today’s urbanization patterns and conditions pose significant barriers to achieving the global development goals. Among the most urgent challenges that must be addressed are rapid, uncontrolled urban expansion, which has contributed to a proliferation of slums and informal settlements; high levels of urban poverty and social and financial exclusion; a deficit of affordable housing and urban infrastructure; higher levels of migration and displacement in urban areas; and increasing urban vulnerability to climate change.

The current level of Overseas Development Aid, which stands at about $125 billion, is insufficient to address these challenges. More, national and local authorities face persistent barriers to accessing both public and private sources of finance and investment opportunities. This is partly owed to a lack of policies and legal instruments needed to create an enabling environment for investment and unlock endogenous revenue streams. Additionally, too many development efforts in urban areas remain siloed and are unable to deliver lasting impacts, thus trapping many countries and cities in a cycle of dependency on foreign aid. Future
investments in urban development must be better integrated to address the range of challenges confronting urban areas and empower cities to realize their potential as engines of development.

In response, the UN and World Bank Group are establishing a Multi-Partner Implementation Facility for Sustainable Urban Development (IFSUD). The objective of IFSUD is to catalyze effective, coordinated support to countries and cities towards the common aim of harnessing urbanization as a solution to poverty, inequality, climate change, and other barriers to sustainable development.

This objective will be achieved by:

- Driving integrated approaches to sustainable urban development;
- Strengthening and deepening the case for investing in sustainable urbanization;
- Leveraging public-private expertise and finance to achieve scalable results;
- Accelerating early-stage actions and support for implementation of viable, transformative urban development investments;
- Enhancing complementarity between humanitarian and development interventions;
- Building on the strengths of existing tools, programmes, platforms and investment vehicles focused on sustainable urbanization;
- Utilizing integrated technical assistance and capacity building efforts to deliver bankable projects, and;
- Convening multiple partners to enhance coordination and support to countries and cities, including among local government groups, civil society, academia, private sector, and others.

The Facility’s intended impact is urban areas and human settlements are safer, healthier, more inclusive, resilient, livable, and prosperous.

Context

IFSUD is grounded in the recognition that achieving the aims of the 2030 Agenda and NUA will be as much about the effectiveness of development cooperation as it is about the quantity and form such cooperation takes. Accordingly, IFSUD aims to answer Member States’ call for a coordinated, coherent response to rapid urbanization, in line with the goals of the NUA and 2030 Agenda, particularly, but not limited to, SDG-11, to “Make cities and human settlements inclusive, safe, resilient and sustainable”. These inter-connected frameworks share the common vision of equity, inclusivity, integration, and universality, with an emphasis on improving the effectiveness, quality, and impact of development cooperation. This will require inclusive partnerships, integrated approaches, and the translation of global and national development goals to the local level. Additionally, local level development efforts must feed back into national and global priorities.

IFSUD further responds to the UN High-level Committee on Programmes Chief Executive Board’s (CEB) recommendations for the implementation of the global development agenda. This calls on the UN system to pursue joint investment strategies, including pooled funding and joint programme financing, at global, regional and country levels. IFSUD also embraces the CEB’s “levers of change”, which emphasize the importance of effective urban planning, good governance, municipal finance systems, as well as a strong urban economy, as the foundations for sustainable urbanization.
Approach & Priority Areas of Focus

IFSUD will take a demand-driven, investment-oriented approach to sustainable urbanization that is based on local conditions and needs. This means providing national and local authorities with direct, coordinated support that connects upstream policy, planning, and capacity building efforts with downstream deliverables in integrated city and territorial development.

In practice, IFSUD will act as both a catalytic vehicle for transformative investments in urban development, at scale, and a facilitation mechanism for cooperative partnership. This includes drawing together committed partners, relevant stakeholders, and all levels of government, as well as the private sector. For example, one of the Facility’s core features will be a multi-stakeholder partnership platform, which will serve as a hub for local governments, civil society, private sector, academia, and others to jointly develop solutions and foster investments to more effectively meet the demands on the ground. With the objective of improving access to global and national expertise and technical support, the partnership platform will seek to provide a single, aggregated entry point to a wide range of stakeholders from the UN system and beyond.

IFSUD’s investments will build on existing tools, platforms, programmes, and investment vehicles aimed at delivering sustainable urbanization. For example, the Ecosystem of Funds for Sustainable Urban Development in Latin America could provide the basis for IFSUD to up-scale infrastructure investments in the LAC region, while the Global Alliance for Urban Crises could help direct IFSUD’s support in humanitarian crises-affected cities. Similarly, IFSUD will draw on the knowledge, skills, and best practice of experienced urban practitioners by engaging with existing partnership platforms such as the Cities Alliance.

The goal is that IFSUD’s resources will be leveraged many times. It is envisaged the Facility will directly fund certain initiatives - such as policy dialogues, reform programmes, and impact analyses - while other funds would be directly injected into investment projects in target countries and cities. For example, in many countries, constraints in real property titling systems and laws act as a bottleneck to formal urban development. In such countries, IFSUD’s partners may use its resources to facilitate policy and system reforms, and subsequently invest public and private resources directly in climate-friendly and equitable city extensions, including infrastructure, housing, and industrial areas.

IFSUD’s activities and investments will support five key pillars of sustainable urban development:

1. **Enabling Environment:** IFSUD will support interventions that strengthen the policy and legislative environments needed to catalyze investments, at scale, by:
   - Supporting governments to develop and implement comprehensive, integrated National Urban Policies (NUPs);

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1 As noted by the CEB, "The UN must proactively mobilize broad but coordinated engagement within and outside the UN system to frame global multi-stakeholder, multi-sectoral movements. To realize the full potential of 'issues-based coalitions', it is necessary to explore new partnership instruments for financing and programme delivery."
o Strengthening national and city-level legal frameworks and governance structures, including those related to urban land, re-adjustment, and property rights, among others.

o Supporting urbanization plans guided by the rule of law, and which include mechanisms for conflict resolution.

2. Technical Assistance & Capacity Building: IFSUD will foster integrated, sustainable approaches to city and territorial development, by:

o Consolidating public-private sector skills and expertise to support governments in problem identification and assessment of solutions that deliver maximum social, economic and ecological benefits;

o Building governments’ capacity to design and implement integrated urban growth strategies and reforms that enhance cities’ livability, mobility and accessibility, social cohesion and economic productivity;

o Supporting ‘localization’ of the 2030 Agenda and integration of the SDGs and NUA into country-level programmes;

o Equipping governments with the tools to effectively manage and evaluate sustainable urban development interventions.

3. Finance & Investment: A key value add of IFSUD is the intention to leverage much larger sums for sustainable urban development in both quality and quantity via public and private investment, by:

o Addressing the key constraints to building cities' economic and financial capacity;

o Supporting the prioritization and planning of capital investments;

o Empowering local governments to build a viable business case for sustainable urbanization investments;

o Catalyzing endogenous sources of revenue generation;

o Unlocking new sources of capital and blended finance opportunities.

4. Knowledge & Advocacy: IFSUD will support evidenced-based policy decisions and actions, by:

o Serving as a single point of entry for governments to tap into knowledge, data, tools, networks, and sources of good practice in sustainable urban development;

o Increasing awareness and understanding of the benefits of sustainable urbanization as a tool for development;

o Improving the quality and availability of local-level data and information;

o Facilitating knowledge-transfer, city-to-city learning, and the dissemination of best practice in sustainable urbanization;

o Supporting monitoring, follow-up and review of progress at national, regional, and local levels, including on the development impacts of sustainable urbanization programmes.

5. Multi-Stakeholder Partnerships: IFSUD will foster opportunities for rapid results and support the ‘means of implementation’ of the NUA and 2030 Agenda, by:

o Establishing a multi-stakeholder partnership platform to support the development of joint solutions that meet local needs;

o Promoting synergies and catalyzing service delivery among multiple actors;
Facilitating active participation of different stakeholder groups in policy dialogues;

- Supporting opportunities for cooperation at international, national, regional, and local levels;
- Strengthening balanced public-private sector partnerships.

**Progress to Date**

IFSUD has firmly established the basis for cooperative action with an initial seven institutional partners from the UN and the World Bank Group. Additionally, the Kingdom of the Netherlands is supporting the establishment of the Facility’s foundational public-private sector platform – the Human Cities Coalition (HCC) – comprising 38 global businesses. Through its partnership with the Netherlands, IFSUD will aim to deliver blended finance opportunities to selected cities, with an emphasis on investments that measurably reduce urban poverty, stimulate the local economy, respond to urban infrastructure and affordable housing gaps, and build the resilience of vulnerable communities to climate change.

Starting in June 2016, IFSUD partners conducted several consultations to validate the rationale for and value-add of the Facility, including with national and local governments and prospective investors/donors. The outcomes from these consultations affirmed the need for a dedicated sustainable urban development Facility, which both consolidates the expertise of multiple actors and directs scalable investments directly to countries and cities.

These consultations further highlighted the current investment needed to meet the global development goals. The SDGs are expected to cost $2 trillion to $3 trillion a year of public and private money through 2030. An even larger sum may be needed to address sustainable development efforts in urban areas, with infrastructure demands alone perhaps requiring up to $5.4 trillion in annual investment over the lifespan of the SDGs, while the affordable housing gap is estimated at $650 billion a year and is expected to grow.

Despite an increasing awareness of this need, the level of investments targeting sustainable growth across the world’s cities is alarming low. For example, a recent analysis of project funding channeled through the UN’s Multi-Partner Trust Fund Office, conducted on behalf of IFSUD partners, found that only about $250 million has been invested in sustainable urban development over the past decade. A significant proportion of this amount targeted reconstruction efforts in protracted crisis situations. This underscores the need for a more robust data on the development impacts in urban areas to convince financiers of the value of investing in sustainable urbanization. It also highlights the need to access new sources of capital that blend traditional and non-traditional finance. For example, an estimated US$106 trillion of institutional capital is currently available in the form of pension and sovereign-wealth funds. At present, though, only 1.6% of this is directed to infrastructure. Local authorities in particular must be supported to gain access to credit, unlock cities’ own revenue opportunities, and tap into innovations such as micro-finance and self-construction finance schemes.

**Phases of Implementation**

IFSUD will be operationalized across four phases:
Phase One (Jan.-Feb./March)
- Convene further consultations with prospective government and donor partners to secure initial resources.
- Initiate selection criteria for 10 pilot cities in 5 countries in conjunction with partners, national governments, local authorities, and donors.
- *In keeping with IFSUD’s integrated approach, initial country/city selection will be based on where at least three partners (including Member State/donor partners) are already operational.*
- Pilot locations will be regionally diverse and include a combination of LDCs, developing countries, and possibly MICs.
- At least one pilot country/city will be located in a region where there is on-going humanitarian challenges (e.g. increasing levels of urban IDPs and refugees).
- It is expected a few of the pilots may be chosen from the group of countries/cities that already participated in IFSUD consultations (*further details are available*).
- HCC partner cities, Jakarta and Manila, will also be included in the pilot phase.

Phase Two (Feb./March-April)
- Hold further rounds of consultations with donors and private sector partners.
- Complete country/city selection criteria.
- Schedule consultations with selected pilot countries/cities to identify priorities and take stock of existing development (or humanitarian) efforts and investments already being deployed. *This phase will inform IFSUD’s priority thematic areas of support – for example, slum upgrading, infrastructure, affordable housing, etc.*
- Complete draft Results Framework in collaboration with partners and donors.

Phase Three (April-May)
- Establish the formal administrative architecture, including the Joint Steering Committee (JSC) and Secretariat. It is expected the JSC will be comprised of one representative from each partner institution, as well as donors, local government, civil society, and private sector.
- It is already agreed IFSUD’s investments will be channeled through a dual funding window divided between the UN and World Bank, administered by the UN Multi-Partner Trust Fund Office, based in NY.
- It is further agreed UN-Habitat and the World Bank will share Secretariat functions, utilizing existing offices in Nairobi and Washington, DC.
- Finalize the Results Framework in cooperation with the JSC.

Phase Four (May-June)
- The JSC and Secretariat to decide on IFSUD’s investment model, including how the Facility selects projects (e.g. call for proposals); accreditation criteria for implementing partners, if any; assignment of budget for the Secretariat and start-up implementation phase; eligibility criteria for new partners; and other administrative and operational matters.
- Complete capitalization strategy and schedule of first-phase of implementation.
- Schedule IFSUD’s official launch.
Funding

IFSUD’s ambition is to be a catalytic fund that leverages public-private sector resources for large-scale urban development. To get there, partners are seeking initial resources of USD$5 million to support the first four phases of development, described above.

A portion of the seed funding would be dispersed into selected countries/cities to build their capacity to start identifying priority areas of intervention and investments, including opportunities for rapid results, with the support from partner country teams. This ‘ground-truth’ phase also requires support for regional multi-stakeholder consultations with local and national government, private sector, and regional and country-level partners, including civil society and financial institutions.