



UN-HABITAT

URBAN OCTOBER REPORT 2023

ABRIDGED





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URBAN OCTOBER 2023

Key messages

- By 2050, an estimated **70 per cent of the world's population will live in cities**. Rapid urbanization is no longer happening in developed countries, but is a phenomenon of the developing world.
- Cities have long been **the engine of national and global economic growth**. They contribute to more than 80 per cent of global GDP and display higher levels of productivity than rural areas.
- Cities are also a **major source of global problems**. They are the biggest source of pollution in the world, contributing to 70 per cent of global greenhouse gas emissions.
- Most cities are unable to combine **economic productivity, social inclusion, and environmental sustainability**.
- Sustainable Development Goal (SDG) 11, on making cities and human settlements inclusive, safe, resilient, and sustainable, can only be achieved with **action at local and regional levels** – and achieving it will come at a cost.
- Cities need to **diversify funding sources** and develop innovative instruments to finance and deliver sustainable urban development.
- Cities need **Public-Private-People Partnerships** to create innovative and mutually beneficial opportunities for sustainable urban development. UN-Habitat has established the Cities Investment Facility to unlock private capital by guiding public authorities in the preparation of investment-ready and sustainable projects.
- We need to **localize and scale up green recovery frameworks** that advance private and public investments to finance the transition to a climate-neutral economy.
- **National Development Plans** should be used to drive local development in cities.
- Public investments can be used as **catalysts for financing sustainable urban development**, particularly for the provision of infrastructure.
- We need to support cities and make them more investable through **improved revenue generation and improved financial management** and project implementation capacities.
- Local governments can use UN-Habitat's Rapid Own Source Revenue Analysis tool to **optimize their own-source revenues**.



Promoting a better urban future

Urban October 2023 explored the theme of economic development as a vehicle for productive and sustainable urban futures. Urbanization is intertwined with several global challenges, including climate change.

However, the realization of SDG 11 is dependent on stakeholders at all levels harnessing their resources to address the challenges posed by urbanization.



Cities and subnational governments need urgently to adopt innovative approaches to foster an optimistic scenario of urban futures.

UN-Habitat is at the forefront of helping cities achieve the vision of sustainable and equitable urban futures for all by exploring innovate financing solutions, tackling climate action through waste management, and ‘building back better’ through urban planning in post-crisis urban recovery. This holistic framework that encourages the integration of all facets of sustainable development to promote equality, welfare, and shared prosperity is paved in the New Urban Agenda, which was adopted by the United Nations in 2016.

The United Nation’s Agenda for Sustainable Development and Sustainable Development Goal (SDG) 11 – “to make cities inclusive, safe, resilient and sustainable” – identifies sustainable urbanization as one of the key priorities for global development.

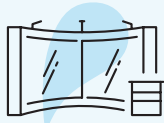
Urban October

Every October, UN-Habitat – the United Nations Human Settlements Programme – and partners organize a month of activities, events and discussions on urban sustainability. Urban October is an opportunity for people around the world to join the conversation around the challenges and opportunities created by the fast pace of change in our cities and towns. National and local governments, universities, non-governmental organizations (NGOs), communities and other stakeholders in sustainable urbanization are encouraged to hold or participate in activities, events, and discussions. Urban October is launched each year by World Habitat Day and concludes with World Cities Day.



Urban October was developed to raise awareness, promote participation, generate knowledge, and engage the international community in creating a better urban future.

Urban October 2023 in numbers

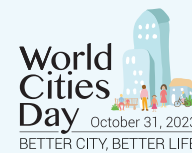


354
Urban October events globally

258 events in the Americas, 28 in Africa, 39 in Asia, 28 in Europe and 1 in Oceania



30
World Habitat Day events



32
World Cities Day events



82
nominations and five winners of the UN-Habitat Scroll of Honour Award 2023



138
cities hosted events



14,750
views of the Global Observances of World Cities Day and World Habitat Day on social media



World Habitat Day 2023

Resilient urban economies. Cities as drivers of growth and recovery.

Key messages

- Cities must diversify funding sources and innovate financial instruments to support sustainable urban development.
- Public-Private-People Partnerships create innovative and mutually beneficial opportunities to drive sustainable urban development.
- Prioritizing sustainability, we need to localize and amplify green recovery frameworks to accelerate private and public investments and fuel the transition to a climate-neutral economy.
- National Development Plans should be harnessed as tools to steer local development effectively within our cities.
- Public investments can serve as catalysts, particularly in the realm of green and sustainable infrastructure, financing a brighter urban future.

“In our challenging times of conflicts, economic hardships, and climate disasters, cities have proven their resilience time and time again.”

*Maimunah Mohd Sharif,
UN-Habitat Executive Director*

The year’s Global Observance of World Habitat Day was held on 2 October in Baku, Azerbaijan, in partnership with the State Committee on Urban Planning and Architecture of the Republic of Azerbaijan. There were 500 people at the event and 250 joined virtually, representing 26 countries from across the globe. The theme of the day explored how to promote cities’ economic resilience and the role of cities as drivers of economic growth and recovery, nationally and globally.

“Cities are vibrant ecosystems of human potential and innovation. They are our future.”

*Maimunah Mohd Sharif,
UN-Habitat Executive Director*

The winners of the UN-Habitat Scroll of Honour Award 2023 were presented during the World Habitat Day Global Observance. They were selected based on their contribution to UN-Habitat’s mandate to promote socially and environmentally sustainable cities and human settlements and to the implementation of the SDGs.



World Cities Day 2023

Financing sustainable urban future for all

Key messages

- Demand for infrastructure, affordable housing, efficient transport, and social services in cities is growing.
- Local governments will not be able to meet the need for urban infrastructure or realize the SDGs without significant investment.
- Efforts to close the infrastructure financing gap should be a global priority.
- Decentralization and empowering local governments to manage local economies are key to urban economic resilience.
- We need new and innovative financing models to ensure adequate investment and finance reaches urban local governments.

.....
"On this World Cities Day, it is time to consider the pivotal role cities play in sustainable development."

*Antonio Guterres,
 United Nations Secretary-General*

.....
"We can unlock the opportunities cities and human settlements offer and create the conditions for growth and recovery."

*Maimunah Mohd Sharif,
 UN-Habitat Executive Director*

.....
 This World Cities Day brings Urban October to an end on 31 October each year. This year's Global Observance of World Cities Day took place on 31 October in Municipality of Üsküdar in Istanbul, Türkiye, under the theme, "Financing sustainable urban future for all". In recent years, local governments have faced increased difficulty in gaining access to external resources to fund their development. Yet closing the infrastructure financing gap is key to ensuring that cities can meet their urban infrastructure development needs. Discussions focused on how to unlock transformative investment in urban planning and achieve adequate fiscal decentralization. The global observance was held under the patronage of the First Lady of Türkiye Her Excellency Madame Emine Erdoğan. She attended the global celebration along with nine other 'first ladies' from countries in Europe, Africa and Asia. More than 1,000 participants representing 21 countries attended the event in person or virtually.



Global Observance of World Cities Day 2023 in Istanbul, Türkiye ©UN-Habitat/ Julius Mwelu



The future is urban

The current urban population accounts for 56 per cent of the total global population and is expected to grow to 68 per cent by 2050.

In this urban future, 6.3 billion people will need access to a clean water supply, functional sanitation, and appropriate sewage and waste disposal systems. These 6.3 billion people will also need to be transported in a sustainable and efficient manner and housed in safe and healthy settlements. The cities they live in will need to be resilient against climate change, extreme weather events, and disease transmission.

Cities are centres for economic growth and development, but also face demographic, environmental, economic, and social challenges. Urbanization presents some of the most significant opportunities and challenges in the world today. Well-planned urban infrastructure is key to creating sustainable, successful cities, but this requires significant investment.

The higher the level of urbanization in a country, the higher its GDP per capita. However, cities are also the biggest contributor of pollution in the world, responsible for 70 per cent of global greenhouse gas emissions. Rapid urbanization is no longer happening in developed countries, but is a phenomenon

of the developing world. It is estimated that 93 per cent of future urban population growth will occur in the developing world. About 60 per cent of the population in developing countries is expected to live in cities by 2030 – and over 90 per cent of future urban population growth will take place in Asia, Africa and Latin America.

A sustainable urban growth that focuses on a healthy concentration of economic activity could produce urban futures that unlock benefits such as increased economic productivity and more efficient management of resources. On the other hand, inefficient urbanization resulting from a lack of sustainable development financing could result in diseconomies of scale, exacerbating current issues such as poverty, climate change, and pollution, and decelerating current progress towards achieving the SDGs.

The majority of cities, wherever they are, have so far proved incapable of successfully combining economic productivity, social inclusion, and environmental sustainability. The realisation of SDG 11 on making cities and human settlements inclusive, safe, resilient and sustainable is key to achieving this balance. To achieve this, we need transformation in cities and communities.



Cities have long been the engine of national and global economic growth. They contribute to more than 80 per cent of global GDP and have higher levels of productivity than rural areas.



How the immense population growth in cities is managed will contribute to vastly contrasting future urban outcomes.



The realisation of the SDGs needs action at local and regional levels – and it will come at a cost.

Creating resilient urban economies

The year 2023 was particularly challenging for urban economies. Global economic growth has been in decline and reached its lowest rate since 2001, aside from the COVID-19 crisis in 2020 and the financial crisis of 2009.¹ The future of many countries will be determined by the productivity of their urban areas.²

At the same time, for economic growth and recovery to be equitable, cities need to align spatial, economic and environmental planning, employ evidence-based strategies, improve governance and revenue collection, and unlock private capital for investment.

Post-crisis urban recovery is an essential facet of sustainable development, encompassing efforts to rebuild, rehabilitate, and redevelop cities and communities that have been adversely affected by both conflicts and natural disasters. Whether stemming from armed conflicts or natural calamities, the aftermath of these events poses significant challenges to urban infrastructure, societal cohesion, and economic stability.

Own-source revenue is very low in many developing countries – less than 10% in some – but the actual revenue potential is often far larger. By optimizing their own-source revenues – taxes, levies, fees, and licenses that are controlled by local governments – cities can improve their creditworthiness, which is essential for attracting financing for sustainable urban development and long-term sustainability in urban infrastructure.

To improve revenue collection and generation, and increase financial resilience, cities can use tools such as

UN-Habitat's Rapid Own Source Revenue Analysis tool to optimize their own-source revenues. The tool quantifies revenue loss and identifies root causes and entry points for reform.

.....
“One innovation is revenue-saving projects when cities can raise external capital not because a future project generates revenues but because it allows savings for the city budget.”

Dmitry Pozhidaev, Global Advisor, United Nations Capital Development Fund (UNCDF)

.....
There is broad consensus on the urgent need to increase capital flows towards sustainable and local infrastructure, particularly given the rapid growth of cities in emerging and developing countries. Attracting funding for sustainable urban development cannot happen without enabling frameworks at local and regional levels, including sound regulatory and institutional systems with the right skills and capacity, and accurate city-level monitoring of spending levels, tax rates, and liabilities with respect to financing instruments.

The Global Partnership for Local Investment, where experiences are shared to build a local finance framework for cities and communities, can help distribute existing funding and finance to where it can deliver the greatest impact. World Habitat Day discussions also highlighted the need for transparency and mechanisms to mitigate corruption and for national governments to recognize the importance of working effectively with local governments and fiscal decentralization.



For economic growth and recovery to be sustainable, we need cities that can absorb, recover, and prepare for future economic shocks.³



A crucial pathway to increasing economic resilience in cities is enhancing their own-source revenue generation and collection.



By promoting inclusivity, sustainability, and economic resilience, cities can recover from disasters and withstand future challenges, contributing to a more stable and prosperous urban landscape.

1 International Monetary Fund, 2023

2 UN-Habitat, 2022

3 Organisation for Economic Co-operation and Development (OECD), 2023



Financing sustainable cities

Rapid global urbanization together with the impacts of existential threats such as climate change are adding significant strain on existing infrastructure, creating an urgent need for considerable investment to realize a sustainable urban future.

The SDGs address these global challenges and offer guidelines around implementation. To achieve the SDGs, there is a need for financing at scale for sustainable urban development globally, especially in emerging markets and developing economies. According to the Organisation for Economic Co-operation and Development (OECD), the global need for infrastructure investment will reach USD 30-40 trillion in the next two decades.

Developing economies are facing a finance divide that has diminished capacity to finance appropriate recovery initiatives from the pandemic and has the potential to translate into further reduced infrastructure development capacities, setting back progress towards the SDGs.

Traditionally, infrastructure construction within cities has predominantly been financed by the public sector, but this is rarely adequate. Private equity across the globe has access to levels of capital that are more than capable of closing this financing and infrastructure gap. Tapping into a fraction of the global private sector market will be sufficient to fund all investments needed to achieve the SDGs.

To unlock this capital, it is essential to shift the way sustainable development efforts are implemented in low-to-middle

income countries. A significant reduction in development grant funding and an increase in public investment is a clear signal that a change from a granting model to a financing model is crucial in keeping up the pace towards attaining the SDGs.⁴

Private capital is often reluctant to invest in less established markets due to the associated expense and inherent risks. Perceived risks such as political instability, currency fluctuations and poor institutional capacity translate into higher borrowing costs and shorter maturities, constraining the ability of governments to sustain large-scale public investments. Infrastructure investments from private equity predominantly flow into operational infrastructure projects within developed markets and, very rarely, the remains of these potential funds find their way into construction infrastructure projects in developing economies.

While there are many factors that contribute to the infrastructure funding gap, one of the primary obstacles centres around the lack of high-quality, prepared projects that are viable and appropriate for private sector investments. The Cities Investment Facility (CIF) can help unlock significant private capital flows to inclusive, sustainable urbanization projects by assisting in project identification, preparation, and financing. Alongside this, strategic reforms in the fiscal, regulation, and systemic environments will be essential factors towards securing private sector investments.



Closing the infrastructure financing gap is key to ensuring that cities can meet their urban development needs and drive growth.



Less than 20 per cent of the largest 500 cities in the developing world are deemed creditworthy. This calls for a diversification of funding sources and innovative financing instruments to finance and deliver sustainable urban development.



Multilateral interventions and incentives are needed more than ever to position sustainable urban development projects so that they are attractive and viable to the global private capital market.

⁴ CIF, 2023, About the Cities Investment Facility. Retrieved from: <https://citiesinvestmentfacility.org/about-us/general/>

Urban October 2023 recommendations

The following recommendations emerged out of the discussions, events and gatherings of Urban October 2023, highlighting approaches to accelerate the implementation of the SDGs and the New Urban Agenda, and build a more sustainable urban future for everyone.

1. Promote private-sector investment in sustainable urban infrastructure.

The global private sector market has the capacity to fund all investments needed to achieve the SDGs. To release this capital, there needs to be a fundamental diversification in the way sustainable development efforts are financed and implemented in low-to-middle income countries.

2. Make cities in developing countries more attractive to investment.

Attracting funding requires robust regulatory and institutional systems, including mechanisms to mitigate corruption. Strategic reforms in

fiscal and regulatory systems may be needed. The Cities Investment Facility (CIF) can help unlock private capital flows to urbanization projects by assisting in project identification, preparation, and financing.

3. Optimize own-source revenues.

By improving the collection and generation of own-source revenues – taxes, levies, fees, and licenses that are controlled by local governments – cities can increase their income and improve their financial resilience. UN-Habitat’s Rapid Own Source Revenue Analysis tool can help cities to do this by quantifying revenue loss and identifying root causes and entry points for reform.

4. Empower local and regional authorities.

National governments need to work more effectively with regional and local governments, recognizing their role in managing local economies and empowering them through fiscal decentralization. This will require capacity-building within local governments and ensuring robust systems and regulations are in place at regional and local levels.





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For more information on Urban October, please visit our website on: urbanoctober.unhabitat.org, or send us an email on: unhabitat-events@un.org for Urban October, unhabitat-whd@un.org for World Habitat Day, and unhabitat-wcd@un.org for World Cities Day.



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