



World Habitat Day CONCEPT NOTE

August 2023

Global Observance - World Habitat Day 2023

Monday, 2 October 2023 – Baku, Azerbaijan

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

2023 has been a particularly challenging year for Urban Economies. The global economy growth itself is declining to about 2.5% and, apart from the initial COVID-19 crisis in 2020 and the global financial crisis in 2009, this is the weakest growth experienced since 2001.¹

Given the size of the contribution of cities to the national economy, the future of many countries will be determined by the productivity of its urban areas.² Cities are the engines that create value that boosts economic recovery.

For this economic growth and recovery to be **sustainable**, we need cities that can absorb, recover, and prepare for future economic shocks.³ It is crucial that this is also packaged under the **green recovery** framework that scales up private and public investments to finance the transition to a climate-neutral economy in a post-COVID world.

Cities all over the world have already embarked on this journey through implementing various models.

UN-Habitat, in partnership with the World Economic Forum, believes that these models can be **localised** and **scaled up** through the **Global Partnership for Local Investment**, where experiences are shared to build a **local finance framework** for cities and communities, to help distribute existing funding and finance to where it can deliver the greatest impact.

In the prevailing economic situation, local governments have faced increased difficulty to gain increased access to external resources to fund their development.

The local finance framework integrates three key solutions to facilitate this access:

1. **Cities Investment Facility (CIF)**
2. **UN-Habitat/UNCDF Guarantee Facility for Sustainable Cities**
3. **Rapid Own Source Revenue Analysis (ROSRA)**

1 (IMF), I. M. (2023). *World economic outlook April 2023*. Washington DC, USA: International Monetary Fund.

2 (UN-Habitat), U. N. (2022). *World Cities Report 2022*. Nairobi, Kenya: United Nations Human Settlements Programme (UN-Habitat).

3 (OECD), O. f.-o. (2023). *Resilient Cities*. Retrieved from [oecd.org](https://www.oecd.org/).

1. Cities Investment Facility (CIF)

By convening and preparing a pipeline of SDG-compliant and investor ready infrastructure projects, the Cities Investment Facility (CIF) strives to unlock significant capital flows to inclusive, sustainable urbanisation projects.

Selected projects actively participate in all three pillars of CIF, the Cities Investment Portal, Cities Investment Advisory Platform and Cities Investment Vehicles, which maintain a close relationship and function within an effective feedback loop supporting and cooperating with each other.

CIF STRUCTURE

A series of three instruments work to engage city authorities, investors and other stakeholders in CIF: The Cities Investment Portal (CIP), Cities Investment Advisory Platform (CIAP) and Cities Investment Vehicles (CI Vehicles).



The CIP enables cities to better promote their urban development projects to an audience of investors and third-party experts who can provide financing, technical and advisory support through an online portal.



The CIAP then focuses on the upstream stages of project development, providing cities with in-depth project preparation, bankability advisory and technical assistance.



Finally, the CI Vehicles works to improve the ability of cities to access financing and reach implementation stage of their urban development projects.

2. UN-Habitat/UNCDF Guarantee Facility for Sustainable Cities

The Guarantee Facility for Sustainable Cities stems from the European Union's guarantee programme . The total funding approved for the facility amounts to **EUR 154 million**.

The programme is a component of the European Fund for Sustainable Development Plus (EFSD+) and includes guarantees, blended finance, technical assistance, and other support tools designed to raise financial resources for sustainable development.

The Guarantee Facility for Sustainable Cities works for Cities and Local Governments by promoting global policy goals necessary to unlock finance for cities in the developing world.

It will be used to support transactions that will pilot and test innovative infrastructure financing solutions that can be taken to scale, specifically in Africa and Southeast Asia.

The European Union's guarantee programme is a component of the European Fund for Sustainable Development Plus (EFSD+), part of the EU's investment framework for external action. The EFSD+ includes guarantees, blended finance, technical assistance, and other support tools designed to raise financial resources for sustainable development from the private sector for inclusive economic development in EU partner countries.

3. Rapid Own Source Revenue Analysis (ROSRA) tool

This tool allows local governments to self-diagnose their own-source revenue (OSR) systems and identify binding constraints. The ROSRA is a strategic decision-making tool that uses data and various layers of analysis to support local governments in prioritizing among existing policy options and charting cost-effective reform trajectories. The ultimate goal of the ROSRA is to aid local governments increasing OSR and raising it in a more effective and equitable manner. By supporting local revenue administrations to better understand and communicate the weaknesses of their OSR systems, it facilitates strategic and resource effective interventions and helps to build reform momentum within local governments.

OSR is commonly used to refer to the taxes, levies, fees, and licenses which are controlled by local governments. OSR commonly includes property taxation, other land-based finance mechanisms, user fees, business licenses, building permits. While, at present local governments in low-income countries often only derive 10-20% of their revenues from OSR, the actual revenue potential of OSR is often far larger. OSR is more than just a source of funding, however. OSR increases the accountability of local governments to their constituencies and thereby incentivizes more effective and citizen-oriented service delivery. Greater reliance on OSR also increases creditworthiness of local governments and thereby facilitates access to private capital markets for larger scale investments in the local economy. Lastly, OSR also bears several regulatory advantages and can be used to promote densification or combat climate change.

	Common Problems	Indicators	Diagnosis	Recommendations
ROSRA	Tax Authority of Local Government	The LG can pass its own OSR legislation	✓	Best Practice X,Y,Z
		The property tax has been devolved	✗	Best Practice X,Y,Z
		The local government has authority over hiring & firing	✗	Best Practice X,Y,Z
	Capacity of Revenue Department	The revenue department has a functioning IT system	✗	Best Practice X,Y,Z
	Tax Base	Wealthy taxpayers are exempt from paying taxes	✓	Best Practice X,Y,Z
		Valuation processes are up to date	✗	Best Practice X,Y,Z
		Government-owned assets are well documented	✗	Best Practice X,Y,Z
	Tax Rates	There is significant subletting of public assets	✗	Best Practice X,Y,Z
		Property tax rates have been reduced for political reasons	✓	Best Practice X,Y,Z

Expected Outcomes of the World Habitat Day 2023:

This year's World Habitat Day aims to convene various city stakeholders to discuss the ways in which cities can be primed for recovery following the global intersecting negative economic shocks of COVID-19 and conflicts by:

- Broaching the different dimensions of economic slowdown that cities are currently experiencing and **identifying actions** that cities can take to boost economic recovery.
- **Sharing experiences** among different cities on how they are positioning themselves to tackle inflationary pressures and other tight global financial conditions.