CONCEPT NOTE – SESSION 4

Delivering sustainable urbanisation in Africa: the role of the private sector

Urbanisation is being recognised by an increasing number of African countries as an opportunity for economic transformation and sustainability. For instance, in Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS II), sustainable urbanisation is key for decreasing income disparities within and across cities, reducing overconcentration in Kigali, and promoting the development of secondary cities. The EDPRS II considers the investment in both hard and soft infrastructure, as well as projects that enhance linkages both among towns and between urban and rural areas. Moreover, Rwanda's development strategy includes certain innovations that favour the development of sustainable cities and villages such as piloting a green city, piloting a model mine, attracting investors in green construction, and interventions that focus on green urbanisation and the promotion of green innovation in industrial and the private sector.

Like Rwanda, creating sustainable cities in Africa calls for a more environment-friendly and less resource-consuming process than in the past. Africa's urban population has almost doubled in 20 years, growing from 237 million in 1995 to 472 million in 2015. It is expected to double again by 2035. While megacities of over 10 million inhabitants will see their share of total urban population increase by 2025, cities of one to five million will account for over 30% of this population.[1]

Although Africa's urbanisation is ripe with opportunities, mainly through the creation of agglomeration economies, it also faces important challenges. Policy makers will have to address the increasing demand for affordable housing, efficient transport systems, and the overall provision of basic services in both primary and secondary cities. Addressing these demands will require strategies that account for the negative effects of agglomeration – namely congestion and pollution – as well as measures to mitigate and adapt to the increasing occurrence of extreme weather events associated with climate change.

What is also needed is financing. The estimated cost of basic urban infrastructure and service delivery in sub-Saharan Africa is between USD 29-60 billion a year. Financing sustainable infrastructure will require a smarter use of available funds as well as mobilising new resources on an unprecedented scale. As the continent's urban population grows in the following decades, those needs are set to rise proportionately or maybe at a faster rate, since urban expansion is occurring even more rapidly.[2] Urban land area is likely to increase six- to eight-fold by 2050, calling for even more investment in urban infrastructure.[3]

[1] AEO (2016), African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme: *African Economic Outlook 2016: Sustainable Cities and Structural Transformation*, OECD Publishing, Paris,

[2] Urban density has recently decreased at above 2.5% a year.

[3] AEO (2016)

The extent to which these resources translate into delivering and maintaining urban infrastructure will depend significantly on certain conditions that vary between and within African countries:

- the quality of multi-level governance;
- the absorption capacity of city governments;
- the capacity to co-ordinate across ministries; and
- mutually beneficial partnerships between public and private actors.

Indeed, the private sector can play a decisive role in Africa's urbanisation plans, providing financing and, services and partnering with local and national administrations on implementation.

Session 4 looks into the different ways the private sector can contribute to financing sustainable urban infrastructure.

Discussions will bring together private sector representatives and policymakers to share views and experiences on how the private sector can address the demand for low-carbon, climate-resilient urban infrastructure in Africa. Specific examples of innovative green finance models for cities will be highlighted, such as the use of public-private partnerships to deliver sustainable urban transport systems, the use of credit lines to support energy efficiency in buildings and the emergence of municipal green bonds to enable access to capital. Policy changes also will be required at the city level to improve the environment for green investment.

Questions to guide the discussion:

- How can cities build a pipeline of bankable projects and attract private investment for sustainable urban infrastructure?
- How can innovative green finance models for African cities be replicated and scaled up?
- How can the private sector be engaged in/involved/support urban development strategies that promote compact and better-connected cities?
- What are the available mechanisms of co-operation on urban planning and service delivery between local governments, development finance providers *(DFI and MDBs are essential actors in this space in most cities in Africa)* and the private sector?
- What role can international public climate finance play to mobilise private investment for cities in Africa? What can local governments do to better access and make use of climate finance?