Urban Resilience Financing

Means of Implementation for accelerating local governance progress towards resilience

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Set of Urban Resilience Challenges – seeking long term systemic changes

- Rapid global urbanization results in fast expansion of highly vulnerable communities living in informal settlements / slums; 70 million annual inflow of new urban residents;
- Expansion of urban areas is proceeding twice as fast as urban population growth;
- Climate-related poverty further triggers negative loops and disproportionately affects poorer communities, including urban poor;
- Cities in most cases cannot autonomously mobilize financial resources for climate-resilient infrastructure or facilitate low-carbon transition;
- Investment at the local level is crucial for building adaptive capacities and climate resilience;
- Adaptation pathways require local knowledge and expertise and are always context specific.

Territorial (spatial), land use and urban planning, if properly calibrated and assisted by accurate climate information, is the best tool available for providing participative instruments for informed decision making at the local and municipal level, reducing vulnerability.
There is a significant adaptation finance gap - and it is likely to increase

Adaptation costs:
- 12-22 times higher than current int. public finance by 2050
- 6-10 times higher than half the US$100 bn commitment by 2030
- 3-6 times higher than half the US$100 bn commitment by 2050

Adaptation costs: 2-3 times higher than current int. public finance now
Diagnostics (1): Focus Areas in NDCs with Adaptation Components

The vast majority of NDCs discussed the need for capacity building, governance, knowledge management, or project preparation and planning. 126 of the 133 NDCs with explicit adaptation components included discussion of one or more of these areas (as categorized in the typology). This is consistent with findings in the literature that addressing non-bio-physical drivers of vulnerability is essential.

Source: WRI internal report to GCF
Diagnostics (2): Supporting Activities Discussed in NDCs with Adaptation Components

- Adapting to climate change requires governments, businesses and individuals to systematically identify and integrate / **mainstream climate-related risks into their decision making.**

- This, in turn, requires considerable investments in information, research, and education that help to **build capacity of different actors and enables effective knowledge management.**

- Literature suggests that **coupling adaptive improvements in infrastructure with efforts to improve governance** (e.g. development of new regulatory frameworks), community welfare, and development **increase community resilience.**

- Participatory processes in project preparation and planning are also key, as some of the main constraints to adaptation include **lack of coordination and conflicting objectives** among different actors.

Sources: WRI internal report to GCF, IPCC AR5 (Chapter 14)
Diagnostics (3) – urgent need for urban resilience financing recalibration at global scale

### National Governments

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### Local Governments

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### Central transfers / Ad hoc revenue sources

- Divestment pressures
- Decentralization pressures
- Limited public finance sources
- Infrastructure Service Provision
- Resilience and DRR responsibilities
- Conflicting objectives

#### Varying degree of Local Government’s Financing Autonomy

### TOP-DOWN approaches

- ODA financial sources
- UNFCCC financial mechanisms
- World Bank PPCR
- National financing mechanisms

### Bottom-up approaches

- Subnational financing
- Local / community financing
- Output Funding / Results Based Management approach and considerations;
- Capital markets

### Opportunities Threats

#### Governance

- Institutional capacities
- Limits to local fiscal capacity / appetites
- Convening power
- Efficiencies
- Political concentration
- FM Capacities

#### Fiscal space: land and properties

- Accountability
- Efficiencies
- FM / Institutional Capacities

#### FM Capacities

- Varying degree of Local Government’s Financing Autonomy

#### INEFFECTIVE RESILIENCE FINANCING DELIVERY CONDUITS
Possible barriers....also offer a way to move forward

• Influence: Which stakeholders and bureaucrats have most influence over...
  • shape and structure of urban economy;
  • vertical integration in planning – linking national and local authorities;
  • domestic public adaptation expenditure and finance frameworks: from grants to low cost debt perhaps;
  • urban form and infrastructure;
  • urban-peri-urban-rural connectivity;
  • affordability constraints;
  • Institutional feasibility;
  • first-mover risks;
  • public acceptance of behavioral change and perceived risks;
  • low technology penetration rates, etc?

• Transitions
  • Green infrastructure and nature-based solutions;
  • Wide availability of tools and processes to support adaptation planning;
  • Reduced heat islands effects;
  • Community-based adaptation solutions;
  • Appropriate building codes and standards (adaptation activities to meet 1-in-20 return interval for flooding and extreme weather conditions);
  • Resilient integrated infrastructure approach;
  • Resilient construction materials and processes...
Possible solutions....forward thinking urban resilience approach to finance

• **Demand**
  - Capacity for structuring hybrid / catalyzing financing solutions – knowledge transfer and policy support are a must;
  - Project development vehicles;
  - Greening of existing public finance flows;
  - Private participation in financing;
  - Legal and regulatory framework, including arbitration mechanism;
  - Enhancing creditworthiness, boosting utilities credit rating and municipal revenue autonomy, fiscal and administrative capacities;
  - On a long run, strengthen domestic capital markets

• **Supply**
  - Facilitative financing mechanisms (municipal development funds);
  - Incentive structures (risk mitigation and credit enhancement);
  - Specialized financial instruments and mechanisms (pooled finance, insurance, revolving funds, municipal bonds, guarantees, viability gap subsidies and funding, etc.)
  - Public money as a ‘seed’ source (guarantees, insurance, incentives, knowledge and policy support, preparatory technical assistance, etc.) to attract and mobilize private finance with staying power through de-risking structures and transformative interventions;

**IMPORTANCE OF PROPER SEQUENCING OFTEN UNDERSTATE**