

Financing Sustainable Urban Development

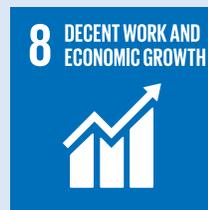
USAID'S ROLE IN BRIDGING THE GAP

THE WORLD IS RAPIDLY URBANIZING



By 2030, urban areas will house an additional 1.4 billion people. Most of this growth will happen in developing countries.

The future we seek includes safe, resilient cities which harbor opportunity for all, with access to basic services, energy, food, housing, education, and more. Urban services will be essential to achieving the Sustainable Development Goals, including:



THE BIGGEST CHALLENGE

A KEY CONSTRAINT IN ALMOST ALL DEVELOPING COUNTRIES IS INSUFFICIENT FINANCIAL RESOURCES

To meet our goals, much of the needed investments in electricity, schools, transportation, telecommunications, housing, water, and sanitation infrastructure will have to take place in cities. Most countries are not investing enough to meet these needs. The United Nations estimates that Latin America, Asia, and Africa will need to invest an additional:



Bridging this massive financing gap is essential to achieving our core development objectives and meeting the aspirations of the Sustainable Development Goals, the Addis Ababa Action Agenda, the Paris Agreement, and New Urban Agenda.

USAID provides technical assistance and services to help cities and towns access and mobilize greater financial resources—both private capital and domestic resources—to support service delivery across a range of sectors.

PRIVATE CAPITAL MARKETS

ISSUE

In developing countries, many municipal governments have difficulty accessing private capital markets affordably because of their perceived high risk of defaults.



SERVICES

USAID provides a range of services and tools to help cities access and use private capital. Some examples include:



DEVELOPMENT CREDIT

USAID's Development Credit Authority (DCA) provides loan guarantees to banks, investors, and other lenders to reduce the risk in lending to underserved markets. DCA has mobilized \$522 million in financing for urban infrastructure since 1999.



PRIVATE CAPITAL

USAID's Private Capital and Microenterprise Office is helping improve risk mitigation for financing urban infrastructure and piloting cross-boundary partnerships to finance energy projects across Africa.



WASH-FIN

USAID is launching a program that will invest \$40 million in technical assistance to track and mobilize public and private investment to improve urban water sanitation service delivery in up to 8 countries.



C40 CITIES FINANCE FACILITY

USAID is helping seed a fund that aims to mobilize \$1 billion in public and private finance to help cities finance infrastructure projects that reduce greenhouse gas emissions and increase resilience to the impacts of climate change.

DOMESTIC RESOURCE MOBILIZATION

ISSUE

Overseas public and private investments—including funding by USAID and other donors—fill only a fraction of the funding gaps faced by cities and towns in developing nations. By helping urban areas better mobilize their own resources, we can empower them to address their own development challenges.



SERVICES

USAID provides assistance to local governments to improve domestic resource mobilization by building local capacity to carry out tax and customs policy and administration reforms. Every \$1 spent on these more efficient collection systems helps cities mobilize \$20 in local revenue

E3/URBAN'S ROLE

To help cities understand their financing options and use them effectively, USAID's central Urban Office (E3/Urban) works with partners—including USAID's Private Capital and Microenterprise, Development Credit Authority, and Economic Policy Offices—to facilitate the process of assessing and recommending the best options for improving access to finance based on a country's fiscal system, access to capital markets, local capacity, and available tools for leveraging third-party financing.

Contact USAID's Urban team at urban@usaid.gov, visit www.urban-links.org, or follow us at @USAIDUrban.

