



SDSN GLOBAL COMMISSION FOR
URBAN SDG FINANCE



THE WORLD BANK



Fourth International Conference on Financing for Development (FfD4) **Financing Our Urban Future: Scaling Up Investment In and Through Cities**

Side Event

Organizer: UN-Habitat

Co-Organizers: World Bank, SDSN Global Commission on Urban SDG Finance

Co-Sponsors: Egypt, Germany, Spain (additional sponsors to be confirmed)

Date and time: Thursday, 3 July 2025, 12:30 -14:00

Location: Side Event Room 24

Concept Note

Background

The Fourth International Conference on Financing for Development (FfD4) underscores the urgent need to rethink how we finance sustainable urban development. Cities are not only engines of economic growth—they are where global development challenges and solutions converge. More than two-thirds of the world's population will live in urban areas by 2050, with much of this growth concentrated in rapidly expanding cities across Africa and Asia. Yet, despite their critical role in economic prosperity, cities face massive financing gaps in infrastructure, housing, and service delivery.

While urbanization presents a unique opportunity to accelerate economic and social progress, financing remains fragmented and insufficient. The global urban infrastructure financing gap is measured in trillions of dollars, with local governments struggling to mobilize the resources they need. Without urgent and transformative action to bridge this gap, cities risk becoming bottlenecks for sustainable development rather than drivers of progress.

Building on the FfD4 preparations as well as discussions at other international forums, including the Hamburg Sustainability Conference and COP29, this side event's focus is on implementation. How can international financial institutions (IFIs), public development banks, national governments, local and regional governments (LRGs), and private sector actors act on the policy commitments set out in the FfD4 Outcome Document to scale up financing for urban investments? What specific actions can be taken to improve financial flows to cities, enhance local government capacity, and ensure that finance is structured so that resources land where they are most needed? This event will facilitate a results-oriented conversation on mobilizing finance to translate urban development goals into measurable, on-the-ground impacts.

The Challenge: Mobilizing Investment for Cities

Despite contributing the majority of global GDP and driving job creation, cities remain underfunded. The World Bank's forthcoming report to be launched at Hamburg Sustainability Conference estimates the cost of resilient and low-carbon investments in low- and middle-income country (L&MIC) cities to be USD 256 to 821 billion annually - amounting to 0.8 to 2.6 percent of the combined GDP with further operation and maintenance costs of USD 525 billion to 548 billion annually. Infrastructure investment

has failed to keep pace with rapid urbanization, contributing to a growing global housing crisis and leaving millions in informal settlements and underdeveloped neighbourhoods without access to clean water, sanitation, energy, and transport. More than one billion people currently live in slums, a number expected to rise unless investments in sustainable urbanization are scaled up rapidly.

At the same time, cities are on the frontlines of climate change, economic inequality, and social transformation. Local governments, which are closest to the challenges of urbanization, often lack the fiscal autonomy, creditworthiness, and capacity to mobilize resources at the scale needed.

Underinvestment in urban areas threatens to undermine global commitments, including the **SDGs, the Paris Agreement, and the New Urban Agenda**. Without a fundamental shift in development finance, cities risk becoming bottlenecks for sustainable development rather than drivers of progress.

From Policy to Action: Transforming Urban Investment

Addressing the urban finance gap requires a multi-stakeholder approach and a stronger subnational focus in development finance, to ensure that resources are not just mobilized, but effectively deployed to support city-led solutions. This includes:

- **Expanding IFI Engagement in Urban Finance:** IFIs can play a critical role in financing urban investments, de-risking investments, supporting project preparation, and providing technical assistance to cities to enhance their capacity.
- **Aligning National Institutions with Local Needs for Urban Investment:** National governments must align investments with urban priorities, empower local governments to mobilize revenue through local taxes and fees as well as mechanisms such as land value capture and land-based finance. They must also structure government transfers and financial flows to reach the local level efficiently.
- **Strengthening the Conditions for Private Sector Investment:** The conditions for private capital to sustainably finance urban development should be improved, including conditions for commercial borrowing (including bond issuance and bank loans) by municipalities and other subnational entities (e.g., utilities); commercial borrowing by local development banks to on-lend to municipalities and other subnational entities; and public-private partnerships (PPPs).

Concessional instruments may be needed for private finance to reach underserved populations. By structuring investments to ensure capital “lands” where it is most needed—such as in affordable housing, resilient infrastructure, and basic services—development partners can align financial tools with the scale and magnitude of urban development needs. Instruments like concessional financing, loan guarantees and portfolio investments, informed by urban plans, can direct investments to underserved areas and help create a more robust and responsive urban finance system.

This event will explore how these actors can collaborate to achieve results for financing sustainable cities. It will highlight best practices in urban finance, showcase innovative investment models, and set measurable outcomes to track progress beyond the FfD4 process.

Objectives and Outcomes

Objectives of the Event

This event will bring together key stakeholders—including high-level representatives from IFIs, national and local governments, and private sector leaders—to explore concrete solutions for scaling up finance for urban investment. It will:

- Call for a more coordinated global approach to financing urban development, ensuring that more international financial flows are directed to urban investments.

- Showcase successful models for financing cities and building local government capacity, including land-based finance, municipal finance reforms, and catalytic urban infrastructure investments.
- Identify opportunities for scaling IFI support for cities, including ways to unlock new financial instruments, such as guarantee funds to de-risk urban investments and scaling up technical assistance mechanisms to develop the capacity of subnational governments.
- Strategize actions beyond FfD4, ensuring that urban finance remains a priority for global development financing frameworks, including mechanisms to track and measure progress.

Expected Outcomes

This side event aims to help shift the urban finance agenda from discussion to action. By convening key actors from international finance, government, and the private sector, it seeks to reinforce the importance of translating FfD4 commitments into real, measurable change for cities worldwide.

- Identification of key priorities and practical recommendations for improving financial flows to cities, with insights on next steps for implementation.
- Strengthened dialogue and coordination between IFIs, governments, and the private sector to explore concrete opportunities for mobilizing urban investment.
- Greater alignment on advancing urban financing results, including consideration of monitoring mechanisms beyond FfD4.