The Capital Advisory Platform

Bridging the gap between sustainable urban development projects and investors

The challenge we are setting out to tackle

Over the next two decades, significant amounts of capital will be needed to finance urban infrastructure development, with an annual investment requirement of over $3.2 trillion globally. This increasing need is driven by the twin pressures of rapid urbanisation and climate change that are transforming cities the world over, particularly in lower income countries in Asia and Africa. More private capital will be required to complement public funding In order to meet the Sustainable Development Goals (SDGs), including the goal to build more sustainable, resilient, inclusive and safe cities.

While there is a clear need from local governments and municipalities for capital to finance their urban development plans, private investors are lamenting a lack of "bankable" or “investable” projects. This gap is in part because financiers and urban planners speak different languages. As a result, the sustainable urban development needs of national and local governments are prepared and packaged in a way that makes it difficult for potential investors to evaluate how, where, when and how much to invest.

This in turn creates a framework in which investors are able to cherry pick the prime investment opportunities taking only a few ideas from concept through to feasibility and then onto development. Public resources are thinly spread across the balance of competing opportunities, such that, ultimately, most plans do not reach feasibility. Local governments and municipalities simply do not have the financial or human capital to conduct full professional feasibility studies for concepts in their pipeline.

These unfinanced concepts are typically those with a significant public good component or that require complex financial structuring and blended financing approaches to de-risk. They include potential projects in urban regeneration; slum upgrading; water & sanitation; green cities; post conflict & disaster recovery; and affordable housing.

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The Capital Advisory Platform (CAP) is a proposed partnership between the United Nations Human Settlements Programme (UN Habitat) and the Global Development Incubator that aims to mobilise significant private capital towards sustainable urban development through translating the urban planning needs of governments into a pipeline of investable projects for private asset allocators.

GDI Global Development Incubator

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Who is part of the Capital Advisory Platform?

At the core of CAP is a 5 - 7 person Taskforce of finance experts who will bring a complementary skill set to UN Habitat and its core team of professionals in delivering technical assistance to national and sub-national governments around the world. The Taskforce will engage with municipalities early in the planning phases to ensure concepts of economic viability and investment readiness are integrated into the formulation of urban development plans, ultimately increasing the pipeline of investable projects.

To inform its work and ensure strong alignment with the market, the Taskforce will be supported by an Advisory Committee comprising of private developers, current actors in urban development and asset allocators including representatives from leading Development Finance Institutions, sovereign funds, pension funds and global commercial banks.

How will the Capital Advisory Platform work?

The Capital Advisory Platform will have four pillars of work:

1. **Capital mobilisation**: identifying and accessing potential sources of capital for different stages of infrastructure development. This includes a particular focus on building a Feasibility Fund designed to finance the upfront cost required to pay for the professional and comprehensive feasibility studies that are essential to get concepts over the critical hurdle to investment readiness.

2. **Fostering innovation**: while several players have once off examples of successfully blending finance for urban infrastructure projects, or applying innovative approaches, this information is not widely known and there has been no aggregation or analysis that can enable scale and replication.

3. **Capacity building for municipalities and local governments**: the platform will support municipalities to introduce the concepts of bankability and economic viability early in the planning process, and then work with the teams to apply these principles continuously. This will lead to a greater number of scoped projects that are investable.

4. **Developing and disseminating industry best practice:** CAP will build the body of knowledge on best practice in sustainable urban infrastructure development through curating industry insights, case studies, and toolkits from industry leaders in sectors including housing finance, transportation, water and sanitation, green public spaces.

Next steps

It is anticipated that the Capital Advisory Platform will launch in beta phase in mid 2019. In its first year of operation, the platform will focus on: building a pipeline of projects in three initial sectors, identifying and recruiting the taskforce members, and curating sector insights and best practice case studies from industry.

The seed capital required to launch CAP is USD 700,000 and we are actively fundraising. To get engaged and learn more about CAP, contact wadzi.katsidzira@globaldevincubator.org

Read sector perspectives from our existing partners at https://new.unhabitat.org