

UN HABITAT
FOR A BETTER URBAN FUTURE
United Nations Human Settlements Programme

Programme des Nations Unies pour les établissements humains • Programa de las Naciones Unidas para los Asentamientos Humanos

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UN-HABITAT
ECOSOC Urbanisation, Wealth Creation and Finance

Despite the importance of municipal finance in establishing appropriate tax mechanisms and allocating those financial resources towards projects and programs that support urban wealth creation, many cities, especially in developing countries, lack the resources needed to build and sustain local finance that will support productive sector capacity.

In the context of the Sustainable Development Goals (SDGs), the United Nations Human Settlements Program (UN-Habitat) continues to work with municipal authorities in the design and implementation of effective financing tools that will further support local governments fulfill the SDGs in besides other global agendas including the Addis Ababa Action Agenda on financing for development and the Paris Agreement.

UN-Habitat focuses on three major areas for improving municipal revenue: (1) Land value finance and assets management and registration, (2) urban infrastructure and design, and (3) financial management.

First, land is the major source of endogenous revenues and wealth. By improving property rights via land registration through a central system, it is possible to achieve an efficient collection of property taxes and design land value sharing schemes.

Secondly, improving the productive capacity of cities requires adequate urban infrastructure and design. Cities that sustain growth and thrive have adequate urban infrastructure (for example transportation, electricity, telecommunications, etc.) and are designed to maximize the use of space while also bringing the urban community together.

The **third** area of focus is financial management. Municipal financial management covers several areas including accounting rules, auditing practices, capital investment plans, sustainable ratios, and rules for revenue and expenditures. Many UN-Habitat projects that emphasize accounting principles, training in capital investment planning, and electronic financial management systems in Africa and Asia have been effective in improving municipal financial resources and capital funds for infrastructure development that supports and sustains urban wealth creation.

In addition to these priority areas, additional financing instruments should be considered by local governments looking for different approaches to financing local development projects. Some tools to consider include: national municipal corporations, local infrastructure funds, and municipal bonds. Regardless of the mechanism used, it will be important for municipal authorities to simultaneously consider both the financing options available to them and the ways in which they can improve municipal revenues via programing and urban design. Improving municipal financial resources through outside sources such as bonds and prioritizing urban design that supports wealth generation must be considered in tandem.

Urbanization plays a central role in wealth creation. In order to capture the full economic potential of cities, local urban authorities need to enhance their financial resources by focusing on public and private land asset registration, urban infrastructure and design, and financial management. This is the role the role of UN-HABITAT.