

Making the case for G20 action on urbanization

The author:



Nicolas J.A. Buchoud

President of the Grand Paris Alliance
Global Solutions Fellow

The co-authors:

Raja Almarzoqi, Hazem Galal, Aawatif Hayar, Nella Sri Hendryietty, Jean-Bernard Kovarik, Katharina Lima de Miranda, Fiki Satari and Naoyuki Yoshino.

The institution:



The Grand Paris Alliance for Metropolitan Development (Cercle Grand Paris de l'Investissement Durable) is an awarded and independent think tank established in 2011. It focuses on infrastructure finance, innovation and inclusion, and the territorialization of the SDGs through cooperation with public and private, scientific, civic and multilateral organizations across the globe. contact@cerclegrandparis.org

WHY CITIES MATTER FOR THE G20

The G20 was shaped out of the 2008 global financial crisis, which took place only a couple of years after the world officially turned more “urban” than “rural”.¹ The latest compliance of the G20 Working Group shows that while there is no designated G20 urban priority yet, the topic arises from all major commitments of G20 member countries, calling for a G20 focus on the issue.²

Urbanization, together with digitalization, are underlying transformative forces of the global economy, trade and commerce, lifestyles and consumption, and the environment. While cities have been acknowledged as drivers of growth and innovation since the turn of the millennium, they face and echo rising concerns such as natural resource limitations, inequalities and vulnerabilities, a new localism opposing globalization and citizens' anxiety witnessing global warming.³ Meanwhile, as cities have been calling for more institutional recognition on the global stage for years, they still play a secondary role in shaping geopolitics.⁴

The G20 represents 90% of the world economy, which is questioned by rising tariffs and uncertainties. As cities account for more than 80% of the world GDP, the

role of interconnected and interdependent cities and urban regions across the world is central, especially for infrastructure investments.⁵

Reflecting on long-term values associated with cities as places for exchange, the role of cities and metros in meeting climate targets, directing fiscal investments, generating jobs and maximizing infrastructure investments, spillover effects, mitigating social imbalances and managing migration will continue to gain importance by 2030 and beyond.

The governance choices made in the coming months and years will have a direct impact on long-term global growth and sustainability. Urbanization can become a driving force for a sustainable future and the achievement of the SDGs, for stability and peace. We argue here that sustainable (and smart) urbanization should be on the list of G20 cross-cutting priorities to ensure that urbanization is not decoupled from global and local poverty alleviation and eco-systemic preservation.⁶

Urbanization will be a critical factor in the growth story of the coming decades and there is momentum for the G20 Saudi Arabia to build on the immediate outcomes of the G20 troika of Germany, Argentina and Japan and help lay the ground for another three-year cycle. With urbanization added to an accelerating G20 agenda on infrastructure, climate, and development, the legacy of the Saudi Presidency ahead of the G20 in Italy in 2021 and India in 2022 should build on two pillars:

- Capitalize: Creating the conditions for the issue of smart and sustainable urbanization to strengthen the case for G20 impact
- Capitalize: Taking concrete steps to drive the process.

SUSTAINABLE AND SMART URBANIZATION CAN MITIGATE RISING SYSTEMIC RISKS

Since the first meeting of the G20 heads of government in 2008, the Group of 20 has expanded its reach beyond debt and financial and fiscal stability to “establish economic fundamentals for realizing sustainable and inclusive growth of the global economy.”⁷

In the short and long term, sustainable and smart urbanization will be key to supporting the global economy, remembering that the 2008 subprime crisis did not only originate in the United States (US), but in US cities. It was an issue of bad loans, but also a problem of oversupply of housing disconnected from job markets and any urban logic, embedded in an ailing global banking system. In other words, a problem of urbanization going the wrong way was one factor behind a global financial crisis.

As the world counts more than 30 megacities and more than 4,000 cities of 100,000 inhabitants or more⁸, systemic risks are greater than ever before. There is plenty of capital available on global financial markets at low interest rates, as a direct consequence of governments' response to the 2008 financial crisis. However, investment gaps are widening in the absence of global norms, standards and global governance addressing urban issues.

- The world is facing a USD 15 trillion infrastructure gap by 2040 with India, Indonesia, Mexico, Brazil and South Africa confronted with the largest gaps between spending and estimated infrastructure needs;⁹
- The global investments required in the energy sector alone to meet the

1.5°-Celsius limit of the Paris Agreement account for more than USD 830 billion a year¹⁰;

- Multilateral development banks (MDBs) currently provide around USD 50 billion per year in financing for sustainable infrastructure or just 1.5 percent of the prospective needs of emerging markets and developing countries (EMDCs). Private capital flows from G20 countries into sustainable infrastructure is also very small, just 0.5 percent of the total global need.¹¹

The urban population will continue to grow by 2050 and even beyond by 2100, especially in developing countries in Asia and Africa, while urban areas already account for two-thirds of the world's energy consumption.¹² Local issues have become global issues. Investments in and with cities are a critical factor to meet global investments needs and to reach the targets of the 2030 Agenda effectively:

- Cities are critical to broaden and cascade the consensus reached among global institutions;
- Cities are the meeting place between local needs and global politics;
- Cities are critical nodes in the global system and can foster innovation with public support quickly;
- Cities exemplify the interlinkage between the major challenges of our times and can play a key role in addressing systemic environmental issues such as biodiversity.

Solutions will come from both the Global South and emerging countries, not just from the developed countries. The United Nations has redoubled its response to urbanization, through the "New Urban Agenda" launched during the Habitat III 2016 summit and by engaging by engag-

ing in a system-wide approach across UN bodies and agencies in 2019.¹³ Yet, as the United Nations faces chronic funding gap issues, its action must be supplemented at the level of the G20. The G20 is the largest plurilateral global policymaking initiative and it has the leverage to foster effective triangular cooperation by connecting ministerial and government working groups such as the G20 Development Working Group, and engagement groups such as the think tanks (T20) and the emerging group related to urbanization (U20).

»Urbanization, together with digitalization, are underlying transformative forces.«

MANAGING THE CUMULATIVE IMPACTS OF INFRASTRUCTURE AND URBANIZATION

At the G20 Hangzhou Summit in 2016, the leaders expressed their determination to foster an "innovative, invigorated, interconnected and inclusive world economy" and the Chinese Presidency placed the 2030 Agenda high on the G20 agenda in order to realize "strong, sustainable, balanced and inclusive growth".¹⁴

In 2017, the G20 German Presidency elaborated on "Shaping an interconnected world" and it endorsed the creation of

the Global Solutions Initiative as a cross-sectoral, global, problem-solving platform. In 2018, the G20 Argentina placed sustainable development at the forefront of the G20, and it endorsed the High Level Principles on Sustainable Habitat through Regional Planning. The T20 Argentina also made the case for combining climate action with infrastructure for development.

As an outcome of the G20 Japan, the Osaka Update on the 2030 Agenda for Sustainable Development, and especially the table of Collective and Concrete Actions Contributing to the Implementation of the 2030 Agenda, highlight concrete ways to move toward more effective solutions globally and locally.¹⁵

In the future, the creation of a G20 commission for regional and local level authorities should be explored, as a means to reinforce triangular cooperation for achieving the 2030 Agenda as defined by the G20 Development Working Group (WG) and as a mechanism to support the outreach of the G20 Action Plan on the 2030 Agenda for Sustainable Development. A joint G20 agenda connecting urbanization with infrastructure issues could be the first step.

G20 leaders began to emphasize infrastructure as a key pillar of economic growth about a decade ago.¹⁶ The G20 Finance Ministers acknowledged at their June 2019 meeting the impacts of the aging of the world population on public finance, as over 2 billion people will be over 60 by 2050.

The rise of public expenditures for pensions, health and social care systems will constrain spending on infrastructure development and management by 2030 and beyond, as the OECD already pointed out

over a decade ago. And yet, we are at the dawn of a global infrastructure tsunami, which needs to be financed.¹⁷

With a total return on investments from infrastructure and other built assets of more than USD 30 trillion annually for G20 countries¹⁸, infrastructure is key to financing and supporting long-term development. Our future depends on how infrastructure, coupled with urbanization (and not infrastructure alone), will be managed. This includes

- Urban decarbonization
- A better management of spillover revenues
- Resilient and nature-oriented urban infrastructure
- Building on the Fourth Industrial Revolution (4IR) technologies can contribute to maximizing the impact of infrastructure on development

Infrastructure investment is complex, connecting long-term and large upfront investments, spillover effects and social, economic and territorial externalities, decision-making processes and policy-induced risks. A common G20 priority is to foster infrastructure development that enhances change and sustainability. While remarkable breakthroughs occurred in renewables, digitalization, materials, mobility, etc. in the last decade, implementing the paradigm shift toward sustainability requires a broader systemic vision and additional leadership to align policies:

- The 1.5° Celsius 2018 IPCC report has only opened the door to urbanization combined with infrastructure development as key factors.¹⁹
- The 2019 UN IPBES biodiversity and ecosystem report on the way – the 15th-meeting of the UN Conference of the Par-

ties to the Convention on Biological Diversity (COP15) to be hosted by the People's Republic of China in 2020 devoted a minor segment to cities, urbanization and infrastructure development.

- As G20 leaders began to emphasize infrastructure as a key pillar of economic growth in 2009-2010, expertise on infrastructure is now dispersed among many different G20 declarations, high-level principles, working groups, initiatives, hubs, high-level panels, engagement groups etc.

It is time for change.

»Sustainable and smart urbanization will be key to supporting the global economy.«

FOUR PROPOSALS TO CONNECT THE RE-COUPPLING OF URBANIZATION WITH GLOBAL POLICYMAKING IN THE G20

We propose to connect the dots through a fourfold action plan, making the case for smart and sustainable urbanization as a matter of interest for the G20:

- Establishing G20 High Level Principles on Sustainable and Smart Urbanization, building on a review of the High Level Principles on Habitat and Regional Planning and of the G20 Action Plan on the 2030 Agenda

for Sustainable Development. These new High Level Principles would interconnect infrastructure investments and global environmental agendas, realign smart cities and the global real estate industry along a sustainable development narrative and open the way for a combined knowledge-based and creative economy to support economic and societal transformation;

- Fostering an MDBs Urbanization Action Initiative²⁰, which would help reinforce the role of inclusive finance tools and responsible investment funds in supporting local urban communities and in increasing the significance of urban and human ecology. It could extend its reach to other banking institutions, such as the development banks gathered in IDFC – International Development Finance Club;

- Setting up a G20 High Level Panel on Sustainable and Smart Urbanization. This panel would be the supporting tool for triangular cooperation within and beyond G20 membership, in order to make it easier for emerging economies and less-developed countries to benefit from the proposed High Level Principles and the MDBs Urbanization Action Initiative. It would act as a bridge between global talks (the COPs, the UN summits etc.), cities arenas (the Urban Forum and other cities advocacy groups), MDBs and industry ;

- Mobilizing the expertise of T20 engagement groups and building on the Global Solutions Initiative and connected undertakings, such as the Infrastructure Solutions Lab, to nurture a three-year joint infrastructure and urbanization agenda, which could be complemented by inputs from the U20.

Making the case for G20 action on urbanization is designed to enrich the cities

focus of the upcoming 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) in the fall of 2020, the United Nations International Year of Creative Economy for Sustainable Development in 2021, and the

preparation of the 30th anniversary of the 1992 Rio Earth Summit. Three decades after the collapse of the Berlin Wall, it might be the right time to review the global environmental governance of an urbanized planet.

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- ² <http://www.g20.utoronto.ca/compliance/2018buenosaires-final/index.html>
- ³ KATZ, Bruce and NOWAK, Jeremy. The New Localism: How Cities Can Thrive in the Age of Populism? Brookings Institution Press, 2017, 304 p. TREYER, Sébastien ; GUILLAUMONT, Patrick. Inégalités et vulnérabilités : vers une convergence des politiques de développement conduites par les membres du G7 ? Note réalisée dans le cadre du T7. IFRI, Août 2019.
- ⁴ Urban 20 Tokyo Mayors Summit Communiqué on Climate Change, Social Inclusion and Sustainable Economic Growth. May 2019.
- ⁵ Peirce et al. (2008), OECD (2015).
- ⁶ SANDERSON, Eric W, WALSTON, Joseph and ROBINSON, John G. From Bottleneck to Breakthrough: Urbanization and the Future of Biodiversity Conservation.
- ⁷ <https://g20.org/en/summit/theme/>
- ⁸ UNDESA (2018). The 2018 Revision of the World Urbanization Prospects. Available from <https://population.un.org/wup/Publications/>
- ⁹ World Economic Forum (2019, April 11). The world is facing a \$15 trillion infrastructure gap by 2040. Here's how to bridge it [Blog post]. Retrieved from <https://www.weforum.org/agenda/2019/04/infrastructure-gap-heres-how-to-solve-it/>
- ¹⁰ Banque de France, 2019. Rapport d'investissement responsable de la Banque de France 2018.
- ¹¹ Bhattacharya, A. et al. (2019).
- ¹² SANDERSON, Eric W, WALSTON, Joseph and ROBINSON, John G. From Bottleneck to Breakthrough: Urbanization and the Future of Biodiversity Conservation. BioScience, Volume 68, Issue 6, June 2018, Pages 412–426, <https://doi.org/10.1093/biosci/biy039>
- ¹³ 1st Universal Assembly of UN Habitat, Nairobi, May 2019. Resolutions.
- ¹⁴ https://www.g20.org/pdf/documents/en/annex_11.pdf
- ¹⁵ https://www.g20.org/pdf/documents/en/annex_11.pdf
- ¹⁶ Since then, infrastructure has been the topic of working groups, panels, and many initiatives at G20 Heads of states and ministerial level, G20 engagement groups etc.
- ¹⁷ 25 million km of new paved roads should be built globally by 2050, with 2,5 billion more urban dwellers by then – the equivalent of the total world population in 1950.
- ¹⁸ Arcadis (2016). 2016 Global Infrastructure Investment Index. Available from <https://www.arcadis.com/en/global/market-sectors/cities/>
- ¹⁹ IPCC Special report. Global warming of 1.5 °C. October 2018. <https://www.ipcc.ch/sr15/>
- ²⁰ The High level panel on infrastructure and MDBs infrastructure action plan were originally introduced within G20 in 2011 [see section Previous G20 outcomes connected to the priority]. They could serve as a model, or even host this discussion.
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