Towards the development of an alternative resource mobilization and financing strategy for SDG 11

Policy brief

Executive summary

African cities must come up with new strategies and modalities for resource mobilisation towards the financing and attainment of Sustainable Development Goal (SDG) 11. SDG 11 is aimed at “sustainable cities and communities”. Africa, with specific reference to Zimbabwean cities have carried the cost of macro-economic challenges manifesting through lack of central government transfers, de-industrialisation, under investment in infrastructure and utilities, increasing population, power supply challenges, lack of credit facilities from international financial institutions and credit worthlessness among other challenges. These factors combined with other challenges of corruption, central-local government clashes, political polarisation and poor revenue bases continue to inhibit and restrict many Zimbabwean cities to achieve Sustainable Development Goal 11. Against this backdrop, this policy brief explores the prospects of alternative resource mobilisation towards the attainment of SDG 11. To this end, the policy brief unpacks some of the alternative resource mobilisation strategies and argues that SDG 11 financing gap is indicative of a strategy dearth.

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Introduction

The main purpose of this policy brief is to explore the taxonomies of alternative resource mobilisation strategies that can be aimed at financing SDG 11 and policy interventions that enhance alternative resource mobilisation. The policy brief further provides recommendations targeted at strengthening the attainment of SDG 11. The appreciation that alternative resource mobilisation is a modality that can propel the achievement of having sustainable cities and communities continues to gather momentum. The biggest challenge in as far as having "sustainable cities and communities" in many African cities has been financing gaps.

In recent years, governments, cities, international development assistance agencies such as the World Bank and Africa Development Bank, donors, academics, civic society organisation and development partners have been concerned with finding alternative methods of mobilising additional resources and strengthening existing strategies. However, it has become more apparent that traditional sources of resource mobilisation are not enough as evidence from both developed countries and developing countries have shown. In an environment of such realities, further inquiry through research and consultation continues to try and find out new and underutilised methods to cover the resource gaps.

Cities in Zimbabwe, for example, have not fared very well in finding methods to mobilise additional resources to undertake their responsibilities. The national policy framework anchored on the Transitional Stabilisation Programme has put most cities between a hard place and a rock as austerity introduced have limited hope on central government transfers. A thin line of hope has been the Constitutional requirement (Section 301 subsection 3) mandating the government to allocate not less than five percent to local governments. On this, the World Bank and the Government of Zimbabwe (2017:4) lament that "the Government has not yet fully defined this transfer system, including the criteria used for revenue sharing and the types of revenues for the pool for shared revenues". In this context, adopting and embracing alternative resource mobilisation and financing is an issue that needs to be explored.

SDG 11: A Conceptual orientation

The Sustainable Development Solutions Network (2016:8) states that:

> *'The Sustainable Development Goals (SDGs) are a universal set of goals, targets and indicators that UN member states have committed to use to frame both domestic and international development policies over the next 15 years. They build upon the progress of the Millennium Development Goals (MDGs), which were agreed by governments in 2001 and expired in 2015. While the MDGs focused on reducing extreme poverty in all its forms, the SDGs pursue a broader agenda that encompasses the social, environmental and economic aspects of sustainable development, which is relevant for all countries worldwide'.*

SDG 11 is aimed at "sustainable cities and communities" and calls for "making cities and human settlement inclusive, safe, resilient and sustainable". According to the High-Level Political Forum on Sustainable Development 2018 Review (2018:1), "the pledge of SDG 11 provides an unparalleled opportunity for the attainment of collective and inclusive progress, and for the achievement of sustainable development in the world".

"SDGs come into effect in a world that is increasingly urban" (Sustainable Development Solutions Network, 2016:11) and for African cities the need to finance can never be overemphasized. This is important because, as The Regional Forum

on Sustainable Development for the UNECE Region 2018 Concept Note underscores that:

> *'Progress in financing the transition to more sustainable cities and communities is also linked to ensuring healthy lives and promoting well-being (SDG 3), improving water management and protect water-related ecosystems (SDG 6), improving energy efficiency in buildings (SDG 7), promoting sustainable economic growth as well as full and productive employment and decent work for all (SDG 8), building resilient infrastructure and promoting sustainable industrialization (SDG 9), facilitating the transition to low-carbon society through emissions reduction and promoting developments in renewable energy (SDG 13), strengthening sustainable management of natural resources (SDG 15), and strengthening the means of implementation and revitalizing the global partnership for sustainable development (SDG 17).'*

Conceptualising alternative resource mobilisation and financing

Chen (2016) conceptualizes alternative financing as an umbrella concept that supplements traditional funding sources and financing methods, and embraces any strategy involving new funding sources, new financing mechanisms, and new financial arrangements in the provision of public goods. These three strategies are contextualised and conceptualized using Chen (2016) and Chen Bartle (2017) lines of towing as shown below:

a. *New funding sources* are any new measures that generate additional revenue resources.
b. *New financing mechanisms* represent new methods for borrowing money in flexible and/or potentially cost-effective ways to pay for local projects such as on infrastructure.
c. *New financial arrangements* involve new partners (the private sector, the non-profit sector, or the general public) to participate in public goods financing and project delivery.

These three strategies can be further broken down as espoused in Table 1 below.

Table 1: Taxonomies of alternative resource mobilisation and financing strategies for SDG11

New Funding Sources	New taxes	Local Option Sales Taxes
		Local Option Fuel Taxes
		Local Option Income and Payroll Taxes
		Local Option Vehicle Tax
	Value capture	Impact Fees
		Special Assessment Districts
		Tax Increment Financing
		Joint Development
New Financing Mechanisms	New Credit Assistance Tools (Loan, Loan Guarantee, Lines of Credit)	Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans
		Environmental State Revolving Funds: Clean Water State Revolving Funds Drinking Water State Revolving Funds
		Transportation State Revolving Funds: State Infrastructure Banks
	Alternative Bonds and Debt Financing Tools	Grant Anticipation Revenue Vehicle Bonds (GARVEEs)
		State Bond Banks
		Green Bonds
		Social Impact Bonds
New Financing Arrangements	Public-Private Partnerships	Design-Build
		Design-Build-Operate-Maintain
		Design-Build-Finance-Operate-Maintain
		Concession
	Privatisation	Lease
	Investment funds	Pension Funds
		Sovereign Wealth Funds
		Private Companies (Insurance and Investment Banks)
	Private and Non-profit Philanthropic Partners	Donations
		Grants
		Program Investment
	Crowdfunding	Donation based
		Lending based
		Equity based
		Reward based

Source: Chen and Bartle (2017:14).

The lingering imperative for embracing alternative resource mobilisation and financing for SDG 11

Chen and Bartle (2016:7) argue that local governments face significant challenges to the funding and provision of local infrastructure and service in the future. Similarly, the Regional Forum on Sustainable Development for the UNECE Region 2018 Concept Note notes that "given the multiple challenges cities and human settlements face, there is a growing gap between available and needed financial resources". This can also be observed in most African cities where spending has not kept pace with the investment demands of population growth and urbanization. On that note, the Addis Ababa Action Agenda recognises that significant additional domestic public resources will be critical to realizing sustainable development and achieving SDGs. Harnessing additional resources may call for innovative financial mechanisms. With regards to innovative financial mechanisms, the 2017 Global Financial Development Report shows a shift in focus towards alternative sources of financing. This is further emphasized by the UN (2018) which states that the overall financing for the SDGs requires a complex mosaic of all sources of financing in a structured and interactive manner.

Thus, addressing cities' multiple problems and revamping urban infrastructure require sustainable financing models that support housing and urban development policies (Regional Forum on Sustainable Development for the UNECE Region 2018). For city authorities and local leaders aiming to improve the quality of life in their jurisdictions exploring new and sustainable methods of resource mobilisation and financing is central to having inclusive and equitable urban development. According to Lucci *et al.* (2016:1), SDG 11 provides a tremendous opportunity for cities to build robust partnerships and gain additional resources for advancing sustainable urban development.

For mayors and local leaders that are working to improve the quality of life in urban environments, SDG 11 provides a roadmap for more balanced and equitable urban development. All cities aim to increase prosperity, promote social inclusion, and enhance resilience and environmental sustainability. In this way, the contextualisation and localisation of SDG 11 financing must capture and dominate

large parts of the political agenda almost in every African city. When aligned with existing planning frameworks and development priorities, this can strengthen development outcomes and provide additional resources for local governments.

Financing SDG 11 in Zimbabwean Cities - The road to 2030: Progress, challenges and prospects

Zimbabwe is a signatory of the SDGs in their holistic manner inclusive of SDG 11. Various strides have been made in addressing SDG 11. Financing SDG 11 in Zimbabwe is a shared responsibility between the national government and local governments. On a policy level, SDGs are incorporated in the Zimbabwe Agenda for Sustainable Social Economic Transformation (ZIMASSET) and its successor the Transitional Stabilisation Programme (TSP). The TSP had what it termed “quick wins” projects relating to housing and transport financing through increasing the budget on current expenditure.

On a macro-level, the Government of Zimbabwe through partnerships with United Nations agencies such as UNDP and UNICEF, international development agencies such as USAID, UKAID, philanthropic organisations such as Higher Life Foundation, Bill and Melinda Gates Foundation, and civic society organisations have seen multifaceted strategies that are linked to achieving SDG 11 and associating SDGs. At national level strategies have been inter-ministerial and multi-agency. Thus, enthusiasm on SDG11 is more echoed at the macro level than at local government level. Programmes have cascaded to the local-level as nationally financed programmes where different cities and towns in Zimbabwe are involved in implementing blueprints.

This policy brief notes that financing of SDG11 has remained to be mostly through traditional financing methods such as taxes, donor funding and user pay. There has been limited endorsement of alternative resource mobilisation strategies in Zimbabwean cities. The few notable endorsements are on new financial arrangements such as PPPs, Private and philanthropic organisations activities, privatisation and to some extent crowdfunding. Crowdfunding has been observed on

countable occasions especially during the cholera response in Harare and in the response to Cyclone Idai in Chimanimani.

Also, several Zimbabwean cities revealed limited traction on the embracement of new financing mechanisms and new funding sources. In terms of new funding sources, the government has introduced a new tax called a “two percent transaction tax” charged on every electronic transaction above Z$20. No new forms of taxes and value capture strategies could be observed in most cities and towns in Zimbabwe. Cities have relied mostly on private players in the development and provision of housing and related infrastructure.

Financing of SDG 11 in Zimbabwean cities is proving to be a governance, development, policy, planning and political issue. The situation on the ground confirms Koch and Krellenberg’s (2018:3) observation that within the SDGs, indicators have a special importance, which is related to the underlying governance approach. On a different note, the financing of SDG 11 was found to be a planning issue in that, for example, before city authorities zero in the financing, the dilemma is that, “the establishment of new park areas in a city might improve the overall share of urban green spaces, but may also simultaneously lead to gentrification and displacement” (Haase *et al*., 2017).

In political polarised cities of Zimbabwe, the introduction of a new tax is undoubtedly a highly contested political manoeuvre. It is also policy issue that usually have to be set out in the national policy frameworks. Nevertheless, it was noted that when SDG 11 financing is aligned with existing planning frameworks and development priorities, not only will this strengthen development outcomes but this will as well provide additional resources for Zimbabwean local governments. In this way, the contextualisation and localisation of SDG 11 financing can capture and dominate large parts of the political agenda in nearly every Zimbabwean city.

Despite amplified rhetoric on the need for the development of platforms for the government, private sector and philanthropic organisations, civil society and other partners to be systematically integrated in the financing of SDGs in Zimbabwean cities and towns, evidence on the ground point to lack of coherent strategies. For

example, the old government is alleged to have opposed the construction of low cost housing in the high density suburb of Mbare by the Bill and Melinda Gates Foundation for pet political grandstanding. The relationship between government and civic society has also been dominated by lack of trust and suspiciousness. The situation might have relatively changed with the new government. Private sector involvement has been more explicit in small mining towns such as Shurugwi, Zvishavane and Mhondoro-Ngezi where big platinum conglomerates have been responsible for providing housing, transportation and related infrastructural developments. There seem to be an absence of strategies in most Zimbabwean cities that appreciate that private sector's engagement in the SDGs must go well beyond corporate social responsibility or small donations in communities, and that it makes sound business and investment sense to be an active participant promoting the implementation of SDG 11 (Thomas, 2018).

The study also observed that data on financing SDG 11 specifically, in all Zimbabwean cities, is difficult to come across because there is no localisation of the SDG indicators. In fact, cities' financing is rarely aligned or influenced by SDG 11. This phenomenon is also captured by Koch and Krellenberg (2018:5) who argue that applying SDG indicators in the cities of the developing world is challenging because of limited data availability.

The success of embracing alternative resource mobilisation to finance SDG 11 calls for the revisiting of existing laws and regulations in Zimbabwe to align them with the provisions of the 2013 Constitution. Given the increasing urbanisation rates being faced and those envisaged, the challenges of linking sustainable urbanisation in Zimbabwe to innovative financing are questions most Zimbabwean cities are not prepared to face. The most apparent challenge for many cities in Zimbabwe, since no clear strategies are observable on how to juxtapose national SDG 11 to the local levels and most importantly, is how to finance SDG 11 in an environment of limited fiscal possibilities. This situation is exacerbated by the back there has been little or no uptake in many cities in Zimbabwe of new financing mechanisms such as new credit assistance tools, alternative bonds and debt financing tools.

Policy recommendations

African government and cities should structurally and systematically move more to network forms of governance particularly those that speak to co-production. This should be enunciated in its local governance policies. Co-production policies will make it easy for cities to adopt new financial arrangements such as crowdfunding, public-private-civic society partnerships, empower citizens, give room for philanthropic organisations, corporate social responsibilities and increased attractiveness to investment funds.

Devolution: This will allow different cities and towns to be empowered to undertake new funding sources such as new taxes and value capture strategies. In Zimbabwe, towns such as Victoria Falls and Beitbridge should be allowed to mobilise resources through, for example, local option sales taxes. On the same note, devolution will empower cities such as the City of Harare to mobilise additional resources through value capture tools by designating Special Assessment Districts or imposing development impact fees to emerging and booming settlements such as Harare South. Old residential areas such as Mbare in Harare and Makokoba in Bulawayo are suitable for regeneration and renewal, hence, the potential for tax incremental financing is massive.

African governments, for instance the Zimbabwean government, should work on improving the macro-economic environment so as to attract the adoptability of new funding sources such new credit financing tools and debt financing tools and alternative bonds. Most of these rely on a stable economy which poses less risk and unpredictability.

There is need for contextualisation and conceptualisation of SDG 11 in particular and SDGs in general at local level. Indicators and targets should be devolved to city level to allow aggregation of data relating to SDG 11. This will eventually influence resource mobilisation and financing strategies especially through the incorporation of alternative methods.

Conclusion

The road to 2030 requires African cities to continue exploring for alternative resource mobilisation and financing strategies. The existing gaps between the existing demands and the financing tools available provide room for new strategies and strengthening of existing resource mobilisation methods. National governments and cities should also shift from depending on traditional strategies of financing towards alternative resource mobilisation in order to meet SDG11.

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