Harnessing Public-Private Cooperation to Deliver the New Urban Agenda

Executive Summary

In collaboration with PricewaterhouseCoopers
Cities are evolving faster than ever, putting them on the cusp of major transformation which, if managed well, could either lead to unprecedented economic growth and prosperity for all or drive them to social decline, economic collapse and environmental damage. Urbanization, the fundamental driver for this evolution, is rapid, posing major challenges to cities in advanced and emerging economies, with the greatest impact being on the latter. Cities are faced with numerous, and often elusive, challenges, such as a demand-and-supply gap in basic urban infrastructure and services, increasing social polarization, crime, climate change, pollution, traffic congestion, informal dwellings, unemployment, poor governance and lack of trust in government, unplanned development, budgetary restriction and administrative limits.

Regardless of the impact of these challenges, cities are expected to provide a better standard of living, increase community cohesion, wellness and happiness while progressing towards sustainable development. Cities must develop urban strategies that are people-centric and provide platform where they can “thrive” rather than just “survive”. It is important that fundamental principles such as equality, integrity, trust, inclusion, affordability, accessibility, social cohesion, a sense of belonging and resilience are further strengthened while promoting innovation and entrepreneurship to build long-term economic progress and social and environmental sustainability.

Sustainable urban development agreements are launched regularly to guide cities in addressing the challenges and opportunities and the mega trends requiring transformation. It is evident that agreements such as Habitat I & II, the Millennium Development Goals, Rio+20, COP and the Hyogo Framework for Action have led to some transformation. However, as per the UN-Habitat World Cities Report 2016, implementation and monitoring have been uneven across regions and holistic development could not be achieved.
2. New Urban Agenda

In recognition of the new challenges facing cities and the need to reinvigorate the global commitment to sustainable urbanization, the United Nations General Assembly has decided to convene Habitat III, the third in the series of United Nations Conferences on Housing and Sustainable Urban Development, to take place in Quito, Ecuador, in October 2016. Member states of the General Assembly have decided that the conference objectives should be to:

– Secure renewed political commitment for sustainable urban development
– Assess the 1996 Habitat Agenda (Habitat II) accomplishments to date

The conference will result in a concise, focused, forward-looking and action-oriented document, the New Urban Agenda, that will set a new global strategy on urbanization for the next two decades. The New Urban Agenda embodies three key guiding principles:

<table>
<thead>
<tr>
<th>Leave no one behind, ensure urban equity and eradicate poverty</th>
<th>Achieve sustainable and inclusive urban prosperity and opportunities for all</th>
<th>Foster ecological and resilient cities and human settlements</th>
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<tbody>
<tr>
<td>Providing equitable access for all to physical and social infrastructure</td>
<td>Enhancing agglomeration benefits of urbanization and avoiding land speculation</td>
<td>Driving sustainable patterns of consumption and production</td>
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<td>– Adequate housing and shelter at the centre of the agenda</td>
<td>– Fair and equitable employment creation, productivity, competitiveness, diversification</td>
<td>– Protecting and valuing ecosystems and biodiversity</td>
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<td>– Public spaces as an enabler of the city’s socio-economic function</td>
<td>– Innovation through a sustainable economic development</td>
<td>– Adapting to and mitigating the impact of climate change while increasing urban systems’ resilience to physical, economic and social shocks and stresses</td>
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<td>– Recognizing and leveraging culture, diversity and safety in cities</td>
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<td>– Strengthening participation and enhancing liveability and quality of life</td>
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Source: Agreed draft of the New Urban Agenda

The key components of the New Urban Agenda that will provide strategic direction for transformation success are:

– **Urban Rules and Regulations**: The outcomes in terms of quality of urban settlement depend on the set of rules and regulations that are framed and made effective; strengthening urban legislation, providing predictability and directive to the urban development plans to enable social and economic progression

– **Urban Planning and Design**: Strengthening urban and territorial planning to best utilize the spatial dimension of the urban form and deliver the urban advantage

– **Municipal Finance**: Establishing effective financing frameworks, enabling strengthened municipal finance and local fiscal systems to create, sustain and share the value generated by sustainable urban development
To respond to the challenges of urbanization and implement urban development and housing solutions over the next 20 years, the New Urban Agenda must recognize the role of the private sector in the delivery of urban infrastructure and services. It is no longer merely the province of national, regional and city governments to deliver urban infrastructure and services. Working in isolation and with a “business as usual” approach is no longer viable. The private-sector contribution is increasingly required for all aspects of the urban value chain, including policy-making, planning, design, implementation, operation and maintenance, and monitoring, as well as the financing of urban service delivery.

According to a Global Survey on Urban Services by the World Economic Forum’s, Shaping the Future of Urban Development & Services Initiative, the respondents suggested greater private-sector participation in the urban value chain due to better preparedness of the private sector to drive urban transformation (See Figure 1).

The involvement of the private sector has been pivotal for the success of many urban service delivery projects, not only in advanced but also in emerging economies. The public-private partnerships that enable the development and management of infrastructure and the provision of public services are the strategic way to meet the growing infrastructure needs of the urbanized world.

Private-sector cooperation offers multiple benefits in the implementation of transformation strategies by helping the public sector overcome municipal budget deficits, maintaining a pipeline of much needed projects, providing additional investment in the form of private-sector capital and accelerating economic development. The private sector brings innovative approaches in spatial planning and human-centred urban design while ensuring greater efficiency, better cost and time commitments and budgetary certainty in the implementation and management of long-term urban service delivery projects leading to improved outcomes of the city-planning process. In order to better guarantee sustainable outcomes from public-private cooperation, it is imperative to adopt a multistakeholder approach that also engages civil society, academia and community at all stages of the urban value chain.

Figure 1: Participation across Urban Value Chain

Public-private cooperation is required to build sustainable urban transformation agendas. This involves dialogue and cooperation between multistakeholders including business, government and civil society. The public and private sectors must create a structured process to engage relevant stakeholders either through informal consultation or formal agreements to drive cities towards social, environmental and economic sustainability while enhancing urban equity, quality of life, social services, resiliency, trust, integrity, innovation, cohesion and inclusiveness. Another dimension that needs dedicated focus is addressing the challenges of affordability in housing and urban services. As per the World Cities Report 2016, housing accounts for 70% of land use in most cities and, by 2025, additional affordable housing will be required to accommodate 1.5 billion people. To meet this demand, public-private cooperation must address the cost of construction and retrofit by unlocking the land potential, leveraging technologies, leading approaches and emerging business models.

4.1 Public-Sector Action

- **Engaging the private sector early in the planning and design process**
  Urban infrastructure and service delivery will be more effective and improve outcomes if they include private sector perspective during the planning and design stage. Private sector experience and critical knowledge of the potential economic scenarios and risks involved will help the public sector to understand key concerns and elicit suggestions for improvement.

- **Adopting a life-cycle approach**
  Adopting a life-cycle approach that takes into consideration the reinvestments, total costs and expected returns throughout the life of an asset, from acquisition to disposal, provides clearer visibility on the required capital investments and operational expenses. It also gives a better understanding of when and how to engage the private sector during the life cycle.

- **Building on circular and sharing economy concepts**
  Resource constraints driven by rising global consumption and underutilization of assets is threatening economic and environmental stability. The concept of the circular and the sharing economy offers new models for growth by decoupling consumption from resource constraints and optimizing the utilization of assets. While the circular economy focuses on the end life and the restorative value of asset in mind, the sharing economy focuses on doing more with less while utilizing the idle value of the asset. The circular and sharing economy concepts complement each other and carry the potential of spurring massive innovation, creating new marketplaces and redefining the asset utilization and disposal.

- **Articulating clear policies for public-private cooperation**
  Clear polices need to be established that form synergetic connections between the urbanization trends, overall growth vision for the nation and the relevant stakeholders involved in making it happen. The biggest motivation for the private sector is the transparency and trust the public sector demonstrates in terms of its strategic ambition, engagement rationale, transformation approach, responsibilities of key stakeholders, implementation, management, monitoring, evaluation and effective and fair dispute-resolution mechanisms.

- **Demonstrating a strong, stable and visible political commitment**
  Urban infrastructure and service delivery projects can span several political administrations. Given the significant and long-term commitments involved, attracting private-sector interest requires a high degree of certainty that projects will go ahead and receive political support. Many infrastructure contracts often have a long tenure and, given political cycles, investors desire general stability in the legal and regulatory frameworks and in the way decisions are reached under the governance mechanism. While the sector-specific regulations may change during the contract’s tenure, investors need reassurance that such changes will be predictable and that flexibility will be built into the contract to address them. Infrastructure laws and regulations should be transparent and based on broad societal support to ensure predictable outcomes of regulatory decisions, even in unstable, long-term economic and political conditions.

- **Developing the appropriate legal and regulatory framework**
  Legal impediments and uncertainties regarding the public-private partnership model affect both the public and the private sectors. The focus must be on establishing legal framework and regulations that are characterized by simplicity, integrity, accountability and certainty, while providing guidance, predictability, security and enforcement during the implementation of transformation strategies. Moreover, developing a mechanism to involve relevant stakeholders across urban domains in the regulation formulation process will help the move towards a practical design of legal and regulatory frameworks.
Empowering city leadership
Given the population growth trends and the expansion of city boundaries, it is best to decentralize urban development responsibilities and devolve resources to cities consistently applying the Subsidiarity Principle. In doing so, the emphasis should be on disseminating responsibilities among various levels of government – national, regional and city – with clear roles and responsibilities. Giving city leadership more revenue-raising powers, financial responsibilities, complete ownership of city administrative boundaries and spending flexibility with clear accountability will further enhance the contributions of cities to the national economy.

Strengthening institutional frameworks
The public sector has to assess gaps and strengthen the institutional framework to meet the scale, scope and complexity of urban infrastructure and service delivery while achieving anticipated outcome, quality levels and best value for money.

Using transparent and flexible procurement frameworks
Some public-sector organizations have very regimented procurement practices, requiring a one-size fits-all approach. Although this approach helps to keep contract administration simple, if the public sector stipulates that only one procurement methodology can be used, not only are opportunities for innovation removed but also costs tend to be higher.

Establishing a reliable dispute-resolution mechanism
Public-private cooperation can result in dispute due to long-term contractual relationships and varied interests. An effective arbitration and judicial system that can hear and resolve disputes on a timely basis is obligatory, while ensuring impartiality from government and having adequate resources and training. The system must be predictable, clear, well-reasoned and, most importantly, capable of being implemented and enforced. The World Economic Forum report, Mitigation of Political & Regulatory Risk in Infrastructure Projects, recommends settling disputes using a set of options that includes mediators, non-binding expert panels, binding expert panels, national regulators and international jurisdiction or arbitration.

Building institutional capacity
Urban infrastructure and services delivered through public-private cooperation either through informal or formal engagement are complex undertakings and require a wide range of skills at each phase of the urban service delivery life cycle: assessment, detailed preparation, procurement and implementation. Investments must be made in skilled teams, and innovative ways to develop capacities, such as establishing a centre of excellence to serve as a platform for knowledge-sharing, collaboration and research on topical issues, can help to deliver urban services that demonstrate clear value for the public budget and the public good.

4.2 Private-Sector Action

- Adopting a proactive approach
Cities bring people and markets together in a single dense space leading to economies of scale and an increase in economic activities that equally benefit the public and the private sector. The private sector must come forth and complement the efforts of the public sector in developing innovative solutions that can enhance the opportunity presented by cities, while simultaneously addressing its immediate and long-term priorities. The private sector must establish dialogues with the public sector and support urban infrastructure and services pipeline development with a compelling business case based on prior experiences.

- Approaching urban service delivery projects with a realistic view
While the public partner is establishing clear-cut goals and projects, the private partner must evaluate project attractiveness, opportunity and feasibility. The key points to be evaluated are: requirement and urgency of the project; project complexity; revenue source throughout the project life cycle; and similar project implementation for reference and learning.

- Engaging with local communities for long-term support
Engaging with the community early in the planning phase increases mutual confidence between communities, business and local government and improves the urban service delivery design towards sustainable human-centric solutions. Transparent and truthful communication about the project’s impact, interdependencies and payoffs, whether positive or negative, and the outcomes build community trust and buy-in and provide necessary endurance to the project.

- Building public-private cooperation that withstands testing times
Partnerships between governments and business with the support of civil society and community endure when there is trust in each partner’s commitment to the project and its objectives. Given the complex public-private cooperation process and structure, timely constructive dialogues must be facilitated to share points of view and build trust. Moreover, trustworthy cooperation can limit certain aspects of unforeseen volatile market dynamics on a project’s finances.

- Extending partnerships beyond the obvious
A project can benefit from extending partnerships beyond conventional expertise and the obvious list of partners. For example, conducting research and education in collaboration with academic institutions, funding by NGOs/Foundations, leveraging social media to survey and test policies with local communities.
4.3 Integrated Action

- **Building mutual trust and integrity**
  Trust is the main determinant of how citizens and the private sector react to the mission and initiatives of the public sector. Building trust between the public and private sectors as well as demonstrating ethical behaviour are paramount for success. Unethical behaviour is not only unacceptable in a partnership but also presents a substantial risk to both the public and private sectors alike. Governmental entities must adhere to the highest standards of ethics and transparency and avoid conflicts of interest. The private sector must establish internal procedures to guard against unethical practices and have policies and procedures for taking legal action against any violations. When engaging with a third party, rules must be in place to perform due diligence. The World Economic Forum report on Building Foundations for Transparency suggests that the public sector and the private sector should take steps, together with the community, to ensure a transparent and trusted environment is in place.

- **Embracing civil society**
  Civil society adds significant value to public-private cooperation, whether as an official partner, through informal collaborations or through “spillover” effects. Civil society actors demonstrate their value as facilitators, educators, conveners and innovators as well as service providers and advocates. By involving civil society as an implementation partner, interventions are more likely to be effective, while ensuring that outcomes are socially and environmentally responsible.

- **Leveraging technology**
  Disruptive technologies present a significant opportunity to better shape urban development by building actionable intelligence on data originating within the city. The World Economic Forum report on A Breakthrough in Mindset and Technology suggests that technology enables inclusion, collaboration, digital integration of the various city sectors to deliver seamless services to citizens while giving the private sector opportunities to design and deliver services that enhance economies of scale, achieve sustainable outcomes and are based on innovative business models. Digital technologies may realize their full potential only if they are widely adopted across all aspects of the urban value chain as depicted in Figure 1 and are provided with a fertile environment that encourages prototyping and experimentation.

- **Promoting Urban Innovations**
  The changes in urban dynamics, combined with rising citizen expectations, have intense implications on urban services delivery and structure. The World Economic Forum report on Top Ten Urban Innovations recommends that public-private cooperation has to invest in developing innovative solutions that are scalable, replicable and people-centred, whether involving simple solutions or high tech, with a broad range of transformational power to change the way cities and its inhabitants interact.

5. Conclusion

Public-private cooperation will enable the delivery of sustainable and affordable urban development and housing and drive economic growth. It is important that the New Urban Agenda takes into account the value created by the private sector and provides an enabling and trusted environment to motivate the private sector to commit to long-term partnerships and investment.

The recommended actions appear simple to adopt but are substantially challenging to implement. Every nation is different, with varying requirements, scenarios, political structures, government capabilities and readiness. Not all the identified actions can be addressed simultaneously or applied equally and it is advisable to focus attention on prioritizing according to a nation’s unique context and values. Complementing the prioritization, nations must initiate test runs to check the feasibility of recommended actions to validate response, while gaining experience to better shape outcomes and further scaling up. Prioritizing the recommendations that are most relevant and feasible, governments can do much to attract private-sector investment and build confidence, setting the foundations for long-term successful public-private cooperation for sustainable urban development.

The Steering and Advisory Boards of the World Economic Forum’s Shaping the Future of Urban Development and Services initiative trusts that the guidance offered in this Executive Summary is supportive both to governments and the private sector when implementing the New Urban Agenda and will enable the delivery of sustainable urban development and housing in cities over the next 20 years.
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