

SEIZING THE URBAN OPPORTUNITY

**HOW NATIONAL GOVERNMENTS CAN RECOVER
FROM COVID-19, TACKLE THE CLIMATE CRISIS AND
SECURE SHARED PROSPERITY THROUGH CITIES**

EXECUTIVE SUMMARY

About this report

This report, a collaborative effort by more than 36 organisations across five continents brought together by the Coalition for Urban Transitions, is being launched in March 2021 as a call to action ahead of COP26 in Glasgow. Our aim is to provide insights from six emerging economies demonstrating how fostering zero-carbon, resilient and inclusive cities can advance national economic priorities for shared prosperity for all.

The Coalition for Urban Transitions is a global initiative to support national governments in transforming cities to accelerate economic development and tackle dangerous climate change. Collectively, the contributors hope this report will provide the evidence and confidence that national governments need to submit more ambitious Nationally Determined Contributions in 2021 and to propel inclusive, zero-carbon cities to the heart of their COVID-19 economic recovery and development strategies.

Disclaimer

The analysis, arguments and conclusions presented here are a synthesis of the diverse views of the authors, contributors and reviewers and is an 18-month research effort building on the Coalition's 2019 *Climate Emergency, Urban Opportunity* report. The Coalition takes responsibility for selecting the areas of research. It guarantees its authors and researchers freedom of inquiry, while soliciting and responding to the guidance of advisory panels and expert reviewers. Coalition partners, some as organisations and others as individuals, endorse the general thrust of the arguments, findings and recommendations made in this report, but the text does not necessarily reflect the personal views or official policies of any of the contributors or their members.

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The Coalition partners listed endorse the general thrust of the arguments, findings and recommendations made in this report.*

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Executive summary

National governments face a triple challenge right now: ensuring a successful recovery from the devastation of COVID-19, pushing forward their longer-term vision for development, and addressing the enormous threats posed by climate change. The pandemic has pushed millions of people into extreme poverty, deepened existing inequalities, and highlighted the urgency of building resilience to a wide range of shocks, especially the growing impacts of climate change.

Cities, as economic engines and population hubs, are at the centre of that triple challenge. Urban areas produce 80% of global GDP, and as of 2020, were home to about 56% of humankind. But cities have also been particularly hard-hit by the pandemic, which will almost certainly change them in lasting ways. Still, we expect cities to remain central to countries' economic vitality and sustainable development. It is thus crucial that national recovery strategies and long-term visions post-COVID put cities front and centre. Cities can't bounce back, much less realise their full potential as engines of sustainable, inclusive growth, without national leadership and support. As outlined in *Climate Emergency, Urban Opportunity*, only national governments can mobilise resources at the scale needed, and they control or drive key policy realms – from energy, to transport, to social programmes.

Recognising that developing and emerging economies face particularly complex challenges, exacerbated by the pandemic, the Coalition is focusing on six key countries in the lead-up to COP26 in Glasgow: China, India, Indonesia, Brazil, Mexico and South Africa. Together, they produce about a third of global GDP and 41% of CO₂ emissions from fossil fuel use. They are also home to 42% of the world's urban population. The extent to which these six major emerging economies can unleash the power of cities to catalyse sustainable, inclusive and resilient growth is therefore critical not only for their future trajectory, but for the whole planet.



**POST-COVID
RECOVERY**

**TRIPLE
CHALLENGE
FOR NATIONAL
GOVERNMENTS**



**LONG-TERM
DEVELOPMENT**



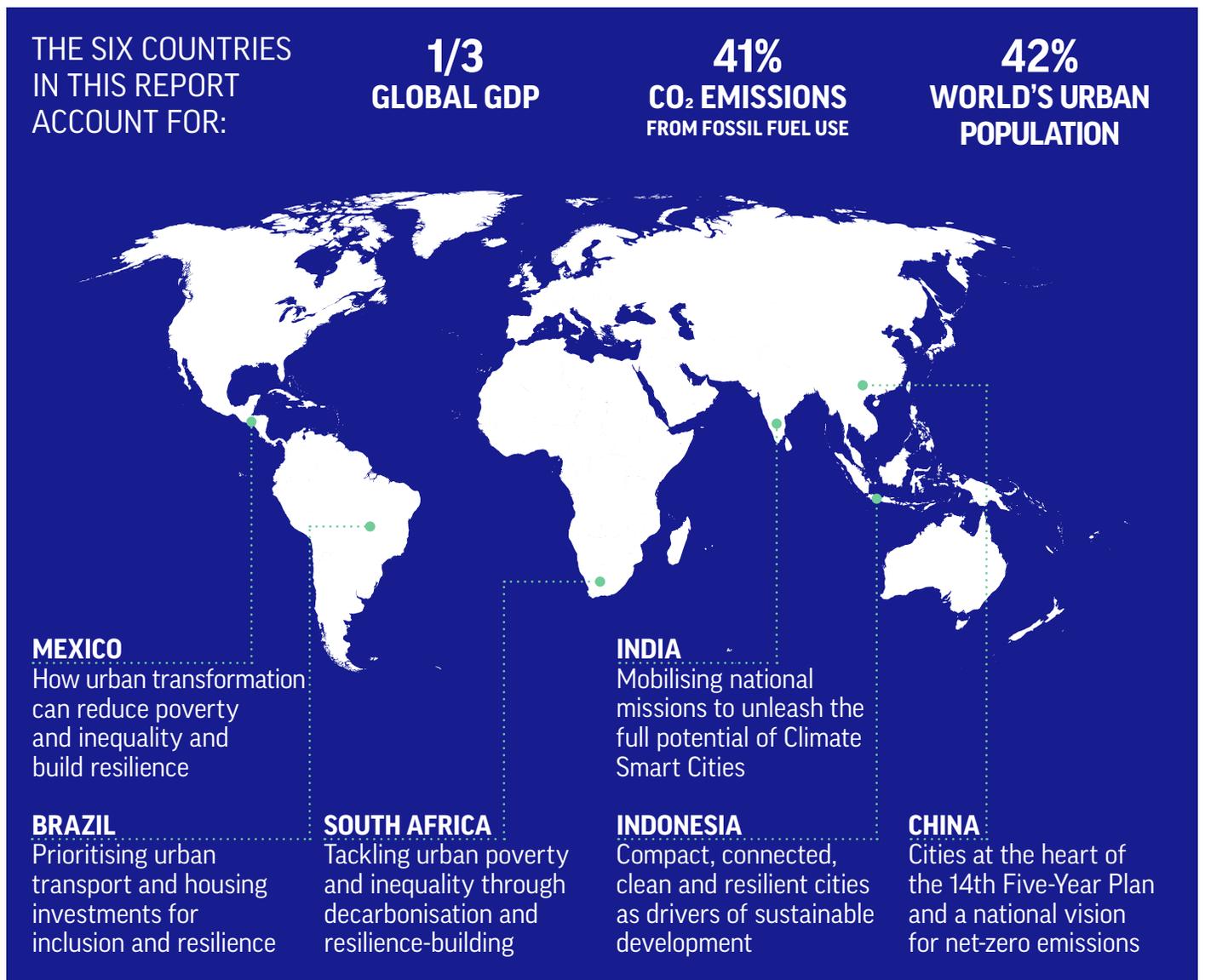
**CLIMATE
CHANGE**

CITIES PRODUCE 80%
OF GLOBAL GDP
ARE HOME TO AN
ESTIMATED 56%
OF HUMANKIND

Powering the recovery and long-term sustainable growth through cities

Climate Emergency, Urban Opportunity showed that a bundle of technically feasible low-carbon measures could cut emissions from urban buildings, transport, materials use and waste by almost 90% by 2050; support 87 million jobs in 2030 and 45 million jobs in 2050, and generate a return of at least US\$23.9 trillion by 2050.

Compact, connected, clean and resilient cities also have broader economic, social and environmental benefits – and with deliberate attention to equity and inclusion, can help lift people out of poverty and improve living conditions for all. This means that investing in urban decarbonisation and resilience-building can significantly contribute both to meeting national commitments under the Paris Agreement, and to achieving the Sustainable Development Goals. With climate hazards escalating rapidly, urban climate action is more urgent than ever.



The economic devastation of COVID-19 has mobilised historic levels of public spending in many countries – but national governments have not yet seized key opportunities in cities. Local leaders continue to raise their ambition, from embracing the concept of “15-minute cities” where people can get almost anything they need within a 15-minute walk or bike ride, to joining the Cities Race to Zero, pledging to reach net-zero carbon emissions by mid-century or sooner.

Aiming to inform and inspire national leaders in the lead-up to COP26, this report aims to answer three questions:

1. How can national governments in these six key economies leverage cities to build shared prosperity while decarbonising and building resilience?
2. How can they make the most of the potential for compact, connected, clean and inclusive cities to drive the COVID-19 recovery?
3. How can insights from these six countries inform efforts by other national governments, development partners and financial institutions to support a shift towards low-carbon, inclusive and resilient cities?

Three themes emerge clearly from our analysis:

1. A low-carbon urban transformation is within reach, with broad benefits. National governments can significantly accelerate decarbonisation by investing in compact, connected, clean and inclusive cities – and reap substantial economic, social and environmental benefits.

2. Building resilience to climate change is as urgent as decarbonisation. In all six countries, climate risks are immediate and severe, especially for the urban poor. But there are also many opportunities to build resilience: from addressing climate risks in all infrastructure investments, to making urban systems and services more robust to climate hazards, to addressing socio-economic drivers of vulnerability and empowering poor and marginalised people.

3. There are many ways to foster low-carbon, resilient and inclusive cities. National governments have a wide range of options to choose from, including low-cost and immediate opportunities, and there are many synergies between decarbonisation, resilience-building, COVID recovery efforts and development programmes.

Those themes play out in different ways across the six countries, though with many commonalities.

China

China's economic success story is built on cities, which are home to three-fifths of the population and produce 90% of GDP. But Chinese cities also struggle with congestion, air pollution and sprawl, and some are already experiencing severe climate change impacts – from deadly floods, to extreme heat. China has taken major steps to reduce air, water and land pollution and to build resilience through programmes such as “Sponge Cities”. Recommended actions include putting sustainable cities at the heart of the implementation of the 14th Five-Year Plan annual investment plan and China's updated Nationally Determined Contributions (NDCs); prioritising energy-efficient buildings; supporting small and mid-sized cities to become more sustainable and resilient; and incorporating climate objectives in national urban design and regeneration strategies.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	15.2m	48% (1,926 Mt CO ₂ -e)
2050	3.5m	89% (3,372 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$5.5 TRILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$7.7 TRILLION **BASED ON COST SAVINGS ALONE***.

India

India's cities are home to 461 million people and growing fast. By 2030, they are expected to produce 75% of GDP. Yet many have struggled to provide housing, services and jobs for all their residents, especially the poor. Indian cities also face urgent climate threats, including extreme heat, an intensifying water crisis and severe flooding. Key national programmes – most notably the ClimateSmart Cities Assessment Framework – are helping India's cities become more resilient, sustainable and inclusive and offer key entry points for urban transformation. Recommended actions include aligning national infrastructure and urban development policies, programmes and investments with the vision of ClimateSmart Cities, stepping up investments in sustainable transport, and scaling up urban energy efficiency and clean energy initiatives.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	8.2m	53% (640 Mt CO ₂ -e)
2050	3.0m	89% (1,784 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$3.6 TRILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$1.6 TRILLION **BASED ON COST SAVINGS ALONE***.

*These are indicative estimates based on modelling by SEI and Vivid Economics – please refer to Annex 1 and Annex 2 for further details.

Indonesia

Indonesia is urbanising rapidly, with about 55% of its population in cities in 2018, projected to rise to almost three-quarters by 2050. Urban areas generated nearly 60% of Indonesia's GDP between 2010 and 2016. Yet many residents lack basic services such as piped water and modern sanitation, and traffic congestion and air pollution are severe. The government is building millions of homes to try to close a large housing gap. Flood risks due to land subsidence and climate change are a particularly urgent concern. Recommended actions include investing in sustainable urban mobility, scaling up ecosystems restoration in and around cities, accelerating the transition to clean electricity, and leveraging the Smart Cities movement, which already includes 100 cities, to advance sustainability, resilience-building and inclusion.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	2.3m	50% (253 Mt CO ₂ -e)
2050	0.9m	96% (790 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$1.0 TRILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$2.7 TRILLION **BASED ON COST SAVINGS ALONE***.

Brazil

Brazil's cities were home to 87% of the population as of 2018, and the 25 largest urban areas generate 63% of GDP. In the past two decades, however, urban population growth has been greatest in small cities with limited capacity for planning or service delivery. Brazil has been widely recognised for its urban innovation, from pioneering bus rapid transit (BRT), to participatory budgeting and planning. But the urban poor remain concentrated on cities' peripheries, and national housing investments have exacerbated this pattern. Recommended actions include supporting metropolitan governance to foster integrated and sustainable urban development, prioritising low-carbon transport investments, revamping national housing programmes and policies to ensure compact and connected development, and expanding finance for urban decarbonisation and resilience-building projects.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	4.5m	35% (75 Mt CO ₂ -e)
2050	1.3m	88% (238 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$1.7 TRILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$370 BILLION **BASED ON COST SAVINGS ALONE***.

*These are indicative estimates based on modelling by SEI and Vivid Economics – please refer to Annex 1 and Annex 2 for further details.

Mexico

Mexico is highly urbanised, with 80% of its population in cities and nearly 90% of gross value added produced in urban areas. It also has serious challenges with urban sprawl, traffic congestion and air pollution. Building resilience – both by addressing physical and systemic risks, and by tackling poverty and inequality – is an urgent priority. Important reforms are already underway, including a proposed National Strategy of Territorial Planning 2020–2040 and a revamped National Housing Programme. Recommended actions include supporting the creation of metropolitan authorities for integrated land use and transport planning, expanding the supply of affordable and well-situated housing connected to public transport, and prioritising a just transition to zero-carbon cities, with special attention to poor and marginalised people.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	0.5m	34% (98 Mt CO ₂ -e)
2050	0.1m	87% (284 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$960 BILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$210 BILLION **BASED ON COST SAVINGS ALONE***.

South Africa

South Africa's cities are home to 66% of the population and powerful economic engines, but deeply unequal. Some municipalities struggle to keep up with demand for urban housing, sanitation and electrification, and public transport is inadequate. Water scarcity is a growing concern, exacerbated by climate change. Cities figure prominently in South Africa's Long-Term Low Emissions Development Strategy (SA-LEDS), which aims to reach net-zero GHGs by 2050, and an important recent policy reform could enable cities to accelerate the transition to clean electricity. Recommended actions include strengthening municipalities' ability to purchase their own power, putting pro-poor urban measures at the heart SA-LEDS implementation, prioritising improved mobility for lower-income urban residents, and protecting and restoring ecosystems in and around cities.

LOW-CARBON MEASURES IN CITIES COULD SUPPORT THE EQUIVALENT OF:

	NEW JOBS	REDUCTION IN GHG EMISSIONS
2030	0.7m	54% (81 Mt CO ₂ -e)
2050	0.3m	92% (146 Mt CO ₂ -e)

WOULD REQUIRE **CUMULATIVE INVESTMENTS** OF US\$270 BILLION TO 2050 AND **YIELD RETURNS** WITH A NET PRESENT VALUE OF US\$220 BILLION **BASED ON COST SAVINGS ALONE***.

*These are indicative estimates based on modelling by SEI and Vivid Economics – please refer to Annex 1 and Annex 2 for further details.

A global call to action

Our report offers recommendations tailored to each country's specific context. But even as we work with stakeholders in China, India, Indonesia, Brazil, Mexico and South Africa to seize the opportunities we have identified, we urge leaders in other countries, as well as the broader development community, to rise to this historic moment.

Building on *Climate Emergency*, *Urban Opportunity*, we urge **national leaders** to:

- Develop an overarching strategy to deliver shared prosperity while reaching net-zero emissions – and place cities at its heart. China's 14th Five-Year Plan and South Africa's SA-LEDS, for example, offer prime opportunities to do this.
- Develop and implement national policies to support compact, connected, clean and inclusive cities.
- Fund and finance sustainable and resilient urban infrastructure. India, for instance, has pledged to mobilise US\$1.5–2 trillion in public and private finance through a National Infrastructure Pipeline, which could be truly transformative.
- Supporting local climate action in cities through governance and fiscal reforms that empower local governments and facilitate collaboration.
- Proactively plan for a just and resilient urban transition by prioritising measures that build resilience and expand economic opportunities for the urban poor. Cities in Indonesia and Mexico, for example, are pioneering participatory urban planning and budgeting.
- Work in partnership with the private sector to help finance urban transformation and build key capacities.



Urban leaders continue to innovate and raise their ambition. We urge them to:

- Work hand in hand with national governments to urge and support their efforts to prioritise compact, connected, clean and inclusive cities.
- Keep innovating and raising local ambitions – from pilot projects in major cities that can be emulated by communities nationwide, to joining the Cities Race to Zero.
- Strengthen the role of communities in cities, especially poor and marginalised people, in planning and decision-making processes that affect their lives.
- Raise awareness about the need to seize the urban opportunity.



Financial institutions and the **broader development community** also have key roles to play in realising cities' potential to drive sustainable and inclusive growth, build resilience and ensure a successful recovery from the COVID-19 crisis. We urge them to:

- Build a multilateral system that fosters inclusive, resilient, zero-carbon cities by making urban action a priority in climate and development finance, especially in countries that are urbanising rapidly and face significant challenges in meeting city residents' needs.
- Work with national governments to redirect development assistance and concessional finance away from investments that exacerbate climate risks – especially major infrastructure built to last many decades – and towards urban transformation.
- Support low-carbon and resilience-building investments with longer payback times, such as building retrofits and new construction to maximise energy efficiency, and ecosystems restoration to reduce flooding and coastal storm-surge risks.



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