Remarks

by

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at

Side Event

Harnessing the potential of urbanisation in
Least Developed Countries

Quito

Ecuador
Excellencies, Distinguished Delegates, Ladies and Gentlemen,

Let me, at the outset, extend a warm welcome to all to this side event. Let me also thank the panelists and the moderator for joining us for this event. I look forward to hearing about your experiences and views on the issue of urbanisation in LDCs. While the challenges are many, I hope we will also hear stories of success and how LDCs can leverage the transformative process of urbanisation to their advantage. There are currently 48 least developed countries of which two thirds are in Africa.

The relationship between urbanisation, growth and development is complex. Urbanisation is an inevitable process. Unlocking the full potential of urbanisation that works for all in an equitable manner, require investments in resilient infrastructure; commitment to good governance, social equality and effective measures to protect and safeguard the environment. These are key ingredients for generating and benefiting from the agglomeration economics.

Urbanisation is only starting in LDCs. The percentage of urban dwellers is expected to grow from 32 per cent in 2015 to 50 per cent by 2050.\(^1\) At the same time, the population of LDCs is projected to double in size from 954 million inhabitants in 2015 to 1.9 billion in 2050. These two forces combined, will have a significant impact on the growth of urban areas in the next few decades. Thirty of the thirty-five most rapidly growing large cities worldwide are located in LDCs\(^2\) because they started from a lower base. Most of the urban environment that LDCs will need by 2050 is yet to be build over the next 35 years.

The scale of what this entails in terms of investment in urban infrastructure, job creation, housing and public services is immense. Yet, it also provides an opportunity to get things right --- and to build cities which thrive as economic engines, reduce social inequalities and are resilient in the face of disasters and other environmental challenges. We also have to ensure that urban prosperity is linked with peri-urban and rural prosperity.

The New Urban Agenda, to be adopted at this Conference, builds on a number of universal mandates relevant to LDCs which were renewed last year; starting with the Sendai Framework on

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Disaster Risk Reduction, the Addis Ababa Action Agenda, the 2030 Agenda for Sustainable Development and the Paris Agreement adopted at COP 21 in December. It is encouraging to see the challenges and priorities for LDCs are firmly embodied in the development framework for the next 15 years. Collectively, these landmark outcomes should help us to scale-up international support for LDCs and intensify efforts in the second half of implementation of Istanbul Programme of Action for the Least Developed Countries for the decade of 2011 to 2020.

In the comprehensive High-level Midterm Review of the implementation of the Istanbul Programme of Action, held in Antalya in May this year, urbanization was highlighted as one of the major challenges ahead. Informal economy and informal settlements are one of the big issues noted. LDCs need to be empowered to overcome these challenges in an innovative way and continue progress towards sustainable economic growth, poverty reduction and ensuring basic human rights for all.

In LDCs, the urbanisation process underway presents also an opportunity to benefit from greater economies of scale. The unit cost of providing basic services such as transportation, electricity and water and sanitation costs less in urban areas. For example in Uganda, providing piped water costs on average US$ 0.70 to 0.80 cents per cubic meter in urban areas, but it costs US$ 2 in sparsely populated areas. Same is true in all the other LDCs in Africa, Asia or Latin America.

Urbanisation has the potential to be a driver for structural transformation in LDCs. But if it is not well managed, urbanisation will carry many risks, and threaten the progress made thus far. That is why we have SDG 11, which calls for not only an inclusive approach, but also strengthening of multi-stakeholder partnerships to promote inclusive and sustainable urban settlements.

Ultimately, the consequences of urbanisation are critically dependent upon the right policy and investment choices. No amount of efforts by LDCs alone will be sufficient. There is an urgent need to scale-up support in areas such as development finance, transfer of technologies, capacity building of urban authorities and institutions to strengthen the role of urbanization in the long-term national development process. The World Economic Forum estimates that every dollar spent on a capital project (in utilities, energy, transport, waste management, flood defense, telecommunications) generates an economic return of between 5% and 25%. That multiplier effect
accounts for the rapid economic growth of emerging markets that have made infrastructure spending a priority.

The investment gap in financing urban infrastructure and services in LDCs are enormous and growing. Share of infrastructure costs is a significant part of the capital stock of any country. The estimated spending needs on infrastructure in Africa are $93 billion a year (15 percent of the region’s GDP). This translates to 25 per cent of the GDP in the case of low-income non-fragile states and 36% in the case of fragile states in the region. This is a spending requirement that no LDC is in a position to cover with their sovereign bond market (which is worth around 1 billion in Ethiopia and Zambia in 2014)⁴, and aid flows alone. Therefore they need specific mechanisms to attract investment.

LDCs require increased access to international capital markets, as well as support to catalyze private finance for development with targeted innovative instruments and institutional capacity enhancement. We have to go beyond policies to development and execution of programs in a holistic manner. LDCs also need support in building their capacity to expand scope for specialization and innovation. Science and technology plays a very important role in that process.

The link between urban and rural population with increased connectivity is critical. Food insecurity and malnutrition are increasingly becoming also an urban phenomenon. As the process of urbanisation progresses in LDCs, sustainable development challenges will be increasingly concentrated in cities.

Getting urbanization right is not easy. However, LDCs have the advantage of learning from international best practices and adopting the right policy mix for sustainable and inclusive urbanisation that is suitable to their unique characteristics and vulnerabilities.

Thank you.

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³ http://www.infrastructureafrica.org/system/files/Africa's%20Infrastructure%20Time%20for%20Transformation%20CHAPTER%20SPENDING%20NEEDES.pdf