

# WORLD BANK PERSPECTIVES ON URBAN POVERTY

15th Meeting of the COMCEC Poverty Alleviation Working Group  
September 29, 2020



**WORLD BANK GROUP**

**Inclusive Growth & Sustainable Finance  
Hub in Malaysia**

# Three Core Ideas

Promoting territorial development

Enhancing urban resilience to climate change and disaster risks

Financing the New Urban Agenda

# Promoting Territorial Development

- Only 1.5% of the world's land is home to half of its production. The key is to mix concentration of economic activity with widespread dispersion of the benefits of that activity.

1

## Toward more inclusive growth

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Foster center-periphery connectivity and more inclusive growth to reduce disparities by better linking people in lagging areas to urban growth centers and better jobs.

2

## Adopting a multidimensional approach

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Enhance planning systems and local capacity to better design, plan, and manage city assets and urban environments, taking a multidimensional approach that incorporates aspects of economic, spatial, and social inclusion to foster economic growth and reduce poverty.

3

## Unlocking labor markets

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Improve the functioning of labor markets through:

- Better access to **affordable housing** near the areas of economic density
- An efficient **transportation** system to facilitate commuting

# Enhancing Urban Resilience to Climate & Disaster Risks

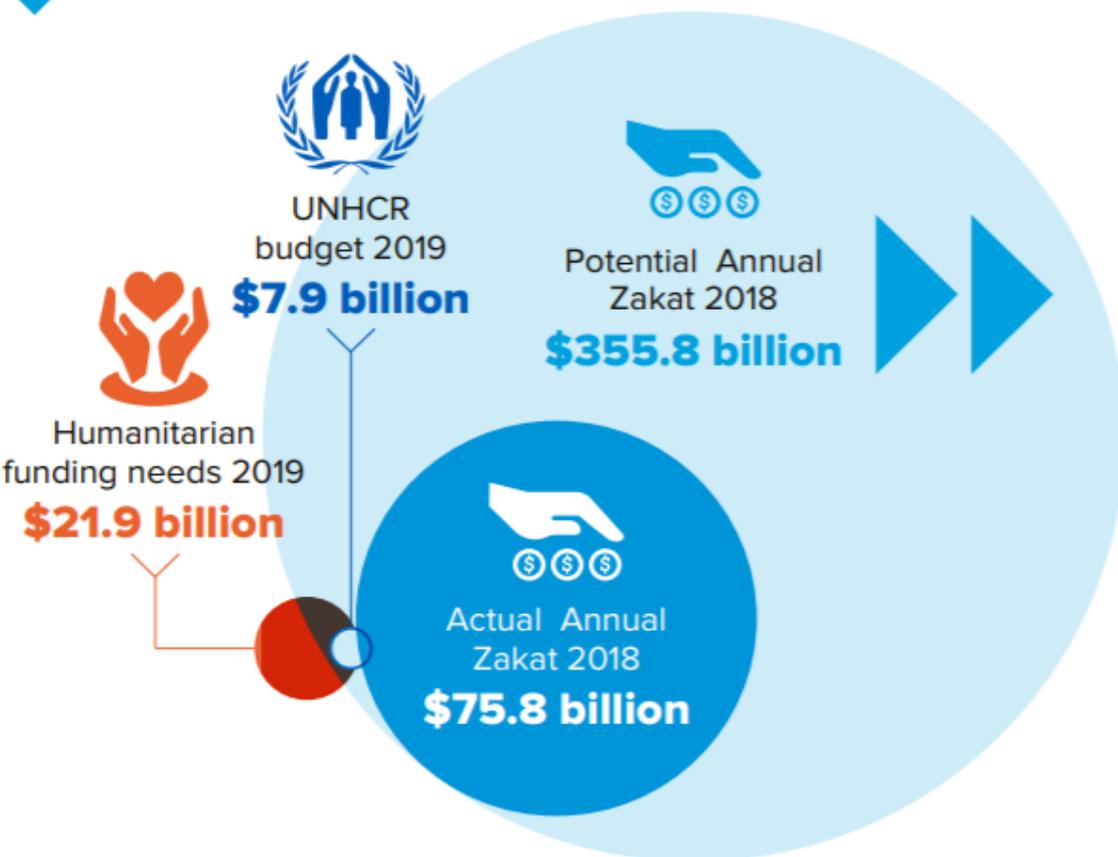
- Over 90% of all urban centers are located in coastal areas and face increasing risks from devastating hurricanes, floods, and other natural hazards that are becoming more frequent, intense, and severe because of climate change.
- **Disaster risk management (DRM):** Supporting countries to assess exposure to hazards and address disaster risks. Provide technical and financial support for risk assessments, risk reduction, preparedness, financial protection, and resilient recovery and reconstruction.
- **Promoting resilient infrastructure:** The *City Resilience Program (CRP)* has provided support to over 90 cities in over 50 countries where it helps provide insight into spatial patterns of development, environmental risk factors, and future growth trajectories to support resilience planning, while engaging an ecosystem of international finance institutions, donors, and financial advisors to deliver paired financing.

# Financing the New Urban Agenda

- The global urban infrastructure financing gap is ~USD 5 trillion. Only 3% is available from ODA – the balance needs to be met by strengthened municipal finance and attracting investment for sustainable urban development.
- For example,
  - The City Creditworthiness Initiative (CCI) aims to strengthen the financial performance of local governments and prepare them to tap domestic / regional capital markets without a sovereign guarantee. The CCI has trained over 600 municipal officials from 240 cities in 25 countries.
  - Helping cities expand their investment capacity by improving the municipality's revenue management systems and attracting private investment in municipal infrastructure and services through public-private partnerships (Casablanca, Morocco).

# Sources of Islamic Social Finance: Zakat and Waqf

**Zakat is falling below its true potential:** Actual global Zakat given of \$76 billion is far below its potential of \$356 billion. ~10% of the current Zakat market could fully address UNHCR's 2019 budget.



*Top five countries for Potential Zakat (\$, billions)*



Source: UNOCHA, UNHCR, IRTI, DinarStandard analysis

# Sources of Islamic Social Finance: Zakat and Waqf

**Short Term** = Cash transfer/handout through Zakat and Waqf fund

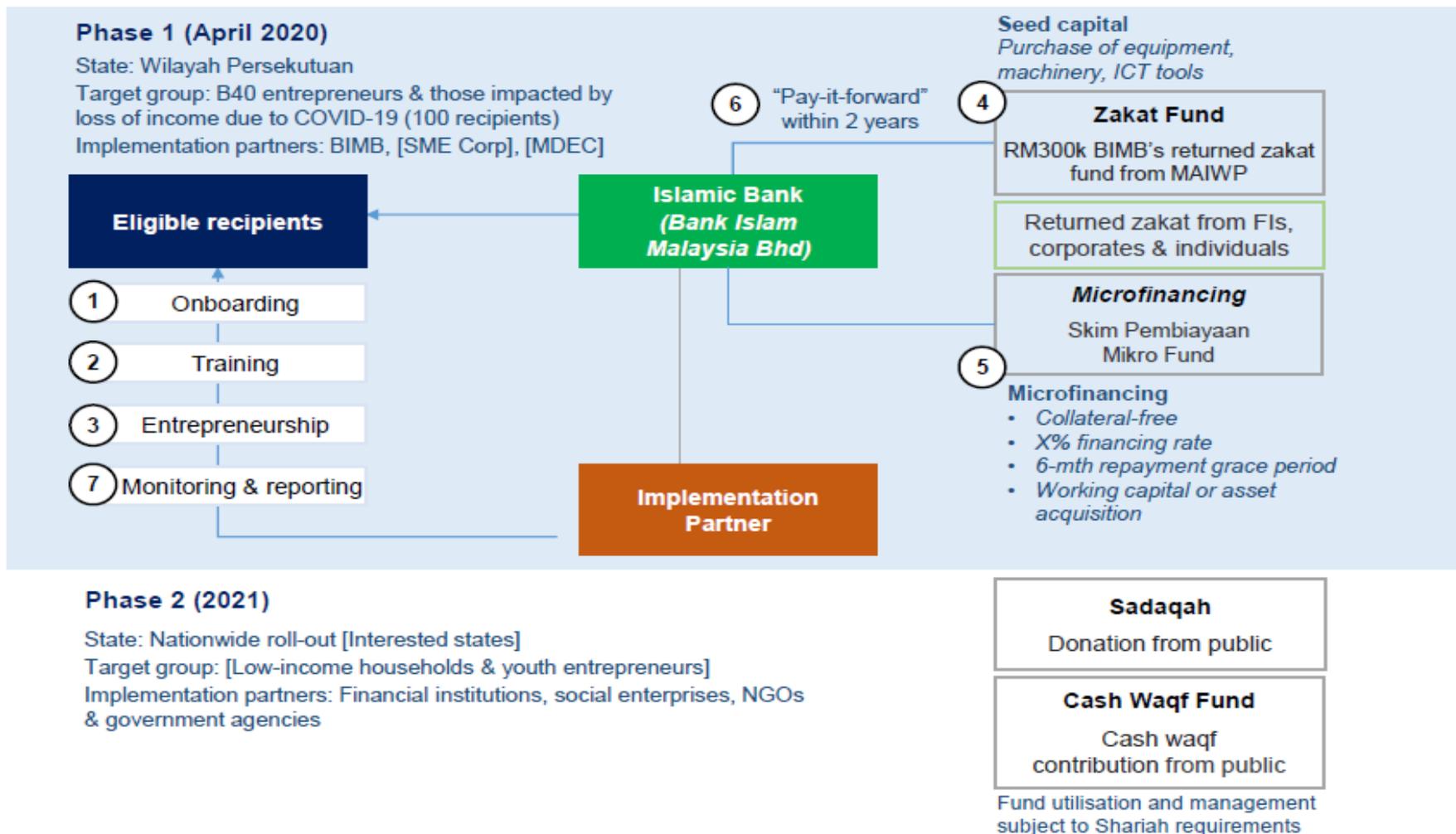
**Medium Term** = Partnership between zakat/waqf institutions, commercial bank and SME development agency in providing capacity building of MSMEs especially for informal sectors. The 'new normal' pushes them to change the nature of their business operations. For instance, during the pandemic, people really maximize e-commerce platform and digital financial services.

**Medium/Long term**

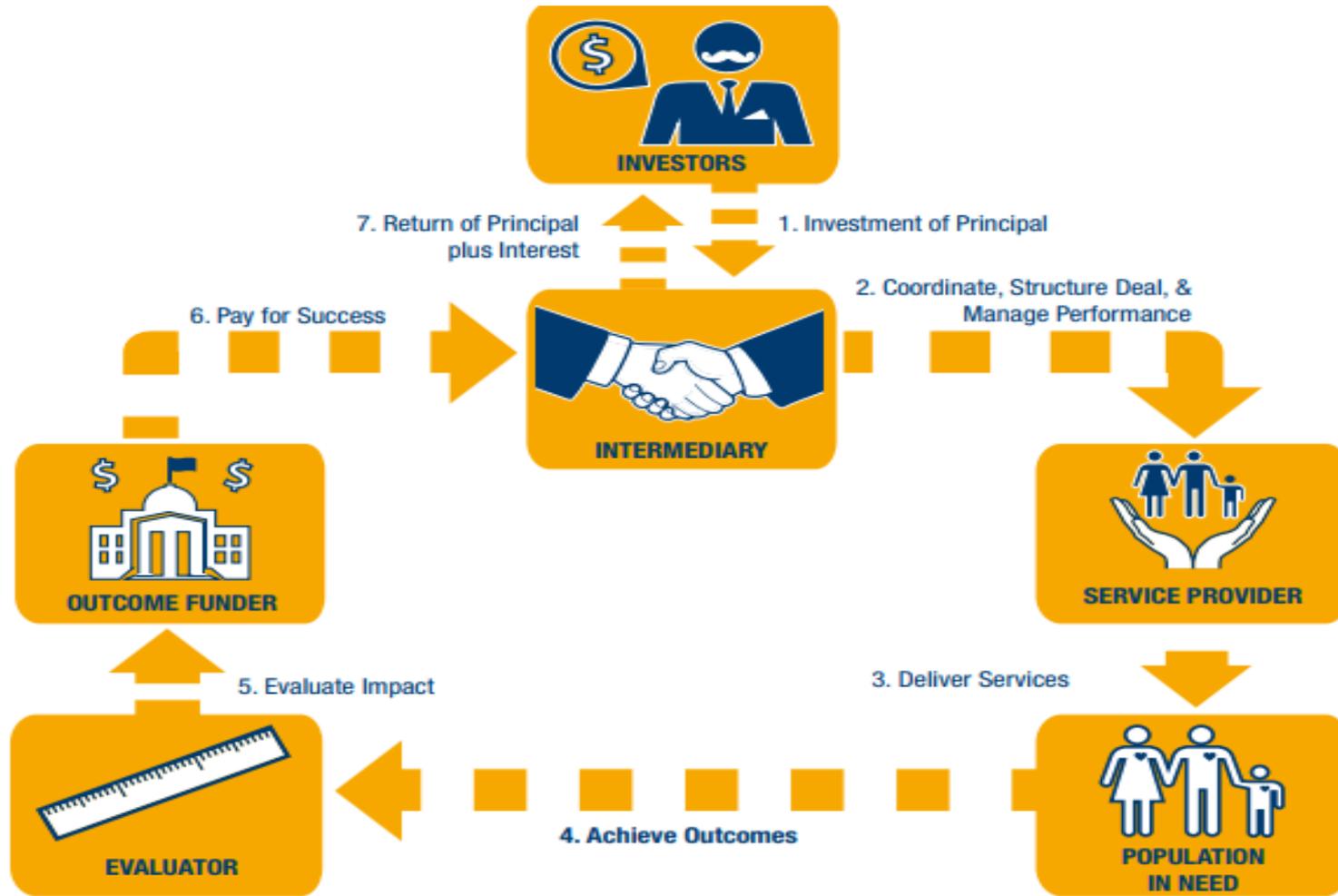
Impact sukuk is a financial instrument that “pays for success.”

# Sources of Islamic Social Finance: Zakat and Waqf

## Medium Term



# Impact Sukuk is a Financial Instrument that “Pays for Success”



Source: *Brookings Policy Recommendations for the Application of Impact Bonds (2015)*

e.g. Indonesian Cash Waqf linked sukuk, and oneWASH sukuk

# Issues and Challenges of Islamic Social Finance



People



Trust



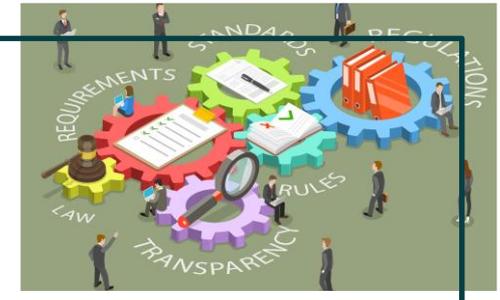
Misconception



Missing Connection with Islamic Finance



Data



Regulatory Framework

# THANK YOU



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