

**POLICY BRIEF**

*Migration Management in Secondary Cities in Developing Regions and the Need for Financing Mechanisms*

**Summary (1 para.)**

The Global Agenda 2030 and the Global Compact for Migration explicitly acknowledge the role of cities for improved migration management. Secondary cities in developing regions play a relevant role as first point of entry for migrants who seek shelter and work. Access to finance is however one of the most significant barriers most local authorities face to improve migration management and thereby the achievement of global migration commitments. While this brief presents some existing and potential financing mechanisms for cities in developing regions, it foremost points to the need to identify appropriate and direct financing mechanism which fit the need and capacities of secondary cities in developing regions to unlock the development potential of migration for cities and the places of origin of migrants.

**Context – Secondary Cities and Migration**

Much of the nascent urban and migration dialogue focuses on the of mega- and primate cities in shaping migration management. However, it is systems of secondary cities in developing regions which equally deserve attention. Systems of secondary cities with both subnational or submetropolitan cities, have a population ranging between 10-50 per cent of the country's largest city. In most cases, this represents populations between 100,000 and five million. In 2014, almost half of the world's urban population lived in settlements with fewer than 500,000 inhabitants. Megacities, with a population of 10 million or more, only account for 13 per cent of the world's urban dwellers (Roberts, 2014; UCLG, 2016).

Secondary cities with between one and five million inhabitants are expected to grow by 460 million between 2010 and 2025, compared to a growth of 270 million for megacities. Secondary cities in developing regions, where backlogs and needs are greatest, and resources are weakest, are hence experiencing most of the population grow and are a first point of entry for migrants to seek shelter and work (Roberts, 2014; UCLG, 2016).

Most cities are ill prepared and resourced to confront these developments, let alone to leverage them for a sustainable and equitable city transformation. Secondary cities' potentials are limited by outdated and overstretched infrastructure, unreliable transfers from the national fiscus, weak institutional capacity, incomplete and outdated data, restricted authority to generate revenue, and inadequate administrative capacity.

The result is that the bulk of urban growth is informal and unplanned, leaving poor residents, migrants and their families with limited access to the full range of resources, services and opportunities that cities can offer, including formal housing, employment, health care, education and social support systems. Failed planning and management of migration inflows can lead to tensions between new migrants and the existing, settled population over access to services, social economic opportunities and cultural practices. (IOM, 2013; Duong, Linh and Thao, 2011; Ku and Jewers, 2013; Sabates-Wheeler, 2009; Adams et al., 2009).

## **Main findings – Access to Finance for Secondary Cities**

Access to finance is one of the most significant barriers that mayors and city leaders face. A survey by the Coalition for Urban Transitions (2017) found that 55 percent of municipalities identified the lack of public funding as a major barrier to sustainable urban growth. While funding gaps are a reality for most urban development objectives, the funding gap for improved migration management is particularly striking if compared to the role and importance global agendas accredit to cities to manage migration. The 2030 Agenda, the New Urban Agenda, the Sendai Framework for Disaster Risk Reduction and the Global Compact for Migration all acknowledge the important role of cities for local migration management and the need to identify appropriate financing mechanisms to meet agreed global development goals.

National government plays a central role to enable cities to raise funds locally. However, the survey by the Coalition for Urban Transition (2017) found that 50 percent of municipalities cited insufficient national support. A World Bank (2012) survey of 160 countries showed that 89 of them forbid any kind of borrowing by local governments. Such institutional and governance failures block local governments to raise sufficient revenues to execute local investments. OECD and UCLG (2016) analysed the finance structure of 100 countries showing the importance of financial decentralization to enable local governments to contribute to national public investment, up to 40% on a global average. The report also shows strong correlation between local governments capacity to invest and the countries' development level. Progressive national governments could however contribute to increased local level fund raising through fiscal decentralisation, municipal development funds, supportive legislation for municipal debt financing, and increased fiscal transfers (Habitat III, 2016).

For most secondary cities in developing countries national and municipal funds will however not be sufficient to implement sustainable and equitable programmes to benefit both poor residents and migrants, and, most importantly, unlock the potential of migration for development.

The need for international public funds from multilateral development banks and bilateral donors remains. A recent multilateral financing mechanisms tailored to the needs of refugees is the Global Concessional Financing Facility (GCFF). The GCFF supports middle-income host countries of refugees through low-cost financing; funding they otherwise would not be eligible to access as such concessional financing is reserved to the world's poorest nations. In its first year, the GCFF received over \$370 million in pledges from nine supporting countries and the European Commission, establishing a solid basis for reaching the Facility's financing objective of raising \$1 billion in grants over the next five years. While most financing mechanisms of international public funding, such as the

GCFF, is discussed with and transferred to national governments, it would be valuable to evaluate mechanisms which support the direct transfer of funds to cities, thereby increasing local authorities' capacities to raise and manage funds locally according to their needs. Cities Alliance operates such a multi-donor fund, hosted by UNOPS, which supports primarily secondary cities to design projects and apply for direct funding. To date, 400 grants totalling over USD110 million in more than 80 countries were disbursed to cities.

Philanthropic and corporate foundations are increasingly present in the international development cooperation landscape. Philanthropies are significant in their role of providing innovative and substantial financing mechanisms. Examples include the 100 Resilient Cities which was pioneered by The Rockefeller Foundation<sup>1</sup> focusing on the physical, social and economic resilience of large cities which also would require attention to migration flows. The Open Society Foundation<sup>2</sup> supports an International Migration Initiative to improve the working and living conditions of migrants. Bloomberg Philanthropies<sup>3</sup> is another supporter of city development, however focusing also on large cities.

New financing mechanism for cities can further explore more strategic leveraging of private and public capital. The UN Secretary General calls for the establishment of a financing facility of migration, whose purpose would be to channel funding and technical assistance from States, international financial institutions, multilateral development banks and private sector actors to ensure that all States are equipped to fulfil the migration -related commitments they have made in the 2030 Agenda and Global Compact for Migration<sup>4</sup>. Blended finance is a valuable example on how strategic public investment can mobilize private investment. OECD-DAC<sup>5</sup> and the World Economic Forum<sup>6</sup> are distilling best practices to develop further guidelines. Convergence<sup>7</sup> was conceived under the World Economic Forum and the OECD-DAC's ReDesigning Development Finance Initiative. Examples of Convergence's work include the design of a development impact bond to fund employment interventions for Syrian refugees, the design of health and education blended finance platforms, and the design of a financing facility to increase lending to micro-entrepreneurs. To date, Convergence catalysed USD226 million in capital.

Secondary cities in developing regions require much support to mobilise and access financing instruments and assistance to implement funded projects, programmes and policies. Technical, operational and institutional capacity at local level needs to be strengthened. Most secondary cities in the developing world are ill-equipped to face the challenge of increased local finance. Albeit there may be a range of financing options available, cities are often not aware or unclear which financing options, be it public, private or international funds, are most adequate for their local needs and capacities. Equally important is to reduce the complexity and compliance requirements of existing financing options and to foster greater coordination among financing institutions. Exposure to new funding mechanism will equally demand accountability by city administrations, with transparent processes and accounting capacities. International development partner can play a significant role in enhancing such capacities through technical assistance.

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<sup>1</sup> <https://www.rockefellerfoundation.org/our-work/initiatives/100-resilient-cities/>

<sup>2</sup> <https://www.opensocietyfoundations.org/about/programs/international-migration-initiative>

<sup>3</sup> <https://www.bloomberg.org/program/environment/sustainable-cities/>

<sup>4</sup> [http://www.un.org/en/development/desa/population/migration/events/coordination/15/documents/Report%20of%20SRSG%20on%20Migration%20-%20A.71.728\\_ADVANCE.pdf](http://www.un.org/en/development/desa/population/migration/events/coordination/15/documents/Report%20of%20SRSG%20on%20Migration%20-%20A.71.728_ADVANCE.pdf)

<sup>5</sup> <http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/blended-finance.htm>

<sup>6</sup> <https://www.weforum.org/reports/blended-finance-toolkit>

<sup>7</sup> Convergence is funded by the [Government of Canada](#). Past funders include the [Citi Foundation](#) and [Ford Foundation](#). For more information refer to <https://www.convergence.finance/>.

## Recommendations

Global agendas and their agreed commitments will be judged on whether they succeed in catalysing effective action. The widespread acknowledgement of subnational authorities as important actors to achieve global objective for improved migration management will require adequate financing mechanisms. Access to finance remains however one of the major barriers that mayors and city leaders face to support equitable and inclusive migration management. Recommendations to address this funding gap include:

- Support national government in unlocking, directing, and facilitating local level fund raising. Progressive national governments could contribute to increased local level fund raising through e.g. fiscal decentralisation, municipal development funds, supportive legislation for municipal debt financing, and increased fiscal transfers.
- Significantly increase commitments of multilateral and bilateral financing mechanisms for cities in developing regions, with attention to the relevance but limited capacities of secondary cities.
- Actively support innovate financing mechanisms, building on both public and private funds. Test innovative approaches to understand most adequate processes and principles for secondary cities, including the setting up of special financial intermediaries such as national municipal development banks and funds.
- Address regulative hurdles which limit the access of cities to financing mechanisms.
- Build cities' capacities and skills to select and manage appropriate financing mechanisms.

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