



# THE IPA OBSERVER

INVESTMENT PROMOTION AND FACILITATION MONITOR



UNITED NATIONS  
UNCTAD

## PROMOTING INVESTMENT FOR SUSTAINABLE DEVELOPMENT IN CITIES

### H I G H L I G H T S

- ❖ With global population growth in the next three decades primarily occurring in cities, achieving the Sustainable Development Goals will depend to a large extent on meeting them in urban areas.
- ❖ City administrations and their investment promotion and economic development agencies can market and facilitate investment by developing pipelines of bankable projects, preparing and offering financial packages and incentives, fostering business linkages, and supporting sustainability standards.
- ❖ City agencies should strategize investment promotion in sustainable city development and ensure suitable institutional arrangements for attracting and facilitating Sustainable Development Goal related projects.
- ❖ Partnerships are critical in overcoming resource constraints; securing expertise; surmounting boundaries between city, regional, and national institutions; and creating the dynamics that are often needed to mobilize investment for Goal related projects.

### INTRODUCTION

With over half the world's population living in urban areas or cities and urbanization expected to continue—68% of the world's population is projected to be urban by 2050<sup>1</sup>—city governments and agencies have a pivotal role in achieving the Sustainable Development Goals (SDGs). In addition to SDG 11, which explicitly covers sustainable cities and communities, nearly all the remaining Goals require meaningful progress at the city level in order to be met. Major development challenges of cities include ensuring enough quality jobs and affordable housing, transport within and between cities, urban migration, food security, reliable supply of clean water and electricity, sanitation, education, health services, telecommunications, reduction of noise and pollution, adequate recreation facilities, and climate change mitigation and adaptation.<sup>2</sup>

Tremendous investment is required to address these challenges and achieve the SDGs. In 2014, UNCTAD estimated that developing countries alone face an annual investment gap of US\$ 2.5 trillion in meeting investment needs in key SDG sectors by 2030. A combination of local and international public and private investment, including official development assistance and foreign direct investment (FDI), will be necessary to fill this gap. There is particular need and potential for investments in power, climate change mitigation, telecommunications, and transport.<sup>3</sup>

<sup>1</sup> UN DESA Population Division, World Urbanization Prospects 2018.

<sup>2</sup> UN-Habitat and UNCTAD (2017), Urban Economy Branch Discussion Paper #7.

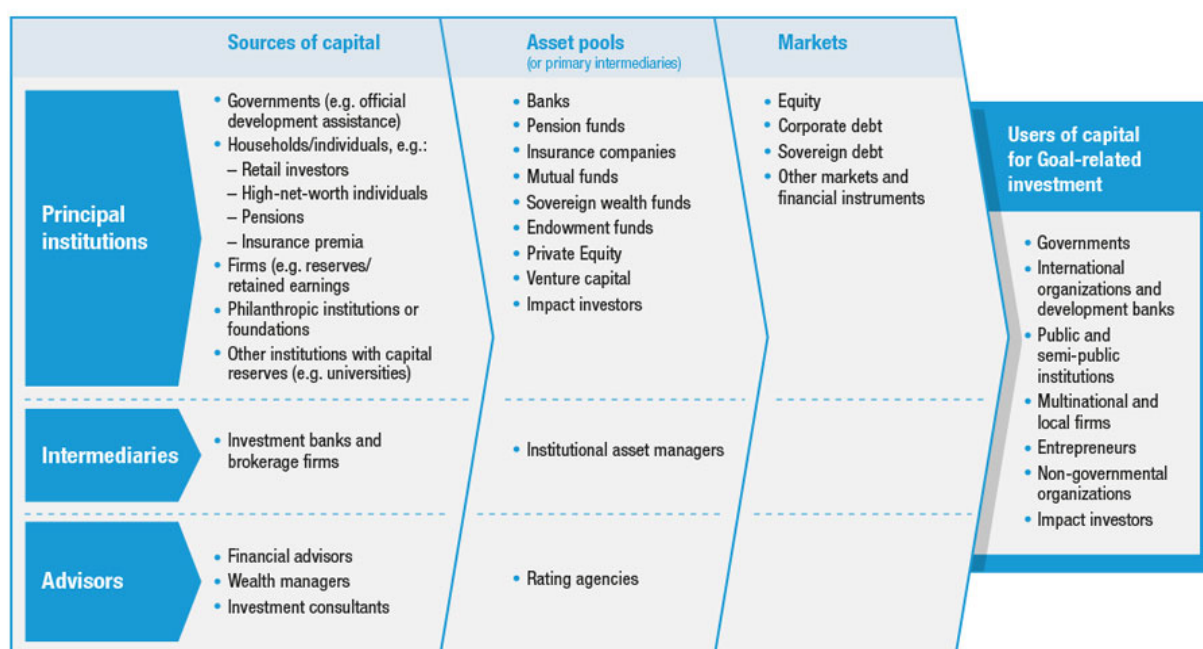
<sup>3</sup> UNCTAD (2014), World Investment Report.

To mobilize investment, create jobs, and generate exports, governments have introduced incentive policies and established entities such as investment promotion agencies (IPAs), economic development organisations, industrial parks and special economic zones. Indeed, over 170 countries have national IPAs and hundreds of cities have their own investment promotion and economic development agencies or units within city governments that promote both domestic and foreign investment at the metropolitan or city level. An UNCTAD review of IBM-Plant Location International's 20 top-ranking destination metropolitan areas as measured by number of foreign investment projects<sup>4</sup> found that 18 had city or metropolitan IPAs while the other two had local offices of their national IPAs, suggesting that proactive promotion of locations makes a difference. Some metropolitan areas also have investment promotion offices overseas and promote outward investment.

## SOURCES OF FINANCE FOR SDG PROJECTS

In sourcing finance for sustainable development, there is a wide range of diverse actors to consider. As illustrated in figure 1, these include primary owners of capital—such as firms, individual investors, and foundations—as well as banks, pension funds, insurance firms, and sovereign wealth funds.

**Figure 1. SDG investment chain and key actors**



Source: ©UNCTAD, 2014 *World Investment Report*, p. 154.

Many of these sources of finance have programmes, funds, or financial instruments in place to finance sustainable development, including of cities. Table 1 presents examples.

In addition to identifying and pursuing potential sources of finance, city administrations and city IPAs can enlist partners and stakeholders at all levels. For example, at the international and regional levels, organizations such as the United Nations Conference on Trade and Development (UNCTAD), outward investment agencies and institutions,<sup>5</sup> and associations of IPAs such as the World Association of Investment Promotion Agencies (WAIPA) have programmes in place to assist with investment promotion and have engaged subnational IPAs in their activities. Domestically, city governments and city IPAs can consider networking and partnering with:

<sup>4</sup> IBM-Plant Location Services (2018), *Global Location Trends 2018 Annual Report: Getting ready for Globalization 4.0*.

<sup>5</sup> UNCTAD (2015). *Outward Investment Agencies: Partners in Promoting Sustainable Development*. The IPA Observer, No. 4.

### Public sector related entities

- national and subnational ministries and departments
- national IPAs
- business incubators and special economic zones
- tourism and trade promotion and economic development agencies
- utility providers
- embassies and consulates

### Other entities

- business and industrial associations, including local and bilateral chambers of commerce
- convention and visitors' bureaus
- civil society organizations, particularly those focused on sustainability and economic development
- universities and research and development (R&D) centres
- professional services firms

**Table 1. Selected programmes to finance sustainable development, including potentially of cities**

Agency / Institution	Category	Programme	Website
Bill & Melinda Gates Foundation	Philanthropic foundation	Grand Challenges	<a href="https://gcgh.grandchallenges.org/grant-opportunities">https://gcgh.grandchallenges.org/grant-opportunities</a>
European Union	Regional organization	European Regional Development Fund	<a href="http://www.ec.europa.eu/regional_policy/en/funding/erdf/">www.ec.europa.eu/regional_policy/en/funding/erdf/</a>
Green Climate Fund	Fund	Various impact programs (e.g. mitigation, adaption, crosscutting)	<a href="http://www.greenclimate.fund/what-we-do/projects-programmes">www.greenclimate.fund/what-we-do/projects-programmes</a>
Inter-American Development Bank	Regional development finance institution	Technical cooperation projects at the subnational level	<a href="https://www.iadb.org/en/topics/prodev/technical-cooperation-projects-at-the-sub-national-level%2C2087.html">https://www.iadb.org/en/topics/prodev/technical-cooperation-projects-at-the-sub-national-level%2C2087.html</a>
Department for Transport of the United Kingdom of Great Britain and Northern Ireland	National government ministry	Transforming Cities Fund	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689407/transforming-cities-fund-call-for-proposals.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689407/transforming-cities-fund-call-for-proposals.pdf</a>
Mubadala	Sovereign wealth fund	Investments in healthcare, renewable energy, and infrastructure	<a href="https://www.mubadala.com/en/what-we-do/">https://www.mubadala.com/en/what-we-do/</a>
Nomura Group	Bank	Emerging markets and infrastructure projects	<a href="https://www.nomuraholdings.com/csr/sustainable/products.html">https://www.nomuraholdings.com/csr/sustainable/products.html</a>
World Bank	International development finance institution	<ul style="list-style-type: none"> <li>▪ Sustainable Cities Initiative</li> <li>▪ Sustainable Development Bond</li> <li>▪ Public-Private Infrastructure Advisory Facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ <a href="http://www.worldbank.org/en/region/eca/brief/sustainable-cities-initiative">www.worldbank.org/en/region/eca/brief/sustainable-cities-initiative</a></li> <li>▪ <a href="http://www.worldbank.org/en/news/press-release/2018/10/03/world-bank-launches-sustainable-development-bond-to-focus-attention-on-sustainable-cities">www.worldbank.org/en/news/press-release/2018/10/03/world-bank-launches-sustainable-development-bond-to-focus-attention-on-sustainable-cities</a></li> <li>▪ <a href="http://www.ppiaf.org">www.ppiaf.org</a></li> </ul>

Source: ©UNCTAD.

## ENHANCING SUSTAINABLE IMPACT OF INVESTMENT

City administrations, city IPAs, and economic development agencies have a range of means to target potential investors and incentivize and facilitate investment for sustainable development. These include preparing bankable projects, developing financial packages and programmes, providing incentives and market intelligence, fostering business linkages, and supporting compliance with sustainability standards.

### Bankable projects

City agencies can organize and develop pipelines of commercially viable projects to promote. This is especially important in key SDG sectors where project visibility and governance have an important role to play. Clear and persuasive profiles with essential information for potential investors for each project can serve as marketing tools. At the city level, often capacity needs to be built to prepare and market these projects. International organizations, national entities, and the private sector can provide expertise and support. UNCTAD provides such capacity building and has prepared a sample SDG project profile template which can be used to develop bankable SDG projects.<sup>6</sup>

### Financial packages and programmes

Public-Private Partnerships (PPPs), sustainable bonds, and other financial models, packages, or programmes can be developed, in particular for infrastructure projects like energy generation, mass transport, hospitals, and universities.

### Incentives

Cities may be able to provide financial incentives (such as tax rebates, grants, loans, and/or subsidies) specifically targeting sustainable development sectors or if projects meet certain requirements for sustainable development (such as by focusing on small and medium enterprises, manpower capability, local suppliers, job creation, gender equality, disadvantaged districts, affordable housing, or reuse of contaminated property). The provision of affordable land may be another form of incentive. Incentives should be time-bound and their effects on sustainable development should be monitored and evaluated. Policymakers should exert caution to ensure that the provision of incentives and competition among cities do not lead to a financially unsustainable ‘race to the bottom.’

### Project and SDG-related market intelligence

City IPAs can be valuable sources of location-specific market intelligence for potential investors. They can complement traditional market research (e.g. major industries, workforce statistics, demographic information, and infrastructure data) with information particularly pertinent to a location and sustainable development. For example, major local and international employers in SDG-related sectors and statistical data on radiation and average wind speed (solar and wind energy), water availability and supply per head of population (water management), waste production per head of population (recycling and waste management), and energy consumption per head of population (energy and clean technology).

### Business linkages

City IPAs are well placed to help newly investing and established companies to identify and connect with local partners and suppliers. This support can enhance the sustainable impact and spillover benefits of foreign investments.

### Sustainability standards

Local authorities might review the corporate social responsibility policies and certifications of compliance with environmental management or social standards of the potential investor before providing support. If the investor lacks such certifications, agencies could provide encouragement and financial or technical support to obtain them. At the same time, city agencies can help existing investors and local companies to adopt sustainable development standards.

## CASE STUDIES

The practice of investment promotion and facilitation for sustainable development at the city level is rising. The case studies presented here are from Africa, Latin America, and the Middle East. The project in Bogota, Colombia,

<sup>6</sup> UNCTAD (2018). Promoting Investment in the Sustainable Development Goals. Investment Advisory Series A, number 8. Geneva.

shows how Invest in Bogota coordinated public and private entities in the development of a partnership for an anchor project with investors from different countries and industries. The second case study demonstrates how Wesgro, in Cape Town, South Africa, collaborated with a local sustainability initiative to facilitate investment to provide drinking water. The third case study illustrates how Dubai FDI, in the United Arab Emirates, leveraged its location to facilitate investment projects that create jobs and green the economy.

Invest in Bogota, Wesgro, and Dubai FDI each employ multiple concrete investment promotion strategies to contribute to sustainable development. Examples of these measures are summarized in box 1. Collectively, from 2015 to 2017, these three agencies have attracted over 700 companies that have created thousands of jobs and invested billions of dollars in sustainable development projects, including in renewable energy, water cycle management, solid waste management, circular manufacturing, transport and mobility, food production and processing, green construction, healthcare, and education.

### Box 1. Additional measures that IPAs can take

Invest in Bogota, Wesgro, and Dubai FDI employ multiple concrete investment promotion strategies to contribute to sustainable development. These agencies:

- ❖ provide information on **key strengths** in sectors with high sustainability impact;
- ❖ provide data to **benchmark location competitiveness** in FDI sectors with sustainable development potential;
- ❖ conduct **branding, public relations, and media promotion** of the location as a destination for FDI with sustainable development impact;
- ❖ develop **investment brochures, flyers, and presentations** for promoting FDI in sectors and activities with sustainable development impact;
- ❖ establish or designate a dedicated **team** to promote FDI in SDG-related sectors;
- ❖ provide clearly defined profiles of **bankable** projects in which foreigners can invest;
- ❖ build **strategic investor target databases** which identify specific target companies which will contribute to sustainable development;
- ❖ visit **trade shows and specialized industry events** which focus on sustainable development sectors; and
- ❖ carry out **aftercare activities** to encourage existing investors in the location to adopt sustainability standards or to increase their sustainability impact.

Source: UNCTAD.

## Invest in Bogota: Coordinating Entities and Investors across Industries

Invest in Bogota was established in 2006 and currently has an annual budget of US\$ 3 million, 49% of which is from the central government, with the remaining 51% from private sector contributions. Its primary objectives are to attract and retain investments that contribute to research, development, and innovation; increase exports; allow transfer of knowledge and technology; and generate quality employment.

Since 2016, Bogota has been implementing an Intelligent Specialization Strategy<sup>7</sup> with the participation of different public and private institutions. Invest in Bogota is a member of the Executive Committee of the Strategy, which focuses on five key areas: bio-pole, creative region, business services, advanced knowledge hub, and sustainable city-region. Invest in Bogota has prioritized the renewable energy and infrastructure sectors, particularly mobility, social infrastructure, urban renewal, water and sanitation, and smart city initiatives.

An example of a project promoted by Invest in Bogota that contributes to Bogota's Intelligent Specialization Strategy is the architectural renovation, technological updating, maintenance, and operation of what is now known as the Movistar Arena Bogotá. This investment was made in January 2017, by TuBoleta, the biggest ticketing company in Colombia, and HLR Group, a Chilean developer and operator with experience in the entertainment, construction, gastronomy, bar, and hotel industries. Later they sold the naming rights in a 20-year contract to Movistar, the commercial brand of a leading telecommunications company in Spain and Latin America.

The investors remodeled the former El Campín Covered Coliseum to create Bogota's first 37,000 m<sup>2</sup> multipurpose arena featuring a main stage, suites and boxes, two fan grandstands, restaurants, bars, souvenir shops, a 200 m<sup>2</sup>

<sup>7</sup> [www.ccb.org.co/en/Transformar-Bogota/Smart-specialization-in-the-Bogota-Region](http://www.ccb.org.co/en/Transformar-Bogota/Smart-specialization-in-the-Bogota-Region).

exterior LED screen, and 21,677 m<sup>2</sup> of recovered space for public use. It is estimated that the arena will house approximately 14,000 spectators and present 90 shows per year.

To secure the investment, Invest in Bogota coordinated the institutional and commercial agendas of the public and private entities involved in creative industries, entertainment, and infrastructure. The agency introduced the companies to develop the partnership and presented the PPP strategy.

### SDG impact

The project is expected to create over 400 skilled jobs and the company will invest US\$ 25.8 million. The investment will help boost the current 4.5% representation of creative industries in Colombia's GDP.

Prior to this project, Bogota lacked adequate venues for world class concerts and cultural events. In addition to renovating 70% of the old coliseum, over 13,000 m<sup>2</sup> of existing gardens and plazas were renovated to improve audience accessibility conditions and characteristics. The arena has special access and services for people with disabilities, such as dedicated entrances, ramps, and lifts for wheelchairs. The remodeling resulted in four five-on-five soccer fields, a jogging track, a skateboarding park, and a cycling path, as well as a children's playground and an area for art exhibitions. The new arena, which has 4.5G Long-Term Evolution (LTE) mobile network technology, is the most modern concert and event venue in Latin America.



### Wesgro (Cape Town): Collaborating with a Local Initiative to Tackle a Challenge

Established in 1986, Wesgro promotes investment, trade, and tourism for Cape Town and the Western Cape Province of South Africa. Funding is provided by the provincial government and the City of Cape Town. The budget for the investment promotion component is less than US\$ 1 million annually. Due to its limited resources, Wesgro works with partners and has managed to benefit from these ties. In 2016, Wesgro together with InvestSA received from UNCTAD a joint award for Excellence in Partnering for Investment Promotion.

Cape Town's investment promotion strategy does not explicitly mention sustainable development as a key strategic objective. However, Wesgro has built a partnership with a non-profit organization, GreenCape, to promote sustainable FDI. Background information on GreenCape is provided in box 2.

In December 2017, Bluewater AB (a subsidiary of Unilever, United Kingdom) announced its investment in Cape

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