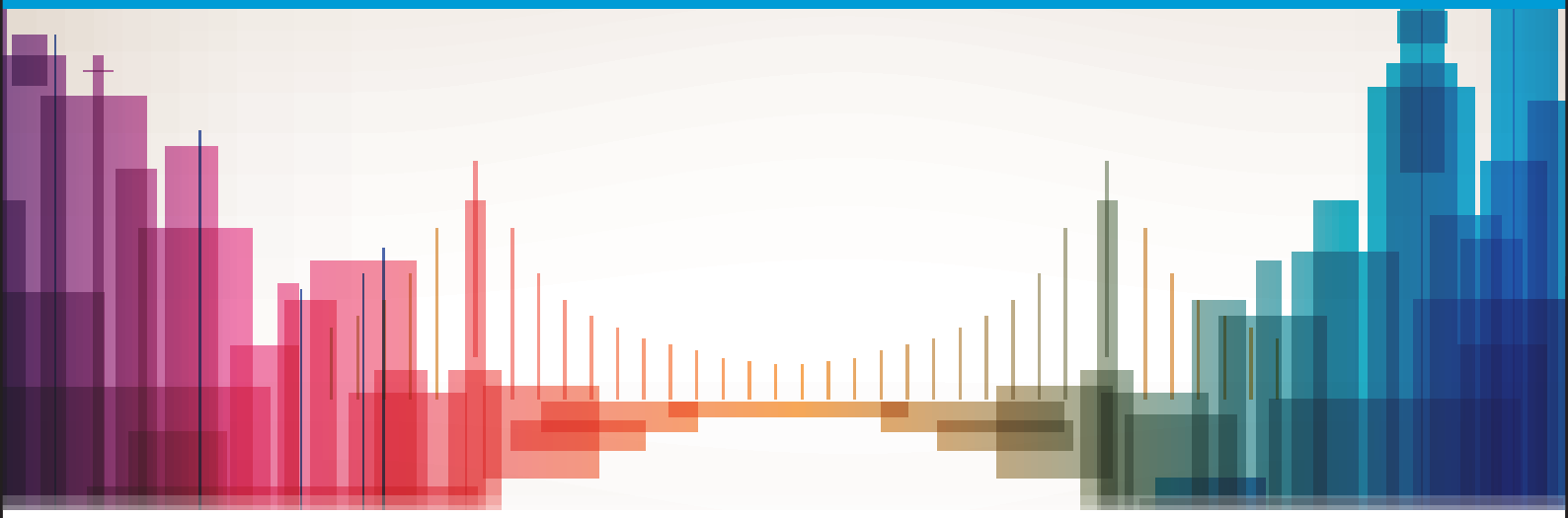
United 4 Smart Sustainable Cities

Guidelines on tools and mechanisms to finance Smart Sustainable Cities projects

A U4SSC deliverable



Convention on Biological Diversity

United Nations ECLAC

Food and Agriculture Organization of the United Nations

ITU

UNDP Empowered lives. Resilient nations.

United Nations Economic Commission for Africa

UNECE

UNESCO United Nations Educational, Scientific and Cultural Organization

UN environment programme

UNEP FINANCE INITIATIVE

United Nations Framework Convention on Climate Change

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UN WOMEN

WORLD METEOROLOGICAL ORGANIZATION

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Foreword

This publication was developed within the framework of the United for Smart Sustainable Cities (U4SSC) initiative.

Acknowledgements

In 2016, the United Nations Economic Commission for Europe (UNECE), together with the International Telecommunication Union (ITU), launched the global initiative United for Smart Sustainable Cities (U4SSC). One of the aims of U4SSC is to develop guidance and training materials for city leaders to make their cities smarter and more sustainable and to support the achievement of international agreements, such as the 2030 Agenda for Sustainable Development (2030 Agenda) and the New Urban Agenda.

In 2017, under the umbrella of U4SSC, the secretariat of the Committee started developing the "Guidelines on tools and mechanisms to finance smart sustainable cities".

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Disclaimer

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Abbreviations

CAPEX	capital expenditures
CO2	carbon dioxide
COVID-19	coronavirus disease of 2019
DUP	detailed urban plan
ESG	environmental, social and corporate governance
ESG	environmental, social and governance
GIS	geographic information system
GUP	general urban plan
HIIs	hybrid investment instruments
ICTs	information and communication technologies
IFC	International Finance Corporation
IGO	inter-governmental organization
IRR	internal rate of return
IoT	Internet of Things
ITU	International Telecommunication Union
KPIs	key performance indicators
NGO	non-governmental organization
NPV	net present value
OPEX	operating expense
PACE	property-assessed clean-energy
PPP	public-private partnership
PPPP	people-first public private partnership
RDP	regional development plan
S&P	Standard & Poor's
SDGs	Sustainable Development Goals
SPV	special purpose vehicle
SSC	smart sustainable city
U4SSC	United for Smart Sustainable Cities Initiative
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
USD	United States Dollar

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Executive Summary

These Guidelines elaborated on within this report have been developed as part of the United for Smart Sustainable Cities Initiative (U4SSC). They provide practical recommendations for city governments on how to develop investment-grade projects in support of sustainable smart urban development. The Guidelines explain what a sustainable smart city project is and provide an overview of traditional and innovative financing tools that are available and can be used to finance city projects. They also outline what types of potential investors exist and how to make a sustainable city development plan attractive to them. The Guidelines promote implementation of the *2030 Agenda for Sustainable Development* and the *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*.

The objectives of the Guidelines are to:

(a) define sustainable smart city (SSC) projects;

(b) share the criteria potential investors consider when making investment decisions;

(c) explain what a list of investment-grade projects for sustainable cities is and how to create one;

(d) describe the different financing instruments that exist today; and

(e) provide an outlook on potential trends induced by the COVID-19 outbreak which might impact future investment in urban development.

The introduction explains why innovative financing is more relevant than ever before. It references major United Nations events and meetings that addressed the topic of financing the *2030 Agenda* and the importance of working across sectors (public and private) and levels of governance (international, national and local). It also explains why financing urban development projects at a local level is critical to achieving the Sustainable Development Goals (SDGs) globally. The introduction suggests that the financial resources needed for urban development projects are available through private investment. However, there is a need to build up the capacity of local authorities and stakeholders for them to be able to attract those investments. It stresses the importance of enhancing sustainable financing strategies and investments at country and regional

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