

78th session of the Committee on Housing and Land Management, Geneva,  
Switzerland, 09 November 2017

# Potential contribution of innovative financing *mechanisms*

Towards Smart Sustainable Cities Financing

**Mr. Amitabh Mehta**

***Innovative Financing Solutions, Fundraising Strategy & Corporate  
Partnerships***

Round table II: Trends and patterns in urbanization, integrated urban planning and transition to Smart  
Sustainable Cities, including urban financing, in the UNECE region.



INDUS BLUE CONSULTING



UNECE

# The Funding Gap

- \* Global need for infrastructure investment: \$94 trillion by 2040
- \* Additional SDG Costs: USD 3.5 – 4 Trillion Annually until 2030 (electricity and water)
- \* Gap in funding between government budgets and infrastructure needs till 2030: USD 15 trillion
  - \* Emerging Europe's - USD 1.3 trillion in new investments in water, sanitation, transport and telecommunications
  - \* Central Asia :7.8% of GDP (USD 565bn) by 2030.



- \* Why cities matter?
- \* Why innovative finance?



# Innovative Finance: Why & What

## Why Innovative Finance

- \* Increased investment gap
- \* Sustainability
- \* The current state of traditional financing
- \* High construction risk
- \* Private and Public nature of smart city projects.
- \* There are returns available to make investments in the smart cities sector attractive.

## Innovative Mechanisms: Elements

- New investors & sources.
- New Instruments and Structures
- Funding for risk reduction and for assets
- Leverage existing traditional financing

## Innovative Mechanism: Characteristics

*Sustainability:* To use funds that replenish themselves and potentially also increase whilst being used;

*Predictability:* aligned with the timeliness of their use, with a given level of confidence of their supply;

*Transparency:* of use of the funds and their efficiency. Includes governance, monitoring and performance measures;

*Partnerships:* are encouraged to minimise wastage, maximise knowledge share to reduce project risks and increase efficiency;

*Appropriateness:* in terms of knowledge, relevance and fit-for-use.

**The concept of bankability**



# Innovative Finance Mechanisms

- \* Multilateral/ Development Bank Lending
- \* Funds
- \* Capital Markets & Bonds
- \* Instruments & Incentives
- \* Public Private Partnerships (PPP)
- \* Brownfield Recycling
- \* Blended Catalytic Mechanisms



# Catalytic Sustainable City Fund (CSCF)

## Leveraged & Diversified Capital Structure

- Matching funds
- Trade and Aid funds
- Philanthropy

### Leverage Finance

- Development/ Commercial Bank
- Social Impact/ Pension Funds
- Bond/ Corporate Investors

### Seed Funding

- Governments
- Organisations – Foundations
- PE Funds (GHIF)
- Fatigued/ New Donors

Non-returns Based Funding

Loans

Repayable from Sales, Take-out Financing

Seed-funding

Shareholding

## Catalytic Sustainable City Fund (CSCF)

Independent, Bankruptcy-Remote, Special-Purpose Trust

Equity

Shareholdings

Investments

## Management PPP & Investment

### Fund Management Company (PPP)

- Professional Fund Manager
- Governments (Finance Ministries)
- Multilaterals

### Investment & Advisory Committee (PPP)

- Governments (Finance Ministries)
- Industry, Multilaterals
- Stakeholders
- UNEP, UNECE, UNIDO

## DIVERSIFIED INVESTMENTS IN ENERGY PROJECTS



# Policy Steps for Facilitation

- \* Clear and impactful overall development strategy
- \* Financial Sector Specific Policies
  - Sustainable capital markets
  - Strengthening key financial institutions
  - Aligning financial regulation with sustainability and building financial sector capacities
  - Facilitating international financial flows
  - Promoting People First PPP
  - Enabling environments
  - Sector relevant policies: R&D for instance
  - Encourage active regional, federal, state, and local collaboration



# Practical Steps for Facilitation

- Build & Communicate: Clear and definitive strategy
- Create Knowledge Hubs and Partnerships
- Evaluate fit-for-use financial instruments
- Create an enabling environment
- Blend Finance to reduce project costs



# Thank you

**AMITABH MEHTA**

DIRECTOR: INNOVATIVE FINANCE,  
FUNDRAISING STRATEGY & CORPORATE PARTNERSHIPS



*INDUS BLUE CONSULTING*

112 ALDERMANS HILL  
LONDON N13 4PT  
U.K.

[AMITABH@ASDEV.ORG](mailto:AMITABH@ASDEV.ORG)  
+44(O) 749 787 9245