

GOVERNANCE & FINANCE

FINANCING STRATEGIES: Investing in Inclusive Economic Development

Brief for APP

More and more cities across the world are exploring ways to upgrade infrastructure with smart technologies. However, paying for these projects presents a significant challenge. Accordingly, governments need to seek creative funding solutions such as forming partnerships, procuring products and services, or even crowdfunding schemes. What are the advantages of each option? How can local authorities choose the most fitting strategies?

Brief

By definition, Smart Cities are urban areas that are constantly exploring ways to [upgrade infrastructure with smart technologies](#) to improve citizens' life. However, funding these projects is a challenging task for any local government. Constrained by tight budgets, cities need to seek creative solutions based on finding new sources of revenue and new business models, as well as innovating financing structures for investors.

[New models](#) might include non-tax revenue, [Municipal Pooled Financing Mechanisms](#) and different forms of public-private partnerships (PPP). Crowdfunding is also an option, even more when this initiative comes from local citizens and urban entrepreneurs, which leverage the sense of civic duty and belonging while stimulating urban creativity. On top of that, there is a need to keep a perspective on climate change and resilience, by also using existing financing mechanisms, such as land value capture, bonds or dedicated climate funds, among others.

So, while there are numerous options available, the challenge in taking advantage of them is matching smart city projects to the most appropriate financing tool. This is no plain sailing as despite the relevance of implementing integrated smart city initiatives to maximize the benefits of smart infrastructures avoiding data siloes and lack of interoperability, many cities have to prioritize specific verticals to meet their most pressing needs. Additionally, the lack of clear objectives and diverse political issues may create complications for partners looking to invest.

In this scenario, how to support smarter decisions when defining a financing scheme? Some experts suggest using [data](#) may help. But not all cities are able to capture this data. Be as it may, experts also enhance the need to understand the smart city project and its value in the first place, and then consider all funding and financing options to finally determine procurement and delivery methods.

City governments in developing countries might need to explore [long-term financing arrangements](#) as country risks significantly impact investment. Still, this issue can be overcome by taking a holistic view towards all risks, planning accordingly and sharing risk and reward to provide a sustainable, equitable and inclusive future for all, both in developing and developed countries.

Expected Outcomes

Participants will:

- Learn about the numerous and often unknown existing financing mechanisms.
- Get new perspectives on how to leverage these financing.
- Discover successful cases and innovative initiatives.
- Learn how to overcome key challenges regarding financing strategies

Guiding questions

- What are the financing tools emphasizing sustainability, inclusion, and financial autonomy that municipalities have at their disposal?
- What are the major steps to be taken to get financing?
- How to choose the most fitting strategies?
- How to avoid failures in finding the right partner?

Keywords

transparency; new funding models; local economic development; inclusive economic growth; investment, PPP,