



Innovative international financing to scale up the transformation of urban mobility

Issues Brief
May 2019

Objective

The objective of this paper is to stimulate a discussion between a small group of experts who will be gathered in think-tank session format. The think-tank session will analyse the current situation and identify innovative financing models capable of dramatically scaling up the transformation towards sustainable, low carbon urban mobility to power livelihoods and places.

Background

While there is a lot of knowledge and experience of successful sustainable urban mobility solutions, their worldwide implementation at scale remains a major challenge. Implementation requires political leadership, collaboration across jurisdictions, human capacity and financing. While public and private financing for construction and operations may come from national and international sources, this Issues Brief addresses only the issue of international financing (financing).

The issue brief was developed by the Partnership on Sustainable, Low Carbon Transport (SLoCaT), supported by the Transforming Urban Mobility Initiative (TUMI).

Key issues regarding international financing of sustainable urban mobility solutions

A. Scale

The amount of financing currently available is tiny compared to that required to transform urban mobility and reduce urban emissions to a level compatible with the Paris Climate Change Agreement.

B. Baseline problem

Urban transport demand is rising fast and urban mobility measures create and transform transport demand, this makes evaluating the added value of projects more complicated.

C. Complexity

Successful implementation of integrated urban mobility policies and measures is complex, involves multiple political and technical actors over long periods of time (that often stretch beyond terms of office of political mandates). It requires specific technical capacity and skills that sub-national and local (and national) governments often lack.

D. Construction and operations

Urban mobility requires financing for construction, operations and maintenance - different urban mobility solutions to the same problem may well require a different balance of these aspects.

E. Big projects bias

Sustainable, low carbon urban mobility solutions may require long-term financing at a low level rather than a single large scale infrastructure investment. e.g. subsidy for the operation of a public bike share scheme. Such small, long-term financing operations may be less attractive for development banks.

F. Multiple non-monetary benefits

Although it is known that sustainable, low carbon urban mobility solutions are more cost effective than big infrastructure projects, the many different types of benefits that can accrue to multiple actors over many years can be hard to quantify in monetary terms.

G. Passenger transport bias

National, sub-national and local government officials and elected representatives often pay disproportionate attention to passenger transport - neglecting freight and service trips which are a very significant part of urban mobility and its associated greenhouse gas emissions, air pollution, traffic congestion and productivity loss.

H. Multiple sources

International public financing for urban mobility measures may well come from multiple sources with different objectives e.g. urban development, environment, climate etc.

I. National approval requirements and limitations for sub-national lending

Multilateral financing for urban projects cannot be directly accessed by sub-national and local governments and often requires the approval/endorsement/guaranteeing of national governments which may or may not be given - for multiple reasons. Moreover, sub-national and local government is often excluded from creditworthiness rating programmes.

J. Affordability

Loans need to be paid back - do cities have the financial capacity to take on additional loans?

Proposed areas for discussion

A. Reviewing the issues

- Is the list of issues in section 3 above complete? What other issues are there? What are the main intersections between the different issues?
- Do any of these issues relate to other underlying, more fundamental issues or root causes?
- How should these issues be ranked?

B. Possible solutions

- What solutions can be envisaged? Are there any good case studies of successes and failures? What can be learnt from other sectors?
- What solutions would have a further catalytic effect? How can solutions be ranked?
- Who are the key actors and who does what?
- Who do we need to work with? From whom will we face more opposition and who will be our best allies?

C. Next steps

- What initiatives already exist?
- What are the initial practical steps to be taken?
- What other actions could be taken to advance this discussion? How?