

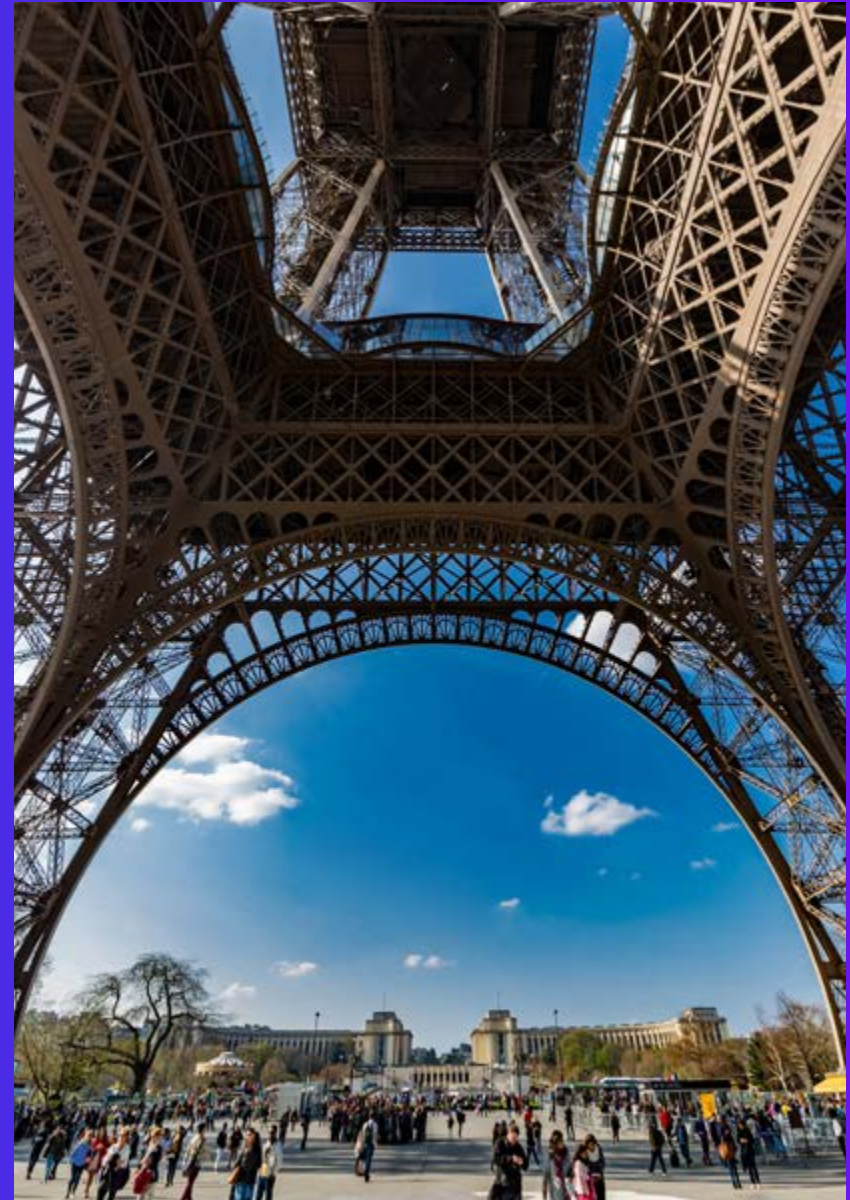


Time is running out for cities

**A guide to help cities achieve their
UN Sustainable Development Goals**

KPMG International

Not meant for US distribution



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Introduction

A 2022 snapshot: Catastrophic floods. Deadly heatwaves. Crippling droughts. Raging wildfires. As extreme disasters wreak havoc across the globe, we are poised at a historic crossroads regarding the very future of our planet. Transformational change has become inevitable as the clock ticks down on one of the greatest challenges of our time.



The 2030 UN Agenda for Sustainable Development is a global action plan to transform our world and set it on a promising new trajectory. At its core are 17 Sustainable Development Goals (SDGs) regarding global poverty, employment, health, education and gender equity — and an urgent call for every nation to tackle the profound impact of today’s climate emergencies.

Figure 1: Sustainable Development Goals



Unfortunately, as this report highlights, systemic roadblocks continue to impede progress and threaten our prospects for success. Is there cause for alarm? KPMG professionals believe so and they are not alone.

KPMG firms, in collaboration with the groundbreaking United Cities initiative, undertook a revealing Dynamic Risk Assessment (DRA) to understand the barriers impairing cities on this time-sensitive journey to 2030.

The United Cities program provides an international platform for information sharing and partnership building, bringing the world’s cities and communities together in hopes of meeting the UN’s goals. In addition to the findings shared here, KPMG professionals spoke to several United Cities specialists, city leaders from around the world and other subject matter professionals for their insights on what they believe the future holds and how local leaders, businesses and communities everywhere need to unite and respond as one without delay.

The methodology for this DRA comprised engagement via interviews and workshops with

subject matter professionals from an array of industries as well as organizations in the public and private sectors. Their insightful perspectives and compelling findings go beyond North America and Europe to include global voices from Asia, Latin America and Africa on the severe risks that need to be mitigated if there is hope for a new future.

Dynamic Risk Assessment itself is a risk-identification and assessment methodology that utilizes three sciences — *Expert Elicitation*, *Network Theory* and *Behavioral Finance* — to generate a network of risks.

Instead of the usual two-dimensional risk assessment, this compliments the traditional *Severity* and *Likelihood* view with two extra dimensions.

These are *Velocity* — a measure of the time between when a risk is triggered and when an organization will feel the full effects of that risk, and *Connectivity* — which show the interdependencies between risks. The study combined these sciences through the use of a methodology and a US patented software tool to develop the network of risks.

The clock is ticking — and time is not on our side

The hope in providing this report and its timely findings is to offer provocative insights into how today's cities, leaders and businesses need to enact viable approaches concerning the future of global communities and the achievement of the SDGs.

There may be cause for cautious optimism that we can complete the SDG journey. But time is not on our side, unfortunately. Local leaders, businesses and communities simply cannot claim *'If only we had known!'* in the face of today's disasters and the undeniable need to alter our course into the future.

According to the UN, more than half the world's population lives in cities and the number is projected to rise to 60 percent — about five billion people — by 2030. By 2050, an estimated 70 percent of the world's population will reside in urban settlements. And while urban centers are the powerhouses of economic growth — accounting for two-thirds of the planet's economic activity — they also account for about 75 percent of global carbon emissions, despite occupying about three percent of the planet's landmass.¹

One hundred cities alone account for about 20 percent of global emissions. The average carbon footprint per capita globally is about four tons but the number is significantly higher in wealthy nations such as the US, where the per capita average is 16 tons, one of the highest rates in the world.²

Amid a prevailing public perception that 'there is time' to enact solutions, and that technology will save the day, the troubling reality is that pivotal systemic changes are needed now. And make no mistake — there are no quick fixes to this historic global challenge.

In KPMG professionals' view, the historical focus has been on sustaining financial gains at the expense of local community needs and well being, and governments have played a role in allowing this to happen. Cities must act now.

While it is important to note that the clock is ticking, there is cause for hope. But a concerted effort is the way forward, with the world's major cities and their leaders adopting bold and creative strategies that will generate and sustain progress on the net-zero journey. There are already remarkable improvements among some global cities that are setting the pace and providing instructive examples of what can be accomplished, particularly in collaboration with the private sector.

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¹ <https://www.un.org/sustainabledevelopment/cities/>

² <https://www.scientificamerican.com/article/heres-how-much-cities-contribute-to-the-worlds-carbon-footprint/>



As the Zero Energy Project notes: “The worldwide zero net energy carbon neutral vision is being driven locally.” The world’s pace-setting cities, the US-based organization adds, are demonstrating that “local governments can meet the commitments they have made to reduce greenhouse gas emissions while strengthening local economies.”

As the UN tells us, cities are ‘fundamental’ to meeting the SDGs and local governments currently have a historic opportunity to solve the challenges that have clearly proven problematic and divisive for national governments.

City leaders — what are you doing to build collaborative relationships with organizations in your community to generate progress?
Business leaders — what are the obligations of your companies as responsible members of the communities in which they operate?
Private sector — what is your responsibility to support a bold new path into the future? These are pivotal questions that demand concise and immediate answers.

The hope in providing this comprehensive report is that we offer timely insights toward a constructive path forward on the pivotal journey to a healthy future for our planet and society. Time is of the essence and the challenges are profound. But with the pursuit of creative new strategies and close collaboration among cities, their leaders, businesses and community members, a brighter future awaits us all.





01

Barriers to progress

are systemic but not insurmountable



The barriers to progress toward a new environmental reality for our planet are diverse, extremely challenging and in many cases unprecedented for our planet. As the UN warns, there is no time to lose on the pressing need for decisive action that will deliver real solutions for a new future.

To react strategically and complete this unprecedented journey without delay, it will be critical to understand the entire risk landscape. As this risk-assessment shows, KPMG professionals are taking a proactive approach through our work with not-for-profit organization United Cities and its important efforts to meet an ambitious target of assessing every one of the world's 10,000 cities by 2030.

KPMG is collaborating with United Cities to expand its focus on today's vast climate challenges and risks, and to help facilitate the innovation and technological solutions needed today to help

achieve net zero. These organizations are working together to help our planet achieve the 17 UN Sustainable Development Goals under the UN's 2030 Agenda for Sustainable Development.

KPMG has also launched, in 2022, the Net Zero Urban Program with the aim of facilitating aggressive and immediate decarbonization in cities. The program seeks to address three main challenges stifling innovators, as well as the wider development and use of affordable climate technologies: lack of funding, lack of industrial partners to demonstrate scale, and finding a route to market.

As cities respond to the global pandemic's impact, local leaders now have an opportunity to harness the momentum of ongoing recovery initiatives and accelerate progress toward a sustainable future.

The journey calls for new forms of collaboration and innovative partnerships. At the same time, the formidable challenge of accelerating action among cities, businesses and citizens is accompanied

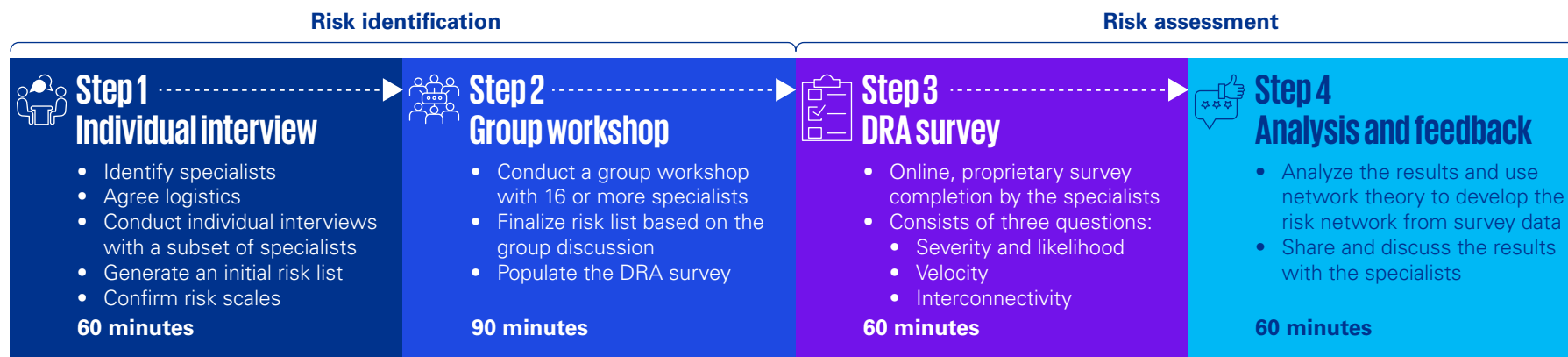
today by the critical need to fund viable sustainability initiatives.

The pandemic has raised the funding challenge to new heights amid massive local stimulus programs and emergency support for struggling citizens and businesses. With fiscal challenges soaring as a result of the pandemic, city leaders need to pursue creative new economic strategies and approaches.

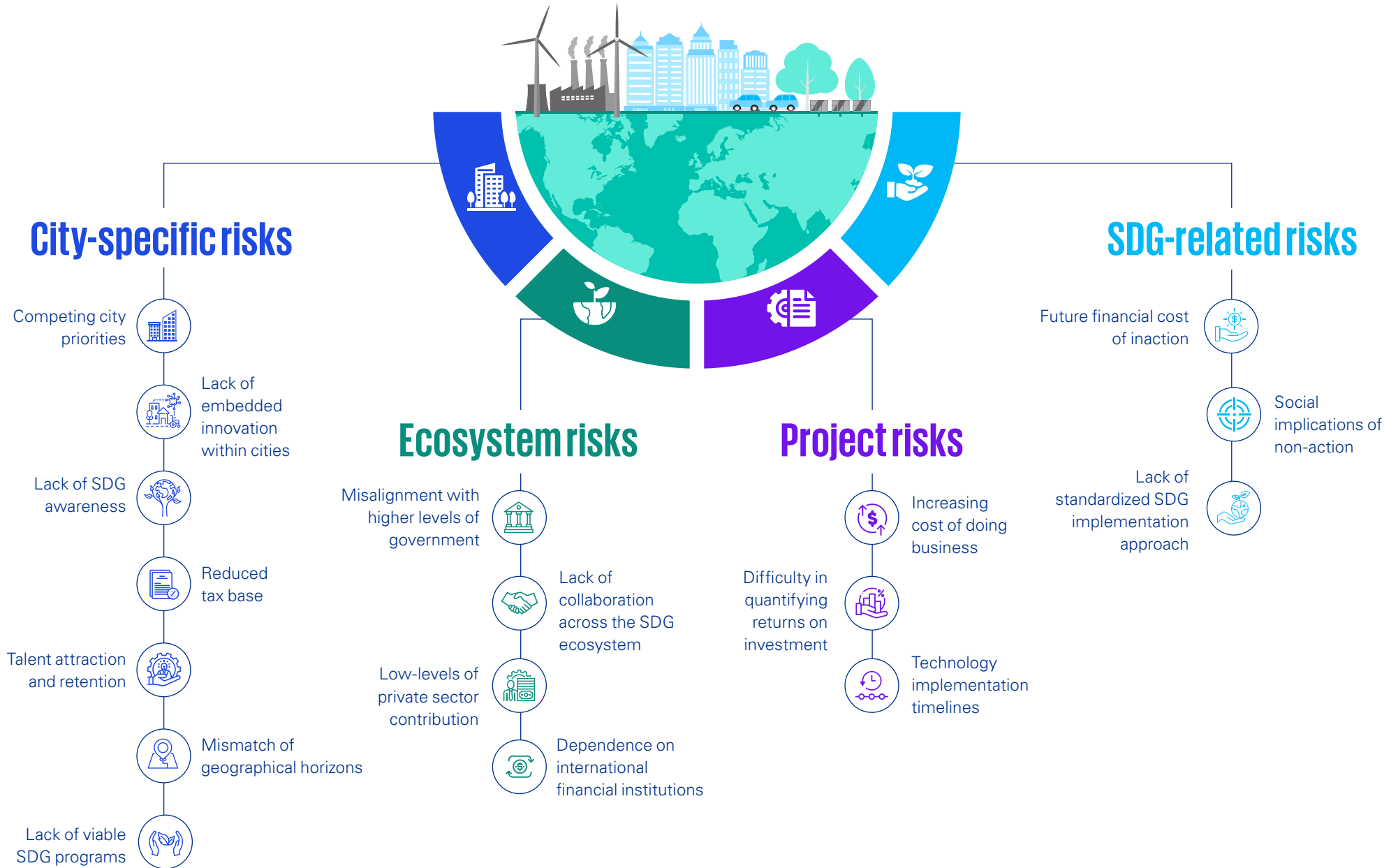
The research and risk assessment for this report reveals four key themes regarding today's prevailing risk environment and the imposing barriers that cities continue to face in obtaining and effectively leveraging funding to support delivery of the Sustainable Development Goals.

While these challenges can take time to be solved, they are not insurmountable. Many of them can be addressed through greater city leadership and close collaboration on strategies and solutions among governments, the private sector, NGOs and local communities.

DRA process



Total time required from each participant is between 3 – 4 hours

The diverse risks identified are as follows:

City-specific risks

Competing city priorities

With limited revenue and resources, city governments will likely continue to prioritize growing service and capital pressures instead of SDGs.

Lack of embedded innovation within cities

Achievement of the SDGs requires innovative thinking to help maximize effectiveness. In cities innovation tends to sit within a silo on the side versus being embedded in the business model of the city.

Lack of SDG awareness

Some city governments are unaware of the SDGs or unsure how to address them given limited resources and/or unclear implementation plans, leaving them unable to make meaningful progress.

Reduced tax base

With the rising cost of living and the impacts of the pandemic, migration out of cities will likely result in a decreased tax base and smaller base of funding for cities with which to tackle the SDGs.

Talent attraction and retention

Cities are facing difficulties in attracting skilled workers in the current 'employee market' which can create skills gaps across municipalities and reduce cities' abilities to effectively support meeting the SDGs.

Mismatch of geographical horizons

The positive impacts of addressing the SDGs within a city deliver potential benefits far beyond the geographical boundaries of the city, making quantifying the expected benefit to the city challenging.

Lack of viable SDG programs

Cities are increasingly facing pressure by other agencies and the public to meet the SDGs. There are growing expectations that cities have effective strategies, planning and projects to deal with these goals.

Ecosystem risks

Misalignment with higher levels of government

Cities are constrained in their ability to generate and retain revenue requiring a high degree of reliance on sovereign or sub-sovereign governments which can be misaligned with specific city policies/funding requirements.

Lack of collaboration across the SDG ecosystem

Effectively addressing the SDGs requires strong collaboration between the public, private and not-for-profit sectors. A lack of this collaboration will likely result in an inability to make meaningful progress.

Low-levels of private sector contribution

While ESG awareness is rising in the corporate world, contributions from the private sector remains low given the relative capital available leading to notable resource and funding gaps towards addressing the SDGs.

Dependence on international financial institutions (IFIs)

Cities remain dependent on funding and financing from IFIs to meet the SDGs. This funding/financing is often difficult to attain due to red tape, and administrative burdens.



Project risks

Increasing cost of doing business

Increasing inflation coupled with increasing interest rates has led to decreased profit margins, resulting in increased competitiveness towards the available financing.

Difficulty in quantifying returns on investment

Traditional funding/financing elements are unable to effectively quantify positive social, environmental and economic returns on investment for SDG projects limiting financing availability.

Technology implementation timelines

The timeframe associated with technology development and implementation can be long. Despite a growing reliance on technologies to address environmental and social challenges, some of these technologies might not be available when most needed.

SDG-related risks

Future financial cost of inaction

Investment today in the SDGs can help future generations, which disincentivizes action for the current generation and the cost of ignoring achievement towards the SDGs today may only result in a larger cost in the long run.

Social implications of non-action

With the multitude of competing priorities in cities, inaction towards addressing the social elements of the SDGs can further accelerate social crises such as affordable housing, access to healthcare and employment opportunities.

Lack of standardized SDG implementation approach

Circumstances and needs within cities vary across the globe meaning there is no uniform approach to addressing the SDGs creating difficulties in sharing of leading practices, requiring each city to identify their own action plan.





02

Zeroing in on key risks

and their explosive
connections

As you can see, the risk landscape is complex and challenging in its diversity. The leading risks affecting the ability of cities meeting the SDGs based on the research and findings are:

- competing city priorities
- inadequate private-sector contribution
- future financial cost of inaction
- lack of public-private collaboration across the SDG ecosystem
- lack of embedded innovation within cities

KPMG professionals have taken this research a step further to identify among the key risks and their interconnectedness how some risks — what are classified as *risk receivers* — are particularly vulnerable to the influence of other risks. Key among these are today's low levels of private contribution to SDG progress from businesses and private equity, and the future financial cost of inaction.

In addition to risk receivers, there are also key *risk emitters* — risks with the greatest potential to influence and trigger other risks. The top three risk emitters are; political instability, competing city priorities, and an ongoing lack of embedded innovation within cities. There is also a lack of SDG awareness, and a need for collaboration across the SDG ecosystem, within this group.

The following question to today's city leaders in this risk-laden environment is simple enough; how much longer will it take to recognize the potential impact of today's closely linked risks and to boldly pursue creative solutions with a new sense of urgency and optimism?





03

What now?

The race for positive outcomes as 2030 draws closer



Today's risks have major implications for city-centric issues and as we have stressed in this report, there is no time to lose. While we see cause for cautious optimism and indeed hope for a better future, it is abundantly clear that now is the time for decisive strategic action.

Amid soaring climate catastrophes and the increasingly urgent need for promising solutions, local leaders simply cannot allow SDG initiatives to languish as a 'nice to have' versus a time-sensitive 'must have.' With dramatic global consequences at stake, we need modern, highly focused policies and programs that can stimulate investment in, and commitment to, this historic journey.

Today's imposing risks demand transformational change — there is no simple fix to eliminate any of the risk factors in play and their potentially devastating economic results.

KPMG professionals believe potential approaches for a promising new tomorrow include the following actions:

- Cities must get their priorities in order now.
- Incentivize private-sector participation in SDG initiatives.
- Eliminate political instability — take the long road on innovation.
- Good citizenship by businesses and private equity.
- Turn up the volume to raise SDG awareness and collaboration.

1 Cities must get their priorities in order now

To overcome competing local priorities and accelerate progress on the SDGs, city leaders can begin by adopting a portfolio-management approach that today's large organizations rely on to establish and meet clearly defined objectives.

Portfolio management can go far in unlocking strategic change and progress on the SDGs — prioritizing the deployment of resources and funding toward smart initiatives that are designed to meet their goals. A more-strategic approach can also address the need for various levels of government to find common ground and overcome political differences and competing agendas.

Cities have the conditions to address many of the risks that were identified. It is under their control. They have no excuses. City leaders must wake up to the reality that a strategic, proactive approach is indispensable today to replace reactive, politically safe stances that continue to impair progress.

This includes embedding innovation into public policy and tapping into the power of modern digital technology, ultimately overcoming traditional approaches in which cities fail to adequately invest in their own capacity to innovate for the future. This will likely also require a new mindset that replaces the mistaken prevailing perception that a carbon-free world is a more expensive world. While 'sunk' or 'retrospective' costs that have been invested to date battling climate change cannot be recovered, these costs should be viewed as a precursor to tangible future approaches.

Innovative public-private partnerships need to be operationalized. In some nations and regions, programs are underway to bring stakeholders together in new ways to identify, prioritize and collaborate on public initiatives that can benefit communities. Acquiring and retaining the digital skills needed along the way is also critical.

Today's imposing risks demand transformational change — there is no simple fix to eliminate any of the

risk factors in play

and their potentially devastating economic results.

2 Incentivize private-sector participation in SDG initiatives

Cities desperately need new investment to drive local change. How can we bring public and private-sector stakeholders together in new ways to generate progress?

KPMG professionals believe the future demands creative efforts at ‘matchmaking’ to help unite both sides on a bold and optimistic new path. This includes heightened dialogue in pursuit of realistic policies and goals, plus adequately funded initiatives that private investment supports amid competing opportunities. Cities need to incentivize investors with a balanced risk-reward scorecard that maps out the spectrum of required results for all players — striving to ensure confidence, trust, ROI and ultimate success.

Linking investment to the UN SDGs while effectively managing risk to inspire investor confidence can serve as a powerful incentive to business. Initiatives and deals need to be strategically structured in ways that present a risk-managed win-win scenario for both investors and communities.

Local leaders need to speak the financial language of investors to make powerful new connections. Today’s businesses are already ahead of governments through their ESG commitments and it is up to city leaders to foster trust that encourages participation in local SDG initiatives.

The innovative Thames Tideway Tunnel project in London — a major 25-kilometre public-private partnership project to transfer sewage overflows

away from the Thames River — is demonstrating what can be done to entice significant investment.

The project’s metrics and objectives for social benefits and infrastructure modernization were mapped to the SDGs while also maintaining a sharp focus on risk management. Confident investors quickly recognized the value of this nearly US\$6 billion project and it is proceeding on track to be completed in 2025.³

The German city of Bonn is working to improve multi-stakeholder dialogue with the private sector to better coordinate activation of its SDG programs. Meanwhile, the municipality of Kópavogur, Iceland, has launched a new consultation process with the private sector to identify and promote new SDG-focused opportunities.

In some countries, territories or jurisdictions there is a proliferation of local green financing programs and city-issued green bonds to fund environmental projects. In Bogota, Colombia, this creative financing approach is helping to promote greater public access and reliance on natural gas and electric-powered vehicles as part of the city’s efforts to minimize carbon emissions.⁴

Incentives to attract new investment can also go far in addressing the major risk of crippling future financial costs in the wake of inaction on the SDGs. As this report has noted, the decisions we make today — and the unthinkable impacts of not meeting the SDGs — will likely impact future generations, leaving tomorrow’s decision makers and communities with immense costs and economic challenges.

³ <https://www.tideway.london/the-tunnel/>

⁴ <https://www.oecd.org/about/impact/achieving-sdgs-in-cities-and-regions.html>



3 Eliminate political instability — take the long road on innovation

Today's typically risk-averse local leaders need to revisit their priorities, directing their energy and resources to what is best for their communities — versus what's best for their political future. In a world of political change and instability, private-sector confidence that initiatives will be sustained, completed and pay off with results that truly meet objectives is indispensable. Simply put, an innovative long-term approach to innovation itself is vital.

In the UK, the National Infrastructure & Construction Pipeline is dedicated to developing long-term public initiatives that are independent of the short-term democratic process and political priorities. The 2021 program set out the equivalent of nearly US\$700 billion in public and private infrastructure investment that aims to 'transform people's lives for decades to come' across the UK.

Projects include the Hinkley Point C nuclear power utility that is under construction in Somerset, England and designed to play a vital role for the environment.⁵ Cities in France are also taking innovative steps aimed a planning infrastructure aside from the political cycle and political investment — separating it out completely.

Taking politics out of the SDG journey and adopting a long-term view for sustained progress should also go far in addressing the need to embed innovation within cities. The arcane mindset that

it may be too risky politically to rock the boat with innovative and potentially game-changing local initiatives should be adjusted. Boldly ambitious strategies delivered within a progressive and creative culture of innovation is the way forward.

Adopting a modern approach that puts progress before politics — and the influence of social media — can drive innovation in a positive atmosphere that has the buy-in of all players, including the public and the communities that innovation is meant to serve. Bold strategies and sustained long-term programs are pivotal to progress and our future well being.

4 Good citizenship includes businesses and private equity

Businesses are preoccupied with profitability. Investors are focused on returns versus risks. Local leaders continue to embrace safe political agendas that may include SDGs but which typically fail to generate real progress.

These stakeholders need to stop working at odds and unite in new ways that fully recognize, amid competing agendas, the obligations they have to their communities. Business leaders and investors need to act as 'responsible citizens' of the communities in which they operate and employ people. Social license has shifted and it is no longer ok to inflict damage on the environment or create obstacles for any of the 17 SDGs.

In many nations, weak private-sector participation is not a factor in the SDG movement's progress.

Businesses and investors are acting as good citizens. Major corporations in the Nordic countries, for example, are active players in supporting the communities in which they operate. In Germany, businesses care about the cities and the communities they operate in and take a proactive approach to innovation.

Communities supported by good corporate citizenship can help minimize the future financial cost of inaction and the threat of unpredictable fiscal challenges for future city leaders and their communities. If investments aren't made now towards the SDGs, cities risk greater future financial costs for disaster relief, climate crises mitigation and emerging social issues. The cost to restore the damage done will likely far outweigh the investment that should have been made from the start to mitigate issues related to the SDGs.

In the UK, the National Infrastructure & Construction Pipeline is dedicated to developing long-term public

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that are independent of the short-term democratic process and political priorities.

⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1016759/Analysis_of_the_National_Infrastructure_and_Construction_Pipeline_2021.pdf

5 Turn up the volume to raise SDG awareness and collaboration

As was previously noted, the urgent message on our uncertain future and the importance of meeting the SDGs is not resonating nearly as powerfully as it should today. A significant lack of effective communication to consistently articulate the SDG message and mobilize action is undermining progress. There is an underlying assumption that in today's connected digital world of informed consumers and social media, there is widespread agreement on how the SDG journey needs to unfold and its presumed 'success' to date.

⁶ <https://www.pmi.org/>

It is crucial that the SDG ecosystem and environmental movement share their messages universally in ways that truly spark new levels of awareness and public activism. This includes new efforts to reach those cities, regions and nations that have yet to experience the full impact of today's proliferating climate disasters and thus continue to delay on the SDGs.

Inspiring new levels of public activism that move beyond today's typical band-aid solutions can as has been seen in some localities, undoubtedly mobilize greater participation in the cause and can influence key risks such as competing city priorities, the need for collaboration and funding, and political instability.

Future communications initiatives must share the message more often and more widely, embedding the SDGs across an array of public-awareness efforts and campaigns. Some UK communities have created effective grassroots organizations with a mission to enhance public dialogue and unite cities, businesses and the public to drive change.

The Project Management Institute (PMI) is working in nearly every country, territory or jurisdiction around the world today to provide project professionals and change-makers with new skills and approaches that can enhance their impact in delivering projects for a better future.⁶





04

Final thoughts — the time for talk is over

Where will you and your
community be in 2030?



In conclusion, hopefully this report has been thought-provoking as it seeks to encourage new levels of informed strategic action that can heighten the prospects for success as the 2030 SDG deadline approaches.

The time for talk is over. Bold, confident action is now imperative amid what is seen as a disconnect between reality and public perception. Conquering this macro-challenge can demand countless micro-decisions by every stakeholder — governments, the private sector, the environmental movement and the public.

These uncertain times call for decisive action that can unite city leaders, the private sector and communities in powerful new ways to accelerate the journey. Focus on a continuum of progress — not perfection — via collaborative multi-stakeholder

strategies. Each stakeholder needs to look in the mirror and ask: ‘What am I doing to make a difference?’ The challenge of managing the risks that have been explored here is indeed complex. And their potential to unleash economic chaos soar amid the likelihood of risks connecting to trigger unpredictable results.

As noted, the SDG movement’s important message is failing to resonate with society in a way that can generate sustained action and tangible change. But to be very clear, the overarching challenge in meeting our destination successfully — and on time — is essentially city-centred.

City and community leaders now need to explore how best to mitigate a risk landscape marked by — among numerous factors — competing local priorities, inadequate private-sector participation,

weak collaboration among cities and businesses, the need for new skills in the digital era, the lack of innovation-driven cultures among cities, and the unpredictable future financial cost of inaction. A daunting list of threats to say the least.

The UN Secretary-General warned world leaders in September that our planet is facing a “moment of great peril”, adding that “the world has a long to-do list” which we cannot leave to future generations. Sounding a note of encouragement, he also remarked: “The perils we face are no match for a world united. Let’s get our world back on track.”⁷

Many of the challenges identified are within reach. City leaders must act decisively — or be held responsible by their communities if there is failure to reach the destination as defined by the UN SDGs. Time is of the essence. And the future begins today.

⁷ https://www.business-standard.com/article/international/un-chief-calls-for-efforts-to-rescue-sustainable-development-goals-122051800115_1.html



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