

UNECE

**Country Profiles on Urban Development,
Housing and Land Management**

REPUBLIC OF SAN MARINO



UNITED NATIONS

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Geneva, 2023

NOTE

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PREFACE

The Country Profile on Urban Development, Housing and Land Management of the Republic of San Marino was developed at the request of the Government, within the context of the technical assistance project “Strengthening capacity for the implementation of urban-related SDGs in San Marino through the development of the Country Profile on Smart Sustainable Urban Development, Housing and Land Management”. The project was funded by the Ministry of Territory, the Environment, Agriculture and Civil Protection of the Republic of San Marino. It aims to enhance the capacity of national and local authorities to develop and implement sustainable, inclusive and evidence-based urban policies and programmes.

The Housing and Land Management Unit of the United Nations Economic Commission for Europe (UNECE) Division of Forests, Land and Housing led the development of the Country Profile, working closely with the Ministry of Territory, Environment, Agriculture and Civil Protection, its main counterpart for the project. The project started with an evaluation of the performance of the country’s capital city, San Marino, against the Key Performance Indicators (KPIs) for Smart Sustainable Cities (SSC). However, this Profile presents not only the results of the city evaluation but also provides country-level evaluation along with action-oriented recommendations for the consideration of the Government. Hence, the study evolved from a city to a country profile.

The KPIs for SSC is a public and freely available standard developed by UNECE and the International Telecommunication Union (ITU) in the context of the United for Smart Sustainable Cities (U4SSC) initiative. U4SSC is coordinated by UNECE, ITU and the United Nations Human Settlements Programme (UN-Habitat) and is supported by 14 other United Nations agencies.¹



1 Up-to-date information on cities under KPI evaluation by UNECE is available at: <https://unece.org/housing/sustainable-smart-cities>.

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- Ms. Hana Daoudi** Former Secretary to the Committee on Urban Development, Housing and Land Management (Author)
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- Mr. Anthony Salazar** Consultant, UNECE (Analysis of KPI indicators, compilation of interview results and initial desk research on the background report for the Profile)

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ACRONYMS AND ABBREVIATIONS

a.s.l.	above sea level
AASS	State Autonomous Agency for Public Services
ASSLP	State Autonomous Agency for Public Works
CO ₂	carbon dioxide
EU	European Union
EUR	euro
FDI	foreign direct investment
GDP	gross domestic product
GHG	greenhouse gas
IMF	International Monetary Fund
ICT	information and communications technology
ITU	International Telecommunication Union
KPIs	key performance indicators
MSMEs	micro-,small- and medium-sized enterprises
NO ₂	nitrogen dioxide
O ₃	ozone
PPP	public-private partnership
SDGs	Sustainable Development Goals
SMEs	small and medium-sized enterprises
SSC	Smart Sustainable Cities
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States dollar

Units of measurement

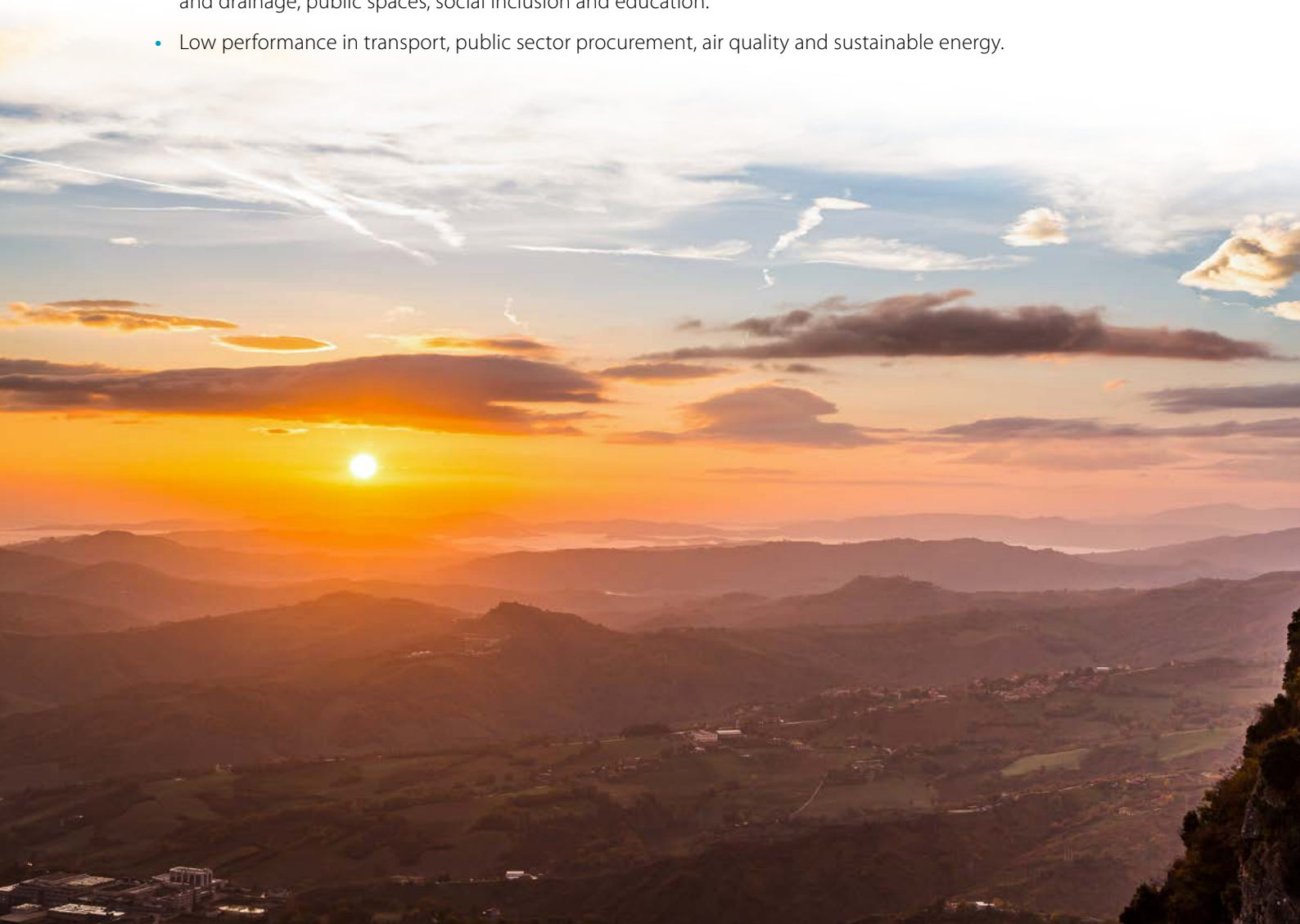
°C	degrees centigrade
km	kilometre
km ²	square kilometre
kWh	kilowatt-hours
kWp	kilowatt-peak
µg/m ³	microgram per cubic metre of air

EXECUTIVE SUMMARY

The Republic of San Marino, the third smallest microstate in Europe, is a high-income country that has been pursuing an environment-driven approach to development consistent with its cultural heritage and ambitions to become the “Garden of Europe”.² It has registered impressive progress in implementing the goals of the 2030 Agenda for Sustainable Development, capitalizing on its strategic relations with Italy, its neighbouring country, and the European Union.

While the lack of data did not allow for evaluating the country’s performance against all the Key Performance Indicators for Smart Sustainable Cities, the results of the assessment show the country as scoring:

- Strong performance in the areas of employment, water and sanitation and waste management, safety, housing, health and culture and environmental quality
- Moderate performance in information and communications technology infrastructure, electricity supply and drainage, public spaces, social inclusion and education.
- Low performance in transport, public sector procurement, air quality and sustainable energy.



2 Stefano Boeri Architetti, “San Marino 2030”. Available at: <https://www.stefano-boeri-architetti.net/en/project/san-marino-2030-a-garden-for-europe-a-microcosm-of-biodiversity-2/>.

The country was able to bounce back from the COVID-19-induced economic crisis. However, its recovery remains fragile owing to the rising energy prices in the wake of the war in Ukraine. The analysis of the national and city-specific policy and institutional set-up underpinning the country's national and urban development suggests that upscaling the progress of the Republic of San Marino across the social, economic and environmental pillars of sustainable development requires targeted interventions in the following areas:

- Sustainable energy
- Water management
- Waste management
- Urban mobility
- Enterprise development.

Ensuring successful implementation of these targeted interventions requires further improvement in the following:

- Overall urban policy and governance framework
- Development funding
- National and local monitoring and evaluation framework for strategic planning.

The Country Profile of San Marino provides action-oriented recommendations for upscaling efforts under each area. The recommendations were developed in consultation with the local and national authorities and will inform the work of the United Nations Economic Commission for Europe in support of the Government's efforts to realize its ambitious vision.





I. INTRODUCTION

Covering a total area of 61.2 km², the Republic of San Marino is the third smallest microstate³ in Europe after the Holy See and the Principality of Monaco, and the oldest⁴ republic in the world. It boasts a high standard of living and is focused on harnessing the full potential of information and communications technology (ICT) to further improve the quality of life of its inhabitants following an environment-driven development agenda. This Country Profile is meant to help the Republic of San Marino realize this vision.

This Country Profile was developed in close consultation with the Ministry of Territory, the Environment, Agriculture and Civil Protection. Its preparation commenced with an evaluation of the performance of San Marino against the Key Performance Indicators (KPIs) for Smart Sustainable Cities (SSC) and a desk review of urban development plans and initiatives. This was followed by face-to-face and online interviews with government officials and experts to gain insights into the country's immediate and strategic, long-term development challenges and priority needs.

The Country Profile of the Republic of San Marino provides a strategic analysis of the country's legal and institutional framework for sustainable development, development priorities and challenges in spatial planning and urban policy, sustainable water management, sustainable energy and mobility, and financial framework. It also contains analyses of the results of the evaluation of San Marino against the United Nations Economic Commission for Europe (UNECE) Key Performance Indicators (KPIs) for Smart Sustainable Cities (SSC). The indicators were developed jointly with the International Telecommunication

Union (ITU) and implemented in over 150 cities across the globe.⁵

The KPIs for SSC standard consists of 112 quantifiable performance measurements for evaluating UNECE cities against a common set of benchmarks of excellence which tracks progress toward the achievement of the Sustainable Development Goals (SDGs). The indicators are spread across the economic, social and environmental dimensions of the 2030 Agenda for Sustainable Development (2030 Agenda), with ICT integrated as a cross-cutting "means of implementation".⁶ The emphasis is on helping city leaders use ICT for improving the quality of life of all inhabitants and strengthening cities' overall competitiveness in a manner that is consistent with the 2030 Agenda principle of policy coherence. In so doing, the KPIs for SSC provide city leaders with a consistent and standardised method for collecting data and measuring performance as well as a practical

3 Ivana Katsarova, *The Relationship Between European Micro-states and the European Union* (Brussels, European Parliament, 2008). Available at: [https://www.europarl.europa.eu/thinktank/en/document/IPOL-REGI_NT\(2008\)397247](https://www.europarl.europa.eu/thinktank/en/document/IPOL-REGI_NT(2008)397247).

4 The Republic of San Marino was founded in 301 AD. It is said to be the oldest surviving republic (BBC, <https://www.bbc.com/news/world-europe-17842338>).

5 The KPIs for SSC were endorsed by the UNECE Committee on Urban Development, Housing and Land Management in 2016 (ECE/HBP/2016/4) to form the basis for the United for Smart Sustainable Cities (U4SSC) initiative. U4SSC brings together 16 United Nations agencies and supports the evaluation of the performance of cities using these KPIs, and the implementation of Smart Sustainable Cities solutions through the development of guidelines, studies, city action plans, and capacity-building events (<https://u4ssc.itu.int/>). The KPIs are detailed in the Collection Methodology for Key Performance Indicators for Smart Sustainable Cities (<https://unece.org/housing-and-land-management/publications/collection-methodology-key-performance-indicators-smart>).

6 Established under SDG 17 "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development", "means of implementation" is to be understood as "the interdependent mix of financial resources, technology development and transfer, capacity-building, inclusive and equitable globalization and trade, regional integration, as well as the creation of a national enabling environment required to implement the new sustainable development agenda, particularly in developing countries". For further details, see United Nations Department of Economic and Social Affairs Technical Support Team brief (https://sustainabledevelopment.un.org/content/documents/2079Issues%20Brief%20Means%20of%20Implementation%20Final_TST_141013.pdf).

reference framework for an integrated, indivisible and balanced treatment of the SDGs.

The Profile is organized into eight chapters. The introduction is followed by an overview of the salient features of the Republic of San Marino, including its topology, urbanization patterns and climate change challenges (Chapter II), and the legal and institutional framework underpinning urban development to set the context for the analysis (Chapter III). The evaluation

of the country's performance against the KPIs for SSC is provided in chapter IV. Chapter V looks into the lingering socio, economic and environmental effects of the COVID-19 pandemic. Chapter VI discusses the main challenges to the country's road to achieving smart and sustainable urbanism. The country's sources of development funding are highlighted in chapter VII, leading to action-oriented recommendations presented in chapter VIII.



II. GENERAL OVERVIEW

Location, topography and hydrography

The Republic of San Marino is located in Southern Europe, around 39 km away from the Adriatic coast. It lies on the north-eastern side of the Apennine Mountains and is surrounded by Italy, sharing borders with the regions of Emilia Romagna to the north and east and Marche- Montefeltro to the south and west. The country has a mountainous terrain, with elevation ranging between 53 and 739 metres above sea level (San Marino, 2016).

The country's landscape is shaped by Mount Titano, a UNESCO World Heritage site (UNESCO, 2008) and the country's symbol and highest point. Renowned for its unique silhouette, which features three summits crowned by ancient triple fortifications, Mount Titano peaks at 739 metres above sea level (a.s.l.), with most of the landscape found on the mountain's slopes and crests and stretching in an irregular rectangle that runs 13 km in total length from the north-eastern to south-western parts of the country.

The north-eastern parts of the country have a hilly morphology of clay and sand formations, which slope toward the Romagna plain and the Adriatic coast. In contrast, the south-western parts are peppered with mountains, which cropped out of violent earthquakes and are composed of enormous limestone and gypsum boulders with underlying clayey shale (see figure 1). In addition to Mount Titano, these mountains are Mount Carlo (559 m a.s.l.), Mount Seghizzo (550 m a.s.l.), Mount Penniciola (543 m a.s.l.), Mount Poggio Castellano (535m a.s.l.), Mount Moganzio (496 m a.s.l.), Mount Cerreto (458 m a.s.l.), Mount Deodato (453 m a.s.l.), Mount Montegiardino (340 m a.s.l.), Mount Cucco (388 m a.s.l.), and Mount Faetano (260 m a.s.l.).⁷ Their contrast to the gentle slopes in the north-eastern parts constitute the hallmark of the country's geological

formation, known as the "San Marino Formation", renowned for its rich biodiversity (Republic of San Marino, 2016, p. 7).

Rivers originating from the country dominate the water bodies of the Republic which flow through Italy into the Adriatic Sea. Most notable among these rivers are the San Marino River, the Ausa River, the Fiumicello River and the Marano River. Part of the San Marino River makes up the border with Italy (see figure 1). Numerous streams also punctuate the country's territory, including the Acquaviva, Canepa, Fontevivo, Torsano, Gorgascura, Pozzo Ceci and San Giorgio streams, which also flow into Italy. These rivers and streams cover only 1 per cent of the land surface, and the absence of water reserves and other types of water bodies means that water scarcity is a salient feature of the country's everyday life.

Figure 1 Republic of San Marino: Main rivers



Source: WorldAtlas; see: <https://www.worldatlas.com/maps/san-marino>.

⁷ The 2021 Voluntary National Review of the Republic of San Marino provides a detailed discussion of the country's geographical and geological conformation (Republic of San Marino, 2021, p. 168).

The country's small size and topography pose serious challenges to urban development:

- **Vulnerability to landslides and bradyseism:** The San Marino Formation is vulnerable to landslides caused by tectonic shifts in the surrounding valley of Valmarecchia.⁸ The resulting bad lands are compounded by the dissolution of the calcareous mountains and hills, creating voids in the subsurface - for example, sinkholes and other types of karst⁹ - resulting in severe damage to infrastructure and property, property loss and disruptions to daily life.¹⁰ In addition, some areas are subject to volcanic-related bradyseism (i.e., gradual uplift or descent of the land surface) as is the case with Mount Titano, where the bradyseism occurrences caused the overhanging of buildings in the city capital city.¹¹
- **Vulnerability to floods:** A few hours of heavy rainfall could cause intense floods, leaving the affected areas with significant damage.
- **Water scarcity:** Only 1 per cent of the territory is covered by water bodies, making the Republic one of the most water-stressed countries in the world (Maddocks, Young and Reig, 2015). Water scarcity also caused the country to be heavily reliant on imports, particularly from Italy, to meet local demand. Therefore, natural disasters and negative shocks emanating from Italy have reverberating effects on the country's water supply, with adverse consequences for communal, industrial and agricultural activities.

- **Land scarcity:** The country's small size and mountainous topography and rich natural habitat limit the areas available for human settlement and economic activities and, at the same time, complicate the task of striking a balance between the population's competing demands and the imperative for environmental preservation. Even a modest increase in the population size and/or industrial and agricultural activities pose risks to the country's ecosystem.
- **Lack of energy sources:** The Republic of San Marino is not endowed with fossil fuels and does not have power plants.

Population and urbanization trends

The Republic of San Marino has a small population, estimated at 33,812 inhabitants in 2022 (33,698 in 2021), including 5,616 foreigners or 16.6 per cent of the country's population who are predominantly Italian nationals (OITDS, 2023a, table 1.1). The country's small population is a reflection of its mountainous typology and modest population growth. Over the past two decades, annual population growth ranged between 0.2 and 2.1 per cent and has been on a declining trend (see figure 2) attributed to falling fertility rates. Statistics put the annual fertility rate at 30.14 per 1,000 women of reproductive age (15-49 years old) in 2022, down from 32.16 in 2020 and 35.68 in 2016.¹²

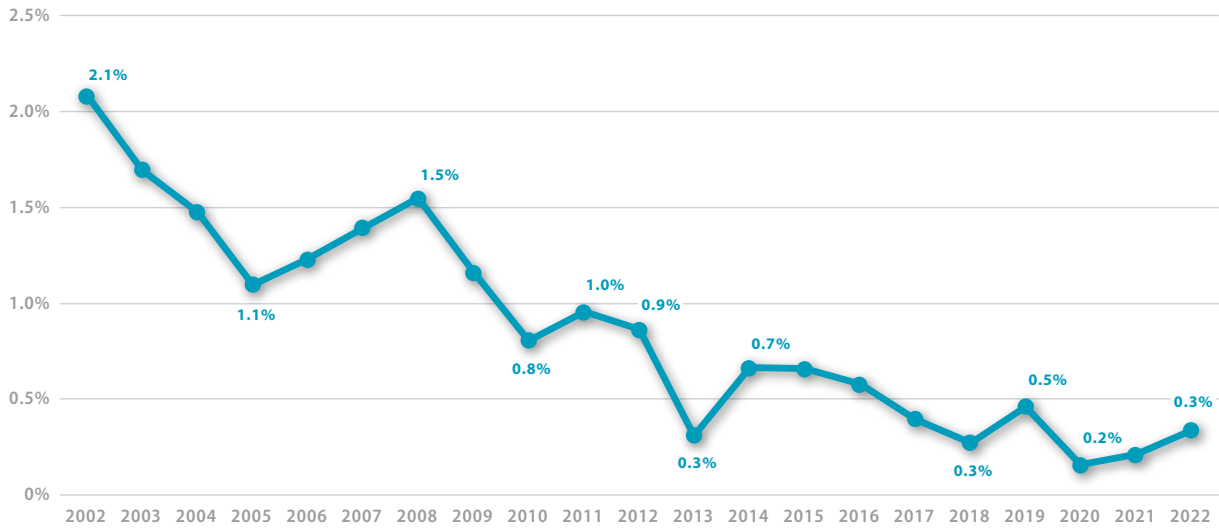
8 The Valmarecchia valley originates from Monte della Zucca (Tuscany, Italy) and covers the southern part of Emilia Romagna as well as the northern part of the Marche (Cornamusini and others, 2017).

9 Karst is a topography formed from the dissolution of soluble rocks such as limestone, dolomite, and gypsum.

10 The Republic of San Marino features permanently on the list of areas of Europe with marked susceptibility to landslides; see European Landslide Susceptibility Map version 2 (ELSUS v2) at: <https://esdac.jrc.ec.europa.eu/themes/landslides>.

11 For further discussion of bradyseism, see Lima and others, 2009.

12 The annual fertility rates were computed based on data on the number of births and number of women of reproductive age (15-49 years old) from the Bulletin of Statistics 2022, 2020 and 2016.

Figure 2 Population growth, 2002-2022

Source: National Summary Data Page (NSDP), Population, Office of Informatics, Technology, Data and Statistics of the Republic of San Marino (OITDS); see: <https://www.statistica.sm/pub1/StatisticaSM/e-gdds/nsdp.html>.

For the same reason, the population of the Republic is also ageing. Sammarinese belonging to the age group 51-55 years old constituted the largest segment of the population in 2022, whereas in 2012 the largest segment was dominated by those aged between 45 and 49 years.¹³ The shift toward an ageing population means slower labour force growth and downward pressures on income growth as working-age inhabitants pay more to support the elderly. It also means a strained public budget from increased social spending.

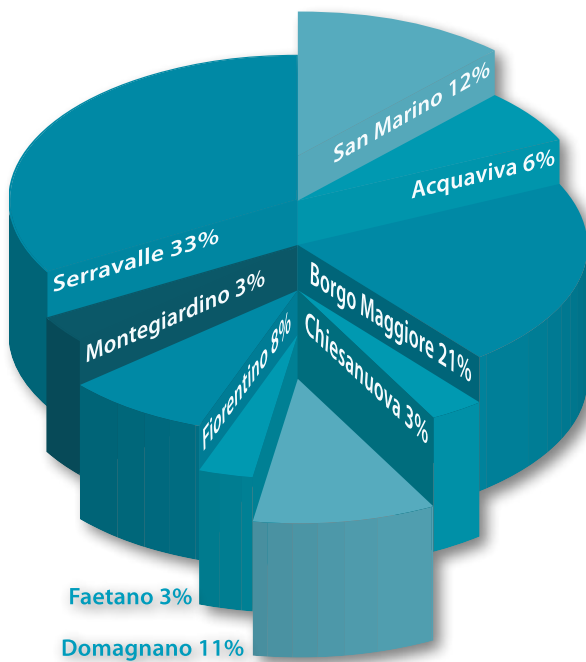
An erosive urbanization trend emerged in the Republic in the past decade. Its cities have consistently been home to most of the inhabitants and accommodated 98 per cent of the population in 2022, according to the latest available data of the World Bank in July 2023. Historically, the country's urbanization followed an organized trend whereby human settlements, as well as social and economic activities, were designed in a way that preserves biodiversity and cultural

heritage. These elements, which define the landscape architecture of the country, appear to be undermined by the emergence of spontaneous urban sprawl along main road routes – especially the San Marino-Rimini highway.

This urbanization trend has not only been eating into agricultural land and harming local ecosystems but has also given rise to densely-packed buildings that stand in contrast to the country's cultural heritage. Moreover, this trend was underpinned by a disproportionate distribution of the population across the nine administrative districts (*castelli*) or municipalities: Montegiardino (3.31 km²); Acquaviva (4.86 km²); Chiesanuova (5.46 km²); Fiorentino (6.56 km²); Domagnano (6.62 km²); San Marino (7.09 km²); Faetano (7.75 km²); Borgo Maggiore (9.01 km²); and Serravalle (10.53 km²). Figure 3 shows that Serravalle, the country's industrial and agricultural hub and the largest city, and Borgo Maggiore, the second largest city, have the biggest percentage share on the total population in 2021. Faetano, the third largest city, has only 3 per cent of the country population while San Marino, the capital city, accounts for 12 per cent of the population.

¹³ Tables 1.3 and 1.4 of the Bulletin of Statistics 2022 of the Republic of San Marino present the population pyramids for 2022 and 2012 showing the shift toward an older population (https://www.statistica.sm/pub1/StatisticaSM/en/dam/jcr:e439daa0-5954-4d83-bcf9-515e7050c4b4/Supplemento_ITA_2022.pdf).

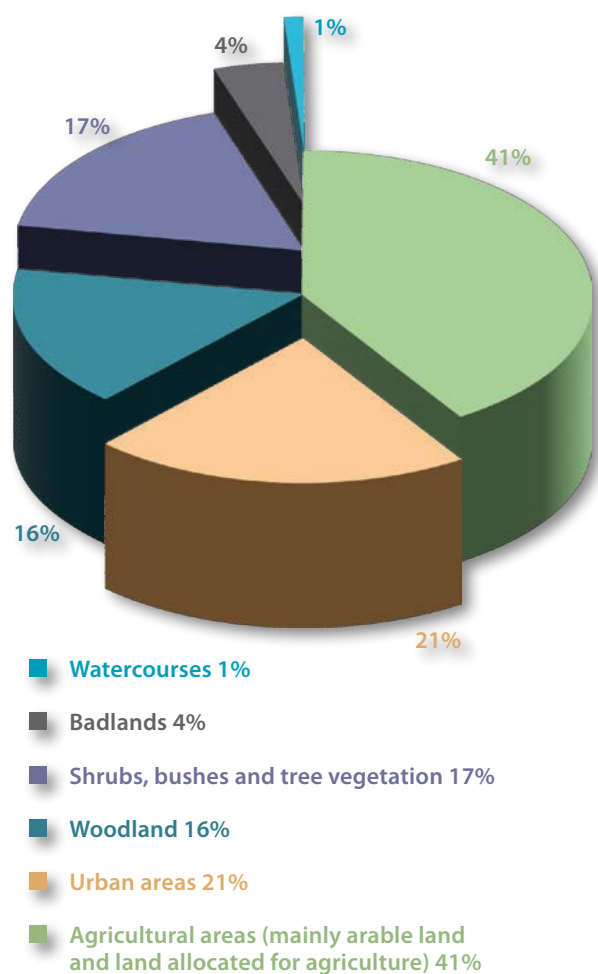
Figure 3 Percentage distribution of population across cities, 2021



Source: Statistics, Population - Demographic structure, OITDS; see: <https://www.statistica.sm/pub1/StatisticaSM/en/Dati-statistici/Popolazione/Struttura-Demografica.html>.

Despite a relatively low population density (571 inhabitants per km² in 2021),¹⁴ the pressure of the country’s urbanization trend on the infrastructure makes it difficult to preserve the natural habitat. In 2021, urban areas accounted for only 21 per cent of the total land surface while 41 per cent was agricultural areas (predominantly arable land) (see figure 4). The remaining land is covered with forests, shrubs and trees, including olive groves, oak, ash, poplar, fir and elm trees and various genera of flower and grass. The predominance of agricultural land and forests reflects the Government’s prudent environment-driven land management policy. This policy allowed for limiting bad land to only 4 per cent and ensured maintaining a large portion of the country’s primaeval ecosystems (San Marino, 2021, p. 170).

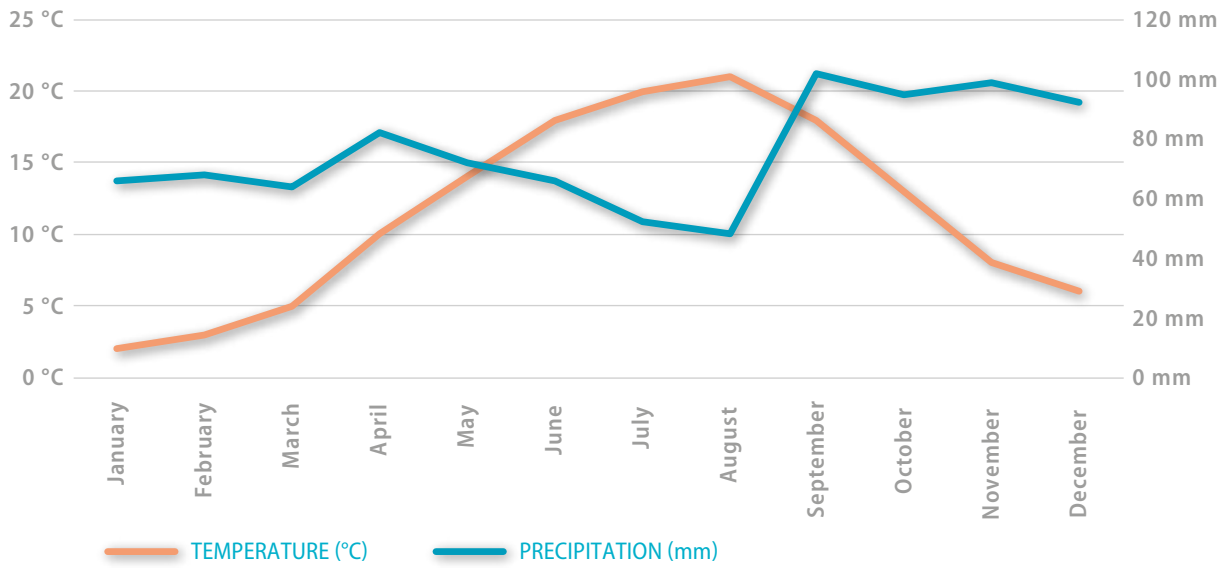
Figure 4 Republic of San Marino: Land use, 2021 (Percentage)



Source: Republic of San Marino, 2021, pp. 168-169.

¹⁴ In comparison, the slightly larger microstate of Monaco (75 km²) stands as the most densely populated country in the world (18,215 inhabitants per km² in 2020); see: <https://data.worldbank.org/indicator/EN.POP.DNST>.

Figure 5 Average annual temperatures and precipitation, degrees centigrade



Source: State Autonomous Agency for Public Services / Azienda Autonoma di Stato per I Servizi Pubblici (AASS).

Note: Data based on precipitation estimates and rainfall diagrams provided by AASS (<https://www.aass.sm/site/home.html>).

Climate change impacts

The Republic of San Marino has a varied climate ranging from temperate, continental to Mediterranean depending on proximity to the sea. The summers are mild, with temperatures ranging from 20°C to 30°C, while the winters are marked with stable rainfall and moderate snow precipitation, with the temperature rarely dropping below 6°C (see figure 5).

However, just like other countries around the globe, the country is not immune to the effects of climate change. The country has been experiencing more extreme weather events, with heat waves becoming more frequent. If this trend continues, the country may face losing its invaluable water resources, including those contained in soil, snow and ice, exacerbating its water stress.



Economic profile

The Republic of San Marino has a high-income economy, with per capita gross domestic product (GDP) average of 38,000 euros (EUR)¹⁵ annually from 2015-2019 (Republic of San Marino, 2021, p. 20). The country has relatively low levels of income inequality and a single-digit unemployment rate, which has been steadily declining (from 9.18 per cent in 2015 to 7.66 per cent in 2019). In 2022, the unemployment rate was down to 5.14 per cent (Republic of San Marino, 2023).

The services sector is the primary driver of the economy, accounting for more than 40 per cent of gross value added since 2015, while the industrial sector, dominated by manufacturing, follows at more than 30 per cent. Agriculture, on the other hand, has consistently contributed less than 1 per cent. A closer examination of the economy's structure reveals that the services sector is dominated by internal trade and professional services, with each accounting for around 12 per cent of gross value added in 2015 (see figure 6). The professional services industry has since gone on a downtrend ending up around 10 per cent of the gross value added in 2021. The contribution of tourism to income growth is modest, with net tourism inflows accounting for 3 per cent of GDP in 2019 (IMF, 2021).

Figure 6 highlights another salient feature of the Sammarinese economy, and this relates to the public sector's significant role in driving growth, generating 16.5 per cent of the country's gross value added in 2015 although down to 15.9 per cent in 2019 and 14.6 per cent in 2021.

The public sector also plays a significant role in generating employment opportunities in San Marino through its various administrative bodies (see chapter III) and Autonomous State Corporations (ASCs) providing public health and utility services. These entities have reported productivity gains. While their share in total gross value added has decreased slightly, they still account for 17.5 per cent of the Sammarinese workforce (excluding cross-border workers¹⁶ from neighbouring Italian regions), as of January 2021. This figure was 24 per cent in January 2001. Among the public sector workforce, around 56 per cent are civil servants working in different government administrative bodies (see figure 7). Another 30 per cent work at the Institute of Social Security (ISS), which manages the country's public health and welfare services (including retirement pensions, insurance, and health support to the vulnerable segments of the population).¹⁷ Over the past two decades, both the public administration and ISS have expanded their workforce to meet the growing demand resulting population growth. However, the remaining ASCs faced successive reforms¹⁸ that led to downsizing of their workforce, which in turn caused a decline in the public sector's contribution to job creation.

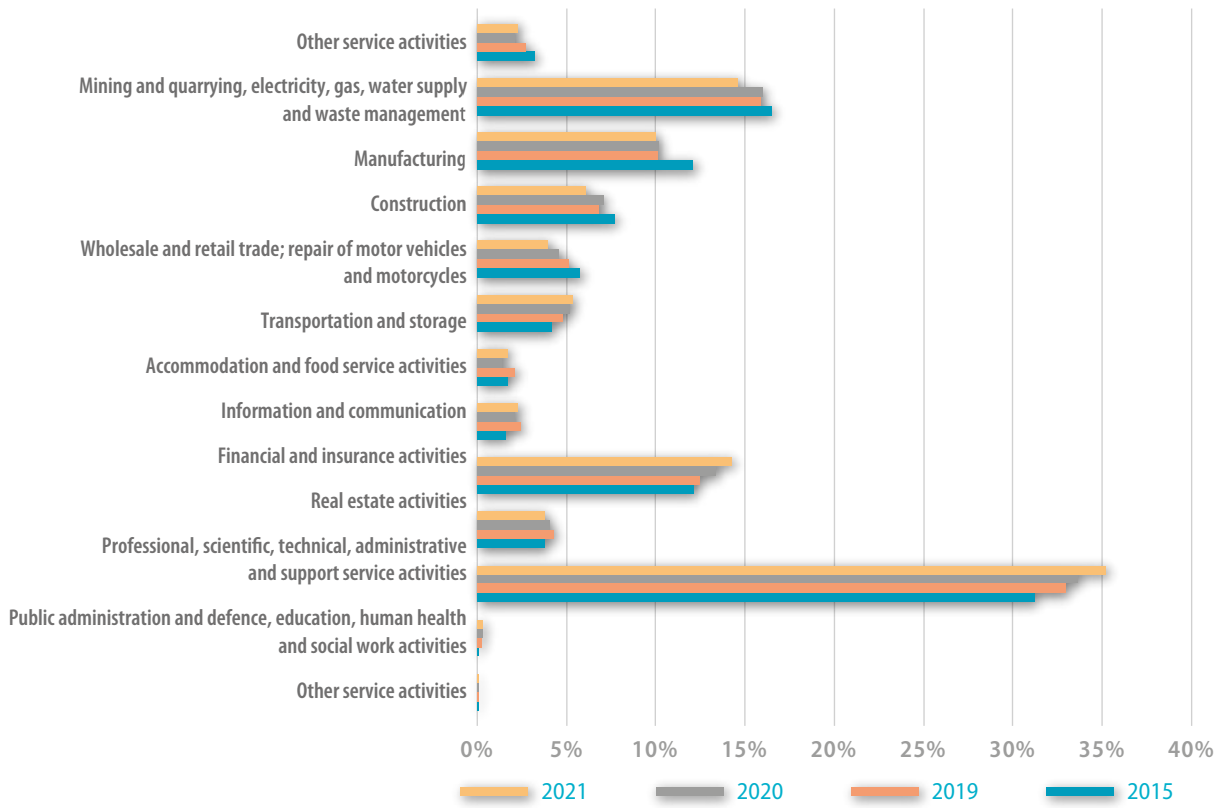
15 Equivalent to USD 42,696.46 using the exchange rate 1 USD = 0.89 EUR.

16 The number of cross-border workers is increasing, averaging 6,299 in 2021 (<https://www.statistica.sm/pub1/StatisticaSM/en/Dati-statistici/Lavoro-e-disoccupazione/Occupazione.html>).

17 Istituto per la Sicurezza Sociale, <https://www.iss.sm/on-line/home/chi-siamo.html>.

18 See, for example, Law No. 146 of 19 September 2014 (<https://www.aif.sm/site/en/home/legislation-in-force/documento50060819.html>).

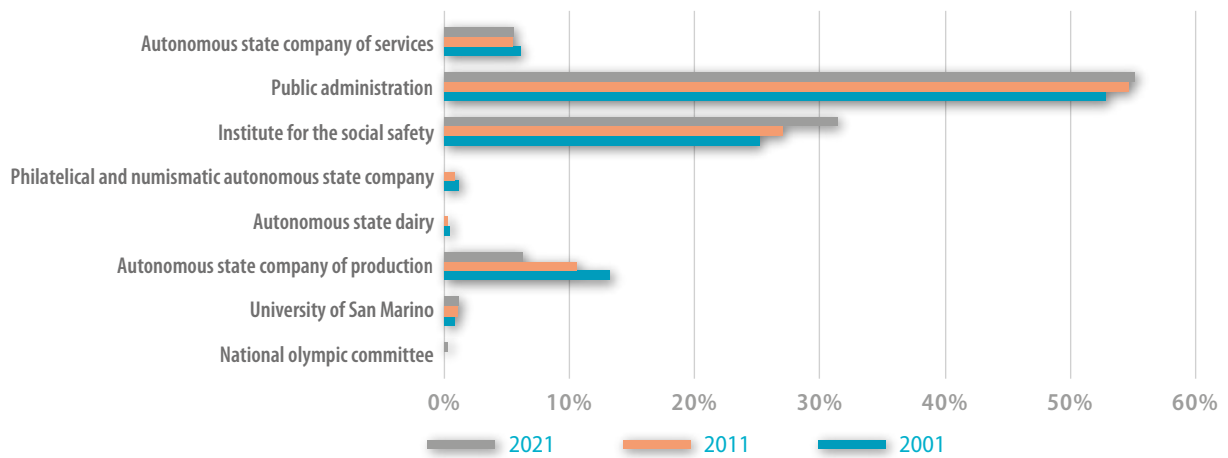
Figure 6 Gross value added by activity (ISIC Rev. 4) (Percentage)



Source: National Summary Data Page (NSDP) – National Accounts (GDP), OITDS; see: <https://www.statistica.sm/pub1/StatisticaSM/en/e-gdds/nsdp.html>.

Note: ISIC Rev. 4 is the fourth revision of the International Standard Industrial Classification of all economic activities.

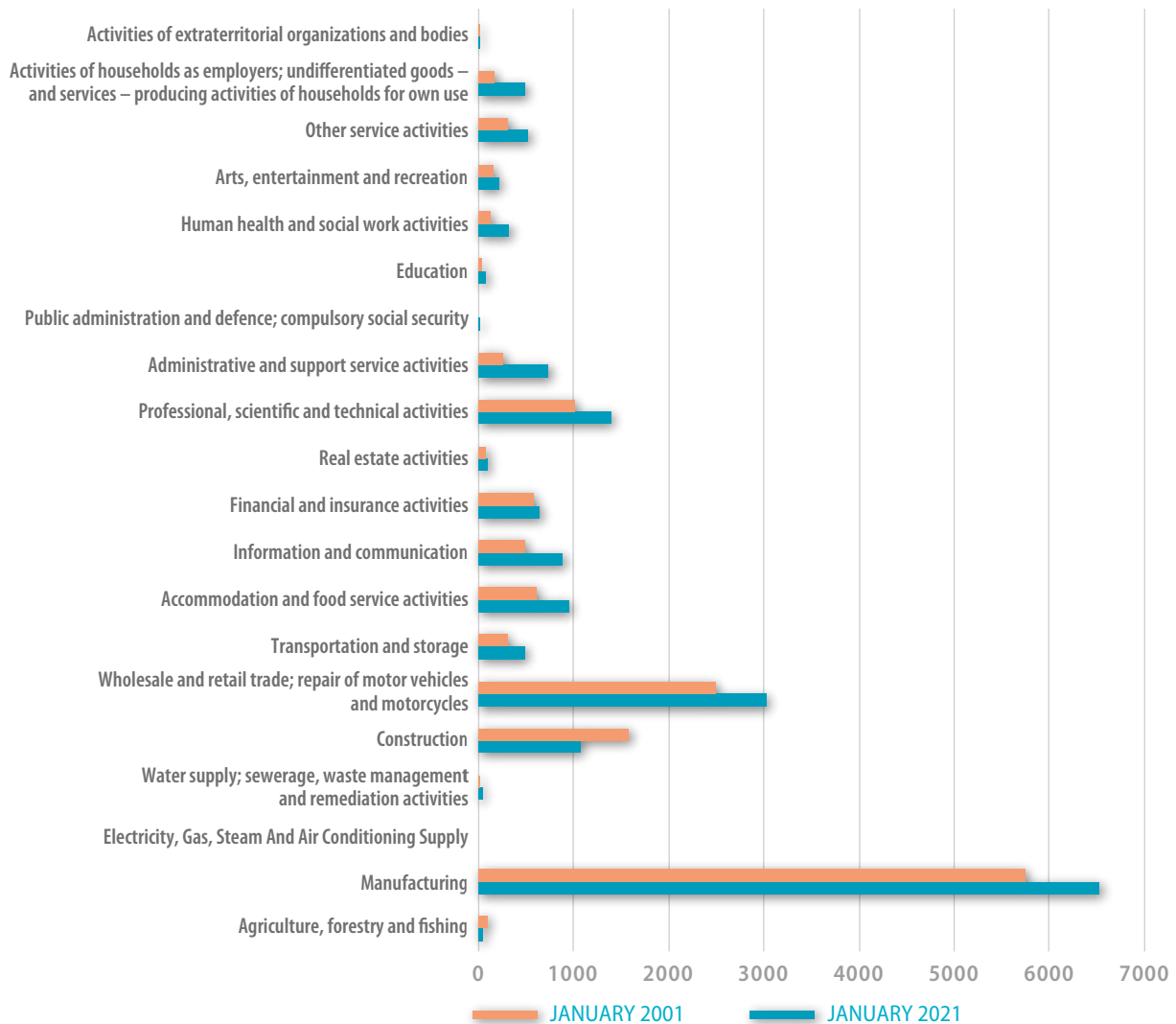
Figure 7 Public sector employment, by domain, 2001-2021 (Percentage to total engaged in the public sector)



Source: OITDS, Labor Force (<https://www.statistica.sm/pub1/StatisticaSM/e-gdds/nsdp.html>).

Note: Excluding cross-border workers (inbound).

Figure 8 Private sector employment, by economic activity, January 2001 and January 2021
(Number of employees in the private sector)



Source: OITDS, Labor Force (<https://www.statistica.sm/pub1/StatisticaSM/e-gdds/nsdp.html>).

Figure 8 shows the manufacturing and construction sectors belong to the country's biggest contributor to job creation. While there was an increase in private employment in the manufacturing sector, its contribution to total employment decreased from 31.2 per cent in 2001 to 30.6 in 2021. However, its share in gross value-added is increasing (see figure 6). The share of the construction sector, on the other hand, decreased relative to both the total private employment and the country's total employment. Most of the private sectors increased their contribution to job creation and in the case of information and communications technology (ICT) this was underpinned by increased share in gross value added.

The above analysis suggests a gradual structural transformation towards increased specialization in economic activities with higher value-added. This is further evidenced by a cursory examination of the enterprise sector, which comprised 4,953 predominately small- and medium-sized enterprises in January 2020, up by 3 per cent from 4,797 enterprises in January 2004. This increase was generated by the expansion of the services sector, particularly tourism, real estate and health (see figure 9). In contrast, enterprises in the manufacturing, ICT, construction and internal trade sectors registered a decline in number over the same period.

Figure 9 Number of enterprises, selected sectors, January 2004 and January 2021
(Number of enterprises)



Source: OITDS, Enterprises and Tourism
(<https://www.statistica.sm/pub1/StatisticaSM/en/Dati-statistici/Attivit%C3%A0-economiche-e-turismo.html>).

Mirroring the urbanization trend, the enterprises are concentrated in Serravalle, Borgo Maggiore and San Marino (see figure 10). Further, they show a heavy reliance on Italy as the main trade partner, a reliance that is born out of geographic proximity and common language.¹⁹ Italy accounted for around 87.8 per cent of national exports in 2021, and the other countries to which most exports were made were Switzerland, the United States, France, and the United Kingdom.

Italy also stands as the main supply source accounting for 79 per cent of imports in 2021, and China, Germany, and Spain stood out among the other countries from which imports were made.²⁰

¹⁹ Imports from and exports to the EU, other than Italy, are processed by authorized forwarders following the EU transit procedures and goods are cleared by authorized EU customs offices on behalf of, and for, San Marino. Goods imported from and exported to non-EU countries must undergo customs formalities at the Italian customs authorized for the Republic of San Marino. Customs clearance formalities are handled by authorized forwarders. Further details are available at: <https://www.agency.sm/en/invest-in-san-marino/key-facts>.

²⁰ For further discussions on imports and exports in 2021, see the Statistical Economic Report 2023 publication (https://www.statistica.sm/pub1/StatisticaSM/en/dam/jcr:bb1b8d7e-015d-4f11-a21d-ff1e7c5c8520/Relazione%20Economico-statistica%202023_rid.pdf).



Merchandise trade has consistently generated a positive trade balance. Exports were estimated at EUR 1,687.6 million in 2019 vis-a-vis imports of EUR 1,561.4 million (IMF, 2020, table 3), consisting largely of washing and bottling machines, pesticides, other edible preparations (e.g. protein concentrates and textured protein substances), woodworking machines and furniture.²¹ Many of these products are knowledge-

based with relative comparative advantage (see box 1), lending further evidence to the economy's structural transformation. In contrast, the exports of services appear to consistently lag imports. The resulting deficit has been consistently modest, estimated at EUR 14.1 million in 2019 (IMF, 2020, table 3).

²¹ Observatory of Economic Complexity, <https://oec.world/en/profile/country/smr>.

Box 1 Republic of San Marino:
Economic complexity indicators,
2021

Most complex products by product-complexity index (PCI)²²

The highest-complexity exports of the Republic of San Marino, as measured by PCI, are:

- Machining centres, unit construction machines (single station) and multi-station transfer machines for working metal (2.18)
- Electric (electrically heated gas) soldering, brazing, welding machines and apparatus, capable or not of cutting, electric machines and apparatus for hot spraying of metals or sintered carbides (1.94)
- Parts and accessories suited for use only/mainly with machines of heading 8456-8465, including work / tool holders, self-opening dieheads, dividing heads and other special attachments for the machines; tool holders for any type of tool for working in the hand (1.61)
- Machine-tools; for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal, sintered metal carbides or cermets using grinding stones, abrasives or polishing products (1.49)
- Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading no. 5902 (1.48).

²² The PCI ranks the diversity and sophistication of the productive know-how that went into manufacturing of individual product. It is used as a proxy for measuring the technical and knowledge intensity of products.

Box 1 Republic of San Marino:
Economic complexity indicators,
2021 (continued)

Most specialized products by revealed comparative advantage (RCA)²³

San Marino has export advantages, measured by RCA in some of the top products on the complexity index suggesting weak international competitiveness:

- Washing and bottling machines (152.53)
- Stone working machines (145.08)
- Other non-knit clothing accessories (135.69)
- Woodworking machines (126.05)
- Collector's items (97.90).

Source: Observatory of Economic Complexity; <https://oec.world/en/profile/country/smr#economic-complexity>.



²³ RCA indicates whether a country is specializing in products with trade potential. It is based on the idea that if a country exports more than the global average exports of a specific product, then the country has a comparative advantage in that product. If the RCA is higher than 1, then the producer is said to have an RCA in producing a certain good.



Therefore, the challenge is how best to diversify the Sammarinese economy in a manner that is consistent with the Government's environment-driven development agenda. Linked to this is the further improvement of the ease of doing business²⁴. Another challenge relates to improving employment opportunities for the youth and women. Both groups appear to be experiencing difficulties in joining the labour market, evidenced by their higher-than-national average unemployment rates (OITDS, 2023c).

There is also evidence of increased economic vulnerability at the household level, with 10 per cent of the households describing their living conditions in 2018 as worse than the previous year and another 23.2 per cent drawing attention to their slightly worsened living conditions. In the same year, around 18 per cent of the households reported assuming new debts compared to 15 per cent in 2017. According to the 2018 Survey on the Consumption and Lifestyle of San Marino Families, the households' debt-to-income ratio stood at 34.4 per cent in 2018, signifying over-indebtedness, 19 per cent of households reported finding it difficult to make ends meet.

24 The Republic of San Marino ranked 92 among 190 economies in the ease of doing business (World Bank ratings of 2020, <https://archive.doingbusiness.org/content/dam/doingBusiness/country/s/san-marino/SMR.pdf>).

III. LEGISLATIVE AND INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

Known as the oldest country in the world, the constitution of the Republic of San Marino dates back to the 16th century.²⁵ It has a parliamentary government consisting of a 60-member Grand and General Council, elected every five years under a proportional representation system. The Council is responsible for the approval of the budget and selects two heads of state every six months, known as Captains Regent, who may not be selected again until three years have elapsed. The Captains Regent serve concurrently as co-head of State (i.e., holds equal powers), and presides over meetings of the Council as well as those of the Congress of State (cabinet). The Congress of State is selected by the Council and is composed of 10 State Secretaries, with each responsible for a sectoral department as follows:

1. **International relations:** The State Secretary for Foreign Affairs, International Economic Cooperation and Telecommunications.
2. **Public administration:** The State Secretary for Internal Affairs, Public Administration, Institutional Affairs and Relations with the Castle Councils.
3. **Public finance:** The State Secretary for Finance and Budget.
4. **Industry and regulation:** The State Secretary for Industry, Crafts and Commerce, Technological Research and Regulatory Simplification.
5. **Environment:** The State Secretary for Territory and the Environment, Agriculture, Civil Protection.
6. **Public health:** The State Secretary for Health and Social Security, Social Security and Social Affairs, Political Affairs, Equal Opportunities and Technological Innovation.
7. **Education:** The State Secretary for Education and Culture, University and Scientific Research and Youth Policies.
8. **Justice:** The State Secretariat for Justice and Family.
9. **Labour:** The State Secretariat for Labour, Economic Planning, Sport, Information and Relations with the State Autonomous Agency for Public Services (AASS).
10. **Tourism:** The State Secretariat for Tourism, Post, Cooperation and Expo.

Working under the State Secretaries are the Autonomous State Corporations, which are tasked with the practical implementation of policies and initiatives in the areas of basic utility services, energy and economic development as follows:

1. **Public services:** AASS, which supports and is overseen by the State Secretariat for Labour, Economic Planning, Sport, Information and Relations;
2. **Public utilities:** The State Autonomous Agency for Public Works (AASLP)²⁶ which supports and is overseen by the State Secretariat for Territory, the Environment, Agriculture, and Civil Protection;
3. **Energy:** Regulatory Authority for Public Services and Energy (ARSPE).

²⁵ For further details, see the Constitutional Laws No. 183 and 184 of December 2005 of the Republic of San Marino.

²⁶ For the most important regulations pertaining to AASLP, see: <https://www.aaslp.sm/azienda/normative/>.

The departments and Autonomous State Corporations provide the overall institutional framework for supporting urban development, with the Department for Territory and Environment assuming the lead role. The Department is responsible for spatial planning and land administration which it approaches from the prism of environmental protection as stipulated by law (see annex 2) with an emphasis on ensuring an integrated treatment of the three pillars of sustainability.

The environment-driven approach of the Republic of San Marino is further evidenced by the Government's active participation in international agreements and protocols on environmental sustainability and climate change (see annex 3); the national disaster risk management approach, as enshrined in the *Civil Protection Emergency Plan* that is subject to periodic reviews;²⁷ and the broad-based public-private sector consultations on climate change within the context of the national *Dialogue Form: Climate Change – The Environment and Climate Change*.²⁸ The Government is also seeking to ensure full compliance with national environmental laws and policies with international and EU standards and best practices.

Over the past two decades, the Government has been operating against a background of sweeping reforms, focused on moving the economy away from its heavy dependence on the financial sector. This dependence was born out of the country's longstanding status as an offshore Italian financial centre with a tax advantage, with the financial services accounting for 20 per cent of GDP in 2003-2004 (IMF, 2007, p. 12) which made the economy vulnerable to negative external shocks and created significant pressures on the public purse. These reforms, summarized in box 2, have provided a solid basis for diversifying the economy, enhancing competitiveness and stimulating renewed interest from foreign investors.

27 The Civil Protection Emergency Plan was approved in May 2018. Its objective is to protect people, resources and territory in the event of a disaster. For further details, see: <https://www.gov.sm/pub1/GovSM/protezionecivile/Gestione-delle-emergenze.html>. A copy of the plan is available at: <https://www.gov.sm/pub1/GovSM/dam/jcr:a7bb8084-f41a-4fc0-81e0-d89491afbfbbe/Verbale%20di%20Coordinamento%2002-05-2018.pdf>.

28 The fifth and most recent forum was held virtually from 23-24 October 2020.

Box 2 Republic of San Marino: Key economic reforms

Monetary policy

- The Republic of San Marino uses the euro as national currency in accordance with the Monetary Agreement with Italy concluded in 2000, on behalf of the European community. The Central Bank of the Republic of San Marino is not a member of the European System of Central Banks and, as such, has limited lender-of-last-resort capacity.

Banking sector

- Law No. 102/2019 on bank resolutions expanded the Government's powers and tools to resolve failing banks, including early intervention against banks that suffer losses and show limited prospects of meeting the minimum capital requirements. Furthermore, the law protects all but a limited category of uninsured deposits, thereby restricting the scope of bail-in on top of loss absorption by shareholders' equity, hybrid capital instruments and subordinated debt. Protected uninsured deposits can be converted into senior bonds with longer maturity.²⁹

Tax harmonization

- The Government has signed agreements with 23 countries against double taxation (Austria, Azerbaijan, Barbados, Belgium, Croatia, Cyprus, Georgia, Greece, Hungary, Italy, Liechtenstein, Luxembourg, Malaysia, Malta, Portugal, Qatar, Romania, Saint Kitts and Nevis, Serbia, Seychelles, Singapore, United Arab Emirates, Vietnam); 30 tax information exchange agreements; and eight agreements on investment promotion and protection (Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Cyprus, Croatia, Malaysia, Ukraine).

29 For details on the activities of the Central Bank of San Marino and the performance of the financial system of the country for 2020, see the report of the Central Bank at: <https://www.bcs.m.sm/site/en/home/publications-and-statistics/summary-reports/documento63377.html>.

**Box 2 Republic of San Marino:
Key economic reforms
(continued)**

- The Government deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument or BEPS MLI) with OECD on 11 March 2020. The BEPS MLI entered into force on 1 July 2020 (OECD, 2020).

Enterprise development

- The Institute for Innovation of the Republic of San Marino³⁰ was established in 2019 as a wholly State-owned company to provide a conducive environment for innovation, including through facilitating cooperation between local businesses, innovators, public administration, research institutions as well as collaboration with businesses, innovators and research institutions abroad.
- A sound legislative basis for e-commerce - Law on the Use of Electronic Communications and Electronic Commerce³¹ – based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law.

Trade and regional integration

- Trade with Italy is governed by the “Agreement between the Government of the Republic of San Marino and the Government of the Italian Republic on economic cooperation” of 31 March 2009,³² which stipulates a free flow of goods between the two countries with no at-the-border formalities (i.e., no customs facilities at the Italian-Sammarinese border). Moreover, the two countries use the same postal and courier system.

**Box 2 Republic of San Marino:
Key economic reforms
(continued)**

- Merchandise traded with EU is exempt from all customs duties and charges per the “Agreement on Cooperation and Customs Union between the European Economic Community and the Republic of San Marino (2002)” (Eur-lex, 2022). The agreement covers all products, except those that fall within the scope of the “Treaty establishing the European Coal and Steel Community” (coal, coke, steel, pig iron, and scrap iron), and commits the Republic of San Marino to apply the EU Common Customs Tariff for imports from third party countries. Trade in agricultural products adopted the EU Community acquis about veterinary, plant health and quality regulations, where necessary, for the proper functioning of the Agreement.
- The Republic of San Marino joined the EU Strategy for the Adriatic and Ionian Region (EUSAIR) in February 2022 (EUSAIR, 2022).

SDG implementation

- The Government commits 0.7 per cent of its Gross National Income to support the implementation of the 2030 Agenda (San Marino, 2021, p. 195).

At the local level, urbanism is supported by townships (municipalities) which are responsible for the management of basic utility services, the promotion and coordination of cultural, recreational or social activities, and the maintenance, planning and realization of public works, parks and other local development projects. Each municipality is governed by a Town Council that is chaired by a Town Capitan, selected by the Council members (councillors). The councillors, whose number varies depending on the size of the municipality, are elected by city inhabitants every 5 years.

30 Art. 2 of the Delegated Decree No. 101 of 13 June 2019 (<https://www.sanmarinoinnovation.com/certifica-la-tua-impresa>).

31 Law No. 58 of 29 May 2013 (<http://admin.abc.sm/cms/media/www.anis.sm/law%2058-2013%20e-commerce.pdf>).

32 A copy of the agreement is available at: <https://www.bcs.sm/site/en/home/international-relations/relationships-with-italy/agreement-on-economic-cooperation.html>.

IV. KPI EVALUATION RESULTS

The Republic of San Marino reported data on 77 of 112 indicators. Per dimension, the country reported 40 of 55 economy indicators, 21 of 28 environment indicators, and 16 of 29 society and culture indicators (see annex 1 for a complete list of unreported indicators). The results of the KPI evaluation are visualized using the following colour scheme:

- Red is assigned to indicators with values that are 25 per cent below the corresponding benchmarks.
- Orange is assigned to indicators carrying values that are 25 to 75 per cent below the corresponding benchmarks.
- Green is assigned to indicators with values that exceed 75 per cent of the corresponding benchmarks.

The Republic of San Marino scored above the 75 per cent benchmark for 29 indicators; between 25 and 75 per cent for 6 indicators; and below 25 per cent for 16 indicators (see figure 10). The following sections present a summary of the country's performance against the KPIs for SSC for each indicator by dimension.



KPI evaluation results: Economy

The results of the evaluation of reported data for 40 Economy KPIs revealed strong performance in the sub-areas of employment, water and sanitation and waste management; moderate performance in ICT infrastructure, electricity supply and drainage; and low performance in transport and public sector procurement.

Given the lack of data, the results are considered through the prism of strategic urban development and the associated imperative of gaining an understanding of the main areas that should form the focus of urban development policies and initiatives.

Employment

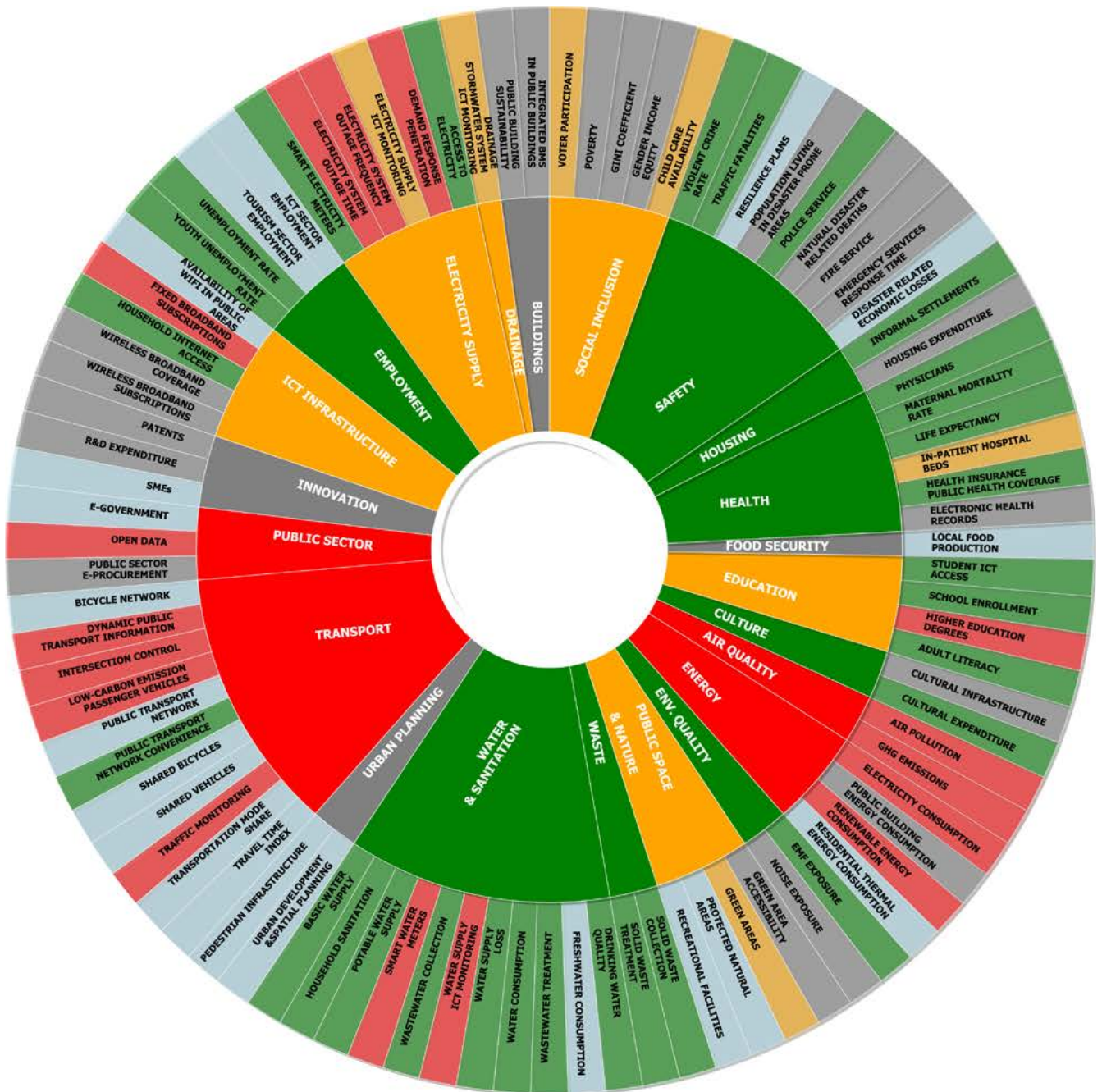
The Republic of San Marino demonstrated excellent performance, succeeding in maintaining single-digit unemployment even during the pandemic.

Water and sanitation

The Republic of San Marino showed excellent overall performance in this indicator. In 2021, 100 per cent of the households had access to clean drinking water and were connected to piped sewers and septic tanks. The country also performed strong in reducing water loss, with only 19.16 per cent of supplied water lost in distribution.

However, the country did not perform similarly in the use of smart water metres. Only 10.61 per cent of installed water metres across the country qualify as "smart". Moreover, only 55 per cent of the national stormwater drainage system is equipped with smart monitoring solutions, indicating moderate performance in this area.

Figure 10 Republic of San Marino: Performance against the Key Performance Indicators for Smart Sustainable Cities



- <25% target
- 25%-75% target
- >75% target
- no benchmark
- no data

Source: UNECE.

ICT infrastructure

The Republic of San Marino reported 91 public Wi-Fi spots available throughout the territory. Conversely, the country does not have data on the percentage of cities with 3G/4G coverage and wireless broadband subscriptions per 100,000 inhabitants.

Around 78 per cent of households have internet access overshadowed by low broadband subscriptions (0.16 fixed broadband subscriptions per household).

Electricity supply

Households' access to electricity was 100 per cent in 2021 and all the electricity metres qualified as "smart" (i.e., capable of recording consumption, voltage levels and current and power). With 63.64 per cent of electricity supply systems equipped with smart monitoring solutions, the country's performance in the use of smart, ICT-based monitoring solutions was considered moderate.

The country experiences a high incidence of system outages. The evaluation results showed 1.93 electrical interruptions per customer on an annual basis with an average length of 11.27 minutes per interruption. The country's performance in the use of energy demand response programmes was low with only 7.52 per cent of users having access to such programmes.

Transport

The Republic of San Marino rated low in its performance in the evaluation of the transport sub-area even though 90 per cent of the population lives within 0.5 km of a public transportation stop/station/terminal. The reason seen behind this is the absence of real-time information displays in transportation stops. Furthermore, the country lacks traffic monitoring systems as well as adaptive traffic control systems. In addition, only 2.33 per cent of all registered vehicles are classified as low-emission vehicles (plug-in hybrid electric vehicles (PHEV) and electric vehicles (EV)), indicating low performance.

Public sector procurement

The Republic of San Marino does not have an online contracting system so it scored low in its performance in this sub-area.

KPI evaluation results: Environment

The reported data for 21 of the 28 environment KPIs indicated strong performance in the sub-areas of environmental quality, water and sanitation and waste; moderate performance in the sub-area of public space; and low performance in the sub-areas of air quality and sustainable energy. The succeeding discussions present a summary of the evaluation by category of the Environment dimension.

Environment

All mobile network sites (100 per cent) are compliant with electromagnetic field (EMF) exposure guidelines but the country appears to lack monitoring systems to track exposure to noise and other types of pollution.

Water and sanitation

The performance of the Republic of San Marino in this category was excellent, with 100 per cent of households covered by audited water safety plans. Moreover, with 83 per cent of wastewater subjected to primary treatment indicates strong performance in this indicator. In 2022, total water consumption amounted to 7,314,685 litres per day, corresponding to 209.13 litres/day in per capita consumption.

Waste management

All households in the Republic of San Marino are served by regular solid waste collection. However, in 2022, only 42.96 per cent of the collected waste was recycled.

Public space and nature

In 2022, there were 129.8 hectares of green areas per 100,000 inhabitants, indicating moderate performance in the public space and nature category. Around 15.05 per cent of the land surface is classified as protected areas by law.

Air quality

Based on the measurement of particulate matter 2.5 (PM_{2.5}), the Air Quality Index (AQI) of the Republic of San Marino was 14.7 – a weak performance in the air quality category. The country also reported 19.8 in detected PM₁₀ per cubic metre, 20.60 µg/m³ of nitrogen dioxide (NO₂) and 71.5 µg/m³ of ozone (O₃).

In terms of annual greenhouse gas emissions (GHG), the country's performance in the evaluation of this indicator is considered low at 8.2 tonnes of CO₂ emissions per capita.

Energy

The performance of the Republic of San Marino against the energy category was low. The evaluation results showed per capita electricity consumption is estimated at 7,753 kilowatts per year indicating a substantial need for improvement. Moreover, only 5.23 per cent of consumed energy (271,157,724 kilowatts per year) is generated from renewable sources.

KPI evaluation results: Society and Culture

The evaluation of reported data for 16 indicators in the Society and Culture dimension revealed strong performance in the sub-areas of safety, housing, health and culture; and moderate performance in the sub-areas of social inclusion and education. The following sections further discusses the results of the evaluation by category or sub-area under the Society and Culture dimension.

Safety

The Republic of San Marino scored high in the area of safety. The country did not witness any violent crimes in 2021 and experienced only 2 traffic fatalities. There were 197 full-time police officers spread throughout the country to maintain safety which indicated strong performance in this category.

Housing

With no one (0 per cent) living in slums, informal settlements or inadequate housing conditions, the Republic is commendable in its performance in the housing category. Housing affordability was also not an issue; housing costs (rent /mortgage payments) accounted for only 17 per cent of the households' monthly expenses.

Health

Overall, the Republic showed excellent performance in the health category. In 2021, it had 172 registered general and specialized physicians or 510.42 physicians

per 100,000 inhabitants and 119 beds or 353.13 beds per 100,000 inhabitants. The country did not witness any maternal deaths in that same year and life expectancy is 86.77 years.

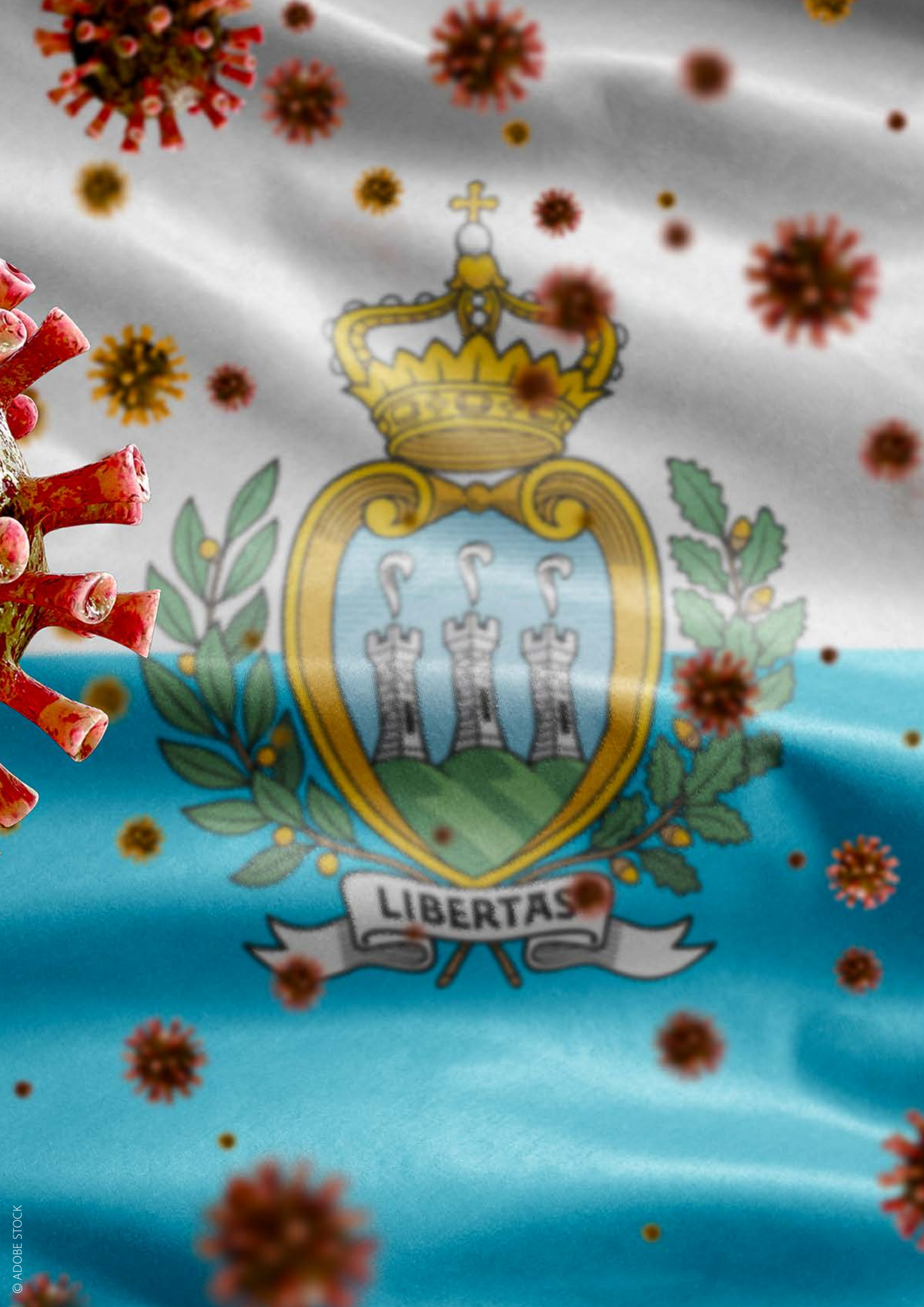
Education

There were 92.69 per cent school-aged youth registered in primary and secondary schools with full access to ICT facilities in 2021. This reflects strong performance in school enrolment and ICT facilities indicator. The country was also strong in its performance in adult literacy rate at 77.41 per cent but performed weaker in the higher education indicator, with 13,069 holders of higher education degrees per 100,000 inhabitants in 2021.

Social inclusion

Around 41.06 per cent of citizens eligible to vote exercised their right over the previous two years. Further, 28.71 per cent of pre-school-aged children have access to public and private day-care centres, indicating moderate performance. These demonstrate moderate performance in the social inclusion category.





V. SOCIO-ECONOMIC IMPACT OF THE COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic dealt a heavy blow to the Sammarinese economy, which had to labour under the weight of the nationwide lockdown and other health protection measures imposed according to WHO guidelines. The health protection measures in partner countries of the Republic of San Marino aggravated the economic effects of the pandemic. With the high degree of global interdependence, these measures disrupting supply chains and tourism set in motion adverse dynamics with negative ripple effects on livelihoods.

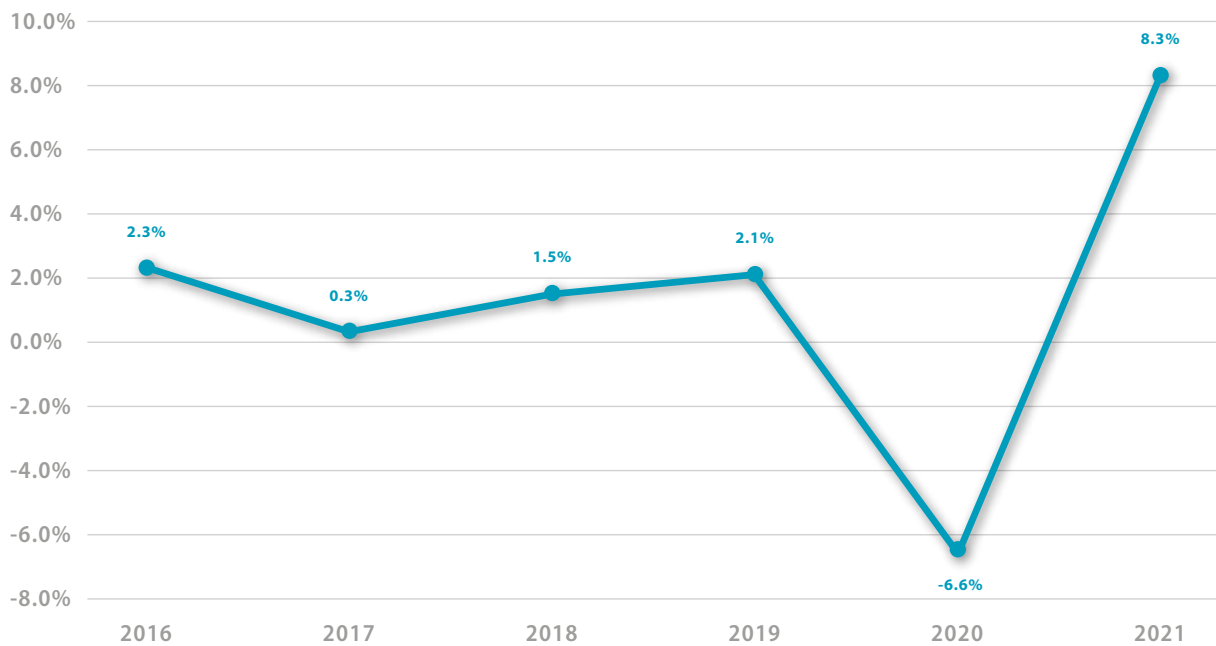
The economic fallout resulting from the COVID-19 pandemic was worse than during the 2008 global financial crisis. The real GDP plummeted by 6 per cent year-over-year in 2020 (see figure 11). However, the Government's vaccination campaign,³³ sweeping relief measures and targeted support to enterprise development through targeted lending schemes have helped to soften the blow. The Government has expanded the supplemental wage mechanism for temporary lay-offs due to lockdown and virus-containment measures. The Government also postponed payments of taxes, utility bills, sanctions and other administrative measures. Furthermore, they temporarily reduced the public sector's wage bill to allow for increasing resources to the health sector (see annex 4). Some commercial banks granted a temporary suspension of mortgage and loan payments to further support the liquidity of families and firms. All of these measures have helped to limit losses in life and support the economy during this difficult time.

The economy registered a full recovery in 2021, with real GDP growing by 8.3 per cent (see figure 11). This remarkable record was stimulated by exports, particularly in manufacturing, which were quick to pick up steam in late 2020 upon the easing of the pandemic-related health safety measures in the Republic and in partner countries. Merchandise exports, which declined by 6 per cent in 2020 year-over-year from around EUR 1.5 billion to EUR 1.4 billion, surpassed their pre-pandemic level, reaching around EUR 1.7 billion in 2021 (OITDS, 2023c).

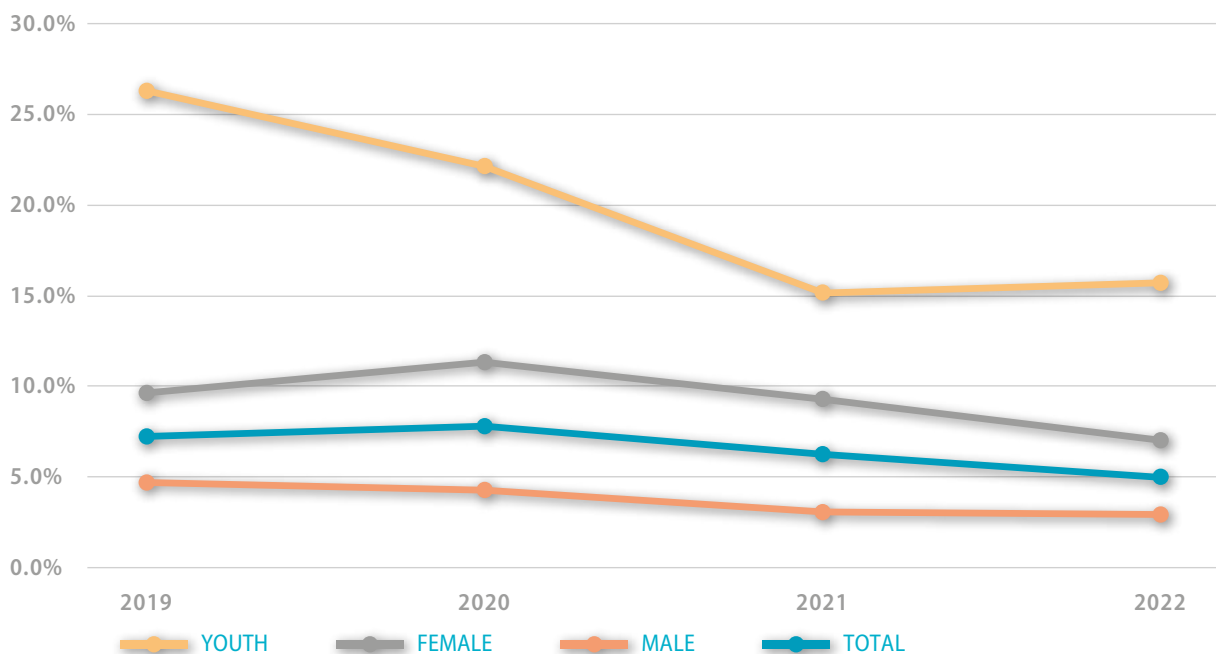
However, the past few years have seen a drop in the share of gross fixed capital formation (GFCF) in GDP from the record level of 23 per cent in 2019 to 18 per cent in 2021 (WB, 2023b). This has further undermined the exports' contribution to income generation, which was exhibiting a declining trend over the past few years with the share of exports of goods and services in GDP down to 164 per cent in 2020 from 174 per cent in 2015, but recovered in 2021 when it registered a share of 184.3 per cent (WB, 2023a). Furthermore, although consistently registering a single-digit rate and was estimated at 5 per cent at the end of 2022, unemployment is more severe among youth (see figure 12), although female unemployment rates also went beyond the national rates.

The above trends point to the need for upscaling GFCF as well as efforts to integrate the youth into the employed labour force. In 2022, the Government instituted important steps in this direction, including the creation of 111 companies by middle of that year. Most of the newly established start-ups were engaged in professional, scientific and technical activities (plus 41 new enterprises), followed by those belonging to internal trade and repair of motor vehicles and motorcycles (19), education (11) and real estate activities (13) (OITDS, 2022). However, high energy prices pose a challenge in maintaining this trend as well as the overall income growth.

³³ For a full copy of the national Anti-COVID-19 Vaccination Campaign "My health for the health of all" (*"Il mio bene per la salute di tutti"*), see: <https://vaccinocovid.iss.sm/#moduli>.

Figure 11 Real gross domestic product (GDP) growth, 2016-2021 (Percentage)

Source: OITDS, Statistics-Economy-National Accounting;
<https://www.statistica.sm/pub1/StatisticaSM/Dati-statistici/Economia/Contabilit%C3%A0-nazionale.html>.

Figure 12 Unemployment rates, 2019-2022

Source: OITDS, 2023c.

The Republic of San Marino sources gas and electricity from Italy, which has been registering increased energy production costs in light of the war in Ukraine. As such, the impact of the energy crisis on Italy affects the economy of San Marino. The public utility company has secured a long-term financial hedge to curb the increase in natural gas prices as well as a short-term hedge to fix electricity prices in 2023. However, if the natural gas supply is not secured by 2023, the risk of the energy supply being rationed remains. The manufacturing sector's situation is also fragile and such a situation will deal a blow to the sector, which accounts for around a third of GDP (see chapter II).³⁴

The rising energy costs (see figure 15) are driving up gas and electricity prices. This is having a ripple effect on consumer prices and could lead to more financial stress for households (see table on consumer price index). These conditions risk increasing the households' debt burden. While household debts make up only a small percentage (14 per cent in 2020 according to IMF, 2020) of the banking sector's non-performing loans (NPLs), failure to pay off those debts could have serious consequences for the banking system. Meanwhile, the Government is grappling with mounting financial pressures due to public transfers and weaknesses in the banking system, which are contributing to high levels of NPLs (see chapter VII).

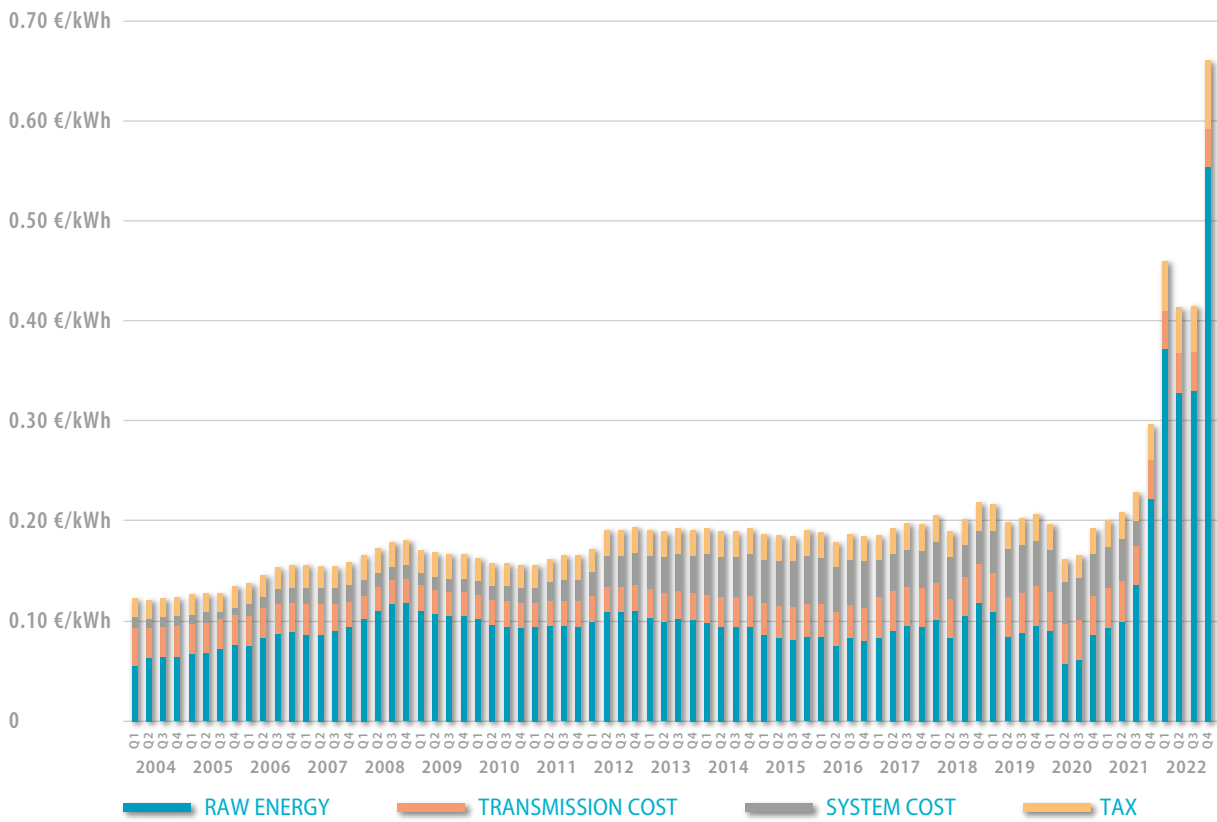
Table Consumer price index

Item	2019	June 2022	Percentage change
General	112.48	121.64	8%
Food and beverages	138.23	162.22	17%
Alcohol drinks and tobacco	111.46	115.75	4%
Cloths and footwear	113.78	116.77	3%
Residence, water, electricity	110.77	117.64	6%
Furniture and home maintenance	112.95	120.2	6%
Sanitary and health	110.96	112.16	1%
Transport	104.3	119.81	15%
Communication	74.18	73.75	-1%
Recreation	109.3	114.69	5%
Education	109.11	108	-1%
Shopping and travel	109.63	116.84	7%
Miscellaneous	105.48	108.21	3%

Source: OITDS, 2020.

³⁴ For Fitch rating action commentary on San Marino, see: <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-san-marino-to-bb-outlook-stable-02-09-2022>.

Figure 13 Cost of supplying 3 kilowatts of electricity to a household with an annual consumption of 2,700 kWh (Euro cents per kWh)



Source: ARERA, 2023.



VI. DEVELOPMENT PRIORITIES AND CHALLENGES

Drawing on the analysis provided in the previous chapters and the feedback from Government officials, this chapter outlines the main urban development challenges by priority area.

Spatial planning and urban policy

The basic configuration of the Republic of San Marino, coupled with its small size, implies an extremely close relationship between spatial planning, land use and environmental management. Fostering this relationship is at the core of the Government's reform and development efforts which are anchored in an environment-driven approach focused on ensuring the three dimensions of sustainability are addressed simultaneously. This approach finds its strongest expression in the Government's ambitious General Town Planning Scheme - "San Marino 2030" - which was developed over the period 2016-2019.³⁵ The Plan, commissioned by the Republic of San Marino, focuses on transforming the country into the "Garden of Europe" and "Microcosm of biodiversity" and into an example to follow when it comes to cutting-edge renewable energy solutions and zero waste. The Plan is based on the following 10 fundamental pillars:

- 1) Buildings located in areas categorized as very high hydrogeological risk are to be relocated;
- 2) Reduction of soil consumption and surface unsealing in urban areas to zero;
- 3) Ten areas for economic development and urban mobility;
 - Four areas for the hotel industry
 - Three areas for improving mobility
 - Three areas for innovation and research
- 4) Urban regeneration;
- 5) Enhancement of the historical, cultural and natural heritage;
- 6) Ecological networks from Mount Titano to Dogana;
- 7) Green river corridors;
- 8) Agricultural areas;
- 9) Road development;
- 10) A carbon-free country.



³⁵ Developed by Boeri - Stefano Boeri Architetti following extensive consultations with inhabitants across the country (<https://www.stefano-boeri-architetti.net/en/project/san-marino-2030-a-garden-for-europe-a-microcosm-of-biodiversity-2/>; <https://urbandesignlab.in/san-marino-2030-stefano-boeri-architetti/>).

Sustainable water management

The Republic of San Marino lacks sufficient water resources, with internal sources accounting for 12-15 per cent of the water supply. Under such conditions, the country is dependent on sourcing water from Italy, a dependency that further exacerbates its vulnerability. Transitioning into a greater degree of self-sufficiency ranks high on the development agenda of the Government, with the numerous studies it has commissioned over the years to explore the possibility of establishing artificial reservoirs for storing water from precipitation, stormwater runoff, groundwater and rivers.

Given the direct impact that water reservoirs carry on the ecosystems and the country's cultural heritage, implementing the recommendations from the commissioned studies has been challenging. Furthermore, the implementation of any project is subject to extensive consultations with the public, the majority of which are against projects that negatively impact the country's landscape. In 2022, the Government was considering the establishment of a weir (i.e., low dam barrier) across the San Marino River for water storage and electricity generation purposes (see box 3).

Box 3 Construction of weir across the Republic of San Marino

Expected start date: 2023

Expected end date and completion of activities: 2030

Estimated costs: EUR 35 million

The project draws on a feasibility study that was commissioned by the State Congress and carried out by the University of San Marino, working closely with the Ministry of Territory, the Environment, Agriculture and Civil Protection and AASS. The envisioned weir, which is expected to hold a volume of 1.5 million m³, will be used for ensuring a continuous supply of drinking water as well as water for irrigation and industrial use. Moreover, in-pipe hydropower will be used for generating electricity.

Another element in the Government's efforts relates to promoting the sustainable use of water resources as an integral element of national values through awareness-raising campaigns. These campaigns take the form of educational programmes and study tours to the country's rivers and streams.

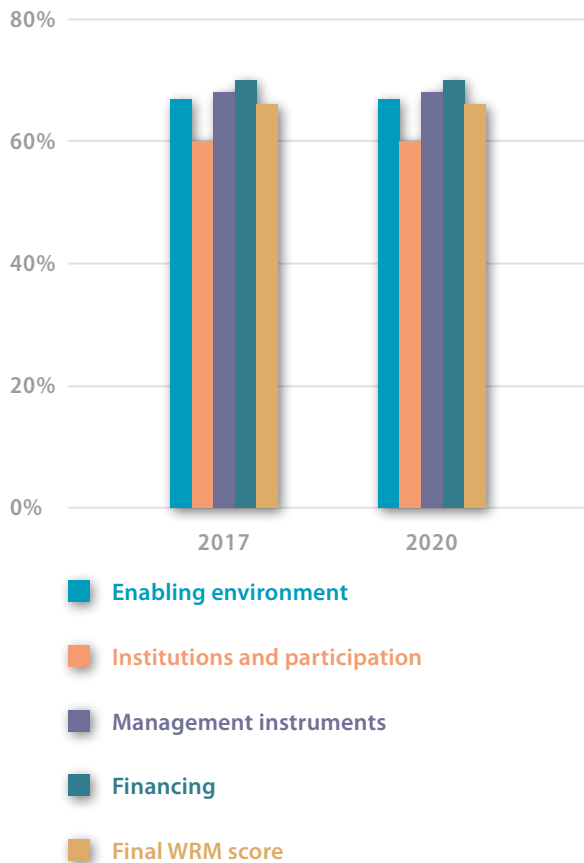
The above efforts are guided by the national "Integrated Water Resources Management" strategy. Established in 1992, the Strategy defines integrated water management as "a process which promotes the coordinated development and management of water, land and related resources, in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems" (San Marino, 2021). This definition is in line with the conceptualization of integrated water resources management of the United Nations, which is based on the premise that water resources are an integral component of the ecosystem, are a natural resource, and a social and economic good. This conceptualization is used to measure the countries' progress in implementing SDG 6 (clean water and sanitation for all) and involves the following four action points:

- 1) Integrating domestic, agricultural, industrial, and environmental needs into water catchment management;
- 2) Encouraging participatory processes that include all groups of water users;
- 3) Emphasizing the role of women in water management;
- 4) Balancing economic efficiency, ecosystem sustainability, and social equity.

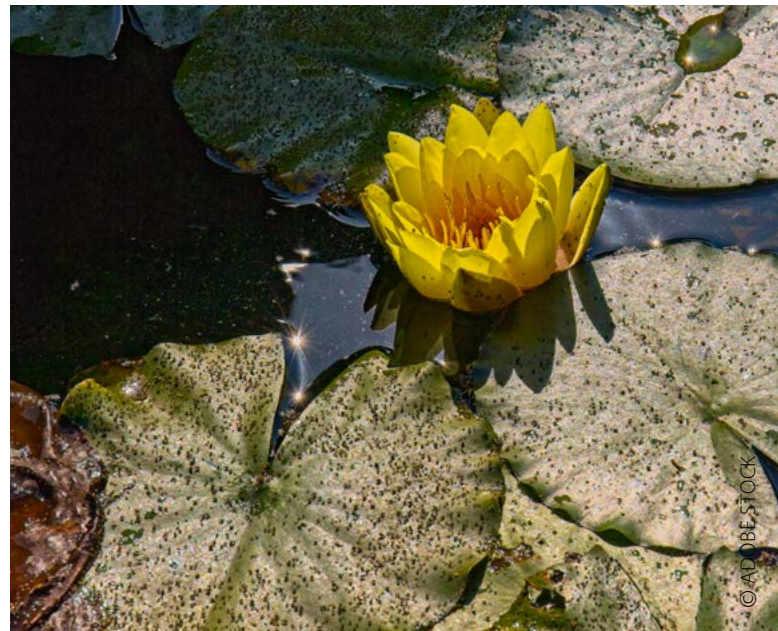
Referring to figure 14, the Republic of San Marino shows a medium to high score³⁶ across the four action-points, with "Institutions and participation" registering the lowest score. Management instruments received a score of 68 per cent, reflecting the need for strengthening existing monitoring systems with smart solutions (see chapter IV).

³⁶ The benchmarks are: Very low (0-10); Low (11-30); Medium-low (31-50); Medium-high (51-70); High (71-90); Very high (91-100). For details see: https://www.sdg6data.org/country-or-area/San%20Marino#anchor_6.5.1.

Figure 14 Degree of integrated water resources management implementation, by dimension



Source: UN-Water SDG 6 Data Portal, "Table 6.51 Degree of integrated water resources management: San Marino", <https://www.sdg6data.org/en/tables>.



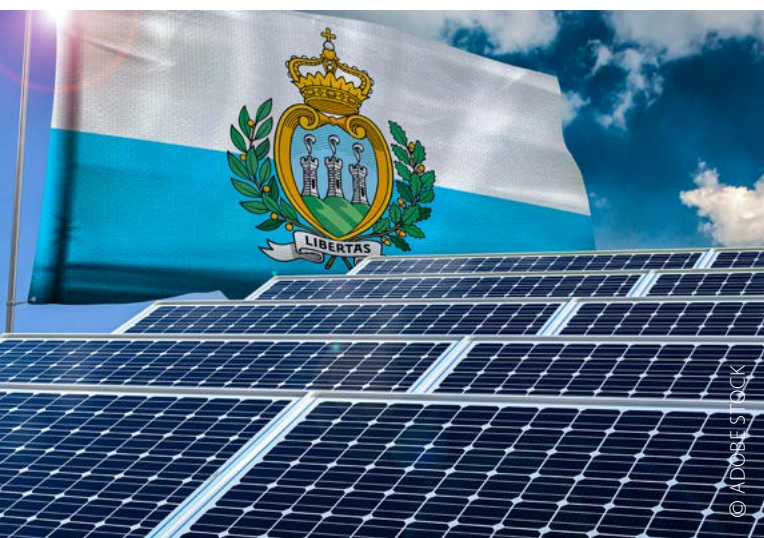
Sustainable energy

Lacking in energy resources, the Republic of San Marino is heavily dependent on imports for meeting local demand. Italy stands as the main supplier of gas, fossil fuel and electricity. Electricity is sourced through the Italian national grid, within the context of an on-site exchange system, which allows the Republic of San Marino to store electricity (GES, 2022).

Consistent with its environment-driven approach, the Government considers transitioning to renewable energy as the natural path to follow for ensuring viable energy sources.³⁷ Efforts have focused on promoting solar thermal power systems, photovoltaic (PV) panels and biomass energy through legislative reforms (see box 4) and financial incentives, particularly feed-in tariffs,³⁸ for promoting investment in renewable energy sources.

³⁷ For more information on the energy plans of the country, see the National Energy Plan of the Republic of San Marino 2018-2021 (<https://www.consigliograndeegenerale.sm/online/home/lavori-consiliari/consultazione-archivi/documento17100173.html>).

³⁸ Delegated Decree No. 92 of 31 July 2020; according to estimates made by the Public Utilities Autonomous State Corporation, the total share of photovoltaic production as of 14 September 2020 was 4.4 per cent.



Box 4 Key legislative basis for sustainable energy: Republic of San Marino

- The distribution and sale of electricity and gas in San Marino fall under the Regulatory Authority for Public Services and Energy, guided by the principles of ensuring access to all the population at affordable prices pursuant to Law No. 120 of 20 November 2001.
- Law No. 72/2008 redefined the competencies and functions of the Regulatory Authority for Public Services and Energy. This Law was implemented through the following Delegated Decrees (D.D):
 - The climatic characteristics of the territory (D.D. No. 88 of 25 June 2009)
 - The feed-in of electricity from renewable energy sources (D.D. No. 89 of 25 June 2009)
 - The establishment of the Energy Desk (D.D. No. 91 of 25 June 2009)
 - The establishment of the Feed-in Tariff (D.D. No. 92 of 25 June 2009, subsequently amended by D.D. no. 20 of 6 March 2012)
 - The definition of energy performance classes of buildings (D.D. No. 126 of 17 September 2009)
 - The establishment of the Energy Certifiers' Register and the organization of the Service for the Management of Energy Procedures (D.D. No. 127 of 21 September 2009)
 - The encouragement of energy interventions (D.D. No. 128 of 21 September 2009)
 - The energy audit requirement for large users (D.D. No. 129 of 21 September 2009)
 - The provisions implementing and amending Law No. 72 of 7 May 2008 (D.D. No. 84 of 17 July 2012).

Source: Republic of San Marino, 2021.

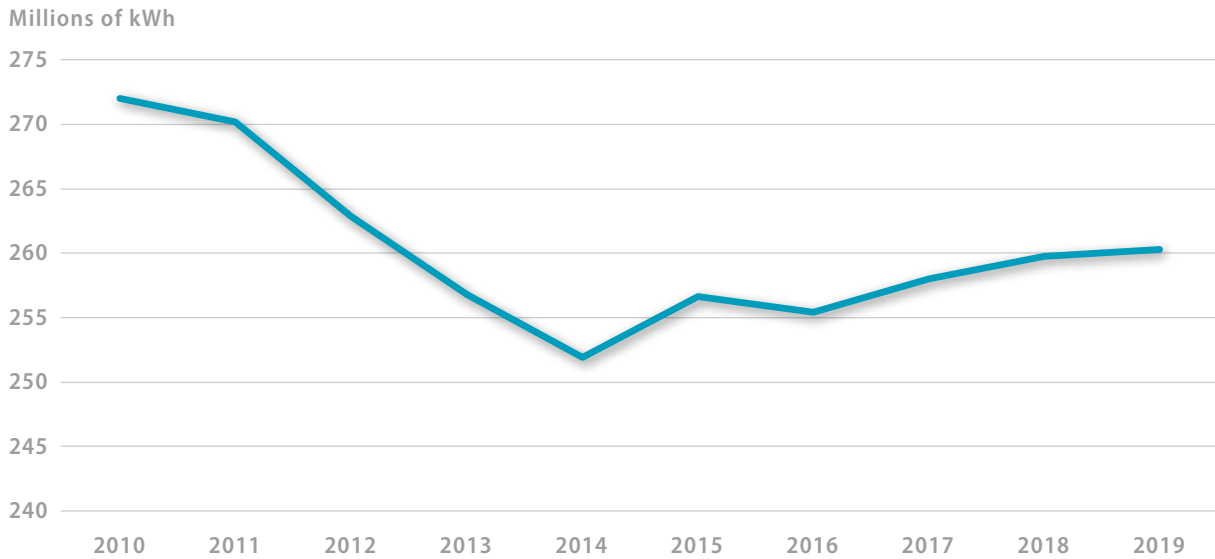
As of 2022, the country had an embryonic biomass energy source. These were predominantly small-scale gasification plants not exceeding 100 kilowatt-peak (kWp), since they can be easily installed in small and medium-sized enterprises as well as in farms at a low cost without harming the environment. The country has also registered an increase in installed PV capacity from 24 kWp in 2010 to 11,204 kWp in 2020 (4.4 per cent of renewable energy as of September 2020).

Efforts to achieve sustainable energy have also focused on reducing the energy demand. Recent initiatives include the *Ecobonus* scheme which provides homeowners with a 110 per cent tax credit for renovations that increase their buildings' energy efficiency. To qualify, homeowners must carry out at least one project, such as enhancing thermal insulation. For a country where around 77.6 per cent of the households are homeowners, this scheme provides a powerful tool for engaging the population in the achievement of sustainable energy. Yet another initiative is the online blockchain system, "Low Carbon Ecosystem",³⁹ which provides users, including inhabitants and tourists, with carbon credit tokens if they:

- Use private electric mobility
- Use innovative mobility solutions (car sharing, carpooling, etc.)
- Use public transport
- Reduce energy and water consumption
- Use photovoltaic installation
- Adopt proper waste recycling and management
- Properly recycle expired medicines.

The challenge is how best to upscale efforts to accommodate the growing demand. Energy imports started to pick up steam in 2014 following a declining trend since 2010 (see figure 15). In 2022, the Government was exploring the possibility of becoming a primary shareholder in an offshore wind farm that will be created in the neighbouring Italian region Emilia-Romagna. The Government was also considering sourcing wind energy from the neighbouring region should the first option prove to be less cost-effective.

39 The San Marino report on the 2021 Voluntary National Review discusses the country's plans to achieve SDG7 (affordable and clean energy), including its legal framework on energy, national energy plan and energy-saving incentive plans.

Figure 15 Energy imports, in kilowatt-hours, 2010-2019

Source: Republic of San Marino, 2021.

Waste management

The dependence of the Republic of San Marino on Italy is not only in energy and water but also in waste disposal. All waste destined for solid landfills is disposed to the neighbouring region of Emilia Romagna. A notable exception is organic waste recycled in the country without posing risks to human health and the environment.⁴⁰ Thus, incineration is forbidden. Yet, data obtained from AASS as part of the KPI evaluation shows that only 43 per cent of waste collected in 2022 was recycled, indicating the need to further develop the country's waste management capacity.

Recent initiatives to achieve this goal involved awareness-raising campaigns (e.g., San Marino Plastic Free campaign launched in 2019) and consolidating the legal framework to promote waste management. An example of this is the Great and General Council Decision of 2019 banning the sale of single-use plastics as of 2021.⁴¹ In addition, in 2022, the Government planned to create a waste disposal centre financed from the public purse at an estimated cost of EUR 1.8 million.

⁴⁰ Delegated Decree No. 44 of 27 April 2012.

⁴¹ San Marino Libera Dalla Plastica (<https://www.sanmarinoliberadallaplastica.com/>).

Urban mobility

San Marino does not have a railway, harbour or airport. Therefore, commercial and civil transport is through road means. The national road network covers 4 per cent of the country's surface area, as well as cable car. Cars came out as the preferred mode of transportation for the majority, with around 87 per cent of the inhabitants owning private cars. Only 7 per cent singled out public transport and cable car as their preferred mode.

Therefore, congestion is common. The travel time index⁴² is estimated at 1.33, that is, it takes 33 per cent longer to make a trip during a peak period compared to the time required to make the same period at free-flow speed. Adding to the heavy use of cars are tourists, especially from the neighbouring regions of Italy, travelling by car for single-day visits.⁴³ The resulting

⁴² This index measures the ratio of average travel time in peak hours to the time required to make the same trip at free-flow speed.

⁴³ Statistics on the number of tourist arrivals are available in bulletins of statistics of the Republic of San Marino. These are available online at <https://www.statistica.sm/pub1/StatisticaSM/en/Pubblicazioni/Bollettino-di-Statistica.html>.



negative impacts on the environment and human health are compounded by noise pollution, which the Government is addressing by promoting the use of public transport (Mizzy, 2022).

To address the above challenges, the Government has earmarked EUR 150,000 in 2022 for upgrading the main national highway with a view to improving road safety. It is also focused on supporting electrification

(including public transport) by putting up charging stations and using e-buses.⁴⁴ Moreover, to reduce the car traffic associated with inbound tourists and facilitate access to the country, the Government is planning to re-establish the rail connection between Borgo Maggiore and San Marino. It has also allocated EUR 3.5 million in 2022 for asphaltting the Toraccia airfield to be used for short flights.⁴⁵

44 The 2018/2021 National Energy Plan (NEP 3) prioritizes modernization of mobility for sustainability.

45 Article 31 of Law No. 94 of 24 June 2022.

VII. FUNDING AND FINANCIAL FRAMEWORK

Dwindling tax revenues reflected the economic crisis that engulfed the Republic of San Marino in 2020.⁴⁶ Tax revenues' share in GDP decreased from around 16.1 per cent in 2019 to 14.5 per cent in 2020 (IMF, 2022).⁴⁷ Compounding the impact of the revenue losses is the growing public expenditures, as the Government reallocated funds⁴⁸ to finance its COVID-19 emergency response package for supporting the health sector and the most vulnerable segments of the population (see annex 4).

Public expenditures accounted for 59.2 per cent of GDP in 2020, up from 22.4 per cent in 2019, while public debt's share in GDP jumped from 32 per cent in 2019 to 77.9 per cent in 2020. This share is projected to register only a slight decrease in 2021 to around 75 per cent as the Government is still struggling with mounting financial pressures caused by the banking system's low liquidity, NPLs, and large recapitalization needs requiring re-current State support. Despite recent improvements, NPLs remain high, accounting for 63 per cent of gross loans in the third quarter of 2021. The Government is preparing to reduce NPLs through securitisation that is slated to be implemented for the second quarter of 2023.

The Government's weak fiscal position was aggravated by its limited financing options. Historically, the Government depended on domestic sources, including government deposits and funding from banks, limiting its policy space in the face of adverse economic conditions. This worsened because of the persistent weaknesses within the Sammarinese banking sector and the low level of development of the domestic bond market which continue to constrain the liquidity buffers of the Central Bank of San Marino

(CBSM) despite improvements. This situation changed in February 2021 when the Government resorted to the international bond market by issuing a three-year EUR 340 million note with a 3.25 per cent coupon equivalent to 36.75 per cent of the projected public revenues (net of clearing entries) for the same year.

In addition, the Republic of San Marino now stands to benefit from international and European financial institutions. In June 2019, it became the seventieth shareholder of the European Bank for Reconstruction and Development, with EUR 2 million in capital subscription as of June 2022. The Republic also benefits from the Council of Europe Development Bank, which, in 2020, approved a EUR 10 million loan with a 15-year maturity period to support the Government's COVID-19 emergency response package.

The Government sees external loans as a last resort measure to developing the financial market and improving its fiscal position. In this respect, it is working closely with the International Monetary Fund to gradually rebuild fiscal buffers, including by restricting State support to the banking system; implementing an ambitious fiscal adjustment that relies on both revenues and the reduction of expenditures; and enhancing the national debt and cash management capacity.⁴⁹

Most recently, and with a view to minimizing its rent bill, it has allocated EUR 2 million for building new Government offices.⁵⁰ Moreover, the Government is keen on exploring the use of public-private partnerships (PPPs), which fall under the responsibility of the Economic Development Agency - Chamber of Commerce of the Republic of San Marino (<https://www.camcom.sm/>). PPPs were used all but once for financing the construction of a multi-storey public car park for the public in the 1990s.

⁴⁶ As of 2022, the Republic of San Marino maintains a progressive income tax rate of 9 to 35 per cent for earners reporting more than 80,000 in gross earnings, which is lower compared to Italy (23 to 43 per cent) and the EEA average of 46.9 per cent. The tax on the imports of goods is called "monofase" and is set at 17 per cent.

⁴⁷ <https://www.imf.org/-/media/Files/Publications/CR/2021/English/1SMREA2021001.ashx>

⁴⁸ Pursuant to article 18 of Decree-Law no. 91 of 26 May 2020, the Government introduced an expenditure chapter to the State Budget 1-3-2390, titled "Extraordinary fund to support the economy's recovery", to finance its COVID-19 emergency response package.

⁴⁹ For information on the Article IV consultation of the Republic of Marino, see the IMF Staff Country Reports (<https://www.imf.org/en/Countries/SMR>).

⁵⁰ See, article 31 of Law No. 94 of 24 June 2022. Pursuant to article 2 of the said law, the Government earmarked up to EUR 15.9 million for acquiring real estate to accommodate government buildings, State-owned enterprises and international organizations.

VIII. RECOMMENDATIONS

Below are proposed recommendations for the consideration of the government of the Republic of San Marino. The recommendations are organized by priority area and are sequenced along a timeframe which spans from short-term (0-2 years) to medium (2-5 years) and long-term (>5 years).

1. Urban policy and governance framework

1.1 Strengthen the municipalities as an important element in the localisation of national development plans.

In particular:

- Consider delegating additional decision-making powers to the municipalities to accord them the required flexibility to address localise national development plans and address emerging needs (**short-term**).
- Equip the municipalities with additional financial resources and expertise skills (**short-term**).
- **Leverage inter-city collaboration** by establishing a coordination mechanism (in the form of an association, for example) to enable the municipalities to pool efforts and scale up consultations with the central Government (**medium-term**).

2. Sustainable water management

2.1 Accord priority to exploring, protecting and sustainably using groundwater as a critical element for solving water scarcity and adapting to climate change (**short/medium-term**).

2.2 Establish a draught management strategy. In this respect, the EU Water Framework Directive⁵¹ provides a useful reference framework for developing such a strategy. The Directive emphasizes the need to promote sustainable water use based on the long-term protection of available water resources; emphasizes mitigating the effects of floods and droughts and the need for sustainable balanced and equitable water use (Article 1); and provides guidelines for the development and implementation of monitoring programs (article 8) (**short-term**).

2.3 Further develop the country's water monitoring system as a pre-requisite for ensuring the successful implementation of the national integrated water resource management approach. In this respect:

- Accord priority to installing smart water metres across the country (**short/medium-term**).
- Accord priority to equipping the entire stormwater drainage system with smart monitoring solutions (**short/medium-term**).

51 https://ec.europa.eu/environment/water/water-framework/index_en.html

3. Sustainable energy

- 3.1 **Consider upscaling the Ecobonus scheme.** This could be done by expanding the incentive systems so that households are encouraged to go for deeper renovations that reduce reliance on gas and electricity (*short/medium-term*).
- 3.2 **Launch demand side response schemes to promote intelligent energy use.** This will enable households and businesses to be paid in tokens for curtailing power usage during periods of peak demand or high electricity prices (*short/medium-term*). Such schemes could involve:⁵²
- Expert advice on customized load-shedding strategies
 - Curtailment strategies such as cycling air conditioning or heating and shifting the use of light or heavy machinery to off-peak times
 - Enhanced metering to provide real-time visibility and analytics of energy use.
- 3.3 **Accord priority to upscaling composting and/or anaerobic digestion for producing renewable energy.** Given that the Republic of San Marino is resource-constrained, composting and anaerobic digestion constitute simpler and cost-effective methods for producing compost, bio-gas, heat, bio-fertilisers and other products (*short/medium-term*).
- 3.4 **Further develop the electricity distribution infrastructure** by, for example, upgrading and commissioning new systems that rely (at least in part) on renewable thermal energy (supported by technologies such as heat pumps and energy storage systems); and installing more electric vehicle charging stations, including some that deliver 100 per cent renewable electricity (*medium/long-term*).

52 See, for example, demand response methods at ETH Zurich website (<https://control.ee.ethz.ch/research/energy/demand-response-methods.html>).

4. Waste management

- 4.1 **Establish recycling points** across the cities for collecting plastic and glass bottles, disposable cups, etc.
- 4.2 **Establish recycling centres** to enable households and enterprises to bring materials that can be reused to one location (*short-term*).
- 4.3 **Establish deconstruction plants** to facilitate re-use (*medium-term*).
- 4.4 **Create a knowledge-based production models** to make it easier for enterprises to incorporate material recovery and reuse (*medium/long-term*).

5. Urban Mobility

- 5.1 **Develop local pavement management systems (PMS).** This is important for improving walkability and ensuring continuous monitoring of the local road networks' serviceability. In this respect, the PMS of the city of Fano⁵³ (Italy), developed jointly by the University of San Marino, the Territorial Information System, AASLP and the Public Works of the city of Fano in 2016-2019, provides a useful example to follow (*short/medium-term*).
- 5.2 **Consider establishing low-emission zones and city-level restrictions on harmful fossil fuel/vehicles.** Such policies will have positive implications for transitioning to renewable energy (*medium/long-term*).

53 The PMS was developed over the period 2016-2019. Further details are available at: <https://www.siteb.it/wp-content/uploads/2021/01/04-Pavement-management-system.pdf>.

6. Enterprise development

6.1 Consolidate a conducive framework for income diversification.

- Develop training programmes (including online courses) on international standards implementation, particularly the new International Organization for Standardization (ISO) Circular Economy standard (ISO/TC 323), which covers all aspects of a circular economy including production and distribution, end of life and public procurement as well as other areas such as behavioural change (**short/medium-term**).
- Launch targeted credit schemes for enabling manufacturing enterprises to adopt circular production methods (**short/medium-term**).
- Launch targeted support programmes for developing the ICT industry, with a special emphasis on linking them with regional and international ICT enterprises and specialized ICT research and training institutions (**short/medium-term**).
- Address the skills mismatch in the labour market:
 - Strengthen vocational training institutions with resources to develop targeted training for existing MSMEs' employees to improve skill sets within their areas of work; and unemployed individuals whose skills could be upgraded to the specific requirements of their jobs. The emphasis should be on supporting workers engaged in both labour-intensive and technology-intensive activities as a pre-requisite for improving productivity at the enterprise level (**short/medium-term**).
 - Develop advanced, forward-looking curricula and programmes within the higher education institutions tailored both to the content and approaches to circular production methods and the services sector needs (**short/Medium-term**).

- Establish a national skills-matching strategy (or sectoral/ field-specific matching strategies) for guiding the above two items (**short/Medium-term**).

6.2 Further develop the construction sector to support the transition to green building.

- Establish support programmes to help enable construction enterprises to acquire green certification, for example in accordance with the EU zero-energy buildings (NZEB) requirements.⁵⁴ Such programmes could involve training on green building methodologies and online applications (**short/medium-term**).
- Launch targeted credit schemes for financing the construction enterprises' adoption of green building methodologies (**short/medium-term**).

7. Development funding

7.1 Establish the legal framework for supporting the use of PPP. In this respect, UNECE PPP⁵⁵ standards, tools and guides are of particular relevance (**short/medium-term**).

7.2 Equip the Economic Development Agency – Chamber of Commerce of the Republic of San Marino with the expertise skills and management systems that will enable them to promote PPPs (**short/medium-term**).

⁵⁴ See the EU Energy Performance Directive, which requires new buildings to have high energy performance through the use from renewable sources (<https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583922805643&uri=CELEX:02010L0031-20181224>).

⁵⁵ <https://unece.org/ppp/products>.

8. Monitoring and evaluation system for strategic planning

- 8.1 **Upscale data collection efforts for supporting the localization of SDGs.** In this respect, the UNECE KPIs provide a starting point for achieving this, with the central and municipal authorities pooling efforts with the Office of Economic Planning, Data Processing and Statistics of the Republic of San Marino to develop surveys and supplementary indicators (short-term).



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ANNEX 1 UNREPORTED KEY PERFORMANCE INDICATORS FOR SMART SUSTAINABLE CITIES

Economy dimension

- Wireless Broadband Subscriptions
- Wireless Broadband Coverage (3G/4G)
- e-Government
- Public Sector e-procurement
- Research and Development (R&D) expenditure
- Patents
- Small and Medium-Sized Enterprises
- Transportation Mode Share
- Shared Vehicles
- Public Building Sustainability
- Integrated Building Management Systems in Public Buildings

Environment dimension

- Solid Waste Treatment
- Noise Exposure
- Green Area Accessibility
- Recreational Facilities
- Public Building Energy Consumption

Society and Culture dimension

- Electronic Health Records
- Cultural Infrastructure
- Housing Expenditure
- Gender Income Equity
- Gini Coefficient
- Poverty
- Natural Disaster Related Deaths
- Natural Disaster Related Economic Losses
- Resilience Plans
- Population Living in Disaster Prone Areas
- Emergency Services Response Time
- Fire Service
- Local Food Production

ANNEX 2 KEY LEGISLATION FOR SPATIAL PLANNING

- General Town Plan - Law 7/1992 and subsequent amendments (the new General Town Plan is currently under consideration)
- Consolidated law of urban planning and building laws - Law No. 140 of 14 December 2017
- Framework law for the protection of the environment and the safeguarding of the landscape, vegetation and flora - Law No. 126 of 16 November 1995
- Protection of wildlife in the Republic of San Marino - Law No.137 of 19 July 2021
- Environmental Code - Delegated Decree 44 of 27 April 2012 and subsequent amendments
- Law No. 17 of 10 June 1919 - "On the protection and conservation of monuments, museums, excavations and objects of Antiquity and Art"
- Law No. 103 of 18 September 1990 - "Protection of buildings of significant historical, environmental and cultural interest"

ANNEX 3 REPUBLIC OF SAN MARINO: MEMBERSHIPS IN INTERNATIONAL AGREEMENTS AND PROTOCOLS ON ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

- Protocol relating to the 1973 International Convention for the Prevention of Pollution from Ships
- Vienna Convention for the Protection of the Ozone Layer
- Montreal Protocol on Substances that Deplete the Ozone
- Framework Convention on Climate Change
- Kyoto Protocol to the United Nations Framework Convention on Climate Change
- Doha Amendment to the Kyoto Protocol
- Paris Agreement
- United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa
- Convention on Biological Diversity
- International Convention for the Regulation of Whaling
- Protocol Amending the International Convention for the Regulation of Whaling
- Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Agreement on the Conservation of Populations of European Bats (EUROBATS)
- European Landscape Convention

ANNEX 4 COVID-19 EMERGENCY RESPONSE MEASURES: REPUBLIC OF SAN MARINO

Measures	Description
Financial aid to local businesses in the form of, for example, co-financed bank loans, one-time cash injections, grants, etc.	<ul style="list-style-type: none"> • Liquidity measures in the form of State-guaranteed loans for economic operators (from April 2020 to June 2021 – article 20 of Decree-Law No. 91 of 26 May 2020 and article 16 of Decree-Law No. 6/2021 (extended by article 11 of Law No. 223 of 23 December 2020) • Suspension of payment of principal of bank mortgages and loans for economic operators (from March 2021 to March 2023 – article 2 of Decree-Law No. 55/2020, article 24 of Decree-Law No. 66/2020, article 4 of Delegated Decree No. 60/2021 and article 1 of Delegated Decree No. 52 of 23 March 2022) • Issuance of State guarantee on financing linked to payment of rents to economic operators (throughout 2021 – article 1, letter c and article 5 of Delegated Decree No. 60/2021) • Non-repayable grant in the form of payment of a sum of money for economic operators with significant losses of turnover in 2020 compared to 2019 (grant paid in 2021 – article 1, letter h) of Delegated Decree No. 60/2021) • Non-repayable grant, for travel and tourism agencies and tour operators, up to a maximum amount of EUR 20,000, equal to 80 per cent of the amount of the costs incurred and documented for the production or purchase of materials used in their specific activity (grant paid in 2022 – Delegated Decree No. 4 of 17 January 2022)
Temporary suspension of rent payments for affected local businesses, social and cultural institutions	<ul style="list-style-type: none"> • Suspension until 31 December 2020 and deferral of rent payments on State-owned real estate over 24 months from 01 January 2021 to 31 December 2022 (throughout 2020 – paragraph 4 of article 8 of Decree-Law No. 91/2020). • Suspension and deferral of payment of rent on State-owned real estate from 01 January 2022 in two instalments expiring on 30 June 2022 and 31 December 2022 (throughout 2021 – paragraph 2 of article 3 of Decree-Law No. 95/2021) • Tax credit equal to 60 per cent of rent payables for the months of March and April 2020 (tax credit to be used in tax returns for the years 2019–2022 – article 8 of Decree-Law No. 91/2020)
Tax reduction for affected local businesses, social and cultural institutions	<ul style="list-style-type: none"> • Tax losses carry-forward in subsequent tax periods without time or amount limits (for tax losses incurred in tax year 2020 – paragraph 8 of article 6 of Decree-Law No. 91/2020) • One-year extension of the benefits for new activities under article 73 of Law No. 166/2013 and article 4 of Law No. 178/2015 (tax period 2020 – paragraph 9 of article 6 of Decree-Law No. 91/2020) • 10 per cent tax deduction for share capital increase in 2020 and 2021, paid with capital held abroad (tax period 2020 and 2021 – article 11 of Decree-Law No. 91/2020) • 50 per cent tax credit for the purchase of protective devices to contain the spread of COVID-19 in workplaces up to a maximum amount of EUR 10,000 (tax period 2020 to be used in 2020/2021 – article 20-bis of Decree-Law No. 91/2020) • Reduction in import tax rate for goods necessary to reduce the spread of COVID-19 (from November 2020 to June 2021 – article 5 of Law No. 196/2020) • For economic operators carrying out their activities in the school sector, reduction of registration tax on contracts signed for the school year 2021–2022 (school year 2021/2022 – article 2 of Decree-Law No. 161/2021)

Measures	Description
Temporary tax exemptions for affected local businesses, social and cultural institutions	<ul style="list-style-type: none"> • Exemption from payment of special income tax (minimum tax) (for 2020 – paragraph 6 of article 6 of Decree–Law No. 91/2020) • Deferral of payment for debts registered on tax bills issued after 1 January 2018. No interest and penalty fees shall be charged for tax bills issued from 1 January 2020 to 31 December 2021 (tax period 2020 and 2021 – article 7 of Decree–Law No. 91/2020, article 65 of Law No. 223/2020 and article 13 of Delegated Decree No. 60/2021) • Non–repayable grant on the amount of the tax on the occupation of publicly owned property (throughout 2021 – article 1, letter b) of Delegated Decree No. 60/2021) • Non–repayable grant on the amount of the annual licence fee (throughout 2021 – article 1, letter d) of Delegated Decree No. 60/2021)
Support schemes for the elderly and other vulnerable groups	<ul style="list-style-type: none"> • Suspension of rent payments for subsidised housing – 30 per cent rent reduction (from May to December 2020 – article 3 of Decree–Law No. 91/2020 and Congress of State Decision No. 10 of 17 March 2020) • Liquidity measures in the form of State–guaranteed loans for households (from April 2020 to June 2021 – article 19 of Decree–Law No. 91 of 26 May 2020 and article 16bis of Decree–Law No. 6/2021, extended by article 11 of Law No. 223 of 23 December 2020) • Suspension of payment of principal of bank mortgages and loans for households (from March 2021 to March 2023 – article 1 of Decree–Law No. 55/2020, article 23 of Decree–Law No. 66/2020, article 4bis of Delegated Decree No. 60/2021, article 4 of Delegated Decree No. 95/2021 and article 2 of Delegated Decree No. 52 of 23 March 2022) • Suspension of payment of public and private nursery school fees (throughout 2020 – article 16 of Decree–Law No. 66/2020) • Minimum monthly family income (from March 2020 to present – article 1 of Decree–Law No. 91/2020, extended by article 17 of Law No. 223 of 23 December 2020 and amended by article 1 of Delegated Decree No. 95 of 25 May 2021) • Early leave from work for pregnant women (employees, sole proprietors, and professionals) from the date of ascertainment of the state of pregnancy, with 100 per cent economic allowance (for the period March 2020 to December 2021, extended until 31 March 2022 end of the health emergency – article 5 of Decree–Law No. 62/2020 and article 10 of Decree–Law No. 14 of 29 January 2021, article 19 of Decree–Law No. 208/2021, extended by article 25 of Decree–Law No. 6 of 21 January 2022) • Remuneration of the parent assisting a child or non–self–sufficient person with disability in quarantine (in case of quarantine – article 24 of Decree–Law No. 6 of 21 January 2022 and article 19 of Decree–Law No. 208 of 22 December 2021 and article 21 of Decree–Law No. 55 of 29 March 2022)

Measures	Description
Other measures / initiatives	<ul style="list-style-type: none"> • Extension of tax deadlines for both tax returns and payments with the possibility of deferral • Extension and deferral of payment deadlines for social security contributions • Extension and deferral of payment deadlines for bills relating to the integrated water, natural gas, and electricity services • Reduction in social security contributions by sole proprietorships and self-employed workers (for tax period 2020 – paragraph 8 of article 6 of Decree–Law No. 91/2020) • 60 per cent reduction of minimum contributory income under certain conditions, not combinable with other relevant incentives, for self-employed workers (for tax period 2021 – article 14 of Decree–Law No. 6/2021) • Non-repayable grant on the fixed and variable shares of the Autonomous Public Utilities Corporation turnover for utilities according to the reduction in turnover incurred in the financial year 2020 compared to the financial year 2019 (financial year 2021 – article 1 letter e of Delegated Decree No. 60/2021) • Non-repayable grant on the minimum income contribution rate for sole proprietorships and self-employed workers according to the reduction in turnover incurred in the financial year 2020 compared to the financial year 2019 (financial year 2021 – article 1 letter f of Delegated Decree No. 60/2021) • Non-repayable grant on the SSI and FONDISS contributions for the employees by the employer according to the reduction in turnover incurred in the financial year 2020 compared to the financial year 2019 (financial year 2021 – article 1 letter g of Delegated Decree No. 60/2021). • Holiday voucher for accommodation facilities covering three nights: 1 night paid for by the State, 1 night paid for by the hotel and 1 night paid for by the customer (from 31 May 2021 to 9 January 2022 and again from spring 2022 to 31 March 2023 – Decree–Law No. 220/2020, Regulation No. 12/2020 and Regulation No. 2/2022) • Wage Supplementation Fund due to reduction of activity caused by the risk of infection from COVID–19 or the effects of its spread (from March 2020 to December 2022) and due to the state of extraordinary crisis due to COVID–19 (from January 2021 to December 2021)

Source: Finance and Budget Department of the Republic of San Marino.

Country Profiles on Urban Development, Housing and Land Management Republic of San Marino

The Republic of San Marino is the third smallest microstate in Europe and is said to be the oldest republic in the world. San Marino is a high-income country enjoying low levels of income inequality and a single-digit unemployment rate, but like all other economies in the world, it was not spared from the negative impacts of the COVID-19 pandemic. However, it has fully recovered in 2021.

For the past decade, San Marino has been experiencing increasing urbanization, which has been eroding agricultural lands and harming ecosystems. The proliferation of densely-packed buildings, which do not align with the country's cultural heritage, has been a significant concern. The Government recognizes the challenges that come with rapid urbanization and is working on addressing them. They have placed great emphasis on the relationship between spatial planning, land use, and environmental management as part of their development reforms.

The Republic of San Marino is also focused on harnessing the full potential of information and communications technology (ICT) to further improve the quality of life of its people, following an environment-driven development agenda. This Country Profile on Urban Development, Housing and Land Management is meant to help the Republic of San Marino realize this vision. The Profile provides an evaluation of performance for smartness and sustainability using a set of thematically categorized key performance indicators and action-oriented recommendations to upscale development and sustainability efforts in different areas. The Profile also showcases the progress made by the country in implementing the goals (SDGs) of the 2030 Agenda for Sustainable Development.

Find out more about the work of UNECE on urban development, housing and land management at: www.unece.org/housing.

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