

# FOR LOCAL FINANCIAL RESOURCES THAT MEET DEVELOPMENT CHALLENGES

The strengthening of fiscal decentralization appears to be essential to making physical **decentralization effective**

Decentralization would end up as an impracticable dream, if the transfer of powers to local governments is not able to improve the citizens' standards of living, and if local elected officials do not have the financial means to take on the responsibilities that are assigned to them by the law.



UCLG Committee  
on Local Finance  
and Development

[www.uclg-localfinance.org](http://www.uclg-localfinance.org)

# FINANCING A SUSTAINABLE CITY

THE HABITAT III CONFERENCE arises at the end of a long negotiation process, which has reached the acknowledgment of local governments as key stakeholders to achieve development goals (Financing for Development, SDGs, COP21). It is thus our role to convince them to go further, to persuade them of the urgency of the situation, and to offer operational recommendations, in order to help local governments to carry out the duties assigned to them.



*"We further acknowledge that expenditures and investments in sustainable development are being devolved to the subnational level, which often lacks adequate technical and technological capacity, financing and support. We therefore commit to scaling up international cooperation to strengthen capacities of municipalities and other local authorities"*

**Addis Ababa Action Agenda**



*"Many of the investments to achieve sustainable development goals will take place at the subnational level and be led by local authorities"*

**UN SG Synthesis Report**

*"the battle for sustainable development will be lost or won in cities"*

**High Level Panel of the Post 2015 Agenda**



*"Adaptation is a global challenge faced by all with local, subnational, national, regional and international dimensions"*

**Paris Agreement**

*"We recognize that our jurisdictions require increased access to climate finance, budget authority, and stronger legislative capacity to maximize climate change action"*

**Paris City Hall Declaration**

# KEY MESSAGES

HOWEVER, the issue that is still pending relates to the effective implementation of the public policies and infrastructures necessary to reach these objectives, and meet these challenges. The urgency and magnitude of the needs at the local level, and the costs of inaction, is a call for a quick mobilization of all stakeholders on the key issue of local finance, closely related to the effective implementation of the SDGs.

Indeed, Local governments' poor financial resources do not allow them to fund the urban investments necessary to ensure a sustainable economic, social, and environmental urban development. The studies that have been carried out show that, on average, the amount of urban investments should be doubled and even tripled.

## 20% OF NATIONAL RESOURCES TO BE DEDICATED TO LOCAL GOVERNMENTS

- Devolve to local governments an equitable, sufficient share of national resources to match with their responsibilities and respond to the needs.
- Enhance synergies and multi-level dialogue.
- Identify territorial needs together with the citizens and clarify local governments' jurisdictions and responsibilities.

## RETHINKING LOCAL FINANCING SYSTEMS IN ORDER TO MAKE THEM SUSTAINABLE

- Fiscal transfers are key mechanisms of national solidarity.
- But they must be complemented with more local autonomy to capture local wealth, ensuring sustainable return on public investments: diversified local taxation and land valuation mechanisms.

## LEVERAGE ADDITIONAL FUNDING FOR INVESTMENTS

- Rely on financial intermediation institutions to enhance access from local governments of all size to borrowing, in particular through pooling of resources.
- Appropriate guarantee mechanisms should be developed by international donors, through ODA and Climate finance, to secure investors and effectively channel global savings towards the local level.

## ENABLING LRG ENVIRONMENT AND LEGAL FRAMEWORK

- Allow Local Governments to rely on appropriate financing instruments and operators such as public and semi-public companies.
- Empower local governments through capacity-building in financial management and expertise and peer-to-peer learning.

## UCLG GLOBAL OBSERVATORY ON LOCAL FINANCE

- An essential tool for the follow-up of decentralization progress.
- A multi-stakeholders platform to analyze local governments financial capacities.
- A support for UCLG members in their dialogue with central governments on the necessary reforms to be undertaken.

# ACTIVITIES

Created in 2006 and chaired by the city of Rabat - Morocco, the missions of the UCLG Committee on Local Finance and Development are:

**THE ORGANIZATION OF HIGH-LEVEL POLITICAL DEBATES**, to drive and spread UCLG advocacy on fiscal decentralization during major national and international events.

## TO CONDUCT A GLOBAL OBSERVATORY ON LOCAL FINANCE

### Data collection on local finance

- Develop a transparent, reliable updated database to have a global overview of the financial situation of local governments throughout the world.
- This database relies on national data furnished by UCLG members and partners, to complement the GOLD observatory.

### A platform of knowledge and expertise

#### A global network of experts committed to:

- Analyzing and disseminating data to support the advocacy.
- Conducting specific studies on strategic topics
  - The conditions for the mobilization of local resources.
  - Financial guarantee mechanisms.
- Within this network, particular attention is being paid to Chiefs Financial Officers at the local level.

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#### PARTNERS

