



ECOSOC Financing for Development Forum Side Event

Monday, 18 April 2016, 1.15 – 2.30 pm

Conference Room 6, UN Secretariat, New York

Implementing the Addis Ababa Action Agenda at the local level – strengthening municipal finance for sustainable development in LDCs

Organized by UNCDF and UN-DESA, in collaboration with FMDV

Opening remarks:

- Mr. Daniel Platz, Economic Affairs Officer, Financing for Development Office, UN-DESA

Speakers:

- Prof. Paul Smoke, Professor of Public Finance and Planning, New York University
- Mr. Carlos de Freitas, Director of Programs, FMDV - Global Fund for Cities Development
- Ms. Khady Dia Sarr, Program Director, Dakar Municipal Finance Program, Senegal

Discussants:

- Mr. Vito Intini, Municipal Investment Finance Programme Manager, UNCDF
- Mr. Daniel Platz, Economic Affairs Officer, Financing for Development Office, UN-DESA

Synopsis:

The Addis Ababa Action Agenda (AAAA), adopted at the Third International Conference on Financing for Development in July 2015, recognizes that “expenditures and investments in sustainable development are being devolved to the sub-national level, which often lack adequate technical and technological capacity, financing and support” (para 34) and calls for greater “international cooperation to strengthen capacities of municipalities and other local authorities” (Ibid). The commitment in the AAAA to strengthen subnational finance is particularly relevant in the context of Goal 11 of the 2030 Agenda for Sustainable Development which sets out to “make cities and human settlements inclusive, safe resilient and sustainable”.

This side event will link the AAAA and the Financing for Development process with the HABITAT III process and its goal to reinvigorate the global commitment to sustainable urbanization. More emphasis needs to be placed on the financing needs of local authorities in the implementation of the 2030 Agenda for Sustainable Development, especially in the context of least developed countries (LDCs). Despite the recognition of the need to empower local authorities to finance their local development objectives, the capacity of municipal governments to provide essential services, let alone to make long-term investments, is often low. Local fiscal space is limited through political constraints imposed on local authorities by central governments, low capacities of tax administrations at both the local and central government levels, and unpredictability of own-source revenue generation, as well as inadequate transfers from the central

government. As a result, mobilizing resources to expand and improve services at the municipal level is one of the most challenging aspects of local development, especially with regard to long-term investments into local infrastructure. One of the critical challenges for greater capital investment is bringing borrowers and lenders together in a sustainable market relationship, and managing the risks inherent in this type of financing.

UNCDF and UN-DESA have joined forces to launch a series of regional expert consultations to strengthen municipal finance through knowledge sharing among stakeholders in local sustainable development and subnational finance (local government employees, bilateral and multilateral donors, regulators, civil society, private sector). The consultations provide a platform for stakeholders to share lessons learned on how local governments can overcome constraints to access long-term finance at the subnational level. In line with the mandate in the AAAA, particular emphasis is set on how international cooperation (both South-South and North-South) could be strengthened and more effectively coordinated in support of municipal finance. The project will result in a joint publication that will provide an important substantive input to HABITAT III. Preliminary results from the initial consultations in Tanzania (February/March 2016) and Mexico (March 2016) will be presented at this side event.

The side event will also comprise a presentation by the Dakar Municipal Finance Project which was formed in 2011 to strategically position the city as a creditworthy issuer in the regional market. The project offers highly valuable lessons learned for other cities in LDCs.

The presentations will be followed by an interactive discussion on how municipal finance in LDCs can be strengthened, including through better data, monitoring and reporting; and how international cooperation can support local governments on this matter.

The side event is organized in collaboration with FDMV – Global Fund for Cities Development. FMDV is hosting another side event in the context of the FfD Forum entitled “Defining the Global Partnership for Localizing Finance of Inclusive & Sustainable Development: Country Implementation & Financing Frameworks that Deliver Results” (Tuesday, 19 April 2016, 1:15 – 2:45 PM, UN Conference Room F).

Guiding Questions:

1. How can the commitments and targets from the AAAA and the 2030 Agenda related to municipal financing be mainstreamed into international cooperation and implemented at the regional, national and subnational level?
2. What determines the effective choice, combination and design of appropriate revenue tools (user fees, property taxes)?
3. How can intergovernmental transfers improve the capability of subnational governments to deliver public services and also strengthen the institutional capacity to generate revenues?
4. How can the international community ensure that the importance of municipal finance is adequately reflected in the HABITAT III outcome?
5. How can local governments improve data collection on municipal financing, especially on revenue sources and data standardization? What role can international cooperation play in this regard?

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