



## Defining a Global Partnership for Localizing Finance of Inclusive & Sustainable Development: Country Implementation & Financing Frameworks that Deliver Results

**ECOSOC Financing for Development Forum Side Event & Lunch**

**Tuesday, 19 April 2016, 1:15 – 2:45 PM**

**UN Conference Room F**

**Lunch provided @1pm**

**UN Headquarters - New York**

**Co-Organizers:** *Government of France / Government of Mexico / Global Fund for Cities Development (FMDV) / Global Clearinghouse for Development Finance (GlobalDF) / FfD Business Steering Committee / Cities Climate Finance Leadership Alliance (CCFLA) / United Nations Capital Development Fund (UNCDF) / Metropolis / United Cities & Local Governments (UCLG) / Global Task Force of Local and Regional Governments*

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The Addis Ababa Action Agenda (“AAAA”) is intended to define the financing framework for the Sustainable Development Goals (SDGs), and close the funding gap estimated at US\$2.5 trillion per year. The Paris Climate Change Agreement and recent Mexico City Habitat III Declaration on Financing Urban Development underscore the imperative of mobilizing the private sector to deliver climate-smart solutions and subnational finance, in line with paragraph 34 of the AAAA.

Against this daunting finance gap, there is a surplus supply of private capital, both locally and globally. Accessing private finance requires bringing together co-financing from public and private sources (“blended finance”) and risk mitigation. Blended Finance initiatives launched in Addis such as the *Sustainable Development Infrastructure Partnership* (“SDIP”) and *Convergence* are aimed at bringing together this demand for finance with the supply of capital, but are only part of the answer, as **there is still need to formulate and integrate the 360° vision and perspective over the complete project cycle and financing prerequisites to deliver sound and solid investments that answer sustainable development needs and leverage opportunities.**

Implementation of these commitments encompasses **the full chain of legal, financial and planning prerequisites for accessing private finance, including the technical processes and engagement of diverse stakeholders essential to development impact.** Moreover, access to finance depends on **the empowerment of national, local and regional governments in financial engineering and efficient sourcing of revenues, bridging the knowledge gap and creating a common culture for localizing finance.**

This mind shift needs to be reflected in the changed behaviour of all the players involved through the financing chain, resulting in the formulation of sustainable development plans, identification of projects and their development, financing, implementation, and maintenance over time. **This new approach requires fluency in understanding investor requirements, adoption of standards, and definition of processes implemented through financial hubs and localized market places** that can be systematized, integrated and effective at national, local, regional and international levels. Indeed, as recognized in the AAAA, **the ability to match the supply of private capital with the demand for capital requires “investable” projects that meet investor requirements and respect the public imperative for sustainable, inclusive and resilient development.**

***Solutions for addressing the “investability” gap inherently reside at the country level: To mobilize private sector capital, processes need to be “localized.” This requires explicitly building the technical operational processes for improving national enabling environments and capital markets, as well as the identification and development of investable entities -- projects, instruments, and facilities -- that can successfully harness mobilize and secure private capital, and ensure sustainable development impact for targeted beneficiaries.***

This complex technical requirement for delivering finance can only be achieved through the formulation of “*Country Implementation Frameworks*” to catalyze improved country-enabling environments as well as the scaling up of the identification, development, and finance of investable entities. This includes required changes in national institutional, legal, and regulatory frameworks, as well as vast improvements in the scale and velocity of processes that enable streamlined planning, identification, structuring, packaging, finance and maintenance of projects that deliver on essential public services and infrastructure.

***Therefore delivering on the SDGs, Climate Change, and Habitat III objectives requires “Country Implementation Frameworks” with the operational capacity to bridge public and private requirements and processes, harnessing the needed capital and ensuring accountable, efficient and smart delivery of the transformative agenda called by all constituencies supporting the 2030 Agenda definition and implementation.***

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Given the above imperative for effective local implementation at the country level, this side event is aimed at discussing the required “*Country Implementation Frameworks*” for AAAA’s key commitments to mobilizing national and subnational finance. As noted in the annex, AAAA details the key requirements of supporting national, local and regional governments in planning, developing, financing, monitoring and implementing public service projects with efficiency, transparency, and accountability in line with their responsibilities and commitments for a sustainable, inclusive and resilient development of the communities for which they are responsible.

*We therefore need to define and implement next steps for implementation:*

*How could a “Global Partnership for Localizing Finance of Inclusive & Sustainable Development” catalyse access to private finance through processes such as streamlined “Country Implementation Frameworks” that deliver local pipelines of investable projects and mitigation solutions that meet the requirements of the global and local financial sector?*

*Which approach, design, objectives, strategies, stakeholders, demonstrations, instruments, opportunities, and inspirational pilots could give life to this “Global Partnership for Localizing Finance of Inclusive & Sustainable Development”?*

**For questions, please contact:**

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## Agenda

### 1:15 – 1:30 PM – The need for a “*Global Partnership on Localizing Finance for Inclusive & Sustainable Development*”?

- **Salvador De Lara**, Permanent Mission of Mexico to the UN
- **Olivier Brochenin**, Sub-Director of Development Policies, French Ministry of Foreign Affairs and International Development
- **Severin Zo’obo Belinga**, Director of Communication and Partnership, FEICOM (Cameroun) and Network of African Financing Institutions for Local Governments (RIAFCO)
- **Carlos de Freitas**, Director of Programs of Global Fund for Cities Development (FMDV) and Co-Secretariat of Cities Climate Finance Leadership Alliance (CCFLA)

### 1:30 – 2:20 PM - How to Localize Finance: Public and Private Sector Due Diligence Requirements & Examples of Successful Blended Finance Transactions

- *Moderator:* **Dr. Barbara Samuels**, Executive Director, Global Clearinghouse for Development Finance (GlobalDF)
- *Finance Techniques for Local Finance Mobilization:* **Tom Cochran**, Co-Head of the Infrastructure Experts Group
- *Municipal Loans & Bonds:* **William Streeter**, Senior Finance Advisor, Global Clearinghouse for Development Finance (GlobalDF)
- *Conclusion - Resulting Functions of “Country Implementation Frameworks” for private sector mobilization:* **Dr. Barbara Samuels**, Executive Director, Global Clearinghouse for Development Finance (GlobalDF)

### 2:20 – 2:40 PM - Discussion: Questions & Comments

- Ideas on Effective Finance Localization & Role of *Country Implementation Frameworks*
- Ideas on strategy to create a “*Global Partnership for Localizing Finance of Sustainable & Inclusive Development*”

### 2:40 – 2:45 Closing Remarks on Next Steps for Building the Global Partnership & Country Implementation Frameworks

- **Olivier Brochenin**, Sub-Director of Development Policies, French Ministry of Foreign Affairs and International Development
- **Salvador De Lara**, Permanent Mission of Mexico to the UN
- **Carlos de Freitas**, Director of Programs, Global Fund for Cities Development (FMDV) and Co-Secretariat of Cities Climate Finance Leadership Alliance (CCFLA)

**ANNEXES:** Selected excerpts from the Addis Ababa Action Agenda & Habitat III Mexico Declaration on Financing the New Urban Agenda and key actions for “*Country Implementation Frameworks*”

**Note:** This side event is organized to complement the UNCDF, UNDESA and FMDV’s side event on *Implementing the Addis Ababa Action Agenda at the local level – strengthening municipal finance for sustainable development in LDCs* that will take place on *Monday, 18 April 2016, from 1:15 to 2:30 pm in Conference Room 6*

**ANNEX A:**  
**FfD UN Member State Commitments and Country Implementation Framework**

Selected Addis Ababa Action Agenda Commitments (in order)	Required Components of Country Implementation Frameworks
<p><b>1. Provide Subnational support, capacity building &amp; finance:</b> <i>“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. We will support cities and local authorities of developing countries, particularly in least developed countries and small island developing States, in implementing resilient and environmentally sound infrastructure, including energy, transport, water and sanitation, and sustainable and resilient buildings using local materials”</i> (paragraph 34).</p>	<ul style="list-style-type: none"> <li>➤ Improve technical and technological capacity</li> <li>➤ Scale up international cooperation</li> <li>➤ Implement resilient and climate-smart infrastructure</li> </ul>
<p><b>2. Improve Subnational revenues, planning, &amp; link to national sustainable development:</b> <i>“We will strive to support local governments in their efforts to mobilize revenues as appropriate. We will enhance inclusive and sustainable urbanization and strengthen economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning, within the context of national sustainable development strategies”</i> (paragraph 34).</p>	<ul style="list-style-type: none"> <li>➤ Improve local governance in mobilizing revenues</li> <li>➤ Strengthen national and regional planning (link to national sustainable development plans)</li> </ul>
<p><b>3. Improve Subnational Debt Management &amp; Risk Mitigation:</b> <i>We will work to strengthen debt management, and where appropriate to establish or strengthen municipal bond markets, to help subnational authorities to finance necessary investments. We will also promote lending from financial institutions and development banks, along with risk mitigation mechanisms, such as the Multilateral Investment Guarantee Agency, while managing currency risk</i> (paragraph 34).</p>	<ul style="list-style-type: none"> <li>➤ Strengthen debt management</li> <li>➤ Strengthen municipal bond markets (if appropriate)</li> <li>➤ Promote lending from financial institutions and development banks</li> <li>➤ Promote risk mitigation (manage currency risk)</li> </ul>
<p><b>4. Increase Local Participation:</b> <i>In these efforts, we will encourage the participation of local communities in decisions affecting their communities, such as in improving drinking water and sanitation management. By 2020, we will increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, and resilience to disasters</i> (paragraph 34).</p>	<ul style="list-style-type: none"> <li>➤ Involve local communities (water and sanitation)</li> </ul>
<p><b>5. Implement Disaster Risk Management:</b> <i>We will develop and implement holistic disaster risk management at all levels in line with the Sendai Framework. In this regard, we will support national and local capacity for prevention, adaptation and mitigation of external shocks and risk management</i> (paragraph 34).</p>	<ul style="list-style-type: none"> <li>➤ Formulate disaster risk management</li> <li>➤ Develop national and local capacity</li> </ul>

Selected Addis Ababa Action Agenda Commitments (in order)	Required Components of Country Implementation Frameworks
<p><b>6. Build Domestic Capital Markets:</b> <i>To meet longer-term financing needs, we will work towards developing domestic capital markets, particularly long-term bond and insurance markets where appropriate, including crop insurance on non-distortive terms. We will also work to strengthen supervision, clearing, settlement and risk management. We underline that regional markets are an effective way to achieve scale and depth not attainable when individual markets are small. We welcome the increase in lending in domestic currencies by multilateral development banks, and encourage further growth in this area. We encourage development banks to make use of all risk management tools, including through diversification. We recognize that the nature of international portfolio investment has evolved over the past 15 years, and that foreign investors now play a significant role in some developing countries' capital markets, and the importance of managing volatility associated with these. We will enhance international support in developing domestic capital markets in developing countries, in particular in least developed countries, landlocked developing countries and small island developing States. We will work to strengthen capacity-building in this area, including through regional, interregional and global forums for knowledge-sharing, technical assistance and data-sharing (paragraph 35).</i></p>	<ul style="list-style-type: none"> <li>➤ Develop domestic capital markets, particularly long-term bond and insurance markets</li> <li>➤ Enhance international support in developing domestic capital markets in developing countries</li> <li>➤ Strengthen capacity-building in this area, including through regional, interregional and global forums for knowledge-sharing, technical assistance and data-sharing</li> </ul>
<p><b>7. Need for Investment Plans &amp; Investable Projects:</b> <i>We acknowledge that impediments to private investment in infrastructure exist on both the supply and demand side. Insufficient investment is due in part to inadequate infrastructure plans and an insufficient number of well-prepared investable projects, along with private sector incentive structures that are not necessarily appropriate for investing in many long-term projects, and risk perceptions of investors. To address these constraints, we will imbed resilient and quality infrastructure investment plans in our national sustainable development strategies, while also strengthening our domestic enabling environments. Internationally, we will provide technical support for countries to translate plans into concrete project pipelines, as well as for individual implementable projects, including for feasibility studies, negotiation of complex contracts, and project management. In this regard, we take note of the African Union's Programme for Infrastructure Development in Africa. We note with concern the decline in infrastructure lending from commercial banks. We call on standard-setting bodies to identify adjustments that could encourage long-term investments within a framework of prudent risk-taking and robust risk control. We encourage long-term institutional investors, such as pension funds and sovereign wealth funds, which manage large pools of capital, to allocate a greater percentage to infrastructure, particularly in developing countries. In this regard, we encourage investors to take measures to incentivize greater long-term investment such as reviews of compensation structures and performance criteria (paragraph 47).</i></p>	<ul style="list-style-type: none"> <li>➤ Need for adequate investment plans</li> <li>➤ Need to increase number of well-prepared investable projects</li> <li>➤ Improve domestic enabling environments</li> <li>➤ Provide technical support to translate plans into concrete project pipelines, including feasibility studies, negotiation of contracts, and project management</li> </ul>
<p><b>8. Increase Infrastructure Finance:</b> <i>We recognize that both public and private investment have key roles to play in infrastructure</i></p>	<ul style="list-style-type: none"> <li>➤ Scale up development banks, development finance</li> </ul>



Selected Addis Ababa Action Agenda Commitments (in order)	Required Components of Country Implementation Frameworks
<p><i>financing, including through development banks, development finance institutions and tools and mechanisms such as public-private partnerships, blended finance, which combines concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures. Blended finance instruments including public-private partnerships serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development. For harnessing the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use of blended finance instruments. Projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards. We will therefore build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities. We also commit to holding inclusive, open and transparent discussion when developing and adopting guidelines and documentation for the use of public-private partnerships, and to build a knowledge base and share lessons learned through regional and global forums (paragraph 48).</i></p>	<p>institutions and tools and mechanisms such as public-private partnerships, blended finance, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures</p> <ul style="list-style-type: none"> <li>➤ Build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities</li> <li>➤ Develop and adopt guidelines and documentation for the use of public-private partnerships</li> <li>➤ Build a knowledge base and share lessons learned through regional and global forums</li> </ul>
<p><b>9. Offer Technical Support for Project Preparation &amp; Information on investment facilities &amp; Guarantees:</b> <i>We note with concern that many least developed countries continue to be largely sidelined by foreign direct investment that could help to diversify their economies, despite improvements in their investment climates. We resolve to adopt and implement investment promotion regimes for least developed countries. We will also offer financial and technical support for project preparation and contract negotiation, advisory support in investment-related dispute resolution, access to information on investment facilities and risk insurance and guarantees such as through the Multilateral Investment Guarantee Agency, as requested by the least developed countries. We also note that small island developing States face challenges accessing international credit as a result of the structural characteristics of their economies. Least developed countries will continue to improve their enabling environments. We will also strengthen our efforts to address financing gaps and low levels of direct investment faced by landlocked developing countries, small island developing States, many middle-income countries, and countries in conflict and post-conflict situations. We encourage the use of innovative mechanisms and partnerships to encourage greater international private financial participation (paragraph 46).</i></p>	<ul style="list-style-type: none"> <li>➤ Offer financial and technical support for project preparation and contract negotiation, advisory support in investment-related dispute resolution</li> <li>➤ Offer access to information on investment facilities and risk insurance and guarantees</li> </ul>
<p><b>8. Use Public Finance to Mobilize Private Finance:</b> <i>An important use of international public finance, including ODA, is to catalyse additional resource mobilization from other sources, public and</i></p>	<ul style="list-style-type: none"> <li>➤ Use public finance to unlock additional finance through blended or pooled financing</li> </ul>

Selected Addis Ababa Action Agenda Commitments (in order)	Required Components of Country Implementation Frameworks
<p><i>private. It can support improved tax collection and help to strengthen domestic enabling environments and build essential public services. It can also be used to unlock additional finance through blended or pooled financing and risk mitigation, notably for infrastructure and other investments that support private sector development (paragraph 54).</i></p>	<p>and risk mitigation</p>
<p><b>9. Imperative for Enhancing Capacity Building:</b> <i>Capacity development will be integral to achieving the post- 2015 development agenda. We call for enhanced international support and establishment of multistakeholder partnerships for implementing effective and targeted capacity-building in developing countries, including least developed countries, landlocked developing countries, small island developing States, African countries, and countries in conflict and post-conflict situations, to support national plans to implement all the sustainable development goals. Capacity development must be country-driven, address the specific needs and conditions of countries and reflect national sustainable development strategies and priorities. We reiterate the importance of strengthening institutional capacity and human resource development. It is also critical to reinforce national efforts in capacity-building in developing countries in such areas as public finance and administration, social and gender responsive budgeting, mortgage finance, financial regulation and supervision, agriculture productivity, fisheries, debt management, climate services, including planning and management for both adaptation and mitigation purposes, and water and sanitation related activities and programmes (paragraph 115).</i></p>	<ul style="list-style-type: none"> <li>➤ Enhance international support and establishment of multistakeholder partnerships for implementing effective and targeted capacity-building in developing countries</li> <li>➤ Strengthen institutional capacity and human resource development</li> <li>➤ Reinforce national efforts in capacity-building in developing countries in public finance and administration, social and gender responsive budgeting, mortgage finance, financial regulation and supervision, agriculture productivity, fisheries, debt management, climate services, including planning and management for both adaptation and mitigation purposes, and water and sanitation related activities and programmes</li> </ul>

**ANNEX B:**  
**Habitat III Thematic Conference on Financing the New Urban Agenda**

Selected Habitat III Thematic Conference Commitments (in order)	Required Components of Country Implementation Frameworks
<p>1. <b>Create implementation frameworks &amp; roadmaps:</b> <i>“Habitat III should be a focused and action-oriented agenda: grounded with country implementation frameworks that ensure the needed cohesion at national and subnational levels, complemented, where appropriate, by high-impact development cooperation. Beyond just technical solutions and sectorial approaches, the New Urban Agenda should deliver a concrete hands-on road map for all types of urban stakeholders. This is the only way to contribute to the achievement of the SDGs, in particular goal 11. Financing urban development is not only about urban services; the challenge aims to contribute substantially to the eradication of poverty and the reduction of the dramatic inequalities and gaps existing within and between the countries that characterize our world today” (point vii).</i></p>	<ul style="list-style-type: none"> <li>➤ Create Country Implementation Frameworks</li> <li>➤ Deliver hands-on road map</li> </ul>
<p>2. <b>Access to banking, capital markets and innovative financial intermediation</b></p> <ul style="list-style-type: none"> <li>• <i>Recognize that local governments’ access to sources of credit under suitable conditions remains a bottleneck in many countries, especially in those where sovereign guarantee to obtain favourable financing from international organizations is required. International financial organizations could play a strategic role to create guarantee mechanisms securing initial working capital and equity.</i></li> <li>• <i>Provide local governments with an adequate range of debt finance possibilities, and subsidized loans and other types of credit for self-financing projects; promote and facilitate access to capital markets when they are already able to borrow and finance their investments, through dedicated rules and regulations, incentives for investors, technical assistance, credit enhancement procedures, foreign exchange liquidity and de-risking facilities, as well as partial and first loss guarantees.</i></li> <li>• <i>Support local governments that are not in capacity to access the credit market directly or alone in developing their creditworthiness over time through incentives and technical assistance, including climate finance used to fund guaranties mechanisms that leverage the amounts of investments. This may include also:</i> <ul style="list-style-type: none"> <li>○ <i>The setting-up of special credit institutions such as municipal development banks, and subnational pooled financing mechanisms and appropriate ratings agencies.</i></li> <li>○ <i>Risk mitigation strategies.</i></li> <li>○ <i>Implementation of financial vehicles that can entice institutional investors, development financial institutions and the public sector to collaborate and co-finance local infrastructure including local financing structures” (point three).</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve access to credit</li> <li>➤ Improve access to guarantees</li> </ul>