

High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance Summary Report

*Accelerating Progress Towards a Financial
Ecosystem that Works for Cities, Local and
Regional Governments*

Málaga (Spain), 5-6 October 2023

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Background



In September 2015, global leaders united with a shared mission to steer humanity toward a future that is both sustainable and resilient. This collective effort gave rise to the United Nations Sustainable Development Goals (SDGs), a comprehensive agenda of global ambitions, set to be realized by 2030. The SDGs, which later incorporated the Paris Agreements, are interwoven and inseparable. They harmonize the three key facets of sustainable development: the economic, the social, and the environmental dimensions.

Their plea for inclusivity aimed at ensuring that no one is left behind necessitates a concerted global endeavor. Relying solely on national governments for the successful realization of the Agenda 2030 is insufficient. Instead, local governments and cities must play an integral role in implementing the SDGs, serving as the most effective platforms and suitable units of measurement for achieving SDG's objectives.

Universality in the context of the SDGs does not solely entail worldwide coverage for each individual goal. It also acknowledges the interconnections and cooperative efforts required to attain these goals. In fact, national initiatives are often carried out through local institutions. Consequently, the SDGs cannot be achieved, and the future of our planet cannot be safeguarded, without the active involvement of local governments.

Climate change, urbanization, migration, natural resource depletion, and globalization are worldwide predicaments that are molding a world where local solutions are now an integral component of the global strategy. In this framework, municipal finance plays an essential role in bolstering the capacity of local governments to effectively carry out the SDGs. This holds especially true for secondary cities in the least developed countries, which currently lack access to the necessary resources.

Nevertheless, to effectively gather sufficient resources for long-term, inclusive, and sustainable investments, local development necessitates a globally coordinated approach. On April 9th, 2018, the United Nations Capital Development Fund (UNCDF) and the United Cities and Local Governments (UCLG), in collaboration with Global Fund for Cities Development (FMDV) and the City of Málaga, orchestrated a High-Level Dialogue of the Málaga Global Coalition for Municipal Finance in Málaga, Spain. This event convened a diverse array of stakeholders and successfully established the Málaga Global Coalition for Municipal Finance.

The Coalition's primary objective is to transform the global discourse and policies surrounding municipal finance to facilitate the flow of funds to municipalities and expedite the implementation of the Agenda 2030 at the local levels. Its core mission is to advocate for and cultivate a financial ecosystem that is conducive to the needs of local governments and municipalities.

Objectives

Hosted by the Ayuntamiento de Málaga, the **Third Málaga Conference** has reunited diverse leaders in local government finance, including mayors, regional governors, government ministers, development banks, capital market authorities and commercial banks to take stock of the progress towards the Málaga Coalition policy agenda. Through dedicated roundtable discussions, the event unpacked how the international financial environment and architecture have been reframed and better adapted for cities, local and regional governments; and showcased concrete solutions illustrated by different high-impact cases. The Conference also discussed specific approaches, such as leveraging the cultural and creative sector for sustainable development, and shared findings of the third edition of the SNG-WOFI.

In summary, the Conference of the Málaga coalition has achieved the following objectives:

- Reviewed the Málaga Coalition policy agenda and took stock of progress in each of five building blocks since the first Málaga Conference;
- Showcased innovative approaches, mechanisms and instruments developed or implemented by Coalition members in line with the Málaga Coalition policy agenda;
- Understood risks and challenges and proposed concrete solutions to accelerate progress;
- Defined and advocated for the necessary policy reforms to drive towards a renewed financial ecosystem that works for local and regional governments; and
- Provided a roadmap towards the Fourth Málaga Conference.



Opening



Hon. Dr. Francisco de la Torre, Mayor of Málaga, inaugurated the proceedings by extending a warm welcome to all participants. Once again, the 2030 Agenda and the Sustainable Development Goals (SDGs) were the spine of this year's meeting, and how to converge with the principles of municipal finance. Globally, the achievement of the SDGs has assumed a paramount role for residents, and the search for innovative financial solutions stands as a central concern for cities worldwide. Local-level initiatives hold the closest proximity to the citizens and their pressing concerns, necessitating local governments to secure the requisite funding to address these needs.

Mayor Francisco de la Torre emphasised the urgency of addressing the multifaceted challenges in the global arena including the economic, social, and geopolitical crises, all of which are likely to exacerbate the financial difficulties faced by local and regional governments. He encouraged participants to collectively champion free, simultaneous reforms that ensured the creation of inclusive and sustainable territory for every individual. The ecological and social transition, aimed at global security for our territories, is at the forefront of our endeavours. This necessitates a productive transformation founded on a redefinition of prosperity, and geared towards fostering greater equality and tackling the persisting issues of inequalities, social exclusion, and marginalisation.

Recognising the key role that cities and regional governments play in driving this transition, Mayor Francisco de la Torre stated that it was crucial to acknowledge significant investments and infrastructure are needed. He added, however, that the ramifications of the COVID-19 pandemic had left many cities in developing countries grappling with an inability to secure the necessary financing for this transition.

Consequently, achieving the SDGs by 2030 has become even more challenging in the current global landscape. It is against this backdrop that the Málaga Global Coalition was established five years ago, to highlight and propose viable solutions to face the gravity of these challenges. Our world must persist in this determined path, with unwavering efforts, recognising that the local level stands as the most vital sphere for institutions and the promotion of a strong democracy.

Opening

In parallel, **Mr. David Jackson, Director of UNCDF, Local Transformative Finance**, underscored the indispensable role of cities and local governments, which stood as essential institutions, a public good with undeniable economic significance. He aptly pointed out that the existence of a private sector, economic activity, or businesses hinged on the presence of cities and local governments as the fundamental organising unit. Many global leaders, UN agencies and development partners are increasingly recognising cities and local governments as catalysts of change, coupled with an increasing awareness that a shift in the financial ecosystem is imperative.

As Mr. Jackson rightly observed, the nature of finance for cities differed from that at the sovereign level, necessitating a unique approach. He pointed out that the Málaga Coalition was united in its shared comprehension of the intricate interplay among the various elements of local government finance. This has prompted the understanding that the entire system should be viewed as a financing ecosystem, supported by policy reforms, to ensure its effectiveness.



Setting the scene, **Ms. Emilia Saiz, Secretary General, UCLG**, stressed the imperative need to anchor the conversation around COVID-19, given the wealth of knowledge accrued from this monumental event. She characterized the Coalition as a manifestation of collective willingness, driven by a shared belief in its capacity to effect transformative change on a global scale. She also acknowledged that despite the ongoing vigilance in monitoring city finances, we have become retrospective rather than adopt a forward-looking stance. Additionally, while there have been positive reactions to collective endeavors, the requisite resources and political instruments remained elusive, due to the widespread reluctance to credit local and regional governments as significant political actors.

Ms. Saiz highlighted the necessity of a cultural shift that redefines and redirects the understanding of development, reinforcing the focus from financing cities to financing development. Her vision encompassed revisiting the concept of the commons both in its local and global dimensions, and how to finance the SDGs. This would entail mobilizing adequate financial resources from all sources and adopting an appropriate and financing and investment architecture, at the subnational level. It also implies rethinking development finance and opening discussion about the type of development we aspire to achieve. The Coalition was poised to play a key role in this transformation.

In summary, Ms. Saiz underscored that project and financing must extend beyond tradition bankable models. Crucially, the Coalition's efforts must be extended to financing the economies of care and equality, reflecting a holistic approach to sustainable development and wellbeing.



Opening

Complementing the opening remarks, **Mr. Carlos De Freitas, Executive Director, FMDV – Global Fund for Cities Development**, offered a concise overview of the significant milestones achieved by the Málaga Coalition, which include: the establishment of an international text agreement; hosting financing development conferences; providing training, facilitating matchmaking, offering technical assistance, delivering courses; as well as many others. The Coalition had also been instrumental in implementing country programmes and fostering decentralization processes at the national level.

Mr. De Freitas acknowledged that it takes time to truly understand the dynamics of development partners and the intricacies of financing cities and local development. He stressed the complexity of aligning these endeavors within the institutional framework of a UN Agency, and highlighted the importance of ensuring that our narrative was in harmony with the perspective of our partners.

He further called for the need to involve international banks in global settings, recognizing their vital role in daily collaborations and the construction of infrastructure in developed countries. Looking ahead, Mr. De Freitas expressed the necessity for increased replication, duplication, and enhanced cooperation within the Coalition's initiatives, setting the stage for the next steps in the Coalition's global efforts.





Roundtables

Roundtable I – Intergovernmental Fiscal Transfers (IGFTs)

Málaga, Spain
5-6 October 2023

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Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

ROUNDTABLE I- INTERGOVERNMENTAL FISCAL TRANSFERS (IGFTS)

Moderator



Prof. Paul Smoke
Professor, Public Finance, New York University

Presentations



Mr. Jesper Steffensen
Principal Technical Advisor, Local Transformative Finance Practice, Local Climate Adaptive Facility (LoCAL), UNCDF



Dr. Jamie Boex
Executive Director, Local Public Sector Alliance

Panelists



Dr. Jane Kiringai
Former Chair, Kenya Commission on Revenue Allocation (CRA)



Dr. Khim Lal Devkota
Member of Federal Parliament, Nepal



Ing. Juan Cristóbal Lloret
Prefect and Governor of Azuay Province, Ecuador



Ms. Sophie De Coninck
Global Facility Manager, Local Climate Adaptive Facility (LoCAL), UNCDF



This roundtable discussion centered on the crucial topic of intergovernmental fiscal transfers (IGFTs). These transfers should be seen by central government as an indispensable component of their development approach. Effectively, IGFTs represent an investment in the national territory, underpinning the economic, social, and infrastructural development of regions and localities. The overarching aim of the conversation was to unearth aspirational elements that can seamlessly integrate IGFTs into the forthcoming financing for development agenda. Beyond aspiration, the discussion would also aspire to formulate clear, concrete policy objectives for the upcoming years, providing a tangible roadmap for the collective efforts. The discourse on IGFTs is instrumental in shaping the financial landscape for local and regional development, fostering more equitable, sustainable, and prosperous societies.

The roundtable was moderated by **Professor Paul Smoke, Professor of Public Finance and Planning, New York University Robert F. Wagner Graduate School of Public Service**, who commenced the session with profound insights into the topic of IGFTs. He underlined the significance of delving into this subject by emphasizing that IGFTs are the major source of revenue in the aggregate for sub-national governments. The crux of the matter, Professor Paul Smoke asserted, is that the question is not only how large these transfers should be but also how they are utilized.

The discussion, Professor Paul Smoke highlights, is set to encompass critical questions about how central funds are shared and utilized and, more importantly, what incentives they create for the efficient delivery of public services that drive development and enhance the well-being of citizens. The debates surrounding IGFTs extend to their conditional or unconditional nature, their impact on the broader fiscal landscape, and their potential influence on local revenue generation. Furthermore, the session will explore whether these transfers deter certain regions from seeking alternative financing mechanisms or whether there should be mechanisms to encourage financially prosperous local governments to explore self-financing projects in the market, thus freeing up additional resources to benefit less affluent regions. These questions are at the heart of our exploration of intergovernmental fiscal transfers, aiming to pave the way for a more equitable, sustainable, and inclusive future.



Mr. Jesper Steffensen, Principal Technical Adviser, Local Transformative Finance, UNCDF sharing his expertise, delved into the intricate world of subnational government finance, particularly focusing on intergovernmental fiscal transfers (IGFTs). He underscored the critical role that subnational governments play in the realm of public finance, making up a significant portion of public expenditures, approximately 21.5% on average across more than 100 countries. However, the revenue generated at the local level lags significantly, constituting only around 14.5% of the total revenues.

This discrepancy results in a substantial vertical fiscal imbalance, necessitating attention to bridge this fiscal gap and ensure that subnational governments receive their due level. Mr. Steffensen pointed out the increased fiscal pressures faced by local governments due to factors such as COVID-19, climate change, urbanization, and demographic shifts, further accentuating the need for equitable resource allocation.

Mr. Steffensen highlighted the prevalence of transfers as the most significant revenue source for local governments globally. Mr. Steffensen presented the various objectives of grants, of which one of the main one is often equalization aiming at mitigating fiscal disparities among local governments. However, Mr. Steffensen observed challenges related to the complexity and transparency of the allocation criteria, which can hinder effective planning and collaboration across sectors.

Moreover, Mr. Steffensen touched on grants designed to improve performance and stabilize economies during crises, emphasizing the need to strike the right balance. He noted the issue of funding lapsing at the end of fiscal years, urging the importance of introducing rollover funds and multi-year funding mechanisms to enhance efficiency.

To navigate these complexities, Mr. Steffensen recommended a focus on clear grant objectives, transparent calculations of service delivery costs, and data-driven analyses to determine fair funding shares for local governments. He advocated for predictable funding, improved allocation formulas, and a balance between unconditional and conditional grants.

He underscored that enhancing one aspect of the funding system can have a cascading effect, improving creditworthiness and access to private capital. Finally, Mr. Steffensen called for a shift away from the destructive cycle of distrust between central and subnational governments, emphasizing the importance of building trust, predictability, and citizen engagement to create a more resilient and effective local finance ecosystem. Mr Steffensen pleaded for a more elaborate use of performance-based grant instruments where feasible as they are useful tools to ensure this.

Mr. Steffensen recommended further application of performance-based grant allocation where grants are combined with incentives and technical assistance to ensure efficiency and accountability (this was also supported by several other presenters, e.g. when it comes to funding of climate change adaptation).

Dr. Jamie Boex, Executive Director, Local Public Sector Alliance, provided a comprehensive overview of the role of IGFTs as a fundamental aspect of development finance. He emphasized that IGFTs served as the workhorse within intergovernmental finance systems, including the primary funding source for driving inclusive local services and sustainable development at the local level. This underlined IGFTs key role in fostering progress.

Dr. Boex pointed out that more than half of subnational finance worldwide is reliant on transfers, underscoring their essential contribution to local development. Without transfers, the pursuit of localized development would be significantly hindered. He asserted that IGFTs were a means of financing development, with cities serving as the mechanism to achieve sustainable and inclusive progress.

Additionally, Dr. Boex explored the conditions under which IGFTs could present as highly effectively tools for development finance. This includes promoting a results-based vertical allocation of public sector resources, encouraging a results-based horizontal allocation, and enhancing the efficient utilization of these resources. Dr. Boex also noted that central government often allocated resources where they were easy to spend, rather than where they were most needed, emphasizing the importance of targeted resource distribution.

Dr. Boex gave emphasis to own-source revenues and subnational capital finance mechanism as being complementary to a strong IGFT system rather than a substitute for it. He called for concerted efforts to design technically sound and politically acceptable IGFT systems that can achieve inclusive and sustainable development outcomes. He dispelled the common misconception that local governments should solely or primarily fund themselves from own- source revenues, emphasizing the need for a more balanced approach.

Further, Dr. Boex highlighted that even a small improvement in IGFTs could have a more significant development impact than focusing solely on grants provided by development partners. He also discussed political economy issues and the challenge of central governments resisting well-designed grants, due to their potential to reduce their own resource allocation flexibility. He acknowledged that despite their advantages, IGFTs could be rather blunt instruments with unintended consequences, particularly in reducing local governments' incentive to collect own-source revenues.



Dr. Jane Kiringai, Former Chair, Kenya Commission on Revenue Allocation, shared Kenya's experience with fiscal decentralization, emphasizing the changing landscape of subnational fiscal transfers over the years. In the early stages of fiscal decentralization in Kenya, subnational fiscal transfers accounted for about 20% of shareable revenue. However, by 2023- 2024, this proportion had decreased to 15% due to the phenomenon of crowding out, mainly driven by increasing debt obligations and interest payments, which had surged from 14% to over 27% of shareable revenue.

Dr. Kiringai pointed out the challenge of subnational functions, such as health, being gradually clawed back to the central government. Despite being fully devolved, the National Government's share of health spending had significantly increased over time, diminishing the role and autonomy of subnational governments in service delivery.



She underscored the political nature of the process, mentioning the removal of fiscal incentive parameters from the grant-sharing formula by parliamentary politicians. This illustrates the political influence and dynamics surrounding fiscal transfers in Kenya, where local oversight by county assemblies remains weak.

Dr. Kiringai pointed out the need for traditional conditional grants to complement the general grant transfer system, especially for addressing inter-county or intra-county disparities and inefficiencies. She advocated for a well-designed grant system that can better address the diverse and complex government challenges faced by subnational entities.

Lastly, Dr. Kiringai suggested that while general grant transfer systems are essential, they may not fully address all development objectives. She promoted the incorporation of conditional grants or performance grants to target specific development challenges and underscores the importance of considering human development challenges within the grant system. Her insights shed light on the complexities and challenges of fiscal transfers in Kenya and the need for a nuanced approach to achieve comprehensive development objectives.



Dr. Khim Lal Devkota, Member of Parliament, Nepal (virtual), provided insights into Nepal's experience with Intergovernmental Fiscal Transfers (IGFTs) within the context of the country's recent transition to federalism. He pointed out that Nepal is among the youngest federal nations, having embraced federalism through the 2015 constitution.

Dr. Devkota offered a brief background on Nepal, shedding light on the country's fiscal landscape and its journey into federal governance. There are four types of grants in Nepal: Fiscal equalization grants, matching grants, special grants and conditional grants. In addition there are revenues sharing schemes (VAT, etc.) and Royalty sharing schemes. Local governments receive a portion of their funding from the value-added tax (VAT) and excise duty (15%) and royalties from natural resources (25%). Dr Devkota also recommended more use of performance-based grants as it was successfully done before the new Federal Reforms

Dr. Devkota drew attention to questions that have arisen in the Nepali Parliament regarding the equitable distribution of fiscal equalization grants. Drawing from his extensive experience of about ten years in the fiscal transfer system, Dr. Devkota underscored the principles of "finance follows the functions," and the importance of assessing fiscal need and expenditure requirements, which are fundamental principles applicable in Nepal and around the world.



Ing. Juan Cristobal Lloret, Prefect of the Azuay Province, representative of the Consortium of Provincial Governments of Ecuador, CONGOPE, introduced Ecuador's IGFTs system, commencing with an overview of the country's political and economic divisions. In Ecuador, the central national government holds authority over various key areas, including national defense, economic tasks, fiscal policy, education, health, housing, natural resources, energy resources, mines, and hydrocarbons, respectively.

Mr. Lloret featured the importance of Ecuador's constitutional framework, which guarantees a centralized model of governance. He introduced the concept of the territorial equity model in Ecuador, emphasizing its vital role in distributing revenues to sub-national governments particularly those resulting from the exploitation of natural resources. The territorial equity model accounts for a substantial portion of the total budget, representing approximately 86%. Mr. Lloret discussed the improvements made to intergovernmental transfers through decentralization processes outlined in the constitution. These processes aim to ensure financial stability based on competencies.

He emphasized the importance of fostering a robust financial ecosystem that includes guarantees of direct access to lines of credit and the generation of economic incentives through non-refundable credits or preferential rates for local governments. These measures are instrumental in promoting financial sustainability at the sub-national level. Overall, Mr. Lloret's insights provided a comprehensive view of Ecuador's fiscal transfer system and the measures taken to ensure equitable and sustainable financial arrangements between central and sub-national governments.

Ms. Sophie De Coninck, Global Facility Manager, LoCAL, UNCDF, highlighted the importance of providing support at the local level, emphasizing that addressing climate change and its impacts must start at the community and local government levels. Complementary to central governments, local authorities are closest to the communities affected and play a crucial role in adaptation efforts.

She introduced LoCAL as a mechanism for financing locally led adaptation, enabling local authorities and their communities to implement international climate agreements, including the Paris Agreement, Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and Sustainable Development Goal 13, which focused on climate action.



As a recognition of the importance of the subnational level in driving climate action, UNCDF designed LoCAL to support local governments in LDCs, by helping them access and effectively utilize climate change finance. It does so by using national systems for intergovernmental fiscal transfers, without creating new structures, and by incorporating dedicated windows into local government planning and budgeting systems. This approach ensures that climate adaptation efforts align with existing governance and financial mechanisms.

The initiative links to various policies and sources of climate finance, including bilateral aid, multilateral development banks, and international climate funds under the Convention. It is essential to demonstrate the additionality of climate finance, which allows countries to access and report on these funds while following established financial flows.

LoCAL operates as a performance-based grant, with local governments required to meet certain conditions to access the grants, including ensuring that the funds are used for climate-related purposes. The initiative incentivizes local governments to integrate climate issues not only when utilizing the grants but also within their broader operations, thereby increasing the share of climate finance at the local level. LoCAL utilizes a flexible formula that combines a basic component for horizontal allocation equity with a performance-based component tailored to each country's specific needs and regional variations.

Ms. De Coninck provided an overview of the progress made, highlighting that LoCAL has supported 350 local governments and has the potential to scale up further. The initiative has garnered interest from bilateral partners in terms of climate finance, and bilateral aid remains a significant source of support. Currently, LoCAL involves an initiative with a value of approximately \$170 million, and this amount is expected to double as countries gain access to the Green Climate Fund. Multilateral Development Banks have also started to adopt the LoCAL model, making it a promising way to deliver climate finance to local governments on a larger scale.

Ms. De Coninck's presentation demonstrated the vital role of LoCAL in ensuring that climate finance reaches the local level, where it can have a meaningful impact on climate adaptation and resilience.



Main points discussed in the roundtable:

- **Focus on Intergovernmental Fiscal Transfers (IGFTs):** The roundtable discussion centered on the crucial topic of IGFTs, emphasizing their role as an indispensable component of central government development approaches.
- **Investment in National Territory:** IGFTs are viewed as investments in the national territory, supporting economic, social, and infrastructural development at the regional and local levels.
- **Aims of the Discussion:** The overarching aim of the conversation is to identify aspirational elements that can seamlessly integrate IGFTs into the forthcoming financing for development agenda. Concrete policy objectives for the upcoming years are also sought to provide a tangible collective efforts.
- **Moderation by Prof. Paul Smoke:** Prof. Paul Smoke, a Professor of Public Finance and Planning at New York University, moderated the roundtable. He highlighted the significance of IGFTs as the major source of revenue for sub-national governments and stressed the importance of how these transfers are deployed and utilized.
- **Critical Questions and Debates:** The discussion is set to cover critical questions about how central funds are shared and utilized, the incentives they create for efficient public service delivery, the conditional or unconditional nature of transfers, their impact on the fiscal landscape, and their influence on local revenue generation.
- **Challenges and Recommendations from Jesper Steffensen:** Jesper Steffensen, Principal Technical Adviser, emphasized the significant role of transfers in local government finance globally. He highlighted challenges related to the complexity and transparency of allocation criteria, funding lapses, and recommended a focus on clear grant objectives, transparent calculations, and data-driven analyses for fair funding shares. Finally, he added that enhanced use of performance-based grants where feasible can combine the trust in local governments with strong incentives and drive efficiency in resource allocation and utilization.
- **Comprehensive Role of IGFTs in Development Finance:** Dr. Jamie Boex, Executive Director of the Local Public Sector Alliance, provided a comprehensive overview, emphasizing IGFTs as a fundamental aspect of development finance. He discussed the conditions under which IGFTs can be effective tools and the need for a balanced approach, incorporating own-source revenues and subnational capital finance mechanisms.

- **Insights from Dr. Jane Kiringai on Kenya:** Dr. Jane Kiringai shared insights into Kenya's experience with fiscal decentralization and the changing landscape of subnational fiscal transfers. She highlighted challenges, including the clawing back of functions to the central government, the political nature of the process, and advocated for well- designed grant systems.
- **Insights from Dr. Khim Lal Devkota on Nepal:** Dr. Khim Lal Devkota, a Member of Parliament in Nepal, discussed Nepal's experience with IGFTs in the context of the country's transition to federalism. He outlined the types of grants in Nepal and emphasized the principles of "finance follows the functions" for effective fiscal transfer systems. Finally, he argued for increase use of performance-based grants as was experienced before the new Federal Reforms.
- **Insights from Juan Cristobal Lloret on Ecuador:** Juan Cristobal Lloret, Prefect of the Azuay Province, discussed Ecuador's IGFTs system, highlighting the constitutional framework, historical evolution, and the importance of fostering a robust financial ecosystem for sustainable sub- national finances.
- **Role of LoCAL in Climate Finance:** Sophie De Coninck, Global Facility Manager at LoCAL, UNCDF, emphasized the significance of supporting the local level in climate change adaptation and financing. She highlighted LoCAL as a mechanism for financing locally led adaptation, ensuring alignment with existing governance and financial mechanisms.

These points collectively provide a comprehensive overview of the roundtable discussion on IGFTs, covering their role, challenges, and opportunities in the context of development finance.

Roundtable II – Own-Source Revenues (OSRs)

Málaga, Spain
5-6 October 2023

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ROUNDTABLE II – OWN SOURCE REVENUES (OSRS)

Moderator	Presentations			Panelists	
 Dr. Dmitry Pozhidaev Senior Technical Advisor, UNCDF	 Mr. Modeste Fatoing Mopa Mr. Modeste Fatoing Mopa	 Ms. Nan Zhang Programme Management Specialist, UNCDF	 Dr. Margaret Nyakang'o Controller of Budget, Kenya	 Mr. Yasin Sendaula Assistant Commissioner for Urban Inspection, Ministry of Local Government, Uganda	
 Mr. Michael Agyemang Director of Planning, Kumasi Metropolitan Assembly (KMA), Ghana	 Mr. Dario Runtic Advisor Association of Croatian Cities and Advisor to the Ministry of Finance, Croatia	 Mr. Lennart Fleck Municipal Finance and Local Economic Development Officer, UN Habitat	 Dr. Wilson Prichard Associate Professor at the Munk School of Global Affairs and Public Policy and the Department of Political Science and Chair, Local Government Revenue Initiative (LoGRI)		

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Own-source revenues refer to the funds that local governments generate independently through various sources, such as taxes, fees, licenses, and other revenue-generating mechanisms. These revenues play a pivotal role in the financial autonomy and sustainability of local governments. They are a critical source of funding for essential public services, infrastructure development, and community well-being.

The ability of local governments to collect own-source revenues efficiently and effectively is a significant determinant of their fiscal strength and capacity to meet the diverse needs of their communities. Own-source revenues empower local governments to address local priorities, enhance service delivery, and respond to the unique challenges and opportunities within their jurisdictions.

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The roundtable was moderated by **Dr. Dmitry Pozhidaev, Senior Technical Advisor, UNCDF**, who underscored the significance of Own-Source Revenues (OSRs) for local governments, highlighting three key reasons:

(1) Unlocking Revenue Potential: OSRs represent a vast potential for local governments to generate revenue independently. By optimizing their capacity to collect OSRs, local governments can tap into this revenue stream and harness its full potential. This not only bolsters their financial resources but also allows them to fund essential services and infrastructure projects that benefit their communities.

(2) Indicator of Financial Health: OSRs serve as a potent indicator of the financial health of local governments. The ability to effectively collect and manage own-source revenues reflects the fiscal strength and stability of local authorities. Monitoring OSRs provides insights into their financial standing and their capacity to meet local needs and demands.

(3) Social Contract: OSRs are a tangible expression of the social contract between the people and their local government. They signify the willingness of individuals and businesses to contribute to the development and well-being of their communities by paying taxes at the local level. OSRs are a fundamental aspect of local governance and the connection between citizens and their government.

Dr. Pozhidaev emphasized the central role of OSRs in the financial sustainability of local governments, their fiscal health, and the inherent connection between local communities and their governing authorities. Recognizing and optimizing the potential of OSRs is vital for enhancing local government revenues and ensuring the effective delivery of public services and local development.

Mr. Modeste Fatoing Mopa, Head of the TADAT Secretariat, Fiscal Affairs (virtual), delivered a comprehensive speech on "Enhancing Local Government Revenues with TADAT," covering several critical aspects. TADAT, the Tax Administration Diagnostic Assessment Tool, plays a significant role in strengthening local government revenue collection. This tool's primary objectives are to diagnose and assess tax administration systems, with a particular focus on improving revenue collection for local governments.

Mr. Mopa pointed out that the assessment process within TADAT encompassed nine vital performance outcome areas, each crucial for the efficiency and effectiveness of tax administration systems. These areas include the taxpayer base, risk management, compliance, tax declarations, tax payment, reporting, dispute resolution, revenue management, and accountability and transparency. He stated that each area was essential in creating a robust tax collection framework that serves the interests of local governments and their constituents.

Within these nine performance outcome areas, there are 32 high-level indicators that are evaluated during the TADAT assessment process. These indicators play a pivotal role in identifying the strengths and weaknesses of a tax administration system, providing valuable insights into areas that require improvement to enhance revenue collection.

Mr. Mopa explained that TADAT resources are strategically designed to support the reform interventions of various stakeholders involved in improving tax administration and revenue collection. By guiding these reforms, TADAT helped to optimize local government revenue collection processes and enhances the financial stability of subnational entities.



Furthermore, Mr. Mopa stressed that the TADAT assessments are not limited to national tax administration systems. Sub-national governments also benefit from TADAT assessments, ensuring that the tool's capabilities extend to the local level, thereby contributing to more effective revenue collection.

Key takeaways from subnational assessments include the identification of challenges such as the lack of a legal framework, predominantly manual tax administration functions, and the presence of unreliable and inaccurate taxpayer information at the subnational level. These findings underscore the need for reform and improvement within local tax administration systems.

In summary, TADAT assessments provide a baseline for initiating and guiding reforms. By pinpointing areas in need of improvement during the assessment process, TADAT served as a vital tool for enhancing local government revenue collection, contributing to fiscal sustainability, and facilitating financial development at the subnational level.



Ms. Nan Zhang, Programme Management Specialist, Local Transformative Finance, UNCDF, introduced the Rebuilding Local Fiscal Space initiative, a response to the immense challenges posed by the COVID-19 pandemic on subnational government revenues. This pandemic led to the most significant reduction in subnational government revenue ever recorded.

To address this crisis, UNCDF designed the initiative in 2020, aiming to assess the pandemic's impact on local government finances and provide support for their recovery efforts. Seven subnational governments participated in the initiative, including Chandpur, Gulu, Kumasi, Telita, Chiapas, Chefchaouen, and Harare, each at different stages of the programme. The initiative unfolded in three phases, starting with a diagnostic assessment during phase one, where the focus was on understanding how COVID-19 affected local government revenue.

Subnational governments were also interviewed about their responses to these challenges. Some measures aimed to alleviate the burden on taxpayers, such as deferred payments and extended due dates. Conversely, other measures sought to maximize tax revenues to address the health emergency and provide essential services to citizens.

During phase two, individual bilateral workshops were conducted with each local government to identify three priority areas for support. In collaboration with the participating governments, detailed work plans were developed, encompassing measures in three crucial pillars: policy, practice, and learning.

The initiative's third phase involved implementing these measures and assessing the results of these efforts. This comprehensive approach aimed to help subnational governments navigate the financial difficulties imposed by the pandemic and create strategies for a more resilient and sustainable fiscal future.

Dr. Dmitry Pozhidaev requested that the panelists address three key aspects as they discussed their respective themes:

- (i) The problem:** Panelists were encouraged to define the problem within the context of their topic, outlining the specific challenges that exist;
- (ii) The solution:** Panelists were asked to present how their proposed solutions were addressing the identified problem. This involved discussing the strategies and approaches that could effectively tackle the challenges at hand.
- (iii) Scaling up solutions:** Panelists were encouraged to explore the measures and policies that could be implemented to scale up the solutions they presented. Dr. Pozhidaev sought immediate or subsequent policy actions that the Coalition could undertake to promote and amplify these solutions.

This approach aimed to foster a deeper understanding of the issues discussed, as well as to drive actionable recommendations for addressing these challenges within the context of local government finance.

Dr. Margaret Nyakang'o, Controller of Budget, Kenya, began her presentation with a brief introduction to Kenya and highlighted the key insights obtained from the TADAT performance reports.



She emphasized that the TADAT methodology, rooted in best practices, revealed that none of the counties in Kenya had achieved 100% best practice standards in revenue collection.

Dr. Nyakang'o also shared TADAT observations and stressed the importance of recommendations based on these findings. She advocated for the development and implementation of revenue enhancement action plans as an ongoing initiative. Furthermore, she encouraged counties to embrace standard operating procedures and succession planning, while emphasizing the need for computerized revenue management systems to efficiently handle administrative functions. Capacity-building programmes were also underscored to address skills gaps effectively. These measures aimed to enhance tax administration analytics and local revenue improvement actions in Kenya's subnational governments.

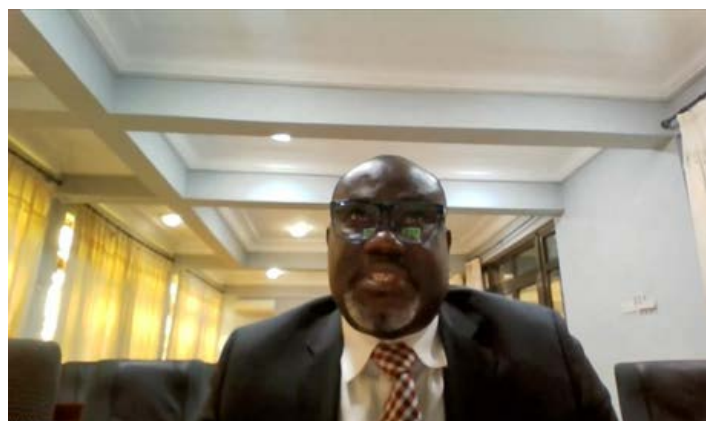


Mr. Yasin Sendaula, Assistant Commissioner for Urban Inspection, Ministry of Local Government, Uganda, focused on asset management within local government finance. He clarified that assets in this context referred to public assets with economic value and long-term service potential. Asset management encompassed planning, budgeting, acquisition, operational maintenance, and disposal. He highlighted the significance of asset management within the entire value chain, emphasizing that acquiring assets required own-source revenue.

Also, Mr. Sendaula emphasized that at the end of an asset's economic life, they must be disposed of, generating non-tax revenue to acquire more assets and finance other resources. He categorized assets into financial assets, tangible assets (e.g., land and buildings), and intangible assets. Notably, Mr. Sendaula pointed out that local governments often overlooked intangible assets, such as software and solutions, which represented a significant financial investment. He drew attention to Uganda's legal frameworks, such as the Public Procurement and Disposal Act, which governed asset acquisition and disposal. Ensuring optimal asset use, addressing environmental concerns, and attracting private investment were all compelling reasons for focusing on asset management within local governments.

Mr. Sendaula strongly emphasized the importance of assessing projects' bankability, including local governments' increasing recognition of the need to focus on asset management to bridge financial gaps.

Mr. Michael Agyemang, Director of Planning, Kumasi, Ghana (virtual), called attention to the significance of infrastructure development and service delivery at the subnational level, aligned with the SDGs. He steered the discussion to the prevailing challenge in Africa, where local governments received a lower proportion of government revenue compared to the global average, often due to limited technical expertise. Given the rapid urbanization, there was a pressing need for substantial investments to maintain and enhance infrastructure and service quality at the local level.



Mr. Agyemang underlined the need for capacity building within local government entities. In particular, local authorities should be proficient in project preparation to ensure their economic and financial viability, prior to engaging the private sector to raise revenue.

Mr. Agyemang shared an example of Kumasi's Bus Rapid Transport system, which was being implemented in collaboration with UNCDF and a PPP partner. The project involved support from the World Bank for fiscal infrastructure, while UNCDF was assisting with the software aspects, such as buses and operating systems for the transport system.

Mr. Agyemang's key initiative for Kumasi entailed automating revenue collection and management, with ongoing data collection indicating an expected 30% increase in internal revenue mobilization by the end of 2023, equivalent to approximately USD 500,000. He stated that local revenue sources were the most efficient means of financing projects, as central government transfers, along with international projects, usually flow through local governments. Therefore, it is crucial to enhance local revenue generation capacity in order to have a substantial impact on community development and contribute to the achievement of the SDGs.



Mr. Dario Runtic, Advisor, Association of Croatian Cities and Advisor to the Minister of Finance, Croatia, discussed the challenges related to unreliable taxpayer databases and tax base records in Croatia, stressing the importance of improving these records to boost own-source revenues. He identified three key elements for this process, namely: data, human resources, and investments, respectively.

In Croatia, efforts to improve records have shown significant results, often resulting in revenue increases between 12 and 36% without raising tax rates, which is a favorable approach for local governments. To enhance records, intergovernmental data exchange plays a pivotal role, fostering better data quality and accuracy.

Mr. Runtic highlighted the need for structured data collection processes, underlining the importance of creating proper databases, updating registers, and connecting with central and local registries. Aligning data collection with utility companies' registries owned by local governments can help identify gaps and areas where assets are underutilized.

Regarding technology, Mr. Runtic emphasized the use of tax collection systems and GIS to georeferenced data, which aids in visualizing collection performance and identifying areas with potential collection challenges. Connecting to construction permitting databases and electronic judicial systems can also enhance collection processes.

In conclusion, Mr. Runtic suggested investing in people, acknowledging the challenges of attracting talent due to local government wage levels, and structuring the data collection process. He encouraged investment in technology, as it offers immediate returns, and recommended the analysis of collection practices, as well as potentially leveraging private sector expertise to set up systems effectively.

Dr. Wilson Prichard, Associate Professor of Global Affairs and Political Science at the University of Toronto, Chair of the Local Government Revenue Initiative, accentuated the strengthening of recurrent property taxes as a crucial starting point for improving own-source revenues. Despite not being the dominant revenue source in many low-income contexts, Dr. Prichard stated that property taxes served as the foundation for sustainable revenue generation. He also added however that property taxes are among the least effectively collected taxes worldwide, especially in lower-income countries where their collection is less than 10% of what wealthier countries collect as a share of GDP.



Dr. Prichard discussed common challenges in improving property tax collection, which include incomplete property registration and outdated valuation systems. He pointed out that the legal framework played a significant role, as some countries required legal titles before the registration of property for tax purposes, which can be a lengthy process. To address this, some countries have reversed the order, allowing properties to be registered for tax purposes even without confirmed legal ownership.

The accuracy and completeness of property valuations are also vital. Regressive and inaccurate valuation methods contribute to ineffective property tax collection. Simplified systems based on flat rates or area-based taxation often led to regressive outcomes, while the cost and time involved in expert-driven valuations can result in outdated and inaccurate valuations.

Automation is a critical component for improving data management, mapping, and reducing corruption and errors. Additionally, building trust and ensuring compliance among citizens is essential for successful property tax collection. Without citizen trust and support, political actors are unlikely to take the necessary steps to mobilize reform. Dr. Prichard mentioned how updating the valuation process can make property taxes more progressive, as values of high-end properties rise to make those who can afford to pay contribute more.

Mr. Lennart Fleck, Municipal Finance and Local Economic Development Officer, UN-Habitat, discussed the local finance framework developed by UN-Habitat to address problems related to own-source revenue (OSR) optimization and financial reforms.



The initiative stemmed from previous successful OSR doubling in Kiambu County, Kenya, and aimed to replicate similar success in other local governments worldwide. The primary challenge was the limited availability of human resources and the cost of providing technical assistance to numerous local governments.

To overcome this challenge, UN-Habitat designed a digital tool called the Rapid Own Source Revenue Analysis, which was similar to the TADAT methodology. The tool allowed local governments to diagnose their revenue generation and provided recommendations for improvement. However, it became apparent that the key challenge wasn't solely a lack of technical capacity at the local government level.

There were various factors contributing to the lack of incentives for successful OSR reform, including the impact of financial transfers and other components of the financial ecosystem. UN-Habitat recognized the need for more intelligent financial planning by prioritizing certain reforms based on a city's specific context.

The local finance framework aims to determine the type of financial reforms that would benefit different cities based on their unique challenges and circumstances. UN-Habitat hopes to collaborate with partners to develop a conceptual framework that can provide guidance on prioritizing financial reforms and incentivizing OSR optimization.

Mr. Fleck emphasized the importance of improving collaboration, sharing data, and creating a rule of thumb for cities to guide their optimization efforts and financial reform strategies. The framework sought to support local governments in achieving better financial management and enhancing their own-source revenue while considering the specific needs and context of each city.

Main points discussed in the roundtable:

- **Own-Source Revenues (OSRs) Definition:** OSRs are funds generated independently by local governments through various means such as taxes, fees, licenses, and other revenue-generating mechanisms.
- **Role and Importance of OSRs:** OSRs play a pivotal role in the financial autonomy and sustainability of local governments, serving as a critical source of funding for essential public services, infrastructure development, and community well-being.
- **Determinants of Fiscal Strength:** The ability of local governments to collect own-source revenues efficiently and effectively is a significant determinant of their fiscal strength and capacity to meet diverse community needs.
- **Moderation by Dr. Dmitry Pozhidaev:** The vast potential of OSRs, including their role as an indicator of financial health, and significance in the social contract between citizens and local governments.
- **TADAT and Local Government Revenue Collection:** The role of TADAT (Tax Administration Diagnostic Assessment Tool) in enhancing local government revenue collection was highlighted. TADAT assesses nine performance outcome areas crucial for tax administration systems and identifies areas for improvement to optimize revenue collection.
- **Rebuilding Local Fiscal Space Initiative:** The Rebuilding Local Fiscal Space initiative, is a response to the challenges posed by the COVID-19 pandemic on subnational government revenues. The initiative involved assessing the pandemic's impact, developing detailed work plans, and implementing measures to support recovery.
- **TADAT observations from Kenya:** The outcome of the TADAT in Kenya can act as a guide to counties on functional areas requiring improvement for enhanced revenue mobilization and accountability such as: importance of revenue enhancement action plans, standard operating procedures, succession planning and computerized revenue management systems.
- **Asset Management in Uganda:** The ultimate objective of improving subnational asset management in Uganda is to help local governments meet a required level of basic services, in the most cost-effective manner; as well as address environmental concerns; and attract private investment.
- **Infrastructure Development in Ghana:** The provision of infrastructure and service delivery at the subnational level in Africa, is the bedrock of development. The need for sound project preparation and capacity building is crucial to attract more private capital into sustainable, resilient, inclusive infrastructure.
- **Improving Tax Base Records in Croatia:** Challenges in Croatia related to unreliable taxpayer databases and tax base records, emphasized the importance of structured data collection processes, technology, and human resources, to improve own-source revenues.

Main points discussed in the roundtable:

- **Strengthening Property Taxes Worldwide:** Importance of focusing on recurrent property taxes as a crucial starting point for improving own-source revenues worldwide was highlighted. Challenges include incomplete property registration, outdated valuation systems, and the legal framework.
- **UN-Habitat's Local Finance Framework:** UN-Habitat's local finance framework, designed to address challenges in OSR optimization and financial reforms. The framework includes a digital tool for rapid revenue analysis and aims to prioritize financial reforms based on each city's unique challenges and circumstances.

Roundtable III – Domestic Capital Markets

Málaga, Spain
5-6 October 2023

High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance

Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

ROUNDTABLE III – DOMESTIC CAPITAL MARKETS

Moderator & Presenter



Mr. Peter Malika
Senior Technical Advisor, Local Transformative Finance, UNCDF



Ms. Marisol Blázquez
Senior Analyst, Global Sovereign and Sub-Sovereign, Moody's Investor Services Ltd

Panelists



Mr. Laurence Mafuru
Executive Secretary, Planning Commission, President's Office and former Deputy Permanent Secretary, Ministry of Finance, Tanzania



Mr. Sergio Gusmão Suchodolski
Executive Vice President, VR Investments São Paulo, Brazil



Mr. Gaetan Cochard
Director of Capital Markets, Global Sovereign Advisory



Mr. Yves Millardet
President, Agence France Locale





The discussions in this roundtable explored the role of domestic capital markets in financing urban development, with a focus on empowering local governments. Topics included the challenges faced by local governments, the significance of regulatory oversight, the role of development banks, and the transformative potential of domestic capital markets in addressing urbanization challenges. The goal was to examine strategies for mobilizing capital at a substantial scale, especially in the context of rapid urbanization, and to highlight the importance of inclusive and sustainable urban development financed through domestic capital markets.

Mr. Peter Malika, Senior Technical Advisor, UNCDF, moderated the roundtable and highlighted the key function that domestic capital markets serve as essential platforms where securities, encompassing both debt and equity, are traded. These markets play a pivotal role in facilitating financial transactions.

He also underlined the significance of regulatory oversight in these markets, which are often managed by entities like the Central Bank or the capital market regulator. While developed countries often have well-established and mature capital markets, emerging markets sometimes face challenges in developing these markets to their full potential. These insights provide a foundational understanding of the role and context of capital markets.



Mr. Sergio Gusmão Suchodolski, Executive Vice President, VR Investments São Paulo, Brazil (virtual), emphasized the pressing need to mobilize capital at a substantial scale. He acknowledged that while a select few large cities might engage in sophisticated transactions, most cities, especially smaller ones, require more accessible and simplified avenues. Development banks can play an instrumental role as intermediaries in driving capital to local governments, given their unique understanding of local contexts. With over 500 development banks worldwide, sharing experiences and successful strategies, they can serve as powerful partners to achieve the Sustainable Development Goals (SDGs) by 2030.

Mr. Suchodolski also stressed the importance of strengthening and expanding local capital markets. In Brazil, while they are the most developed in Latin America, constraints and limits to government indebtedness must be considered. Sovereign-guaranteed loans versus non-sovereign loans were mentioned as key topics for debate. Development banks, aligned with multilateral development banks and international agreements, can partner in non-government operations, and provide resources to numerous municipalities simultaneously. By leveraging digital platforms and harnessing technology for document submission, these banks can streamline the process, enhance transparency, and empower smaller municipalities to access local currency efficiently.

Mr. Suchodolski presented the work, landing resources to more than 400 municipalities across various programmes, as a successful example of this approach. The insightful remarks highlighted the potential for intermediaries, such as development banks, to play a transformative role in mobilizing capital for local governments and achieving SDGs.

Mr. Yves Millardet, President, Agence France Locale, shared the unique reasons behind France's approach to financing local governments through capital markets. In France, local governments bear approximately 70% of investments, which underscores their significant role in financing the country's development.



As a nation with around 40,000 local governments, more than the rest of Europe combined, France had to find a solution that allowed local governments to access capital markets despite their vast numbers and, often, limited capacity to do so independently.

France's financial landscape presented additional challenges. The country hosts numerous large banks and public banking institutions, which were heavily involved in funding local governments. However, the 2007 financial crisis exposed vulnerabilities in the system, necessitating a new approach.

To address these complexities, Mr. Millardet's organization, Agence France Locale, created an innovative framework. They automatically track local governments' investments and have developed a system that enables local governments to access sustainable markets without their direct involvement. This approach simplifies the process for local governments and streamlines the entire operation. Mr. Millardet stressed the importance of teaching local governments to access capital markets while providing them with funding for the long term, which is the central philosophy behind France's approach to financing local governments.

This approach can serve as a model for other countries facing similar challenges and can empower local governments to access the capital markets effectively.



Mr. Laurence Mafuru, Executive Secretary, Planning Commission, President's Office, and former Deputy Permanent Secretary, Ministry of Finance, Tanzania, highlighted the challenges that Tanzania and other developing economies face, particularly in the context of significant external shocks, such as the impact of COVID-19. He noted that major global shifts, like technological revolution, digital transformation, and the focus on climate change, are influencing the global economic landscape. Developing countries, including Tanzania, grapple with growing developmental demands due to population growth and an expanding economy. Tanzania's growth rate of 4.5% in the past few years, coupled with a population growth rate of 3.2% per year, poses challenges in poverty reduction and the need for increased developmental financing.

Addressing these development challenges can lead to higher debt burdens, creating policy trade-offs between debt management and economic growth. Mr. Mafuru emphasized that the work initiated by UNCDF, including the use of municipal and subnational bonds in Tanzania, is increasingly relevant given the need for alternative financing resources. Municipal bonds and subnational bonds play a crucial role in delivering the development agenda on behalf of the central government, fostering the social contract between local government authorities and the people.

Tanzania's five-year development programme, requiring significant funding of about 114 trillion shillings (over 45 billion dollars), faces challenges in securing funds from both domestic resources and traditional financing options. The adoption of new financing methods is gaining momentum. However, the biggest challenge lies in changing the traditional belief that development financing is exclusively the responsibility of the treasury and the Ministry of Finance.

Creating an environment supportive of these financing instruments is essential. The launch of the Tanga Water Bond by the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) is seen as a promising step to serve as a template and center of excellence for other municipalities, encouraging them to embrace alternative financing methods. While it is acknowledged that not all municipalities share the same economic fortunes, seizing this window of opportunity is crucial to build foundations that can help address development challenges through new financing approaches.



Ms. Marisol Blazquez, Senior Analyst, Global Sovereign and Sub-Sovereign, Moody's, provided insight into the importance of credit ratings in accessing financial markets and their role in assessing risk. Credit ratings are fundamental tools for investors, and they indicate the probability of default and potential loss in case of default. They help investors make informed decisions about where to allocate their funds, facilitating comparisons and risk assessment among different investments and issues. A low rating implies higher risk, making ratings essential for entities seeking funding in financial markets. Many investors require a minimum rating to consider investing. Typically, higher-rated issues receive better financial conditions due to the perceived lower risk.

However, Ms. Blazquez emphasized that while ratings are a crucial tool, they are not the sole factor to consider when making investment decisions.

In the context of local governments, their access to capital markets can be significantly influenced by the sovereign credit profile. Positive economic prospects at the national level often led to higher tax revenue collection for regional and local governments. A more predictable government can result in increased taxes and transfers, which represent a substantial portion of operating revenue for local governments. Therefore, improvements in the sovereign credit profile can positively impact local government finances.

Mr. Gaetan Cochard, Director of Capital Markets, Global Sovereign Advisory, emphasized the importance of advisory work, especially at the subnational level, and its critical role in helping local governments access financial markets effectively. Drawing parallels with international debt markets that were once inaccessible to many countries, Mr. Cochard acknowledged the evolving nature of this market, despite the fact that the current market conditions may not be entirely supportive. Two key factors stand out in this process: the preparedness of issuers and the market and the overall creditworthiness, which aligns with the work of rating agencies like Moody's.



Mr. Cochard highlighted the importance of preparedness that precedes market entry. It's essential to ensure that local authorities and utilities are ready to access capital markets. In doing so, an advisory role becomes critical in preparing these entities and building their capacity for debt issuance. Local governments should be guided in developing their domestic capital markets. In addition to building market infrastructure, it's vital to address debt sustainability and capacity building.

Breaking down barriers and fostering transparency are crucial aspects of this process, requiring collaboration at various levels, including country-level efforts. Mr. Cochard emphasized that the emerging trend in international capital markets involves environmental, social, and governance (ESG) bonds and sustainable development goals (SDG) bonds. Local authorities should be included in the discussion, consultation, and decision-making processes for ESG frameworks to ensure that the developmental impact reaches the local level effectively.

The advisory work should begin early and extend through execution, empowering local authorities as key actors in the process. Furthermore, there should be a framework that avoids double counting and allows local authorities to issue their bonds. This aligns with the broader development perspective driven by the central government at a higher level. Ultimately, the role of advisory work is to empower local authorities and ensure their active participation in the financial markets.

Main points discussed in the roundtable:

- **Role of Domestic Capital Markets:** The essential role of domestic capital markets as platforms for trading securities, including both debt and equity was examined. Regulatory oversight, managed by entities like central banks or capital market regulators was deemed as also key.
- **Mobilizing Capital at Scale:** The role of development banks as intermediaries in driving capital to local governments, especially smaller cities were deliberated. Leveraging digital platforms and technology can streamline processes and empower smaller municipalities to access local currency efficiently.
- **France's Approach to Financing Local Governments:** The Agence France Locale has created an innovative framework that allows local governments to access sustainable markets without direct involvement. This approach simplifies the process and can serve as a model for other countries facing similar challenges.
- **Challenges and Opportunities in Tanzania:** The challenges faced by developing economies like Tanzania, including external shocks like COVID-19 and major global shifts was part of the discourse. Increasingly, the relevance of alternative financing resources, such as municipal and subnational bonds has been recognized, in order to address developmental demands and achieving SDGs. The launch of the Tanga Water Bond by the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) illustrates as a promising step to serve as a template and center of excellence for other municipalities.
- **Importance of Credit Ratings:** The importance of credit ratings in accessing financial markets and assessing risk was underlined. Credit ratings are fundamental tools for investors, indicating the probability of default and potential loss. Affirmative economic prospects at the national level can positively impact local government finances.
- **Advisory Role in Accessing Financial Markets:** An advisory role is critical especially at the subnational level, in order to help local governments access financial markets effectively. Preparedness of issuers, market conditions, and creditworthiness are key factors, and advisory work should empower local authorities and ensure their active participation in financial markets.

Special Session I – Financing Culture, Inclusive and Gender Responsive Urban Services and Infrastructure

Málaga, Spain | High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance | Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

SPECIAL SESSION I – FINANCING CULTURE, INCLUSIVE AND GENDER RESPONSIVE URBAN SERVICES AND INFRASTRUCTURE

<p>Moderator</p>  <p>Dr. Jenifer Bukhohe Wakhungu Deputy Director (a,i), Local Transformative Finance, UNCDF</p>	<p>Presentation</p>  <p>Ms. Samina Anwar IncluCity Programme Manager, UNCDF</p>	<p>Panelists</p>  <p>Hon. Ms. Rohey Malick Lowe Mayor of Banjul, the Gambia</p>	 <p>Ms. Liane Freire Founder & CEO, BLENDGroup – BLENDLab</p>
 <p>Mr. Dyfed Aubrey Inter-Regional Advisor & SDGs Cities Lead, UN Habitat</p>	 <p>Mr. Gordon Williams Founder, Lalabela Alliance</p>	 <p>Ms. Dwinita Larasati Chair of Bandung's Creative Cities Forum and Focal Point for Bandung City of Design for UNESCO's Creative Cities Network</p>	





The Special Session was focused on the intersection of cultural development, inclusivity, and gender responsiveness within the context of urban services and infrastructure financing. The discussions aimed to address the challenges and opportunities in promoting cultural initiatives, ensuring inclusivity in urban development, and incorporating a gender-responsive approach to infrastructure financing. This special session explored innovative strategies and financial mechanisms that can contribute to creating urban spaces that are not only culturally vibrant but also inclusive and responsive to the diverse needs of different population groups, with a specific emphasis on gender considerations. The session likely featured insights from experts, practitioners, and leaders working at the intersection of finance, culture, and urban development.

Dr. Jenifer Bukokhe Wakhungu, Deputy Director (a,i), Local Transformative Finance Practice, UNCDF, moderated this Special Session, and opened the roundtable with a focus on the rapid urbanization occurring around the world.

She emphasized that cities are urbanizing at a fast pace, with half of the world's population already residing in cities or major secondary towns, and this number is expected to reach 70% by 2050. However, this growth is not always accompanied by adequate services and infrastructure, leading to challenges such as inequalities, gender disparities, and social exclusion. Dr. Bukokhe highlighted the need to address these issues and design urban spaces that are inclusive, green, resilient, and responsive to the needs of vulnerable populations, including women and children. The roundtable would explore ways to create cities that provide a better quality of life for all residents.

Ms. Samina Anwar, IncluCity Programme Manager, UNCDF, discussed the importance of inclusivity in the context of development finance, particularly when addressing the challenges of rapid urbanization. She pointed out that not everyone benefits from this rapid urbanization, and current financing mechanisms did not always target the areas within cities where they were most needed.

She highlighted three main components of inclusivity:

(1) Systemic Factors: Examining the systemic factors that drive increasing exclusion in cities, including regulatory frameworks and system changes;

(2) The Lens of Inclusion: Evaluating municipal investments through a lens of inclusion, ensuring that they benefit women, girls, and other excluded groups; and

(3) Local Leadership: Promoting local leadership and female empowerment to create a natural process for interventions, emphasizing accountability and transparency in city budgets.

Ms. Anwar provided an example from Bangladesh where UNCDF partnered with a municipality to empower marginalized women working on environmentally friendly handicrafts. A marketplace was constructed to provide the artisanal women with a proper place to sell their products.

She stressed the need for a holistic approach to address gender equality and women's economic empowerment, especially in cities. This approach involves addressing systemic problems and requires structural transformation. Ms. Anwar discussed the importance of taking a holistic approach when defining and measuring the impact of gender equality, including factors such as improved quality of life and reduced workloads. She also called for the increased representation of females in leadership roles, including female mayors.

In terms of investments, Ms. Anwar noted that larger-scale investments with a gender lens are essential for creating long-term changes in the lives of women and girls, as well as for empowering female leaders. A comprehensive approach to investment was necessary in order to achieve these goals.



Hon. Ms. Rohey Malick Lowe, Mayor of Banjul, The Gambia (virtual), shared her experiences as a female mayor and discussed the major obstacles faced by women in leadership positions in cities. She emphasized the need for gender equality in leadership roles, and outlined some of the significant challenges faced by women in local politics, inter alia: the daunting nature of the electoral process; and the patriarchal notion of women's role and place in society.

Mayor Lowe highlighted the discriminatory attitude and discourse of political opponents, which discouraged women from running, and underscored her unique position as the first re-elected female mayor in Banjul, The Gambia. She also shed light on the significant revenue challenges faced by cities, such as tax evasion, lower budgetary allocations, and the lack of software guarantee, which hinders local authorities' ability to raise funds for essential investments.

In particular, Mayor Lowe recounted her experience of trying to obtain funding from development partners for renovating the main city market. Her request for support was delayed, and by the time the funds were available, they were allocated to another city with a male mayor, illustrating the obstacles women faced in accessing funding for important projects.



She noted that women in leadership and decision-making positions often prioritized governance and financial management principles, making them more effective than their male counterparts. Mayor Lowe observed that women in public office have a gender related impact in public policy. For instance, women are strongly linked to positive development in education, infrastructure, and health standards at the local level. Mayor Lowe stressed the importance of consistent gender equality on the policy agenda and urged for a holistic approach to addressing the systemic problems affecting women in politics.

Mayor Lowe proposed several actions to encourage and empower women to become involved in the political process. She recommended identifying and supporting young girls and women interested in politics through educational programmes. Such practical and academic training, Mayor Lowe stressed, would enhance the understanding of the challenges and opportunities that women face in the political arena.

She also advocated for a more gender-inclusive legislative framework, especially in African countries, to advance women's political participation. Mayor Lowe called on the United Nations to support these changes, as all countries have committed to gender equality through international protocols.

In conclusion, Mayor Lowe expressed concern about the limited number of female mayors in West Africa and stressed the importance of providing support and capacity building to help women effectively hold leadership roles. She expressed hope that the conference would lead to positive outcomes in promoting gender equality in politics.



Mr. Dyfed Aubrey, Inter-Regional Advisor & SDG Cities Lead, UN-Habitat (virtual), outlined the challenges faced by cities and local governments, particularly female mayors, in providing inclusive infrastructure and essential services in urban areas. He mentioned that whereas challenges varied from place to place, they were particularly pronounced in rapidly urbanizing developing economies.

In addition, many cities lacked the capacity to plan and finance the necessary infrastructure to keep up with the speed of urban growth. Retroactively adding infrastructure to unplanned parts of the city Mr. Aubrey stated, was more costly and complex, thus underscoring the need for integrated planning and financing.

A critical point raised by Mr. Aubrey was the importance of shifting traditional, often male- dominated planning paradigms. He noted that many planning professors worldwide are men, resulting in a predominantly masculine approach to urban planning, an approach that was top-down and less collaborative. He emphasized the need for a more collective, and consultative planning process that incorporates a feminine approach, characterized by more inclusivity and community engagement.

Mr. Aubrey argued that such a feminine approach to planning, combined with community involvement, would lead to more responsive infrastructure that supports women's well-being and empowers them to thrive. This includes infrastructure that ensures safety, basic services, and improved gender equality. He stressed the importance of integrating planning and financing efforts in municipalities to address these challenges effectively.

Ms. Elin Andersdotter Fabre from UN-Habitat, Her city coordinator, UN-Habitat presented the Her City Toolbox initiative, which focused on planning cities for and with girls to create inclusive urban spaces for everyone, with a strong emphasis on sustainability. The Her City Toolbox offers a step-by-step methodology to guide urban actors, including decision-makers, professionals, and various stakeholders. It is a user-friendly digital platform that is freely accessible to all.



The initiative aims to facilitate dialogue between professionals and citizens, especially the most vulnerable individuals, throughout the urban development process. It is structured around three phases: assessment, design, and implementation. Nine key aspects are covered, including stakeholder engagement, with a focus on gender, youth, socioeconomic, and intersectional perspectives, aiming to integrate them into urban development.

Incorporating advanced technologies like the Kobo Toolbox and Minecraft for co-designing spaces, the Her City Toolbox has gained worldwide traction. It boasts 1,200 registered users from 350 cities, with over 300 independent initiatives spanning 100 countries. UN-Habitat collaborates on 20 projects globally.

The Her City Toolbox offers training and outreach activities to empower urban actors, particularly those working within municipalities, with the necessary tools and knowledge to plan cities that cater to diverse voices. The proposed initiatives from girls encompass various aspects of city planning, including sidewalks, public transport, water, sanitation, and waste management, contributing to the creation of cities that cater to the needs of all residents.



Mr. Gordon Williams, Founder, Lalabela Alliance, discussed the transformative power of music and the ways it can be harnessed to empower young people and uplift communities. As a music producer and educator, Mr. Williams pointed out the need for local governments to recognize the immense potential of music as creative tool for young people, who should be encouraged to explore entrepreneurial opportunities in the music industry, as a catalyst for economic development.

The collaboration between Mr. Williams' company and UNCDF focuses on building recording studios and performing arts centers that serve as hubs for creativity, contributing to the "orange economy," which encompasses music, film, fashion, art, and gastronomy. Through the development of cultural infrastructure, the project aims to unleash the vast artistic potential that exists in various regions, particularly in Africa.

Mr. Williams pointed out that the development of infrastructure for the arts, and the use of artistic related industries can achieve a wide range of direct and indirect economic goals for cities. He encouraged collective efforts and collaboration among stakeholders present to empower young people, provide them with income-generating opportunities, and stimulate revenue generation for governments.

He underscored the significant role of art throughout history in organizing society, framing culture, and providing a voice for communities. Mr. Williams connected the concept of culture to art, highlighting how investing in art and culture could transform broken-down communities, not only financially but also by fostering a sense of unity and communal spaces where businesses thrive.

In closing, Mr. Williams touched upon the idea that addressing women's issues is crucial for fixing broader societal problems, stating that "if we fix the women, we fix the world."

Ms. Tita Larasati, Chair of Bandung's Creative Cities Forum and focal point of Bandung City of Design for UNESCO Creative Cities Network (virtual), shared insights into the social and economic profile of Indonesia, the country of her birth and upbringing. Indonesia has seen a significant shift in its economy, with a growing recognition among young people that relying on extractive industries and natural resource-based income was no longer sustainable due to environmental degradation. As a result, young Indonesians Ms. Larasati pointed out, were turning to human intelligence and creativity to create income and innovative solutions for urban challenges.

Bandung, as the capital of West Java, stood out as a vibrant and densely populated city with a rich heritage dating back to the colonial era. The city's dynamic and youthful population, included students from across Indonesia and beyond, playing a pivotal role in shaping the city's dynamics and addressing urban issues. These young people, attracted to Bandung for educational purposes, congregate to connect, create, and impact the city. They drive urban change, transform public spaces, and influence the city's overall dynamics.



Ms. Larasati emphasized the proactive nature of these young individuals, who do not wait for change but instead act themselves. She stated that whereas the youth were catalysts for urban transformation and innovation, they also encountered challenges and difficulties when demanding changes to create safer and more inclusive public spaces.

In response, Bandung has initiated interventions in various aspects, including public spaces, urban villages, green open spaces, and mobility. Prototypes are built to demonstrate innovative solutions and argue for changes to municipal policies. These interventions demonstrate Bandung's approach to design thinking, utilizing creativity to address pressing urban challenges and engage stakeholders in the process.

These efforts have earned Bandung recognition in the UNESCO Creative Cities Network as a "City of Design". Ms. Larasati explained that design was viewed as a problem-solving methodology that generates value and meets the actual needs of the city and its context. Creativity served as a strategy to bridge gaps between different stakeholders, fostering a sense of community, and addressing critical urban issues.

Bandung's initiatives extend beyond the creative sector itself and encompass the entire ecosystem surrounding it. The focus is on understanding the transaction of creative products and the relationships between people, the government, and various stakeholders. The city identifies areas where the government can contribute to support the creative sector effectively.

Furthermore, Bandung perceives the city as an organic entity akin to a human body, emphasizing its need for careful consideration and interventions. The city must be nurtured, receive sustenance, and address issues like waste management, akin to tending to the body's different functions. Prototypes and creative interventions serve as needles of creativity, targeting the areas where the city requires healing and improvement.

Bandung demonstrates a commitment to addressing Sustainable Development Goals (SDGs) through creativity and has defined ten principles of Indonesian creativity that align with the SDGs. These principles form the basis for their work in answering the challenges posed by the SDGs.

To further support inclusive businesses and small enterprises, Bandung promotes their growth and visibility, offering them the means to compete with modern food chains and other businesses.

In summary, Ms. Larasati highlighted Bandung's use of creativity and design thinking to create innovative solutions for urban challenges, engage communities, and address complex societal issues. Through an inclusive approach, Bandung strives to bridge the gap between people and government and promote the growth of small businesses while contributing to the achievement of the SDGs.

Main points discussed in the roundtable:

- **Introduction to Rapid Urbanization:** Cities are urbanizing quickly, with half of the world's population already residing in cities or major secondary towns, and this is expected to reach 70% by 2050.
- **Challenges of Urbanization:** The rapid urbanization poses challenges such as inadequate services and infrastructure, leading to issues like inequalities, gender disparities, and social exclusion. The need to design inclusive, green, resilient, and responsive urban spaces that cater to the needs of vulnerable populations, including women and children.
- **Inclusivity in Development Finance:** Inclusivity in development finance is broadly grouped into three components: systemic factors, evaluating municipal investments through an inclusion lens; and promoting local leadership for interventions that emphasize accountability and transparency.
- **Empowering Women in Leadership:** Women in leadership positions face challenges inter alia: raising funds for campaigns and accessing funding for projects. The need for gender equality in leadership roles and proposed actions to encourage and empower women to participate in politics was emphasized.
- **Challenges Faced by Cities:** Cities, particularly female mayors, are faced with obstacles related to the provision of inclusive infrastructure and essential services in rapidly urbanizing developing economies. The importance of long-term integrated urban planning and financing efforts needs to be recognized.
- **Her City Toolbox Initiative:** UN-Habitat's Her City Toolbox initiative, focuses on planning cities for and with girls to create inclusive urban spaces. The initiative offers a step-by-step methodology, incorporating advanced technologies, to guide urban actors in integrating gender perspectives into urban development.
- **Transformative Power of Music:** Harnessing the transformative power of music and its role in empowering young people and uplifting communities. UNCDF's collaboration with Lalabela is focused on building recording studios and performing arts centers, contributing to the "orange economy" and stimulating economic potential in select countries in Africa.
- **Bandung's Creative Solutions:** The city of Bandung's use of creativity and design thinking to address urban challenges, engage communities, and promote the growth of small businesses while contributing to the Sustainable Development Goals (SDGs).

Day 1 Wrapping Up Session



The Day 1 Wrapping Up Session served as a culminating moment in the discussions on financing culture, inclusive, and gender-responsive urban services and infrastructure. This session highlighted key priorities, challenges, and potential pathways for action.

Dr. Michal Mlynár, Deputy Executive Director, UN-Habitat wrapped up the session by emphasizing the need to further develop the discussion and expand its reach to other critical stakeholders. He highlighted that practical impact and the ability to influence decision-makers, including national governments and parliaments, should be the primary objectives of these debates. To achieve this, it is crucial to engage cities and mayoral communities worldwide, which required an innovative approach.



Dr. Mlynár emphasized the collaborative efforts of UN-Habitat and UNCDF to build a focused offering to cities, ensuring practical results. He acknowledged the unique challenges cities face in achieving Sustainable Development Goals (SDGs) and the necessity to address them comprehensively. Stressing the urgency, he stated that there is no alternative for the SDGs, and the midway point has been reached. Dr. Mlynár cited statistics from the SDG Summit showing that only about 12% of the SDGs are on track, 50% are behind, and 30% are declining. He encouraged a more focused and effective approach to accelerate progress toward achieving the SDGs.

Dr. Mlynár underscored the importance of localization, emphasizing the need to engage local communities, mayors, governors, and other stakeholders to accelerate SDG implementation. He mentioned the Local 2030 Coalition within the UN system, for which UN-Habitat serves as the permanent Co-Chair and UNDP as the rotating Co-Chair, emphasizing the commitment to improving cooperation with local and regional governments.

In this context, Dr. Mlynár noted that local finance plays a central role. He pointed out that localization would be ineffective without facilitating local actors' access to the required financing mechanisms.

He acknowledged the availability of financial resources but stressed that developing projects that secure financial closure remains a challenge. Notably, he mentioned that only 10% of infrastructure projects in Africa reach financial close. He advocated for collaboration among development partners, financial institutions, and local governments to create a framework that addresses corruption, comprehensively assesses cities' financial positions, and designs tailored finance pathways to achieve greater impact.

In conclusion, Dr. Mlynár highlighted the pivotal moment in the journey towards the SDGs, recognizing the immense challenges while also acknowledging promising solutions and low-hanging fruit that can be leveraged through effective collaboration. He emphasized the importance of improving the financial position of cities worldwide and working together to implement the SDGs through localization and local solutions for local problems.



Roundtable IV – City-Friendly Investment Funds

Málaga, Spain
5-6 October 2023

High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance

Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

ROUNDTABLE IV – CITY-FRIENDLY INVESTMENT FUNDS

Moderator

Mr. Mohammad Abbadi
Senior Investment Manager,
UNCDF

Presentation

Mr. Jean-François Habeau
Senior Advisor, FMDV

Panelists

Mr. Salim Bensmail
Senior Investment Director,
Meridiam

Dr. Eszter Mogyorosy
Head of Innovative Finance, Local Governments for Sustainability (ICLEI)

Dr. François Paul Yatta
Director of Programs, UCLG Africa

Mr. Benjamin Kumumanya
Permanent Secretary, Ministry of Local Government, Uganda

Ms. Priscilla Negreiros
Senior Manager, Cities Climate Finance Leadership Alliance, Climate Policy Initiative




The roundtable, moderated by **Mr. Mohammad Abbadi, Senior Investment Manager at UNCDF**, focused on key financial aspects such as intergovernmental fiscal transfers, domestic capital markets, and the imperative of increased resources for local authorities worldwide. The primary agenda was centered on addressing the significant infrastructure gap prevalent at the local level.

City-friendly investment funds were introduced as a potential remedy to this challenge, aiming to incentivize financial markets to allocate more resources to cities and local governments. The panel, comprising notable members from various organizations, undertook the task of examining the hurdles faced by cities in accessing investment funds.

The ensuing discussion delved into real-world examples of city-friendly investment funds and their alignment with the broader objectives of the Málaga policy coalition. The intention was to catalyze heightened financing flows and inspire others to adopt similar approaches. A presentation by Jean Francois, a Senior Advisor from FMDV, provided insights into the nature, challenges, and intended objectives of city-friendly investment funds. The subsequent discourse aimed to explore strategies for enhancing accessibility and maximizing contributions to the Sustainable Development Goals.

Mr. Jean-François Habeau, Senior Advisor, FMDV provided a comprehensive overview of city-friendly investment funds and their pivotal role in addressing market failures in urban finance. The discussion delved into the substantial funding gap estimated at USD 93 trillion over the next two decades, underlining the disparity between available financial resources and the multitude of projects proposed by local authorities. The challenges stemming from market failure were thoroughly examined, emphasizing the imperative of establishing financial intermediation mechanisms for local governments.



During the discussion, **Mr. Salim Bensmail, Senior Investment Director, Meridiam**, addressed inquiries regarding their decision to apply for the role of the manager of the International Municipal Investment Fund (IMIF), initiated by the Málaga Coalition partners, which include UNCDF, UCLG, and FMDV. Mr. Bensmail clarified Meridiam's status as a benefit corporation, emphasizing their commitment to balancing financial returns with impactful objectives, a characteristic not commonly found in traditional corporate entities.

He underlined the crucial role of cities and municipalities in propelling infrastructure projects for community impact, drawing insights from his experiences at both national and municipal governance levels. Mr. Bensmail highlighted Meridiam's substantial investment in national and municipal projects, emphasizing their shared vision with UNCDF in addressing the challenges cities face in structuring investable opportunities for the financing market.

The discussion also touched upon Meridiam's distinctive capabilities in project development and their willingness to engage at an early stage in project preparation, setting them apart in the investor space for infrastructure projects. Mr. Bensmail's response effectively underscored Meridiam's alignment with the objectives of the initiative and its unique capacity to address the challenges encountered by cities in infrastructure development.

A succinct definition of city-friendly investment funds was presented, highlighting their diverse structures and shared mission to leverage private resources for local government investment. The essential attributes of these funds, particularly their role as financial intermediaries, were clarified. The presentation also touched upon the capitalization sources, which encompass public, concessional, and private resources. The solutions provided by these funds, including grants and various types of loans, were outlined, emphasizing their capacity to stimulate demand for financing, support the local economy, and address knowledge gaps.

Drawing from FMDV's experiences, Mr. Jean-Francois Habeau detailed the key challenges faced by these funds, spanning the legal environment, capitalization objectives, target sectors and projects, financial product definitions, pipeline structuring, and impact measurement. The presentation concluded with a strong emphasis on the significance of measuring the impact of these funds in achieving their objectives and the need for extensions or renewals as warranted.





Dr. François Yatta, Director of Programmes for UCLG Africa, (virtual) joined online to provide insights into the rationale behind creating an investment fund specifically tailored to meet the needs of cities and local governments in Africa. The emphasis was on establishing a joint financial platform serving as an intermediary between cities and the capital market, fostering collaboration among cities that might face challenges accessing the market independently.

The focus of the discussion was on encouraging cities to assume greater responsibility by mobilizing resources to access long-term funds for investments. Dr. Yatta underscored the importance of this initiative, particularly in the context of rapid urbanization and the substantial investment required in African countries over the next few decades.

The discussion highlighted the significant role of connecting cities and local governments to the capital market. Dr. Yatta emphasized the importance of city ownership within the fund, making cities and local governments major shareholders, ensuring their active participation in governance decisions while maintaining a separation between political and operational aspects.

The advantages of pooling resources, including cost reduction and increased accessibility to the capital market, were emphasized, especially for intermediary cities that may not meet the minimum requirements for independent market access. Additionally, the benefits of lending in local currency were underscored, emphasizing the risk mitigation involved in avoiding foreign currency borrowing. Dr. Yatta highlighted the critical role of ATIA in providing a viable financial mechanism for African cities and local governments to access necessary resources for sustainable development.

Ms. Priscilla Negreiros, Senior Manager at Cities Climate Finance Leadership Alliance (CCFLA) of Climate Policy Initiative, emphasized the crucial role of climate considerations in urban finance systems.

The urgent need to address climate change, particularly at the city level, was recognized, shedding light on the challenges cities encounter in securing finance for infrastructure projects, especially in the context of climate adaptation and mitigation.



The importance of addressing specific barriers related to climate-friendly funds was highlighted, including knowledge gaps on sustainable urban infrastructure systems and financial obstacles such as the lack of creditworthiness and investor-ready projects. The discussion emphasized the significance of technical assistance for effective project implementation.

Providing an overview of urban climate finance, reference was made to the "State of Cities Climate Finance Report" by CCFLA, revealing that USD 384 billion was globally invested in urban climate projects. This figure, however, fell significantly short of the required investment. Notably, a substantial portion of investments originated from the private sector, while national governments played a crucial role in enabling and supporting such initiatives.

The report underscored the prevalence of equity, debt, and market-rate instruments in financing urban climate projects, primarily focused on developed countries. The discussion also highlighted the disparity between investments in mitigation and adaptation, with only a mere 9% dedicated to adaptation projects. There was a call for integrated and aggregated models to effectively address the financing needs of climate-related projects.



In her presentation, **Dr. Eszter Mogyorosy, Head of Innovative Finance, ICLEI**, addressed challenges in project preparation and accessing finance at the local government level. The presentation acknowledged significant gaps in knowledge, technical capabilities, and financial resources, emphasizing the necessity for transformative initiatives.

The Transformative Actions Programme (TAP), launched in 2015, was described as playing a crucial role in facilitating discussions between local governments and investors, aiming to bridge the gap between project concepts and investment readiness.

The presentation underlined the prolonged process of project development and the need for a more efficient system, citing the slow pace of application evaluations and technical assistance, often resulting in outdated project studies. To tackle these challenges, Dr. Mogyorosy mentioned capacity building and demand-driven initiatives, focusing on various financing opportunities and instruments.

The City Bridge Facility, launched in partnership with UNCDF, was further discussed, aiming to streamline the project application process and facilitate connections with concessional financing instruments. Emphasizing the importance of collaboration and leveraging finance from diverse sources, the presentation highlighted the need for a broader approach to address the issue of scale, ensuring that even relatively small-scale projects receive attention and support. Finally, the significance of local currency borrowing mechanisms to avoid risks associated with foreign currencies was stressed.

Mr. Benjamin Kumumanya, Permanent Secretary, Ministry of Local Government, Uganda, highlighted the challenge of aligning available investment opportunities with suitable funding. He underscored the role of the State in infrastructure development through the mobilization of concessional loans, using the example of urban market development in the country's cities and municipalities.



Acknowledging the difficulty in attracting private capital due to a shortage of bankable projects, Mr. Kumumanya emphasized the importance of utilizing project preparation facilities to create viable demonstration sites. This approach enables local governments to generate bankable projects capable of attracting private investment. He stressed the need for investments in building the technical capacity of staff and fostering a shift in the mindset of political leadership to embrace private capital for addressing the investment gap.

Expressing optimism, Mr. Kumumanya believed that addressing these challenges, including enhancing technical capacity, encouraging mindset shifts, and providing project preparation facilities, could enable private capital to effectively meet the investment needs of local governments, ultimately contributing to sustainable development.



In the second round of discussion, **Mr. Salim Bensmail, Senior Investment Director, Meridiam**, delved into the organization's strategy for engaging in early-stage projects, particularly in the context of their support for Uganda. He highlighted Meridiam's past use of development capital for early-stage support, underscoring the limitations associated with conventional funds and the associated risks.

Mr. Bensmail introduced the concept of the catalytic capital fund initiated by the IMIF, designed to provide early-stage financing and prefinancing for project preparation. This 20-million-euro facility is specifically dedicated to supporting projects, enhancing their structure, and mitigating development and execution risks for investors. He emphasized that this dedicated capital contributes to more secure and well-structured projects, ultimately reducing risk for the involved investors.

Mr. Salim Bensmail, emphasized the potential impact of the Málaga Coalition in bridging the gap between projects and financing. He acknowledged the challenges involved in establishing partnerships with multiple stakeholders and the potential complexities in project management. Building a clearer, shared understanding of key issues in allocating projects to different financing sources was suggested as a valuable complement to partnership efforts.

Mr. Bensmail underscored the importance of distinguishing between funding and financing, highlighting that investors provide financing but do not pay for projects, which is the responsibility of either the asset users or the public sector.



He stressed the need to clarify expectations regarding the role of private finance, particularly for larger-scale projects, cautioning that private financing for small-scale projects is unlikely. Developing a common understanding of the characteristics of projects suitable for private financing and emphasizing the significance of domestic resource mobilization for smaller projects were proposed.

In her address, **Ms. Priscilla Negreiros, Senior Manager at Cities Climate Finance Leadership Alliance (CCFLA) of Climate Policy Initiative**, addressed the challenges associated with early-stage project preparation. She acknowledged the efforts of various project preparation facilities, including the Gap Fund led by the World Bank, and stressed the importance of developing projects with potential financing sources in mind.

Ms. Negreiros highlighted the issue of projects facing difficulties in securing funding even after receiving technical assistance (TA) and emphasized the need for maintaining a continuous project pipeline across different project preparation facilities. Additionally, Ms. Negreiros touched on the role of multilateral development banks (MDBs) in climate finance, expressing the need for concessional funding from MDBs to effectively reach the local level. She suggested exploring avenues to direct existing funds toward supporting private sector actors and facilitating increased support for TA.

Dr. Eszter Mogyorosy, Head of Innovative Finance, ICLEI, emphasized the importance of fostering increased partnerships and collaboration among various agencies and local institutions. The need for joint efforts to enhance project pipelines and maximize the utilization of investment funds was also stressed. Dr. Mogyorosy recognized the challenges associated with creating effective partnerships, considering the diverse priorities and criteria of different organizations and partners.

She underscored the necessity of aligning all stakeholders toward a common goal and ensuring that each partner works in harmony rather than pursuing their own agenda. While expressing optimism about the potential of initiatives like the City Bridge and the Málaga Coalition, Dr. Mogyorosy acknowledged the complexity of achieving cohesive collaboration among diverse entities.



Concluding this roundtable, **Mr. David Jackson, Director of Local Transformative Finance Practice at UNCDF**, highlighted the misconception surrounding the role of the private sector in solving financial challenges, citing a specific example. He pointed out the limitations of bringing in private finance to address public good issues, emphasizing the distinction between public goods and private investments. The distinction between bankable and financeable projects was underscored, with an emphasis on the concept of "transformative projects" that can have broader impacts beyond direct financial returns. Advocating for a clearer understanding of the nature of projects suitable for private financing, it was suggested that not all projects are conducive to private investment. Caution was advised against predatory approaches sometimes adopted by investment funds, and the importance of aligning investment goals with the broader objectives of the cities they seek to support.



Main points discussed in the roundtable:

- **City-Friendly Investment Funds:** Emphasis was made on the interconnectedness of financial aspects, including intergovernmental fiscal transfers and domestic capital markets. The infrastructure gap at the local level was highlighted and city-friendly investment funds introduced as a potential solution. Discussion on examples of such funds, their alignment with the Málaga policy coalition, and their contribution to Sustainable Development Goals.
- **Presentation by FMDV:** Insights into city-friendly investment funds were provided. The discussion centered on challenges, diverse structures, capitalization sources, and solutions offered by these funds. Emphasis was made on measuring the impact of funds in achieving objectives.
- **Meridiam's Role and Approach:** Meridiam's approach as a benefit corporation was discussed, to include the role of cities in driving impactful infrastructure projects. Meridiam's capabilities in project development and early-stage engagement was also highlighted. The concept of the catalytic capital fund initiated by the IMIF was explained.
- **UCLG Africa's Investment Fund:** The creation of an investment fund for African cities and local governments, was discussed. Attention was drawn to the joint financial platform, city ownership, and benefits of pooling resources. Notably, the importance of linking cities to the capital market and lending in local currency was underscored.
- **Climate Considerations in Urban Finance:** The role of climate considerations in urban finance was highlighted, to include the challenges related to climate-friendly funds, knowledge gaps, and financial obstacles.
- **CCFLA Presentation:** Discussion on the need for technical assistance for Cities.
- **Initiatives by ICLEI:** Challenges related to project preparation and accessing finance at the local government level were discussed. Descriptions were provided on the Transformative Actions Programme (TAP) and the City Bridge Facility, with an emphasis made on collaboration, leveraging finance from diverse sources, and local currency borrowing.
- **Challenges and Solutions in Uganda:** The challenge of bridging the gap between investment opportunities and funding in Uganda was highlighted. The importance of the role of the State in infrastructure development and the need for private capital was underscored. The discourse focused on the importance of project preparation facilities and building technical capacity.
- **Discussion on Early-Stage Project Preparation:** Attention was drawn to the role of project preparation facilities, multilateral development banks, and concessional funding.
- **Conclusion:** Emphasis was made on the misconception of the private sector's role in solving financial challenges. This included the distinction between public goods and private investments, caution against predatory approaches, and the importance of aligning investment goals with city objectives.

Roundtable V – Guarantee Funds for Cities

Málaga, Spain
5-6 October 2023

High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance

Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

ROUNDTABLE V – GUARANTEE FUNDS FOR CITIES

Moderator



Mr. Jaffer Machano
Global Finance Advisor, UNCDF

Keynote Remarks



Mr. Lars Gronvald
Head of Urban Development Section,
Directorate General for International
Partnerships (DG INTPA), European
Commission

Panelists



Mr. Edwin Syahrudaz
President Director of PT
Sarana Multi Infrastruktur
(PT-SMI), Indonesia



Mr. Anders Berlin
Director of Least Developed
Countries' Investment Platform,
UNCDF



Mr. Nicolas Painvin
Head of International Public
Finance, Fitch Ratings



Mr. Tuukka Salminen
Executive Director and Deputy CEO,
Municipal Guarantee Board, Finland



During Roundtable V – Guarantee Funds for Cities, the focal point was the pivotal role of guarantee funds as a financial instrument aimed at unlocking both public and private funding for local infrastructure. These funds operate by effectively mitigating risks, thereby instilling increased investor confidence in cities and local governments. A notable outcome of this risk mitigation is the reduction in the cost of capital for municipal borrowing. Concessional or publicly funded guarantees designed for subnational governments have proven instrumental in expediting transformative investments at the local level.

The backdrop of the discussion was marked by the emergence of the COVID-19 pandemic, introducing unprecedented risks for investors, and contributing to historically low levels of business confidence. As indicated by the World Bank, global foreign direct investment experienced a sharp decline of 42% in 2020, dropping from USD 1.5 trillion in 2019 to an estimated USD 859 billion—the lowest level observed since the 1990s. In the face of these challenges, compounded by the ongoing impact of the pandemic and a decline in investments, there is a critical urgency to unlock private financing for developing economies. This imperative underscored the need to mobilize a diverse set of financial instruments, with guarantees playing a crucial role in this mobilization effort.

Mr. Jaffer Machano, Former Global Finance Advisor, UNCDF, moderated the roundtable discussion, emphasizing the need for a less technical discussion on guarantees and their role in unlocking access to capital, particularly for local infrastructure.



Acknowledging the predominance of concessional and publicly funded instruments in the context of developing countries, Mr. Machano urged the panel to delve deeper into the dynamics of financing and guarantees. The panelists were prompted to consider whether financiers are motivated by guarantees or the inherent viability of the projects. Furthermore, the pertinent issue of the impact of the COVID-19 pandemic on the financial health of municipalities was raised, highlighting the dual challenge of decreased revenues and increased costs as municipalities served as first responders.



Mr. Lars Gronvald, Head of Urban Development Section at the Directorate General for International Partnerships (DG INTPA), European Commission, shared insights into the European Commission's engagement with local authorities. He called for a unique financing approach, highlighting the valuable exchange facilitated by the Málaga Coalition.

Mr. Gronvald delved into the European Fund for Sustainable Development Plus (EFSD+), underscoring its role in leveraging funds through blended finance and guarantees. He discussed proposals for deploying guarantees in urban areas, including subnational lending, PPPs, and city investment funds, emphasizing the instrument's flexibility.

related to guarantee applicability in urban contexts, city operation complexities, and the importance of linking guarantees with other programmes for maximum impact were acknowledged during the discussion.

Mr. Nicolas Painvin, Head of International Public Finance at Fitch Ratings, offered valuable perspectives on challenges related to municipal entities' borrowing accessibility. The discussion delved into issues such as restrictions imposed by central governments, the trust deficit from lenders, and considerations around the economic viability of financing options.



The importance of comprehending key parameters like liquidity, hidden risks, and counterparty risk within the borrowing landscape was emphasised by Mr. Painvin.

He also stressed the need to distinguish between funding and financing, cautioning against an exclusive reliance on private capital to bridge public funding gaps. Further exploration focused on the role of guarantee funds in addressing operational inefficiencies and streamlining access to financing, with practical examples drawn from experiences in Finland and Indonesia.

The intervention concluded with Mr. Painvin positioning guarantees as a viable solution to navigate funding gaps, especially in scenarios where government failures pose challenges.



During this session, **Mr. Tuukka Salminen, Executive Director and Deputy CEO of the Municipal Guarantee Board in Finland**, presented a comprehensive overview of Finland's local governance and financing system.

He pointed out the notable autonomy municipalities possess in financial matters, including their authority to impose taxes on income. A significant reliance on on-source funding and central government transfers was emphasized.

Mr. Salminen drew attention to the close relationship between the central government and local governments, outlining the Ministry of Finance's role in legislation oversight and monitoring the financial landscapes of municipalities and counties. He provided insights into the legal obligations for municipalities to maintain balanced finances over a four-year period, with special provisions in place for those facing financial difficulties.

Challenges faced by individual municipalities, especially smaller ones operating in financial markets, were discussed, including the limited capacity of private banks to fully address their financial needs—particularly evident during crises like the COVID-19 pandemic. The session underscored the critical need for a robust funding system to support municipalities, especially in challenging times.



In this segment, **Mr. Anders Berlin, Director of the Least Developed Countries' Investment Platform at UNCDF**, provided valuable insights into the organization's strategy regarding guaranteed instruments and their role in managing risks in municipal financing.

The discussion clarified that UNCDF's guarantee instruments function not by eliminating risks but by absorbing them, emphasizing their role in covering both credit and political risks. Mr. Berlin underscored that these guarantees necessitate financiers to have a stake in the game, with the flexibility to extend beyond the typical 70% ceiling. This characteristic makes them particularly advantageous for infrastructure projects, offering leverage and extended tenures.

The session highlighted UNCDF's provision of concessional fee charges and flexible guarantee options, including Pari-passu and first loss guarantees. The discussion delved into the various purposes of guarantees, such as filling collateral gaps and compensating for the absence of credit ratings. Challenges associated with guaranteed implementation were also discussed, ranging from insufficient coverage in challenging environments to the incentive dilemma related to high coverage. Furthermore, the need for social engineering in project finance and the impact of foreign currency fluctuations on projects were among the topics explored.

In this session, **Mr. Darwin Trisna Djajawinata, Finance & Operations Director at PT Sarana Multi Infrastruktur (PT.SMI), Indonesia, (virtual)**, provided a comprehensive overview of the infrastructure financing landscape in the country, shedding light on various guaranteed models employed.

PT.SMI, being wholly owned by the Indonesian government, offers a diverse array of financing products, including senior and junior loans, equity investments, and advisory services. The discussion delved into the application of different guaranteed models, encompassing government-provided guarantees for municipal and project financing. Additionally, Mr. Djajawinata outlined the establishment of the Indonesia Infrastructure Guarantee Fund, specifically designed to cover political risk for public-private partnership projects. Notably, international partners, including development finance institutions (DFIs) and multilateral development banks (MDBs), also contribute guarantees, particularly for renewable energy projects.



Mr. Djajawinata also touched on the challenges faced in the Indonesian context, ranging from issues related to demand, such as financial literacy, project readiness, and contract management, to complexities in documentation processing and currency exchange risks associated with international guarantees.

He emphasized the critical role of government support in enhancing the capacity of local guaranteed institutions. Furthermore, Mr. Djajawinata suggested the implementation of credit enhancement programmes to improve bond ratings, ultimately leading to lower financing costs. The presentation aimed to deepen the understanding of guaranteed mechanisms and offer valuable recommendations for policymakers involved in the guarantee landscape in Indonesia.

During this segment, **Dr. Jane Kiringai, Former Chair of the Kenya Commission on Revenue Allocation**, provided valuable insights into the challenges confronting subnational borrowing in Kenya, drawing parallels from experiences shared in Uganda and Tanzania. Despite the theoretical possibility of counties engaging in borrowing activities, the practicalities of this endeavor reveal a highly intricate landscape. Fiscal constraints at the national level pose a significant hurdle, limiting the provision of necessary guarantees for subnational governments.



Dr. Kiringai underscored substantial gaps within the counties themselves, shedding light on their underutilized revenue potential and the urgent need for comprehensive financial optimization. The discussion highlighted existing debt liabilities inherited from pre-devolution municipalities, coupled with challenges arising from an excessive and unproductive workforce, further intensifying the fiscal burdens faced by the counties. The limited participation in the rating programme added another layer of complexity, showcasing a general reluctance to embrace the necessary measures for financial reform.

In her concluding remarks, Dr. Kiringai proposed the establishment of a dedicated funding mechanism tailored for counties committed to transparent financial practices. She suggested the implementation of conditional grants to incentivize municipalities to enhance financial management. Additionally, she underscored the inherent risks associated with governance transitions, where changes in leadership often result in a reversal of financial gains. The discussion also touched upon the incomplete fulfillment of the Urban Areas and Cities Act, emphasizing persistent obstacles that impede the progress of municipalities in Kenya.

Main points discussed in the roundtable:

- **Introduction:** Emphasis made on the role of guarantees in unlocking access to capital for local infrastructure. Panelists were urged to delve deeper into financing dynamics, considering the impact of COVID-19 on municipal finances.
- **Insights from European Commission:** Discussion on the European Fund for Sustainable Development Plus (EFSD+), with a focus on blended finance and guarantees, proposals made on various applications in urban areas. Acknowledged challenges related to guarantees in the urban context and the need for linkages with other programmes.
- **Perspectives from Fitch Ratings:** Addressed challenges in municipal borrowing, and highlighted issues with central government restrictions, lender trust, and economic viability. Discussed the role of guarantees in addressing inefficiencies and facilitating access to financing.
- **Finnish Municipal Governance:** Outlined the Finnish local governance and financing system, with a focus on autonomy, on-source funding, and central government transfers. Highlighted challenges faced by smaller municipalities in financial markets.
- **UNCDF's Approach to Guarantee Instruments:** UNCDF's use of loans and guarantees has been growing and there is now a higher ambition to make better and wider use of these financial instruments. Guarantees absorb risks and do not eliminate them. UNCDF boasts flexible guarantee options and purposes, including filling collateral gaps.
- **Infrastructure Financing in Indonesia:** PT.SMI Indonesia's active role in infrastructure financing to include the use of different guaranteed models, involvement of government-provided guarantees and the Indonesia Infrastructure Guarantee Fund.
- **Challenges in Subnational Borrowing in Kenya:** Barriers faced by subnational borrowing in Kenya include complexities, fiscal constraints, underutilized revenue potential, and the need for financial optimization. Proposed a dedicated funding mechanism, conditional grants, and addressed risks associated with governance transitions.

Special Session II – Accountability, transparency and evidence-based policy making through financial data for improved local financial resilience

Málaga, Spain
5-6 October 2023

High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance

Accelerating Progress Towards a Financial Ecosystem that Works for Cities, Local and Regional Governments

SPECIAL SESSION II – ACCOUNTABILITY, TRANSPARENCY AND EVIDENCE-BASED POLICY MAKING THROUGH FINANCIAL DATA FOR IMPROVED LOCAL FINANCE RESILIENCE

<p>Moderator</p>  <p>Dr. Christel Alvergne Senior Technical Advisor, UNCDF</p>	<p>Keynote Remarks</p>  <p>Ms. Isabelle Chatry Head of Unit, Decentralization, Subnational Finance and Infrastructure, Centre for Entrepreneurship, SMEs, Regions, and Cities (CFE), OECD</p>	<p>Panelists</p>  <p>Mr. Elton Stafa Regional Fiscal Decentralization Expert, Network of Associations of Local Governments in South-East Europe (NALAS)</p>	 <p>Mr. Ousmane Sakho Director General of Local Authorities, Ministry of Territorial Administration and Decentralization, Guinea</p>
 <p>Ms. Elisa Muzzini Senior Technical Advisor, Council of Europe Development Bank (CEB)</p>	 <p>Mr. Alexander A. Mejia Director of Division for People and Social Inclusion, Head of CIFAL Global Network, UN Institute for Training and Research (UNITAR)</p>	 <p>Mr. Kader Makhoulouf Special Advisor to the Secretary General, UCLG</p>	

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The Special Session II on "Accountability, transparency and evidence-based policy making through financial data for improved local financial resilience" is framed within the context of the World Observatory on Subnational Government Finance and Investment (SNG-WOFI). This collaborative effort, led by OECD and UCLG with substantial support, including UNCDF for Least Developed Countries data, is dedicated to advancing global understanding of multi-level governance and subnational finance.

Founded on the success of its 2016 and 2019 editions, the SNG-WOFI has evolved into an unparalleled international repository, offering comprehensive insights into the structures and finances of subnational governments. The recently launched third edition in 2022, hosted at the OECD headquarters in Paris and featuring data from 135 countries, underscores the SNG-WOFI's pivotal role as an essential tool for comprehending and enhancing local financial resilience on a global scale. In this Special Session, the focus will be on exploring how the SNG-WOFI's rich data sets contribute to accountability, transparency, and evidence-based policymaking for strengthened local financial resilience.



In this Special Session, **Dr. Christel Alvergne, Senior Technical Advisor, UNCDF**, took on the role of moderator, setting the stage for a comprehensive discussion on data transparency and the pivotal role played by the World Observatory on Subnational Government Finance and Investment (SNG-WOFI).

The session commenced with an exploration of the practical applications and significance of the SNG-WOFI. Dr. Alvergne underscored the observatory's unique contribution to fostering dialogue between governments and local authorities, specifically in shaping agendas.

The emphasis on data transparency illustrated the crucial role played by the SNG-WOFI in providing a common ground for discussions that transcend geographical and administrative boundaries. The session aimed to unravel the multifaceted impacts of the observatory on facilitating informed dialogue and agenda-setting between key stakeholders in the realm of subnational government finance and investment.

In the initial intervention of this Special Session, **Ms. Isabelle Chatry, Head of Unit at the Centre for SMEs, Entrepreneurship, Regions, and Cities (CFE), OECD**, delivered a comprehensive overview of SNG-WOFI. Launched in 2015 and now in its third edition, WOFI has evolved into a significant global platform for insights into multilevel governance and finance.

Ms. Chatry highlighted the collaborative support received by WOFI from diverse partners, including the French Development Agency, UNCDF, and the Asian Development Bank, solidifying its position on the global stage. The primary focus of WOFI on aiding policymakers in the formulation and execution of effective decentralization and fiscal reforms became evident as Ms. Chatry delved into its key objectives.



The presentation shed light on critical findings from the WOFI, encompassing aspects such as subnational government structures, expenditure, investment, revenues, and debt. The data revealed the indispensable role played by subnational governments in delivering essential services and infrastructure. Moreover, Ms. Chatry underscored the challenges brought forth by the COVID-19 pandemic, emphasizing the imperative to fortify subnational finance systems.

The significance of WOFI in supporting decision-making, fostering capacity building, and facilitating international dialogue was a recurring theme, emphasizing its broad utilization by policymakers, international organizations, and research bodies. Ms. Chatry concluded by highlighting the recent integration of WOFI data in influential reports endorsed by G20 leaders, solidifying its burgeoning impact and relevance on the global stage.

During the session, **Mr. Ousmane Sako, Director General of Local Authorities at the Ministry of Territorial Administration and Decentralization in Guinea**, underscored the pivotal role of effective planning and structural reforms in enhancing the capacity of local collectivities, particularly in the domain of local finance.



In a strategic turn, the moderator steered the discussion towards Mr. Elton Stafa, acknowledging his expertise in regional fiscal decentralization within the network of associations of local government in Southeast Europe. He prompted Mr. Stafa to provide specific examples showcasing how the SNG-WOFI has played an instrumental role in initiating novel financial mechanisms and extending support to municipalities in their journey toward achieving fiscal decentralization goals. This exchange enriched the session by providing practical illustrations of WOFI's impact on the ground.



In his insightful contribution, **Mr. Elton Stafa, Regional Fiscal Decentralization Expert, Network of Associations of Local Governments in South-East Europe (NALAS)**, underscored the paramount significance of data accessibility and quality in shaping informed policymaking and the efficient allocation of public financial resources.

Emphasizing the instrumental role of the SNG-WOFI, Mr. Stafa addressed the pressing issue of the global data gap, stressing how WOFI played a pivotal role in not only bridging this gap but also in facilitating crucial regional comparisons. He highlighted the foundational importance of these comparisons, serving as a bedrock for initiating meaningful policy dialogues and steering financial reforms.

Drawing on a practical example, Mr. Stafa recounted NALAS's collaborative effort with the Albanian Ministry of Finance, showcasing how regional best practices, identified through WOFI's data, led to impactful reforms. This collaboration resulted in a substantial increase in intergovernmental transfers and the implementation of financial instruments, providing local governments with enhanced predictability and planning capabilities.

Furthermore, Mr. Stafa emphasized the strategic value of leveraging regional comparisons to present concrete arguments, citing NALAS's observatory on local government finance. This observatory, utilizing WOFI's data for comparative analysis, has become an essential tool for advocating increased financing for local governments. He acknowledged the Ministry of Finance in Albania for incorporating WOFI data into their annual reports on local government finance, reaffirming WOFI's pivotal role as a foundational resource for policy development and reform initiatives.

In conclusion, Mr. Stafa expressed his gratitude for the opportunity to contribute to the discussion and highlighted the dual role of WOFI as both a concrete and inspirational resource, guiding future reforms in the dynamic landscape of fiscal decentralization.

Hon. Dr. Emil Dardak, Vice-Governor of East Java, Indonesia, virtual, provided a comprehensive analysis of the challenges and disparities arising from the misalignment between subnational decentralization of authority and fiscal resources. Dr. Dardak illuminated the intricate dynamics of tax collection and revenue sharing among diverse municipalities, emphasizing how geographical and economic factors contribute to the observed disparities.

Leveraging his firsthand experiences as a former municipal leader in a predominantly rural area and his current role as Vice-Governor, Dr. Dardak delved into the central government's pivotal role in evaluating fiscal independence among municipalities based on original revenues and transfer payments. This assessment underscored the critical imperative for aligning fiscal and authority decentralization to address the identified challenges effectively.



Recognizing the unique political and structural complexities inherent in different countries, Dr. Dardak advocated for a global consensus on achieving alignment between fiscal and authority decentralization. He expressed robust support for the SNG-WOFI, acknowledging its potential to guide discussions and policymaking in this crucial area. Stressing the importance of leveraging WOFI's data, Dr. Dardak emphasized its role in shaping future discussions with local government associations and the Ministry of Home Affairs.

Providing insights into Indonesia's ongoing experiments with decentralization, Dr. Dardak outlined recent initiatives to incentivize local government borrowing for economic recovery. He underscored the significance of considering varying levels of decentralization maturity and governance in assessing the readiness of local governments to access financing.

In conclusion, Dr. Dardak emphasized the pressing need for the Málaga Coalition to reach a strategic consensus on both decentralization and fiscal decentralization. This consensus, Dr. Dardak noted, would play a pivotal role in addressing the challenges faced by local governments, fostering a collaborative approach to navigate the intricate landscape of fiscal governance.



Ms. Elisa Muzzini, Senior Technical Advisor at the Council of Europe Development Bank (CEB), initiated the proceedings by shedding light on the indispensable role of subnational governments in achieving CEB's social mandate. Focused on the significance of reliable and comparable data, Ms. Muzzini emphasized the integral role played by the WOFI platform in CEB's technical appraisals and knowledge-sharing initiatives. She specifically highlighted the seamless integration of WOFI data for European countries, underscoring its contribution to informed decision-making.

Addressing the imperative of aligning local revenues and expenditures with the green and social agenda, Ms. Muzzini delved into the importance of innovative budgeting practices. In particular, the role of participatory budgeting and green budgeting in fostering climate adaptation solutions and supporting vulnerable communities was emphasized. In times of crisis, Ms. Muzzini stressed the pivotal role of grants and transfers, and pointed out the necessity of blending loans and grants to achieve equitable outcomes, particularly for the most vulnerable municipalities.

Ms. Muzzini further underscored the significance of the multi-level governance system, citing the example of the super block programme in Barcelona. This showcased the importance of both horizontal and vertical coordination in achieving not only environmental and social but also economic benefits. A paradigm shift from financing subnational governments to financing the green and social agenda Ms. Muzzini stated was necessary. She also highlighted the critical interplay of finance and governance in delivering on these agendas through a territorial approach.

In summary, Ms. Muzzini's insights provided a comprehensive overview of CEB's strategic approach, intertwining data-driven decision-making, innovative budgeting practices, and the importance of a multi-level governance system to address the challenges and opportunities in achieving the green and social agenda.

In this segment of the proceedings, **Mr. Nicolas Painvin, Head of International Public Finance at Fitch Ratings**, informed participants of the instrumental role of the WOFI platform in enhancing their credit analysis process. Mr. Painvin underscored the critical importance of grasping both the overarching narrative and the nuanced details within the data, leveraging the platform's diverse functionalities.



He specifically highlighted the utility of country profiles within the WOFI platform, emphasizing their role in offering Fitch Ratings a comprehensive overview of organizational structures across various countries. Mr. Painvin accentuated the significance of the platform in facilitating the documentation of their research efforts through the creation of country profiles and framework reports, aiding in the systematic organization of their analytical processes.

Moreover, Mr. Painvin acknowledged the additional value brought by the WOFI platform, providing data that might not be readily accessible through Fitch Ratings' internal channels. This, Mr. Painvin explained, served as a complementary source enriching their analyses and contributing to a more holistic understanding of diverse entities.

A key aspect of the discussion revolved around the platform's ability to facilitate meaningful comparisons between different entities. Mr. Painvin stressed the necessity of maintaining a universal framework for consistent evaluation, ensuring that the data presented is not only simplified but also globally applicable. Accordingly, Mr. Painvin highlighted the WOFI platform's integral role in contextualizing and standardizing diverse data, fostering effective analysis within the international financial landscape.

In conclusion, Mr. Painvin's presentation shed light on the strategic utilization of the WOFI platform by Fitch Ratings, showcasing its multifaceted contributions to their credit analysis processes, from comprehensive overviews to nuanced details and globally applicable insights.



In his online intervention, **Mr. Alexander A. Mejia, Director of the Division for People and Social Inclusion and Head of the CIFAL Global Network at UNITAR**, acknowledged the valuable role of the WOFI platform in their training programmes, particularly in the context of municipal finance. He highlighted the network's global reach, encompassing 31 training centers worldwide, and emphasized their commitment to aiding municipalities in localizing the Sustainable Development Goals (SDGs).

He underscored the importance of catering their training programmes to varying levels of municipal capacity, addressing the challenges faced by municipalities lacking adequate technology and mechanisms for managing municipal finance. He emphasized that their main commitment is to ensure that municipalities benefit from their training initiatives, noting the significance of transforming information into knowledge through their programmes.

Mr. Mejia stressed the potential of municipal finance in fostering transparent and accountable local governments, the need for improved systems and capacities to combat corruption. He pointed out the critical role of local governments in serving citizens and reiterated the network's continued promotion of the WOFI platform as an essential resource for enhancing municipal finance capabilities.

During this segment of the proceedings, **Prof. Paul Smoke, professor of Public Finance and Planning at New York University's Robert F. Wagner Graduate School of Public Service**, delved into the exceptional value embedded in the SNG-WOFI database. Professor Smoke underscored the database's unparalleled coverage and comprehensiveness in comparison to alternative sources, highlighting its unique contribution to the field.



A central theme in Professor Smoke's presentation was the pivotal role of the SNG-WOFI database in academic research. He emphasized its increasing integration into the methodologies of development agencies, positioning it as a go-to resource for scholars and practitioners alike. Professor Smoke illuminated the database's significance by drawing attention to its extensive use in various reports and publications from prominent institutions such as the World Bank, Inter-American Development Bank, Asian Development Bank, the UN, and others. These organizations consistently rely on the SNG-WOFI data to inform their analyses of subnational government finance.

Moreover, Professor Smoke underscored the database's crucial function in facilitating cross-country comparisons, promoting informed discussions, and generating valuable insights into the intricacies of subnational financial landscapes. By serving as a foundational resource for comparative perspectives, the SNG-WOFI database has become an indispensable tool for researchers and policymakers seeking a deeper understanding of subnational finance dynamics.

Professor Smoke also highlighted the database's educational impact, providing students with hands-on experience and a broader perspective on subnational finance. His presentation not only underscored the academic and institutional reliance on the SNG WOFI database but also its significant role in shaping the educational landscape, fostering a new generation of professionals equipped with a comprehensive understanding of subnational government finance.

Mr. Kader Makhlouf, Special Advisor to the Secretary General, UCLG, highlighted the significance of the SNG-WOFI project for the organization and its broader impact on various stakeholders. He emphasized the crucial role of WOFI in recognizing the strategic importance of local governments internationally, underlining its comprehensive coverage of 135 countries and 660,000 municipalities, accounting for 21.5% of total public spending and 39% of total public investment.



Mr. Makhlouf underscored the collaborative nature of the WOFI project, pointing out its contribution to enriching knowledge and providing a comprehensive overview of the state of local finances. He drew attention to the project's demanding nature in terms of data collection and analysis, highlighting its adaptive and flexible approach, which involves engagement with partners at various stages.

Furthermore, Mr. Makhlouf noted that WOFI's influence extends to various stakeholders, including development agencies and research institutions, serving as a crucial source of information that facilitates international cooperation and fosters positive emulation through comparative elements.

Lastly, Mr. Makhlouf reinforced the role of WOFI in promoting transparency, accountability, and good governance, thereby reinforcing local democracy, and encouraging innovation and best practices.

Main points discussed in the roundtable:

- **Introduction and Role of SNG-WOFI:** Emphasis on data transparency and the role of SNG-WOFI as a platform for dialogue between governments and local authorities in agenda generation. The development, significance and objectives of SNG-WOFI; support provided to policymakers in decentralization and fiscal reforms; and the key findings on subnational structures, expenditure, investment, revenues, and debt. In addition, the discourse covered WOFI's impact on decision-making, capacity building, international dialogue, and recent utilization in G20-endorsed reports.
- **Guinea's Perspective on WOFI:** WOFI's role in developing local financial systems and assessing fiscal decentralization in Guinea. WOFI's significance in establishing new financial mechanisms and supporting municipalities in fiscal decentralization efforts.
- **Regional Fiscal Decentralization Expert's View:** Importance of data accessibility and quality for informed policymaking. WOFI's role in addressing the global data gap, facilitating regional comparisons, and influencing policy dialogues. Examples of how WOFI contributed to reforms and increased intergovernmental transfers.
- **Challenges and Disparities in Indonesia:** Discussion on the challenges and disparities in subnational decentralization, especially in tax collection and revenue sharing. Emphasis made on the need for global consensus, supporting WOFI's potential in guiding discussions and policymaking.
- **Council of Europe Development Bank's Perspective:** The role of WOFI in achieving the bank's social mandate was highlighted, to include the importance of reliable data, aligning local revenues with the green and social agenda, and the significance of multi-level governance.
- **Fitch Ratings and UNITAR's Recognition:** The conversation centered on WOFI's role in enhancing credit analysis. UNITAR acknowledged WOFI's role in training programmes for municipal finance and combating corruption.
- **Academic and Development Agency Recognition:** Emphasis was made on WOFI's exceptional value in academic research, particularly in various reports and publications. Reflections and ideas for long-term visions and short-term objectives were encouraged.
- **UCLG's Recognition and WOFI's Impact:** WOFI's significance in recognizing local governments internationally was recognized. In particular, WOFI's collaborative nature, impact on various stakeholders, and role in promoting transparency, accountability, and good governance was underlined.

Closing



Mr. David Jackson, Director, Local Transformative Finance Practice, UNCDF, initiated the closing session, acknowledging the comprehensive coverage of the SNG-WOFI across various aspects of the Málaga agenda. Encouraging active participation, Mr. Jackson invited attendees to share their reflections and ideas from the sessions, and propose ambitious long-term visions, such as the establishment of a substantial fund for cities, or practical short-term objectives, including advocating for specific policy changes in imminent meetings like the COP.

Mr. Jackson emphasized the need to outline both aspirational goals and tangible action plans within the next 12 to 18 months. He outlined the plan to circulate the gathered visions and action items among the participants after the conference, fostering collaboration as a coalition of committed stakeholders.

The session aimed to provide a platform for all partners to contribute, starting with **Ms. Paloma Labbé from UCLG**. She highlighted the conference's overarching objective of shaping the global financial ecosystem to better serve cities, local, and regional governments. Stressing the pivotal role of local and regional governments as essential political actors representing sustainable democracy, Ms. Labbé underscored the need for their recognition and inclusion in global financial governance. She also emphasized the importance of enabling these governments to access necessary financing and participate in shaping the financial ecosystem alongside other stakeholders.



Additionally, Ms. Labbé pointed out the need for a comprehensive approach, considering the interconnectedness of the five policy areas outlined in the Málaga agenda. She noted the mutual support and reinforcement among these areas, envisioning a virtuous cycle where improvements in one area benefit and strengthen the others. Ms. Labbé mentioned the importance of strong local government capacity to collect revenue, enabling effective management of fiscal transfers, access to international financing, and support from investment funds.

In summary, Ms. Labbé echoed the sentiment expressed by the UCLG Secretary General, advocating for a redefinition of development values, especially regarding the financing of projects. She underscored the significance of adopting a care and feminist approach to ensure that policies and projects are people-centered, respect human rights, and protect the environment. This calls for a broader shift in values aligns with UCLG's vision for a financial ecosystem that works for the benefit of all.

Ms. Sophie De Coninck, Local Climate Adaptive Living Facility (LoCAL) Global Manager from UNCDF, emphasized the need for concrete follow-up actions in line with the Ministerial Declaration and the discussions at the first local climate summit, as well as other events at COP.

She also expressed the importance of advancing the agenda, particularly with COP 28 approaching. She highlighted the significance of collaborating with partners to address climate-related challenges, pointing out the need for actionable steps to be taken in this direction.



In response, the key takeaways from the earlier session were recapped, highlighting the need to focus on both the broader financial system and intergovernmental fiscal transfers. In particular, the importance of supporting a comprehensive reform agenda alongside specific, immediate actions, citing climate finance as a notable quick win was underscored. Additionally, the importance of advocating for local government trust in handling climate change funds was emphasized.

The need for a combination of grant instruments tailored to different contexts to build trust in local governments was highlighted, as was the importance of strengthening monitoring and performance assessment systems to ensure effective and targeted use of additional funding. Finally, the session concurred with Ms. De Coninck's assertion that leveraging climate-related initiatives could serve as a crucial stepping stone for mobilizing more funding for subnational governments in the upcoming years.



In his closing remarks, **Mr. Carlos De Freitas, Executive Director of FMDV**, drew attention to a crucial blind spot in the ongoing conversation about own-source revenues for local governments. He emphasized the need to question the traditional allocation of local taxes and explore innovative approaches beyond asset management and valorization.

Mr. De Freitas highlighted the challenges and opportunities arising from the increasing involvement of new players in the field of local finance. These newcomers, unfamiliar with the dynamics of local governance, may view it as a new market, presenting both challenges and opportunities. He stressed the importance of principles, methodologies, and a commitment to public systems to ensure long-lasting support for thriving cities and regions.

Localization, according to Mr. De Freitas, is the new globalization, requiring careful consideration to avoid the pitfalls of the latter. He emphasized the role of market makers, urging mayors, governors, and ministers to play a proactive role in defining frameworks, engineering, and instruments. Stepping out of the comfort zone became a recurring theme, emphasizing the need to bring in diverse perspectives and build trust.

The urgency of addressing climate emergencies and financing resilience in times of crises was a central focus. Mr. De Freitas underscored the importance of hybridization of players, engineering mechanisms, and funds, aiming to build a new ecosystem. Subsidiarity, focusing on the specifics at the domestic level, was deemed essential, emphasizing that effective strategies should be grounded in the realities on the ground.

Finally, Mr. De Freitas expressed the urgent need for a revolution in practices, acknowledging that funding and financing strategies should evolve from specific, ground-level insights rather than relying solely on big data. In contemplating the future, Mr. de Freitas proposed that designing urban resilience financing is, in essence, financing the future of finance itself. He urged the Málaga Coalition to consider a more diverse set of perspectives, even from unrelated fields, to enrich and broaden the ongoing discourse and take calculated risks in defining the coalition's future direction.

Mr. David Jackson, Director, Local Transformative Finance Practice, UNCDF pointed out the significance of the 23 ministers signing the declaration and emphasized the role of intergovernmental fiscal transfers to support climate finance, considering it a quick win. He mentioned the intention to draft and circulate more detailed points arising from the session, outlining initial policy successes and future considerations, particularly regarding the interconnections discussed earlier. Moving on to the second session, Mr. Jackson stressed the importance of own-source revenue, reiterating the notion that the interrelationship between various elements is complex and not uniform, laying emphasis on the need to place trust in local governments.

The different speakers discussed the significant gap in local government funding and highlighted specific statistics from Kenya, calling for the need to focus on own-source revenues (OSR) as a priority area for advancement. Another key point was the integration of OSR reform within the broader context of public financial management. The discussion also touched on the issue of data availability and its impact on decision-making, underscoring the dearth of statistical information at the city level.

The role of political leadership and incentives in optimizing OSR was emphasized, pointing out the need to prioritize strengthening incentives and political will. Furthermore, the importance of capacity building, equipment support, and asset management within local governments was highlighted. The conversation also delved into the need for innovative tax approaches and the necessity of considering the link between gender financing and specific sectors to promote equality and empowerment. The significance of cultural investments in urban development was also reiterated.



Main points discussed in the closing session:

- The importance of digitization and citizen involvement in local governments to improve service delivery and accountability was stressed.
- The need to support women and encourage community participation to promote social cohesion and resolve conflicts was emphasized.
- The importance of identifying the differences between financing and funding, and the need to address the long-term sustainability of investment funds in the city was discussed.
- The importance of clearly understanding where and how public resources can be used to attract private investment in a strategic manner was underlined.
- The presenters discussed several key points related to financing and the capacity of local governments to manage and absorb donor assistance. The importance of giving local governments greater control over the allocation of funds from international development partners to central governments, as well as how these funds are managed at the local level, was emphasized. Attention was drawn to the need to build local capacity and strengthen the ability of local governments to apply modern financial instruments.
- The conference also highlighted the importance of intergovernmental fiscal transfers and critical aspects in the proper design and execution of these. Some of the urgent needs in this area was development of more rule-based, transparent and predictable systems, based on thorough analytical work, and strengthening of the funding in areas affected by climate change, where the use of performance-based climate resilience grants had shown encouraging results.
- In addition, the importance of projects such as "EU 4 municipalities", financed by the European Union, which provides grants to local governments, with a considerable part earmarked for investments and another part for good governance and capacity building initiatives carried out by the municipalities themselves, was highlighted. The importance of empowering local governments and enabling them to lead these initiatives with external support was noted.
- The need to ensure that local governments have a voice and active participation in international and regional decision-making was discussed. Approaches such as municipal bonds and public-private partnerships were mentioned as possible avenues to address infrastructure financing needs at the subnational level.
- Issues related to financial guarantees for local governments were addressed, as well as the challenges and opportunities associated with their use. The importance of dealing with trust and capacity at the local level was highlighted, as well as the need to strengthen the legislative and financial environment to enable greater access to finance for local governments.
- The importance of involving local governments in decision-making on the flow of development aid to ensure its long-term sustainability was raised.

List of in Person Participants

Organization	Prefix	Name	Title
Agence France Locale	Mr.	Yves Millardet	President
CIFAL Malaga	Mr.	Jose Martin	Junior Technical Project Manager
CIFAL Malaga	Mr.	Christian Caicedo	Technical Project Manager
Climate Policy Initiative	Ms.	Priscilla Negreiros	Senior Manager, Cities Climate Finance Leadership Alliance
Council of Europe Development Bank	Ms.	Elisa Muzzini	Senior Technical Advisor
Croatia	Mr.	Dario Runtic	Advisor, Association of Croatian Cities .Advisor to the Minister of Finance of Croatia
European Commission	Mr.	Lars Gronvald	Head of Section, Urban Development, Directorate General for International Partnerships
Finland	Mr.	Tuukka Salminen	Executive Director and Deputy CEO, Municipal Guarantee Board
Fitch Ratings	Mr.	Nicolas Painvin	Head of International Public Finance
FMDV	Mr.	Carlos de Freitas	Executive Director
FMDV	Mr.	Jean-François Habeau	Senior Advisor
GIZ	Mr.	Christian Luy	Head of Project, Experts fund for municipal partnerships worldwide
GIZ	Mr.	Rudolf du Plessis	Advisor on Sustainable Finance, Leading Urban Climate Action
Global Sovereign Advisory	Mr.	Gaetan Cochard	Director of Capital Markets
Guinea	Mr.	Ousmane Sako	Directeur National adjoint de la decentralisation, Ministere de l'Administration du Territoire et de la Decentralisation
ICLEI	Ms.	Eszter Mogyorosy	Head, Innovative Finance
Kenya	Dr.	Margaret N. Nyakang'o	Controller of Budget
Kenya	Dr.	Jane Kiringai	Office of the Deputy President and Former Chair of Commission on Revenue Allocation
Lalabela Alliance	Mr.	Gordon Williams	Founder
LoGRI	Dr.	Wilson Prichard	Chair
LDC Investment Platform	Mr.	Anders Berlin	Director
LPSA	Dr.	Jamie Boex	Executive Director
LTF Practice	Mr.	David Jackson	Director
LTF Practice	Ms.	Jenifer Bukokhe Wakhungu	Deputy Director
LTF Practice	Ms.	Sophie De Coninck	Global Manager, LoCAL
LTF Practice	Mr.	Jesper Steffensen	Principal Technical Advisor LTF and LoCAL
LTF Practice	Ms.	Christel Alvergne	Regional Coordinator for WCA
LTF Practice	Mr.	Peter Malika	Head of UNCDF Tanzania & LFI Global Manager
LTF Practice	Mr.	Dmitry Pozhidaev	Chief Technical Advisor

List of in Person Participants

Organization	Prefix	Name	Title
LTF Practice	Mr.	Mohammad Abbadi	Senior Investment Manager
LTF Practice	Ms.	Samina Anwar	Programme Manager, IncluCity
LTF Practice	Ms.	Nan Zhang	Programme Management Specialist
LTF Practice	Mr.	Amadou Sy	Communications and RBM Lead
LTF Practice	Mr.	Jaffer Machano	Municipal Finance Advisor
Málaga, Spain	Hon. Mr.	Francisco de la Torre	Mayor
Málaga, Spain	Mr.	Julio Andrade Ruiz	Executive Director, CIFAL Málaga; Coordinator of CIFAL Global Network, Associate Director of Project Development & Fundraising, Division for People and Social Inclusion, UNITAR
Málaga, Spain	Ms.	Deborah Salafranca	Coordinator, CIFAL Málaga
Meridiam	Mr.	Salim Bensmail	Senior Investment Director
Moody's Investor Services Ltd	Ms.	Marisol Blázquez	Senior Analyst, Global Sovereign and Sub-Sovereign
Nepal	Dr.	Khim Lal Devkota	Member of Federal Parliament
Network of Associations of Local Governments in South-East Europe (NALAS)	Mr.	Elton Stafa	Program Manager
New York University	Prof.	Paul Smoke	Professor of Public Finance and Planning
OECD	Ms.	Isabelle Chatry	Head, Decentralization, Subnational Finance and Infrastructure
Provincial Government Association of Ecuador (CONGOPE)	Ing.	Juan Cristobal Lloret	Governor of Azuay
Provincial Government Association of Ecuador (CONGOPE)	Ms.	Paola Cadena	Director of Programs
Tanzania	Mr.	Lawrence Mafuru	Executive Secretary, Planning Commission, President's Office, and Former Deputy Permanent Secretary, Ministry of Finance
UCLG	Ms.	Emilia Saiz	Secretary General
UCLG	Mr.	Kader Makhoul	Special Advisor to the Secretary General
UCLG	Ms.	Paloma Labbé	Local Finance Officer
UCLG Africa	Dr.	François Yatta	Director of Programs
Uganda	Mr.	Yasin Sendaula	Assistant Commissioner for Urban Inspection, Ministry of Local Government
Uganda	Mr.	Ben Kumumanya	Permanent Secretary, Ministry of Local Government
UN-Habitat	Dr.	Michal Mlynár	Deputy Executive Director
UN-Habitat	Mr.	Lennart Fleck	Municipal Finance and Local Economic Development Officer

List of Virtual Participants

Organization	Prefix	Name	Title
Bandung's Creative Cities Forum	Dr.	Tita Larasati	Chair of Bandung's Creative Cities Forum and focal point of Bandung City of Design for UNESCO Creative Cities Network
Gambia	Hon. Ms.	Rohey Malick Lowe	Mayor of Banjul
Ghana	Mr.	Michael Agyemang	Director of Planning, Kumasi
ICLEI	Ms.	Maryke Van Staden	Director of Business Development
IMF	Mr.	Modeste Fatoing Mopa	Head of the TADAT Secretariat, Fiscal Affairs Department
PT Sarana Multi Infrastruktur (Persero)	Mr.	Edwin Syahruzad	President Director
UEMOA	Mr.	Oumar Ba	President of the CCT-UEMOA
UN-Habitat	Mr.	Dyfed Aubrey	Inter-Regional Advisor
UNITAR	Mr.	Alexander A. Mejia	Director, Division for People and Social Inclusion. Head, CIFAL Global Network
VR Investments	Mr.	Sergio Gusmão Suchodolski	Executive Vice President



Without changing the current system it will not be possible to transform our economies and meet the triple challenge of human wellbeing, planetary health, and urban growth. The building blocks of the ecosystem for local finance needs to be assembled to meet the needs of the Green, Urban and Productive transition.

Inspired by this belief, the Málaga Global Coalition for Municipal Finance was created in 2018 by the United Nations Capital Development Fund (UNCDF) and United Cities and Local Governments (UCLG), in collaboration with the Global Fund for Cities Development (FMDV). UNCDF is the United Nations hub for subnational finance and UCLG is the largest global network representing local and regional governments. The Málaga Coalition aims to equip subnational governments with financial and technical support to realize their full potential in the provision of sustainable public services and infrastructures to drive the required transformation.