

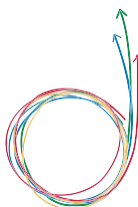


# Technical Assistance Facility

## International Municipal Investment Fund



United Cities and Local Governments  
Cités et Gouvernements Locaux Unis  
Ciudades y Gobiernos Locales Unidos



**FMDV**  
Supporting local authorities  
to access funding



Unlocking Public and Private  
Finance for the Poor



# WHAT IS IMIF TAF ?

The International Municipal Investment Fund (IMIF) is a unique, bespoke fund designed to focus exclusively on supporting cities and local governments; notably municipalities in developing countries, including the least-developed countries—launched by the coalition for a financial ecosystem that works for cities and local governments and managed by MERIDIAM.

The IMIF Technical Assistance Facility (TAF), managed by United Nations Capital Development Fund (UNCDF), is constituted to support the pipeline for the fund.

## WHAT DO WE PROVIDE ?

- The IMIF TAF will provide the IMIF with a pipeline of fully prepared local government investment opportunities mostly under US\$25 million in total size, in developing countries.
- The IMIF TAF will have an initial capitalization of US\$50 million.

## HOW DO WE SOURCE ?

- Projects are sourced by UNCDF, United Cities and Local Governments (UCLG) and the Global Fund for Cities Development (FMDV) through a common filter open to all cities and local government networks. A complete end-to-end project sourcing methodology has been developed, covering both inbound and outbound deal sourcing, to identify project opportunities.

## WHO MANAGES IT ?

- The IMIF TAF will be managed by UNCDF's Local Development Finance team and reports to its Local Development Investment Committee (LDIC) chaired by the Director of Local Development Finance.



# HOW DOES IT BENEFIT YOU

## Capacity Strengthening:

- Support for local governments to promote local economic development, economic analysis, planning and capital investments; capacity support to investment projects on business plan development, financial modeling and other tools.

+

## Enabling Environment:

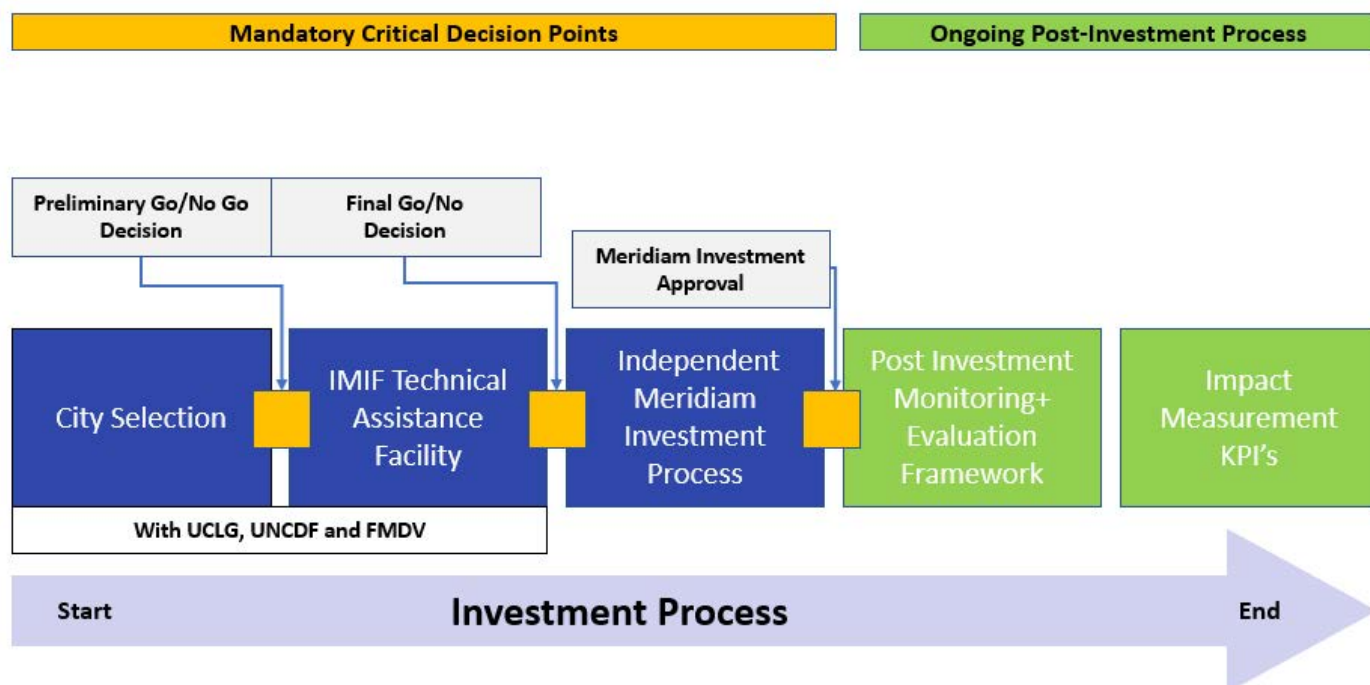
- Policy, legislative and regulatory support to central and local government authorities to promote local economic development finance and local capital markets including technical support to mechanisms such as project finance and domestic bond markets.

+

## Pipeline of Revenue Generating Investments:

- Support to projects in catalytic sectors that address the urbanization and climate imperative, add value to local economies and provide proof of concept to market regulators, domestic financial institutions, commercial banks, and international financiers.

# THE INVESTMENT PROCESS





## The IMIF TAF will contribute to:

- Remove the policy and regulatory hurdles to subnational finance
- Strengthen domestic capital markets for subnational finance
- Expand international capital deployed to subnational finance
- Build the capacity of local governments to access subnational finance
- Directly support and control the pipeline to the IMIF while opening up the broader market for subnational finance.

## IMIF TAF will include:

### Innovative Tools

- Ecobonds and other financial products for subnational green finance based on the work of UNCDF's LoCAL program for climate adaptation and mitigation.
- Women's Economic Empowerment (WEE) and the application of UNCDF's WEE Index and economic assessment with a gender lens.

### Development Impact

- Measurable impact in local economic development, job creation, support to local value chains and other positive externalities.
- Measurable impact on themes related to local government investment such as housing, biodiversity, plastics and sustainable waste disposal, environmental management.







## Financial Return on Investment

The financial returns on investment in the IMIF TAF are indirect but measurable. The IMIF TAF will be funded by grants and will not pay a return to those institutions providing its funds. Indirect financial returns can be broken into three categories:

First, the IMIF TAF will provide the bulk of the IMIF pipeline and will deliver bankable investments to Meridiam as IMIF manager. These will produce a return for the limited partners to the IMIF.

Second, the Meridiam Investment Committee (MIC) will take a sovereign decision on each project (see figure 1). There will be opportunities from the pipeline that are not approved by Meridiam but that will produce a return for other investors.

Third, the IMIF TAF will open the market for municipal finance through the policy and regulatory reforms required for the IMIF investments. Many IMIF TAF transactions will be the “first of a kind”, creating opportunities for transactions developed and financed by others.

## Sustainable Development Goals Impact Return on Investment

In addition to the financial return on investment the IMIF TAF will deliver significant impact returns. These will be measured by the award-winning Local Development Finance Dual Key method that assesses both financial return on one hand and the Sustainable Development Goals (SDG) impact on the other at a single investment committee. The impact “key” is assessed by a different team to the financial “key”. The impact key is measured through the appropriate metric – from the SDGs, NDCs or NAPs. This approach means that the relationship between impact and financial sustainability is squarely addressed from the outset – mitigating the risk of financially sustainable projects with negligible development impact or projects with ambitious impact targets but no financial sustainability.

Where appropriate to the investment, the IMIF TAF will integrate some of UNCDF’s ongoing work with impact investment products. This will also facilitate the potential replication of these to non-IMIF investments. The products under development such as those covered under i) Climate Change and Local Government EcoBonds and ii) Water Management and BluePeace Bonds

## Climate change and Local Government EcoBonds

The Local Climate Adaptive Living Facility (LoCAL) is a global mechanism that promotes climate adaptation through local government finance.

This becomes critical in the rapidly expanding towns and cities of Africa and parts of Asia, unless resilience is locked into the built environment now, it will become difficult if not impossible to secure it later. Local governments have the analysis, mandate and convening power to accelerate the necessary investments for our collective survival - yet they face difficulties accessing the required finance. The LoCAL mechanism supports implementation of Nationally Determined Contributions and National Adaptation Plans in line with the Paris Agreement.

The LoCAL guidelines are an annex to the UNFCCC National Adaptation Guidelines.<sup>15</sup> In line with the recent independent evaluation of the mechanism, LoCAL will be expanded to certify Local Government “EcoBonds” for climate adaptive infrastructure projects prepared through the IMIF TAF. The development of the EcoBond initiative was supported by the Swedish government.



## Water Management and BluePeace Bonds

The BluePeace approach to investment is based on the development of transboundary, multisectoral joint investment plans multiple countries or municipalities.

This includes investments required or the provision of electricity or water for irrigation, industrial use, human consumption such as infrastructure, data, monitoring and marketing or other water-related projects. BluePeace incentivizes cooperation and political agreements with water as the 'entry point' or reason for engagement, leading to a reduction in social, political and economic conflicts and supporting peace.

Taking the BluePeace joint investment plan from concept to reality requires a new financing structure blending public money and private capital –or blended capital which can be used to invest in a new type of financial instrument–the BluePeace Bond – the IMIF TAF will support local governments in the development and issuance of municipal BluePeace Bonds. UNCDF is collaborating with the government of Switzerland on BluePeace.

## Sustainable Urbanization, Secure Livelihoods and Women's Economic Empowerment

Urbanization is major trend across Africa. Will rapidly growing secondary cities be able to foster secure, safe inclusive and prosperous economies? Women's Economic Empowerment is part of the answer.

Evidence shows that investing in women's jobs and security has an accelerator effect on wider social progress. Yet this requires purposeful municipal strategies that combine vocational training, safe neighborhoods, reliable public transport and appropriate care arrangements and investments in those local economic sectors that drive women's economic empowerment and raise the value of women's employment.

The IMIF TAF will work with local government leaders through UNCDF's Inclusive and Equitable Local Development program on investments that deliver women's economic empowerment.

This will apply UNCDF's 'Local Economic Assessment with a gender lens' to identify those sectors and the Women's Economic Empowerment Index to assess the specific contribution of the investment to Women's Economic Empowerment.



# ABOUT UNCDF

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF pursues innovative financing solutions through: (1) financial inclusion, which expands the opportunities for individuals, households, and small and medium-sized enterprises to participate in the local economy, while also providing differentiated products for women and men so they can climb out of poverty and manage their financial lives; (2) local development finance, which shows how fiscal decentralization, innovative municipal finance, and structured project finance can drive public and private funding that underpins local economic expansion, women's economic empowerment, climate adaptation, and sustainable development; and (3) a least developed countries investment platform that deploys a tailored set of financial instruments to a growing pipeline of impactful projects in the "missing middle".

# ABOUT UCLG

United Cities and Local Governments (UCLG) is the global organization of local and regional governments and their associations that represents and defends their interests on the world stage. Representing 70% of the world's population, UCLG members are present in all world regions: Africa, Asia Pacific, Europe, Eurasia, Middle East-West Asia, Latin America and North America - organized in seven continental sections, a metropolitan section and a regional forum. This network covers more than 240,000 cities, regions and metropolises and more than 175 local and regional government associations present in 140 countries. UCLG includes among its main areas of political interest local democracy, climate change and environmental protection, the achievement of Sustainable Development Goals, local finance, urban development and city diplomacy for peacebuilding. Visit [www.uclg.org](http://www.uclg.org) and follow @uclg\_org for more.

# ABOUT FMDV

FMDV is a global network of local and regional governments initiated by the members of United Cities and Local Governments (UCLG) and METROPOLIS, with the mission to develop and promote investment and financing solutions for urban development. Both a network of expertise and an incubator for operational strategies, FMDV is presented as an instrument for technical assistance and financial engineering and promotes a holistic approach to financing, working at all levels of intervention and with all the actors. Based on a multi-stakeholder approach, the network works in partnership with all the actors involved in local development financing issues: national and local governments, bilateral cooperation, the United Nations, regional organizations, development banks, investors, private banks, foundations, research centers and universities, citizen organizations and companies.

## Partners:



United Cities and Local Governments  
Cités et Gouvernements Locaux Unis  
Ciudades y Gobiernos Locales Unidos



Unlocking Public and Private  
Finance for the Poor

## UN Capital Development Fund

Two UN Plaza, 26th Floor  
New York, NY 10017,  
USA Tel: +1 (212)  
906-6565

[info@uncdf.org](mailto:info@uncdf.org)  
[www.uncdf.org](http://www.uncdf.org)  
[www.twitter.com/uncdf](https://www.twitter.com/uncdf)