

2021 Highlights

In the run-up to the 2022 Daejeon World Congress, UCLG has started unfolding its Pact for the Future. The local finance agenda and narrative are a key part of the Pact's axis on Government. Committing to the Pact for Government implies to promote dialogue, better understanding and coordination among levels of government to create an enabling institutional environment for cities and local and regional governments (LRGs). LRGs must count on the necessary resources to deliver on the Global Agendas, fully engage in the recovery from the COVID-19 crisis and be prepared to address future complex emergencies. In 2021, UCLG's efforts for the localization of financing focused on three main areas: knowledge production and sharing, actions to relay financing options and the advocacy agenda.

Research and knowledge tools to keep at hand

At the beginning of 2021, the Emergency Governance Initiative (EGI) led by LSE Cities, Metropolis and UCLG, published the [Analytics Note #03 on "The Impact of the COVID-19 Pandemic on Subnational Finances"](#) based on a survey to 33 city and regional government finance departments. The analytics note highlights the financial challenges facing subnational governments due to the pandemic, with diminishing revenues and rising expenditure. [Policy Brief #03 "Financing Emergencies in Cities and Regions: Ongoing Lessons From the Pandemic"](#) builds on the survey and four interviews with key actors including Mayor Yvonne Aki-Sawyer of Freetown, Sierra Leone. Beyond the immediate impact of the crisis, the Policy Brief digs into the lessons to draw and possible future strategies for LRGs to face complex emergencies in a more resilient manner. In the same vein, UCLG has contributed to several studies and publications to put forward the experience and perspective of LRGs, including the Mayors Migration Council report on "Municipal Finance for the Inclusion of Migrant and Displaced Communities" soon to be released, the [UN-DESA handbook on "Managing Infrastructure Assets for Sustainable Development"](#) and the [UN-Habitat publication on "Financing Sustainable Urban Development"](#).



The [World Observatory on Subnational Government Finance and Investment](#) (SNG-WOFI), a UCLG flagship initiative to contribute to evidence-based policy-making, led in collaboration with the OECD, has continued preparations towards its 3rd Edition. This included the consolidation of sources of information, the revision of the methodological guide and the translation of the templates into French and Spanish. In the coming report, a new section will cover the territorial impact and management of the COVID-19 crisis. Data collection itself began in November 2021, with a core team of 10 working at the OECD and a pool of 50 national experts identified for the countries under UCLG responsibility, where access to data is more challenging. The 3rd Edition will be launched at an International Conference in Paris

on July 7th 2022, showcasing 140 country profiles, an updated database, a general synthesis and special highlights such as on property taxes.

Building on the findings of the World Observatory, the first [UCLG Massive Open and Online Course \(MOOC\) on local finances](#) was made available on the [#LearningWithUCLG website](#) as of October 2021, in [English](#), [French](#) and [Spanish](#). This introductory course aims to familiarize a wide audience including LRG officials, development partners and researchers, with the main sources of revenues, spending priorities and external financing options for LRGs.



The core lessons of the MOOC are available in podcast, text and infographic formats and include practical exercises. Seven bonus videos give an insight into specific financial mechanisms ranging from gender-sensitive budgeting to infrastructure asset management. Another significant learning tool is the [Local Finance Knowledge Hub](#) developed in 2021 by the Global Fund for Cities Development (FDMV). As of today, the website counts 15+ videos featuring diverse actors sharing success stories or

innovative programs implemented around the world, including the [Mayor of the municipality of Golfe 3, Lomé, Togo](#), the [President of the Development Bank of Minas Gerais, Brazil](#), the [CEO of Meridiam](#), the Executive Director of the [Green Climate Fund](#), etc.

Bridging available financing opportunities with subnational governments

Informing and facilitating LRG access to financing opportunities is a key component of UCLG's action strategy. In October, the World Forum of Intermediary Cities was the occasion to share a [mapping of 38 selected international financing opportunities](#), including financial support and technical assistance. This package was designed to help cities navigate the complex climate finance landscape at the global level, which is more often directed at national governments or private actors than subnational stakeholders. With a similar objective, UCLG and PLATFORMA (the pan-European coalition of towns and regions), jointly coordinated a study to identify the opportunities for LRGs to access financing under the 2021-2027 Multiannual Financial Framework of the European Union. Titled ["Local and Regional Governments' Access to EU Innovative Development Financing: Mechanisms and Opportunities"](#) and available in [Spanish](#) and [French](#), the study provides practical knowledge on the structure of EU funding programmes and gives recommendations to LRGs, their associations and networks on how to increase their chances of accessing them.



Going one step further to help bridge the financial gap for sustainable infrastructure investment, the [International Municipal Investment Fund](#) (IMIF) seeks to channel funding towards transformative projects at the local level. [Launched at the UCLG Durban World Congress in 2019](#), the IMIF has concluded a first step of its pilot phase in 2021 under the joint coordination of the United Nations Capital Development Fund (UNCDF), FMDV and UCLG. Its Technical Assistance Facility - IMIF-TAF, selects viable projects with high impact potential and according to their needs, orients them to one of the following options: (1) an equity finance mechanism managed by a third-party asset manager, Meridiam, or (2) a smaller-scale financing solution providing loans and grants on a case-to-case basis managed by UNCDF. Under this second option, the IMIF-TAF Investment Committee closed the year 2021 with a first successful approval to finance a public lighting project in Chefchaouen, Morocco for a total of USD 1 million, by combining a grant, a reimbursable grant and a concessional loan. The technical and financial structuring of a public transport project in Kumasi, Ghana, is also being finalised and should be submitted to Meridiam in the coming months.

Another important type of actor in the financial ecosystem are Subnational Development Banks (SDBs), intermediaries specialized in offering context-tailored services and finance to local and regional governments. In April 2021, UCLG joined the Steering Committee of the [Alliance of SDBs in Latin America and Caribbean](#). A first workshop organized in September by the FMDV, which hosts the Alliance's technical secretariat, on "[The Role of SDBs in financing an urban and territorial post-pandemic recovery in LAC](#)", led to a [position paper](#) that was presented at the second Finance in Common Summit.

Advocating for the localization of financing in global venues and debates

In 2021, UCLG attended a number of events to raise the voice of LRGs in international fora, including at the [Annual Meeting of the Development Partners Network on Decentralisation and Local Governance \(DeLoG\)](#), the [Local and Regional Government 2021 Network Series of Public Service International \(PSI\)](#) and a [webinar organised by UNICEF on subnational public finance and budgeting for social services](#). UCLG also collaborated with the French Development Agency and the FMDV for the [launch of a series of webinars on local government financing strategies](#) that will take place throughout 2022.

UCLG's advocacy work on local finances is primarily structured around the Malaga Global Coalition for Municipal Finance. The Coalition was formed by UNCDF, FMDV, UCLG and the City of Malaga in 2018, with the objective of contributing to reshape the international financial ecosystem in light of the challenges faced by LRGs to access finance. One year after the start of the pandemic, [in June 2021, UCLG hosted a virtual preparatory meeting of the Malaga Coalition](#), highlighting the challenges and expectations of local and regional authorities in the context of the recovery and the supporting role played by LRG associations. According to the roadmap, national governments, development finance institutions, UN agencies, development banks and academia are expected to respond to the key messages and proposals that emerged from the event at [a 2nd preparatory meeting of the Malaga Coalition in 2022](#).

As part of the yearly monitoring of the Sustainable Development Goals (SDGs), the Global Taskforce of LRGs prepared its [5th GTF Report to the High-Level Political Forum "Towards the localization of the SDGs"](#). The report includes a section on finance which provides an overview of the role of LRGs during the pandemic and shares solution pathways for stronger involvement of LRGs in the implementation of COVID-19 financial recovery packages, including the mobilization of SDBs and the provision of guarantees to facilitate access to capital markets.



The research work conducted by UCLG lays a solid foundation for increasing the impact and legitimacy of the LRG constituency in national policy debates. From October 11th to 14th, UCLG represented the World Observatory at a [regional workshop on local government financing mechanisms in West Africa](#), organized in Cotonou, Benin, under the leadership of the National Commission on Local Finance - CONAFIL of Benin and with the support of the GIZ regional project on decentralization. Peer-to-peer exchanges between mayors, representatives of local government associations, local government financing institutions, national finance and decentralisation agencies, organisations for regional integration and international development partners from 8 West-African countries opened new perspectives to improve local government own-source revenues, intergovernmental transfer mechanisms and access to debt.

Towards the end of 2021, UCLG commissioned Barbara Samuels, UCLG Ubuntu Advisor, to draft a Policy Paper to strengthen our Global Action Framework on Localising Financing. Soon to be released, this paper will help identify

and make recommendations on the key messages, venues and partnerships to be developed to step up our strategy on localizing financing, especially within the UN.

The [Policy Council on Multilevel Governance and Sustainable Finance](#) met twice in 2021 (February and October), with a view to shaping the government axis of the Pact for the Future. It discussed proposals to strengthen subnational financing, provide adequate basic public services to all and promote multilevel dialogue and action in the context of the COVID-19 crisis recovery and the ecological emergency. Under the leadership of the Policy Council, [the renewed UCLG strategy on localizing financing](#) will continue to be the steering needle for UCLG's work in 2022.