



Municipalidad de São Paulo
Secretariado para Asuntos Internacionales

Estimados miembros de la Comisión de Finanzas Locales de CGLU,

El contexto en el cual los gobiernos locales financian las propias actividades se está transformando.

La globalización aumenta la velocidad de los intercambios económicos; los marcos de descentralización remodelan el ámbito de acción de los gobiernos locales, y el desafío de la reducción sostenida de la pobreza requiere nuevas maneras de financiar las inversiones.

Globalización, descentralización gubernamental, marcos fiscales como también la escala de las condiciones de inversión implican la necesidad que las nuevas iniciativas encuentren las necesidades sociales, sobretudo en las grandes ciudades.

Sin embargo, las condiciones en las cuales los gobiernos locales actúan no son homogéneas. Dichas tendencias globales se superponen a una extensa diversidad de contextos locales, en el marco de los cuales las condiciones y las restricciones de financiación varían ampliamente. La diversidad de dimensión, actividades económicas localizadas y estructura fiscal que caracteriza cada gobierno local impone una mirada más cercana a los problemas que cada ciudad encara en términos de necesidades de financiación. La Inversión Directa Externa y las colaboraciones público-privadas son ejemplos de estrategias recientes empleadas en todo el mundo bajo el reto de captar inversiones a largo plazo para desarrollo social e infraestructural.

La Ciudad de Sao Paulo, la más grande del hemisferio sur, con más de 10 millones de habitantes y una población total de 18 millones dentro del área metropolitana, es honrada de dar la bienvenida a todos los miembros de la comisión para compartir experiencias y plantear estrategias concernientes los problemas y las soluciones de la financiación local. En nombre de Sao Paulo, es un agrado invitarles al primer encuentro de la **Comisión de Finanzas Locales** que se celebrará el **10 de febrero de 2006 en Washington**, en ocasión del **Encuentro del Bureau Ejecutivo de CGLU**. Próximamente un Plan de Trabajo para la Comisión de Finanzas Locales y un Cuestionario serán remitidos, conjuntamente con el programa del encuentro, a cada miembro, y serán objeto de debate en Washington. Su participación será muy apreciada.

Esta comisión representa un esfuerzo común para hacer que los gobiernos locales sean más eficientes y eficaces bajo el reto de mejorar la calidad de vida, promoviendo las inversiones, creando empleo y desarrollo económico. Confío que todos los miembros compartan esta inquietud y espero encontrarles en nuestro primer encuentro.

Reciban mi consideración más distinguida,

Sra. Helena Maria Gasparian
Secretaria para Asuntos Internacionales
Municipalidad de Sao Paulo



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**PROVISIONAL WORK PROGRAMME OF THE
MUNICIPAL FINANCE WORKING GROUP**

The context within which local governments are financing their activities is changing dramatically. Globalisation, decentralisation of governance and fiscal frameworks and the sheer scale of the investment requirements are demanding new initiatives to meet the MDG challenge. These global trends are overlaid on to quite diverse local financial market conditions within which local governments are operating.

First, globalization is increasing the velocity of economic change and the need for cities to be responsive to new competitive pressures. For local government, to be competitive requires provision of quality infrastructure so as to attract investments necessary to stimulate growth and employment.

Second, decentralization frameworks are increasingly reshaping the scope for action and role of local government. A crucial dimension of this is creating more autonomy and flexibility for local government to control their finances. In principle this should make it possible for local governments to improve the management of their finances and invest in city infrastructure.

Third, the scale of the challenge of sustained poverty reduction and slum upgrading is necessitating new thinking on how to access and service finance for investment. Increasingly, local governments have turned to *public – private partnerships* to improve the management and operations of urban services. However, more investment is needed if serious inroads are to be made to meet the challenges emerging from the MDGs. Within this context, there is growing appreciation that the mobilization of domestic long term private debt capital will be an essential component of the overall financial package. Critical to this will be getting the policy, regulatory and financing instruments fit for purpose. This in turn is made more likely if local governments are able to learn from the experience of those cities that have successfully demonstrated this financing approach and are able to translate this into local appropriate frameworks.

Fourth, local municipal financing contexts are diverse and thus require approaches and policy responses that recognize this complexity.

Objectives of the Municipal Finance Working Group are:

- To act as an Advisory Body to UCLG members, the Cities Alliance and its recently formed Municipal Finance Task Force on matters relating to municipal finance and resource mobilization;



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- To assist UCLG members access current thinking and innovations on ways to increase the flow of domestic long term private capital to developing cities in support of their city development strategies and citywide slum upgrading.
- To provide policy and technical advice to the Executive Bureau on municipal finance matters;
- To serve as a resource to UCLG members (associations and specific local governments) through provision of a pool of expertise, providing guidance on policy and technical matters and to act as a “sounding board” to members on their proposals and concerns;
- To act as a channel through which information and knowledge may be captured and disseminated to UCLG members (this will work through the existing UCLG web based information gateway and meetings); and

Activities

Gathering of information on practices among the UCLG members and its partners

Raise awareness among the international financial organizations about the importance to create funding facilities for local authorities by representing UCLG in meetings of these financial institutions.

Contribute to the analysis of strategies and frameworks to mobilize long term capital

Contribute to discussions with financial institutions on developing access to funding - domestic and international.

Develop partnership with Financial institutions to make them aware of the funding needs of local authorities.

Develop innovative funding mechanisms for Local Government, namely through actively engaging in the initiative lead by the Metropolitan Section to create of a World Bank of Cities

Provide advice and act as a sounding board to the Municipal Finance Taskforce within Cities Alliance to strengthen the linkages between city finance needs and demands and financing options.