

FOR LOCAL FINANCIAL RESOURCES THAT MEASURE UP TO THE CHALLENGES OF DEVELOPMENT



THE STRENGTHENING OF FISCAL DECENTRALIZATION APPEARS TO BE ESSENTIAL TO
MAKING PHYSICAL **DECENTRALIZATION EFFECTIVE**

Indeed, the latter would end up as an impracticable dream, if the transfer of powers to local governments is not able to improve the citizens' standards of living, and if local elected officials do not have the financial means to take on the responsibilities that are assigned to them by the law.

COMMITTEE ON LOCAL FINANCE AND DEVELOPMENT

FINANCING A SUSTAINABLE CITY

The Habitat III conference, which will be held in 2016, will be a milestone for the Committee, as it will mobilize national and local governments as well as the international community, on the issue of sustainable development. It is thus our role to convince them to go further, to persuade them of the urgency of the situation, and to offer operational recommendations, in order to help local governments to carry out the duties assigned to them.

From now on, the role of the UCLG Committee on Local Finance and Development, together with its members and partners, is therefore to provide convincing arguments, based on case studies and through capitalizing on experiences and practices, to enrich the political debate on the

URGENCY OF OPTIMIZING AND ADAPTING LOCAL GOVERNMENTS' PRIMARY SOURCES

KEY MESSAGES



A FAIR ALLOCATION OF RESOURCES BETWEEN THE DIFFERENT LEVELS OF GOVERNMENT

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- Strengthened and diversified local taxation ;
- Local public authorities must be able to capture a part of the added value attributed to land;
- Adequate local financial autonomy is crucial in order for local policies to meet local needs.



THE LEVERAGING OF EXTERNAL SOURCES OF FUNDING

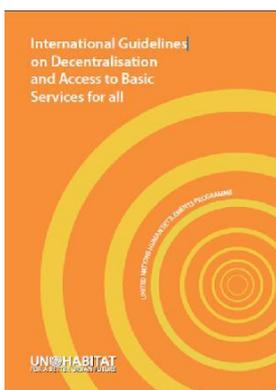
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- When regulated, local governments' access to loans can lead to a leverage effect on investments ;
- Attracting private investors to finance major public services



Local governments hold major responsibilities in the field of urban development. However, the financial resources that are assigned to them are strikingly inferior to the powers that are devolved to them. Local governments' poor financial resources do not allow them to fund the urban investments necessary to ensure a sustainable economic, social, and environmental urban development. The studies that have been carried out show that, on average, the amount of urban investments should be doubled. Under these conditions, improvements in the population's standards of living are being delayed.

To fill the gap between the needs for investments and the amounts actually dedicated to urban development, it is essential to strengthen local finances. For several years, a relative consensus has been reached on this matter, and many international recommendations have been submitted in favor of fiscal decentralization:



“ The sustainable development of human settlements can be achieved through an effective decentralization of responsibilities, management of policies, decision-making process and adequate fiscal resources ”

National policies must “*devolve broader responsibilities to local authorities for the provision of basic services, while at the same time providing them with the necessary funding to exercise such responsibilities*”

Yet, studies conducted in the framework of the Millennium Development Goals show that the low achievement level of those MDGs is strongly linked to the lack of financial grants from central governments towards local governments, and to the incapacity of the latter to raise external funding, both at the national and international levels, even though they are increasingly in charge of the provision of basic services.

The allocation of national financial resources between the different levels of government units generally occurs at local governments' expense ;

Local governments' weak financial autonomy does not allow them to take full advantage of the potential of their own endogenous resources (essentially local-taxation and land-based taxes);

The precariousness of their financial situation makes the access to external sources of funding hard to reach.

Therefore, access to basic services relies on the **strengthening of local governments' financial capacities**. This is especially crucial as the lack of investments in basic infrastructures has very high costs in terms of local social and economic development, climate change and resilience. The deficit in basic urban infrastructures is slowing down national economic growth, limiting the attractiveness of territories as well as business productivity.

ACTIVITIES

Created in 2006 and chaired by the city of Rabat – Morocco, the mission of the UCLG Committee on Local Finance and Development is to **drive and spread UCLG advocacy for fiscal decentralization.**



FACILITATING A GLOBAL NETWORK OF EXPERTS

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Within this network, particular attention is being paid to Chiefs Financial Officers at the local level. As practical experts, they are able to assess daily the strengths and weaknesses of the legal and institutional contexts of local governments' financial systems. Moreover, peer-to-peer exchanges are contributing to the strengthening of local authorities' capacities.



IMPLEMENTATION OF A GLOBAL OBSERVATORY PROJECT ON LOCAL FINANCE

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As a platform of knowledge and expertise, the observatory is consistent with the logic of collaborative construction of the advocacy. It is an essential tool to follow-up the progress of fiscal decentralization.



ORGANIZATION OF HIGH-LEVEL POLITICAL DEBATES

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During national as well as international summits, the debates will make it possible to mobilize both central governments and international institutions on the need to increase local governments' financial resources.



SPECIFIC STUDIES DEDICATED TO FINANCIAL INSTRUMENTS

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Key economic, political and societal elements drawn from local contexts will be tackled, as they are likely to improve the efficiency of financial instruments and to explain the dynamics and challenges at work.

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PARTNERS



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