

**Input by the United Cities and Local Governments (UCLG)
President, Mr Mpho Parks Tau, at the ECOSOC Forum on
Financing for Development Follow-up, Ministerial Round Table,
United Nations Trusteeship Council Chamber, New York, 23
April 2018**

Honourable Ministers and Vice-Ministers,
Ambassadors,
High level representatives of International Institutions,
Distinguished guests and honourable partners of the civil society,
private sector and development agencies.

Ladies and gentlemen,

Greetings

On behalf of the members of the United Cities and Local Governments network, I wish to express our sincere gratitude for the invitation to contribute to the ECOSOC Forum on Financing for Development Follow-up in the Ministerial Round Table.

This is a welcome opportunity to present the interests and concerns of thousands of local authorities, municipalities, towns, cities and regions from across the world that are under the *Global Taskforce of Local and Regional Governments*.

Today's subject on the financing of the sustainable urban development agenda is an ongoing matter of concern for a number of different municipalities.

Our greatest concern includes that in the next 20 to 30 years, cities – most notably those in Sub-Saharan Africa and South Asia - will be home to an estimated 1.4 billion new urban dwellers.

In order to face this new reality and achieve the sustainable development goals (SDGs) and the New Urban Agenda, international financing institutions further estimate that, globally, and until 2030, between \$4.5 and \$5.4 trillion will be needed *each year*.

The current investment in support of the SDGs, however, is just shy of one third of the required amount, which gives a clear picture of the amount of work ahead of us.

Realising the SDGs also means overcoming the structural challenges that today impede the flow of investments to rapidly urbanizing cities in developing and the least developed countries.

In this endeavour, we do not need to start from scratch, and we do not necessarily need to reinvent the wheel.

As part of our contribution to the Financing for Development Forum, the cities and local governments sphere has already contributed to a paper which underlines some of these urgently needed structural changes.

This paper was developed jointly with the UN Department of Economic and Social Affairs (UNDESA), the UN-Habitat and the UN Capital Development Fund (UNCDF). It was later presented in an

expert group meeting organized by the International Automotive Task Force (IATF) in November last year.

This paper highlights that subnational governments represent, globally, around one quarter of the overall public spending, and 9.0% of the global gross domestic product. In terms of total public investment, local governments represent an average of 39%.

Through these figures, a strong message is being conveyed that subnational governments are indeed critical partners to overcome the challenges of sustainable financing and development agendas. And for local governments to operate, we must benefit from adequate policies and support.

On this perspective, I would like to highlight some of the main recommendations and principles that have been integrated into the Inter-agency Task Force on Financing for Development 2018 Report.

Fiscal and governance reforms

First and foremost, we need to work jointly on pursuing fiscal and governance reforms to allow national and subnational governments to participate more meaningfully in development finance. Municipalities, undoubtedly, need to be included in domestic resource-mobilization strategies, as well as in long-term financial efforts to invest in affordable public service delivery and resilient infrastructure.

For this, we all need capacity to mobilize additional domestic public finance, as requested by the IATF Report. For this, it is essential to diversify the sources of revenues of municipalities, through mechanisms such as pricing carbon and land added-value capture.

It is, however, also important to rethink intergovernmental transfer mechanisms to ensure that there is a fair distribution of national resources among the various spheres of government. We need to reconcile financing with sustainability, attractiveness and inclusivity.

Collaboration between central governments and local authorities will be key in the near future. We need to strengthen decentralization and make sure that local governments around the world have the means to face these rising challenges.

We are, of course, not only talking about transfer mechanisms, but also about spending more effectively, ensuring transparency and reinforcing accountability. Let us remember that citizens in several parts of the world, and especially the most vulnerable, have already taken to the streets to request this from us.

Long-term investment horizons

Furthermore, there is a necessary shift in the financial sector towards long-term investment horizons and sustainability.

We need to make investment more focused on urban areas and human settlements, particularly in the regions where urban areas are growing exponentially. We need to foster an enabling environment

with appropriate regulatory and legal measures. We need appropriate development financing instruments, able to facilitate subnational governments' access to responsible borrowing and bond emission.

We need to ensure adequate and well-enforced regulatory frameworks for public-private partnerships that preserve public interest and inclusive planning for basic services. We need to better think through the establishment and strengthening of financial intermediaries, such as municipal development banks or funds to access financial markets.

Today, less than 20% of the largest 500 cities in the developing world, just 94 of them, can mobilize long-term external resources from financial institutions and development banks.

In this matter, we need to work jointly with multilateral and national development banks to better define innovative and responsible ways to lend more and better to subnational governments. Some ideas, such as *innovative credit enhancement for subnational loans* and the *reduction of foreign exchange risks*, need to be considered. *Climate-change financing mechanisms* need to facilitate access for subnational governments.

Tackling the growing inequalities between territories

Ladies and gentlemen,

We are greatly concerned by the growing inequalities not only within countries, but particularly between territories - a trend which is also pushing certain areas and regions towards marginalization.

We are worried by obstacles and difficulties in the alignment of investments with long-term sustainable development strategies, especially as this significantly affects basic services and urban infrastructure in developing countries.

We have no other choice, but to focus on improved urban infrastructure, to be climate compatible, especially in parts of the world where we are facing rapid urban growth and immediate consequences of climate change.

Only by considering a more balanced territorial development - we can accelerate the achievement of the SDGs. This systematically includes intermediary cities and small towns, as well as more integrated and territorially inclusive urban-rural linkages.

Let us also remember that the costs to renew unplanned settlements and upgrade informal ones will be exponentially higher as time goes by. We, therefore appeal to the next Global Infrastructure Forum to thoroughly consider this.

This should also be reflected in the Outcome Document of the 2018 Forum, as well as towards the High-Level Political Forum, where subnational levels of government and urban challenges need to be more extensively featured.

Let us remind ourselves that we are also here to draw inspiration from the innovative solutions that some municipalities have already implemented in their own territories. These include, among others, tax reforms in several cities. For example, in Lagos, the tax revenue has trebled in five years. On the other hand, the State of California has issued green bonds to mobilise \$4 billion in 2017 to finance green projects. Our world is full of inspiring stories.

Ladies and gentlemen,

As the UN Secretary General, Mr Antonio Guterres, often says - without local and regional governments, there cannot be a full achievement of the ambitious SDGs in the coming decades.

Again, thank you for the opportunity to seat with our long-standing partners in this dialogue and collaboration.

You may all be assured that, as cities and local governments, we are doing our best to be party to global efforts for sustainable development.

I thank you.