



Creating the Local Financing Framework
for Sustainable Development Goals:

The Potential Catalytic Role of Subnational Pooled Financing Mechanisms

with the support of



Foreword from Geoffrey Makhubo



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↳ In 2015 and 2016, central governments are negotiating a series of crucial agreements to ensure an effective and efficient implementation of sustainable development policies, involving structural transformation and new forms of multi-stakeholder partnerships for change. In several statements, local and regional authorities have been identified as the first partners of central governments, and considered as key players in the mobilization and catalysis of new financial resources for development, available at the subnational level but still little or poorly exploited.

As such, local and regional governments constitute a focal point for concerted and co-produced financial policies and strategies, for the mobilization and planned orientation of the wealth produced by the agglomeration effects related to the urbanization of the planet.

According to the Report of the Intergovernmental Committee of Experts in preparation for the IIIrd International Conference on Financing for Development, global needs in investments are estimated at 5 to 7 trillion dollars annually, corresponding approximately to twice the amounts currently dedicated. A significant part of those investments will need to be engaged

at subnational levels. It is then essential and urgent to organize effective financing instruments, which are arguably the missing link to allow Local Governments to ensure effective services and invest in sustainable infrastructures.

In this context many countries have established or authorized various forms of financial intermediation instruments, enabling local and regional authorities to mobilize additive resources, particularly through the capital markets.

Through an open consultation of different stakeholders including Central and Local governments, donors or private investors, and considering the existing experiences and programs developed by institutional partners such as the World Bank, the French Development Agency (AFD) or USAID, FMDV, the International Alliance of Local and Regional Governments dedicated to financial solutions, identified the potential catalytic role of Subnational Pooled Financing Mechanisms (SPFM) as one the most adapted solution to allow local governments from developing and emergent countries to diversify their actual resources.

Several models have been implemented through those specific instruments, in different contexts. The rich experience

and financial leverage resulting from such mechanisms need to be better shared to inspire innovative policies that can spur mobilization of additional resources for the future implementation of the new Agenda for Development (FfD Conference and Post 2015) and the New Urban Agenda (Habitat III) in a global framework constrained by climate change (COP21).

This Policy Paper, developed by FMDV with the support of AFD, provides an overview of various Subnational Pooled Financing mechanisms, their benefits and the conditions of success in emerging and developing contexts. It also provides guidance and recommendations addressed to stakeholders in order to create the necessary environment to allow Local and Regional Governments to leverage the additional necessary funds from the capital markets through those innovative mechanisms.

This first document is part of a global program launched by FMDV on Subnational Pooled Financing Mechanisms that will be followed by advocacy and actionable documents, Study Tours, and Country programs to encourage the development of those strategies in emerging and developing contexts, and support the organization of pilot transactions.

We therefore invite you to actively participate to our dynamic, joining our platform and exploring with us the potential of SPFM to allow Local and Regional Governments to ensure appropriate services and infrastructures for their population.

I wish you a pleasant reading and judicious use of this publication, and I hope to welcome you soon during one of our activities. ●

