



of the Organised Constituency of
Local and Regional Governments



Statement of the Global Taskforce of Local and Regional Governments at the Fourth International Conference on Financing for Development

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Introduction

Local and regional governments (LRGs) are political actors at the forefront of localizing the 2030 Agenda, directly responsible for 40% of global public investment, and allocating a significant share of their resources to social protection and public services – core components of caring cities and territories, and the foundation of the equality agenda. Positioned at the heart of today's converging crises – from climate change and democratic fragility to deepening inequalities – LRGs confront both the pressures and the transformative potential of our time. Yet, persistent financial constraints continue to undermine their capacity to plan long-term sustainable development strategies, respond to emergencies, and meet the evolving needs of their populations through local care systems.

The global organized constituency of LRGs welcomes the consensus reached with the *Compromiso de Sevilla* of the Fourth Financing for Development Conference (FfD4) as a global agenda in line with advancing sustainable development and reaffirming trust in multilateralism. The dedicated paragraph on subnational finance which has been maintained from the previous Drafts reflects core areas of action and responsibility of LRGs, but misses to explicitly recognize LRGs as essential actors in development finance. During and following FfD4, our constituency will continue to contribute and engage in financing for development and call for : (1) ensuring access to financing through decentralized financing mechanisms; (2) prioritizing SDG-aligned and social investments for public services, care systems and common goods; and (3) establishing a global mechanism for monitoring and reporting on subnational financing needs and investment opportunities. It is critical to recall and build upon the commitments of Paragraph 34 of the Addis Ababa Action Agenda, adopted a decade ago at the Third Financing for Development Conference.

1. Strengthening Mechanisms of Access to Financing

In order to address the unfunded public services and investments that the climate and social realities demand at local level, adequate and accessible financing mechanisms must be put in place and scaled up through a deep reform of the global financial architecture.

Local and Regional Governments Call for:

- ➔ **Strengthened local fiscal spaces** and increased financial resources that match devolved competences through political and administrative decentralization formalized in national legal and policy frameworks based on the principle of subsidiarity.
- ➔ **Access to international public and private capital**, including through concessional loans, digital platforms, streamlined processes and risk mitigation mechanisms and guarantees, facilitated by subnational, national and multilateral development banks, with conditions adapted to the realities of public actors providing universal public services and infrastructure.
- ➔ **Renewed international cooperation frameworks** to better associate local and regional governments in the decision-making process of global and regional agendas on financing for development and involve them in the localization of official development assistance.

Access to financing and funding must be adapted to the capacities and needs of local and regional governments at domestic level through a strengthened local fiscal space, stable intergovernmental fiscal transfers and the design and implementation of a national architecture for localizing finance, including through national and subnational development banks.

Unlocking private finance and working with country platforms for urbanization finance that organize project pipelines and preparation facilities to connect local financing needs with national, regional and international funds and public development banks are necessary complements to a capacity for local financial engineering and raising own-source revenues through taxes and user fees. Country platforms should be guided by multilevel governance principles and designed in a way that LRGs are included in the shaping of project pipelines and the national investment framework.

Opening access to the adequate financing mechanisms implies to provide the relevant capacity building training to complement them, such as tailored and context-sensitive training and information-sharing for all existing tools to be at hand of those in need of financing. Project preparation facilities can help reduce technical barriers of project design and application completion, for potential LRG beneficiaries, especially with less expertise within their administration, to receive the resources and funds they are entitled or have the opportunity to obtain.

Additionally, multilateral guarantee facilities for cities are being designed as a transformative instrument to facilitate subnational borrowing without affecting sovereign balance sheets. Organizing the structure of necessary safeguards to encourage responsible subnational borrowing based on creditworthiness assessment is central to avoid debt traps, but there are also efforts expected from investors to fight pre-conceptions and place well-founded confidence in these governmental actors.

LRGs are ready to work with all types of actors and partner with the private sector or recur to blended finance instruments to tap into all potential and existing resources. Combining public and private funding can help de-risk investments to encourage private sector involvement, but must be carefully used so as to focus on low-return and high-impact projects that would not have been of interest for the private sector in any other case, to make the most of the limited public resources.

A larger proportion of official development assistance should be channeled to local and regional governments considering their essential role in achieving the SDGs and contributing to development cooperation, to improve from the 1.3% of bilateral ODA that was channeled through LRGs in 2019. There is great potential to redirect this financing for local and regional governments to effectively contribute to high-impact cross-regional development and access capacities, knowledge and skills to improve public service delivery by localizing finance as official development aid cooperation efforts.

2. Prioritizing Finance at the Service of Humanity

As per mandate, LRGs are responsible for the implementation of about 65% of the SDG indicators and involved in providing most public services as pillars of inclusive and resilient societies, from water and sanitation to energy and transportation, including food security, housing and culture. The reform of the international financial architecture should review simultaneously both the quantity and the quality of finance available to address the needs and realities of LRGs. The LRG constituency commits to showing the way on the redefinition of the core values for the financial and economic systems, placing the reduction of all type of inequalities, especially gender inequalities and the promotion of care for an inclusive society as the guiding principles for their expenditure decisions.

Local and Regional Governments Call for:

- ➔ **Placing care, social protection, gender equality and the reduction of inequalities at the center** of investment and expenditure decisions within a reformed international financial architecture that scales up SDG finance to strengthen local public services and the social and solidarity economy, with a focus on housing as a determinant of the right to the city.
- ➔ **Financial systems that embed feminist economic principles into financial decision-making** and recognize and invest in care work, women's leadership, and gender-mainstreaming as essential components of inclusive, sustainable, and dignified societies.
- ➔ **Prioritizing investment in climate adaptation and mitigation infrastructure** in climate-vulnerable cities and regions, including through the incorporation of green-budgeting practices at all levels of government.

Funding must be politicized and made available for essential public investments and priority sectors such as care systems and social protection. Supporting local caring systems that recognize and redistribute care work and the women's leadership as central in policy-making and by operationalizing gender-mainstreaming is indispensable to building a more dignified, inclusive and sustainable society. Scaling up social investment and SDG finance must prioritize local public services for social protection, care, common goods and equal opportunities for all, embedding feminist economic principles at the core of the reformed financial architecture. The financing systems must also be focused on supporting local ecosystems and the social and solidarity economy that fosters territorial social innovation and contributes to resilient local economies, including a focus on women-led businesses and climate action initiatives. The funding architecture should be supportive of feminist movements, intergenerational alliances and grassroots initiatives. LRG finance should place housing as a front and center priority of its investments as a sector determining citizen right to the city and livability and economic situation.

Mitigation and adaptation infrastructure investment in climate-vulnerable cities and regions is a sector that should also become a financing priority at all levels of government, in addition to incorporating climate considerations and notably climate adaptation into financial planning overall through green-budgeting.

Financing for development systems must be at the service of local and territorial public service provision and investments responding to urgent local needs and promote inclusive, sustainable, and gender-equal societies with a perspective of system of cities including a key role for intermediary cities. Finance must be put at the service of humanity, of each local community and of next generations, with the SDGs and care as the guiding path, and for this, fiscal frameworks should incentivize and reward inclusive investment choices.

We call for the systematic integration of gender mainstreaming, the explicit recognition of "all women and girls in their diversity," and the insertion of references to equality and democracy. While we welcome mentions of gender-responsive budgeting and care economy investments, the framework must go further with concrete, intersectional commitments and measurable targets to address systemic inequalities and uphold the rights and well-being of women, girls, and marginalized communities globally.

3. Monitoring the Localization of Finance

For a more inclusive global financial governance, the financing for development process must also better recognize LRGs as distinct stakeholders in the consultations, negotiations and mechanisms for implementation that result from it. This is why the constituency of LRGs propose for the review of the international finance architecture to include specific mechanisms of implementation and monitoring of the localization of financing.

Considering the importance of LRG finance and urbanization finance for development finance, we ask for the UN member states to establish through the FfD process a

dedicated and permanent intergovernmental space or forum to report and discuss on the evolution, make joint commitments and take action on localizing financing. A yearly gathering to present an update and share inputs to the UN Secretary General or the General Assembly would be an opportunity to put subnational government finance at the center of intergovernmental processes and agenda and in this way continue to ask the international institutions for a formal recognition of local and regional governments as specific stakeholders.

Local and Regional Governments Call for:

- ➔ **Establishing a dedicated and permanent intergovernmental space to monitor subnational public finance** through the FfD process, serving to make joint commitments and take collective action on localizing finance and allowing for the formal recognition of local and regional governments as specific stakeholders and essential drivers for achieving the SDGs within the international financial architecture and at the core of global development finance reforms.
- ➔ **Creating an annual reporting mechanism** within this forum to present updates and policy recommendations to UN member states, based on existing multilevel coordination mechanisms and monitoring platforms, and diversifying development metrics beyond GDP, to ensure subnational finance is fully integrated into global intergovernmental processes.
- ➔ **Investing in subnational government data gathering mechanisms** to promote disclosure on subnational finance, access to reliable and comparable data and foster accountability, evidence-based policymaking and improved access to credit and investment.

As debates at FfD4 seek to shape the policy recommendations for reforming the international financial architecture, the lack of reliable, standardized and comparable data on subnational public finance and governance remains critical. Advancing management and measuring of investment and public finance impact through data disclosure as gathered by the World Observatory on Subnational Government Finance and Investment (WOFI) initiative could serve as a contribution to this reporting process. This proposal could be nourished and based off of various existing multilevel coordination practices and city platforms that would be compiled and structured through a formal process. Obtaining comparable and open data on subnational government finance and inserting it in a follow-up and evaluation approach would also allow to improve local government access to finance through better-informed credit ratings and investment plans for partners of LRGs.

An intergovernmental monitoring forum on LRG finance would be an opportunity to put in place accountable, transparent and participatory processes contributing to an inclusive and multilateral global financial system. This space is another occasion to diversify indicators for progress and development, by exploring and opening up to multidimensional indicators beyond GTP.

Conclusion

The call for a reform of the global financial architecture will allow for improved access to financing and a prioritization of SDG-aligned investments. The monitoring of the local and regional government contribution to financing for development would also help track specific needs and opportunities. All proposals laid out also requires an important shift in the governance of this international financial architecture, where LRGs are recognized as the political actors they are and can take part in the shaping, negotiations and decision-making on the norms and tolls of this multilateral and multi-stakeholder system, beyond implementation. This way, the reprioritization of what finance is destined for can be made in a democratic manner where debt burdens do not overweight expenditure on social services as is unfortunately the case in many countries today. The reformed financial system will also place integrated and systemic approaches to investments for public services and infrastructure to ensure that all actors move in a same direction to sustainable development and to implement the global agendas including the New Urban Agenda, the SDGs and the post-2030 Agenda.

