

**Implementing the Addis Ababa Action Agenda at the local level — strengthening municipal finance for sustainable development in LDCs**

*18 April 2016, 1:15 – 2:30 p.m.*

*Conference Room 6*

*Organizers:*

United Nations Capital Development Fund (UNCDF), Financing for Development Office, United Nations Department of Economic and Social Affairs (DESA), in collaboration with Global Fund for Cities Development (FMDV)

*Speakers:*

- Ms. Khady Dia Sarr, Programme Director, Dakar Municipal Finance Programme (Senegal)
- Mr. Paul Smoke, Professor of Public Finance and Planning, New York University
- Mr. Carlos de Freitas, Director of Programmes, FMDV
- Mr. Vito Intini, Municipal Investment Finance Programme Manager, -4 (r 4 (r)3 (,4 (r)r TJ 0 Tc 0.1 T

follow-up. The design of the grant system would also be important for external resource mobilization (e.g. for capital markets and climate change).

Furthermore, it was discussed how credit rating processes could help address the critical aspects of local governance and send a strong signal to markets and institutional investors. Credit ratings could expand the pool of potential investors, thereby increasing competition. However, they are affected by external variables, such as the national political context and macroeconomic developments.

One participant suggested that subnational pooled financing mechanisms could bring together local governments (large and small) to search for financing on the banking or financial markets. Several models exist from United States bond banks to European Local Government Funding Agencies, governed and even created by local governments. Such mechanisms could contribute to market competitiveness, reduce transaction costs and interest rates, provide substantive expertise and allow secondary cities or “small” projects to benefit from the combination for reduced cost of debt. It was stressed that applicability to LDCs merits further discussion.

Another participant presented a case study from Dakar, Senegal. Embedded in the context of increasing urbanization, a growing deficit in infrastructure and urban facilities, and a limited annual budget deriving essentially from fiscal transfers, the city of Dakar, through the Dakar Municipal Finance Programme (DMFP), tried to tap into capital markets as an additional source of finance. The DMFP provided capacity building and prepared the launch of the municipal bonds. The main challenges during the process were high entry barriers (regulation), complex processes and the identification of viable investment projects.

Side event participants agreed that the recent experience of Dakar, which was planning to issue its first municipal bond before the central government raised concerns over potential responsibilities and other implications at the central level, showed the complexity of municipalities gaining access to financial markets. Nevertheless, some important lessons learned could be taken for other municipalities in LDCs to pursue bond finance as a way to fund infrastructure projects.