



Implementing the Addis Ababa Action Agenda and the Sustainable Development Goals: The Importance of Strengthening Municipal Finance

Hyatt Hotel
Dar es Salaam, Tanzania
29 February – 1 March 2016

INFORMAL SUMMARY

Session 1: Opening/Introductory remarks: Introducing the project, setting the agenda for the meeting.

Organizers welcomed participants to the expert consultation and opened the consultation with a brief overview of the overall context of the meeting: t

Delegation of authorities from the central to the local level remains generally weak in many African countries. The dependency on fiscal transfers from the central to the local level remains high, yet, in the large majority of cases those transfers are inadequate to meet local development needs. At the same time, the capacity and political authority to raise local revenue sources is limited.

Capacity-building, improving local planning processes through applying long-term approaches and increasing accountability will be critical to strengthen municipal finance. Local capital markets, including pension funds, need to be strengthened significantly to turn into a potential s

almost tripled from 2011 to 2015 to about USD 30 million. Key challenges remain, e.g. limitations to municipal fiscal space due to allocation decisions by the central government, failure in realizing the full potential of local revenues because of low compliance levels, the limited range of available revenue collection instruments and difficulties in expanding revenue sources

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investors or between borrowers and creditors. Furthermore, private banks can help with due diligence processes, proper project documentation, and the advertisement to potential investors. Key questions for municipalities to respond to for accessing local capital markets would include

sharing agreements between the public and private partners involved. There have been too many examples where the risks were ultimately born by the public sector.

With respect to PPPs at the subnational level, the initiative should come from local governments, which requires capacity to identify projects suitable for public-private cooperation. PPPs need to be justified not just by fiscal constraints, but need to make clear case that they can create additional public value for the funds invested. Many examples have shown that PPPs do not necessarily create public value, but rather impose additional cost to the public. Frequent errors in planning processes are overestimation of demand and assumption of overpriced tariffs or charges for the benefit of private partners. Also, there is a risk that PPPs might undermine the creditworthiness of municipal governments due to contingent liabilities. Caution was urged on PPPs in sectors where the price of the service or good is subject to political considerations, e.g. the water sector. Community expectations towards PPPs should be managed through effective communication strategies on project time lines and benefits.

Key messages:

PPPs cover a variety of arrangements between the public and private sector that have to be understood and analyzed in their respective contexts.

From a public policy perspective, the prime objective of a PPP is to add value for money, i.e. to improve the quality and efficiency of a given service to the citizen by attracting private resources into public services, thereby allowing public money to be diverted into other areas and alleviating long-term pressures on public finances.

PPPs at the local level remain rare in Africa. Local authorities frequently lack the institutional capacity to develop, manage and evaluate PPPs.

In a number of developing countries, putting in place this institutional capacity will require assistance from the international community in the form of technical support and capacity building.

Session 8: Strengthening international cooperation for municipal finance. Identifying priority areas for international cooperation on subnational finance

At the beginning of the discussion about the role of international cooperation for municipal finance, participants generally agreed that cities will play a crucial role to achieve the SDGs and therefore, international cooperation needs to allocate more resources to municipal levels. In this context, it was noted that the data situation on the use of international public finance in support of municipal governments is rather vague. According to official figures, only a small share of ODA goes directly to municipalities or local governments. Statements by participants indicated that the situ

