U20 2025 Webinar Concept Note:

"Unlocking Finance for Cities"

9 April 2025, 16:00pm – 17:45pm SAST, MS Teams Platform

As cities continue to reignite economic growth to better serve their inhabitants by advancing sustainable development, reducing inequalities for a more harmonious society, and protecting people and the environment from climate change, the need to mobilize innovative and sustainable financing solutions has never been more urgent. Cities, particularly in developing countries, face significant challenges in financing sustainable urban development, including limited revenue streams and autonomy in channelling their resources, difficulty accessing loans, grants and investments as well as to access international markets, and gaps in governance and financial expertise. Rapid urbanization, economic inequalities, infrastructure backlogs and policy instability further complicate efforts to secure funding for sustainable development. Overcoming these hurdles requires innovative financing mechanisms, strategic partnerships, and a focus on equitable, long-term development solutions.

Background

This year, the 4th International Conference on Financing for Development will be held in Seville. A decade ago, at the 3rd International Conference on Financing for Development, the 2015 Addis Ababa Action Agenda marked a turning point in global discussions on local development finance. It was the first time that UN Member States explicitly acknowledged the importance of enhancing municipal and subnational government capacities for funding and financing public services.[1]

While experiences have been carried out to innovate in the field of urban development financing whether through innovative local partnerships or international funds opening access to funds for local government, the efforts must be scaled up and spread out, as 10 years down the line progress has fallen short of what is needed. Persistent challenges, along with new and evolving issues, have significantly heightened the need to reshape global development finance architecture, including the needs and realities of local and regional governments. We are faced with adverse global macroeconomic conditions and weakening growth prospects, escalating debt burdens, rising geopolitical challenges, climate related damages and losses, and widening financing divides between developed and developing countries.[2]

Although the systems for territorial financing, administration, and governance vary across countries, cities typically hold the responsibility to provide public infrastructure, local basic public services, and ensure quality

[1] UNCDF, UNDESA and UNDP. 2025. Inter-Agency Policy Brief: FfD4 Breaking the SDG finance gridlock through strengthening local government finance, Financing for Development.

[2] United Nations. 2025. Zero draft: Outcome document of the Fourth International Conference on Financing for Development

of life for citizens. These responsibilities place local governments at the core of the national development agenda.

The challenge is that local governments require financial autonomy to prioritise public services and inclusive development. However, their ability to manage and access resources is often limited by two key factors. First, **funding limitations**: fiscal transfers from central governments can be insufficient or unstable, and own-source revenue mobilisation, which is the basis for a sound local fiscal space and autonomy, remains below its collection potential. Second, **local governments may lack the authority to allocate funds, sign contracts, or invest using borrowed capital**, even when they are creditworthy. These limitations can undermine their ability to effectively address local needs.

Across 135 countries on average, according to data from the World Observatory on Subnational Government Finance and Investment, over 50% of subnational revenues come from central government grants.[3] Resources that are not ring-fenced give heightened opportunities for local governments to shape the future of their cities. However, most revenues are earmarked for specific purposes and limited autonomy can prevent local governments from responding effectively to on-the-ground needs.

Cities contribute around **70% of the world's GDP**. Conversely, local governments on average **receive only 4% of a country's GDP** in transfers from central governments. In many developing countries, this figure is below 2%.[4] Although some cities may independently generate the bulk of their budget from own revenue generating activities, studies suggest that the percentage of GDP allocated to local governments could serve as an indicator of development.

African cities face even greater fiscal constraints while experiencing one of the fastest urbanization rates globally, with urban populations projected to increase by 950 million by 2050[5]. Many cities across the continent continue to struggle with **limited fiscal decentralization, weak revenue generation capacity, and restricted access to international finance**, which hampers their ability to invest in critical infrastructure and services. This underscores why unlocking the necessary finance is so critical for cities to thrive.

Despite city leadership, there is a need above the subnational level for **a substantial increase in both local revenue generation and fiscal transfers as well as for unlocking greater financial independence and engineering capacities** for local governments.

Various Financing Solutions:

Own Revenue: Increasing own revenue generation at the city level through mechanisms like land and property taxes, service charges, and user fees can give cities more financial autonomy. This enables them to fund public services and infrastructure and respond better to residents' needs, while reducing reliance on national government transfers. However, wealthier areas may generate more revenue, leading to inequities. Cities also

[3] OECD/UCLG (2022), 2022 Synthesis Report of the World Observatory on Subnational Government Finance and Investment – Highlights, https://www.sng-wofi.org/

[4] Ibid

[5] Roll, M. (2023, December 8). Africa's future will be decided in its cities. SWP Berlin. https://www.swp-berlin.org/publikation/mta-joint-futures-33-africas-future-will-be-decided-in-its-cities

face challenges in managing complex revenue systems and ensuring taxes do not burden financially struggling residents.

Bonds can be a tool for cities to raise funds for infrastructure by tapping into local financial markets, allowing individuals and institutions to invest in urban development. They offer the benefit of providing cities with access to cheaper capital, while giving investors the opportunity to contribute to sustainable urban development and investing locally with social benefits. However, in many cities, issuing bonds create long-term debt obligations, which may be challenging to manage for public officers lacking capacity on debt management, especially if future revenues are uncertain or if investors lack trust in government. Also the issuance's transaction costs are often too high, especially in markets where there is no track record for subnational bond issuance. The maturity of municipal financial markets is also a challenge, which either ways include a close monitoring and dialogue with the Ministries of Finance. This dialogue may often be delayed due to lack of confidence or the traditional risk-averse nature of these national or international stakeholders and investors when it comes to subnational financing.

Blended finance tools including credit enhancements can strengthen local government access to finance. These tools combine public and private sector funding to finance projects of public interest, offering cities the advantage of attracting private investment while mitigating risk through public support. This approach can unlock additional capital for infrastructure development and drive innovation. However, blended finance can be complex to structure, requiring **careful coordination between stakeholders**. There's also the risk that public resources might be insufficient to leverage enough private investment, or that private investors may prioritise profit over the city's long-term development goals.

Equity financing allows investors to take ownership in a project instead of lending money, reducing reliance on debt. This is a privileged avenue for revenue-generating sectors like transport and digital infrastructure. However, if not properly planned, it can dilute the public sector's control and oversight of infrastructure and public services and lead to isolated investments and projects that do not fall in line with the city's development priorities and strategic planning. It can also be challenging to attract sufficient investment, particularly in cities with less-developed markets or higher perceived risks.

International and Donor Support: A low proportion of international cooperation is directed to the local government level and this is limiting the effectiveness of development aid to overcome bottlenecks. Improving cities' direct access to international transformative investment funds, including by simplifying application procedures, will go a long way. National governments and international financial institutions should consider that greater flows of Official Development Assistance (ODA) and Development Finance Institution (DFI) finance to the municipal level, in alignment and coordination with national frameworks, needs and priorities, would have an exponential effect on accelerating the achievement of the Sustainable Development Goals (SDGs), responding to climate change and reducing inequalities.[6] However, international aid can sometimes lead to over-dependence on foreign support, potentially leaving cities vulnerable to external economic shifts.

City Guarantee Mechanisms that do not weigh on national balance sheets are a solution pathway to better channel and accelerate urban development financing. City guarantee funds are a financial mechanism where

[6] UNCDF, UNDESA and UNDP. 2025. Inter-Agency Policy Brief: FfD4 Breaking the SDG finance gridlock through strengthening local government finance, Financing for Development.

an organisation or government entity provides a guarantee to lenders, essentially promising to cover a portion of a loan if a city defaults on its repayments, thereby encouraging lenders to invest in urban infrastructure projects, especially in situations where a city might have a lower credit rating or limited access to capital markets. However, these funds require strong governance and financial oversight to be effective. If not well-structured, they may create financial liabilities or favour certain cities over others, limiting equitable access to funding.

Loans offer cities the opportunity to fund large-scale infrastructure projects, respond to urgent needs, and potentially boost revenue through successful investments. However, cities face challenges such as high debt burdens, complex repayment terms, and economic fluctuations that make repayment difficult. Lower credit ratings can lead to higher interest rates, and cities with limited revenue generation may struggle to access loans. It is important for local governments to improve their access to capital, including through guarantee mechanisms and unlock concessional lending from financial institutions, as well as subnational, national and multilateral development banks.

Multilateral, national and subnational development banks (MDBs, NDBs & SDBs) play a critical role in closing the financing gap for cities. MDBs provide capital and expertise at scale, while NDBs and SDBs can work closely with local governments to align financial resources with urban needs. Moreover, global financial institutions continue to favour wealthy nations, while borrowing is costly for developing countries. If national governments can access loans more fairly and manage debt effectively, they will be better positioned to financially support local governments. Faster, more inclusive debt restructuring and fairer global financial policies are essential to achieving this.

Local Public Financial Management: The revenue available to local governments is crucial, but so is their ability to plan, budget, and manage resources efficiently. Many revenue-raising powers remain centralised, and even when legally transferred, they are often not exercised or implemented effectively. Governments that commit to the subsidiarity principle should consequently invest in building local government public sector officials' capacity, particularly in financial management and infrastructure asset management.

Trust & Anti-corruption: Many countries have experienced a decline in public trust in government and state agencies. Local government can play a key role in rebuilding trust. Evidence shows that trust increases when there is a direct connection with local taxes and improved local infrastructure and services.[7] Strengthening accountable local government institutions is therefore a tool for fostering a positive relationship between citizens and the state at all levels. As a cross-cutting issue, anti-corruption measures must be integrated into all dimensions of financing for development.[8] Sound and transparent systems for financial transfers from national to local governments are essential. Good financial management requires institutions to foster transparent, accountable, and inclusive governance systems and implement policies that prevent the misuse of resources at all levels.

Conclusion

[7] UNCDF, UNDESA and UNDP. 2025. Inter-Agency Policy Brief: FfD4 Breaking the SDG finance gridlock through strengthening local government finance, Financing for Development.

[8] United Nations. 2025. Zero draft: Outcome document of the Fourth International Conference on Financing for Development

Expanding access to diverse financing options for local governments—by improving creditworthiness, access to guarantees, and blended finance—can drive sustainable infrastructure investment at the local level. Enhancing the capacity to implement **effective public financial management and infrastructure asset management** is crucial for sustainable development.

Cities are economic engines, contributing up to 70% of GDP in many countries. However, chronic underinvestment in infrastructure, climate resilience, and essential services threatens long-term growth. By reforming the international financial system, strengthening local governance, and unlocking diverse financing mechanisms, cities can fully play out their role as drivers of sustainable, inclusive development.

This webinar will bring together global experts and policymakers to explore actionable solutions for unlocking finance for cities and ensuring a resilient urban future.

Guiding Questions:

1. **What best practices can cities adopt to create sustainable revenue streams** to fund inclusive public services?
2. What strategies can cities implement **to leverage international and green financing opportunities and attract investments** in a stable and sustainable manner to drive inclusive and resilient urban development?
3. **What innovative financing mechanisms**, such as municipal bonds, public-private partnerships, and impact investing, can cities use to support sustainable urban development?
4. **How can subnational development banks (SDBs) be incorporated into the international financial architecture and national financial strategies for urban development to help bridge financial gaps** and support sustainable urban growth?

Complementary questions:

- Where do we stand as U20 in our recommendations and demands on localizing finance and financing?
- How can we show to Heads of States and Sherpas the way to activate our recommendations and what can we do at national levels of action to match our demands and pilot-test their operationalization?

Facilitator

The U20 permanent Co-Conveners, C40 and United Cities and Local Governments (UCLG).

Speakers

Opening: **Dada Morero**, Executive Mayor of Johannesburg, South Africa

Presentations & Panel discussions

- **Carlos de Freitas**, Executive Director, FMDV – Global Fund for Cities Development
- **Barbara Samuels**, Executive Director, Global DF - Global Clearinghouse for Development Finance
- **Anthony Mvo Dighambong**, Mayor of Wum, 1st Vice President of the United Cities and Councils of Cameroon - UCCC
- **Bernardo Torres**, Advisor for Institutional Relations, International Relations Department, Sao Paulo, Brazil

Respondents: **Letsepa Pakkies & Sandra Sekgetle, G20 Sustainable Finance Working Group**, South Africa

For any questions about this webinar contact: Harvey Phalatse harveyp@joburg.org.za

Agenda

Time allocation		Role
5 Mins	Welcome	Executive Mayor – Joburg
5 Mins	Introduction	Facilitator U20 Convener
10 Mins	**Opening Input**: Review and Analysis of the U20 previous recommendations on Financing	Carlos de Freitas, Executive Director, FMDV
20 Mins	**Keynote**: From Recommendations to Action: Going National!	Barbara Samuels, Executive Director, Global DF
15 Mins	**Africa perspective** Structuring the national architecture for local development	Anthony Mvo Dighambong, Mayor of Wum, 1st Vice President of the United Cities and Councils of Cameroon - UCCC
15 Mins	**Latin American perspective** Structuring the local capacity to access financing	Bernardo Torres, Sao Paulo, Brazil
10 Mins	**U20 Cities' responses**	Select U20 representatives
5 Mins	**G20 Respondent** G20 Sustainable Finance Working Group (SFWG)	Letsepa Pakkies and Sandra Sekgetle, National Treasury, South Africa
15 Mins	**Facilitated Q&A**	Facilitator U20 Convener
5 Mins	Summary: Common positioning and key urban finance messages	Facilitator U20 Convener