1 - STATE OF LOCAL FINANCE

- Estimated that 90 trillions USD are necessary to fill in the infrastructure gap in the coming 15 years
- Only around 25% of those resources will be invested from public sectors.
- **Private investors** are stimulated by the municipal market. African and Asian pension funds are investing in green bonds issued from European cities but not in their region, many commercial banks have tools addressed to cities
- **Most of Donors and DFIs** have credit lines available from project preparation to invest in local projects but have critical issues to identify the appropriate projects
- **From a city perspective**: each mayor has projects to develop and face issues to find the resources for the preparation process and investment phase
CONDITIONS TO DEVELOP LOCAL FINANCE

POLICY, REGULATION AND GOVERNANCE
- Financing local development is **above all a policy issue: at national level first and local level**
- **Need to develop the enabling environment** (regulatory & legislative levels) to diversify resources and attract investment. Including fiscal decentralization predictable in time and amount

INFRASTRUCTURE PLANNING
- **Need to reinforce** investment planning, financial management capacities and creditworthiness at local level
- **Develop the appropriate ecosystems** of actors and break the silos with multi-stakeholders dialogues between local & central governments, private sector, investors, donors, etc.

FINANCIAL PREPARATION
- **Identify the appropriate financial models**, depending on the type of project: social, self sustainable, high level of profitability
- **Structure professional financial intermediaries**: public and private, to catalyze financial resources and channel at local level. Cities usually don’t have internal expertise
FINANCIAL ASSESSMENT

- What is the financial situation of the project leader: predictable and stable financial resources, creditworthiness, credit rating?
- What is the sustainability of the project: need to develop a business model, does the project produce revenues or not? What is the level of profitability?
- But what does “Bankability” mean for a mayor? Gap between public & financial interests
IDENTIFY THE POTENTIAL SOURCES OF FUNDING

- **Local resources** (municipal budget, tax), tariffs and revenues from the projects
- **Grants**: from the central government, from donors (identify the opportunities), decentralized cooperation
- **Investments**: private investment (direct or indirect, etc), from a DFIs;
- **Debt**: from a donor (concessional), a commercial bank, through a municipal bond, etc
- **Guarantees**: public, private, concessional
Each of these steps request a strong expertise in the preparation phase, usually extern of the city.

Project preparation costs are usually between 7 to 25% of the total costs in developing countries.
Annex 4. Full list of PPFs operating worldwide

This list of Project Preparation Facilities has been derived by compiling information provided by IADB, CIDA and some PPFs’ websites. The document includes the analytical information provided through Infobase (https://www.globalinfobase.org/InfobaseIndicators/).
PART 2 – WHAT IS FMDV AND HOW IT OPERATES
FMDV: CONTRIBUTE TO LOCALIZE FINANCE

FMDV is the unique global network of cities dedicated to promote and develop solutions to finance and invest in urban development.

Works on 3 pillars:

❖ **Organizing the appropriate environments, instruments and strategies to finance urban development and implement sustainable local economic development**: mobilize technical expertise and financial engineering on specific projects and programs

❖ **Contributing to the convergence of stakeholders**: breaking silos and engaging multi-stakeholders cooperation on finance. Help stakeholders to have a common understanding

❖ **Participating in international processes to promote solutions for implementing international commitments at local levels of action**: organizing International Conferences, publishing Policy Papers, participating to UN processes.
Working closely with Central, and Local Governments, and their public & private partners, FMDV operates at different scales of action:

- **Regional**: partnership with the West African Economic and Monetary Union – UEMOA, Union for Mediterannean, European Union or ASEAN on various topics such as climate finance, private finance, decentralization, housing, Smart Cities;

- **National**: support to Ministries to develop programs on local finance, investment and training (ex Morocco, Cote Ivoire, Korea), support to Municipal Development Funds to diversify their resources and services to municipalities.

- **or Local**: on connecting with donors and investors, peer to peer programs, training/coaching etc,

*Over the past years, FMDV has mobilized or collaborated with more than 1 500 Cities and Regions from more than 110 countries, 250 private companies and most of the existing donors and funding institutions.*
THANK YOU

CONTACT: JFHABEAU@FMDV.NET
TWITTER: FMDV_ORG