

## Conference Report

### Financing sustainable cities at the scale required by the 2030 Agenda means making cities ready for finance

On May 31st, delegates from national ministries, local authorities, academia, financial institutions, civil society and the private sector gathered for the Municipal Finance conference and sought solutions to make finance work for cities at Metropolitan Solutions 2016 in Berlin, Germany.

The conference was composed of four sessions. In the first session, the conference keynote speakers spoke with one voice emphasizing that the whole paradigm of municipal finance should be restructured to cover the new role of local- and subnational governments in a global climate change context and connect itself to the international climate finance mechanism. After the opening addresses, the next session focused on the challenges that cities in Asia and Africa face on

their municipal financing, such as the gap between the infrastructural needs and funding constraints and how to overcome those challenges. Conference participants also went into the current movement in creating a bottom-up municipal finance model to leverage financing for local investment and make sustainable local financial systems, such as ICLEI's **Transformative Action Programs (TAP)**, Climate-KIC's Low Carbon City Lab and UCLG's Global Observatory on Local Finances. Finally, a discussion on the importance of **municipal finance governance** explored different actors in the municipal finance governance structure and new roles of city governments to include various actors in their decision making process.

**TAP** | Transformative  
Actions  
Program



## Municipal Finance in a Global Context

Urbanization is set to increase. And as it does so, both top-down and bottom up financing flows need to be scaled up accordingly. 'This need for scaling-up is the reason why ICLEI has established its template for bottom-up financing: the Transformative Actions Program (TAP)', said Gino Van Begin, ICLEI Secretary General opening the Municipal Finance conference.

Vera Rodenhoff from BMUB highlighted that cities need to be empowered and financed in order to live up to their tasks as crucial climate actors within the Paris Agreement forged at COP21 last year. Rudolf Niessler from the European Commission, DG Regio, addressed a changing trend in terms of financing urban innovation actions in European regions: Since the EU's financial instruments are increasingly replacing grants and they are particularly applicable when projects appear to be able to produce revenues, he encouraged local authorities to proactively make use of these financial instruments. Looking at urban finance from a banker's point of view, Roland Siller from KfW Development Bank urged cities' further efforts to reduce the financial risk of their projects and ensure a positive return on investment, which necessary to increase bankability.

*Top right: Keynotes speakers Roland Siller, KfW; Vera Rodenhoff, BMUB; Rudolf Niessler, European Commission DG Regio; and Gino Van Begin, ICLEI*



**"Urban investment over the next 15 years could exceed 50 trillion dollars; these flows need to be aligned with the targets set out by the Paris Agreement and the Sustainable Development Goals."**

**Vera Rodenhoff**

Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany

## Challenges for Cities on Municipal Financing – Asian and African Regions

Financing is a complex and onerous process. Due to the numerous challenges they are facing, municipalities in Asia and Africa require assistance to better understand and access funding models. Mayor Isaya Mwita Charles Marwa in Dar Es Salaam shared his experience on the increased pressure on infrastructures and housings in the city. Taijuswini Ramkissoon Mungoosing from the Municipal Council of Curepipe, Mauritius, pointed out that some vital concepts of local climate actions are still new to Curepipe, such as 'urban resilience'. Hence, their budget for the related projects is very limited and this makes it difficult for Curepipe to find relevant finance sources to launch their projects. Oskar von Maltzan, Head of Division Urban Development and Mobility East Asia and Pacific of the KfW Development Bank, also regarded the mismatch between the importance of fulfilling infrastructural needs and the current inability to meet the expectations of the citizens due to insufficient funding as the crucial challenge for cities in the African and Asian regions.

*Top right: Honorable Mayor Isaya Mwita Charles Marwa, Dar Es Salaam, Tanzania; bottom right: Taijuswini Ramkissoon Mungoosing, Chief Executive, Municipal Curepipe, Mauritius*





On the other hand, other climate finance experts in Asian and African regions gave counsel in different dimensions. Eva Ringhof from the Cities Development Initiative for Asia (CDIA) claimed that the bankability of local projects can be improved by thorough analyses per project basis. Benjamin Klaus from the Association of Local Authorities Tanzania said it is clear that the private sector must get involved in order to achieve the SDGs. To draw in private investors, simplicity and good preparation of projects are essential. For Sabyasachi Mitra from Asian Development Bank (ADB), blending traditional financing and innovative solutions is key. ADB's focus lies on the application of economic corridors, an integrated development strategy, involving spatial organization of economic activity by linking activities and increasing density. In conclusion, capacity building is required to help local actors improve the bankability of their projects and to access funding.

*Right: Sabyasachi Mitra, Deputy Director European Representative Office, Asian Development Bank*

**"The trillions needed to achieve the ambitious SDGs can never be mobilized without the involvement of the private sector."**

**Benjamin Klaus**

Integrated Expert (GIZ/CIM), Association of Local Authorities Tanzania



## Transformative Action Programs (TAP) for Financing Urban Sustainability

The TAP takes a bottom-up approach to financing sustainable projects in cities and regions. It debuted at the Cities and Regions Pavilion at COP21 in Paris last year, which provided the platform needed to give these projects more prominence. Moreover, the results of the first TAP application round have allowed ICLEI to indicate to financing institutions that cities require greater capacity and support for the preparation and design of projects and funding applications.

Four TAP Cities, Almada (Portugal), District of Saanich (Canada), Fortaleza (Brazil) and Gothenburg (Sweden) shared their hands-on experience in applying for the TAP and their projects. Nuno Lopes from Municipality of Almada and Thais Holanda from City of Fortaleza focused on the multi-functional and integrated aspects of their TAP projects, illustrating how projects can be designed in a cross-cutting and inclusive manner. Mark Boysen from District of Saanich caught the potential of the TAP as a tool to connect cities to national and international funding agencies, providing an application and review process. Taking a look at the other side of the TAP, Magnus Borelius from the City of Gothenburg emphasized the need to increase the level of transparency and accountability in city project planning to attract more investors' actions, based on his experience in managing the Gothenburg Green Bond.

After the TAP Cities' presentations, representatives from Climate KIC and United Cities and Local Governments (UCLG) introduced their local finance projects for cities respectively: the Climate KIC LoCaL Climate Finance Projects and UCLG Global Observatory on Local Finance.

*Top right: Speakers (left to right) Gino Van Begin, Magnus Borelius, Thais Holanda, Mark Boysen, and Nuno Lopes; middle right: Panel discussion; bottom right: Victor Gancel, Programme Manager – Low Carbon City Lab, Climate KIC*



## Paving the Way for Municipal Finance Governance

Following the discussions on the challenges and financial needs for cities, the last session focused on finding new solutions to improve municipal finance governance by including a variety of actors in decision-making processes and optimizing city-business partnerships. Young Hoon Choi from the Seoul Metropolitan Government, Republic of Korea, introduced Seoul's m-Voting system: a faster and cheaper way of voting through a mobile application that encourages citizen participation and realizes cooperative governance. Riga City Council, represented by Timurs Safiulins, presented their Municipal Revolving Fund, an innovative financing tool for energy saving, which serves as an incentive for citizens to change their energy consumption behavior. For Juan Martin Salazar from City of Medellin, Colombia, public private partnerships (PPPs) are essential components of financial tools to fund large scale infrastructure projects. Marcos Martinez from the European Bank for Reconstruction and Development evaluated the benefits and disadvantages of PPPs and concluded that a proper legal framework, feasible risk allocation, governing law and independent dispute resolution, as well as creditworthy authorities are essential elements of partnerships. Professor Boris Vormann from the Free University of Berlin, Germany, highlighted that it is important when enabling actions that democratic participation is not lost in the rush of urban development.

Session moderator and the CEO of Project Finance International, Joachim Richter made closing remarks emphasizing the need for better funding conditions to promote climate resilient and more livable cities, to develop replicable models, and finally, to integrate all stakeholders, including citizens.

*Top right: Young-Hoon Choi, Chief Information Officer, Seoul Metropolitan Government; bottom right: Panel discussion (left to right) with Boris Vormann, Marcos Martinez, Juan Martin Salazar, and Timurs Safiulins*



**“Even if urban investments were made in a participatory, democratic way in cities, these places are not independent and separate from another, and are involved in uneven economic development processes on a planetary scale”**

**Boris Vormann**

Visiting Professor, John F. Kennedy Institute,  
Free University of Berlin, Germany



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