

# GLOBAL OBSERVATORY ON LOCAL FINANCES

Local government financing is one of the main challenges for the successful implementation of the Sustainable Development Goals. Indeed, according to the UN SG Synthesis Report (2014), “many of the investments to achieve the SDGs will take place at the subnational level and be led by local authorities.”

## BUT WHAT ARE THE REAL CAPACITIES OF LOCAL GOVERNMENTS TO FINANCE THESE INVESTMENTS?

The creation of a Global Observatory on Local Finances will be crucial for the follow-up of local government financial capacities to implement the SDGs, in a number of ways:

- It will be a key instrument for the follow-up of fiscal decentralization processes, providing information on incomplete decentralization or recentralization processes when necessary, and accompanying fiscal decentralization reforms
- It will provide transparent financial data on local governments to increase accountability and to improve the relationship of trust with investors
- It will allow data to be compared across the diversity of local financing models and provide the opportunity for learning between international experiences

# POOLING OUR EFFORTS AND SHARING COSTS BY CREATING A COMMON MONITORING TOOL ON LOCAL FINANCES

Currently, the range of instruments available that allow the international community to improve its knowledge of the financial health of local governments is very limited. Numerous initiatives are under way, but they don't give a global vision of the state of local finances worldwide. Many countries do not even have their own national reporting system.

**Therefore, we urge for the creation, together with our partners, of a worldwide database on local finances**

**A first step** has been realized with OECD and AFD, by collecting reliable and exhaustive data in **more than 100 countries**. The publication will include:

## COUNTRY PROFILES

## A COMPARATIVE SUMMARY SORTED BY MAIN INDICATORS

### MAIN INDICATORS:

- Macro-economic indicators
- Local resources and expenditures/ national resources and expenditures (and GDP)
- Institutional indicators: structure of the state, responsibilities, tax system, on-going reforms...
- Financial indicators: composition of revenues and expenditures, fiscal autonomy, investment effort, debt burden...

Now we have to go further, **pooling our efforts to draft a 3-5 year roadmap**, allowing for the gradual improvement in the quality and accuracy of the information collected, with the ultimate aim of creating a **Global Observatory on Local Finances**. Next steps include:

- Define together what kind of information we want to collect: just consolidated local finance data per country, or will we also include city data?
- Choose collectively the most relevant ways to do it: what are the commitments of the global network of city CFOs, "UCLG FINNET", local agencies of our partners and members, and academic networks?
- Adopt a multiannual budget and specify the collective governance framework of the Observatory within UCLG: who are the main partners? Do they have to play a different role from other members? What contributions will each make?
- Agree on the thematic priorities of the annual publication of the Observatory for 2017 and 2018: taxation, land added value capture, access to loans, PPP and climate finance, others?

# DEFINING A COMMON AGENDA FOR THE GLOBAL OBSERVATORY ON LOCAL FINANCES



## PROPOSALS

- **MAY-JUNE 2016:** contacts, first dialogue with partners
- **JULY 2016:** organization of a round table on the project with all potential partners
- **AUGUST-SEPTEMBER 2016:** discussions to finalize the project (roadmap, methodology, budget...)
- **12-15 OCTOBER 2016:** launch of the 1st publication at the UCLG congress in Bogota “the situation of local finance in 100 countries of the world”
- **17-20 OCTOBER 2016:** announcement of the partnership of the Global Observatory on Local Finances
- **NOVEMBER-DECEMBER 2016:** finalizing the membership and the contributions for 2017-2019
- **2017:** implementation of the roadmap of the project



# THE GLOBAL OBSERVATORY ON LOCAL FINANCES: A PLATFORM OF KNOWLEDGE AND EXPERTISE

The Observatory project fits within UCLG's advocacy work in favor of effective decentralization processes and aims to strengthen local expertise in the field of local finances.

The Observatory will bring together local elected officials, technicians from local and central governments, academics, and technical and financial partners, with the goal of creating a **community of practice and interest on local finances**.

The collaboration between local governments from various regions of the world in the framework of this project will facilitate the sharing of experiences, peer-to-peer learning, and support innovative practices and monitoring mechanisms.

Through this platform, local elected officials will have a **common body of knowledge** at their disposal to produce their own analyses, and to guide them through the implementation of their fiscal policies.

The publications and analyses provided by the Observatory should contribute to **facilitate the dialogue between local and central governments**, as well as supporting advocacy in favor of effective fiscal decentralization.

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UCLG Committee  
on Local Finance  
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## PARTNERS

