

Unlock Access to Localized Finance for the SDGs

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UNCDF & Innovative Financing for LGs

UNCDF's vision is to mobilize and catalyze an increase in capital flows for SDG-impactful investments to Member States, especially Least Developed Countries, contributing to sustainable economic growth and equitable prosperity.

Innovative Financing Mechanisms/Instruments:

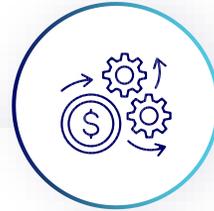
- Intergovernmental fiscal transfers (e.g. PBCRG)
- Own source revenues (e.g. asset management, local fiscal space)
- Domestic capital market for long-term debt financing (e.g. municipal bond)



Intergovernmental fiscal transfers: The Local Climate Adaptive Living Facility (LoCAL)



Designed by UNCDF to help local governments and their communities access and effectively use climate finance at the local level



Promotes the integration of climate change adaptation (CCA) in local government planning and budgeting systems in a participatory and gender sensitive manner



Uses innovative Performance-Based Climate Resilience Grants (PBCRGs) to guarantee programming and verification of local adaptation expenditures

A mechanism for financing locally led adaptation to enable local authorities and their communities to contribute to the implementation of the Paris Agreement, NDCs, NAPs, the SDG 13 and deliver on Paris Agreement commitments. It is aligned with ISO standard 14093.

Climate Action

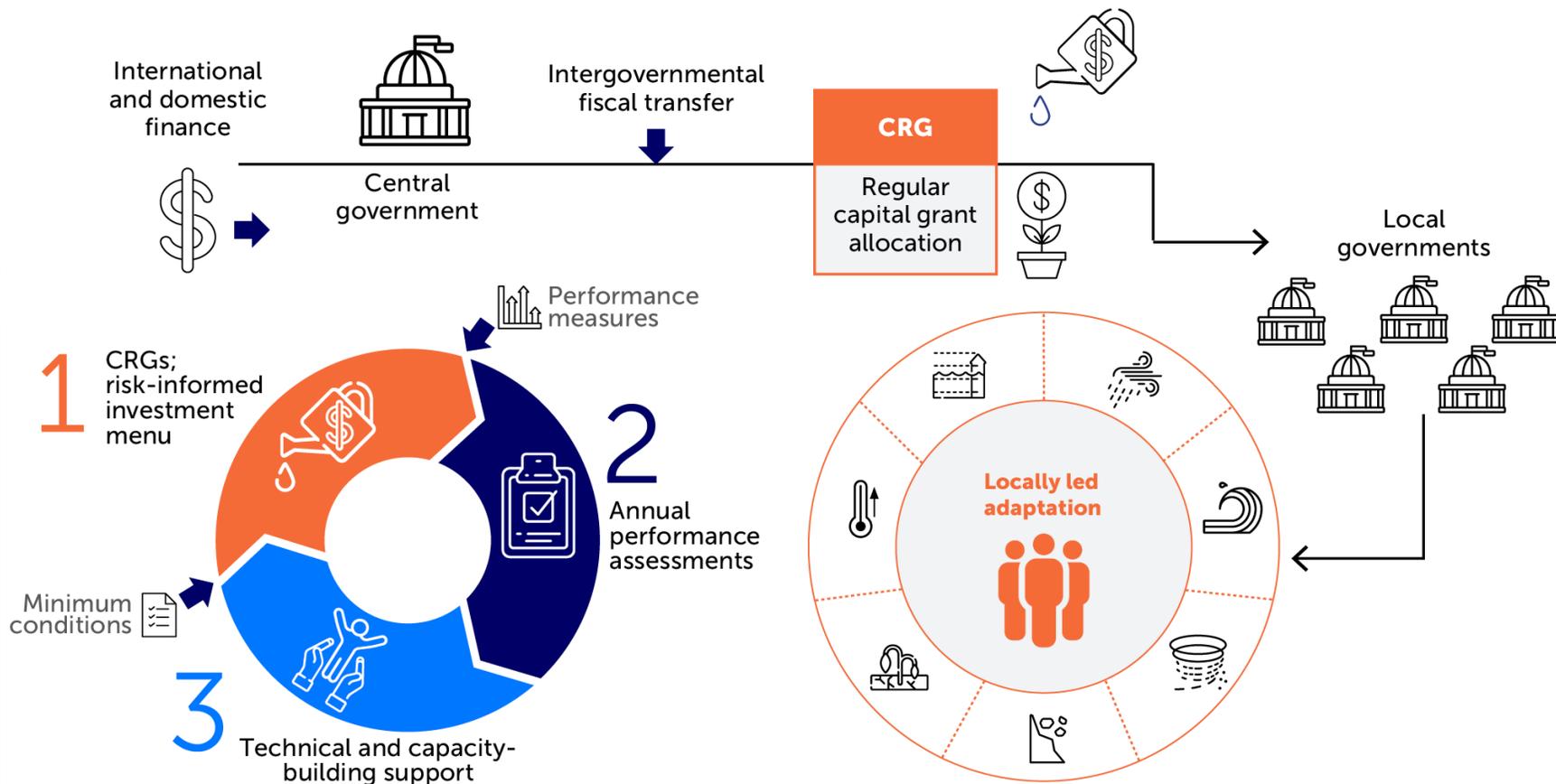




The LoCAL mechanism



A standard mechanism to channel Climate Resilience Grants to local governments and communities, based on inclusive approaches and performance



Own Source Revenues: Infrastructure Asset Management

- Underinvestment in infrastructure maintenance has been estimated to cost some developing countries up to 2% growth in GDP.
- **UN Handbook on Infrastructure Asset Management (Nepali version)**
 - Diagnostic tool
 - Asset management action plans
 - Emergency response plans
 - Climate risk assessment
 - Tool for building enabling environment
- Nepal participated in the pilot phase: Capacity-building and assessment activities to help local governments to better plan the allocation and spending of OSR across local expenditures in economically and socially sustainable ways.



Own Source Revenues: Local Fiscal Space

- **Rebuilding Local Fiscal Space:** A study to assess the impact of the COVID-19 pandemic on the fiscal and economic health of subnational governments and provide support in recovery (IGFT, OSR and LED) in 7 LGs
- Kumasi (Ghana) has made huge progress in strengthening its OSR mobilization including:
 - Updating its business taxpayer register rendering it more accurate and complete
 - Increasing its revenue potential by 29% by identifying additional businesses previously not on the registry
 - Automating large parts of its revenue administration processes within less than two years rendering processes more efficient and reducing opportunities for leakages

Domestic Capital Market: Municipal Bond

- **Tanga Water Infrastructure Green Revenue Bond:** Historic capital market transaction in Tanzania and other parts of Sub-Saharan Africa
- **Transaction overview:**
 - The issuer is Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA), an autonomous sub-national entity operating in Tanga
 - 10-year subnational green bond (in local currency) worth USD20.8 million to finance improvement & expansion of clean water infrastructure system
 - Paying a coupon of 13.5% and listed at both Dar es Salaam Stock Exchange and Luxembourg Green Exchange; the bond has no sovereign guarantee.
 - Impact: Increased access to clean water; domestic resource mobilization; innovative financing
 - Legal and regulatory framework is critical!





THANK YOU!