

Joint Declaration of the Alliance of Subnational Development Banks in Latin America and the Caribbean

Following the Finance in Common Summit, we, Subnational Development Banks (SDBs) from Latin America and the Caribbean, our technical and financial partners and local and regional governments and our associations in the region, are launching the Alliance of Subnational Development Banks in Latin America and the Caribbean.

We endorse the joint declaration signed by all public development banks in the world at the Finance in Common Summit and affirm our determination to collectively contribute to the achievement of the 2030 Agenda and its SDGs and the objectives of the Paris Agreement, while responding to the Covid-19 crisis and the necessary recovery plans.

We commit to strengthen our capacity to support local and regional governments in financing the delivery of and access to sustainable and affordable infrastructure and public services, leaving no one behind, as well as of efficient policies to support a resilient and inclusive development in a just transition. We commit to reinforce our coordination with public and private financing partners, based on the added value of our specific mandate to channel funding at the subnational level, to cities and territories.

To ensure greater impact, we are committed to join forces and form a coalition of SDBs with our partners with the aim of increasing our joint efforts to answer the urgent investment needs in local development and to bridge the sustainable infrastructure gap in Latin America and the Caribbean which stands as a pre-requisite to localize the targets set up by global agendas.

Preamble

The critical role of local and regional governments and of a sustainable urban and territorial development has been recognized by the Global Agenda endorsed by the United Nations since 2015 (2030 Agenda for Sustainable Development, Paris Climate Agreement, Addis Ababa Action Agenda and New Urban Agenda).

It is acknowledged that 65% of the SDGs may not be fully achieved if urban and local actors are not involved. However, despite a large set of credit lines and financial instruments set up for sustainable urban development, local and regional governments still have difficulties in accessing the financing required to achieve the ambitious and critical targets set up for 2030.

A total of USD 90,000 billion is needed to bridge the urban infrastructure investment gap to mitigate global warming to 2°C by 2030 of which only 25% is public. However, less than 10% of international climate finance is currently allocated to local investments.

There is a systemic failure of the subnational financial market characterized by an insufficient connection between:

- the supply side: the financial instruments available are insufficiently adapted to the needs of local and regional governments and insufficiently disbursed,
- and the demand side: local and regional governments hardly meet the requirements in terms of creditworthiness and ability to prepare “bankable” sustainable projects.

Closing this growing financial gap and addressing the systemic failure of subnational financial markets is therefore a critical challenge aligned with the Addis Ababa Action Agenda, 2030 Agenda for Sustainable Development and the Paris Agreement, collectively set in 2015. It also presents a window of opportunity to shape tomorrow’s low-carbon and climate-resilient cities and territories, and to provide equal access to high-quality services to city dwellers across the continent.

1. We, SDBs have a unique role and responsibility to bridge the financial gap in localizing the global agendas in Latin America and the Caribbean, in line with the growing recognition of our role by the international community.

Although we, SDBs, are diverse in status and operating modalities, we share a core mission as public banks mandated to provide financing to local and regional governments or private entities for local public services provision and infrastructure projects.

As public development banks we benefit from three attributes: (i) we are owned, controlled or supported by governments; (ii) we execute a public, development-oriented mandate, addressing market inconsistencies; (iii) we enjoy independent legal status and financial autonomy.

Furthermore, our specific mandate centred on financing the subnational level implies specific responsibilities and value added within the financing chain:

- **SDBs act as professional financial intermediaries** to catalyze public and private financing and to channel these resources at local level, providing an efficient response to close the subnational financial gap. As a complement of intergovernmental transfers to local governments and fiscal equalization, SDBs can provide a large panel of financial instruments to unlock and broaden the sources of funding at the local level, such as technical assistance, guarantees, credit enhancement, debt, equity, at concessional or market rates, directly or through commercial banks.
- **SDBs are well-established domestic players** closely connected to national policies and strategies to implement the SDGs and the Paris Agreement on climate. They can offer a range of specific benefits, including local currency financing and a deep understanding of local contexts and markets.
- **SDBs have the potential to act as transformative bodies** that can pave the way for the development of stronger subnational financial markets in the long term, especially for intermediary cities.

We, SDBs, can therefore play a key role as:

Policy makers to develop and drive national policies aligned with the SDGs and the Paris Agreement on climate by:

- contributing to national planning processes and financing national policies to implement the global agendas at the local level
- integrating both the SDGs and the Paris agreement on climate in our strategies, standards, operating procedures and data.

Market makers by:

- consolidating the local and urban financial markets,
- developing an enabling environment for urban investment,
- improving local capacities to formulate investment worthy projects,
- developing strong pipelines of projects,
- steering and providing financing, notably through blended finance
- partnering with international, national and private financial institutions.

2. **We, SDBs, have a very high financing capacity potential and can develop a wide range of financial instruments and services to unlock the potentiality of all financial flows, public and private, and help shift current development pathways towards sustainability.**

As such, we have a unique role to play in the financial system. Through our public mandates and anchored in our respective institutional and economic contexts, we build bridges between local and national governments and the private sector; between domestic and international agendas; between global resources and microeconomic solutions; and between short-term and longer-term priorities. We can provide urgent and counter-cyclical responses during times of crisis and significantly contribute to reorienting global finance towards climate and SDGs. We provide solutions, both financial and non-financial, to deliver public services, to build quality infrastructure, to catalyze markets or to improve market functions. We are able to deliver the last mile, in coordination with public development banks and in conjunction with private finance.

For all these reasons, over the past 5 years, **SDBs gained a growing recognition by the international community** as key stakeholders to implement the global agendas and fill in the urban investment gap :

- in the Addis Ababa Action Plan, FFD3 (2015)
- in the New Urban Agenda, Habitat III Conference (2016)
- in the Marrakech Partnership for Global Climate Action (MPGCA), the platform of non-state actors led by COP's high-level champions (2019)

The Alliance of Latin America answers the objective of creating a Global Alliance of SDBs announced during the UN Secretary General Climate Action Summit in September 2019 and endorsed by the Marrakech Partnership for Global Climate Action. A first regional alliance has already been set up in Africa, the RIAFCO (reseau des institutions africaines de financement des collectivités locales), in 2014.

3. **To ensure greater impact, we SDBs and our institutional, technical and financial partners join forces and share the ambition of the Alliance of Subnational Development Banks in Latin America and the Caribbean.**

The Alliance of Subnational Development Banks in Latin America and the Caribbean is launched on April 6th 2021 as part of the Finance in Common initiative on the proposal of Banco de Desenvolvimento de Minas Gerais (BDMG), the French Development Agency (AFD), the Global Fund for Cities Development (FMDV) and Institute for Sustainable Development and International Relations (IDDRI).

All SDBs and their institutional, technical and financial partners in the region are invited to join this partnership.

The Alliance of Subnational Development Banks in Latin America and the Caribbean ambitions to strengthen the capacity of SDBs to broaden and improve their services offered to local governments and local stakeholders to finance just local urban and territorial transitions through the 4 following objectives:

- i. Align SDBs' strategies, norms, standards, investments and portfolios with the 2030 Agenda and its Sustainable Development Goals (SDGs) and the Paris Agreement on Climate;

- ii. Promote SDBs' engagement on sustainable investments through the consolidation of portfolios of urban and territorial development projects and boost financial urban and municipal markets;
- iii. Develop strategic spaces for dialogue and partnerships with development finance institutions, national and local governments and their association, and technical and financial partners in the region;
- iv. Promote the strategic role of SDBs and the contribution of the Alliance to the Global Agendas in international fora, in particular with the following mechanism of the 2030 Agenda and the Paris Agreement on climate.

Through these 4 objectives, the Alliance ambitions to strengthen SDBs in their mission of:

- **Policy Makers:** through their strategies, standards and operating procedures and as implementing institutions of national policies on urban development, SDBs will enhance their capacity to contribute to develop and drive national policies aligned with the goals of the global agendas.
 - **Market Makers:** SDBs will enhance their capacity to contribute to consolidate the local and urban financial markets, by developing an enabling environment for urban investment, improving local capacities to formulate investment worthy projects, developing a strong pipeline of projects, notably in support of urban and rural development, local economic development and SMEs, broadening sources of funding, encouraging blended finance and partnering with international, national and private financial institutions.
4. **We, SDBs, and our institutional, technical and financial partners intend to establish cooperation on a concrete roadmap and declare our intention to actively engage in the following activities:**
- i. We commit to engage in a multi-stakeholder platform to create dialogues between SDBs, national and local governments, DFIs, the private sector focused on increasing our capacity to finance sustainable investments through innovative financing instruments and to support the structuring of sustainable projects initiated by local and regional governments.
 - ii. We commit to participate in and organize regional trainings, technical and institutional co-operation between peers, and with institutional and financial partners, and to develop technical assistance programmes supported by DFIs.
 - iii. We will participate in studies and data bases on inspiring and innovative models, factors of success
 - iv. We will report on the progress made and promote the Alliance at international conferences

List of signatories (SDBs)

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In the presence of (institutional, technical and financial partners: local governments associations, national governments, international and regional organizations, organizations, development finance institutions, private sector, private investors, think tanks, academia)

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The founding members of the Alliance invite all interested SDBs and their institutional, technical and financial partners to endorse and join the Alliance. For this purpose, we kindly invite you to send an indicating your interest to join the Alliance and providing the name of your institution and the contact persons, to the following emails:

- FMDV : Emilie Maehara emaehara@fmdv.net
- AFD: Ornella D'Amico damico@afd.fr
- BDMG: Aauto Modesto Junior adauto@bdmg.mg.gov.br
- IDDRI: Maria-Alejandra Riano mariaalejandra.riano@iddri.or

Our teams will contact you back for follow up.