



COP26 Declaration of Subnational Development Banks' Alliances

“The Last Mile Public Banks”

COP 26, Glasgow, UK - 3rd of November, 2021 – Finance Day

**“Closing the Subnational Climate Finance gap:
Subnational Development Banks from Africa and Latin America and the Caribbean
commit to a resilient, just and net-zero future.”**

Subnational Development Banks-SDBs are Public Development Banks supported by National or Federal governments, with the specific mandate to provide funding and financing to local and regional governments as well as local stakeholders, such as SMEs.

More than 100 SDBs are actively supporting Cities and States/Regions today in more than 50 countries worldwide.

Unlocking climate financing at the subnational level is a prerequisite to achieving the Paris Agreement goals as cities and regions are fundamental game-changers in the transition to net-zero emissions. A total of USD 90,000 billion is needed by 2030 to bridge the urban infrastructure investment gap to mitigate global warming to 2°C. However, **less than 10% of international climate finance is currently allocated to local investments.**

We are faced with a massive **systemic market failure of the subnational financial market** with an insufficient connection between the supply and the demand sides for financing. Despite many credit lines and instruments set up for sustainable urban development, local and regional governments and stakeholders still hardly have access to the required financing, both for project preparation and the necessary investments in line with a 1,5°C future.

This systemic failure is mainly due to **inadequate institutional frameworks** and a **lack of expert human resources and financial engineering capacities**. Local and regional climate projects are too often considered either too small or “not bankable” enough (including due to the lack of specific guarantee schemes for subnational levels of climate action). **These impediments directly impact local and regional governments' creditworthiness and act as a major obstacle to subnational climate action.**

⇒ **Subnational Development Banks have gained growing recognition as critical players to close the subnational climate finance gap**

To bridge this financial gap, Subnational Development Banks-SDBs have a unique role to play thanks to their specific mandate. Although SDBs are diverse in status and operating modalities, they share a core mission as public development banks supported by National or Federal governments, with the mandate **to provide financing to local and regional governments or private entities for local public services provision and infrastructure projects.**

As financial intermediaries and last-mile experts, SDBs can play a critical role to bridge the subnational financial gap through **broadening the sources of public and private funding and structuring portfolios of sustainable local investment** aligned with the Paris Agreement goals.

- As a complement of intergovernmental transfers to local and regional governments and fiscal equalization, SDBs can provide a **large array of financial instruments to unlock and broaden the sources of Climate funding and financing** at the local and regional levels of Climate Action. Such as: technical assistance, guarantees, credit enhancement, and debt at concessional or market rates, directly or through commercial banks. SDBs can develop win-win partnerships with MDBs, DFIs and private financiers to scale up investment at the subnational level.
- SDBs are well-established domestic players closely connected to national policies and benefit from a **solid capillarity to reach out to local stakeholders**, including intermediate and small cities. 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 partners** that can pave the way for the development of **more robust subnational financial markets** in the long term, including for intermediary and small cities.

SDBs can act as **focal points for Climate subnational financing**, pooling the demand for local and regional projects and matching them with investments from national and international public and private resources. They can act as **“project takers”** as well as **“market and policymakers”** to **structure subnational financial markets and align local development with the Paris Agreement goals.**

⇒ **Both Climate Action Pathways for Human Settlements and Finance of the Marrakech Partnership for Global Climate Action call to reinforce SDBs.**

For all these reasons, since the adoption of the New Urban Agenda in 2016, SDBs have gained a growing recognition in the global agendas with the support of FMDV (the Global Fund for Cities Development) and the French Government.

Since 2019, **the Marrakech Partnership for Global Climate Action (MPGCA)**, the platform of non-state actors, led by the High-Level COP Champions, supports the reinforcement of SDBs as key entry point to unlock cities and states/regions climate finance in the Climate Action Pathways for Human Settlements and Finance.¹

¹ - **Finance Pathway:**
Vision summary p. 4 & p.9
https://unfccc.int/sites/default/files/resource/Finance_VisionSummary_V2.pdf
Action table p. 92-93 ; Global SDBs Alliance p. 99:
https://unfccc.int/sites/default/files/resource/Finance_ActionTable.pdf
- **Human Settlements Pathway:**

Both MPGCA Pathways promote:

- **By 2021: Upgrading of Subnational Development Banks (SDBs)** to act as intermediaries and support institutions to subnational access to climate financing: The Global Alliance for SDBs sets its roadmap for action in different continents and creates momentum for better integration in the “glocal” climate finance value chain and channelling.
- **By 2025: SDBs produce expert data on subnational climate finance** fluxes and play a key role in the resilience of the financing cycle of local net-zero projects/action plans.
- **By 2030, SDBs are systematised entry points for enhancing subnational climate financing** to local projects – The Global Alliance for SDBs has allowed to build solid domestic pipelines of projects and have expanded the market segment for subnational climate financing for both public and private investors, at both domestic and international levels.

⇒ **COP26 Commitments and Call of the Regional Alliances of SDBs:
“Together we stand, divided we fall.”**

Considering their key positioning in Paris Agreement’ subnational implementation, the SDBs Alliances for Africa and Latin America and the Caribbean commit to:

- **Align their strategies, standards, initiatives, investments, and portfolios with the Paris Agreement;**
- **Promote sustainable, net-zero and resilient investments** through portfolios of transformative urban and territorial development projects, **and boost the subnational financial markets;**
- **Develop a strategic space for dialogue** with peers, development institutions, governments, local and regional governments, and technical and financial partners in their respective regions;
- **Enhance the strategic role of SDBs and their contribution to the Global Agendas in international fora;**
- **Plan a specific stocktaking meeting of the Global Alliance of SDBs before COP27** during the next *Finance In Common* Summit, to be held in Africa in 2022.

To achieve their COP26 commitments, the SDBs Alliances for Africa and Latin America and the Caribbean call on:

- **Enhanced institutional frameworks** developed by National and Federal Governments to allow SDBs to reinforce and diversify their financial and technical assistance products and services to implement the Paris Agreement agenda;
- **Enhanced cooperation with Development Finance Institutions** to support SDBs in better integrating Climate frameworks into their financial and non-financial services to local and regional governments;
- **Enhanced cooperation with private investors** to develop blended finance vehicles to finance a just and resilient urban and territorial transition and development.

QUOTES

“African SDBs have come together as a network, the RIAFCO, in order to exchange, share knowledge and be able to strengthen their intermediation role between international partners and local and regional governments. That is what we do!”

Philippe Camille AKOA, General Director of FEICOM, the SDB of Cameroon and President of RIAFCO, the African Alliance of Subnational Development Banks.

“Subnational Development Banks share common objectives, beneficiaries and partners. The LAC Alliance of SDBs brings us together and facilitates the dialogue between institutions in the region creating a positive environment for an effective engagement. In addition, it is a permanent platform to exchange best practices and experiences and get closer to our continental and global partners that are key for the financial and technical support, especially in implementing Climate action locally.”

Sergio GUSMÃO SUCHODOLSKI, CEO of Banco de Desenvolvimento de Minas Gerais, BDMG, Brazil

“Cities and regions are now becoming more and more engineers of climate innovation. As such, the subnational development banks are their first allies to boost the financing options of their climate projects to ensure they are resilient, attractive and in line with The Paris Agreement. The FMDV works, through the Global Alliance of SDBs, and with its partners, to make possible a net-zero and fair future for all. This initiative is key for our common future.”

Jean-François HABEAU, Executive Director of FMDV- Global Fund for Cities Development

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Introducing the Global Alliance of Subnational Development Banks

The Global Alliance of SDBs has been launched at the UN Secretary General’ Summit for Climate Action in September 2019, by the Government of Cameroon and RIAFCO (*Réseau des institutions africaines de financement des collectivités locales*), the African Network of SDBs, **with the support of FMDV - Global Fund for Cities Development**. The Global Alliance has been integrated as one of the 4 flagship programs of the Leadership for Urban Climate Investment (LUCI) initiative.

The Global Alliance is deployed through a decentralized system.

Today it has 2 regional alliances: the African SDBs Alliance and the SDBs Alliance for Latin America and the Caribbean.

The African SDBs Network (RIAFCO), launched in 2015 covers 11 countries². RIAFCO provides exchange and technical assistance programmes with the support of a range of international partners: the World Bank, the African Development Bank, the United Nations Capital Development Fund (UNCDF),

²RIAFCO’s members are : Agence Nationale de Financement et d’Investissement des Collectivités Territoriales du Niger (ANFICT), Agence Nationale d’Investissement des Collectivités Territoriales du Mali (ANICT), Caisse de Dépôts et Consignation du Gabon (CDC), Fonds de Développement Local de Madagascar (FDL), Fonds Spécial d’Équipement et d’Intervention Intercommunale du Cameroun (FEICOM), Fonds National d’Investissement Communal du Burundi (FONIC), Fonds de Prêts aux Collectivités Locales de Côte d’Ivoire (FPCL), Agence Nationale de Financement des Collectivités Locales Guinée (ANAFIC), Agence de Développement Local du Sénégal (ADL), Fonds Permanent pour le Développement des Collectivités Territoriales du Burkina Faso (FPDCT), Commission Nationale des Finances Locales du Bénin (CONAFIL)

Swiss and German cooperation (GIZ, KFW) and the French Development Agency (AFD). FMDV supports RIAFCO as its strategic partner since 2014.

Website : <http://www.riafco.org/>

The Alliance of SDBs for Latin American and the Caribbean³ was launched in April 2021, on the initiative of BDMG, FMDV, AFD, and IDDRI as a “Finance in Common” coalition. This multi-stakeholder Alliance aims to strengthen the capacity of SDBs to broaden and improve their services to finance a just subnational urban transition.

Its secretariat is managed by FMDV, the Global Fund for Cities Development

Website: <https://financeincommon.org/alliance-of-subnational-development-banks-in-latin-america>

These 2 regional alliances form the first regional chapters of the Global Alliance of SDBs.

³ Its Steering Committee is composed of : Brazilian Association of Development- ABDE, Central American Development Bank- CABEL, Corporación Financiera de Desarrollo S.A. – COFIDE, Development Bank of Minas Gerais – BDMG, Regional Bank of Southern – BRDE, Economic Commission for Latin America and the Caribbean UN-ECLAC, European Investment Bank – EIB, European Union (EC-INTPA), Fideicomisos Instituidos en Relación con la Agricultura – FIRA, French Development Agency - AFD, Global Fund for Cities Development - FMDV, Guarantee Fund of Buenos Aires - FOGABA, Ibero-American General Secretariat – SEGIB, Institute for Sustainable Development and International Relations – IDDRI, Instituted Trusts in Relation with Agriculture - FIRA, Inter-American Development Bank – IDB, Latin American Association of Development Financing Institutions – ALIDE, Latin American Development Bank (Corporación Andina de Fomento) – CAF, Plata Basin Financial Development Fund – FONPLATA, United Cities and Local Governments – UCLG, United Nations Development Programme – UNDP, World Bank and World Resources Institute – WRI