



## Online event

### “Funding Opportunities for Development Projects in Municipalities Hosting Refugees”

April 1<sup>st</sup>, 2021

#### *Summary of discussion*

#### Main takeaways of Webinar discussion

- **Municipalities are facing a shortage in available funding for implementing municipal projects, including municipal budget and investments.** Municipalities had to re-channel available funding to emergency projects during the COVID-19 outbreak. As a result, they find themselves with less available budget. Moreover, city governments are often underserved and underrepresented in global discussion: they need to do more with less.
- **Attracting investors or donors to finance municipal projects can be done, by demonstrating municipal leadership and strengthening project preparation.** Although cities hosting refugees are willing to invest in projects that meet the Social Development Goals (SDGs), projects often lack preparation and the municipalities themselves often are not well prepared to handle potential investments. Showing leadership and the use of city’s own resources, together with the development of inclusive and SDG approaches is a factor of attractiveness for investors and donors.
- **Technical support shall be provided to municipalities in receiving investments and grants.** Providing technical support and advisory to projects in early stages makes them more bankable and de-risked, leading to interest from potential investors.
- **There is a need for cities to focus on using more efficiently their own resources.** Own Source Revenues (OSR) can increase efficiency of public expenditure. Local government are in direct control of OSR: when OSR is a larger part of the budget, increased efficiency in how local budgets are spent can be expected. In addition, cities should work to get noticed for what they are already doing, and aim to get additional support. They should show how they are using their resources to strengthen the programs, which indicated that cities are not waiting for support to come, instead are proactive and advocate their work with organizations in alignment with the city development plans.
- **Local authorities often use too many streams for revenues.** It’s common that local governments go looking for new sources of funding, so called unleveraged sources. But often governments are using too many streams. Do a profitability analysis, including factors such as cost to collect the revenue stream/source, fruitfulness of source, which sources to remove. Realistic estimates such as what can you generate for each revenue source is important, including tax liability check, revenue mapping exercise, and mapping of households. Governments need to break down revenue sources and understand where they are losing its potential, are they charging the wrong rate, loopholes in collection system, are people paying but it’s not reflected in the system
- **Networking and partnership for municipalities to be matched with donors and investors is important.** Municipalities should focus on networking and partnerships to explore who is active in their city. There are global actors active at local level, and their headquarters have access to the global finance. They can be supported in this effort through matchmaking platforms between municipal projects and financiers.



## **Detailed summary**

**Blanca Moreno-Dodson, Manager of the Center for Mediterranean Integration (CMI)** opened the webinar by affirming that the CMI continues to stand ready to mobilize and support its Host Municipalities Learning Network, to provide exchanges of good practices and offer technical support to municipalities. Mrs. Moreno-Dodson reported that the COVID-19 crisis has added new challenges to already precarious circumstances of local authorities, among them the lower availability of funding for municipal projects. She outlined the central role of municipalities, who are at the frontline of every crisis, and possible solutions that could derive from strengthening local financial management systems, speeding up digitization, growing partnerships to attract investment, and enhancing and promoting access to long-term credit for municipalities. Mrs. Moreno-Dodson also remarked the importance of finding ways of tapping into private sector resources, including strategic partnerships and local development funds, and establishing networking opportunities and partnerships with several actors, at multiple levels. She remarked the need for municipalities and development organizations to work together in a bottom-up and participatory approach, to find alternative ways to solve this crisis by involving local communities and local stakeholders in development initiatives, including refugee communities. Finally, she reported that, besides additional resources and funding to meet the needs of their vulnerable populations, municipalities also need technical support to develop innovative solutions and proactive next steps for the recovery of their economy: in this respect, the CMI is planning for a training series on strengthening municipal leadership for private sector engagement.

**Muna Shalan, Regional Coordinator for MENA, Connective Cities,** continued the opening by emphasizing the importance of focusing on strong collaborations and joint efforts in the region through peer-to-peer learning and capacity building. Job creation is a priority, even more after the COVID-19 crisis. Mrs. Shalan reported that the Connective Cities project strives to connect the global with the local through a practice-oriented exchange and finding effective solutions to global challenges. She added that the municipalities involved in the capacity building workshops through the collaborations with the CMI have benefited from exchange of good practice amongst their peers, for example through working on strategic planning for LED, peer-exchange on developing the tourism sector, sustainable livelihood through home-based businesses and income generation for their communities. Finally, Mrs. Shalan remarked that municipalities should be empowered to take the lead and transform cities to investment hubs.

**Giulia Marchesini, Senior Partnership Specialist at Center for Mediterranean Integration** presented the new directions of the CMI Refugees and Host Communities Program. Mrs. Marchesini showed that the COVID-19 crisis will result in a higher number of poor households in Jordan, Lebanon, and the Kurdistan Region or Iraq, including among forcibly displaced people. Moreover, as confirmed by a rapid needs assessment and consultations with municipalities made by the CMI between April and October 2020, municipalities are taking on tasks that are beyond their initial mandate, without additional funding, such as taking care of waste and medical waste disposal, disinfecting, ensure compliance to social distancing. Moreover, they were on already strained municipal budgets. As a result, financial resources have been re-allocated and the planned development projects have been stopped, including



those targeting refugees. Mrs. Marchesini reported that, in this context, municipalities should support the local business environment and attract the private sector to generate more revenues, including partnering with the private sector in local projects targeting the most vulnerable. Examples of how to achieve this include improving digital infrastructures, stimulating home-based businesses and business incubators, facilitating registration procedures and providing guidance for businesses and workers, strengthening capacity of municipal services and staff, strengthening the use of digital financial services, coupling training with job matchmaking facilities, offering training on digital skills, enhancing data collection and analysis of the city's comparative advantage, skills, and labor market needs, and lastly involve more stakeholders and engage in stronger collaborations across sectors and between local governments, private sector associations, NGO's, civil society, youth groups and volunteers.

Finally, Mrs. Marchesini presented the three new tracks of the program, developed in consultations with partners and municipalities:

- a. Strategies and tools for private sector engagement: this track aims to help local authorities to better engage with private sector actors for a strong recovery while including refugees and displaced populations in local economies. It will include an online training on “Developing Municipal Leadership for Private Sector Engagement”, with modules on the legal frame and regulations for PPPs and other partnerships with the private sector, city marketing and means to attract investors, economic recovery actions to face COVID-19.
- b. Early Childhood Care and Education (ECCE): this track aims to raise awareness and foster partnerships on ECCE for displaced and vulnerable children among central, local authorities and associated partners. It will include a series of technical webinar, started in December 2020.
- c. Alternative sources of funding for local recovery: this track aims to leverage additional financial opportunities for host local governments in the form of direct grants or alternative sources to finance local projects. It will consist in trainings on how to draft and present a project proposal for funding, which has already started in collaboration with Connective Cities, as well as the establishment of networking or matchmaking platforms to connect investors and donors to municipalities for additional finance. In addition, this track will also consolidate the Host Municipalities Learning Network (HMLN) and the role of its members for stronger engagement and better recognition of members.

### ***Session 1: Municipal Grant project sponsoring: challenges and keys of success for municipalities***

**Dyfed Aubrey, Inter-Regional Advisor at UN-Habitat**, showcased the City Investment Facility, which offers support for municipal projects to align their efforts with sustainable development, and links those projects with investors and upstream support. He recognized that most refugees and forcibly displaced persons seek refuge in cities, and the sudden movements of people into cities can cause strains of infrastructure, basic services and the housing market. In parallel, a recurring problem for city governments is the need to attract finance and serve their residents. Mr. Aubrey reported that UN-Habitat has profiled those cities regarding the changes in population and the impact on infrastructure and communities under strain. This City Profiling enables to assess the multi-sectoral impact of displacement and to identify and prioritize interventions that address those strains. He reported some



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findings, namely that there is a huge need and struggle to meet the Social Development Goals (SDGs) and to provide basic services. Although there is a big interest to invest in the SDGs, often cities are not well prepared to handle potential investments, including generating revenue and finance, finding and designing projects, calculating costs, establishing the returns and risks of investment. The UN-Habitat City Investment Facility creates a one-stop-shop service, where projects are uploaded into the portal, selected for instance through an open call for projects, and measured based on some factors, such as achieving SDGs goals, as well as their general readiness for investment. Feedback is given to the project promoter as they move through the project system. Key indicators also include how well the project is structured, how can the project generate most impact, how can investments be “de-risked” and whether there are investors interested. Through this facilitation process, the projects mature, and pre-feasibility studies are sponsored, and investors can browse through the projects in this global marketplace. If investors are interested in a project, then vehicles are formed for financing to take place, including legal arrangements and clear outlining of responsibilities. Finally, Mr. Aubrey reported that the Cities Investment Facility focuses on early-stage investment, and the portal currently includes 37 city projects worth 6 billion USD, around the themes of public space, housing, waste management, which are key sectors affected when people move rapidly to cities. There is a good geographical mix, especially participation from Africa. Mr. Aubrey concluded by saying that the Facility makes projects more bankable and de-risked, as they receive bespoke technical assistance and bankability advisory at pre-feasibility and feasibility stages.

**Samer Saliba, Head of Practice at Mayors Migration Council (MMC)**, introduced the MMC, which is a mayors-led advisory organization focusing on migration, displacement and global responses. The main constituency is composed by city governments, who are often underserved and underrepresented in global discussions. Mr. Saliba then presented the Global Cities Fund, which provides municipalities with financing to support specifically social programs for refugees and displaced population. He reported that cities are asked to do more with less, and the situation has been exacerbated by COVID-19. The Global Cities Fund for Inclusive Pandemic Responses is a small but important step to meet the needs of city governments when they support migrants and displaced. Mr. Saliba reported that the Fund currently funds five cities directly, to implement inclusive responses of their own design and with fiscal feasibility, and plans to expand to found to another round of cities in 2021 and beyond. He remarked that the initiative is still in its early stages, but its experience can generate some advice for local governments to apply for funding: the importance to focus on using what cities have, demonstrate strong leadership even without resources, and that a focus on inclusion is key to be noticed and get additional support. Equally important is showing the use of city resources to strengthen the program, which is an indicator that a city doesn't wait for support to come, but is proactive and advocates its work with human development organizations to get support and align it with its city development plan. Finally, the importance to adopt long-term and holistic approaches to inclusion in the city, understanding the ecosystem of needs.

## ***Session 2: Municipal investment schemes for increased financing***

**Lennart Fleck, Municipal Finance and Local Economic Development Expert at UN-Habitat**, addressed the topic of Own Source Revenues (OSR), highlighting why OSR are important. He reported that in most cases, the municipal financial situation was already under a lot of strain, and that migration flows and



COVID-19, have only made it worse. Factors contributing to the problematic financial situations include on the resource front: limited tax authority or staff capacity, high debt or fiscal deficit, unpredictable national transfers, low tax moral, systemic corruption; and on the expenditure front: large expenditure needs for urbanization, growing population, COVID-19, or refugees, large recurrent expenditure in form of salaries. Mr. Fleck said that although OSR cannot solve all problems, it's an important steppingstone to an improved financial position of cities. OSR can enhance creditworthiness as it is a key component in any creditworthiness assessment, and can also help attract private investment. Mr. Fleck presented how OSR can increase efficiency of public expenditure. Local governments are in direct control of OSR: when OSR is a larger part of the budget, increased efficiency in how local budgets are spent can be expected. As citizens pay taxes, they will also request governments to pay for services and improvements, and they will refuse to pay if they don't see the services they are paying for. Mr. Fleck provided recommendations on how to increase OSR: while it is common that local governments look for new sources of funding, so called unleveraged sources, often they are using too many streams, and should do a profitability analysis, including factors such as cost to collect the revenue stream and source, fruitfulness of source, which sources to remove. Sometimes governments might be using the right sources with potential, but still not in a strategic way. Tax collection efforts are sometimes a financial loss, due to their size of tax sources and the way they were spread out. This happens often, which highlights the need for realistic estimates such as what can you generate for each revenue sources very important, including tax liability check, revenue mapping exercise, and mapping of households. Governments need to break down revenue sources and understand where they are losing its potential, where they are charging the wrong rate, loopholes in collection system, and if people payments are effectively reflected in the system. A common problem can be for property taxation, where the wealthiest landowners aren't paying enough tax, leading to huge losses in income. So, governments need to know who is not paying, why not and how to increase compliance. Finally, Mr. Fleck reported that a new tool will be made available by UN-Habitat to help increase and optimize revenue of OSR.

**Monzer Al-attar, Assistant to the Mayor on Planning Affairs, Irbid Municipality, Jordan** presented Irbid's work in identifying solutions for financing using OSR and partnering with the private sector to create jobs also for Syrian refugees. He reported that the municipality is struggling with financial problems and is trying to increase revenues, also collecting money and funds not paid by citizens. Mrs. Al-Attar acknowledged that municipalities are at frontline for services, and reported that Irbid is now trying to partner with the private sector to seek funding for the central food market in the old city. The Municipality has plots of land close to the main road, where they would need a circular road, connecting with other municipalities and areas that supply the market.

**Jean Al-Asmar, Mayor, Hazmieh Municipality, Lebanon,** described the establishment in the municipality of an investment area, where some countries had chosen to place their embassy, which had also resulted in a mix of presence of people from all religions and cultural openness. He reported that the area represents the commercial gate for Beirut with restaurants, infrastructure, buildings, commercial shops. The infrastructure is developed to make the city attractive to investors. The Municipality also facilitated transactions with the governments, marketed the strategic areas, communicated with the investors to meet their needs, ensured a secure process for transactions and maintained the investments under one roof, with no need to go outside the municipality. Finally, Hamzieh Municipality also worked in improving technological development and automatization of transactions, having all



these establishment paves way for easier investments, building a bridge between private and public sector and with participation from the local community. The Municipality supported the private sector, and has a commercial committee which focuses on transparency and accountability and shares insights and solutions with decision makers. The Municipality of Hazmieh also engages women in decision making processes, as 25 % of women in the municipality take part in decisions.

### **Results of live survey:**

#### Summary Question 1: Do you want us to cover more specific topics for training?

- Writing proposals to get funding, and training on application to EU funding
- How to increase municipal revenues, through partnerships with investors (we will address this during our next training on private sector engagement)
- How to design projects that are economically feasible (economic feasibility of projects)
- How to develop databases and statistical analysis
- Various Training to employees: English language and computer skills

#### Summary Question 2: What key support you need to access additional financing?

- Increase self-sufficiency of municipalities
- Organizing a hackathon for private enterprises / entrepreneurs to provide technical services to municipalities
- Networking and links with donors and facilitating access to grants. For example, through a platform where we advertise funding opportunities for municipalities, and where applications for funding can be uploaded (so municipalities can learn from each other and see the different projects and ideas)
- Key financial support needed for energy and agriculture projects

#### Summary Question 3: Where do you see the HMLN in one year?

- The network has done a lot in achieving its goals
- Providing logistical support to improve the capacities and performances of municipalities
- Include more decision makers from central governments and donors in addition to municipalities
- Make sure to include rural municipalities