

POLICY COUNCILS   TOWNHALLS

# FUTURE ENVISIONING EXERCISES

BRIEFING NOTE

*Redefining Finance and the Economy*

## FUTURE ENVISIONING EXERCISES

The Future Envisioning Exercises, mandated by the UCLG Policy Councils, are a mechanism to foster the **unfolding of the Pact for the Future**. They are the common point of arrival of the present Policy Councils and Town Halls, building up on the outputs and outcomes of both processes, the UCLG World Congress and the 2023 Retreat. While, simultaneously, they are a **common point of departure**: they are a space of dialogue and co-creation in which the UCLG political leadership, together with organized civil society and partners articulated in the UCLG Town Halls, will aim to reach real and tangible conclusions through forward-looking consultations around 4 Entry Points to unfold the Pact for the Future: **Reclaiming the Commons, Redefining Finances and the Economy, Regaining Trust and Rebuilding Governance Architecture**.

The conclusions reached will inform the deliberations of UCLG's statutory bodies, thus contributing to the political mandate of the Pact and the roadmap of our world organization. These deliberations will also inform how the Pact for the Future contributes to the UN General Assembly's revision of the 2030 Agenda at the SDG Summit, as well as to the 2023 Summit of the Future, which will build on and contribute to the Secretary General's "Our Common Agenda".

### Future Envisioning Exercise on Finance and Economy

**Friday 5 May at 15:00 CEST**

Kindly access the meeting [here](#).

Meeting ID: 823 3043 3662

Passcode: 331924

## 1. SETTING THE SCENE

Finances are a means of implementation for any intended goal. Ensuring sustainable finance is a necessary condition to sustain our livelihoods and implement the global agendas to bring about the urgent transformation to face the social, democratic, ecological and other crises our societies are going through. Redefining finance and economy requires **increasing financial flows but also rethinking the sources of revenue and resource allocation**. International binding agreements and effective tax cooperation are among the components needed in a **new international financial framework with improved regulations**, while promoting progressive taxation and equalization mechanisms at the national level.

As mentioned by the Secretary General of the United Nations (UN), “it is time to correct a glaring blind spot in how we measure economic prosperity and progress”, for which **new indicators and monitoring processes focused on well-being should be put forth** and used at local and national levels. The determination of success and progress or even the access to markets and international aid cannot continue to be limited to the consideration of the gross domestic product (GDP) threshold. **Encouraging financial innovation and experimentation is key** to help resolve the insufficiencies, obstacles and injustices of the current system with a creative outlook.

Our current economic interdependence has come to weaken subsistence economies by threatening food sovereignty among others, but also impedes local resilience during crises and therefore calls for a **reterritorialisation of our economies and a more resilient production of basic and vital needs**. In order to revitalise our territories, local economic actors can be supported through tools such as industrialisation incentives or custom duties, which also serve to strengthen public finances. Technical assistance facilities can help structure and best prepare territorial projects and investments in **partnership with a wide array of actors including the public sector, the private actors and the inhabitants themselves**. Leveraging private sector funds is a pragmatic way to make money available when needed, so long as it is negotiated with fair terms. Development banks and financial intermediaries can scale up their offer of services that strengthen domestic capital markets, especially for local and regional governments, and help them **tap into less conventional sources of revenue and access pooled financing or blended finance**. Innovative budget and financing practices are being experimented with, for example through green and gender budgeting as well as green taxonomies, which are **ground-breaking tools**

**that would gain from being institutionalized and further advertised** by their authors.

We must work to **ensure that all progress is at the service of humanity** and in this sense, restrain the competitive impetus to specific regulated markets and decommodify the objects, spaces and practices linked to basic needs. Going further, we propose to **build on the existing tools of the social and solidarity economy** to design an institutional, cultural and social system where basic public services are continuously provided for under a feminist perspective and a guarantee of universal accessibility. Any type of employment, business model or public procurement strategy, as components of the economic system, can bring significant changes if they **set higher standards to promote investments in clean and social infrastructure and economic activities that foment proximity, local adaptation of projects and bottom-up approaches**. People-centered policies have been found to lower costs, promote business innovation and enhance productivity. Investors are called to turn to transformative social projects that place people and human rights at the center and consider vulnerable populations, to halt the deepening of inequalities.

To respond to the **call of the UN Secretary-General to create a global economy that works for all** and fully deploy the Pact for the Future of Humanity, the aforementioned financial mechanisms should continue to be developed and experimented with, as the basis of **our new social contract where every person and the planet are cared and provided for in a partnership with governments**. A true global economy requires “adequately resourced public sectors and private actors who understand themselves to be contributing and benefiting from the delivery of global public goods”. The aim is to **promote a more distributive economic system as well as fairer financial and commercial practices** to protect and improve local service provision, develop green and social infrastructure and reduce inequalities throughout the territory.

## 2. KEY FACTS AND CHALLENGES

Today, numerous obstacles hamper the efficient and inclusive functioning of the current economic and financial systems such as the **weakness of the international debt architecture**, the **hyperconcentration of wealth** accentuated by tax dodging or abuse, and the **undemocratic international**

**economic governance.** The current economic model contributes to heightening income inequalities, as **the top 10% richest concentrate 52% of the global income.** Moreover, the **financialization of land and housing** has diminished the importance of its high value in use for people and led to an elevated number of evictions and overall **tenure insecurity**, notably in the Global South. We must act fast and put economic and financial governance on the right track to diminish inequalities, respond to the root causes of social protests and ultimately avoid harsh consequences and an elevated human cost. Reframing the problem can help us understand that the issue is not the lack of resources but their unfair distribution and unconscious use that have so far undermined basic human needs and spending on social infrastructure.

Our Common Agenda calls to support a **sustainable development investment boost**, including through a last-mile alliance to reach those furthest behind and implement the sustainable development goals. All actors should be mobilized to increase investment flows to fund sustainable development and prepare for future crises. Local and regional governments are the actors closest to the ground that can **respond to climate and social needs most precisely, efficiently, responsibly and with accountability**, for which they require capacities and an enabling environment. In 2020, **subnational government investment accounted for 36.6% of total public investment** and their overall expenditure represented 21.5% of total public spending on unweighted average for 122 countries. To respond to the ecological crisis, it is essential to ensure stable revenues for all levels of government across the world and **mobilize around 4.5 trillion US dollars annually for investments in urban climate finance.** Collecting, analyzing and publishing financial data from project level up to the international level is crucial to help channel finance to the right places.

### 3. GENERAL GUIDING QUESTIONS

- What are the ground-breaking tools related to budgeting and finance that have been experimented successfully and that could gain from being shared, institutionalized or replicated, and how could this spread of best practices be accelerated?
- What are the most adequate criteria to distinguish the proportion or sectors of the economy that should be managed by market rules and bet on interconnected economies, from those that should be

regulated, deterritorialized and protected by the social and solidarity economy or even decommodified?

- What are the guarantees, mechanisms or processes that can make financial institutions and investors prioritize human-rights-centered policies and invest in projects that foment proximity, promote social transformation and halt the deepening of inequalities by protecting the environment and vulnerable populations?
- Which are the partnerships, fora or decision-making spaces that should be prioritized or built for the local and regional government constituency and its allies to have an incidence in the reframing of the global economic and financial system?

## 4. AGENDA

### SETTING THE SCENE

By UCLG World Secretariat

### INTERACTIVE CONSULTATION

By UCLG World Secretariat

### ENTRY POINT

Introductory comments by **Michael Cohen**, The New School

*People-centered investments for a sustainable delivery of universal and feminist basic public services (TBC)*

### CONTRIBUTIONS

**Cemal Baş**, City Councillor, Keçiören, Türkiye

**Gunn Marit Hegelsen**, President, Norwegian Association of Local and Regional Authorities (KS)

**Manuel Redaño González**, Manager, Andalusian Fund of Municipalities for International Solidarity

**Emil Dardak**, Vice-Governor, East-Java, Indonesia (TBC)

### IN FOCUS

**David Jackson**, Director, Local Development Finance, United Nations Capital Development Fund (TBC)

### AGORA

## 5. ADDITIONAL RESOURCES

- UCLG, KNOW (2022). Pathways to urban and territorial equality: Addressing inequalities through local transformation strategies. GOLD VI. <https://www.goldvi.uclg.org/en>
- OECD, UCLG (2022). General synthesis report of the World Observatory on Subnational Government Finance and Investment. <http://www.sng-wofi.org>
- Barry Herman (2022). The United Nations Should Start Preparing for the Fourth International Conference on Financing for Development. <https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2022-10/Paper%20on%20FfD4%20conference%20corrected.pdf>
- Floater, G. et al (2017). Financing the Urban Transition: Policymakers' Summary. Coalition for Urban Transitions. [http://newclimateeconomy.report/workingpapers/wp-content/uploads/sites/5/2017/10/NCE2017\\_PolicyMakers\\_02012018.pdf](http://newclimateeconomy.report/workingpapers/wp-content/uploads/sites/5/2017/10/NCE2017_PolicyMakers_02012018.pdf)
- Civil Society Financing for Development Mechanism (2023). Letter to UN Secretary General: Implementation of UN General Assembly resolution 77/244. <https://csoforffd.org/2023/03/21/letter-to-un-secretary-general-implementation-of-un-general-assembly-resolution-77-244/>