



Finance Where It Matters

Practical pathways for local government finance

Recommendations note by audience

June 2026

About this note

The Urban Finance Action Group (UFAG), convened under the Commonwealth Sustainable Cities Coalition (CSCC), explored the urban finance gap and identified practical pathways for strengthening local government finance across the Commonwealth.

Supporting the full research paper '[The Urban Finance Gap: Systems, Constraints, and Reform Pathways across the Commonwealth](#)', this note accompanies the revised recommendations and is intended to show how they relate to different audiences.

The purpose is not to suggest that some audiences matter and others do not. Rather, it is to clarify where the main responsibility or leverage sits, and who else needs to support, enable or help implement change.



Why audience framing matters

The UFAG process highlighted that the urban finance gap is not simply a question of local government capacity. It is shaped by:

- fiscal frameworks
- intergovernmental relations
- borrowing conditions
- intermediary institutions
- climate finance pathways
- and the equity with which resources are distributed across the urban system.

Because of this, different actors will need to engage with the recommendations in different ways.

At a glance:

Revised UFLAG recommendations

1. **Overarching recommendation: Create the fiscal space local governments need to deliver, fairly and effectively**
2. *Strengthen the local finance systems that make investment possible*
3. Build stronger intermediary pathways to finance
4. Create workable local access to climate and adaptation finance
5. Finance infrastructure for the full life of the asset

1 Finance ministries

Finance ministries are central because local fiscal space, borrowing frameworks, transfer predictability and access to climate finance are shaped largely through national fiscal and regulatory systems.

Main messages for this audience

- Local responsibilities need to be matched with realistic financing arrangements.
- Stronger local fiscal space is essential to delivery.
- The system should improve access for smaller, weaker and underserved municipalities, not only increase overall resource volume.
- Intermediary pathways can reduce risk and widen access to finance.
- Infrastructure finance should cover operation, maintenance and renewal, not only construction.

Most relevant recommendations

- Overarching recommendation on fiscal space and equity
- Build stronger intermediary pathways to finance
- Finance infrastructure for the full life of the asset
- Create workable local access to climate and adaptation finance

2 Local government ministries

Local government ministries sit at the intersection of local mandates, decentralisation, system reform and practical implementation support.

Main messages for this audience

- Local mandates need to be matched with realistic financing arrangements.
- Reform should focus on the systems that make investment possible in practice.
- Procurement, governance, reporting and project preparation are part of reform, not secondary issues.
- The recommendations can support domestic dialogue on local finance reform and service delivery improvement.

Most relevant recommendations

- Overarching recommendation on fiscal space and equity
- Strengthen the local finance systems that make investment possible
- Finance infrastructure for the full life of the asset

3 Climate ministries

Climate ministries are important because local access to climate and adaptation finance is shaped through national systems, accredited entities and intermediary mechanisms.

Main messages for this audience

- Local responsibilities need to be matched with realistic financing arrangements.
- Stronger local fiscal space is essential to delivery.
- The system should improve access for smaller, weaker and underserved municipalities, not only increase overall resource volume.
- Intermediary pathways can reduce risk and widen access to finance.
- Infrastructure finance should cover operation, maintenance and renewal, not only construction.

Most relevant recommendations

- Overarching recommendation on fiscal space and equity.
- Build stronger intermediary pathways to finance.
- Finance infrastructure for the full life of the asset.
- Create workable local access to climate and adaptation finance.

4 Local governments and local government associations

The recommendations are intended to be used not only in high-level policy settings, but also as practical tools for members, associations and local government leaders.

Main messages for this audience

- The recommendations can support dialogue with ministries, partners and finance institutions.
- Stronger systems, better preparation and more practical pathways matter as much as formal authority.
- Intermediary pathways may be more realistic than direct market access for many local governments.
- The recommendations can be used nationally in advocacy, planning and reform processes.

Most relevant recommendations

All five recommendations - especially the overarching recommendation, local finance systems, and intermediary pathways





5 Development finance institutions, development banks and intermediaries

DFIs, development banks and intermediary institutions are especially relevant to the recommendation on intermediary pathways and also to the climate finance agenda.

Main messages for this audience

- Smaller and weaker municipalities often need intermediary pathways rather than direct market access.
- Local currency, longer-tenor lending and pooled or structured access can be critical.
- Intermediary institutions can connect local governments to finance that would otherwise remain inaccessible.
- Stronger intermediary systems can also support climate finance and adaptation delivery.

Most relevant recommendations

- Build stronger intermediary pathways to finance.
- Create workable local access to climate and adaptation finance.
- Finance infrastructure for the full life of the asset.

6 Commonwealth actors and partners

Commonwealth actors matter because some recommendations may benefit from Commonwealth-level visibility, policy reinforcement or political traction, particularly in the run-up to CHOGM and through wider Commonwealth processes.

Main messages for this audience

- Local finance is central to resilient and inclusive urban development.
- The UFAG recommendations provide a practical evidence-based agenda for Commonwealth engagement.
- Climate finance, intermediary pathways and whole-of-life infrastructure finance are particularly strong routes for wider advocacy.
- Some recommendations may be more useful for member learning and practice, while others are stronger candidates for Commonwealth-level asks.

Most relevant recommendations

- Build stronger intermediary pathways to finance.
- Create workable local access to climate and adaptation finance.
- Finance infrastructure for the full life of the asset.
- Overarching recommendation on fiscal space and equity.

7 Civil society and equity-focused actors

Civil society organisations, especially those representing marginalised communities and promoting gender equality, are relevant because the equity dimension of the recommendations is not only about resources, but about who benefits and who is left behind.

Main messages for this audience

- The urban finance gap is also an equity gap.
- Underinvestment falls disproportionately on women, young people and lower-income groups.
- Equalisation and distributional design need to be treated as core features of the system.
- Stronger local finance matters because it shapes access to the services most important to lower-income communities.

Most relevant recommendations

- Overarching recommendation on fiscal space and equity.
- Strengthen the local finance systems that make investment possible.
- Finance infrastructure for the full life of the asset.

How this note can be used

This note can support:

- targeted communication and follow-up by CLGF
- engagement with ministries and partner institutions
- member advocacy at country level
- webinar and event preparation
- policy and political briefing through the Finance Task Force and related processes

Further information

These recommendations are based on the UFAG research on the urban finance gap and the subsequent UFAG review process.

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View here for full research paper and related materials: <https://www.clgf.org.uk/what-we-do/cscn-urban-finance/>

