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Public finance is indisputably an essential requirement for sustainable development. Given the short time, I will focus on the intergovernmental dimension of sustainable finance, which is important for the SDGs in general and particularly aspects of localization and often does not receive sufficient attention. The role of subnational governments (SNGs) in the public sector, especially cities, has been on the rise in many countries as urbanization increases and some national governments rely more heavily on them. Their effectiveness depends on a sound intergovernmental system that provides not only resources, but also administrative systems and capacity to manage them and mechanisms that provide accountability to citizens. Others are covering other elements, so I will focus on a few selected points regarding finance.

First, given the importance of public investment for the SDGs, more development finance is critical. As recognized by the UNDESA's Financing for Development, improved domestic revenue mobilization is important, but the public sector does not have sufficient resources to meet SDG requirements. More effort is needed to secure private finances.

Second, for SNG investment, most countries need a range of development finance mechanisms that is tailored to their specific context. In cases where there are fiscally stronger cities, they should be provided access to commercial finance. Most Global South countries will need subsidized loans, often provided through special financial intermediaries, such as municipal development banks. All countries need grants (whether from aid or domestic sources) because some infrastructure essential for quality of life and economic development cannot generate revenue. A challenge in many countries is that limited available national resources are used to provide grants to cities that have fiscal capacity and are investing in at least partially self-financing projects. SNGs that can borrow should be enabled and incentivized to do so, thus freeing up grants and subsidized resources for disadvantaged local governments that have no other options.

Third, more and better targeted financing of essential SDG infrastructure is not sufficient. Sustainability requires that this infrastructure is operated and maintained to deliver the services. SNGs must have access to adequate recurrent resources in their annual budget for this purpose through their own sources of revenue and transfers from higher levels of government. These local sources and transfers need to be designed and implemented in a way that ensures sufficient and equitable access to resources. In addition, more attention is needed to building capacity for and supporting better asset management.

I thank CEPA for the opportunity to share these comments and hope that steps to enhance the level and quality of subnational and intergovernmental finance can be taken to support the attainment of the SDGs.