**Self-Assessment of Financing Options**

**[Name of your city]**

*Use the following table to assess your city’s financing options. The table is based on SDSN’s* [*SDG Cities Guide*](https://irp-cdn.multiscreensite.com/6f2c9f57/files/uploaded/Cities-SDG-Guide.pdf)*.*

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| **Financing mechanism**  | **Description** | **Share of total current income of city** | **Available capacity for the use of the mechanism** | **Challenge in applying the mechanism** |
| **Local taxes/surcharges**  | Taxation powers of local governments are typically restricted, with property taxes being the only significant tax source of many local authorities. Authorities can sometimes impose local surcharges for boosting local revenues, or as a financial mechanism for funding local projects or schemes. |   |  |   |
| **User tariffs**  | The optimal pricing for public services through user fees and tariffs should be designed keeping in mind the objective of covering operation costs, while ensuring the inclusion of lifeline tariffs or well-targeted subsidy mechanisms for the poor and vulnerable. They can also promote economic efficiency and improvement in the quality of service delivery.  |   |   |   |
| **Transfers and grants from higher levels of government**  | Allocations from national and regional governments form a substantial bulk of local government finances, although their exact share in total government expenditures can vary within and across countries and sectors.  |   |   |   |
| **Asset management and monetization**  | Asset management and monetization is a means to boost local government revenues from the optimal use, lease or sale of a large variety of public assets such as land, building properties and service infrastructure.  |   |   |   |
| **Cost recovery or value capture**  | These financing mechanisms are based on the high value appreciation of developed urban land. Cost recovery mechanisms focus on the repayment of the cost of infrastructure by sharing the financial burden across all beneficiaries. Value capture mechanisms, alternatively, seek to yield to the state a proportion of the private gains made due to the infrastructural investment or land use change. |   |   |   |
| **Development banks**  | Sub-national, national, and multilateral development banks provide an important source of financing for large-scale projects to local governments in emerging economies. By issuing long- term loans at concessionary rates, development banks provide an important source of development finance and also support local government capacity development through planning support, project oversight and risk management.  |   |   |   |
| **Public private partnerships**  | PPPS are contractual partnerships of various types between the public and private sectors on discrete projects with revenue- generating potential. PPPs can be of different types, based on the specific terms of contracts (see the section on multi-stakeholder partnerships below for more on PPPs).  |   |   |   |
| **Grants from international and philanthropic organizations**  | Grants from international organizations and philanthropic foundations fill a vital gap in financing the social aspects of sustainable development, particularly in the sectors of slum redevelopment, health, education, water supply and sanitation, and gender equality.  |   |   |   |
| **Municipal credit markets**  | Municipal credit markets allow local governments to access domestic savings and private investments, through intermediary or market mechanisms, to fund long-term, capital-intensive infrastructure projects. Two well-known models of municipal credit markets are the bank-lending model of Western Europe, in which banks act as source of lending for municipal finance, and the municipal bond model used in North America, where local capital finance is raised through bond issuance. |   |   |   |