



**United Cities and Local Governments**  
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# Key Issues for Local Government **Local Finance and Affordable Housing and the Financial Crisis**

## Key Issues for Local Government

# Local Finance and Affordable Housing and the Financial Crisis

Half the world's population now lives in urban areas and informal settlements have become the predominant form of urban housing in the developing world. The current financial and economic crisis has short-term negative implications for the availability of public development funds and the willingness of financial institutions, the source of domestic capital, to engage in low-income housing and infrastructure finance.

In addition, the global economic downturn will lead to fewer employment opportunities in developing countries, especially for low-income people. This will negatively affect the ability of low-income people to afford housing and there will be less public money for housing and infrastructure and less capacity on the part of businesses and individuals to invest in affordable housing.

### UCLG Key messages

#### What Local Governments Need and Want

- 20% of development aid should be channelled to the sphere of government closest to the citizens.
- Local governments should be vested with sufficient funding for implementing the functions that have been delegated to them.
- Regular and predictable financial transfers to local governments are needed as well as responsive fiscal instruments.
- Local government's effective access to borrowing should be allowed by building a conducive environment for financing local infrastructure.
- The volume of loans directly channelled to local governments, with or without sovereign guarantee, should be increased.
- The quality of the loans provided should be improved by: extending the period of loans; reducing the interest rates offered through grant blending; and lending in national currency.