



# FREQUENTLY ASKED QUESTIONS

# THE GLOBAL FUND FOR CITIES DEVELOPMENT

(FMDV)

## FREQUENTLY ASKED QUESTIONS

Please consult the website [WWW.fmdv.net](http://WWW.fmdv.net) for further information on the general framework of the FMDV and/or for contacting the FMDV team

### 1. What is the FMDV?

The FMDV was devised by the local authority members of METROPOLIS and of UCLG (United Cities and Local Governments) to serve the development of their local territory, and in particular the development of those who are the most exposed to urban growth, and experiencing difficulties in accessing local, national, or international financial resources.

It is a pooled instrument for providing technical assistance and financial engineering and it is complementary to the existing schemes. Backed up by a specialised financial structure, it enables local authorities to gain access to concessionary funding, i.e. funding in the form of donations or of low-interest-rate loans, to conventional credit facilities, and to funding through financial markets. The FMDV mobilises resources that are poorly used today, in particular by linking up sustainable development, social justice, and solidarity.

### 2. How does the FMDV fit into the range of existing global NGOs that are dedicated to assisting with and to fostering the urban development of the territories governed by local authorities?

The FMDV supplements the system made up by UCLG, METROPOLIS, and CITIES ALLIANCE;

- UCLG is the body that represents local authorities and therefore speaks for them to the international community;
- METROPOLIS is the world association of major metropolises and of metropolitan regions. METROPOLIS is the metropolitan section of UCLG;
- CITIES ALLIANCE is a coalition that groups together the World Bank, UN Habitat, 18 governments, UCLG and METROPOLIS, and private foundations. It gives support to cities in defining their development strategy and helps them clear their slums. Cities Alliance works within the framework of national programmes.

The FMDV is a direct descendant of these three entities and of their component parts. It aims to incorporate urban development programmes and projects into local development dynamics. It is an operational tool at the dedicated of the cities. It is complementary to the existing schemes proposed by institutional financial backers.

### 3. What are the principles and objectives of the FMDV?

The FMDV considers that it is the local economy that should finance local development. It is therefore essential to help local authorities to manage their financial risks properly to mobilise local resources, and, where necessary, to supplement them with national, regional, or international funding.

The essential aim of the FMDV is to facilitate access by local authorities to the available financial resources for funding their projects by:

- improving the credibility of project-leading local authorities with public and private financial backers;
- making it easier for the population to contribute to defining and implementing the projects in order to ensure that the projects are fully appropriated by those who are to benefit from them; and
- rationalising and optimising the costs of the projects for the local authority.

It supports innovation in urban development, and, by listening attentively to the population, facilitates the development of the alternative techniques that are the best suited to the needs expressed, and the most economical to implement.

It supports local urban development with the goal of reducing the rich/poor duality both between populations and also between different areas within the same urban entity.

It offers effective solutions for practical solidarity at the service of sustainable development and of financial security.

#### **4. How does the FMDV work, and how does it become involved?**

The FMDV follows a code of ethics that fosters the principles of solidarity, exchange, co-operation, and participation.

Its originality lies in its participative model for developing projects between its various members, in order to enable a cross-cutting approach to be applied to the projects and to the way they are controlled in space, in time, and across the various sectors. It is a necessary lever between the local authorities and the local, national, and international financial backers.

Its approach consists in supporting local authorities by helping them to lead their projects, and in supporting their institutional, technical, and private partners in the entire process of urban development, from programme and project design, through to programme and project funding, implementation, and assessment. This support is through technical assistance essentially based on experience of decentralised co-operation and of financial engineering making it possible to facilitate access to funding.

In order to cascade its action, the FMDV needs to call upon partners who must follow the same fundamental principles as those recalled above. Since it is not designed to act on financial markets, but rather to act as a facilitator, it will, depending on the size and structure of the funding schemes to be undertaken, use the services of financial intermediaries on an occasional basis, or through partnerships.

To this end, in order to supplement its services, the FMDV is entering into an initial partnership, in the form of an appointment, with a financial intermediary EVENSEN DODGE INTERNATIONAL, (EDI), in order to give risk-free (interest rate, exchange rate, credit, contra) access to all of the financial instruments available on the market, for the projects that it determines are feasible and that it implements financially.

Finally, it should be recalled that, locally, the FMDV works closely with the municipal funding institutions, who are essential players in local development funding.

**In practical terms, what will this partnership between the FMDV and EDI mean?**

In partnership with EDI, a global independent adviser in public finances, the FMDV will propose innovative and dynamic management of the available financial resources via a commercial company dedicated to financial management of the projects, namely CITIES FINANCIAL CORPORATION (CFC), which is authorised to act on financial markets.

Action by CFC for identified projects should enable the FMDV to supplement the public capital and own funding that is assigned to the projects through its own engineering activity.

The potential investors, be they institutional investors, banks, or other financial backers, now deal with CFC who assumes the aforementioned market risks, thereby avoiding any doubt about the financial feasibility of the projects presented and reducing the legal conflicts regarding negotiation of the projects.

Thus, through market financial intermediation and financial engineering, the mission of the FMDV is based on two complementary management modes that also remain independent alternatives:

- direct management of the public service assignment type performed by the FMDV in collaboration with CFC, for “concessionary” funding and for funding in the form of donations and contributions;
- indirect management for funding using the financial markets on the basis of existing instruments, the actions being handled by CFC.

#### **Who monitors CFC and how?**

In the course of their relations, the FMDV and EDI will agree on the setting up of a “supervision committee” so that the FMDV, which is an emanation of the local authorities and that has concern for budgetary and financial constraints, can check that the public interests, in particular in the long-term, are scrupulously preserved.

A supervision committee made up of members of the Board of Directors of the FMDV is in charge of checking that all of the deeds performed by CFC comply with the ethics and directions followed by the FMDV.

#### **5. What are CAPITAL MOBILIZATION FUNDS (CMFs)?**

They are funds dedicated to the projects, and managed by the local, regional, or national authorities, and that make it possible to identify and to manage independently the economic and accounting flows of each investment or programme. CFC provides the technical assistance required for setting them up, and serves as a commercial partner for them by acting as a financial intermediary on the capital markets. As many CMFs can be set up as necessary, either at project level, or at country level.

#### **6. What are the current prospects as regards urban development projects?**

A “bank” of ten projects to be implemented over the first three years of operation of the FMDV is being constituted. At the end of that three-year period, the projects will be assessed in order to validate operational running of the FMDV.

The Board of Directors of the FMDV selects the projects to be supported on the basis of the recommendation of the selection committee.

## 7. How do you become a member of the FMDV?

Any public organisation, private organisation, or association may apply for membership of the FMDV to its Board of Directors. To apply, the organisation should fill in the membership form that is downloadable from the FMDV website and to send it officially to the President of the FMDV.

The Board of Directors of the FMDV then puts the application to the vote.

The Articles of Association of the FMDV make provision for various types of membership:

- **Founder Member:** sits on the Board of Directors, votes on the budget and on the strategic focuses of the association, select the proposed projects and programmes requesting the support of the FMDV, and undertake to make its expertise and its technical assistance available for the projects...
- **Active member:** participates in the actions of the structure by making expertise and technical assistance available for the projects, and in value-added actions (organisation and hosting of seminars), and proposes programmes and projects to be supported to the Board of Directors, etc.
- **Honorary Member:** qualified personality bringing know-how to the FMDV and who is associated with communications on the actions of the structure and who is kept informed of the proposed programmes and actions.
- **Associate Member:** gives financial support to the FMDV, offers expertise and know-how on specific actions; participates in leading the FMDV network.

## 8. Who can ask the FMDV for assistance, and how is it possible to be a beneficiary of such assistance?

Only local authorities who are members of the FMDV can apply to the FMDV for assistance. Assistance applications from founder members are given priority. Applications are put to the selection committee who decides on the pertinence of the projects. Local authorities who are not founder members of the FMDV should be active members and should have paid the corresponding membership fees.

## 9. How should a project be presented?

Applications for support are presented based on the project form that is downloadable from the FMDV's website. Such applications should be accompanied by an official letter from the local authority to the President of the FMDV.

## 10. What are governing bodies of the FMDV?

The FMDV is managed by its **general assembly** that is made up of all of its members who are up to date with payment of their membership fees.

The General Assembly has sole competence for:

- appointing, renewing, and dismissing the members of the Board of Directors;
- amending the Articles of Association, and winding up the Association;
- authorising the operating budget and auditing the management of the association.

The General Assembly elects a **Board of Directors** for managing the FMDV. The members of the Board are elected for three (3) years, and are re-electable.

The Board of Directors comprises at least:

- The elected President
- 3 Vice-Presidents elected from among the founder members;
- 2 Vice-Presidents elected from among the active members as soon as the conditions are satisfied;
- 5 Members chosen for their skills in urban development, international co-operation, and local authority management.

The Executive Director of the FMDV and the treasurer take part in the work of the Board, without taking part in the votes.

An **executive committee** formed from the Board of Directors is set up. It includes the President, the Executive Director, and the Treasurer. The Executive Committee is in charge of administration of the NGO under the authority of its President.

The Executive Director manages the activities of the FMDV, and is commitments officer for the budget and for the cash flow. The Executive Director is authorised to open a current account in a bank on behalf of the NGO. The Executive Director is responsible for proper monitoring of contributions from financial backers that merely transit via the FMDV for being allocated to operations. The Executive Director is responsible for managing the assets and for managing the cash flow.

#### **11. Who audits the accounts of the FMDV?**

The General Assembly may appoint a Regular Auditor and an Alternate Auditor. The Regular Auditor performs their auditing duties under the conditions stipulated by the standards and rules of their profession.

**12. What are the fees for membership of the FMDV?**

**Proposal for membership fees**

		GDP > 4000	GDP < 4000
<b>FOUNDER MEMBERS</b>	Local Authorities	€10,000	€2,000
	FIRMS	€100,000	€20,000
	NGOs	€20,000	€5,000
<b>ACTIVE MEMBERS</b>	Local Authorities	€5,000	€1,000
	FIRMS	€75,000	€15,000
	NGOs	€15,000	€3,000
<b>HONORARY MEMBERS</b>		FREE	FREE
<b>ASSOCIATE PARTNERS</b>		€50,000	€25,000