

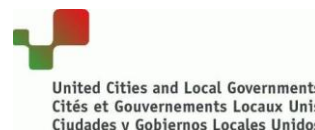


# Global Fund for Cities Development (FMDV)

**DOCUMENT FOR PRESENTATION**

**TO THE FOUNDING MEMBERS**

**metropolis** ●



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## I. LOCAL AUTHORITIES AS PROJECT LEADER STAKEHOLDERS IN URBAN DEVELOPMENT

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### 1.

A new urban revolution is taking place. It differs from the preceding urban revolution, which was linked to industrialisation and to the advent of the wage-earning class. The new revolution is partly the result of accumulation and growth model choices, and partly the result of a long build-up of bad practices in urban development. It is characterised by the conflicting duality of urban fabrics. The new revolution is taking place above all in southern countries that are poor and experiencing rapid demographic growth.

### 2.

The detrimental effects of this change are considerable: the instability and inadequacy of existing urban models, poor job and income prospects for inhabitants who are incapable of funding operation of the cities, social and spatial fragmentation with predominant areas of financial uncertainty and of poverty, and closed pockets of modern urbanisation, and urban governance constraints arising from the superimposition of top-down and bottom-up overall and sector-based approaches that are poorly fitted together.

### 3.

Because the current explosion in urban growth is a qualitatively new and poorly understood phenomenon with respect to all of its effects, as well as being a source of serious concern in social terms, traditional approaches to urban development are proving ineffective and wasteful of rare resources. Local authorities are thus in the front line in coping with these changes, and, at the same time, they have, *de facto*, become major stakeholders in urban development.

Similarly, the city has become the preferred place for the emergence and the expansion of new wealth production systems and thus for implementing development policies in their economic, social, and also environmental aspects.

### 4.

Monitoring this urbanisation necessarily involves looking at the link-up between macroeconomics (in particular, urban infrastructure funding), national urban policies and local responsibility in urban development. Urban development also fits into thinking on local and

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spatial development, while remaining separate therefrom, that thinking having its own rationale. This is what underpins local project leadership.

## **5.**

Battling in the front line of these realities and their tensions, local authorities are all too aware of them. They endeavour to have their voices heard in various ways, and to come together to find co-operative solutions with all of the players involved. Through Metropolis, local authorities have been working collectively for five years to produce tools for properly comprehending the new urban crisis and for providing satisfactory urban development responses to the challenges accumulating in their responsibility areas, and for reducing the corresponding costs, and essentially those costs that are related to copycat reproduction of outdated urban development approaches.

## **6.**

The local authorities grouped together as Metropolis thus base their action on the legitimacy of the interests of their territories, a legitimacy that is now universally recognised. This frame of reference is gradually being disseminated among the previously reluctant poor and emerging countries. The political autonomy that local authorities thereby enjoy authorises them to shoulder institutional responsibility when designing, selecting and leading urban development. They claim the right to lead projects within a field corresponding to the scope of their practical political responsibility.

## **7.**

To cope with the negative consequences of unmanaged urban growth in terms of urban development financing needs in areas of poverty, of negative externalities of production and accumulation systems, and of the impacts on ecosystems and on cultural heritage, these local authorities are stressing the need for a strategic vision of the territory, rooted in a policy of local development, of dynamic and sustainable social progress, and on implementation that gives preference to rooting sufficient human and financial resources at the level of the urban territory concerned.

## **8.**

Very local project leadership supplements and enriches the centralised governance role of local areas and of urban concentrations. It does not replace that role. It increases the number of local stakeholders and shares several dimensions: political, administrative, economic and financial.

It fits into the order that recognises the following stakeholder partner categories: national governments and institutions, local authorities and local institutions, decentralised authorities, economic stakeholders, associations, NGOs and other forms of organised civil society. Its goal is to bring together their skills in a comprehensive approach to investment, to urban development, to the way they link up, to their costs, to their effects, and to their funding.

## **9.**

Local authorities lying behind the method have been testing it for three years in different pilot projects. They have joined their capacities and available means to make it a reality in situations marked by urgent need for action, and that demonstrate the stakes and complexity of the new urban revolution. They have verified that cooperative management of cities can involve the stakeholders so as to make interests converge and so as to share responsibilities despite obstacles of all kinds, reducing lead times and costs, and increasing funding and revenue generation possibilities.

## **10.**

It is on this basis that Metropolis has decided to create a non-governmental organisation (NGO) called the Global Fund for Cities Development (FMDV), which is open, in particular, to governmental organisations and to partners in development, in partnership with the local authorities. It has three founding principles:

### **10.1**

The local capacity to secure consistency for urban development and for management thereof must be increased, as a priority. The approach adopted aims to remove barriers to good linking-up between the project approach (testing, exploration, verification, integration of dimensions) and the strategic approach (reproducibility, scaling, assessment of impacts over time). It defines the conditions for building real synergy between projects, programmes and strategies, as well as their extensions in urban, spatial and institutional policies.

### **10.2**

The local authorities in Metropolis and in other structures for co-operation between cities are joining forces to promote this capacity by supporting structuring urban projects and programmes. The support from the FMDV will be through technical assistance essentially based on decentralised co-operation experiments and experience, and then on financial engineering giving access to funding. The co-operation within the FMDV brings invaluable advantages to the fore: the rich and varied experience of old cities, capabilities for innovation and for user

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response in poor and emerging cities, the capacity for increasing the importance and diversity of actions benefiting from synergies among stakeholders and the opening up of decentralised cooperation between cities of the South.

### **10.3**

The FMDV's founders are assigning to it the mission of being an operational framework for helping local authorities in the South to build and appropriate capacity for project leadership in urban development in those territories where such authorities exercise political responsibilities, to bring together the best conditions for attracting funding, and to organise this mobilisation. These local authorities are asserting themselves as a force for proposal to other partner stakeholders by developing a methodology for comprehending the new phenomena of urban development, and by putting in place an innovative economic model.

### **11.**

In the advisory support sought mutually by local authorities, support for local services is a priority task. It aims to reduce the weight of the weaknesses suffered: limitation of traditional control tools, insufficiency of internal and external resources for meeting local authority demand for support, and absence of a suitable tool for market assessment of the "local authority credit and investor risk."

### **12.**

By supporting local authority project leaders through its economic and financial tools, the FMDV is positioned by its founders as a competent and legitimate instrument for addressing the concerns of the institutional partners, and of the stakeholders involved in the entire urban development process, from designing programmes and projects to funding them, building them, and assessing them.

## **II THE FMDV, AN INSTRUMENT FOR LOCAL AUTHORITY LEADERS OF URBAN DEVELOPMENT PROJECTS**

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### **A. The innovative strategic positioning of the Global Fund for Cities Development (FMDV) and a comprehensive method for application**

#### **13.**

The FMDV's approach brings together two dimensions: the local authority dimension and the urban development dimension; neither can be envisaged correctly without the other. Investment will lie within the framework of strategy in the FMDV approach.

The FMDV strategy is then determined relative to the four main fields that define its reference space.

#### **13.1**

The urban development and its funding as a target subject.

#### **13.2**

Downstream, the local development that structures the urban development and serves as an anchor point for the economic and social players: the need for funding for infrastructure and facilities related to the colossal demands of urbanisation can be thought about and approached in terms of solutions only subject to a guarantee that the current way in which development is considered changes towards an increase in trade in goods and services internally to the local area. In general, development being taken into account in local policies fits into the local development prospects. The idea is both for local activities to be promoted, and also for policies facilitating and encouraging local development to be implemented at other scales, through networks and infrastructures. The idea is also to deepen the specificity of urban development in local development.

#### **13.3**

In condition, reinforcing the institutional and managerial capacities for securing consistent and harmonious change for fragmented cities.

#### **13.4**

The democratic contractual and participative dimension constitutes a preferred approach for making and implementing choices and decisions relating to urban development. The participation of all of the users in the City is not only a possible guarantee of good governance and of good knowledge of the effects of the investments, it is also an objective for controlled growth of cities.

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#### 14.

The investment needs for urban development and for local development should be considered on an overall scale and through a cross-cutting vision of the local area. On the basis of urban development programmes and projects that are entrusted to it for research and engineering, the FMDV initiates an approach that takes charge of the strategic vision for local development and of the strategic vision for urban development. The action by local authorities as regards development, from the strategic point of view, will be explicitly situated in the perspective of sustainable development. The environmental dimension will be linked up to the social dimension.

The FMDV checks the consistencies of scales and of projects on the basis of the work that is entrusted to it in order to reach proposals that are optimum in terms of overall link-up in time and in space between local development and urban development.

#### 15.

The FMDV is a lightweight instrument. It gives preference to restricting itself to being a tool for local authorities, and seeks to bring together skills that work towards the same goals. It will systematically propose to associate itself with all local, national, and international structures that are dedicated to missions and assignments for keeping the new urban revolution under control so as to establish more securely its overall and strategic vision, and so as to bring together better all of the players involved in managing the challenges that this revolution throws down.

#### 16.

The FMDV's strategic positioning emphasises three strategic angles:

- working for inclusive and productive urban territories in the sense of reducing urban duality in favour of universal access to the city and implementing local development dynamics that generate the revenue for urban development;
- promoting urban planning which attenuates the negative externalities of urban growth; territorialisation, i.e. urban development from the point of view of the territory, imparts initial consistency to the work of the FMDV;
- building the financial, management, and project leadership capacities of local authorities.

#### 17.

During the feasibility studies for the projects and programmes, emphasis from the local autonomy perspective will be placed on the economic efficiency of public policies, of public management, and of the responsible participation of populations in the public action. This efficiency requires work to secure consistency between sector-based policies and local policies. The advantages of this approach concern very local management that should facilitate access to services, and increased attention that could be paid to local ecological management (energy use, drainage, natural, health, and industrial risks, waste, etc.), in particular for the urban environment. The consequences should be positive and direct on social, economic and environmental development in the local authority's territory.

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## **18.**

The economic model developed by the FMDV highlights the dynamics of social, economic, and urban change, and the driving linkages: local dynamics, corresponding to the factors internal to the conurbation and to its region; national dynamics corresponding to the place of the city in the country, and international dynamics corresponding to the place of the city in the global economy.

### **18.1**

As a general rule, the FMDV suggests the local authority should take the local dynamics as a reference basis, and should assess the other dimensions relative to that basis.

### **18.2**

The FMDV supports the local authority in building urban policies from the point of view of the territory of the city and of its region, and in procuring the means of action and the suitable economic and financial capacities in the short and medium terms commensurate with its effectiveness.

The projects can be sector-based projects initiated by the local authority or by the central player, both of whom participate in influencing urban policies (housing, drainage and sewage systems, water supply, etc.), or else urban development projects that determine the urban policies.

### **18.3**

The FMDV thus works with the local authority and with all of the urban development stakeholders to configure a local and regional project of overall design for the local development and of design for the development of the city, that project outlining the stakes and issues, the potential of the competitive urban production systems, and the future trends for a non-discriminatory, consistent, and harmonious city.

## **19.**

The FMDV performs the following economic and urban development work:

- a. determining the economic and social effects of sector-based projects in terms of impacts of services rendered, of activities, of revenue, and of funding, and incorporating this knowledge into a local development approach that is necessary in order to assess the funding capacities;
- b. identifying urban development projects taking the city as subject, and induced local investments, and fitting them into the perspective of an overall link-up of investments;
- c. determining the economic and social effects of the induced and urban development local projects in terms of impacts of services rendered, of activities, of revenue, and of funding in a local development approach that is necessary in order to assess the funding capacities in the short and long terms;

d. induced local and national anticipations of regulatory or financial incentives, in particular as regards using capital gains on land for funding urban development, social and economic incentives for supporting various economic players and users of the city;

e. the urban development plan focuses (urban structures, urban management, services, living environment) and the urban planning focuses; and

f. assuming good appropriation of these effects by the city, identifying the programmes of action for supporting the projects from a) to e) in terms of planning, of management, of legal framework, and of budgetary and financial incentives.

## **20.**

The implementation of local project leadership, an expression of a local authority's self-assertion as a major stakeholder, requires a favourable institutional and political environment, own financial capacity, a transfer of powers and responsibilities, and human and financial resources that should accompany that transfer. Based on this, the FMDV assesses and discusses with the national and local authorities the institutional, managerial and technical capacities of the local authority or authorities who are project leaders before and after technical assistance is given by experienced local authorities that are voluntarily involved in the projects or programmes.

## **21.**

Under the same conditions, the FMDV also assesses the quality of the institutional mechanisms for devolving powers and responsibilities from central governments to territorial ones, and if necessary it proposes reform measures to increase the confidence of city users, investors and credit agencies. The FMDV validates these assessments by contacting renowned professionals in order to prepare a call for funding under the best conditions.

## **22.**

Such is the general configuration of the "economic model" of the FMDV. The link constituting the contribution from the economic model of the FMDV between the FMDV's economic and urban development studies, and the financial studies lies at this point. Organisation of the control over tools for funding urban development will be highlighted on this basis.

Local authorities are encouraged through this model to act to structure the economy of the territory on the basis of public funds, of redistribution, of tax incentives, and of better circulation of money imparting security to and encouraging investment of private savings.

## **B. The FMDV's innovative financial strategy and the network of partners**

### **23.**

Based on the scenarios for local development and for desired urban growth, the FMDV assesses, as a priority and in a first stage, the existing and potential capacities for funding of public services, the domestic, local and national financial and budgetary resources, and the requirements for capital necessary to productive or housing investment by the users linked to the projects.

Promoting local expertise in the form of dedicated public authorities and of a local or national financial instrument, supported and labelled, is an objective that should participate in consolidating the management of the local authorities, and should facilitate access by them to funding for urbanisation and for development.

### **24.**

At the same time, the FMDV and its agents, its financial backer partners, and its financial intermediaries will implement the necessary public financial instrumentation proposals (tax arrangements, financial products, improvement in money circulation, etc.). The FMDV will propose ways to include them in a local public policy concerned with consistency in financing local development and urban growth.

### **25.**

This financial engineering work, relating to concessional and partially domestic market funding, is performed with the relevant stakeholders. It will make it possible to outline a programme of application and to guarantee it within a controlled timeframe. This work is essential for appropriately mitigating the complex effects of urban duality in situations of poverty and insufficient monetary circulation.

It enables mobilisation, allocation, and circulation of the resources to be managed better in order to create larger investment opportunities while also controlling the risks of indebtedness.

This work constitutes an innovative methodological advantage of the FMDV that defines, in a manner complementary to its "economic model," its specificity as a financial engineering structure serving local authorities and city users. In this context, the FMDV will call for the mobilisation of skills coming from experienced local authorities; whenever necessary, it will subcontract the financial tools to the external expertise of financial intermediaries active and successful in the markets.

### **26.**

Tools for urban financial management and conventional financial instruments that provide access to increased and diversified sources of funding constitute another component of the

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FMDV's main assignments. Making a distinction between local authorities that already have a certain capacity to access markets and those that only have access to low resources is necessary once the work on the systems and modes of financing has been carried out with the stakeholders. This separation of issues according to their nature will lead the FMDV to differentiate its modes of action and of receiving payment from its financial engineering.

**27.**

Thus, for poor cities and metropolises, excluding the contributions from city inhabitants and users, concessional funding and subsidies generally constitute the greatest proportion of the contribution, without ruling out an immediate or eventual recourse to credit. Collaboration with development stakeholders to find suitable systems and modes of financing will then determine the success of the FMDV's action. This collaboration will be organised by composing a diversified network of international financial institutions, development agencies and other financial backers involved in cooperation policies atop a foundation of projects and programmes.

**28.**

Encouragement to create tools of the "Municipal Development Fund" and "Specialist Financial Institution" types is appropriate in this case. Alone or in a partnership, the FMDV will bring the expertise necessary for configuring and setting up these tools. In addition, these configurations require poor cities to form partnerships with larger bodies, such as national associations of municipalities, in order to emphasise own resources and local modes of finance, as indicated. Financial stakeholders are important partners for building productive cities. The FMDV encourages their involvement in studying urban development and its relations with local development while respecting their plurality and diversity (informal activities; local, national and international companies; social and supportive economies; micro-credit; agricultural producers; retailers and other traders; chambers of commerce and industry; etc.). It also involves them in its action.

**29.**

The FMDV will establish special partnership agreements with organisations at the forefront of adapting the structuring of the space for cooperation and its strategies towards local authorities and urban development. The strategy to set up these collaborations will propose three forms of action that take the specificities of each financial backer into account.

The most classic and essential form of action for local authorities consists in bringing consistency to the budgetary and sector-based financing of financial backers at different levels and ensuring they converge.

A second form of collaboration, studied by the FMDV, will consist in supporting the funding of urban development studies entrusted to the FMDV by project leaders in the sense that the quality of its studies is appreciated within the context of urban strategies and of encouragement for financial backers to decentralise.

Finally, as an independent NGO expressing the local perspective shared by most of the world's great metropolises, the FMDV may be asked to assess its partners' urban policies.

## **III Access to financial markets and to credit: the alliance with Evenson Dodge International (EDI)**

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### **A The framework of the partnership**

#### **30.**

The FMDV is non-commercial. Access to the bond market and to bank credit mobilises commercial skills with which the FMDV is associating itself in the form of a partnership.

#### **31.**

Action in the markets is developed simultaneously with actions to bring consistency to concessional funding. To this end, the FMDV has appointed a high-level financial intermediary who has the means and recognition necessary on the markets to help cities to access credit and investment instruments.

#### **32.**

This appointment should achieve three contractual aims:

- Organising the links, consistencies and responses to security demands by means of financial ratings so as to bring together the best possible conditions for applying for global financing and for access to such financing; those links are complex and dependent on strategies of stakeholders who have to manage risks successfully and avoid rash funding and cascades of unnecessary intermediation commissions; the FMDV's approach will consist in eliminating hidden costs, in selecting the products that bear low transaction costs and low interest rates, and in helping local authorities to manage their future risks with great caution;
- Introducing instruments and tools for collecting, distributing, and amortising appropriated funds, by setting up dedicated funds that attract savings;
- Covering the costs of action for the FMDV and its partner, as well as the expenses related to the action. Access to funding for cities and for urban development projects has a substantial intermediation cost. Megalopolises and major metropolises in rich and in emerging countries are capable of finding the means to amortise the indebtedness for paying for that cost. Poor cities are not, or are capable of doing so only to a small extent.

#### **33.**

In any event, it is crucial to heed the risk of local authorities slipping into debt, especially when encouraging lending in local currency to avoid foreign exchange risks. However, this focus should not interfere with the need to structure a financial market for local authorities. In each  
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specific case, the FMDV and its market partner should choose instruments that guarantee reimbursement and avoid excessive debt.

#### **34.**

This issue highlights the importance of expertise in the modes of institutional management for local authorities, in the modes of local management, public-private partnerships, semi-public corporations, state-owned companies, and concessions for public services, etc.

The instrument panel for this expertise will be presented as a configuration of the financial Master Plan created by the FMDV and its market partner, and that will be used to:

- Assist local authorities in selecting service providers (underwriting and rating agencies, law offices, fiduciaries);
- Negotiate the best terms and conditions from service providers and creditors on their behalf;
- Draft specifications and monitor implementation of them.

#### **35.**

In addition, solutions will have to be found regarding the difficulty of linking the time of the investment with the temporal nature of financial instruments. In most cases it will be necessary to make financial arrangements in which the performance expected by institutional and public investors can accept the demands of the market in terms of returns on the investment. Innovation in the financial engineering is necessary and there are enough efficient practical models available with numerous operators.

#### **36.**

The costs of action by the appointed intermediary, which is a commercial firm, will generate profits whose level should be compatible with re-feeding the preparation and financial feasibility funds.

As regards covering the costs of action by the FMDV, two options will be used. In the first case, a portion of the expenses are covered by special grants from donors and the cost of the transaction covers the rest. In the second case they are completely covered by the transaction, which is economically justified. The FMDV funds its activity through a “Technical Assistance Fund” and through an “Urban Development Fund.” The resources found should be compatible with the need to balance the budget of the FMDV when it reaches its cruising speed.

## **B Operation of the FMDV/EDI partnership on the credit and capital markets**

#### **37.**

The FMDV and EDI (Evensen Dodge International) have agreed to set up an international public-private partnership. This partnership links a non-commercial NGO to a commercial

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company (Capital Markets and Investment Advisory Firm). The FMDV/EDI agreement will be supervised by a financial security committee guaranteeing that a joint and mutually supportive approach is indeed implemented for action on the credit and capital markets.

**38.**

The sustainable financial model put in place continuously complies with separation of the tasks of the two legally distinct operational bodies, one being an NGO and the other being a commercial enterprise.

**39.**

The FMDV organises, operates, and financially covers the technical assistance between local authorities that is necessary for carrying out its tasks.

**40.**

The FMDV pursues its activities on the economy of projects and programmes via financial engineering activities that range from fiscal and budgetary policy assistance for local authority project leaders to mobilisation of concessional funding linked with projects.

**41.**

In this way, the FMDV makes sure that the levels of local, national and international public financial resources that can be immediately or potentially mobilised by projects do actually exist.

**42.**

At the request of the local authority project leader, the FMDV can analyse the levels and modes of potential and contractual financial commitments from users in the context of the projects and programmes that are assigned to it.

**43.**

The aim of the partnership is to utilise the capacities of the capital market and of the credit and foreign exchange systems to mobilise private capital for the needs of funding for investments in urban infrastructure and local development.

The partnership should provide an appropriate service to local authorities in the field of financing urban development. It structures financial tools that are adapted to mobilise the domestic and international capital for the projects and programmes led by the FMDV.

**44.**

The FMDV and EDI agree to unite their efforts with concessional financial backers and market investors in order to use their synergies effectively to make the funding as efficient as possible for the projects and programmes, both for the concessional financial backers and for the local authorities.

**45.**

One of the partnership's major objectives is to obtain the necessary confidence for private investors and domestic and international credit banks to invest in urban development programmes and projects led by the local authority and supported by the FMDV.

**46.**

The FMDV collaborates with EDI in deploying the financial engineering tasks referred to above, provided that these activities have an impact on the search for funding on capital markets (risk assessment and credit rating, use of concessional financing for leverage, etc.). This collaboration leads to paying a financial expert when the FMDV regularly asks EDI for financial advice. Otherwise, it is a collaboration whose costs are borne by each entity, each within the framework of its assignment.

**47.**

On these bases, EDI, a commercial financial intermediary and the FMDV's partner for market operations, is setting up a vehicle called Cities Financial Corporation (CFC) to develop the strategies and procedures for mobilising capital on the markets, to negotiate financial transactions for the projects and programmes assigned to the FMDV with market investors, and to manage the mobilisation of this capital and the induced debt. CFC is funded through a "Financial Feasibility Fund" and through a "Project Preparation Fund."

**CFC removes all financial responsibility from the FMDV and its members with regard to financial commitments made by local authorities benefitting from the support of the FMDV.**

The FMDV supports CFC, an offshoot of EDI, in searching for capital. Both entities set the structures in terms of costs and security with public capital, pursuant to the FMDV's mandate and in compliance with the conditions laid down by contract.

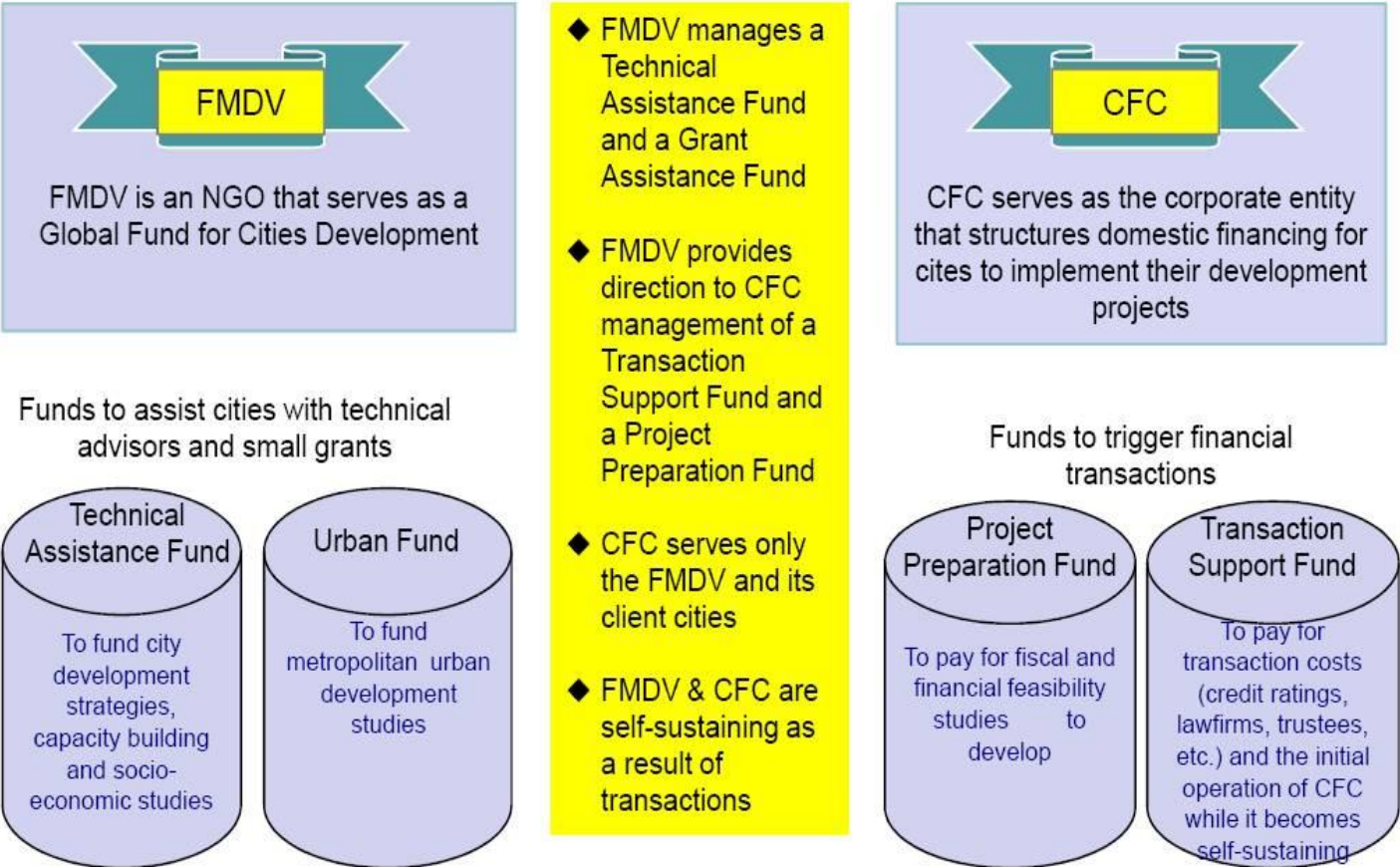
**48.**

The FMDV and CFC can create as many dedicated funds as are technically necessary in relation to specific situations. In particular, they work to supply a "donor's fund" that is necessary for making markets accessible to local authorities.



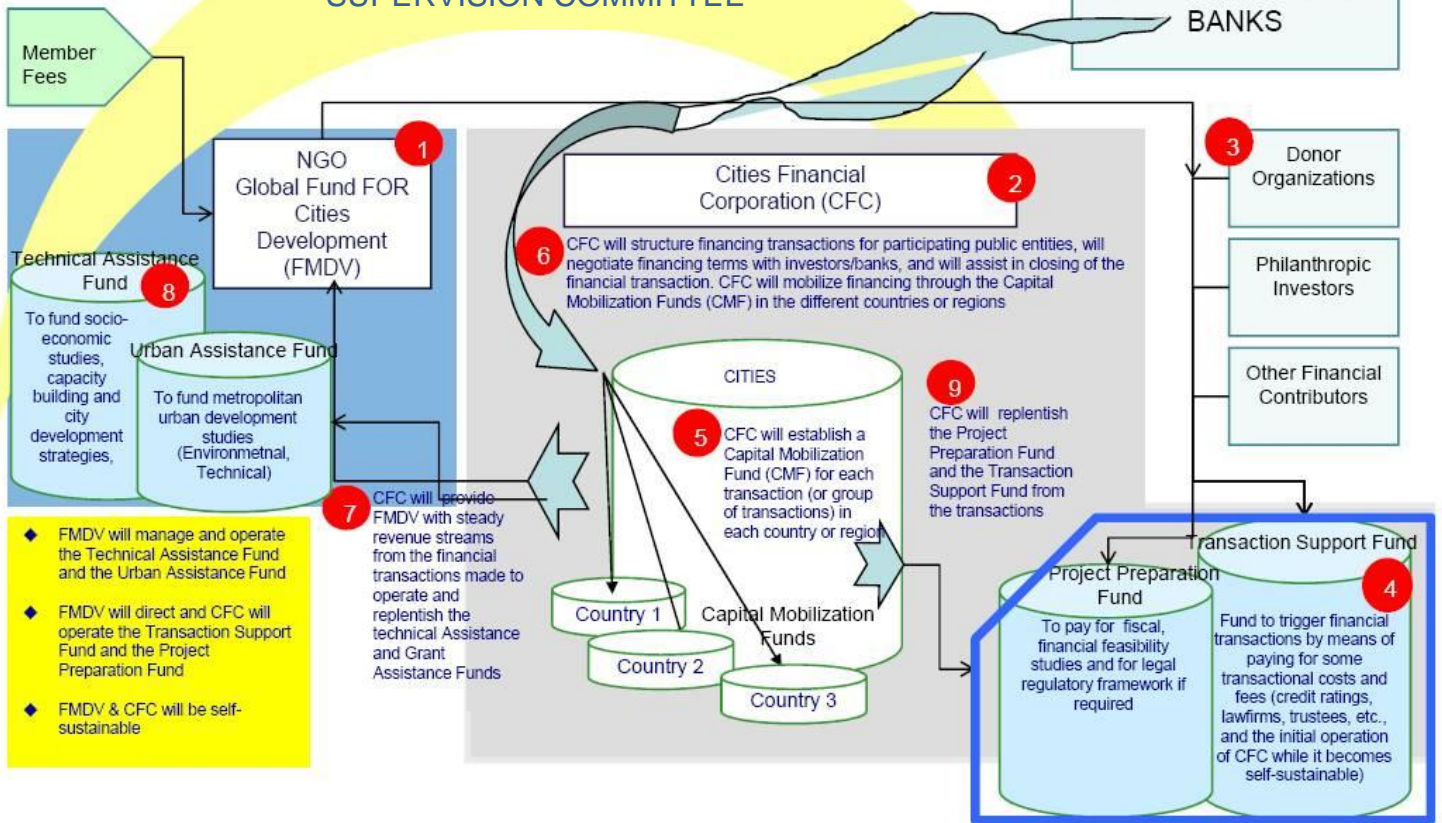
**49. Charts showing the organisation between the FMDV and CFC**

Summarizing...  
 An Innovative Partnership Between an NGO and a Financial Advisory Firm



# FMDV/EDI SUPERVISION COMMITTEE

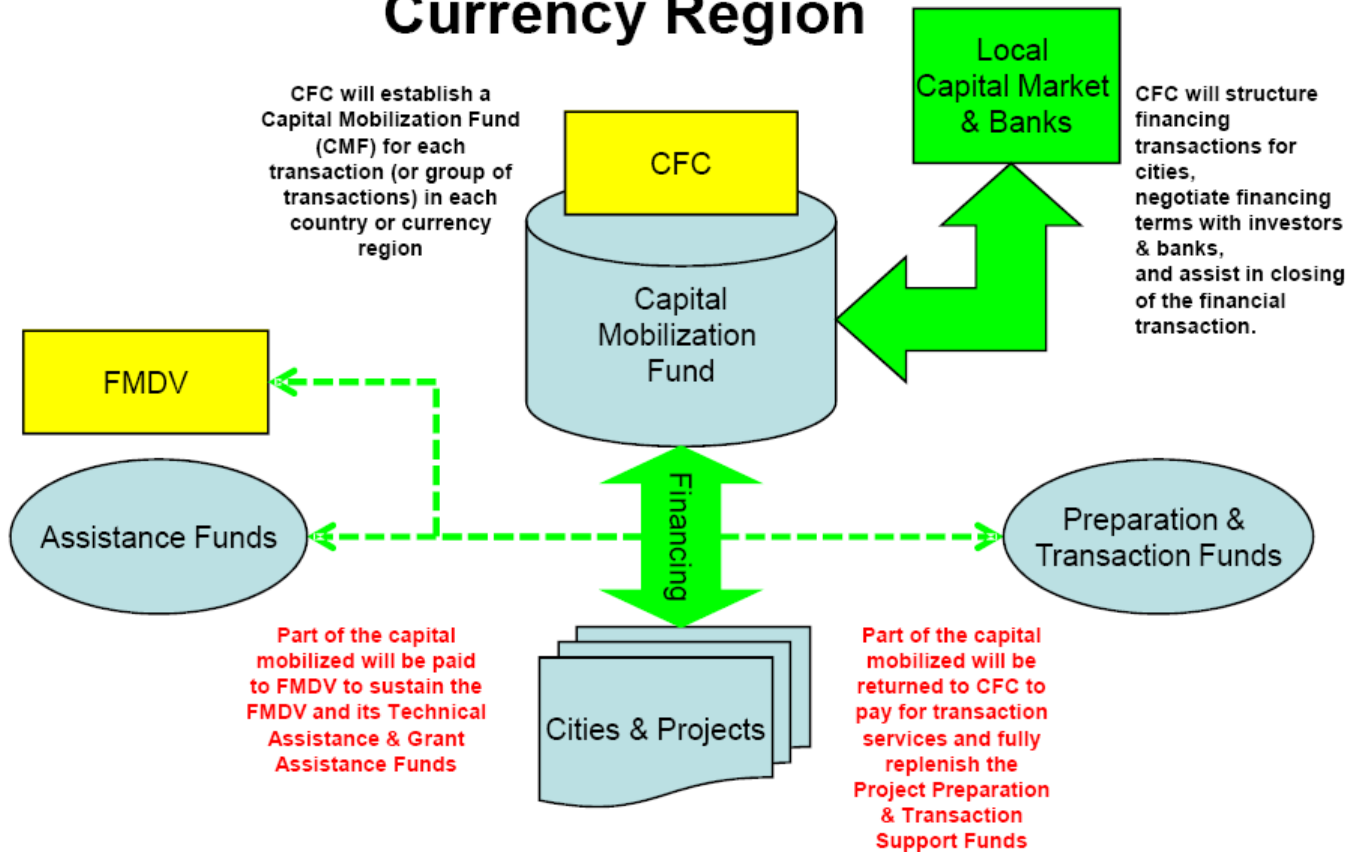
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# FMDV - CFC

## Mobilizes Financing through a Capital Mobilization Fund in each Country or Currency Region



## IV. AUTONOMOUS FUNDING OF THE FMDV AND OF CITIES FINANCIAL CORP. (CFC)

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### 50.

The revenue generation rule that is adopted consists in funding the activities of the FMDV and of CFC from pay for market activities. For CFC, a financial company focused on funding schemes and systems, the approach is quite normal. For the FMDV, it is a choice that is considered as necessary in view of the limitedness of the own resources of the founders, the local authorities. At the same time, it is justified because it brings added value improving the quality of the choices and decisions made by the various stakeholders concerned by urban development and therefore requiring direct or indirect remuneration. Such stakeholders are institutional investors seeking secure long-term funding, financial backers faced with requirements for efficiency in action for combating poverty and for protecting the environment, and who need assessments and methods for new action, and also economic and social users of the city who do not have much visibility on the opportuneness of and on return on investment in the city.

### 51.

The estimated budget for the FMDV, for the first three years in activity is about 3.4 million euros. The estimated budget for CFC for the first three years is 3 million euros. The cautious working assumption adopted considers that funding will be by the activity of the FMDV being subsidized by its founders for the first three years, that period being necessary in order to reach a volume of business of 350 million euros, including 100 million on the markets. The same assumption naturally applies to CFC which will be funded by a capital advance from EDI.

### 52.

As from this “funding floor” volume, that is renewable every 3 years, financial equilibrium is secured for the FMDV and for CFC each by their own activities. Beyond that volume, and after having paid off the advances, the business goes towards the technical assistance fund, the financial feasibility fund, and the project preparation fund.

### 53.

This approach results in the existence of a close link between firstly the level of the contributions from the members for funding the budget of the FMDV for the first three years and secondly the compiling of the project portfolio. In order to lighten the burden on budget subsidies, the FMDV should in all logic select more broad urban development projects and programmes from metropolises in emerging countries in the early years in order to build up reserves enabling it then to take charge, in the best possible situation, of more projects and programmes from poor cities.

### 54.

At the same time, the FMDV and EDI wish to develop their financial expertise more rapidly than at the planned three-yearly rate in order to mobilise resources from business before the end of the period.

The quicker the founder members compile the initial portfolio of projects, the quicker the FMDV will be able to survive and to deploy itself on its own resources. The various “workshops” for preparing for the Founding General Meeting have been organised in particular with this aim in view.

For example, the resources will be generated rapidly on the basis of a large transaction that could be achieved by grouping together several project applications into an economic interest group. The specifications, bridging accounts, and approvals city-by-city can be put together within a lead time of eight months as from the date for submitting project bids.

**55.**

During the period until the Founding General Meeting of October 2010, it will be fundamental to identify and to confirm the firm commitments to be made by member local authorities for launching the projects.

**56.**

With respect to its “Development Agency” partners, the FMDV also wishes to do work generating its own resources on the basis of assessments and surveys on urban development and on funding therefor that those partners might entrust to it. Three sources will be used:

- Funding allocated for local authority capacity-building studies provided in the programmes and projects,
- Donations and easy terms granted by public and private cooperation along these lines, which will be housed in dedicated funds,
- Earnings arising from market activities to attract capital.

**57.**

Therefore, the FMDV should have as its strategy:

- Equalising payments between activities coming from those urban programmes that possess financial capacities and those that do not;
- Helping poor cities to mobilise the necessary resources with a view to creating a process to diversify transitional economic activities while ensuring the emergence of solvent demand for urban services.