

**Workshop on stakeholder engagement –  
Decentralised cooperation and finance as effective means to assist Member States in the  
implementation of the Paris agreement**

Draft submission by UCLG- United Cities and Local Governments and PLATFORMA – Council of European Municipalities and Regions, on decentralised finance, cooperation and partnership between territories

The adoption of the Paris Agreement on climate was accompanied by an impressive mobilisation of non-party stakeholders: local and regional governments, civil society organisations, academia, private sector etc. In particular, the mobilisation of local and regional governments before, during and after COP21 has been particularly instrumental, and the contribution of cities to the climate objectives have been widely recognised by the international community.

This submission aims at addressing the role of decentralised finance as well as decentralised cooperation as effective means in the process of the implementation of the Paris Agreement (and also to the SDGs in particular SDG13 and SDG17), analyse practices, and formulate recommendations on how to increase decentralised partnership for climate.

**Decentralised finance for climate action**

In line with the powers that are devolved to them, local authorities are taking on increasing responsibility for strategic social, economic and environmental investments. In OECD countries, they provide, on average, 70% of public investments. However, in many developing countries, decentralization processes are not mature enough to finance ambitious investment schemes necessary to meet the challenges they face. In most cases, local governments have responsibility for sectors related to climate change adaptation, such as water and sanitation, disaster risk management or urban development regulations, but they do not have the necessary financial resources to make the necessary long-term investments in these areas. Yet, investments in mitigation and, even more, in adaptation, not only provide low-cost solutions to climate-change, but can also stimulate local economies through a more efficient use of natural resources, ensuring sustainable access to energy, generating jobs and increasing household revenues. Local authorities are able to make the investments revolve for the long-term sustainable development objectives and thus keeping the resources within local communities. When finding appropriate support for launching financing schemes, the local authorities can act as catalysts for unlocking the potential of its citizens (soft loan schemes, green bonds, cooperative models) and private sector (EPC facilities,...)

Furthermore, local authorities can tackle the financing needs of both adaptation and mitigation measures holistically in order to become self-sustaining in obtaining the different policy objectives. This means, more profitable investments such as energy efficiency in the public building or lighting stock can balance the less bankable projects in, for example, drought communication systems and water retention/dams.

Funding opportunities exist from public (international donors, multilateral and bilateral banking institutions) and private stakeholders (banking sector, companies and households), but they remain inadequate to meet investment needs. For instance, there is over-liquidity in the commercial

banking sector in Africa, due to a lack of bankable projects and guarantees for investors. Yet, these resources are not adequately directed towards territorial investments. Whereas African cities' economic importance approaches 51 billion dollars, they have an investment capacity estimated at barely 8.7 billion dollars. In general, technical assistance is needed for local authorities to move from a grant mentality to a financial instrument mentality. Local authorities have many potential projects but they are not yet investment-ready. They need more capacities to carry out the feasibility studies and business modelling. If we are serious about tapping into the local potential, the local authorities should be supported in bridging the gap between their local climate and energy plans and adequate financing solutions.

### **Decentralised cooperation**

Local and regional governments are not only active in their territories. Sub-national governments have a long track of international action, through peer to peer exchanges, city to city cooperation, and decentralised cooperation. During the last decades, as a result of decentralization processes in a majority of countries, the emergence of local elected authorities has been accompanied by increasing exchanges between cities and territories from all regions. **Decentralized cooperation has become a lever for the development of local and sustainable actions.** This new approach may bring climate action closer to the people, enhance local ownership and accountability, involving local institutions and local actors, giving greater value to local knowledge, participation and community actions. It is often seen to be the best investment in "capacity development.". The role of central government can contribute to the development policy process by providing an enabling environment for local authorities and actors to exchange and support more bottom-up development approaches.

During the last decades decentralized cooperation have evolved from traditional North-South to South-South exchanges (e.g. direct exchange between Brazilian cities and cities in South Africa and Mozambique on sustainable development). Global networks of cities have been particularly active in supporting city to city cooperation for environment and climate change (e.g. ICLEI, UCLG). Metropolitan cities have created strong peer to peer mechanisms to exchange and review climate change mitigation policies (e.g. C40). Regions have been particularly active in promoting direct cooperation on climate action – learning, feasibility studies, financing, monitoring- (e.g. R20, NRG4SD).

These experiences contribute to the Global Partnership and to the fight of climate change as a global challenge. This was recognised in the Lima-Paris Action Agenda "A 5-year vision"<sup>1</sup>: "Support the exchange of knowledge and technology transfer between cities and regions around the world, including through decentralised cooperation."

---

<sup>1</sup> <http://newsroom.unfccc.int/media/544092/lpaa-five-year-vision.pdf> p4; 12/2015