

10 November 2020

Submission to the UNFCCC Standing Committee on Finance

Call for Evidence: information and data for the preparation of the 2020 Report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

In response to the “Call for Evidence: information and data for the preparation of the 2020 Report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement”, ICLEI in cooperation with the Partnership for Collaborative Climate Action (PCCA) has designed this submission on processes and approaches utilized for the determination of needs of developing country parties. In addition to observations and recommendations for enhanced multi-level governance and enabling environments for accessing climate finance, the submission includes examples of the benefits of involving subnational levels in the Nationally determined contributions (NDC).

The critical role of subnational level and multi-level climate governance

Encompassing 55% of the world’s population, accounting for 80% of worldwide GDP and for around 75% of the global carbon emissions, cities are catalysts of climate change, and also present important potentials for change.¹ Subnational actors are paramount to achieving climate change mitigation and adaptation activities, and many local and regional governments act as frontrunners in their respective countries.

In spite of being in the front line of climate action, more than USD 1 trillion is missing each year for urban investments; and the needs, for the coming decades, are projected to amount to several trillion dollars², calling for an action to be ramped up at all levels of government, including local, regional, and national.

Although in recent years, significant strides have been made with regards to availability of climate finance, accessibility of those funds remains limited particularly for the subnational level. Even though the climate finance system increasingly engages with subnational actors, funding still follows a logic of distribution to national governments³. Most local governments have no direct access to these or any other international finance.

Local governments struggle to develop financially attractive, bankable projects, which would require that they among others have:

- the necessary institutional and regulatory environment in place;
- financial and technical capacity for project development;

¹ CUT, 2019: <https://urbantransitions.global/wp-content/uploads/2019/09/Climate-Emergency-Urban-Opportunity-report.pdf>

² CCFLA, 2018: <https://www.citiesclimatefinance.org/2018/07/release-of-project-preparation-report/>

³ ODI, 2015: <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9660.pdf>

- studies that quantify the climate change impacts which can provide justification of why their project proposals offer appropriate responses to climate change mitigation and adaptation;
- proper budget calculation considering different mechanisms and proving revenue generation/saving potential.

To determine country needs, the local level is well-suited to support the national level. First, the identification of objectives and key areas where investment is necessary can best be carried out by the government level which is “on the ground”. If, in a structured process, local and regional government levels report to the national level their goals for climate change mitigation and adaptation, a fuller picture becomes available to policy makers. At the same time, gaps in the communication between government levels would be identified and could be closed with adequate reporting and capacity building measures.

The example of successfully involving subnational actors in a national process: NDCs

More than half of the countries receiving support under the Climate Action Enhancement Package (CAEP), an initiative of the NDC Partnership, have requested support for the inclusion of subnational government levels in climate action planning.⁴ Roughly 40 per cent of these requests were related to finance, the development of bankable projects being an important subcomponent. While national government is usually responsible for developing, accessing finance and monitoring NDCs, the bulk of implementation will occur at a local level. Therefore, subnational governments have a crucial role in understanding and implementing the NDCs.

Subnational government authorities are often understaffed, yet dealing with a wide range of agendas and priorities coming from higher levels of government, and not always in a clear manner. Subnational authorities, especially in the Global South, have limited capacity for development planning and implementation, with the integration of climate change considerations presenting an additional challenge. There is a need for effective communication of the NDCs to a local level and ensure subnational authorities are involved in revising the NDCs.

An advantage for countries in engaging subnational government levels with regard to finance are the co-benefits that could arise with NDC development and updating. National governments, who are responsible for the planning process, can access new information and increase ownership of the NDC across government levels, which in turn facilitates its implementation.⁵ In addition, for countries lacking a coherent national policy framework which hinders the identification of needs to implement the Paris agreement, subnational actors can step in and can help to develop and drive national policy.⁶ By formulating their needs, subnational actors can put pressure on the national government to offer support programs and create an enabling environment that could unlock and accelerate finance flows for sustainable urban development. At the same time, with the engagement and representation of the local

⁴ GIZ, 2020: <https://collaborative-climate-action.org/wp-content/uploads/2020/07/Recover-Green-Higher-NDC-Ambition-through-CCA.pdf>

⁵ WRI, 2017: https://files.wri.org/s3fs-public/WRI17_NDC.pdf

⁶ Hickmann and Stehle, 2018: <https://journals.sagepub.com/doi/pdf/10.1177/1070496518819121>

and regional levels, the national government gains a stronger mandate to formulate the needs of the country to international stakeholders such as international climate funds and multilateral development banks.

Selected country experience

Rwanda

One case in point for the benefits of engaging subnational government levels in the planning and implementation of NDCs can be seen in the revised Rwandan NDC, published in spring 2020. One goal of the revision was to include all stakeholders for improved data collection, technical analysis and a better stakeholder engagement. A list of mitigation and adaptation options, including access to finance, was created in an inclusive process, drawing on existing commitments (INDC) as well as national and subnational government programmes followed by stakeholder workshops to refine and finalise the list. The evaluation was then carried out according to Rwandan national policy objectives, the best options being chosen based on indicators, milestones and targets.

Zimbabwe and Malawi

Through the IMPACT Project⁷ and the NDCP CAEP work in both Zimbabwe and Malawi, it has become clear that in order to find solutions to the complex and multi-dimensional sustainability challenges faced by cities in the respective countries, a multi-level governance approach is required. To effectively harness these relationships for inclusive governance and decision-making that builds local level climate resilience effective mechanisms for collaboration are needed.

Additionally, there is a need for different levels of government to align their efforts in order to achieve maximum effectiveness and implement their NDCs. If decisions are being made at the local level that do not align with the overarching national climate change policy framework, then subnational governments authorities are effectively failing in their duties to advance a transition to a climate resilient future at the local level.

Conclusions and recommendations

Subnational actors playing a pivotal role in a low emission and climate resilient development, the determination of the needs of developing countries shall take into consideration and incorporate the experience and data gathered at local level.

Multi-level governance is critical to achieve the global goals defined by the Paris Agreement and the Sustainable Development Goals, as well as to close the climate finance gap. Through the localization of NDCs subnational actors can identify needs in their context and channel them to the national

⁷ ICLEI, 2020: <https://africa.iclei.org/project/impact/>

government, which can in turn present shovel-ready projects to international stakeholders and re-evaluate national policy accordingly.

To date there is neither a clear definition nor coordinated tracking of subnational climate finance⁸, which undermines monitoring towards the Paris Agreement as well as evaluation and learning.⁹ The SCF is well positioned to commit to measure and track existing and future investments under a common and coherent protocol for defining urban climate finance.

Access and availability of data – particularly at the local level - is also essential for developing and implementing climate mitigation and adaptation strategies and providing evidence that there is a need to increase support for local climate action.

⁸ First effort in this regard is made through the UN SG Summit Initiative Leadership for Urban Climate Investment (LUCI) that focuses with one activity on the development of a methodology to track subnational climate finance flows. This activity is currently led by CCFLA (CPI and OECD; work in progress). The CCFLA State of Cities Climate Finance Report, together with World Bank, will provide a first foundation to develop such a methodology; the report is to be published in Q1 2021.

⁹ OECD, 2018: <http://www.oecd.org/cfe/Financing-Climate-Flyer.pdf>