EU Policy and Support for Climate Finance for Sustainable Urban Development

The Author

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Acronyms

ACP	African, Caribbean and Pacific states
ADB	Asian Development Bank
AIMF	Association Internationale des Maires Francophones
ALGA	Association of Local Government Authorities (of Jamaica)
CALGA	Caribbean Association of Local Government Authorities
CEMR	Council of European Municipalities and Regions (UCLG)
CLGF	Commonwealth Local Government Forum
COP	Conference of the Parties (UN)
CSO	Civil Society Organisation
ECDPM	European Centre for Development Policy Management
EFSD+	European Fund for Sustainable Development Plus (EU)
EIB	European Investment Bank (EU)
EU	European Union
FSLGA	Federation of Sri Lanka Local Government Authorities
ICLEI	Local Governments for Sustainability
INTPA	Directorate General for International Partnerships (EU)
IPCC	Intergovernmental Panel on Climate Change (UN)
KiLGA	Kiribati Local Government Association
LGMA	Local Governments and Municipal Authorities constituency (at the UN)
MFF	Multiannual Financial Framework (EU)
MIP	Multiannual Indicative Programme (EU)
NDC	Nationally Determined Contribution (on climate change action)
NDICI	Neighbourhood, Development and International Cooperation Instrument (EU)
OACP	Organisation of African, Caribbean and Pacific states
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
RALGA	Rwanda Association of Local Government Authorities
SALGA	South African Local Government Association
SDG	Sustainable Development Goal
SURGe	Sustainable Urban Resilience for the next Generation programme
TALD	Territorial Approach to Local Development
TEI	Team Europe Initiative (EU)
UCLG	United Cities and Local Governments
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

WASH	Water, Sanitation and Hygiene (project)

Executive Summary

Climate Change, Urbanisation and Local Government

This paper investigates how local government, primarily in developing countries, is able to access climate finance required for sustainable urban development and reaching Zero Carbon targets with special reference to securing development finance from the European Union, EU. It examines how cities, local, and regional government play a key role in sustainable urbanisation and managing the effects of climate change, highlighting that cities consume two thirds of the world's energy supplies and account for 70% of global C02 emissions. It demonstrates the serious impact of climate change on urban areas and the international responses to this, noting that the 2022 COP27 for the first time convened a city/ministerial-level meeting on sustainable urbanisation.

Turning to the scale of climate funding requirements, the paper points out that Greenhouse Gas Emissions in cities can be reduced by almost 90% by 2050 with technically feasible, widely available methods. However, to accomplish this and reach Zero Carbon, a staggering US$4.5- $5.5 *trillion* in annual urban climate finance flows is required. In contrast, actual climate finance flows only amounted to $384 billion in 2017/2018, mostly for climate mitigation measures.

A mere $4 billion of funds went to South Asia and only $3 billion to sub-Saharan Africa, underlining the massive climate finance requirement gap faced by developing countries. Yet global Covid commitments of $11 trillion spent in urban areas in 2020 shows that resources can be mobilised if the political will exists. There is a brief examination of climate finance and international development funds currently available to local governments.

A consideration of the EU's Global Europe climate funding opportunities follows, the EU and its Member States are the biggest provider of aid, amounting to 43% of global ODA.[1] Of the new Global Europe budget 2021-2027 of nearly €80 billion, a minimum 25 % of this is earmarked for climate finance. It should be recalled that the EU has recognised local authorities as actors in development, including within the formal provisions of the EU Partnership Agreement with the Organisation of African, Caribbean and Pacific states (OACP), and is looking to work with local government as partner.

The paper identifies EU climate finance opportunities for local government and the modalities and instruments involved, underlining the new 'Team Europe Initiatives' (TEI) bringing together EU, Member States and other funding partners around core priority areas and the Green Deal. It also looks at how the EU wants to attract private sector investment for green projects under the European Fund for Sustainable Investment Plus (EFSD+).

The EU multi-annual indicative programmes 2021-2027 for four Commonwealth countries (Rwanda, South Africa, Sri Lanka and Jamaica) and for one region (the Pacific) are reviewed in order to determine the extent of climate finance allocated, the mechanisms entailed and the extent to which local government is, or could be, directly involved in implementation. In this context the views of the responsible local government associations are reflected.

A final section provides practical recommendations on how local government, supported by the Commonwealth Local Government Forum and other partners, can access climate finance, notably from international development organisations, including the EU, drawing on the evidence gathered in the paper. It points to both challenges and opportunities for local government and seeks to provide helpful but realistic guidance to local policy makers on how they can secure the vital resources to tackle the Climate Emergency, reach Zero Carbon and ensure sustainable urbanisation.

Cities and the Climate Emergency

Throughout the Commonwealth and globally cities and urban areas are the biggest emitters of carbon and thereby key contributors to Climate Emergency. The Intergovernmental Panel on Climate Change, IPCC noted already in 2014 that urban areas host over 50% of the world's population and are the site of most built assets and economic activity.[2] By 2050 the urban population is expected to increase by 2.5 to 3 billion and reach two-thirds of the world's population. For the next three decades, nearly 70 million residents will move to urban areas every year; the majority of these will live in small to medium sized cities in the developing world.[3]

Urban and industrial systems are interlinked through many connections and interdependencies, including economic activity, tax income and employment; the necessary materials for mobility, housing, buildings and food all create connections and dependencies between cities and industry. An industrial-urban symbiosis exists where urban areas are connected to industrial parks and/or clusters within their boundaries for example through the exchange of heat, waste, materials or water.[4]

Cities, with their high concentration of population, industry and infrastructure are estimated to consume two thirds of the world's energy and to account for 70% of global CO_2 emissions.[5] Buildings are responsible for a third of global energy consumption and the IPCC estimates that by 2050 the global building stock will need to have 80-90% lower emissions than 2010 levels to achieve a 1.5 degree Centigrade consistent pathway; this will require a minimum 5% rate of energy retrofits of existing buildings in developed countries, as well as all new buildings being built fossil-fuel free and near-zero energy. Likewise, by 2050, the IPCC calls for 30% reduction in energy use from transport and for renewables to supply 70-85% of electricity.

Impact of Climate Change on Urban Areas

Accordingly, cities and urban areas, including many intermediate cities, not only global mega-cities, will suffer most from the many negative effects of global warming. Given that many cities are located in low-lying coastal areas or on tidal river basins, rising sea levels will present massive problems, threatening to flood and displace large numbers of urban dwellers and play havoc with economic activity. Flooding will be accompanied by related problems such as an increase in vector-borne diseases eg. malaria and dengue fever.

Higher temperatures will expose vulnerable populations, especially the elderly, to health issues and an increase in death rates, as can be seen whenever abnormal heat waves occur. The spiralling temperatures and extreme climate conditions experienced in many countries in 2022 shows that climate change is happening now. Current urban infrastructure, such as offices and public transport, as well as private homes, are not geared to cope with such extremes and would require much adjustment.[6]

There are many related issues such as water supply shortages as happened in Cape Town in 2020. This is quite apart from the wider impact of climate change on ecosystems, biodiversity and farming/fishing, compromising the food security of urban populations and provoking potentially large-scale migration flows to cities from increasingly unproductive and inhospitable rural areas. This and many other challenges, well documented by the IPCC, will affect all countries, but especially the more vulnerable developing countries. Those most hard-hit in the first instance are low-lying small island developing states in places like the Pacific, many of which are Commonwealth member states.

Limiting carbon emissions and reaching for Zero Carbon in cities and urban areas is therefore vital to reaching the Paris target of avoiding global temperature rise of no more than 1.5 degrees centigrade. At the same time the issue of preserving biodiversity is intimately linked to the goal of Zero Carbon and many cities are now developing parallel strategies to address the preservation of biodiversity in line with the work of the UN Convention on Biological Diversity.[7]

International responses to Local Government tackling Climate

Change

Throughout the world, cities and local governments have declared climate emergencies and are taking action to reduce emissions of greenhouse gases with a view to attaining Zero Carbon, ideally by 2030 but no later than 2050. This follows international recognition of the importance of cities and local governments as key actors in addressing climate change.

At international level organisations like CLGF, United Cities and Local Governments (UCLG), PLATFORMA/CEMR and Local Governments for Sustainability (ICLEI) have addressed the issue of climate change and provided relevant advice to their members.[8] Through the Global Taskforce efforts, led by ICLEI, they have also taken an active part in the annual Conference of the Parties, COP of the UN Framework Convention on Climate Change, UNFCCC.[9]

In addition, a number of global local government organisations have been established which explicitly deal with climate change and climate finance. These include the Global Covenant of Mayors with over 6,000 city members, the Covenant of Mayors in Sub-Saharan Africa and the C-40 Group of some 100 global cities. Other important bodies include the Cities Climate Finance Leadership Alliance (of which CLGF is a member).

At the 2015 Paris Conference, a gathering of mayors and local leaders from across the world, including the Commonwealth Local Government Forum, CLGF, met and pledged local action to address climate change. The 2015 ***Paris Agreement*** itself explicitly refers to *'all levels of government'*, embracing sub-national government, local and state/regional, as well as national as a partner in tackling climate change.

This inclusive governance terminology mirrors the wording embraced in the ***2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs)*** as well as in other international statements such as the ***Sendai Framework*** for disaster risk reduction. SDG13 deals with climate change, but many other SDGs have a direct link to climate action. Thus SDG 11 on inclusive, safe, resilient and sustainable cities and human settlements explicitly deals with sustainable transport, the environmental impact of cities, eg air quality, waste management and building sustainable and resilient buildings. In this context, the OECD and others have pointed out at least 100 of the individual 167 SDG targets require implementation at local, not national, level, as part of what is often termed the 'localisation of SDGs'.[10]

The 2015 ***Commonwealth Leaders Statement on Climate Action*** made reference to *'local, national and regional governments'* (paragraph 11). This multi-level governance strategy and the associated concept of the territorial approach to local development (TALD) has become integrated into the operational work of many intergovernmental organisations, of which the European Union is a foremost example.[11] In Glasgow, moreover, the 2021 Conference of the Parties (COP27) embraced the concept of *'multi-level'* government climate action, embracing local and regional government's role. In consequence there are growing efforts to include local and regional climate commitments in the UNFCCC's Global Stocktake of Nationally Determined Contributions (NDCs or national climate action plans to cut emissions or adapt to climate change).

The close relationship between climate action and urbanisation is receiving ever more attention, for example through the G7 countries, which in 2022 commenced meetings addressing this area. Likewise, Commonwealth leaders, meeting in Kigali in 2022, adopted the Declaration on Sustainable Urbanisation which inter alia emphasises *'that urban areas are a key contributor to rising greenhouse gas emissions and that cities are also where many of the solutions to climate change will be realised'. It further agrees to 'support cities, municipalities, and other urban authorities to mobilise resources to develop comprehensive, scalable programmes to address key challenges of sustainable urbanisation and build climate resilience to reduce risk and vulnerability'*.

A further stage of recognition of the role of cities and local government took place at COP27 in Sham-el-Sheikh in November 2022. While previous COPs, including in Glasgow 2021 have discussed the role of cities and climate change, COP27 for the first time included a high-level meeting between city leaders and ministers of urban affairs on urbanisation and climate change. This saw the launch of a new UN Habitat /ICLEI coordinated Sustainable Urban Resilience for the next Generation programme (SURGe) which will address issues of buildings & housing, urban energy, urban waste and consumption, urban mobility, urban water. It is hoped that this Ministerial meeting, attended by the Local Government and Municipal Authorities (LGMA) at the UN will become a regular feature of future COPs.

Options for Securing Climate Finance

Funding Requirements for Sustainable Urbanisation and Zero Carbon

Greenhouse gas emissions in cities can be reduced by almost 90% by 2050 with technically feasible, widely available methods, potentially supporting 87 million jobs in 2030 and generating a global economic dividend of $24 trillion.[12] Moreover the International Finance Corporation IFC estimates that urban sustainable investment opportunities in six sectors (waste, water, renewable energy, electric vehicles, public transport, green vehicles) in emerging markets alone amounts to $ 2.5 trillion annually through to 2030.[13]

It is apparent that green investments, notably infrastructure and service provision, whether directed at climate adaption or climate resilience, require a huge amount of climate finance and this must come from both the public and the private sectors. It is estimated that urban climate finance flows require a staggering $4.5- $5.5 *trillion* of investment annually. In contrast, actual climate finance flows only amounted to $384 billion in 2017/2018. Of this total, $161 billion was for urban green buildings and appliances and $147 billion was for urban sustainable transport. The split between private including household finance and public finance amounted to 35% ($136 billion) and 22% ($84 billion). 45% ($163 billion) was not identified, only highlighting the inadequacy of existing data sources.[14]

An important conclusion arising from the available 2017-2018 data is that the bulk of urban climate finance accrues to OECD countries and China.
Of the total $384 billion mere $4 billion went to South Asia and only $3 billion to sub-Saharan Africa. This underlines the massive climate finance requirements of developing countries. Even the UNFCCC commitment of €100 billion annually would not remotely meet these needs, and this is why, as was discussed in Glasgow in 2021, the private sector needs to marshal trillions of dollars of funds to reinforce public funding and investment.

Another issue to note is that the amount of urban climate finance directed at climate mitigation, aimed at reducing or avoiding emissions, is much larger ($375 billion) than that supporting climate adaptation or seeking to address resilience to climate-related risks ($7 billion). Mitigation investment in low-carbon transport amounted to $202 billion (53%) and the building sector $167 billion (44%). In the case of adaptation, water and wastewater projects dominated.

The issue of how cities and local governments can leverage private finance for climate action, notably in partnership with business, international financial institutions and national development banks is critical. This is something addressed in a recent CLGF/Overseas Development Institute paper which made the case for 'doubling down' on existing policy initiatives for cities to achieve scale and close funding gaps; create a collective city-focused fund for Commonwealth cities; and tap into new city-aligned green bonds and carbon credits.[15] Some of these options are already available to some larger cities but much less so in smaller, secondary cities, especially in the small states of the Caribbean, Pacific and Indian Ocean which would benefit from a collective, Commonwealth approach.

It needs to be emphasised that the above statistics vary considerably across different countries. They also cover a period when the growth of urban climate finance, including for adaptation was still at a relatively early stage. They also do not take into account the impact of recent global shocks on the global economy. The post-Covid-19 economic strategies offer an opportunity to promote an inclusive, green and resilient recovery and show huge amounts of resources can be mobilised if the political will is there.[16] Of the US$ 20.5 trillion pledged for Covid relief globally in 2020, $11 trillion was earmarked in part or wholly for urban areas; however, 80% of this total is for shortterm liquidity relief, not infrastructure, and most allocations went to developed economies.[17] These imbalances need addressing.

Likewise, the spiralling global energy costs, triggered by the 2022 invasion of Ukraine, could potentially provide impetus to shift to the production of more sustainable forms of energy like solar and wind. Further accelerating climate-friendly solutions such as investment in building insulation and electric forms of transport. However, this assumes governments do not succumb to reverting to fossil fuels in their short-term response to current energy shortages.

Climate Finance and International Development Funds

The scale of urban climate finance requirements, especially for developing countries, puts the limited amount of development funding currently available into perspective. It also links closely with the wider but related issue of funding sustainable cities and implementation of the SDGs. As with developmental funds generally, the bulk of finance will need to come from domestic public finances and the private sector including also individual household expenditure. The latest OECD analysis shows that only €83billion of the $100 billion pledged globally had been met by 2020; 83% of this came from public sources and 71% of the total was in the form of loans and only 26% in grants.[18]

The extent to which climate finance accrues directly to subnational government including cities will depend a great deal on the enabling environment, especially the degree of administrative and fiscal decentralisation in a particular country. The greater the decentralisation, the more direct access subnational government will normally have to finances, although domestic political considerations may still restrict the ability of subnational governments to access certain sources such as external donor support or the capital markets.

Nonetheless external donor support to climate finance, which is a particular focus of this study, represents a growing and potentially strategic source of support for subnational government. The EU, which is dealt with in the next section, has earmarked 25% of its new 2021-2027 development budget of €79.5 billion for climate action and is prioritising this in its national programming; it is also one of the main agencies open to actively engaging with subnational government.

ICLEI, C40 Cities and other partners have produced helpful inventories which list major bilateral and multilateral donor organisations offering funding for climate and related support actions such as safeguarding biodiversity.[19] These include the Adaptation Fund, the Asian Development Bank (ADB) and other development banks, the EU, the Green Climate Fund, UN Capital Development Fund (UNCDF), UN Habitat and the World Bank. Some of these like the ADB, UNCDF and World Bank have specific programmes providing climate finance and related support including technical assistance to cities and local governments.

However, many of these development funds are only accessible via national governments or private sector partnerships. They also normally require considerable know-how and expertise on the part of local governments to produce bankable projects. This is especially a problem for less capacitated local governments in developing countries.

European Union Support for Climate Change

EU Green Deal and Global Europe

The 2020 ***EU Green Deal***[20] makes an EU-wide commitment to climate neutrality by 2050, involving a 55% reduction of greenhouse gas emissions by 2030 compared to 1990 under its 2030 Climate Action Plan. Significantly it earmarks at least 30% of its €1.8 trillion NextGeneration EU Recovery Plan and 2021-2027 Multiannual Financial Framework (MFF) to 'climate-related spending'. It further envisages EU growth decoupled from resource use and pledges that no person or place is 'left behind'.

This new EU focus on Climate Change is reflected in its new post-Cotonou EU external partnership 2021-2027 which is aligned to the commitments and objectives of the 2030 Agenda and the Paris Agreement. EU partnership policies are being implemented under the new unified ***Neighbourhood, Development and International Cooperation Instrument (NDICI)*** or **'Global Europe'**.[21] The post-Cotonou Partnership also places additional emphasis on cooperation at regional level, especially through the Africa-EU Partnership.

NDICI has a MFF budget allocation of €79.5 billion. By far the most NDICI funds are under the ***geographical component*** which amounts to €60.38 billion, of which €41.02 billion is earmarked for OACP and developing countries (other than the European Neighbourhood Countries which receive €19.32 billion). Of the total, Sub Saharan Africa receives €29.32 billion, Asia and the Pacific €8.49 billion and Americas and the Caribbean €3.39 billion.

In addition, there is a smaller ***thematic component*** of €6.182 billion, separate from the geographic allocations. This is to address crosscutting issues: Human Rights and Democracy; Civil Society Organisations; Peace, Stability and Conflict Prevention; and Global Challenges. There is also an additional worldwide ***'Rapid Response'*** allocation of €3.4 billion under NDICI, designed to deal with crisis and other situations, as well as a 'flexibility cushion/reserve of €9.53 billion to address emerging needs.

Global Europe is coordinated by the European Commission's ***Directorate General for International Partnership (INTPA)***. However, the country-level and regional programming and implementation is done by EU Delegations at national level, not Brussels, through ***Multiannual Indicative Programmes (MIPs)*** (in place of the previous national and regional indicative programmes under Cotonou) and are backed by ***Annual Action Plans***. Much of these MIPs for 2021-2027 have now been completed and are starting to be implemented.

The smaller thematic component and relevant Calls for Proposals are overseen by INTPA. The latter includes Directorate F ***'Green Deal and Digital Agenda'*** which addresses climate issues; it includes Unit F4 ***'Sustainable Transport and Urban Development'*** which will include focus on city infrastructure investment.

Local and Regional Government as Actors in Development

In a recent announcement on the operation of the NDICI,[22] the European Commission states that it is moving beyond a traditional developmental approach and will engage with various stakeholders and explicitly local and regional government to *'enable governments and policy makers to define and implement the necessary policy reforms to address challenges and to ensure sustainable development, peace and stability.'*

The ***Partnership Agreement with the Organisation of African, Caribbean and Pacific states (OACP)*** acknowledges *'the role and contribution of local authorities in enhancing democratic accountability and complementing governmental action* (Actors; Article 5.1). It also agrees *'that engagement with …local authorities…is integral to well-informed decision making and to furthering the objectives of this Partnership* (Engagement with Stakeholders, Article 95.1). These legal formulations accordingly provide a clear basis for local government engagement in the Partnership.

This acknowledgment of local and regional government as important actors in development mirrors past recognition by the EU: notably under the Cotonou Agreement and the 2017 European Consensus on Development (and its incorporation of the SDGs including SDGs on cities and human settlements), the 2013 Communication on Empowering Local Authorities in Partner Countries. It is further reflected in specific instrumentalities such as the Framework Partnership Agreements signed with CLGF and other global local government associations, the incorporation of the Territorial Approach to Development (TALD) and earlier Calls for Proposals, for example Partnerships for Sustainable Cities (€164.7 million), the objectives of which included 'improving the resilience and greening of cities'.

EU Climate Finance Opportunities

Climate objectives are integral to Team Europe priorities with the Green Deal being one of five stated priority areas in partner countries; this comprises the circular economy, biodiversity, food systems, water and oceans and, significantly, *'green and smart cities'*. The Partnership Agreement with the OACP has a specific chapter on climate change (articles 57-59). This focusses on the most vulnerable countries, including Small Island Developing Countries, Low-Lying Coastal States, Least Developed Countries and Land Locked Developing Countries, many of which are Commonwealth countries.[23]

There are four broad NDICI themes/focus areas each of which provide significant scope for accessing climate finance with 30-45% earmarked for this purpose:

- Partnerships and dialogue, security, peace and stability, migration and mobility, inclusive economic growth, human development, environment and climate change, rule of law, human rights and democracy good governance, eradicating poverty: *30% for climate objectives*
- Human rights and democracy, CSOs, stability and peace, global challenges: *30% for climate objectives*
- Stability and conflict prevention, strengthening resilience, linked humanitarian and development action, EU foreign policy needs and priorities: *30% for climate objectives*
- Micro-enterprises and SMEs, decent job creation, strengthen public and private infrastructure, renewable energy and sustainable agriculture, digital mobility, climate action and environmental protection: *45% allocated to investments contributing to climate action and environmental protection*[24] In addition, in each partner country the local EU Delegation will engage in 1-2 ***Team Europe Initiative (TEI)*** 'flagship' programmes based around national and strategic priorities. The key innovation here is that in addition to the EU, EU member states, the European Investment Bank EIB and other development banks cooperate together to secure more resources and ensure coordination.

A recent ECDPM study shows that of 158 agreed TEIs, 29% of country TEIs and 26% of regional TEIs relate to Green Deal priorities; however, it is estimated that given the cross-cutting nature of TEIs, 73% touch on the Green Transition. In Africa 67 country TEIs and 13 regional TEIs have been concluded and are now due for implementation. However, ECDPM notes that although TEI's follow partner country priorities, their design has involved little local ownership, even with partner governments, let alone local government or CSOs. ECDPM identifies this as a major shortcoming which needs to be corrected in the TEI implementation phase, including in respect of engagement with local government.[25]

Unlike under Cotonou, there is no dedicated budget line for local authorities, but there is a provision for €50 million to support the ***Framework Partnership Agreements*** with CLGF and other international local government organisations (UCLG, UCLGA, PLATFORMA/CEMR, AIMF) and the EU has made repeated commitments to ensuring that as a minimum 500 million Euros, the same amount spent during the preceding budget cycle, will be dedicated to work with local government through its geographic programming. In addition, during the 2022 signing of the FPAs (September 2022) Commissioner Urpilainen committed that this amount would be spent through local government, which is an important distinction as it is a clear commitment to continuing to empower local government and actively support decentralisation.

There are designated NDICI areas of cooperation which lend themselves directly to securing climate finance. Under the geographical pillar this includes Planet - environment and climate change and under the thematic pillar Global Challenges - People, Planet, Prosperity.

The main opportunities for local governments accessing EU climate finance under the NDICI/Global Europe clearly lie in in the geographical allocations at national and regional level. This means having a close working relationship both with the national government and its responsible ministries, the local EU Delegation, and other stakeholders.

Attracting Private Sector Investment

The private sector can make a massive contribution to sustainable urbanisation requirements and providing climate finance for green infrastructure and services. The NDICI-Global Europe unifies grants, blending and guarantees. This will allow the EU to promote public and private investment to support sustainable development globally, notably through the ***European Fund for Sustainable Investment Plus (EFSD+)*** with €53.4 billion allocated from the geographical pillar. Priority support is to be given to Least Developed Countries.

This Fund is underpinned by an External Action Guarantee which shares the investment risks between the EU, Development Finance Institutions, International Financial Institutions (such as the European Investment Bank (EIB), the European Fund for Reconstruction and Development, the African Development Bank and national development banks) and the private sector. Under what has been termed the ***'Global Gateway'*** It is hoped that this might raise € 300 billion in investments 2021-2027.[26]

The Fund addresses supporting sustainable cities but as it is presently designed is not accessible to local government. It does however potentially offer opportunities for the latter to partner with the private sector in putting forward jointly agreed projects for infrastructure investment, service provision and climate-related projects.

A more targeted programme is the City Climate Finance Gap Fund (€55 million) undertaken by the EIB in collaboration with the World Bank and other partners (including ICLEI and C40). This provides technical assistance and capacitybuilding to support climate-smart planning and investment in cities and can be applied for directly by local governments.

Case Studies

Rwanda (MIP €260m 2021-2024)

Rwanda ranks high on both vulnerability to climate change as well as readiness to improve resilience.[27] Scarce access to land in and around Kigali and weak urban-rural linkages have led to unplanned settlements, exposed to flooding and other hazards. The Government's *Vision 2050* and other policy measures seek to mainstream climate change into all sectors of the economy and places emphasis on adaptation measures, promoting the circular economy, and being a low emission country.

The MIP 2021-2027 has ***A Green Deal for Inclusive Development*** as one of its three priority areas (44% of 2021-2024 allocation).[28] In addition to supporting the agricultural sector it focusses on sustainable urbanisation including through finance and capacity building, notably for *'institutions…steering and coordinating the environment sector'* to promote green change. Its objectives are:

- Strengthening urban governance and management, supporting broad based engagement and inclusive citizen participation in urban processes;
- Improved service delivery at city level for various sub-sectors such as storm water management and flood prevention, affordable housing and informal settlements upgrading, solid waste management, and sustainable urban mobility (including in secondary cities);
- Supporting access to finance for investment in climate-resilient municipal infrastructure and promoting the use of green financial instruments for private sector investments (including green bonds if feasible).

The MIP notes the possible use of blending and financial guarantees under ESFD+ and the importance of encouraging smart cities is recognised in collaboration with other partners; the latter will be supported with €31m 20212024 under a Team Europe Initiative ***'Sustainable Rwandan Cities fit for the Digital Age'***. Among the aims of the TEI are 'knowledge transfer including through city-to-city partnerships and twinning arrangements at local level'. The TEI is expected to involve Belgium, France, Germany, Sweden and the EIB.

The Rwanda Local Government Association (RALGA) is the responsible umbrella organisation for local government in Rwanda. RALGA works with partners and members to balance emissions of carbon dioxide with its removal or to reduce emissions from communities, in a bid to achieve net zero. Rwandan Local Governments and communities are encouraged and supported to use renewable energy (such biogas) and to plant trees, restore wetlands, etc to protect the environment. All these aspects are catered for in the individual *District Development Strategies DDSs* as well as in the *Strategic Plan of RALGA, 2020-2025*. The Strategic Plan is aligned to Vision 2050 being implemented through the *National Strategy for Transformation* (NST1: 2017-2024) and Rwanda's NDC targets.

DDSs integrate SDG implementation including in respect to SDG 11 targets relevant to climate change and local urban land use planning for sustainable management in urban spaces and communities (greening, land use plans, development master plans). The implementation of this goal is jointly delivered, by Districts/City of Kigali and relevant central government institutions.

RALGA has close working relations with relevant government ministries including the Ministry of Finance and Economic Planning (MINECOFIN). It is a member of CLGF and ICLEI, and has engaged with international partners notably on SDG localisation strategies.[29] RALGA has taken a lead role in the COP processes and has good links with the private sector.

RALGA participated in different EU information sessions organised in the process of elaboration of NDICI and MIP and met EU consultants on a MIP appraisal mission in 2021. It has prior working relations with EU member states like France and Germany. Given their know-how in coordinating SDG localisation, which is relevant to strengthening urban governance, improving service delivery and supporting access to climate finance, RALGA and its members such as the City of Kigali, are well equipped to be engaged as MIP stakeholders, including in the implementation of the TEI on Sustainable Cities for the Digital Age.

South Africa (MIP €129m 2021-2024)

South Africa is responsible for over half of Africa's greenhouse gas emissions, mainly due to its heavy reliance on coal with a high level of air pollution. It is also classified as a mega biodiverse country. Its National Development Plan envisages transition to an environmentally sustainable, climate change resilient, low carbon economy and just society; it is a member of the Africa Circular Economy Alliance.

The MIP 2021-2027 has ***Sustainable, Resilient, Transformative and Inclusive Growth*** as one of its three priority areas (€51m 2021-2024).[30] It specifically addresses climate-proof, biodiversity friendly and circular economy initiatives, in line with key SDG targets including SDG 11 (cities/ human settlements) and 13 (climate change). Aims are:

- To promote sustainable, job-intensive and greener economic growth;
- Building resilience and response capacity to Climate Change (and biodiversity)
- Cities as hubs of green and sustainable transformation (renewable energy; water efficiency and reuse; just and inclusive transition from coal mining).

It is proposed to allocate €24m 2021-2024 for blending and guarantees under ESFD+ to support green infrastructure/sustainable energy; ecosystembased approaches, biodiversity, sustainable production, water management and waste; smart solutions; and circular green economy projects led by municipalities and others.

A TEI ***'A Just and Green Recovery'*** (€43m) has been designed to take the MIP objectives forward. It has three pillars: policy reform, unlocking green investments/building a knowledge-based transition (including EU-SA exchanges and peer-to-peer cooperation for local authorities and other stakeholders in areas like climate change). TEI partners are EIB, Austria, Belgium, Denmark, Germany, Finland, Italy, Netherlands, Spain and Sweden.

The ***South African Local Government Association (SALGA)*** is the constitutionallyrecognised umbrella organisation for local government, including the big metro cities like Johannesburg. SALGA has considerable experience in dealing with international partners as well as being the acknowledged counterpart of the national Department of Cooperative Governance and Traditional Affairs, and State Governments.

Specific climate action strategies are drawn up by individual municipalities and these are coordinated with the national Climate Change Response Strategy; municipal climate plans are aligned to the Paris climate goals and South Africa's NDC targets. SALGA has been providing support, notably under the *Let's Respond Toolkit and the Local Government Climate Change Support Programme* and is developing a framework addressing the needs of women and vulnerable groups pertaining to asset management and climate change adaptation. SALGA has also been actively engaged in the COP processes.

SALGA works with key Government departments on climate issues and has engaged with the *South African Presidential Climate Commission's Just Energy Transition (JET)'s* financing package. This was also used to formulate a local government position in the utilisation of the climate financing packages for local government. It is a member of CLGF and works with international partners on climate change and is beginning engagement with private sector partners on collaboration to build local infrastructure for to climate-related investments.

SALGA was consulted on the MIP formulation in respect of PA 1: Sustainable, resilient, [transformative] and inclusive growth/SO3:
Cities and hubs of green and sustainable

transformation supported; and PA 2: Addressing Inequalities/SO2: Service delivery improved, notably through digital and innovative solutions. It further has working relations with EU member states like Germany. South African local government through SALGA is accordingly well placed to be integrated as a full partner in the implementation of the MIP and the TEI on A Just and Green Recovery, including in respect of ESFD+ blending and guarantee initiatives.

Jamaica (MIP €30m 2021-2024)

Jamaica is prone to natural disasters, hurricanes and tropical storms estimated to have cost $984m between 2000-2017 and to have hit the poorest in society most. The resulting poverty can often lead to increases in unsustainable activities which degrade the natural environment. The Government's National Development Plan –
Vision 2030 is closely aligned to the SDG targets, the Paris Agreement and the Sendai Framework; the NDP, together with the National Climate Change Policy and Urban Renewal strategy will provide the MIP framework and implementation of SDG11 on cities and human settlements is one of the stated objectives.

The MIP has Climate Change and Environment as one of three priority areas with €10m (33%) of the total budget earmarked 20212024.[31] It embraces two pillars, increasing resilience to the impacts of climate change and natural disasters, including improved forecasting/monitoring, adaptation policy and climate finance; and enhanced sustainable management of natural resources, improving both capacity and local planning and development. €3m is earmarked for attracting investment through the EFSD+). There is also emphasis on public engagement on climate issues and deploying local CSO expertise (through Calls for Proposals); however local government is not explicitly referred to.

Given the stated Government focus on Urban Renewal, SDG11 and local planning, local government, especially in urban areas, needs to be actively recognised as a partner in implementation of the MIP especially its provision regarding increased resilience and capacity, including in respect of local planning; it should also be consulted on the provision of climate finance under the EFSD+. This would entail engagement with the umbrella ***Association of Local Government of Jamaica, ALGAJ***, and important city administrations/parishes like Kingston, Montego Bay and Clarendon. ALGAJ is involved in local implementation of national development strategies (including SDG localisation), notably through parish development committees and with support from partners like CLGF. It works with the Ministry of Local Government and Rural Development (which is also a CLGF member) and has had informal contacts with the EU and EU Member States but has not been formally consulted on the MIP. To date ALGAJ has not developed climate-specific adaptation or mitigation plans but is interested in moving in this direction and has highlighted the importance of enhanced local resilience and capacity to cope with natural disasters and extreme climate conditions (for example firefighting capacity during severe droughts). It is also interested in taking part in future COP and other appropriate international events on climate change to inform its work.

The Jamaica MIP further notes the potential linkage to the ***regional Caribbean MIP***.[32] This has the Green Deal as one of its three priority objectives and covers countries not covered by a country MIP.[33] It has a 2021-2027 allocation of €208m of which €87m is earmarked for Green Deal activities including better protection and sustainable management of natural resources; disaster risk management; the circular economy; and energy efficiency and renewable energy. These will be undertaken using the TEI mechanism. The implementation of the Regional MIP should involve direct consultation with the relevant regional local government bodies like the ***Caribbean Association of Local Government Authorities CALGA*** and the
Commonwealth Local Government Forum- Caribbean, operating out of Trinidad, which have ALGAJ as a member and have a longstanding relationship with the EU and other international partner organisations.

Sri Lanka (MIP €60m 2021-2024)

Sri Lanka is highly vulnerable to the impacts of climate change with increased air, water and soil pollution on account of industrialisation; it continues to suffer from serious political instability, damaging economic development. There has been limited application of green policy measures, one exception is the introduction of Eco Industrial Parks. According to the World Bank it is classified as a 'severe hotspot' for climate change with negative impacts projected on GDP and living standards by 2050; it is also a global biodiversity hotspot.

Green recovery is one of the two MIP priority areas, the other relating to an inclusive and peaceful society with 58% of MIP resources 2021-2024 (€35m).[34] To implement the green recovery, EU will deploy a TEI collaborating with Germany, France, the Netherlands and possibly the EIB. This will support pilot interventions to promote the circular economy and innovation in industry to promote carbon neutrality, resource efficiency and the like. It will also support pilot demonstration interventions and/or scale up interventions that promote innovation and green technologies, and training. Through mobilisation of finance from the EFSD+ and the private sector, it is intended to support the Water-FoodEnergy Nexus encouraging the circular economy, including sustainable food supply.

The TEI envisages a ***Green Policy Dialogue Facility*** to enhance multi-stakeholder dialogue with civil society, the private sector and 'other stakeholders' in respect of the circular economy and biodiversity issues. There is no explicit mention of local government or sustainable urbanisation and the listing of SDGs being referenced omits SDG 11 on cities and human settlements. Priority area 2, addresses civil society and its capacity development and institutional building for CSOs, but does not mention local government.

In fact, local government in Sri Lanka has important roles in supporting the Green Recovery, encouraging the circular economy and promoting use of green technologies especially, but not only, in urban areas. It is imperative therefore that the Green Policy Dialogue Facility and the envisaged TEI implementation, in line also with established EU policy, embraces local government as a stakeholder. This would be best done by having the umbrella ***Federation of Sri Lanka Local Government Authorities, FSLGA***, included as a full partner.

Through FSLGA, the expertise and know-how of key cites like Colombo and Jaffna can be tapped, taking into account the cross-cutting nature of promoting an inclusive and peaceful society, which FSLGA, representing the country's diverse local governments in both urban areas and rural districts, is in a position to do. In addition, FSLGA has close working relations with key Government ministries, including Environment and Local Government and is currently cooperating with UNDP on an EU-supported programme on Capacity Development for Local Government; it has further cooperated with CLGF and a number of international partners as well as EU Member States such as Germany and the Netherlands.
FSLGA also has an academic partnership with the University of Huddersfield in the UK focusing on disaster management.

Pacific (Regional MIP €100m 2021-2027; TEI €117m 2021-2024)

The EU's regional MIP covers all of Asia-Pacific, and its Pacific component comprises 13 Pacific island states,[35] of which 10 are Commonwealth states/territories, as well as Papua New Guinea and Timor Leste.[36] These are countries regularly affected by extreme climate events like tropical storms and vulnerable to global warming on account of their low-lying geography. The regional financial allocation of €100m 2021-2027 is for priority area ***Regional Integration and Cooperation*** which includes Climate Action and Environmental Sustainability as a pillar.

The MIP is complemented by an in-depth TEI ***Green Blue Alliance for the Pacific***, with €117m 2021-2024.[37] The TEI focusses on country-level support in the 13 Pacific Island partner states building on respective national priorities such as the Fiji National Development Plan 2017-2036 or the Kiribati Vision 2016-2036. It is expected that the TEI will attract further support from a range of additional partners (including EIB, France and Germany). The TEI follows the three key areas set out in the overall Regional MIP:

- ***Climate Action and Environmental Sustainability (€52.65m)***: strengthening underlying governance, policy planning and implementation mechanisms including monitoring on climate action; adaptation, resilience and recovery; and environmental protection and sustainable management of natural resources.
- ***Inclusive and Sustainable Economic Development (€46.8m)***: promoting the sustainable Green and Blue Economy, including jobs and skills training in areas like agri-food systems, eco-tourism, circular economy, green technologies; and good economic governance including financial management.
- ***Fundamental Values, Human Development, Peace and Security (11.7m)***: strengthening democratic institutions, the rule of law and protection of human rights; gender and violence against women and children. Support for local authorities in the implementation of actions relating to climate change and security is explicitly mentioned in the overall MIP objectives. CSOs will be able to benefit from the MIP cooperation facility (€5.85m) for climate-related and other activities and this also supports public sector exchanges and twinning.

There are two separate country MIPs in the Pacific region. ***Timor Leste*** has €55m 2021-2024 with €25m for green and sustainable economic recovery and development;[38] a TEI 'A New Green Deal for Timor Leste' aims to link up with other donors. ***Papua New Guinea*** has €115m 20212024.[39] This MIP has three priority areas relating to forestry/climate change/biodiversity, including addressing environmental degradation and deforestation(€63m); water, sanitation and hygiene, including heath implications (€23m); and transparent and accountable governance, including sound public financial management (€22m).

PNG has been a leader in climate action and in 2020 submitted its second National Determined Contribution to the UNFCCC; its virgin forests have global importance for carbon sequestration and biodiversity but are threatened by illegal and unstainable logging. The TEI aims to establish an enabling regulatory and institutional framework; improve public awareness and capacities; and increase sustainable investment and decent jobs in the forestry sector. It is intended to deploy the EFSD+ in both the forestry and water/sanitation sectors to promote green investment by the private sector and to mobilise funds from the EIB, the Adaptation Fund, the Green Climate Fund and others.

Local government is established in many Pacific countries and accordingly needs to be engaged in TEI and other programmes as a recognised EU stakeholder, especially in countries where there are umbrella local government associations like Kiribati and PNG.

The Kiribati Local Government Association, KiLGA Strategic Plan is Climate Changeinformed, monitoring and coordinating councils' strategic plans and with strategies for tapping Climate Change funding, including the Green Climate Fund. It is also aligned with the Kiribati Joint Implementation Plan on Climate Change (KJIP). KiLGA is receiving financial assistance on a WASH Governance Project, as part of the Building Resilience through Improved Sanitation Project.
The association has assisted six councils produce Climate Change-specific Strategic Plans, since 2018, with funding from the World Bank and the EU **(Appendix)**.
KiLGA is a member of the Ministry of Finance and Economic Planning's EU NGO Group and was a member of the Steering Committee of the EU-funded, SPC-implemented Water Project on Kiritimati 2018-and maintains contact with the EU Suva office. It is in the process of developing a collaborative project with Germany. It also has good private sector relationships.

Feed-back from countries like Vanuatu indicates that climate action at local government level is less-developed in most Pacific states and that there is to date only limited awareness of the EU and MIP funding opportunities. At regional level ***Commonwealth Local Government Forum-Pacific***, operating from Fiji, has the Pacific Island local government bodies and responsible national ministries as its members; it can also demonstrate a long-standing relationship with the EU and other development partners. CLGF Pacific has stated *'Strong resilient* *local governments are the building blocks of effective development in the Pacific. Integrating and strengthening engagement between local government and its key stakeholders is critical and this is where CLGF Pacific is relevant. There is a fundamental need to build a shared understanding among decisionmakers, practitioners and other stakeholders in public and private sectors so no one is left behind in any developmental decision and implementation. The role of CLGF Pacific is to support local to ensure they have the necessary infrastructure, systems, capacities, and skills to keep up with growth'*.

CLGF Pacific is an appropriate partner organisation for the EU under the regional MIP. Building greater resilience to climate change and disaster risks is one of the strategic areas of CLGF Pacific and it is therefore well suited to contribute to the implementation of TEI 'Green Blue Alliance for the Pacific' alongside the EU and member states like France and Germany. It is moreover able to disseminate relevant good practices such as those underway in Kiribati and thereby contribute to the wider MIP aims relating to regional integration and cooperation.

Local Government Access to Climate Finance

Local governments everywhere, but especially cities and urban areas, have massive challenges in securing climate finance if they are to reach Zero Carbon by 2050 and ensure sustainable urban development. This is above all the case in developing countries which currently receive only a small proportion of global climate finance, with most funds still going to OECD countries and China. Yet more problems are faced by Small Island Developing States in regions like the Pacific and the Caribbean, which are already bearing much of the brunt of extreme weather conditions caused by global warming and have limited institutional capacity to secure climate finance to implement mitigation and adaptation work .

The marshalling of trillions of dollars in response to the Covid-19 pandemic has shown that resources can be raised if the political will is there, and the Climate Emergency demands a similar global response. Indeed, it offers a chance to pursue a more sustainable, green path to development. Cities are part of the solution to dealing with the Climate Emergency and given the necessary resources and infrastructure are in a position to undertake much of the required climate mitigation and adaptation measures needed. Just as the application of the 2030 Agenda for Sustainable Development requires the localisation of the SDGs, so a key part of the answer to tackling Climate Change lies in the *localisation of climate targets and accompanying localisation of climate finance to local governments*. This will be easier in countries with well-established decentralisation systems, which have an enabling environment to allow local government to operate freely.

Given the scale of climate finance requirements, these will need to be met from a combination of raising own local resources, support from central government and securing large inward investment flows from the private sector, albeit within a partnership framework which does not dilute local employment standards or environmental norms. However, as this paper has shown, there are also growing opportunities for local governments to access climate finance from international development partners like the EU. These new opportunities for climate finance must be seized.

In order for city administrations and local governments and indeed local government associations to avail themselves of climate finance from international development partners, a number of practical steps are recommended to local policymakers. These relate essentially to the Global Europe funding outlined above, but many of the principles would apply to most international development partners that support local government and provide climate finance.

Recommendations to Local Governments

The EU is prioritising support for climate change in its new seven year NDICI (20212027), and as a partner in development, local government should engage directly with the EU delegations in-country to identify funding opportunities to support local government's role in implementation. Ideally engagement should be through the national local government association which is well placed to make a strong case for the role of local government in contributing to the achievement of sustainable development, including with respect to local action on climate.

When approaching the EU, LGAs should ensure that:

1) **They have read the MIP for their country and understand where the opportunities for local government would be in delivering the MIP.**
2) **They are aware of the roles and responsibilities of local government in their country and how they should be contributing to implementing the priorities set out in the MIP**
3) **They are familiar with their member local governments' strategic plans, including for climate action. These should be linked to national priorities and include clear, measurable and costed targets where possible.**
4) **They consider setting up a working group within the LGA to support dialogue with the EUD. This working group should ensure that the LGA (and its members) is following key international policy developments relating to climate eg the COPs. It could also provide a focus to gather examples of good practice demonstrating the contribution that local government in the country is already making to addressing climate change, highlighting activities on which the EU's support could build.**
5) **Where possible LGAs should link up with their Ministry of Local Government and other governmental partners to ensure a coordinated approach.**

Dialogue between local government and the EU Delegation should be part of a structured process to ensure better understanding on both sides and to identify targeted approaches to local mitigation and adaptation that can support effective local action. The EU policy clearly states that local government should be part of local consultative processes and the LGA is a key actor in ensuring that the voice of local government is heard so it is important to reach out proactively to embrace that opportunity for your members.

If there is already a relevant Team Europe Initiative agreed, it would be advisable to also reach out to international partners, particularly one of the Framework Partnership organisations (CLGF/UCLG/UCLGA/AIMF or CEMR Platforma) or local government association partners from the countries that form part of the respective TEI, to help to position local government as a prospective partner in implementation.

The commitments set out in the MIPs should be used to leverage investment in action to address climate change at the local level. This should include local (own-source), national and international financing modalities, and should also ensure that opportunities to access private sector support is maximised both through the EFSD+ and more broadly. This should include preparatory work on enabling legislation, capacity building and support for project preparation so that local government can play its full role in implementation.

Local government should take part in monitoring the EU's work on climate change and ensure that your LGA monitors the EU 2024 MIF/TEI mid-term review and ensures further funding in the 20242027 period.

CLGF and the other international local government

organisations that have Framework Partnership Agreements with the EU are ready to provide general support and guidance as well as to support specific issues on behalf of members across the Commonwealth. Collective action and good communications should underpin a meaningful and effective relationship between local government and the EU to benefit local communities.

Current MIF/TEI allocations are for the period 2021-2024 with a review for 2024-2027 planned for 2024. Once you are accepted as partner, it is important to participate in the review and to put forward proposals for funding in 2024-2027. This might especially be valuable to secure support for larger longer-term projects with the private sector which may not yet be ready for funding submission at the present time.

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