Towards the New Normal: learning from the crisis to improve territorial governance

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COVID 19 is Challenging Cities Globally

- 4 Billion people live in Cities
- 600 Cities generate two third of global GDP

COVID 19 Impacts in Cities

- Supply Chain Issues
- Critical Services impacts (Water, Waste, Transportation)
- Business shutdown and loss of jobs
- Shortage of medical infrastructure

Cities are dual edged
City Services Stressed

Climate Change and COVID 19 creating hurdles for Green, Sustainable and Smart Cities
Cascading effects of COVID-19 on subnational finance

COVID-19 led to an increase in expenditure (health-related) and drops in tax revenue, user charges and fees due to lockdowns.

Impact on subnational government assets and liabilities:
- **Financial assets**: Deposits and investments, shares in local public companies, loans,
- **Non-financial assets**: Land and property assets, subsoil,
- **Debt stock**

Impact on subnational government budget:
- **Revenue**:
  - Grants and subsidies (operating and capital transfers)
  - Tax revenue:
    - shared (PIT, CIT, VAT, excises)
    - own-source taxes (PIT, local business taxes, property-related taxes, tourist taxes, consumption and sales taxes, etc.)
  - User charges and fees resulting from the provision of local public services
  - Revenue from financial and non-financial assets, interest on deposits and investments, dividends, rents/royalties, etc.
  - Access to new borrowing
- **Expenditure**:
  - Current expenditure:
    - Social expenditure (benefits and social services)
    - Staff costs
    - Purchase of goods and services (intermediate consumption)
    - Subsidies to households, businesses and NGOs
    - Financial charges
  - Capital expenditure:
    - Capital transfers/subsidies
    - Direct infrastructure investment (social and economic infrastructures)

Source: OECD.ORG
Brighter side of COVID 19

COVID-19 Improves Air Quality in Just Three Months
Weekly average concentration of NO₂ in the air in selected cities (Feb-Apr 2020)*

COVID-19 Could Cause Historic Drop in Carbon Emissions
Biggest drops in global carbon emissions in recorded history (in million tons)

1945 (End of WW2) 750
1975 (Global recession) 100
1983 (Global recession) 1,000
2009 (Global recession) 300
2020 (Global pandemic) 2,500*

* Projection based on current restrictions on travel, work and industry
Sources: The Guardian, Global Carbon Project

Central locations
* 95 percent of NO₂ in the air is caused by fossil fuel combustion
Source: World Air Quality Index (WAQI)
Cities are Part of the Solution: Policy Responses

Social distance and confinement

Workplace practices and commuting patterns

Communication, awareness raising and digital tools

Six categories of city policy responses to COVID-19

Targeted measures for vulnerable groups

Support to business and economic recovery

Local service delivery

OECD 2020
Integrated Command and Control Centre (ICCC) initiatives

45 Smart Cities Command and Control Centres turned into Covid-19 war rooms

BCG, 2020
RURBAN Platform: Governance Framework

Multi-stakeholder team consisting of rural and urban stakeholders

Collaborative process to guide the implementation of climate adaptive water management
Decision Support Tool – RURBAN Platform

Decision making support for the RURBAN platform through the IAdapt project:
- **Catchment Management Plan (CMP):** Consultative process with the RURBAN platform to shift towards catchment-based approaches in water management.
- **Decision Support Tool (DST):** Sensitise RURBAN platform members to capture impacts of climate change and develop innovative project responses to meet water demand.

Terms of reference for the RURBAN platform as conceptualized by the IAdapt project:
- Collectively map the key challenges.
- Deliberate on viable alternatives.
- Prioritise solution pathways based on DST inputs.
- Develop a joint action plan.
- Oversee implementation & monitor progress.

**RURBAN PLATFORM**
An unique integrated governance mechanism for bottom up participatory management of water resources among catchment level decision makers and key stakeholders.

**Capacity Building:**
Sensitise RURBAN platform members on planning for integrated water management.

**Compendium of Financing Sources:**
Inform the RURBAN platform members on alternative sources of financing to support CMP actions.

Source: http://iadapt.urbanwatermanagementindia.org/
Seoul’s quick approach of targeted testing effort was applauded all over the world.

Jakarta is the first province enforcing a lockdown and formed a special “COVID-19 Response Team”.

Bogotá’s Mayor, Claudia Lopez took steps to manage COVID-19 before the national lockdown was declared.
Greener and cleaner: Reimagining our cities in the wake of COVID-19

Greener priorities of cities in sustainable recovery

At a time when global leadership is lacking, cities and their networks are stepping up

Example of Greener recovery

- Non motorized Infrastructure (NMT) – cycling and walking and Green public spaces (Bangkok)
- Housing the under-served (Manila)
- Car free neighbourhoods (Jakarta)
- Affordable green building (Kuala Lumpur)
Focus aspect of Recovery: Inclusive, Green and Smart

Long-term actions in cities post COVID-19

Cross-cutting: governance

Cross-cutting: finance

INCLUSIVE

GREEN

SMART
Focus Sectors for Sustainable Recovery

Health
- Detect outbreaks
- Provide emergency care
- Maintain public health system
- Help workforce adapt
- Ensure security of daily essentials
- Deliver education
- Manage local & int'l transportation
- Maintain government services
- Support citizens in the "new normal"

Society

Economy
- Provide emergency eco. measures
- Stabilise & stimulate the economy
- Find opportunities for innovation
- Deliver effective communications
- Manage overall program

Governance
‘Outcomes based financing’ model for cities to lead sustainable recovery in post COVID 19

Outcomes-based Financing, or Pay for Success, is a tool that allows government to partner with nonprofit organizations and the private sector to fund programs that have preventive and long-term benefits.

Cities in Philippines, Bangladesh and Cambodia are utilizing this model in health sector to implement development projects.

Source: https://slideplayer.com/slide/17248201/
Global green bond and loan issuance increases over 50% in 2019

*ASEAN issuance represents 3% of global total, 12% of Asia-Pacific in 2019

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CLIMATE FINANCE DECISION MAKING TREE

This climate finance decision-making tree guides local and regional governments through a series of questions that help them consider different financing tools. Each financing tool is described, including advantages, disadvantages and case study examples. Here is an overview of the decision-making tree and the financing tools available to local and regional governments.

Questions for Local and Regional Governments (LRGs)

NO

- Own-source financing
- Does the LRG have sufficient own financial sources for the project?
- Does the LRG have an asset/land to be sold or leased?

External financing
- Is the LRG able/interested to enable private sector participation?
- Does the LRG want to engage the private sector partner to deliver public services?
- Can the LRG co-finance private sector participation?
- Can the planned project generate revenue?
- Is the LRG eligible to apply for a private loan/borrower of a debt?
- Can the LRG raise private capital?

Is the LRG eligible/interested to apply for external public finance?
- Is the LRG able to apply for grants and subsidies?
- Is the LRG eligible to apply for a public loan?
- Does the LRG need help accessing loans because of a lack of creditworthiness?

YES

Financing tools

- T1 Cash/direct investment
- T2 Subsidies/incentives
  - T2.1 Tax advantages
  - T2.2 Interest-free and low interest loans
- T3 Land/asset sale
- T4 Land/asset lease
- T5 Land value capture
- T6 Sale of development rights
- T7 Equity
- T8 Energy Performance Contract
- T9 Privatization
- T10 Public private partnership
- T11 Revolving fund
- T12 Private sector loan
- T13 Crowdfunding
- T14 Municipal (green) bonds
- T15 Blended finance
- T16 Risk mitigation
- T17 National grants and/or subsidies
- T18 International grants and/or subsidies
  - T18.1 UNFCCC Climate Funds
  - T18.2 EU Funds
  - T18.3 Multi- and bilateral financial institutions
- T19 Public loan
  - T19.1 Government loans (sometimes at concessional rate)
  - T19.2 International public loans
Funds for climate projects are available and investors are ready; however, there is a shortage of bankable projects. TAP helps local and regional governments make their project idea robust, transformative and bankable.

**TAP PROCESS**

**STEP 1: APPLY TO THE TAP**
- Project screening - basic quality assurance
- Evaluation of completeness
- Evaluation of transformative approach

**STEP 2: GAIN TAP APPROVAL**
- Receive the TAP seal of approval from the ICLEI World Secretariat to access TAP services

**STEP 3: ACCESS SERVICES**
ACCESS IMPLEMENTATION AND FINANCE SUPPORT
TAP projects bearing the TAP seal can be selected for capacity building and technical assistance. They also gain access to investors, PPFs and financial service providers.

**OUTCOMES**
- Well defined transformative action
- Project improvement feedback

**OUTCOMES**
- TAP projects gain access to selected services

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Thank You!

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