

## **Marrakech Call for Action – COP22**

Proposal as of 9 November 2016

### **"For a Global Action Framework towards Localizing Climate Finance, the Call of Cities and Regions of the World"**

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#### **Preamble**

**We, local and regional representatives from around the world, from 110 countries**, here gathered, with our international networks, this Monday 14 November in Marrakech, in the context of the Climate Summit for Local and Regional Leaders, titled "Financing the sustainable mutation of Territories.

And in order to bring our full contribution to the work of the 22nd Conference of Parties to the United Nations Framework Convention on Climate Change (COP22),

#### **Declare the following:**

**We welcome the historical coming into force of the 4 November 2016 Paris Agreement**, major event reflecting the mobilization and confidence brought by central governments towards a common and irreversible dynamic of global commitment to the Climate.

This entry into force expresses a message of resolute commitment of engagement by the States to the *non-parties* actors, and assures them of a proactive conjunction of international forces towards the implementation of a 2 °C or 1.5 °C scenario.

Certainty and predictability will be determining elements to catalyze *non-parties* stakeholders engagement and mobilization in the Global Climate Action Agenda (GCAA) framework, including, and in first position, the local and regional governments of the world as Champions of the implementation of the Paris Agreement.

#### **On this basis, We reaffirm**

- **The role of local and regional governments as primary partners of the central States**, especially in supporting the implementation of the Nationally Determined Contributions (NDCS) and of the National Adaptation Plans (NAPs), but also in the framework of their own complementary commitments, established through strategies and programs of emissions reduction at all levels of our expertise, and as part of a framework for action aiming to transform our patterns of consumption and production of good togetherness-living;

1.- **The continuity of the global mobilization and engagement of Local Governments through:** the second edition of the Summit, following the unprecedented event of December 2015, held at the City Hall in Paris ; through: the different initiatives and coalitions in which we are engaged, and which often bear testimony to a level of ambition higher than the one of national legislators, such as the Global Covenant of Mayors, Compact of States and Regions, RegionsAdap or the Under2MOU; the integration of the fight against climate change in the priorities of our international networks; our involvement and active presence in all international summits related to the Agenda for Sustainable Development and the Climate; our action of mutual solidarity engaged through our decentralized cooperation agreements; and through our daily partnership activities, at the local and regional levels

with all stakeholders of the vitality, sustainability, inclusiveness, resilience and creativity of our territories, at the forefront of which are our fellow citizens ;

**However, in order to accommodate in urban areas the unprecedented volume of expected population by 2050, the imperative need for local resilient and low-carbon infrastructures, as well as the ability to access human, legal, regulatory and engineering capacities corresponding to their planning, programming, financing and sustainable implementation, are becoming increasingly pressing.**

**But the resources towards meeting the displayed ambition of the international community continue to be lacking, especially given the responsibilities transferred to the local and regional governments in the framework of decentralization processes.**

**Yet the Paris Agreement is an anchor point for resolute international politics towards better access, mobilization and distribution of financing, at the right level of subsidiarity, with the stakeholders of change and transformation of our consumption and production patterns, and more broadly of our societies, represented by the local and regional governments.**

**In order to do so, the integration of the climate dimension in the practices, cultures, engineering, investment decisions, and distribution channels, by the players in the public and private Finance ecosystem, global and local, proves to be a baserock priority for the transformation of our societies and the implementation of the Paris Agreement.**

In doing so, it is convenient to demonstrate that the mitigation, adaptation and resilience to climate change, far from being a constraint, constitute levers of economic, social and cultural development for a sustainable transformation of the territories.

Thus, the urgency of building a dialogue about the real costs of capital, efficiency and transparency of investment choices, measured against known or anticipated climate risks; the need to make regulations evolve, business models used by the players in Finance, especially in the light of the unprecedented potential for cost reduction and increased efficiency and access of remote populations to finance, enabled by new technologies integrated into territories inclusive development frameworks, are flagship undertakings to support the changing work impulsed by local and regional governments.

**Thus the cities and regions of the world, yet often limited by regulatory contexts of financial decentralization, and by the availability of capital for long-term investments required by local public infrastructure, mobilize every day their own resources to finance their share of sustainability commitments and to create leverage effects for civic and private investment; and the success met by the local and regional carbon market models shows that billions of dollars can be reinvested in the local economy to support businesses, local authorities and citizens in the transition to economies of low carbon intensity by enabling them among others to manage a portion of auction revenues and reinvest them in sustainable projects.**

At a time when a roadmap on the modalities for the mobilization of \$ 100 billion per year is being negotiated, for an orderly transition toward the carbon neutrality of the States,

**We therefore reiterate:**

**- The inalienable unity of the international Agenda for Sustainable Development, and consequently the necessity of its coherence, of its cohesion and of its articulation; in order to do so, we recall the structural links existing between the various international texts adopted by central governments during the 2015-2016 cycle of negotiations, i.e.: the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda, the Sustainable Development Agenda and its 17 SDGs, the Paris Agreement, and the Habitat III New Urban Agenda;**

**- The urgency to renovate the financial ecosystem of global investments to make them climate-compatible, and to create directing pointers for its fluxes primarily towards sustainable development at the subnational and local levels, in order to meet: the differentiated and complex realities of global urbanization, in particular in developing and low income contexts; the challenges of**

building or reencountering equilibriums in front of unequal access, enjoyment and right to sustainable development, integrating the flagship reference to "common but differentiated responsibilities" and to "climate justice" incorporated in the Paris Agreement; the revitalization of logics of co-dependency of the socioeconomic and "rural-urban" cultural ecosystems; the necessity to facilitate a local low carbon industry emergence, implementing local circular economies, enabling the creation of green jobs and stable incomes for households;

- **The action of specific support given to territories made vulnerable by the adverse effects of climate change**, and whose power and capacities to act are without common measure with the threats incurred, particularly at the level of territories of low incomes countries and Small Island developing States;

- **The urgency of mobilizing public and private funds, at all levels of action, to support adaptation measures**, in particular in the form of grants.

#### **In reference to the Summit theme "Financing sustainable mutation Territories", we welcome:**

- **the dynamics, commitments and statements by some parties and key-coalitions of public and private investors** made since the Paris Agreement, such as: the Climate Finance Day, the IDFC declaration, and other coalitions of public-private and institutional investors; inviting them to continue the dialogue for the establishment of cooperation and alliances toward the implementation, jump of scale, acceleration and impact of our joint investments actions in our territories;

- **The coordination effort of all international networks gathered within the Global Task Force of Local and Regional Governments** to position the topics of Finance and Climate in the highest priorities of the international agenda, including the Declaration of the Second World Assembly of Local and Regional Governments of Quito; the COP22 taking place in Africa, we particularly welcome the constancy of political elected leadership of the continent through the Yamoussoukro Declaration in 2015 and Cotonou in 2016;

- **The Financing Coalition of "non parties" stakeholders** launched at the Nantes *Climate Chance Summit*, as well as the overall dynamic of multi-stakeholders coalitions, multi-levels, transversal or sectorial, created to demonstrate the commitment of "non-parties" in an Action Agenda that we are co-building in a momentum of emergency, accountability and confident voluntarism,

- **The Cities Climate Finance Leadership Alliance - CCFLA**, as a historical multi-actors and multi-level convergence of the Climate Finance chain of stakeholders, and which works toward the identification of strategies, mechanisms and meeting points between the financial flows, dedicated institutions, distribution channels and their conditionalities, for a sustainable investment in an inclusive, low carbon and resilient development of territories;

#### **We support**

- **the spirit of these various coalitions and dynamics' roadmaps**, as well as their full integration in the framework of the Action Agenda, and a better acknowledgement of their existence in the work of the Parties on the funding mechanisms of the Paris Agreement, in order to incorporate the most appropriate regulatory and legislative frameworks to allow local projects to match with the financial flows corresponding to their needs and challenges; and to strengthen the capacities of local and regional governments in engineering, mobilization, management and efficient use of resources needed to the fulfillment of the mandate given to them.

**For these reasons, we reaffirm** the urgency of supporting the implementation of the CCFLA recommendations, integrated in its 2015 report *State of City Climate Finance*, and which call to support to:

- **the development, evaluation and improved coordination of project preparation facilities** toward the definition of bankable projects in capacities to attract investment at subnational and local levels;
- the reinforcement or creation of appropriate **financial intermediations** in order to create financing conditions of local and regional projects, at the domestic level, through a support to commercial banks, as well as to municipal development funds and other subnational pooled financial mechanisms for local governments;
- **vertical integration and cooperation policies** through the development of adapted legislative and regulatory environments favorable to the deployment of subnational investments, including in the context of financial decentralization but also in relation to the regulation of Public Private Partnerships, and Public-Public, to the climate-compatible optimization of local public procurement, etc;
- **the measures of carbon-price definition** (local carbon markets, specific taxes, integration of positive and negative externalities in the budgets);
- **the Innovation Labs and their networking** for in-depth work on the definition, systematization and renewal of subnational financing models, in view of closing the gap of green investment at local level.

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**Taking up the analytical framework presented in the preamble of this Call, we recommend that central governments parties of the Paris Agreement, their bilateral or multilateral financial instruments dedicated to sustainable development, and that all agencies and programs registered into the United Nations system to:**

**\* STRENGTHEN THE CAPACITY OF LOCAL AND REGIONAL GOVERNMENTS TO TAKE ACTION, AND SUPPORT THE PROCESS OF PROJECT PREPARATION AND THEIR FUNDING**

**- by strengthening horizontal cooperation on financing:**

- between Local Governments at the national level (intercommunal and local-regional cooperation) or at international level (cross-border and decentralized cooperation) and all measures of regional integration by supporting corridors of development that integrate climate risk and its resilient solution for sustainable investments;
- between sectors and industries (including the integration of regulations and measures that enable the deployment of new climate-compatible economies: circular economy, social and solidarity economy, Sharing economy, etc.);

**- through support of project preparation facilities and the creation of referent pipelines of bankable projects, such as the Transformative Actions Program-TAP**, that promote grids of indicators demonstrating the sustainable, inclusive and resilient character of the projects being proposed for funding, and integrating evaluation and performance monitoring of the tools and funding schemes used to invest in the Territories. The development of Climate Investment standards must be brought up to technological and engineering scale of global and national Finance in order to guide financing strategies toward the improvement of territories' resilience. These dynamics should allow an increment of funding for adaptation projects, a priority for local and regional governments, particularly in the territories most vulnerable to climate change.

**- Through the establishment, by 2020, of a Global Framework for Action to strengthen the power to act and the financial capacity at the subnational and local staff, to allow to develop a systemic and integrated capacity of defining and financing local and regional climate strategies** ; and to establish an improved capacity of financial negotiation and of innovation for local and regional stakeholders;

**This Global Action Framework could act as an active flagship program of the Paris Agreement and the Global Climate Action Agenda (GCAA), and inspire the NDCS implementation strategies; and primarily benefit from the support of bilateral and multilateral development Banks and central governments, in coherence with the implementation of their NDCS -and their Investment plans- in order to produce the leverage effects of private climate finance necessary for the implementation of local and regional investments required by the pursuit of the 1.5 °C scenario.**

**\* INTEGRATE THE LOCAL AND REGIONAL DIMENSIONS IN THE UNDERGOING MUTATION OF THE GLOBAL FINANCIAL ECOSYSTEM**

**- by supporting the establishment of climate finance standards at the international and domestic levels, integrating local scales of investment and their specificities, through the support of Financial Hubs and of structures specialized in financial intermediation** bringing together finance professionals able to design professionalized investment frameworks able to act as levers for private investment in local programs; these institutions and expertise hubs and financial standards are currently lacking in numerous low and middle income contexts, and prevent financial flows to reach the Territories, precisely where the vast majority of future investments must be made if we want to respect our commitment to the Agenda 2030 and the implementation of its 17 Sustainable Development Goals.

**- through the mutation of local public financial cultures and practices via an effort of integrating climate risk** in logical design frameworks, operationalization, evaluation and monitoring of policies and choices of local and regional investments; the evaluation and labeling of financial products available to local and regional governments, depending on their exposure to risks related to climate change and on their contribution to the transition toward a low carbon economy, constitutes thereby a priority in order to formulate reference orientations guidelines for public and private investors.

**- through the acceleration of the dynamics, measures and institutions of risk reduction perception of local investment**, via sectorial dialogues involving local and regional stakeholders, and parties in public and private finance, for the renewal of considerations for the local segment of investment;

**Therefore, though their important capacities of innovation, prescription and guarantees towards markets considered at risk by private and institutional investors, such as the subnational and local segments, the support, in the first place, of bilateral and multilateral development banks is required.**

**\* SUPPORT CAPITALIZATION, TRANSFER OF KNOWLEDGE AND PRACTICES, AND ACCESS TO AVAILABLE FUNDING SOURCES, AND TO THEIR ENGINEERING**

**- Through supporting measures of knowledge transfer on funding sources and corresponding engineering and a work of research-action toward the systematization of approaches and modalities of mobilization, value enhancement, management and use of endogenous resources in territories**, where today the most important mobilizable reservoir of wealth is to be found toward investing in the changing climate paradigm;

**It will also be necessary to develop a system of information distribution on the variety of available funding sources for Cities and Regions, integrating the range of existing solutions and *guichets*, from the international scale (green funds, development support) to the local**

**(including tax incentives, crowdfunding, short economic and financial circuit; and integrating the flows and dynamics stemming from the social and solidarity economy).**

**The resolute support of decentralized cooperation practices** integrating the transfer of peer-to-peer knowledge on financing, and in which the Cities and Regions of the World are engaged, represents in this respect a major axis of action for the acceleration and leap of scale of local and regional investment.

**- Through the creation of strengthened and simplified modalities of direct access -including pooled- to international climate dedicated funds:** Green Fund for Climate and Global Environment Fund, in particular, but also within the funding lines of bilateral and multilateral development banks and Development Financial Institutions; and incorporating the lessons of the Climate Investment Funds by adopting country-level strategies to support local evolutions in a continuous manner, and by supporting financial intermediation and laboratories of financial innovation.

A rebalancing in favor of financing adaptation projects is a priority recognized by the Paris Agreement and reiterated by Local and Regional Governments through this Call.

Support strategies for projects with high local social impact but requiring budgets significantly below volumes required by large infrastructure projects must also be put in place, particularly within the implementation of the National Development Contributions (NDCs) and National Programs Adaptation frameworks.

We do consider in this regard that the resilience of the territories and of their populations can be based on low-tech equipment and low-cost infrastructures, decentralized and off-grid, with community management, based on patrimonial sources of knowledge innovations, and often in adequation with household incomes at the heart of informal economies.

**As such, we call upon and we commit to:**

**- A dialogue and a closer cooperation between Local and Regional public stakeholders and actors of private finance – and namely their coalitions- for the creation of a common culture of risk, of respective needs and opportunities,**

**- The launch in 2017 of a Global Campaign for Localizing Climate Finance** in order to accelerate the mobilization of financing for the subnational and local segments, coordinated with the propositions of the Global Partnership for Localizing Finance, and the work of the Cities Climate Finance Leadership Alliance (CCFLA) and all the coalitions of actors in the public and private funding sectors.

**The Global Campaign for Localizing Climate Finance will coordinate, in its subnational dimension, with the dynamics of *One Stop Shop* proposed by the Moroccan government** as the host of COP22, and co-chair the NDC Partnerships program with the German government, in order to deliver the conditions and tools for a better visibility and integration of opportunities dedicated to the financing of local and regional actors, and of their projects, on the reference website launched at COP22 by the two co-chairs.

This process will have to lean on and be inspired by the work of the CCFLA around the **Global Mapping of financing opportunities and gaps for local and regional governments**, and take into consideration the identification of sources, available engineering and *guichets*, the different profiles of concerned local and regional governments, their revenue categories, exposure to risk, and the typology of their projects.

**In this regard, we mandate the CCFLA and in a strong coordination with the Global Task Force, to ensure the implementation of the recommendations of this Call, in close collaboration with the international networks of Cities and Regions, representing local and regional governments in debates and governance of the Alliance, and we invite all our partners to meet again during the COP23 to report on the results of this unprecedented mobilization around the strengthening of financial flows accessible to the Cities and Regions.**

**United in diversity, our commitment is to implement the right to climate finance oriented toward the territories, for the inclusion and resilience of populations who make them live and prosper.**