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Written statement by the United Nations Human Settlements Programme (UN-Habitat)

Agenda Item 5: Institutional mechanisms for providing economic, financial, and structural support to address climate change, reduce the use of fossil fuels and protect biodiversity.

Now hosting more than half of the world's population, urban areas are responsible for an estimated 70 percent of worldwide greenhouse gas (GHG) emissions. Increased urban extension has contributed to cities' oversized contribution to global GHG emissions, with recent studies indicating that just 25 megacities produce 52 percent of the world's GHG emissions. Accordingly, much of the projected 68 percent of the world population living in cities by 2050 will likely be accommodated through carbon-intensive urban expansion (as opposed to resilient urban densification) unless adequate measures are taken. Moreover, cities consume 78 percent of the world's energy and are particularly vulnerable to the negative impacts associated with climate change including extreme weather events and alarming urban temperature trends. Flooding, subsidence, storms, heat waves, water scarcity, droughts, and sea-level rise, among other climate change effects, are already threatening the functionality and viability of cities, especially those in the Global South. Meanwhile, urban heat island effects mean that cities experience increases in global temperature more acutely and at higher rates compared to rural areas. Limited institutional mechanisms and resources, such as insurance packages and adaptation and recovery funds, amplify the effects of these impacts on urban populations.

Considering these pressing challenges, cities represent perhaps the most critical battleground for climate change mitigation and resilience in the immediate future. The institutional and administrative frameworks governing cities, guided by urban law and policy, have an essential role to play in making cities sites of inclusive climate resilience and low-carbon urban development. Local level urban governance shapes urban form and spatial development, manages basic services and urban infrastructure, influences demographic movement and trends, and provides economic incentives for private actors. These functions are highly linked to cities' capacity to mitigate and adapt to climate change. In fact, the importance of local administration in sustainable climate response has been recognized in the *Paris Agreement* (Article 7(2) and 11(2)), the *Sustainable Development Goals* (Goals 11 and 13) and the *New Urban Agenda* (para 63).

And yet, notwithstanding the above, in many countries the laws, institutions, and policies governing urban management constrain rather than promote transitions to low-carbon development. These administrative frameworks may, for instance, incentivize unsustainable urban forms through unplanned urban extension, unregulated urban sprawl and carbon-intensive infrastructure. They may fail to enable coordinated mobilization on climate action at

the city level due to the absence or poor functioning of mandatory inter-institutional consultation and collaboration mechanisms. Local governance bodies may also lack fiscal and human capacity to implement specific climate adaptation and mitigation measures, such as climate risk and hazard mapping, transportation infrastructure planning, slum upgrading and adaptation. Furthermore, local law and policy may incentivize private actors to make sub-optimal decisions for sustainable and resilient urban development, for example through tax breaks or fossil fuel subsidies.

In this context, institutional mechanisms for providing economic, financial, and structural support to local governments to address climate change, reduce the use of fossil fuels and protect biodiversity are urgently needed. Reflecting the principle of subsidiarity, local administration bodies and authorities are often the best situated actors to ascertain the needs of urban communities and respond to the unique challenges facing their cities, particularly in climate governance. The fact that local public administration is commonly the most legally constrained and poorly equipped – in financial and technical terms – level of governance should signal the need to empower and capacitate such entities rather than reinforce unbalanced climate governance which solely relies on institutions at the regional or national level. The primary avenues for adopting institutional mechanisms which support local climate governance include a combination of **policy adoption, legal and regulatory reform, channels of finance and capacity development to support implementation**. Moreover, such mechanisms must align with cross-cutting sustainable development principles and international best practices, namely standards related to “do no harm”, “leave no one and no place behind”, gender sensitivity, public participation, human rights, and the inclusion of vulnerable groups and indigenous knowledge.

Reinforcing coordinated multi-level governance through the devolution of legal and administrative powers pertaining to climate governance represents a priority measure for effectuating impactful decision-making at the local level. Local governments rather than regional or national entities should be given the mandate for urban planning within their jurisdictional boundaries for urban development decision-making to be linked to democratic systems of local representation. Such measures enable municipal governments to formulate and implement ambitious agendas related to climate change mitigation and adaptation, for instance, by restricting developing in certain areas to protect natural areas and biodiversity, adapting urban infrastructure and transport networks to reduce GHG emissions, or upgrading climate-vulnerable informal settlements to ensure their resilience to climate-related disasters. The functions, powers and responsibilities of local government and institutions acting at the local level should be outlined with clarity and consistency across a State’s legal framework in a manner that supports vertical and horizontal coordination. Such definitions must set out the institutional roles and responsibilities at the local level without overlapping or conflicting mandates to avoid institutional conflicts and weak implementation. In Namibia, for example, the *Urban and Regional Planning Act of 2018* introduces the concept of declaring certain

local authority councils as “authorized planning authorities” in their respective local authority area.

Legal mandates alone, however, are not sufficient to empower local governments to implement measures that address climate change and reduce urban GHG emissions. Financial, technical and human resources must likewise be adequate for local government institutions to make use of any legal powers granted to them. UN-Habitat's *Urban Law Module of the Law and Climate Change Toolkit* identifies several mechanisms in the areas of finance, data collection and capacity building to empower local authorities to promote low-carbon urban development in their administrative area.

Financial mechanisms can either support local authorities gather internal revenue through local taxes, fines and fees; or they can support local administrations acquire external revenue through intergovernmental transfers, private-public partnerships, loan financing and development assistance. Each of these mechanisms requires an enabling legal framework that, for example, empowers local governments to collect and allocate internal revenue as prescribed by local law or allows them to establish contractual relationships with the private sector. The legal framework can also be tailored to climate change response by requiring local authorities to earmark a percentage of their internal revenue or annual budget to expenditures which contribute to climate change mitigation and adaptation. Developer contributions present another unique way to finance climate change adaptation by allowing authorities to charge developers for infrastructure costs associated with the development, either in monetary or in kind, through conditions attached to the planning permission. Such measures can particularly support cities in financing the development of sustainable urban infrastructure, as foreseen in the *New Urban Agenda (para. 118)* and are, for example, mandated by law in several island States such as Samoa (*Planning and Urban Management Act of 2004*, Section S49.1) and Mauritius (*Planning and Development Act of 2004*, Section 32) where climate-resilient infrastructure is becoming increasingly critical.

Mechanisms for building the capacity of local governments include defining adequate minimum qualifications of staff, performing capacity needs assessments and mandatory periodic trainings, promoting knowledge exchange with other local governments and introducing performance-based incentives. For example, Finland's *Land Use and Building Act of 1999* explicitly provides that local authorities must have sufficient resources and expertise available for their functions and, if the local authority's population is greater than 6,000, the local authority must have a planner who is qualified to manage its planning functions. Other mechanisms which can strengthen local governance capacity vis-a-vis climate change response are intermunicipal collaborations whereby administratively distinct, but adjacent, municipalities form partnerships or otherwise jointly manage designated areas through infrastructure planning, basic services provision, environmental protection, or natural resource management. Malawi's *Physical Planning Act of 2018* for example, includes provisions that

facilitate inter-municipal collaborations for urban and infrastructure planning as needed through the creation of “joint planning committees.”

Multi-level governance mechanisms for data collection and sharing can further ensure that municipal governments have access to information that enables them to make climate-smart urban management and development decisions. Indeed, considering that climate change has the potential to impact almost every sector of a country’s domestic policy, coupled with the fact that local governments generally lack capacity to collect extensive climate-related data themselves, it is vital that data collection and sharing practices are undertaken to promote sectoral integration in the climate change context. Such mechanisms should foster both data sharing between levels of government (vertical data collection and sharing) as well as among subnational government bodies (different cities, regions, provinces) and within local government departments and institutions (horizontal data collection and sharing). Mechanisms like centralized climate data hubs managed by a dedicated administrative body, such as the Climate Change Management Department established in the *Climate Change Policy of Zimbabwe, 2017*, represent one approach. In this case, the Climate Change Management Department was established to “generate, coordinate, collect, store, retrieve and disseminate reliable, high-quality and up-to-date data and information” as well as to provide guidelines and tools to inform the use of climate data in development decisions.