

High-level Plenary Session on “Accelerating greener investment: the role of taxonomies, asset managers and institutional investors, regions and cities”

Part 2: the role of cities and regions in financing a green, sustainable recovery from the COVID-19 crisis

Thursday 8th October 2020

Panel synthesis

The COVID-19 crisis poses a substantial threat to the green transition because of its significant impact on cities and regions, which are key actors in the transition to a climate-neutral economy. As was recalled by **Joaquim Oliveira Martins**, Deputy Director of the OECD’s Centre for Entrepreneurship, SMEs, Cities and Regions and the panel moderator, subnational governments are major financial players in the green transition, and account for nearly 65% of all public climate and environment-related on average in the OECD. But the COVID-19 pandemic is putting a strong pressure on subnational government expenditure while revenues are decreasing. The mayor of Lima (Peru), **Jorge Muñoz Wells**, in his video-speech, well-illustrated the fact that subnational governments have been at the forefront of tackling the COVID-19 pandemic, showing how his administration has developed hygiene and health protocols for businesses and institutions; delivered vital safety equipment; and managed large-scale changes to cycling infrastructure to ensure citizen well-being and mobility throughout the pandemic. The costs of responding to the crisis are likely to be detrimental to subnational governments’ ability to respond to the climate emergency at the scale that is needed. Taking this challenging situation into account, the panel session sought to shed light on three important questions: how do we effectively integrate the green transition within recovery plans at the local and regional level; what types of instruments are especially suitable to help finance the green transition at regional and local levels, especially in a context of tension on subnational budgets but also on external sources of financing; and how can the EU Green Deal, which provides the framework for the EU recovery plan “EU Next Generation”, help effectively support the green transition at the local and regional levels?

Given the substantial challenge for subnational governments to tackle both climate change and the pandemic, they need to be included in all stages of a green economic recovery plan’s design and implementation. Recovery plans, which provide fresh investment, are a huge opportunity to scale-up actions towards the green transition. The panellists agreed that subnational governments are often under-represented in national recovery plans and that it is unclear how they will benefit from the funding. In relation to the European Union’s recovery plan, **Andries Gryffroy**, Member of the Flemish Parliament and rapporteur for the European Committee of Regions (CoR), acknowledged that subnational governments have not been taken sufficiently into consideration during the decision-making process nor within the plan’s propositions. Beyond the COVID-19 crisis, **Andries Gryffroy** highlighted the need to increase consultation of subnational governments for policies related to the green transition as well as to foster bottom-up approaches.

Beyond better integration in decision-making processes, cities and regions require enhanced technical and advisory assistance, in addition to greater amounts of financial resources, to effectively scale-up their green activities. Regarding advisory and technical assistance, **Frank Lee**, the Head of the Financial Instruments Advisory Division at the European Investment Bank (EIB), emphasised the need for expertise and overall

guidance from higher levels of governments to cities and regions. He pointed out that some subnational governments have difficulty in determining which projects to prioritise, what types of funding are available to them, and how to access this funding. To address these issues, the EIB launched with URBIS initiative in partnership with the European Commission, to provide a one stop shop advisory service to EU cities and municipalities. In collaboration with the World Bank and the Cities Climate Finance Leadership Alliance (CCFLA), and with funding from the German and Luxembourg governments, EIB also recently launched the City Climate Finance Gap Fund to help support local and regional governments outside the EU at all stages of climate-related project development. Additionally, regarding subnational access to additional financial resources, **Frank Lee and Bella Tonkonogy**, Associate Director of the Climate Policy Initiative, agreed that financial mechanisms should be available at the earlier stages of project development and should be accessible to a wider range of subnational governments. **Bella Tonkonogy** also spoke about the need to increase access to funding at the subnational level through the development of best practices for financial structuring and aggregation and the harmonisation of funding application processes, a current CCFLA priority.

In developing green economic recovery plans, governments need to ensure that they fully address and integrate social issues so as to mitigate potential impacts on vulnerable populations. All of the panellists agreed that the effectiveness of a green economic recovery depends on the inclusion of a variety of stakeholders and an emphasis on ensuring a just transition and recovery. This point was further emphasised by **Andries Gryffroy**, who noted that for the transition to be effective it needed to bring together both civil society and the private sector so that no one gets left behind.

All the panellists noted in their closing remarks, that it is important going forward for decision makers to not waste the opportunity presented by the current crisis to fully incorporate subnational governments into their plans for a green economic transition.

