

"For a Global Action Framework towards Localizing Climate Finance, The Marrakech Roadmap for Action of Cities and Regions for Climate"*

Climate Summit for Local and Regional Leaders – Marrakech, 14h of November, 2016

Part I - Preamble

We, Local and Regional Leaders of 114 countries from all around the World, 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 proceedings of the 22nd Conference of Parties to the United Nations Framework Convention on Climate Change (COP22),

Declare the following:

We welcome the historical entry into force of the Paris Agreement on the 4th of November 2016, a major achievement that confirms the mobilization and confidence brought by central governments towards a common and irreversible dynamic of global commitment to the Climate.

This enactment expresses a message of resolute commitment of engagement by the States to the *non-party* stakeholders, 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-party* 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 design and 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;

- **The continuity of the global mobilization and engagement of Local and Regional Governments through:** this second edition of this Summit, following the unprecedented *Climate Summit for Local Leaders* held in December 2015, held at the City Hall of Paris; the different initiatives and coalitions with 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 for Climate and Energy, 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 by which we reinforce each other, e.g. through mechanisms such as the "Solidarity 1%"; 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, amongst whom we increase awareness, by our local and regional actions, regarding the challenges and effects of climate change, but also global public goods, thus accompanying the transition towards more sustainable lifestyles;

However, in order to accommodate rapid urbanization and population growth rates 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. Efforts need to be made to ensure the continuum and necessary nexus between urban and rural areas to preserve territories as a whole, thus strengthening their inner resilience.

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 impelled by local and regional governments.

Thus the cities and regions of the world, however 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 low carbon intensity economies 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, notably in vulnerable and low income contexts;

- **The action of specific support to be 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, while pursuing the exploration, analyze and acceleration of opportunities to make a business case for adaptation, through innovative financial engineering models.

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 International Development Finance Club (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 Taskforce of Local and Regional Governments** to position the topics of Finance and Climate on 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 party" 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 party" 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 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 endorse:

- **the development, evaluation and improved coordination of project preparation facilities** allowing creation of fundable projects and further capacities to attract investment, and roll out investment programmes at subnational and local levels;
- the reinforcement or creation of appropriate **financial intermediaries** in order to create propitious financing conditions for local and regional projects, at the domestic level, through a support of commercial banks, as well as of municipal development funds and other subnational pooled financial mechanisms for local and regional 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 and Public-Public Partnerships, 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* (the financial innovation laboratories such as 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 levels.

Part II - "The Global Roadmap for Action of Cities and Regions for Climate"

Taking up the analytical framework presented in the preamble of this *Global Roadmap for Action towards Localizing Finance*, 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:

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

- **By strengthening vertical cooperation and integration**, ensuring not only efficient implementation of international agreements subscribed by Parties into territories, but also crucial bottom-up information that serves Parties to global decision-making. Cooperation, coordination and coherence should be guiding multi-level governance, in particular on fiscal and funding mechanisms, strengthening the respective complementary role and mandates of Cities and Regions.

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

- between Local and Regional Governments at the national level (inter-municipality and local-regional cooperation) or at international level (cross-border and decentralized cooperation, especially in terms of planning and managing new climate funding) and all measures of regional integration, by supporting development corridors that integrate climate risk (with policy and plans of mitigation and adaptation) 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 transformative, sustainable, inclusive and resilient character of the projects being proposed for funding, and that integrate evaluation and performance monitoring of the tools and funding schemes used to invest in the local and regional governments. The development of Climate Investment standards must be brought up to the 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 Action Framework towards Localizing Climate Finance* to strengthen the empowerment and the financial capacity at the subnational and local staff levels, to allow the development of 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 National Development Contributions (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 constitute 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 in 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, the support, primordially, of bilateral and multilateral development banks is indispensable, for 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,

* 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 research-action work toward the systematization of approaches and modalities of mobilization, value enhancement, management and use of endogenous resources in territories, as it is 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 (green funds, development aid, decentralized cooperation through mechanisms such as “Solidarity 1%”) to the local scales (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.

Funding should also be applicable to networks and thematic coalitions of Cities and Regions since they bring governments together, and foster operational and multilateral partnerships and projects integrating technical exchange on climate adaptation and mitigation.

- **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 Global Roadmap for Action.

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 NDCs and NPAs frameworks. We do consider in this regard that the resilience of the territories and of their populations can be based on decentralized and off-grid infrastructure, low-tech equipment and low-cost infrastructures, rolled out through community management, and often based on innovation using patrimonial sources of knowledge, which are 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, in particular in fragile and exposed territories, especially those in Africa, low-income countries and small island states, 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 sub-national dimension with the dynamics of the *Funding and Initiatives Navigator*, a database developed and put online on the reference *NDC Partnership* website developed by the German government and the Moroccan government host of COP22, as part of the framework of their co-chairmanship of this initiative, to allow tools and conditions of a better visibility, and integration of financing opportunities, empowerment, capacity building of local and regional actors, and technical support to their projects.

This process will have to lean on and be inspired by the work of the CCFLA around the dynamic of a **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 to ensure the implementation of the recommendations of this Roadmap for Action, in close collaboration with the international networks of Cities and Regions representing local and regional governments in debates and governance of the Alliance, and in a strong coordination with the Global Task Force for Local and Regional Governments;

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.

** Note that signatories endorse the general thrust of the arguments and recommendations but should not be taken as agreeing to every single word, number, or commitment.*