

LEARNING THEME #3 - INTEGRATED GOVERNANCE

- SYNTHESIS REPORT -

PERU, KENYA, AND THE PHILIPPINES

JULY 2020

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The synthesis report builds on two often overlooked assertions:

- Technology and finance are not the primary barriers to decarbonizing economic growth and human development—rather, **the main obstacles are social and political**.
- Paradoxically, **money is not the best response to the absence of capital**. The real causes of underdevelopment are the lack of complementary inputs and the poor quality of internal organization.¹

Background:

The multi-national project, “Mobilizing Investments (MI) for the Implementation of Nationally Determined Contributions to the UNFCCC” was focused on diverse interventions in 7 different countries: Bangladesh, the Dominican Republic, Ethiopia, Kenya, Peru, the Philippines, and Viet Nam. The programme was active from 2018 through much of 2020.

Among the various components of the MI project was Learning Theme #3 (LT3)— focused on gaining insights and better understanding **the role of “Integrated Governance” in mobilizing investments for Nationally Determined Contributions (NDCs)** to the Paris Agreement of the UNFCCC.

Between April 2019 and June 2020, three distinctive country scenarios were explored under LT3: Peru, Kenya, and the Philippines.

With the purpose to identify and communicate the unique capacity and coordination challenges manifest in each countries’ emerging NDC implementation strategy, domestic technical experts conducted an **Institutional Mapping of the Climate Governance Landscape** in each country; followed by a sector-specific, intensive **Domestic Technical Consultation (DTC)** with decision makers and key actors. In this way, Learning Theme 3 activities facilitated collaboration on solutions for more effective NDC investments at the local level in the three pilot countries.

This report reflects on highlights from the LT3 outputs generated in each country, and discusses some key observations and lessons learned on integrating governance to reduce investment gaps and align strategic priorities for low emission policy and infrastructure development.

Mobilizing Investments - LT3 Outputs on Integrated Governance

(with links)

Peru - Valorizing Solid Waste at the Municipal Level

- [Institutional Mapping Report \(April 2019\)](#)
- [Domestic Technical Consultation \(June 2019\)](#)
- [Spotlight interviews](#)
 - [Oxapampa](#)
 - [Satipo](#)
 - [Cusco](#)
- [English Summary](#)

Kenya - Aligning County Integrated Development Plans to the National Climate Change Action Plan

- [Institutional Mapping Report \(Dec 2019\)](#)
- [Domestic Technical Consultation \(Jan 2020\)](#)
- [Spotlight interviews](#)
 - [West Pokot County](#)
 - [Mandera County](#)

The Philippines - Implementation of the Energy Efficiency & Conservation Act by LGUs

- [Institutional Mapping Report \(Feb 2020\)](#)
- [Domestic Technical Consultation \(Feb 2020\)](#)

This publication was made possible through funding provided by the Mobilizing Investment project of the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU); on the basis of a decision adopted by the German Bundestag.

¹ Saxena, P. Thakoor, Y. (2014) “The South-South Predicament.” International Relations Conference on India and Development Partnerships in Asia and Africa: Towards a New Paradigm. Procedia - Social and Behavioral Sciences 157.

Theory of Change

Integrated governance is the foundation for building a common architecture for climate finance², yet integrated governance for climate actions remains an unaddressed priority in the Paris Agreement.³ The design and implementation of LT3's activities was driven by the causal hypothesis that, ***"Identifying and communicating integrated governance coordination and capacity challenges, will improve the effectiveness of NDC investments."***

Over the course of the implementation of LT3 activities with key domestic actors and decision makers in Peru, Kenya and the Philippines; the meaning of "mobilizing investment" became more clear. From a governance perspective, **mobilizing investment becomes more about establishing the favorable conditions for financing, and increasing the effectiveness of investments—as opposed to simply increasing quantities of investments.**

Another practical lesson that emerged during discussions with the diverse array of non-state actors⁴ (NSAs), and especially with subnational governments⁵ (SNGs) was that—beyond climate emission reductions, the **"effectiveness" of NDC investments must also assess improvements in economic, social or other environmental conditions.** For example, effective, or **"competent" NDC investments** should also be assessed by their impacts on; employment, income levels, additional private sector investments, air pollution, health benefits, social equity, biodiversity conservation and other sustainability goals. More broadly, effective public investments in the NDCs will have functional, transformational influence on peoples' decisions where to live and work, as well as create favorable conditions that will direct the focus and location of private investment. These *non-GHG elements* should be frequently **assessed for the purpose of improving future management and decision making** (at the national and subnational levels) and **improving the competence of**

investments, not just complying with reporting obligations.

Subnational governments, in particular small and medium local governments— are experiencing the fastest rates of urbanization. They are quick to point out that they lack the support and assistance of national government to mobilize private funding.⁶ But from another point of view, when urban environments are expanding faster than administrative and planning capacities, the levels of risk exceed what is acceptable to private sector investment.

Public investment⁷ for NDC implementation was the entry point for LT3 because it is one of the fiscal instruments with the most tangible and durable impacts on human and economic development over the long term⁸— for better, or for worse. This is to say, effective public investments can be growth enhancing (read **"competent"**— attracting private sector investments, improving human well-being) and transformative (low emission development in this case); but in contrast— overly speculative, poorly planned, inadequately monitored public expenditures waste resources, spoils public trust, and can retard development and disrupt larger political and social interfaces for very long periods of time.⁹

Integrated Governance

Throughout activities in all three countries, it was frequently helpful to clarify definitions of common terms. **This exposed several previously unnoticed/overlooked differences in assumptions and perspectives between key actors, that had clearly been stultifying NDC progress.** It also called attention to sub-surface political tensions around authority and mandates.

Governance is not "government." In all LT3 forums governance was defined as the **"processes of interaction**

² GIZ, UNDP, LEDS-GP (2017) "[NDC Conference 2017](#)" Berlin, May 2-6, 2017.

³ e.g. (Article 7.2, Article 11.2, Article 11.4, decision 1/CP.21: paragraph 73c-d-g, 109, 177-181, 133-136). Paragraph 73

⁴ Non-state Actors (NSAs) - refers to organizations and individuals that are not affiliated with, directed by, or funded through the national government. This can include private corporations, private financial institutions, universities, NGOs, indigenous groups, churches, civil society organizations (CSOs), etc.

⁵ Subnational governments (SNGs)—defined as all levels of government (regional and local) below the national level.

⁶ Corfee-Morlot, J. et al. (2012). Towards a Green Investment Policy Framework: The case of low-carbon, climate resilient Infrastructure. OECD Working Papers No. 48.

⁷ "Public investment" refers to capital expenditure on both hard and soft infrastructure,— with a production reach that extends beyond one year. The manner in which public investment is measured varies across countries. Gross fixed capital formation is often used as a proxy— but, for example, private contributions to public investment (or PPPs) are not accounted for in national accounts in many countries.

⁸ IMF (2015), Making public investment more efficient, June 2015, Washington DC. Fournier, J.M. and A. Johansson (2016), "The Effect of the Size and the Mix of Public Spending on Growth and Inequality", OECD Economics Department Working Papers, No. 1344.

⁹ OECD (2014) Recommendation of the Council on "Effective Public Investment Across Levels of Government." Adopted March 12, 2014

and decision-making among actors involved in a collective problem.”¹⁰

Further refining the concept, **Integrated Governance referred to the synergistic “interplay” between the actors**—the various levels of government, the institutions, civil society organizations, and other non-state actors that shape how policies and actions are defined and implemented. **Integrated or multi-level governance is a concept of synergy and capturing efficiencies by working together.**

Governance then (contrasted with government) refers to **both formal and informal** processes, with **no preordained preference for vertical (top-down/ bottom-up) or horizontal decision making**. Operationally, this principle proved quite stimulating to the participatory LT3 Domestic Technical Consultations (DTCs), as different actors had different perspectives on “the problem”—in this case, how to make NDC investments more effective. The “*apolitical-ness*” of the integrated governance framework seemed to unlock long overdue discussions among key subnational stakeholders on the core challenges related to coordination and capacity issues between different levels that were being unattended; including **regionalization (extra-constitutional collaboration between provinces, states, counties and regions), inter-municipal cooperation, and metropolitan governance.**

Unfortunately, at the same time, **the “integrated governance” framing of NDC implementation seemed to snarl the participation of national level NDC focal points.**

Vertical Collaboration

In all three LT3 countries, the active participation of national government officials was minimal—despite preliminary confirmations of interest and relevance. While this can undoubtedly be partially attributed to the insufficiency of the project’s humble budget to capture space in overloaded ministerial agendas; LT3 activities did encounter palpable political boundaries in all three countries. These can be characterized simply as real-time manifestations of the de-facto fundamental challenges in vertical coordination between SNGs and national government on issues of infrastructure, environmental policy, and budgeting.

On the other hand, **all three DTCs benefited from very enthusiastic participation from SNGs in all countries;** with multiple officials from 9 cities across Peru; 5 counties in Kenya, and 14 Local Government Units from different regions of the Philippines.

An integrated governance matrix tool was used in each DTC to facilitate identification of the coordination and capacity challenges to mobilizing effective NDC investment. Among the various gaps and obstacles detailed in each DTC report, the **“asymmetry of information, the lack of functional couplings (e.g. administrative, communicatory) and the resulting data gaps between levels of government** was frequently denounced as a source of major inefficiency and cost.

In all three cases the DTCs highlighted **the urgent priority to vertically coordinate and communicate better between levels of government—in both directions.** Not only to enable more SNG awareness of NDC metrics, trainings and access to national public investment opportunities, but also **to capture the value of SNG experience sharing with national government,** to build on lessons learned and improve management and decision-making in future projects. This emerged as one of the most functional ways to establish **a clear alignment of strategic priorities for infrastructure development to reduce investment gaps.** In several instances, SNG officials felt that national environmental authorities were not aware of the specific local infrastructure priorities.

Horizontal Cooperation

Enabling collaboration between NSAs and between different SNGs is critical, yet particularly challenging. Possibly because these collaborations tend to be structurally weaker. For example, from a political perspective, extra-constitutional regional blocs, or inter-municipal associations (e.g. *mancomunidades*, *commonwealths*) are not elected, they freely associate and thus no accountability to cooperate, communicate, or demonstrate transparency. Or, from a commercial perspective, NSAs may be unwilling to share competitive advantages.

Nevertheless, impressive advances and alliances were noted during the DTCs, that are demonstrating the need, demand and power of horizontal collaborations on NDC initiatives. Some of these indeed are extra-constitutional, e.g. regional blocs in Kenya.

The Role of SNGs in the NDC

Understandably, with the relatively recent and ongoing maturation of NDCs at the national level, strategic and administrative activities continue to be driven along a predominantly national government determined trajectory involving *inter alia*; the definition of targets and prioritization of projects for investment; with **training, tracking and funding centralized from the state level.** In

¹⁰ Hufty, M; (2011) “Investigating Policy Processes: The Governance Analytical Framework (GAF).” Link

some cases, this may run counter to the broad political, economic and administrative decentralization initiatives underway in all three countries.

While indeed the critical role of SNGs in successful planning, operation, management and monitoring of GHG mitigation activities is well recognized and not in dispute; clearly aligning strategic priorities for infrastructure and policies across diverse actors presents basic administrative and communication difficulties. The role of SNGs in infrastructure development presents unfamiliar—or perhaps in some cases, unwelcome governance challenges.

As a reference; across OECD countries, **SNGs make the significant portion of all government capital expenditure on infrastructure**—around 60% average (2014); this reaches as high as 97% in Canada and as low as 12% in Chile. Similarly, SNGs are predominantly responsible for the majority (75% in 2012)¹¹ of all government **capital expenditure for environmental protection**.

Commensurable with the OECD data, many studies demonstrate that improvements in infrastructure management at the subnational level is one of the most effective ways to capture substantial savings and enhance infrastructure productivity¹². To put this another way, **improving SNGs skills to administrate and manage infrastructure projects creates the favorable conditions necessary for “competent NDC investments,”** reducing financial risks and attracting increased private investment, and subsequently achieving the “NDC Transformation” in all countries. Competence over quantity.

With respect to the LT3 countries, the SNGs are inherently fragmented and very diverse in their technical and administrative capacities, as well as in their command and access to financial and human resources.

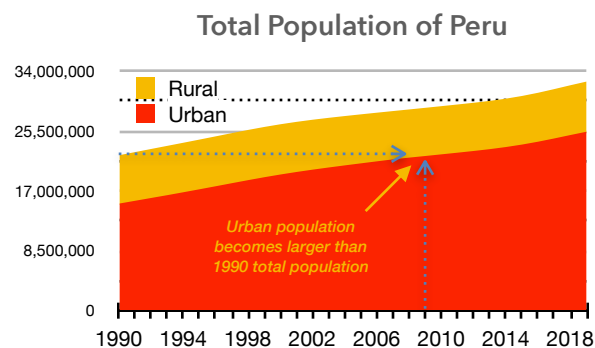
More specifically, in all LT3 countries, the rates of urbanization are spectacular; with growth generally being led by second and third tier cities. This rapid urbanization is most often characterized by a declining density of the city—driven by spontaneous, unplanned expansion and real estate speculation. In fact globally, the physical spatial growth of urban areas is on average twice as fast as urban population growth, but reaches rates as high as three times as fast. Understandably, this generates new, unfamiliar governance challenges.

¹¹ Merk, O., et al. (2012). Financing Green Urban Infrastructure. OECD Regional Development Working Papers 2012/10. Organisation for Economic Cooperation and Development (OECD).

¹² Allain-Dupré, D. et al. (2017). Subnational Infrastructure Investment in OECD Countries. OECD Working Papers 2017/05. (IMF 2015; WB 2014; McKinsey 2013)

¹³ Brand, S. (2010) Whole earth discipline; an ecopragmatist manifesto. Atlantic Books,

¹⁴ OECD (2014) Recommendation of the Council on “Effective Public Investment Across Levels of Government.” Adopted March 12, 2014.



Peru - Examples of Rapid Urbanization

Districts	Growth (%)	2000 (pop.)	2015 (pop.)
Cusco - Poroy	174%	2,851	7,817
Cusco - San Sebastian	118%	52,908	115,305
Trujillo - Huanchaco	115%	31,737	68,104
Cusco - San Jeronimo	100%	23,584	47,101
Junin - Satipo - Pangoa	96%	28,514	55,833
Ayacucho - San Juan Bautista	74%	28,967	50,429
Arequipa - Cerro Colorado	67%	88,802	148,164

This unprecedented growth of urban environments has critical ramifications for systems of energy, governance, and the infrastructure services they provide (power, transportation, water supply, sanitation, food, etc.) “Electricity, water and cable are first stolen and later gentrified.”¹³ It reveals the importance of addressing **the threat of locking in high GHG emission patterns and overcoming historically embedded growth obligations (i.e. mounting public debt).**

Relevant to LT3, the integrated governance of NDC investments at the subnational level is essential. Infrastructure projects with deficient governance in developing countries often results in budget overruns, substandard planning, political favoritism, underperformance, accelerated deterioration due to poor maintenance, and all-too-frequently, unfinished projects and “bridges-to-nowhere.”

Effective public investment—across all sectors, requires coordination between national and subnational governments.¹⁴ In order to effectively mobilize investments that lower emissions and achieve critical SDG co-benefits; integrated governance must become a priority for national governments and official development

support. This requires the active engagement of both SNGs, national governments, NSAs and International donors to work together to identify and surmount their specific coordination and capacity challenges.

Domestic Technical Consultations

All three LT3 countries, are unitary states¹⁵ with high degrees of decentralization— even a transition to a devolved government structure in the case of Kenya. On top of this, all three countries have committed to ambitious NDCs which will require massive investments in transformational actions and infrastructure to overcome their impressive trends of change since 1990.¹⁶

Change since 1990

	CO ₂ Emissions from Fossil Fuel & Cement (1990 vs 2018)	CO ₂ Emissions per Capita (1990 vs 2018)	Urban Pop. (1990 vs 2019)	Total Pop. (1990 vs 2019)	GDP per capita, PPP (constant 2017 int'l \$) (1990 vs 2019)	Forest Area (1990 vs 2016)
The Philippines	238%	97%	75%	75%	111%	26%
Kenya	224%	49%	264%	122%	35%	-6%
Peru	173%	83%	67%	47%	145%	-6%

Peru

The strategic national initiative of Peru to design and build 33 landfills across the country is national debt financed by Int'l Development Banks, operated and managed by local government. It is an example of a decentralized “launch-at-scale” GHG mitigation activity, with critical SDG co-benefits that affords an important opportunity to learn from experience. While considered “climate finance,” these important solid waste management projects fill a critical basic infrastructure gap in Peru. Of the 23,000 tons of waste generated each day in the country, less than 49% makes it to a landfill. There are still more than 1,585 unlicensed, uncontrolled, open dumps across the country. This reflects the intense, rapid urbanization trend across Peru.

The MI-DTC in Peru brought together officials from the National Environment Ministry, the Regional Environmental Authority, the National Development Bank, the private sector, and solid waste managers from 9 cities across Peru where new waste management infrastructure

has already commenced operations. This was the managers first opportunity to reflect on their governance experiences and identify priorities to strengthen institutional arrangements— between levels of government and between the private and public sectors, with the goal to more effectively valorize solid waste at the municipal level.

The mega-diversity of Peru was well represented by the 9 cities, whose solid waste operations stretched from the Amazon rainforest, the cold high mountain Andes, the dry central desert plains, and humid coastal-marine environments. This great variation of climates results in a wide range of emission factors, nonuniform design challenges, and complex management issues.



The majority of the environmental policy and solid waste managers who participated in the DTC, were women.

Peru - Select DTC Highlights

- Under the 2016 Law on the Integrated Management of Solid Waste, the provincial mayors are responsible for planning, managing, supervising and operating the services of waste collection, transport, and final disposal. They also have the responsibility to collect fees to operate and maintain this service. But unfortunately, across the country, **nearly 70% of the municipal taxes for solid waste management are overdue and unpaid.** This creates an uphill struggle for local governments— especially for those rapidly growing municipalities that are receiving new infrastructure and are adopting new operations, infrastructure maintenance and financing responsibilities.

¹⁵ A unitary state is a state governed as a single power in which the central government is ultimately supreme and any administrative divisions (sub-national units) exercise only powers that the central government chooses to delegate.

¹⁶ Annual Fossil CO₂ Emissions (EDGAR - Emissions Database for Global Atmospheric Research); Population (United Nations, Department of Economic and Social Affairs, Population Division); GDP (World Bank, International Comparison Program database); Forest Area (Food and Agriculture Organization)

- While the influx of resources from the national government was welcome, receiving significant new infrastructure creates tremendous challenges for local governments. Including for example, the efficient administration, management of new services and technical operations. There is a lack of trained personnel, unfamiliar maintenance protocols, poor information sharing, and the regular turnover of political administrations.
- One concern shared was the fact that **when public financing comes from debt-financed investments, it follows “private sector expectations,” and is too narrowly focused on profit. This predictably results in investments that produce little more than physical capital and new infrastructure.**
- If local governments are to be expected to successfully administrate, operate and provide maintenance to the new infrastructure, **they need support from investment models that produce more than physical capital** (e.g. new landfills and new trucks). Local governments require stable finances to continually train, improve capacities and coordinations, to sustainably administrate, mature, operate and maintain services. **New infrastructure itself is not going to reverse the phenomenon of 70% unpaid municipal taxes for solid waste management.**
- The launch-at-scale national initiative **depended too much on top down designs and external capacity.** For example leachate operations in the new landfills are presenting real challenges to local managers, due to inappropriate physical design from unconsidered local precipitation patterns. The dramatic differences in the diverse environmental parameters across the sites were not sufficiently accounted for in the global designs. What’s more, the GHG emission factors are not localized. Another example involved the challenges with prescribed waste collection routes— logistics designed by external contractors unfamiliar with local road infrastructure.
- A much stronger interaction between the Ministry of Environment, the NDC multi-sectoral working group (GTM-NDC) and subnational governments was called for by the participants. This could help more directly support the managers of solid waste services with the diverse administrative and operational challenges they face regularly in the field. **Public investments should prioritize direct engagement with local governments to enable ongoing learning, and addressing the administrative capacity and coordination challenges that accompany new infrastructure.**
- During the DTC, the SNGs created an informal WhatsApp group to share ongoing questions, and

advances. This group continues more than one year after the DTC; including demonstrating crucial exchanges on municipal waste protocols during Peru’s COVID-19 crisis.

Kenya

The new constitution in 2010, established a devolved government structure in Kenya that created 47 counties as sub-national units of government. The 47 counties must now define and align their particular County Integrated Development Plans (CIDPs), and County Sector Plans with the National Climate Change Action Plan (NCCAP). Importantly, the CIDPs must inform all spending at county-level. **Any funds appropriated outside the county’s planning framework are in contravention of the law**, therefore CIDPs have a pivotal role to play in financing infrastructure and climate actions that achieve the NDC.

At the same time, climate change response planning is becoming increasingly significant to county-level governance. Unseasonal temperature variations and erratic weather events are leading to local economic crises and are significantly increasing the costs of infrastructure. County-level delivery of services, planning and budgeting are directly affected, making access to finance ever more urgent.

Aligning the CIDPs to the NCCAP involves intensive county planning, budgeting and implementation across multiple sectors. There are several integrated governance coordination and capacity challenges to untangle—vertical and horizontal.

The DTC brought together 2 county officials from different departments (e.g. one from environment, another from planning) from each of 5 counties across Kenya, with the objective to identify the coordination and capacity challenges for aligning the CIDPs with the NCCAP. The Council of Governors (CoG) selected which counties should participate. Relevant topics included the status of the County Climate Change Funds, harmonization of CIDP indicators, and recommendations to help CIDPs attract budgetary and investment support.

Kenya - Select DTC Highlights

- Despite Kenya’s ambitious NDC mitigation target of reducing GHG emissions by 30% by 2030 relative to the BAU scenario, **the county representatives in the DTC had very few examples of mitigation activities. Building climate adaptation capacities is more relevant and continues to take priority at the local level.** Aligning local infrastructure needs with national targets is not actively discussed. Concern was also expressed about potential

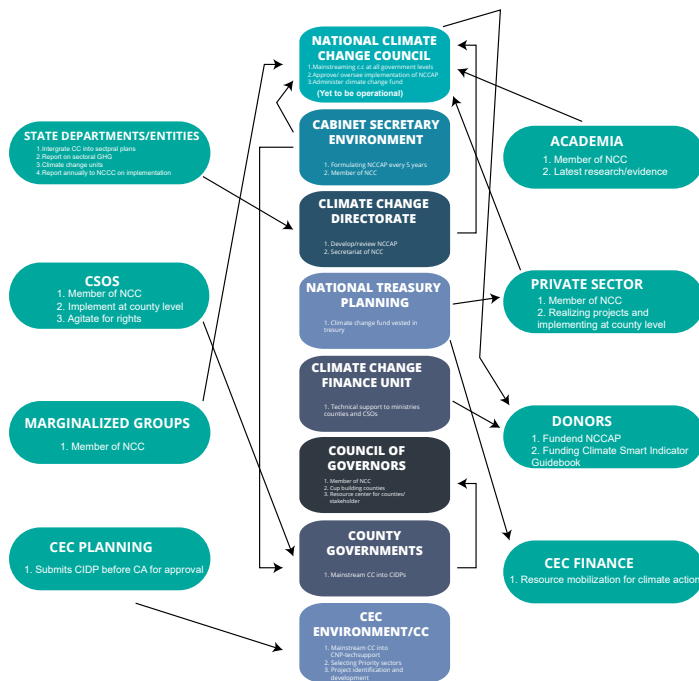
Objective Gaps— i.e. how the 30% GHG ER target was going to be achieved across the counties. Expecting all counties to reduce emissions by 30% is not tenable, as some counties struggle more than others with energy poverty, drought, migration pressures, etc.

- Several specific capacity and coordination challenges that hinder the alignment of the CIDPs with the NCCAP were identified. Among them; **a dearth of data to inform planning and climate smart indicators**, human resource capacity challenges to undertake mainstreaming at the county level, and **budgetary constraints to planning** for and implementing impactful climate investments were mentioned by all counties. Discussions highlighted how adequate **data from state departments through the Council of Governors** would really help inform the process of mainstreaming at the County Level.
- The **lack of established information channels** is demonstrated by the example of Mandera County's incorporation of photovoltaic energy systems reducing reliance on diesel generator irrigation systems by up to 7 hours a day. However, the county is unable to calculate the corresponding GHG emission reductions. **Even though the county monitors the mitigation actions they cannot be quantified and they are not reported to the national government.**
- Accelerating the establishment of climate change units at the county level was emphasized as a foremost step in mainstreaming climate actions as this is a process requiring dedicated human, technical and financial resources.
- During interviews for the Institutional Mapping Report, the Climate Change Directorate (CCD) and the Council of Governors (CoG)—both national agencies, pointed out that **a number of international donors are directly engaging with the counties without co-opting the CoG** hence tracking climate investments in the counties is problematic. This translates to lack of cohesion and **undermining structures of co-ordination on mobilizing climate investments**. Interestingly, during the DTC, county representatives were quick to point out that this also reflects **the bureaucracies in the national government systems, and therefore need to be addressed to avoid investors and donors by-passing the national protocols.**
- The county representatives also recommended that the CoG needs to play a much more proactive role in liaising with the respective national government entities such as the CCD and State Department of Planning in the development of standard guidelines which the counties can follow in setting their specific targets in their CIDPs. For example, once the announced climate change fund

becomes operational at the national level, CoG should train county officials on how to access the funds. *(Both the CCD and CoG had confirmed participation in the DTC, but were unable to attend.)*

- Institutional arrangements were discussed in depth. Participants in the DTC took the initiative to create an actual map of the multi-level actors on climate planning in Kenya, and then subsequently discussed the gaps and challenges to coordination and mainstreaming climate investments in Kenya. This original work is attached below.

MULTILEVEL ACTORS ON CLIMATE CHANGE AND PLANNING IN KENYA



- The county representatives also recommended that the **nascent regional county blocs could assist in mobilizing funds for county climate projects**. These regional county blocs have emerged extra-constitutionally, and are currently involved in developing competitive proposals through ideas generated at the county level in order to present the most viable projects for funding. It was emphasized that **regional blocs could play an integral role, currently unaddressed, in developing strong ecological blocs to attend to transboundary ecosystem issues between counties and enable both intra and inter-county cooperation**—including reducing the growing conflicts between neighboring communities due to fighting for natural resources in the form of greener pastures.
- Basic multi-level coordination challenges were highlighted, **including timing issues between actors**. Public funds from the national government should be released in a timely manner in order for counties to be

able to actually address current issues. For example in West Pokot, the funds are disbursed too late in the rainy season to deal with emerging weather emergencies. Or they arrive too close to the end of the financial year to be utilized meaningfully for planning or executing current priorities.

- Being able to work closely with university programmes was a desire and a challenge expressed by county officials. In some cases, the academic calendar of institutions conflicts with the financial calendar of the county and prevents functional cooperation (e.g. internships).

The Philippines

The goal of reducing GHG emission reductions by 70% by 2030 relative to its BAU scenario of 2000-2030 is what drove the creation of the 2019 Law, “The Energy Efficiency and Conservation (EE&C) Act.”

With local autonomy guaranteed to the Local Government Units (LGUs)¹⁷ in the 1987 constitution, under the EE&C Act, the **LGUs are now mandated to come up with their local EE&C plans**. The short time frame presents a tremendous challenge, exacerbating the already **bureaucratic obligations to formulate a myriad of LGU plans and reporting requirements**, including; Local Climate Change Action Plans (LCCAPs), Local Investment Development Programmes, Comprehensive Land Use Plans (CLUPs), Comprehensive Development Plans (CDPs), as well as others— **totaling over 30 plans**.

The LT3 programme in the Philippines mapped the gaps and challenges with complying with the national directive for climate mitigation to prepare a local EE&C plan that would direct and generate investments.

The DTC then brought together 27 participants including city and municipal environment officers from 14 LGUs, a representative from the League of Cities of the Philippines¹⁸, a representative of PLENRO¹⁹, a small delegation from the National Department of Energy, academics and energy efficiency experts. For two days, the participants discussed; specific coordination and capacity challenges faced by the LGUs to fund, implement and comply with the EE&C Act; what a bottom-up registry might look like to monitor EE investments and energy savings; and how might the CLUPs, CDPs, and LCCAPs create or hinder investment opportunities.

The Philippines - Select DTC Highlights

- The Energy Efficiency and Conservation Division of the Energy Utilization Management Bureau (EECD-EUMB) of the Department of Energy (DOE) highlighted the critical roles and responsibilities of LGUs under the EE&C Act. She emphasized that **all LGUs needed to; establish an EE&C office; Appoint an EE&C officer; and submit a local EE&C plan**. The DOE welcomed this DTC as a first, and overdue opportunity to help the DOE draft a realistic set of policies towards those deliverables.
- LCCAPs do not bind local governments to national climate change targets. **The EE&C Act, signed into law on April 2019, may be one of the pioneering national policies to legally bind the LGUs to the country’s national mitigation targets**. The DOE will set standards and targets, as well as monitor compliance of LGUs to these goals.
- LGUs expressed concern that the EE&C Plan would exacerbate the already bureaucratic obligations to formulate a myriad of LGU plans and reporting requirements. **There is simply no capacity in LGUs to implement more policies**.
- Current GHG reporting in LCCAPs is voluntary and using inconsistent methodologies. The LCCAP is just a plan. The implementation of the plan still poses a great challenge especially in relation to directing/ attracting investments.

LGUs - Financing Gaps & Barriers

Financing Gaps and Barriers EE&C Plans	
Scarcity	- significant upfront capital investments
	- bank credits require LGU Internal Revenue Allotment as loan guarantee
Limited Incentives	- lack of stand-alone market incentives (pre-EE&C)
	- need guidelines for forthcoming EE&C fiscal and non-fiscal incentives
Public Accounting & Procurement Rules	- procurement restrictions on “savings-based” services
	- no life-cycle considerations

- LGUs are not EE&C experts, and need support to understand opportunities and technologies. **The question of upfront capital investments necessary to achieve EE&C makes any sort of local plan or targets very difficult to establish**.

¹⁷ LGUs include; Provinces (81); Autonomous Region (1); Cities (45) and Municipalities (1,489) (independent from a province); and Barangays/ Villages (42,045), the smallest level of LGU

¹⁸ The League of Cities of the Philippines is an organization composed of city mayors.

¹⁹ Philippine League of Local Environment and Natural Resources Officers.

- LGUs remarked that they had never been consulted on the EE&C act, despite it already being passed into law. There were serious doubts expressed about the ability of LGUs to comply with the Act's provisions. LGUs are barely complying with their LLCAPs under the Climate Change Act.
- Financial support is needed to help LGUs formulate strategic plans. They need real training. Funding from both from the government and the private sector is also needed to bridge the gap between EE&C Act's objectives and local administrative and management capacity. Without them, the EE&C Act will not be able to meet the targets of the LCCAPs.
- There needs to be **complementary national legislation formulated to encourage various sectors to actually comply with local plans.**

Final Reflections

The LT3 process of institutional mapping and domestic technical consultations on 3 continents generated a tremendous amount of information on the **challenges related to governance that stunt the competence of NDC investments**—not only on particular domestic matters, but common threads emerged as well. There exists a unique opportunity to follow up with the nascent network of LT3 domestic key actors and decision makers as they collaborate and apply lessons learned in the pursuit and implementation of effective NDC investments.

- To be clear, the levels of investment required for infrastructure transformation to achieve the NDCs goes far beyond available public resources. The overwhelming majority will need to be secured from the private sector. But that fact should not acquiesce into a starting point for financing NDC implementation. **Improving the competence of the NDC public investment and expenditure process is the best way to rally private investment flows into significance.** This approach establishes SNG administrative and managerial capacities as a legacy, and is the most direct path to achieving the conditions necessary for the critical mass of private investments to proceed.
- **Bilateral assistance for developing country climate action capacity development is operating in silos.** There are real costs to inadequate collaboration between donors. This clogs the administrative bandwidth of national climate focal points to efficiently match needs with resources, avoid duplication and capture complementarities. At the national focal point level, there is pressing need to improve the efficiency of international development assistance; empowering national and local authorities as well as strengthening inter-ministerial collaborations. The utility of establishing gateway donor platform/ coordinating frameworks could be explored.
- The term **“climate finance” and “mobilizing investment” are too quickly assumed to be “new money.”** This immature lexicon impedes the analysis and study of fundamental coordination and governance capacity issues. It also can exacerbate political and social risks. In some cases, **the allure of new (easy) money overwhelms normal due diligence**—propelling public-debt financed projects past very real technical and managerial risks that would be disqualifying to private investments. This **precludes the emergence of self-organization in the “new climate economy.”**
- At both the national and the subnational level, there is a **real opportunity cost of rising debt service and current spending congesting administrative capacity for future public investments.** Administrative and management capacities are finite. Too much, too fast will reduce the “fiscal space” for transformative investments.
- Improving SNGs' skills to administrate and manage infrastructure projects creates the favorable conditions necessary for effective public investments. Significant **early effort should be focused on subnational capacity building for infrastructure investment, especially the use of complex financial tools**, through a differentiated approach targeting different needs in different types of regions and cultures. This training requires financial resources. Among the key infrastructure management skills that are required include basic MRV and monitoring programmes to **establish pre-project analyses that create a record for the full life-cycle of an investment, as well as following up with ex-post evaluations. Then, subsequently including these results in future decision-making.** While monitoring and evaluation plans exist on paper, they are often neglected. Even when they do exist, they can be pursued as administrative exercises, rather than functional tools for planning and decision-making.
- **Improving the liquidity of SNGs is a key attribute of competent NDC investments.** Liquidity empowers local authorities to make economic choices, learn from experience, share knowledge and build capacities towards transformational change. **Without liquidity, there is no decision making ability.** Top-down “turnkey infrastructure” projects, or obligatory sectoral local develop plans often exceed local administrative and management capacities. These **“inherited debt obligations” (financial and level of effort) can do more harm than good.**

- National **NDC strategies** should take advantage of the **relevant and growing trends of regionalization (regional blocs), inter-municipal cooperation (mancomunicades); and metropolitan governance**. Current national NDC strategies lack cohesive engagement ideas. In fact, in some cases this strategic/operational gap is what sparks the origination of the extra-constitutional collaborations.
- There is a real danger and complexity of international donors and investments bypassing national portals and engaging directly with SNGs, exacerbating social and political risks.
- The question of **how cumulative national targets are going to be “equitably distributed” across subnational territories** is a challenging topic and of high concern to SNGs.
- While vertical collaboration has its profound challenges and is a key priority towards competent NDC investments, **there are critically important horizontal coordination challenges to address as well**. These include between fragmented municipal districts within a metropolitan area, different administrative departments within a municipality, along with inter-sectoral collaboration gaps. For example, conversations on midterm goals between public transportation systems and residential and commercial building development. **There is an opportunity to foster integrated cross-sectoral investment strategies at the local level** to benefit from complementarities across sectors.
- SNGs must have access to relevant up-to-date local data if optimal infrastructure decisions are to be made.
- It is a challenge for infrastructure projects to value adequate involvement of civil society in the choice of projects. **Increased stakeholder engagement at an early stage should be a resourced fundamental part of public infrastructure investment.**

Learning theme 3 reports and consultations in Peru, Kenya and the Philippines would not have been successful without the relentless commitment, long hours and keen talents of a global team. Special appreciation is extended to:

Carlos Orbeagozo
Daniela Sceppacueria
Wilfredo Baldeón
César Davila
Edna Odhiambo
Amanda Wangari
Doreen Abiero
Evalyne Wandeto
Fredrick Ochari
Jean Laurente
Oliver Gonzales
Ranell Martin Dedicatoria

Most especially, the agile support received from SouthSouthNorth (SSN), including their skillful adaptation during the very challenging times of the global COVID-19 pandemic.

Amanda Dinan
Alexa von Geusau
Samson Mbewe

Supported by:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

based on a decision of the German Bundestag

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This project is part of the International Climate Initiative (IKI). The German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag. This document is an output from a project of CDKN and LEDS GP, and contracted through SSN with support from NREL, ODI, PwC and [insert subcontractors]. The views expressed are not necessarily those of, or endorsed by, BMU or any of the entities delivering the Mobilizing Investment project, who can accept no responsibility or liability for such views or information, or for any reliance placed on them. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, the entities managing the delivery of the Mobilizing Investment project do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.