

Future of Institutions

DIALOGUE SUMMARY

Title/topic:

Urbanization in an Era of Accelerating Climate Change

Organizers:

Artha Global

Key takeaways:

This Dialogue explored ways in which local, national, and international institutions must evolve to support cities in lower-to-middle income countries (LMICs) as they adapt to and mitigate climate change and navigate unprecedented levels of urbanization.

The first half of the Dialogue reflected LMIC cities' positions in both national and international contexts. Participants discussed that, despite facing differing circumstances, LMIC cities share a set of characteristics: having remits beyond the resources at their disposal, having to deal with rapid urban growth, and working within slow bureaucratic contexts. Participants also agreed that national and international priorities have stymied city-level innovation. Harnessing grass roots solutions, and communities, could be leveraged to get past these barriers, as well as lead to better policy solutions at the local level.

The second half explored finance. Participants agreed that the criteria for green investing, particularly the definition of a “bankable” city, sat in stark contrast to what cities need. Cities facing the highest climate vulnerabilities are the least well financed. Criteria for financing therefore needs to be re-envisioned, particularly to better support grassroots needs (e.g., “place-based” financing). Dialogue participants questioned the current emphasis on development banks as a key source of funding. More diversity could come through local revenue raising (e.g., land value capture). Innovative central government funding, such as funds to incentivize local level projects that deliver co-benefits, could be leveraged to stir more action at the local level. Overall, understanding the geopolitical consequences of certain funding streams is important.

The challenge(s):

The global south is where the bulk of urbanization will occur over the next 30 years. How carbon resilient this new urban expanse will be, and how carbon intensive, will depend on how it is planned and designed. To date, urban growth has worsened environmental conditions, according to [Artha Global's research](#) in India. Changing the trajectory will require careful planning, management, and funding. Yet, across many LMICs, municipal governments are under-resourced and under-skilled. Their needs are also poorly represented at international fora, with national concerns dominating these agendas instead. Dialogue participants reflected on common challenges LMIC cities face and what opportunities there are to improve outcomes locally, nationally, and internationally.

Insights for the Future of Institutions:

Institutional capacities and power vary significantly across LMIC cities, yet there are commonalities that can provide the basis for collaboration. For example, political power in India is held above municipalities, whereas in Columbia it is stronger at the local level. Common factors facing LMIC cities are significant levels of economic and urban informality, high levels of corruption, and slow bureaucracies. There are also common characteristics facing all cities, including sparse resources.

Climate mitigation and adaptation are not at the top of local priorities. LMIC cities face a gamut of issues, meaning that tackling climate change is seldom top of mind. This is despite obvious opportunities (e.g., minimizing urban sprawl and congestion) to tackle climate change and improve other outcomes within a city. Long-term 'hard' infrastructure projects (e.g. a new bridge) also tend to be favored over more human-oriented, flexible, local solutions. This is in part because it is difficult to demonstrate the effectiveness of local solutions (e.g., nature-based solutions), while the power, money, and status associated with 'hard' infrastructure make it more attractive to decision makers.

It is tricky to define the boundaries of a city. Cities evolve in line with their surroundings. For example, continued high migration into LMIC cities force an expansion of their once-rural borders. Natural disasters and changing weather, too, put pressure on city infrastructure. Considering the right lens in which to view a city, and the institutional apparatus needed to support that lens, is important.

Local value and innovation are often ignored and sometimes abandoned. Too many solutions are developed above the local level. NGOs that promote local-level solutions and focus on cities can also lose focus and prioritize working with higher levels of government to lobby for change, rather than working with those on the ground to create grassroots solutions. This leads to a divorce in policy between NGOs and the city residents they serve. Similarly, cities, when attempting to better support informal settlements and sectors, can strangle them in the process due to lack of consideration of ground conditions.

Internationally-set goals have been made with minimal city-level engagement and do not suit LMICs as a result. Frameworks for development built via Nationally Determined Contributions (NDCs) and green financing criteria will not bring the quantum of finance required of LMIC cities. Solutions proposed at international forums are usually inapplicable to smaller LMIC cities which are experiencing high urban growth. This is in part due to the minimal involvement of cities in deciding upon internationally-set goals and frameworks, despite the fact that progressive democratic practices (e.g., citizens assemblies) are most prevalently championed at the city level.

City networks have had a significant impact on societies historically and have begun to play this role again. City networks in the late-19th to early-20th centuries established informal institutions between each other, with which they confronted issues such as nationalism and social inequality. Today, city networks have provided effective ways for peer-to-peer sharing of practical advice and innovations during crises like the COVID-19 pandemic. City networks offer a way to bolster city representation internationally, pool ideas, and drive changes required within nations. This shift towards wider functions is just emerging in city networks.

Geopolitical trends have local consequences. Climate diplomacy is likely to be more hostile in the future, particularly if energy supply becomes a key lever in foreign policy. For some countries, economic opportunities could result in downstream climate degradation. Considering these factors when cooperating with or gaining financing from partners will be important for cities. Cities should ensure that what benefits them in the short-term will not have worse long-term consequences. If cities engage strategically with these trends, reshoring because of higher international tensions could allow them to attract new investment. A more multipolar world may offer the opportunity for

cities to gain a greater voice.

Funding and financing need to be thought of differently. Sometimes funding is best driven by specific sectors. The private sector, for example, is likely to be a more important player in promoting electric vehicle (EV) adoption. Meanwhile, the public sector may be best suited to fund adaptation infrastructure, given the lower financial returns. That said, funding pots from central government or multi-level development banks can hinder local opportunities (e.g., land value capture) to raise funds. Cities thus need to create asset classes that better suit their needs and channel finance towards them.

Solutions:

To help LMIC cities receive the support they need, Dialogue participants suggested the following:

- Reform disaster relief to get resources and support to the frontline faster and better consider urban contexts, particularly to support climate refugees who get stuck in informal urban peripheries.
- Create a peer-to-peer capacity building model that:
 - Focuses on common challenges, such as rapid urbanization, rather than shared granular policy interventions.
 - Is supported by a LMIC academic community which can research generic lessons, codify them and disseminate learnings to cities.
- Encourage cities to work together to reform or innovate a platform that better represents cities on the international stage.
- Examine participative practices at the local level which feed into national and international climate agendas (e.g., through national emergency assemblies), to help cities illustrate and leverage current legitimacy.

To better resource LMIC cities, Dialogue participants suggested the following:

- Establish incentive funds which are provided by national governments to encourage city government investment in local projects that tackle climate change.
- Embrace local financing opportunities such as land value capture, tax increment financing and selling floor area ratio.
- Develop new asset classes and metrics for capital flows that better capture social values, support informally grown economies, better consider long-term returns and risks, and invest in community-led initiatives.
- Encourage cities to push through the sovereign barrier and advocate for the wants of their citizens.
- Use green procurement to develop local investment criteria that better reflects local need.

Participants

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- Ida Auken, Member of Parliament of Denmark
- Ashvin Dayal, The Rockefeller Foundation
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- Leo Horn-Phathanothai, World Resources Institute
- Claire Kumar, ODI Europe
- Patrick Lamson Hall, New York University
- Chor Pharn Lee, Centre for Strategic Futures

- Ashwin Mahesh, Mapunity
- Gulzar Natarajan, Government of Andhra Pradesh, India
- Kevin O'Neil, The Rockefeller Foundation
- Malka Older, Writer, Sociologist, and Aid Worker
- Edgar Pieterse, African Centre for Cities
- Jessica Seddon, Yale University
- Jagan Shah, Artha Global
- Lucy Slack, Commonwealth Local Government Forum
- Carolina Urrutia, Bogotá City Government