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BUILDING BUSINESS SUPPORT FOR CITY-LED LOW EMISSION DEVELOPMENT TARGETS

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KEY MESSAGES

- Local Low Emission Development Strategies or Climate Action Plans are often developed and led by cities and identify the activities that can be implemented to achieve the national and international climate targets. The strategies driven by cities will however only achieve partial success unless the business sector is engaged as a key stakeholder to support implementation. Improving communication and identifying collaboration opportunities could help to overcome barriers hindering low emission development and business opportunities in Southeast Asia. This will also ensure that low emission development targets are set both ambitiously and realistically.
- The business sector in Southeast Asia is increasingly aware of the need to embrace low emission development and move away from carbon-intensive consumption and production. However action is still lagging behind global standards. The private sector is looking to government to provide clear and reliable long-term policy commitments before they make substantial future changes and investments. This urgently escalates the need for ambitious and robust low-carbon development policy and regulation.
- The businesses can play a strong facilitation role to support local governments in overcoming inter-city collaboration, especially in implementing solutions that cross over the jurisdiction boundaries of a city that would otherwise require complex administrative and regulatory procedures. Due to the nature of businesses that is not constricted by jurisdictional limitations and enables to scale low emission action across city boundaries, businesses can be the key in successful transition of sustainable business solutions.



BACKGROUND INFORMATION

Cities in Southeast Asia are currently experiencing a period of rapid development which has stimulated economic growth (around 5% real GDP growth in 2019 for Southeast Asia) and a booming private sector investment. However, this came at the expense of social and environmental sustainability (OECD, 2019). Exponential growth in carbon emissions particularly in urban areas is indicative of this model of development. Local governments and urban populations are now facing consequences including rising climate risks, poor air quality and ecosystem collapse. These negative impacts are inter-linked with unsustainable economic models and business practices that tend to operate under extractive and polluting models. Highly-polluting and energy-intensive manufacturing methods, destruction of natural resources for economic gain and a rapid growth in private vehicle transportation are a few examples of the unsustainable business practices. For

cities and nations to reduce emissions growth sufficiently to meet their own targets as well as the targets set by the Paris Agreement– there is an urgent need to accelerate low emission development strategies that are supported by diverse business sectors.

The private sector perspective on these issues is also changing – business models based on short-term profit gains are now increasingly being reconsidered in favor of opportunities that protect environmental resources and ensure long-term business viability. However, there is still substantial room to improve business participation in helping local and national governments make significant cuts in carbon emissions for instance through engaging in developing policy instruments that incentivize a change in business models.

PROBLEM DEFINITION

Local governments are looking to accelerate action on low emission development by setting more ambitious carbon-emission reduction targets and require support from business actors in the region to accelerate progress. However, in many cases, business solutions of low-carbon solutions and sustainable development initiatives occur at the procurement or implementation stage, long after cities have decided on their climate action plans. In these later stages, companies mainly act as solution and service providers and are limited to commercial seller-buyer relationships without being able to engaged in a pre-commercial engagement process. This is a prevailing practice despite the fact that corporate expertise and knowledge are viewed

as valuable contributions to advancing cross-cutting urban sustainability strategies.

From the other perspective, both local and international companies developing green solutions and services experience the lack of effective regulation frameworks or monitoring and enforcing systems of such frameworks. The three CiBiX workshops conducted in DKI Jakarta (Indonesia), Pasig (Philippines), and Hanoi (Vietnam) demonstrated that businesses are calling for leadership from local government in order to increase demand for green business sectors, in particular renewable energy and energy efficiency, low-carbon transport and sustainable waste management.

KEY FINDINGS

As part of the Ambitious City Promises project, the three project model cities led workshops with private sector stakeholders on high-priority challenges related to accelerating their progress on low emission development.

Low emission development requires a systemic change in governance and business practices. Taking a collaborative approach for specific urban challenges allows engaging both local governments and the private sector as equal stakeholders. In order to take a wider perspective on low emission development, the city should not only increase engagement opportunities with relevant sectoral actors and traditional businesses, but develop a broad network of private sector stakeholders including, start-ups, SMEs, and business networks that provide unconventional solutions

While the private sector is increasingly convinced of the potential for developing low emission solutions, more traditional business actors consider that the market in Southeast Asia is not yet equipped for a rapid shift to renewables and clean technologies. Meanwhile, innovative companies developing sustainable solutions believe there is huge potential for investment. To achieve the transformation, businesses should be backed by the strong leadership from the public sector to pilot test and authorize novel and alternative technologies, which are at the moment a limiting factor to foster further business growth for green technologies. For instance, in Jakarta, the conventional car batteries that are being used in Jakarta's public lighting bear an immense environmental cost. During the City-Business Collaboration Dialogue on urban energy systems in Jakarta conducted in December 2018, the businesses saw a big opportunity in switching existing batteries to lithium batteries and identified that city-business collaboration on public lighting will tap the potential for reducing city-level carbon emissions.

Emission and pollution challenges often are not limited to geographic borders or solely influenced and governed by local policies. In addition, one city's emissions can easily spread and impact neighboring urban and rural areas. This



ACP Pasig CiBiX workshop ©ICLEI SEAS (2018)

is very much the case for Jakarta, Pasig City, and Hanoi which find themselves located within larger urbanized metropolitan regions. Meanwhile, the private sector is not constricted by jurisdictional limitations and can scale low emission action across city boundaries. Hence, it is critical for cities to better communicate with businesses on their scope of influence and create a favorable environment for change. For instance, in the City-Business Collaboration Dialogue for Low Emission Mobility conducted between Pasig City and relevant private operators in December 2018, it is identified that the businesses can serve as the main agent in scaling of Pasig's transport initiatives and programs to adjacent cities. Often Pasig desired to expand mobility services to transport nodes in neighboring cities in the Metro Manila region to make them more practical and user-friendly but this has proven difficult to achieve as it needs support from other LGUs and even higher-level government coordination. However, Pasig was able to overcome city boundary challenges linked to their bike sharing scheme by partnering with a popular shopping mall destination for Pasig residents but juristically located in Quezon City. The successful city-business partnership allowed the Pasig residents to travel and park the shared bikes at the mall.

POLICY RECOMMENDATIONS

The following policy recommendations are based on consensus between model cities in the ACP project and businesses on what could help to further integrate the private sector into low emission development planning and implementation:

- Increased open dialogue and collaboration between both public and private actors on low emission development creates mutual benefits.** Cities can leverage tools including procurement, subsidies and pilot testing to stimulate market uptake of new solutions and create an enabling business environment. Meanwhile businesses play a critical role in developing low emission innovations and technologies, and also provide much needed investment to bridge the finance gap. Such an open dialogue will in turn encourage investment and business sector development of low emission technologies and business models. Current engagement platforms including Jakarta's *Musrembang* (public engagement on development plan) as well as Pasig's Public Engagement Meetings at the Barangay (district office) and municipal level can be utilized. Frequent ad-hoc meetings by the local government can facilitate exchange with private sector about specific challenges as they arise and provide an open call to participate for relevant business actors.
- The private sector is also calling for closer access and collaboration with local governments.** Successful collaboration efforts include cross-department cooperation on projects as well as enable business to increasingly connect to and work with local governments at a more strategic staff level rather than solely with technical staff in a siloed manner on a singular project basis.
- Increased collaboration can also be strengthened through information exchange.** Triangular data sharing – between city departments and then between cities and businesses will help to unlock more business opportunities, improve low emission development coordination and strengthen carbon emission reduction implementation and data collection (monitoring and evaluation). For instance, Hanoi City is pilot testing on milk carton collection and recycling that is being co-implemented with private sector and local schools. Joint collaboration on a series of alternative waste management solutions with relevant stakeholders helps the local government to apply the proven methods in future policymaking.
- It is beneficial for cities to identify the available technologies and plan for clear regulations and incentives to promote innovation that would in turn support the cities to set up more ambitious and achievable targets.** Business actors strongly believe that it is essential for low emission development plans to be complemented by efficient incentive or subsidy schemes. This needs to be communicated in a timely manner to the private sector so that it can inform business planning, stimulate low emission investment and spur market growth. Counter-productive policies such as fossil-fuel subsidies and continued support for carbon-intensive industries also need to be actively phased-out.



CiBiX workshop in Hanoi ©Hanoi City (2019)



CiBiX workshop ©ICLEI (2018)

CONCLUSIONS

There is growing awareness of both local governments and business on the urgency to reshape development strategies to drastically cut the carbon emission growth.

However, turning awareness into action will take increased commitment from both parties to work together to set a new action plan with more ambitious targets. Such a plan will need to clearly identify and support green business opportunities and incentivize private investment to bridge the existing funding gap. Hence the policy recommendations

and real city examples outlined in this document provide suggestions for cities and business to work closely together to set out a roadmap for implementation that has the full support of both parties. While the insights in this document are based on promoting collaboration on carbon emission reduction – the same recommendations could also help to build private sector support for local government action on the Sustainable Development Goals (SDGs) and other sustainability-oriented initiatives.



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The purpose of the policy brief series under the IKI Ambitious City Promises project is to support more informed evidence-based decision-making on the priority areas within the project cities or their respective national governments. It is targeted at the policy-makers and the government officials who are involved in developing and/or executing the climate action plan.

The Ambitious City Promises project supports nine city local governments in Indonesia, the Philippines, and Vietnam in developing and implementing low emission development strategies. Through the project, local governments in Southeast Asia adapt this model of inclusive, ambitious climate action, mainstreaming low emission development strategies and creating new climate leaders. The project is implemented by ICLEI – Local Governments for Sustainability and funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) through the International Climate Initiative (IKI).