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T20 Policy Brief

Task Force 06

**STRENGTHENING MULTILATERALISM AND GLOBAL
GOVERNANCE**

From Ambition to Implementation: How Including Subnational Governments Can Improve the Effectiveness of Multilateral Actions

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Abstract

The Paris agreement's promises and national emission reduction plans diverge significantly, demanding swift action given the climate crisis urgency. Subnational governments are key in aligning current climate efforts with the necessary actions to limit global warming to 1.5°C. Despite their vital role, they are often sidelined in crucial policy discussions. This brief advocates for their active participation in G20 talks, stressing their potential impact on international financial reforms and local-level climate initiatives. With a substantial portion of climate financing at their disposal, subnational governments can drive effective public spending, incentivize private sector investments in zero-emission technologies, and bridge global-local implementation gaps. Their unique perspectives and capacity for tangible change make them essential in the fight against climate change.

Diagnosis of the Issue

Subnational governments: catalysts for global climate action

Subnational governments within G20 countries are vital actors in transitioning away from fossil fuels and achieving the Sustainable Development Goals (SDGs). These governments have set 3,799 quantifiable emission reduction targets, with 532 subnational actors having set more than one target. Targets set by regions cover 1.65 billion people and city-level targets cover an additional 455 million people (Song et al. 2023).

There are several reasons why subnational governments are important catalytic actors. First, they are often the level of government closest to the people and territories they represent and, in most cases, have powers on infrastructure (e.g. green spaces, water distribution, roads or public buildings), support economic development, alleviate poverty, address climate change, and improve the wellbeing of communities and support biodiversity preservation (See Figure 1).

For example, the state of Querétaro, Mexico, last year implemented a compensation mechanism to mitigate 400,000-500,000t of CO₂ from its industrial sector, representing between 20 and 25 percent of the state's total emissions (Galeana 2023), through remuneration for forest conservation measures. Currently, 14,000ha of Sierra Gorda's Forest are protected under this model.



FIGURE 1. Hard and soft powers and capacities as per survey conducted in the study (Wong et al. 2023)

Second, local leaders are also often the first responders to climate emergencies. In May 2024, the State of Rio Grande do Sul in Brazil experienced its fourth weather-related crisis in less than a year. The state's Governor estimates a years-long reconstruction plan will be needed, costing some 19 billion reais (around \$3.7 billion) and requiring financial support from several sources (Sader 2024).

Subnational governments are also important implementation actors. Multi-level action with subnational governments can be significant in securing and delivering international agreements. For example, the Canadian Government worked closely with its ten provinces and three territories in negotiating The Comprehensive Economic and Trade Agreement (CETA) with the EU because they share constitutional powers for its implementation. Having their viewpoints gave the government valuable knowledge of trading priorities by geography and guided them to the best outcomes for different stakeholders (Johnson and Mathias 2018).

Finally, subnational governments have a key role to play because of their procurement and investment capacities. Subnational governments are often large consumers of products (e.g. in education and health) and responsible for supplying communities with public services. This gives them significant influence over where funds are directed and how they are used. The OECD found that subnational governments account for 63 percent of climate-significant public expenditure and 69 percent of climate-significant public investment across more than 30 OECD and EU countries (OECD 2022). Globally, subnational governments represent over 50 percent of all environmental and climate spending through their spending allocations and procurement powers (The Climate Group 2023).

Climate change impacts on public finances

Increasing climate risks like extreme weather events can significantly affect revenues and budget expenditures of subnational governments, as illustrated in Figure 2.

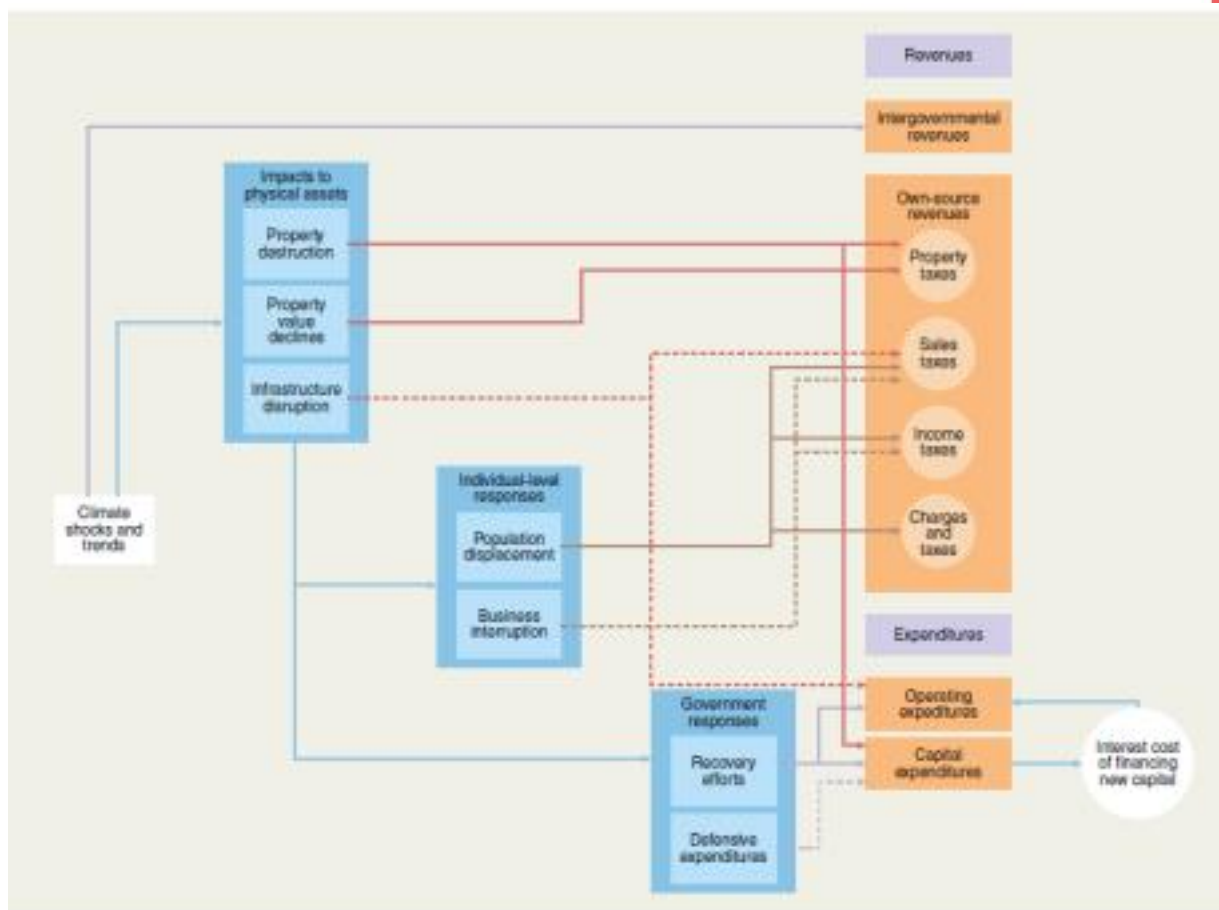


Fig. 2 | Pathways by which climate shocks and trends affect specific categories of revenues and expenditures in the budget. We classify the consequences from climate shocks and trends into three groups: impacts to physical assets, individual-level responses and government responses.

FIGURE 2. Pathways by which climate shocks and trends affect specific categories of revenues and expenditures in the budget (Gilmore, Kousky, and St. Clair 2022).

Subnational governments can also be disproportionately affected by national government decisions. For example, a recent study found that falling oil and gas revenues in certain jurisdictions (particularly in the Global South) are likely to reduce the revenue available for subnational governments, impacting their ability to provide services to local communities (Saha et al. 2024). At country level, the costs of transition are significant for states that rely heavily on revenues from fossil fuels. This underscores why a just transition is essential.

Developing regions are also particularly vulnerable to climate change, according to the UNEP GAP FUND 2023 report (UNEP 2023). Yet government knowledge of the flows and quality of adaptation finance remains limited and less than 10 percent of financial commitments from international climate funds to developing countries are directed to the local level (Soanes et al. 2017).

Support required from the G20 community

Subnational governments are well placed to accelerate climate action while meeting many of the SDGs. However, they require much greater climate financing: particularly in developing economies. Financing instruments and new investment models (both public and private) are essential to enable subnational governments to reach their full potential.

It is not just about increasing climate revenues. Investments need to align with local needs and priorities, support science-based climate action, help close the green jobs skills gap, foster a just transition, and target support to the most vulnerable: an issue prioritized by the Brazilian G20 Presidency.

Recommendations

The Brazilian Presidency's focus on "Building a Just World and a Sustainable Planet" within the G20 calls for greater involvement of subnational leaders, who have close relationships with their different communities. This involvement can advance priorities like social inclusion, fighting inequality, hunger, and poverty, and promoting sustainable development. To achieve this, the G20 Presidency should focus on reforming global governance institutions, starting with updating its own processes to include references to the role of subnational governments in relevant decisions and to reflect their voices in negotiations beyond an engagement group such as the Urban20 (U20).

Recommendation 1: Establish an international roadmap for targeting climate finance towards local action as an outcome of the Task Force for the Global Mobilization against Climate Change

The UN Secretary-General has called for a rescue plan for people and planet, centered on strengthening governance and institutions for sustainable and inclusive transformation and prioritizing policies and investments that have multiplier effects across the SDGs.

Subnational governments are uniquely placed to deliver on this call, as they already enable policies, citizen engagement and connections between a wide range of actors such as between the private and financial sectors.

To benefit from the direct experience of subnational governments, the G20 Presidency should include subnational leaders in the new Task Force for the Global Mobilization against Climate Change. This would enable it to deliver on the Task Force's aim of conveying the member states' commitment to restore trust in international capacity to

respond to climate emergencies. Including subnational governments in this Task Force would also enable them to share how national and international plans for economic and sustainable transformation could affect local communities and economies. Some subnational governments already contribute to international climate financing. For example, the Government of Québec has contributed CA\$ 33 million to the Adaptation Fund since 2019 and the Government of Scotland established a Loss and Damage fund at COP26 with an initial contribution of £2 million. In this respect, these governments should be considered leaders of and co-contributors to international climate action and the SDGs.

Participation in the Task Force would also enable them to explain the challenges they face when decisions made at international level do not consider needs at the local level. One of the outcomes of this inclusion could be the creation of an international roadmap for directing climate finance to local initiatives that would aid discussions on financial architecture reform.

Recommendation 2: Include subnational governments in existing international diplomatic forums through the creation of a Local and Regional Governments Mechanism (LGRM)

International agreements and communiqués from bodies like the G20, negotiated by national governments, can impact how subnational governments are able to use their constitutional or devolved powers. Mechanisms such as the Global Taskforce of Local and Regional Governments bring together the major international networks of subnational governments to undertake joint advocacy in global policy processes. Established in 2013, this taskforce brings the perspectives of subnational governments to the SDGs, the

climate change agenda, and the New Urban Agenda. Its main engagement with the G20 has traditionally been through the Urban20 Engagement Group, but this forum does not fully capture the complexities that subnational governments face while exercising their rural, territorial, coastal and protected areas policy responsibilities.

The value of including states, regions and cities in international multilateral systems is becoming more evident. COP28 saw the establishment of *the Coalition for High Ambition Multilevel Partnerships (CHAMP) for Climate Action*, which promotes close collaboration between national and subnational governments, particularly in the development and execution of NDCs for COP30 in 2025, demonstrating the importance of multi-level action.

Local and Regional Governments Mechanism (LRGM)

To address the challenge of the voluntary nature of engagement with subnational governments, we recommend creating a Local and Regional Governments Mechanism (LRGM) under the leadership of the Global Taskforce to build on General Assembly Resolution 67/290 of 9 July 2013, which established the High-Level Political Forum (HLPF). LRGM would ensure a special, formal, and permanent status for the self-organized constituency of local and regional governments before the UN's principal policymaking bodies.

We call on G20 countries to work with the Global Taskforce in collaboration with U20 and others, and to support the creation of an LRGM. A single mechanism would enable more effective climate engagement for both national and subnational governments, particularly as public resources become increasingly constrained.

Recommendation 3: Support the inclusion of subnational governments in multilateral financial reform discussions

G20 countries are responsible for 80 percent of global emissions and have agreed to triple their global renewable energy capacity by 2030 (Pai 2023). As international financial infrastructures are reformed, there will be an opportunity for subnational governments to show how, with appropriate funding and innovation, renewable energy can be rapidly scaled up in their jurisdictions to meet all SDGs.

We therefore recommend that the G20 calls on all members involved in multilateral financial reform discussions to invite representatives of subnational governments input, either through a dedicated dialogue or through the creation of a dedicated forum or roadmap under the Finance Track of the **Task Force for the Global Mobilization against Climate Change**. The G20 is well placed to do so as a body that leads on economic issues.

G20 interventions should ensure that an enabling environment is provided for subnational climate finance initiatives to share their experiences that can be scaled. For example, Québec and California use various carbon pricing mechanisms to fund climate programs. Québec also implemented a cap-and-trade system in 2013 and linked it with California's program in 2014, demonstrating ten years of fruitful and effective subnational collaboration.

Subnational governments have also innovated in bringing together nature and climate goals through participatory policy engagement with communities. Such approaches can enhance project effectiveness and maximize co-benefits. In Catalonia, proceeds of a new tax on vehicle CO₂ emissions have been allocated to the Climate Fund and the Heritage and Biodiversity Fund. In 2023 alone this equaled 160 million euros. The Heritage and



Biodiversity Fund is a key tool for improving the management of biodiversity in Catalonia. Many other regions, such as Lombardy and the Basque Country, are considering developing and rolling out similar green budgeting practices.

Finally, subnational governments face pressures to finance climate change adaptation, which should be factored into reform of existing finance mechanisms. Enabling better cross-border flows of adaptation capital, focusing more investment funds on adaptation, and developing policies to support adaptation solutions through fiscal and other incentives directed at the local and regional level are all possible routes to improving current systems. Subnational governments are already leading the way in supporting vulnerable communities. For example, in 2022, California launched the inaugural round of its Regional Resilience Grant, part of the Integrated Climate Adaptation and Resiliency Program (ICARP), with a contribution of \$21.7 million.

Scenario of Outcomes

In this paper we have outlined recommendations that G20 countries can adopt to drive the inclusion of subnational governments in the multilateral process. Two of these recommendations would be particularly transformational for subnational governments but also for the wider multilateral community.

Establish an international roadmap for targeting climate finance towards local action

Through the inclusion of subnational governments, the G20 Presidency's Task Force for the Global Mobilization against Climate Change could spearhead an initiative such as an International Roadmap for Targeting Climate Finance towards Subnational Action to have all international climate agreements provide subnational financing by 2030.

This roadmap could build on work already done for cities by exploring the powers available to subnational governments of the G20 and how they can leverage financial flows and ensure rapid project delivery. This roadmap could be used by all MDBs and serve as a source of knowledge for those wanting to channel investment into climate-challenged communities or for subnational governments looking to improve their financial flows.

There are challenges. Resources and capacity from both subnational governments and relevant experts would be required to deliver such a roadmap in contexts where both are scarce. Some Global South subnational governments may have comparatively less resources and knowledge to dedicate to such a process. However, this could be resolved by engaging with philanthropic organizations for help and to provide financial support as well as through targeted engagement with subnational governments that could relate to

knowledge building at local level.

Such a roadmap could be launched at COP30 aiming to unlock new multilevel partnerships. However, it will only be effective if it is used by the relevant financial institutions and so would need to be recognized in the formal processes of these institutions.

Establish a Local and Regional Governance Mechanism (LRGM)

Under the leadership of the Global Taskforce of Local and Regional Governments we propose the development of a LRGM to represent the voices of subnational governments in UN processes and beyond.

This mechanism would prepare for the High-Level Political Forum on Sustainable Development (HLPF) and other relevant processes, while respecting Member States' sovereignty and the UN Charter. It would also facilitate communication with UN/DESA, ECOSOC, the General Assembly, Member States, the UN Secretariat, and relevant entities regarding the role of local and regional governments in sustainable development. Supporting the 2030 Agenda for Sustainable Development, it would organize the Local and Regional Governments Forum during the HLPF under ECOSOC and the World Assembly of Local and Regional Governments during the SDG Summit under the General Assembly.

Creating such a mechanism would require resourcing at a time when resourcing is scarce. Care would also need to be taken to ensure that such a mechanism represents the views of subnational governments globally. These issues could be resolved by using the existing structures of the Global Taskforce for Local and Regional Governments to facilitate subnational governments' engagement and learning from best practices in the UN system.

This type of structure could help consolidate the views and asks of subnational governments ahead of UN Convention meetings and thereby streamline resources across the different UN bodies that are currently engaging across multiple subnational government spaces. National governments would also have a clear entry point for constructive discussions with subnational governments as they look for innovative solutions to fight climate change and address sustainable development.

Conclusions

In conclusion, the active involvement of subnational governments is vital for bridging the gap between global climate commitments by Parties to the Paris Agreement and local implementation. With their proximity to communities and diverse powers, these subnational entities are well positioned to accelerate climate action and sustainable development. Incorporating subnational perspectives into multilateral forums such as the G20 can ensure more effective decision-making and inclusive policy implementation.

The reform of international financial architecture should include the leadership and innovations occurring at subnational level – and ensure access to climate finance - to unlock the full potential of subnational governments in driving climate resilience and inclusive growth.

The establishment of a LRGM within UN frameworks and an International Roadmap for targeting climate finance towards local action, offer pathways towards a more equitable and sustainable future. Through strategic support and collaboration, subnational governments can play a pivotal role in achieving global climate goals and fostering resilient communities worldwide.

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