



LOCAL GOVERNMENT ESG PERFORMANCE IN DEVELOPING COUNTRIES: A COMPREHENSIVE FRAMEWORK FOR SUSTAINABLE URBAN DEVELOPMENT

SIRIYAMA KANTHI HERATH

School of Business, Clark Atlanta University, 223 James P. Brawley Dr., S.W., Atlanta, GA 30314, USA. E-mail: sherath@cau.edu

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Abstract: This paper presents a framework for a holistic and context-specific structure to evaluate and increase the Environmental, Social, and Governance (ESG) performance of local governments in developing nations. It combines policy harmonization, institutional capacity, and financial tools with a locally tuned performance indicator system that is connected to the Sustainable Development Goals (SDGs). Using real-world examples from Medellín's smart water system, participatory budgeting in South Africa, and healthcare reform in Ghana, the paper presents applied case studies to illustrate adaptive practices, key drivers, and barriers to ESG implementation. It proposes the D-ESG model that accommodates the dimension of Development as an essential element because of specific priorities and socio-economic issues of the emerging economies. The paper ends with policy suggestions to national governments, local authorities, overseas donors, and interested parties that focus on decentralization, green financing, community participation, and innovative technology. The combination of these strategies can achieve sustainable urban growth, overcome systemic inequality, and improve the transparency and resilience of the local governance in the Global South.

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1. INTRODUCTION

1.1. Background and Evolution of ESG Principles

Ethics principled in Environmental, Social, and Governance (ESG) have become universal requirements in gauging sustainability and impact in every industry. Initially formulated within the financial market sector to capture socially responsible investment, ESG has since spread to cover the activities of the public sector such as government performance, government accountability, and sustainability. The current shift from corporate social responsibility (CSR) to ESG represents a more comprehensive approach. While CSR focused on labor and pollution prevention, ESG integrates environmental protection, social inclusion, and governance into a single performance management system (OECD, 2020).

Related to the expansion of the ESG framework, environmental activism and the demands of institutional investors that the entities regard the climate and social risks of decisions made are contributing factors. The reports given as well as such landmark publications as the Stern Review on the Economics of Climate Change (2006) provided arguments regarding the proactive climate policy based on the economic reasoning that showed the cost of inactivity to be significantly higher than the cost of developing a sustainable adaptation (Stern, 2007). This contributed to the establishment of guidelines such as the Task Force on Climate-related Financial Disclosures (TCFD) that currently represent the international standards for reporting climate risks (TCFD, 2021).

This shift indicates the transformation of ESG trading instruments into a comprehensive practice that governs the economy via the prism of social welfare and environmental sustainability. In the case of public sector institutions, including local governments, ESG is not a compliance agenda but a long-term strategy to ensure the maximization of value, reduction of risks, and accountability to society (World Bank, 2022).

1.2. The Critical Role of Local Governments in Sustainable Development

Local governments serve as the crucial link between international sustainability agendas and their local implementation. They are at the same time the closest level of government to citizens and so important to turn international commitments, such as the United Nations Sustainable Development Goals (SDGs), into policies and actions that are meaningful to people locally. As

awareness of the exposed to a unique problem stakeholders increase, local government systems are under pressure to confess their ESG-related activities, especially to credit rating agencies, civil society, and institutional equity investors (UN-Habitat, 2020).

There is a growing interest in ESG in municipal bonds and the lending of normal local governments by financing institutions. This increasing mainstreaming of ESG into public finance is an extension of the globally accepted fact that both environmental and social risks may have a direct impact on the fiscal sustainability of cities (OECD, 2020; International Monetary Fund [IMF], 2022). In addition, the closeness to people in local governments ensures active participation in government and creation of trust, as well as customizing development policies to the needs of the people, which are also in line with ESG values (UN-Habitat, 2020).

1.3. The Unique Context and Imperatives of Developing Countries

Developing countries face a unique set of challenges that complicate the implementation of ESG principles. Emergency considerations like alleviation of poverty, creation of jobs and the development of infrastructure tend to override requirements of environmental and social compliance. The fear that stringent ESG requirements may hinder foreign investment and delay industrial progress also contributes to opposition (Hong Kong Monetary Authority, 2025; Usmani, 2025).

Furthermore, most developing economies depend a lot on the environment, demanding industries like mining and manufacturing. Switching into more environmentally friendly models is an expensive process and requires a lot of capital and institutional resources that are not always available. There is limited green financing, and the country has poorly developed capital markets and hence its inability to finance ESG-aligned projects (Xing *et al.*, 2024; UNEP, 2025; International Finance Corporation [IFC], 2021). The green finance concept has gained momentum among the E7 countries Brazil, China, India, Indonesia, Mexico, Russia and Turkey, who have recently shown an increased interest in the field due to the rapid industrialization that serves the purpose of rapid economic growth, but also due to an oversight of ecological degrading (Sachs *et al.*, 2019).

These issues get worsened by institutional barriers. Small and medium sized enterprises (SMEs) are a significant source and driver of jobs in developing

nations, but without exception, ESG is often seen by them as a compliance burden, not a strategic advantage. Lack of education and trained ESG officers, as well as poor regulatory frameworks, all disfavor implementation processes (UNDP, 2021).

As those issues are acknowledged, the Emerging Markets Institute at Cornell University believes in a context-sensitive alternative framework of ESG with the D-ESG acronym applicable to developing markets. The strategy focuses on sustainable growth, institutional strengthening, and climate-proof governance as it is already known that economic development is a pillar that will lead to the realization of ESG goals (Khanna *et al.*, 2010).

2. CONCEPTUALIZING LOCAL GOVERNMENT ESG PERFORMANCE

In the public sector, ESG is virtually contributing to the overall objectives and roles of local governance. A robust strategy needs to incorporate the aspects of environmental protection, social justice, and governance ethics in the regular practices of cities.

Environmental (E) Performance

The local government also involves environmental performance, which involves the sustainable co-management of urban resources, enhancing climate resilience, and promoting ecosystem health. Priority themes are the reduction of green gas emissions, the management of sustainable wastes, water sources, urban planning, and green infrastructure (OECD, 2020; UN-Habitat, 2023). Investment decisions are made more cumbersome because the lack of a common standard to measure and report environmental impact of green projects makes it harder to compare the way the environmental benefit and risk are calculated and reported (Czech *et al.*, 2023).

Social (S) Performance

Social performance focuses on fairness, societal well-being, and belonging. Local governments are essential in the local access to healthcare and educational facilities, low-cost housing, community safety and community assumption of governance. It focuses on the aspects of promoting social cohesion, serving vulnerable groups, and guaranteeing access to essential services (UNDP, 2021).

Governance (G) Performance

Governance performance focuses on disclosure, management of ethical leadership, stakeholder consideration, and proper public finance. Efficiency in governance of the developing countries is crucial in reducing corruption cases, enhancing service delivery, and gaining the confidence of the citizens. Major factors in control of public funds and policy implementation and democratic accountability are strong institutions (World Bank, 2022).

2.1. ESG as a Strategic Framework for Local Government Operations

The integration of ESG framework can be seen as a paradigm shift toward proactively planning sustainability rather than being reactive in terms of governance as it represents not only a risk management framework but also a definition and approach toward living better and meeting fiscal and environmental resilience requirements.

Upon connecting ESG to the mandates of the public sector, local governments can ingrain sustainability goals in their infrastructure development, acquisition of goods and service delivery. The alignment also allows strategy planning and easier access to finance through financially conscious investors and institutions based on ESG (World Economic Forum, 2023).

2.2 ESG and the Three Pillars of Local Governance

Environmental (E): Local governments are increasingly expected to address climate change through adaptation and mitigation policies, sustainable urban development, and disaster risk management. This includes implementing green building codes, investing in climate-resilient infrastructure, and enhancing biodiversity protections (UN-Habitat, 2023).

Social (S): Social equity demands that municipalities provide inclusive access to services such as healthcare, education, and transportation. Gender equity, youth empowerment, and disability inclusion are also emerging priorities in local social governance (UNDP, 2021).

Governance (G): Good governance involves accountability, participatory decision-making, and transparent public management. Governments must modernize administrative systems, adopt digital governance tools, and safeguard against corruption to meet stakeholder expectations (World Bank, 2022).

2.3. ESG and Sustainable Community Development

The ESG framework directly intersects with long-term community sustainability. Environmental resilience, social inclusion, and institutional trust are interconnected. Poor performance in any one domain threatens the overall development trajectory. Integrating ESG in public management enhances economic resilience by reducing risks, attracting investment, and encouraging innovation in green technologies (OECD, 2020).

2.4. ESG and the United Nations Sustainable Development Goals (SDGs)

The SDGs are like the ESG framework offering a viable means of localizing global goals. As an example, the environmental measures cover SDG 13 (Climate Action), whereas social indicators support SDGs 1 (No Poverty), 3 (Good Health), 4 (Quality Education), and 11 (Sustainable Cities). It strengthens SDG 16 of peace, justice, and strong institutions through the effort of governance.

Such instruments as Voluntary Local Reviews (VLRs) and the Urban Monitoring Framework (UMF) by UN-Habitat assist cities in ESG and SDG indicators integration into performance monitoring. Such programs testify to the fact that ESG provides local governments with a systematic green development strategy of cities (UN-Habitat, 2023; UNDP, 2021).

2.5. Defining the "D" in D-ESG: The Dimension of Development

The suggested framework D-ESG incorporates Development as one of the non-negotiable aspects of sustainability in the current economy. This tends to concede that conventional ESG indicators, as valuable as they are, do not necessarily encompass the short-term and life-or-death imperatives of the Global South including the reduction of poverty, the creation, and destruction of jobs and infrastructural development. The D pillar does not require submitting environmental or social interest, but they must be matched with the overall needs of an emerging society. The D dimension could have the following key performance indicators:

Economic Development: Indicators, including local employment due to green projects, the share of municipal procurement to local SME and augmentation of informal sector admission into formal economic strategies, such as local job creation through green projects, the percentage of municipal

contracts awarded to local SMEs, and the growth rate of the informal sector integrated into formal economic plans.

Poverty and Inequality Reduction: Indicators What percentage of the population has been pulled out of poverty, whether poverty or economic inclusion schemes include microfinance schemes, and whether poverty inequality is measured by Gini coefficient or local equivalent.

Infrastructure for Basic Needs: The indicators of the performance of infrastructure gap fill, like a proportion of the population with regular access to electricity, clear water, and sanitation.

With these development-oriented indicators, the D-ESG model provides a more down-to-earth and broad perspective in assessing the work of a local government giving a strategic blend between long-term sustainability and short-term socio-economic development.

Extending the theoretical foundation, in this segment attention peaks at the practical dynamics surrounding the ESG adoption process in developing nations through focusing on the drivers and barriers on the local government framework.

3. DRIVERS AND BARRIERS TO ESG ADOPTION IN DEVELOPING COUNTRIES' LOCAL GOVERNMENTS

Adaptation of Environmental, Social, and Governance (ESG) principles by the local governments in developing countries is a complicated development, influenced by the complex combination of enabling forces and structural difficulties. The successful application of ESG is dependent on the contextualized approach that reflects the socio-economic conditions of the Global South and institutional constraints.

3.1. Key Drivers for ESG Adoption

Various forces are inciting local governments to integrate ESG considerations into the local governance models. Drivers are representative of a global and local growing agreement about sustainable development and responsible governance as the key to success in the long term.

3.1.1 Stakeholder Pressure

Increasing stakeholder pressure is one of the strongest forces. The citizens are more conscious about environmental and social problems and thus they are

pressurizing their government to work responsibly and sustainably. At the same time, both financial institutions and development agencies are integrating ESG standards into finance and lending considerations, with a specific focus on municipal bonds and loans that may foster development (World Bank, 2022). The 2016 green bond issue of Mexico City (supported by the International Finance Corporation) was an early step that has since seen cities such as Cape Town, Jakarta and Lagos consider ESG-linked financing (IFC, 2021).

Increased media attention and scrutiny by the population also provide an additional reward to the local governments who wish to prove themselves as environmentally conscious and socially responsible to retain some credibility and kind held among the population (UNDP, 2021).

3.1.2. Financial Viability and Opportunities

In addition to reputational pressure, there are also specific financial and operational advantages to ESG integration. Local governments can achieve this through ESG-consistent strategies, which increase urban design and infrastructure resilience in response to climate-related calamities. They also utilize resource-efficient practices that encourage saving costs; these practices include waste-to-energy technologies, solar-powered municipal development, as well as climate-proof transport (OECD, 2020).

As an example, Kampala, Uganda, has implemented the climate-smart budgeting framework with the help of ESG metrics so that it can balance its investment in infrastructures and meet the sustainability objectives. This has enhanced international donor trust as well as municipal service delivery (UN-Habitat, 2024).

3.1.3. International Agendas and Fiduciary Responsibility

The local governments have been under pressure to do their part in terms of achieving the international targets made by international agreements- like the Paris Agreement, 2030 Agenda for Sustainable Development, New Urban Agenda and others. Organizations such as UNDP and World Bank encourage the use of ESG as an investment strategy in emerging economies by linking the funding to their adherence to these frameworks (UNDP, 2021).

Institutional investors, such as sovereign wealth funds and pension funds, require ESG-compatible public investments as well to address their

respective fiduciary requirements. This has seen an explosion in the number of ESG-criteria applicable to municipal bonds and subnational development projects (Climate Bonds Initiative, 2022; International Finance Corporation & Amundi, 2025).

3.2. Significant Barriers to ESG Implementation

Despite these incentives, there are many systemic impediments that further discourage the popularization of ESG in the local governments of developing countries.

3.2.1. Financial Constraints and Limited Access to Green Finance

Perhaps The cost of sustainability efforts may be the most urgent problem. There is usually a large initial investment needed to produce the ESG initiatives that local governments, already facing limited budgets, cannot readily shoulder. Green finance has become an effective tool in supporting sustainable growth by channelizing finances towards priorities that reduce environmental and social risks and can bring in economic returns and environmental good. (UNEP, 2025). The availability of green finance is further hampered by inadequate depth of domestic capital markets, erratic regulatory signals, and uncertainty of political and economic stability (Radzewicz-Bak, *et al.*, 2024; Segal *et al.* 2024; Madouri, 2025). The cost of sustainability efforts may be the most urgent problem for local governments in developing countries (Africa Policy Research Institute, 2022).

As a 2022 report by the Global Center on Adaptation noted, though substantial resources are put out to address issues related to climate, 10 percent of these funds, reaching the local level, are accounted for (GCA, 2022). This lack of funds is a constantly limiting factor to ESG.

3.2.2. Awareness Gaps and Institutional Capacity Deficits

Another fundamental obstacle is the perceived tradeoff between economic development and ESG goals. The regulations on ESG are regarded as restrictive in situations where poverty, joblessness, and food insecurity are burning issues. Governments tend to fear that when they insist on meeting certain environmental or labor-related compliance efforts, it is a deterrent to foreign investments (Khanna *et al.*, 2010).

Additionally, skilled ESG professionals are limited to the municipal level to a considerable degree. The main barriers to the effectiveness of sustainability initiatives are the lack of human capital to design, implement, and monitor the ESG programs in many local governments (UNDP, 2021).

3.2.3. Conflicting Economic Priorities and Resource Dependency

Another core obstacle is the perceived trade-off between economic development and ESG objectives. In contexts where poverty, unemployment, and food insecurity remain pressing concerns, ESG regulations can be seen as restrictive. Governments are often wary of deterring foreign investment by imposing environmental or labor-related compliance requirements (Khanna *et al.*, 2010).

Resource-based economies, especially those based on extractive industries, are important. To give one such example, the copper mining industry in Zambia, which provides a significant percentage in GDP, has significant sustainability issues, but is economically unsustainable (IFC, 2024; World Bank, 2025). This causes inconsistencies in the policies that push back the adoption of ESG (World Bank, 2022).

3.2.4. Governance Challenges and Corruption

The ineffectiveness of the governance structure and corruption negatively affect the implementation of ESG. Weak transparency levels, ESG data systems, and lack of accountability systems mean that local governments do not suffer, and they find it challenging to monitor the outcome of ESG or the delivery of progress (Transparency International, 2023).

There have been instances of misallocation or diversion of ESG funds, which only serve to erode the faith of the masses and prevent international investment. The improvement of audit systems, inclusion of citizens, and online reporting tools will play an essential role in eliminating this obstacle (World Bank, 2022).

3.3. The “D-ESG” Framework: A Tailored Approach for Developing Economies

Many argue that conventional ESG approaches are ill-suited to the unique development imperatives of emerging economies. The Emerging Markets Institute at Cornell SC Johnson College of Business, in turn, suggested to add the fourth pillar called the “D-ESG” framework to incorporate the

“Development” factor to mark the unique priorities of these regions (Cornell University, n. d; Casanova *et al.*, 2024).

D-ESG model also recognizes that in developing countries poverty alleviation, employment generation and development of infrastructures are an inseparable part of sustainability. It promotes indicators of performance that pay off small steps, solutions specific to a given place, and inclusion in governance instead of only setting standards to be applied at a global level.

India is just another example, but it is the Smart Cities Mission, applied in India, which integrates the characteristics of D-ESG through mixes and matches of urban construction with sustainable infrastructure, citizen engagement, and digital governance. Even though not designated specifically as ESG, such an approach integrating the steps of development and sustainability allows seeing that the goals of both, in fact, can be pursued at the same time (Government of India, 2023).

Although it is essential to comprehend the enablers and barriers, the transfer of ESG principles into local governance, proven to be effective, needs to be organized in a systematic and practical way, focusing on the peculiarities of the developing countries.

While understanding the enablers and obstacles is crucial, translating ESG principles into effective local governance requires a structured and actionable framework tailored to the specific conditions of developing countries.

4. A PROPOSED FRAMEWORK FOR ASSESSING AND ENHANCING LOCAL GOVERNMENT ESG PERFORMANCE

4.1. Framework Overview: Integrating Policy, Capacity, and Financial Mechanisms

An effective, comprehensive sustainable approach toward measuring ESG performance of local governments in developing nations needs to go further beyond technical reporting process and develop into a comprehensive strategic instrument. In such a framework, recognition should be made that high levels of ESG performance are conditional on a favorable policy framework, sufficient institutional and human resources, and effective financial instruments.

Importantly, the framework should not be static but flexible and adaptive, recognizing local contexts, socio-economic realities, and dynamic urban challenges. This ensures ESG strategies are locally relevant and globally aligned, especially with the United Nations Sustainable Development Goals (SDGs),

which provide a common language and universal targets for sustainability (UNDP, 2021).

Incorporating participatory approaches including engagement with citizens, civil society, academia, and private sector actors ensures not only broader legitimacy but also the co-creation of innovative, community-appropriate solutions (UN-Habitat, 2023). For example, eThekweni Municipality in South Africa has adopted participatory budgeting and climate action planning to enhance resilience and build public trust (ICLEI, Africa, 2024).

The framework also rests on the understanding that weaknesses in one area (e.g., financing) can undermine otherwise strong efforts in others (e.g., policy or capacity). Thus, it advocates for integrated action across three key pillars policy, capacity, and finance to deliver scalable, equitable, and sustainable ESG performance.

4.2. Key Performance Areas and Indicators (KPIs) for Local Government ESG

To evaluate performance meaningfully, local governments must adopt tailored ESG indicators that reflect their specific service responsibilities, development goals, and stakeholder needs. The following table (Table 1) outlines the proposed ESG performance measurement framework, integrating global best practices with localization principles.

Table 1: ESG Performance Indicators for Local Governments in Developing Countries

<i>ESG Dimension</i>	<i>Key Performance Area</i>	<i>Indicator Examples (Quantitative/Qualitative)</i>	<i>Link to SDGs</i>	<i>Relevant Frameworks/Concepts</i>
Environmental	Climate Action & Emissions	<ul style="list-style-type: none"> - GHG emissions (Scope 1–3) per capita/service unit - % reduction in GHG emissions from baseline - % of municipal energy from renewable sources - Presence and ambition of climate action plan 	SDG 7, 11, 13	GPC, CDP-ICLEI Track, TCFD, BNK
	Resource Management	<ul style="list-style-type: none"> - Total water consumption per capita/service unit - % of wastewater treated to safe discharge - Waste generated per capita - Recycling/diversion rate - Circular economy policy adoption 	SDG 6, 11, 12	GRI, BNK

ESG Dimension	Key Performance Area	Indicator Examples (Quantitative/Qualitative)	Link to SDGs	Relevant Frameworks/Concepts
	Biodiversity & Land Use	- Protected green/public spaces per capita (hectares) - Urban sprawl vs. densification rate - Number of biodiversity initiatives	SDG 11, 15	GRI, BNK
Social	Access to Services	- % with access to affordable transport - % living in slum-like conditions - % with access to clean water/sanitation - Health facilities per 10,000 residents	SDG 1, 3, 4, 6, 7, 11	UN-Habitat, MSI
	Equity & Inclusion	- Gender diversity in workforce/ leadership - Wage vs. living wage ratio - Municipal poverty rate - Programs for vulnerable groups	SDG 5, 8, 10	GRI, MSI
	Community Well-being	- Satisfaction with services (survey) - Voter turnout in local elections - Participatory initiatives count	SDG 11, 16	MSI, BNK
Governance	Transparency & Accountability	- Annual sustainability/ESG report publication - Budget and expenditure data availability - Anti-corruption policy enforcement - % of staff trained in ethics	SDG 16	GRI, BNK
	Institutional Effectiveness	- Use of integrated sustainability planning - Frequency of sustainability reviews - Budget alignment with sustainability targets	SDG 16, 17	MSI, BNK
	Fiscal Responsibility	- Municipal credit rating - Debt per capita - % of revenue from green/sustainable finance (e.g., green bonds)	SDG 11, 17	GFOA, UNCDF

4.3. Final Considerations on ESG Reporting and Implementation

While many global frameworks exist (e.g., GRI, TCFD, and CDP-ICLEI), **localization is critical**. ESG implementation in developing countries must be responsive to specific local priorities, capacities, and data limitations.

Key considerations include:

- **Contextual Relevance:** Focus on local vulnerabilities (e.g., climate shocks, service inequities).
- **Accessibility:** Use plain language, infographics, and open data dashboards.
- **Phased Implementation:** Apply “comply or explain” principles to accommodate data or resource limitations (UNDP, 2021).
- **Integration into Planning:** Embed ESG metrics into annual budgets and strategic development plans.

- **Participatory Mechanisms:** Involve residents in co-producing and reviewing ESG plans.
- **Impact-Focused Reporting:** Shift from activity-based metrics to actual outcomes (e.g., reduced emissions, improved public health).

By addressing both global standards and local specificities, the proposed framework offers a practical yet ambitious roadmap for developing country municipalities to institutionalize, evaluate, and communicate ESG performance. In doing so, it promotes sustainable urban development, international alignment, and community-centered governance.

To ground the proposed framework in practical realities, this section presents case studies from the Global South that highlight both the successes and ongoing challenges in implementing ESG at the local government level.

The insights into these case studies taken together not only inform us of what happens, but also illustrate weaknesses in the system, and a need to deal with them. The next section applies these learning to policy recommendations towards governments and stakeholders.

5. CASE STUDIES AND LESSONS FROM DEVELOPING COUNTRIES

Practical cases give crucial hints as to the local implementation of ESG principles. Looking at the early projects and those that were realized in the recent past, we will see the relevance of integrating technological innovation, community engagement and strategic governance in the global South.

5.1. Successful Initiatives in Environmental Sustainability

Smart Water Systems in Medellín, Colombia: Empresas Pblicas de Medellin (EPM) has served as an example of public utility management since long ago. It uses IoT and AI to track real time water quality and distribution and enhances the reliability of the services and environmental effects. This institutional performance has resulted in near comprehensive coverage of water in the metropolitan area and establishing that strategic and technology-driven investment in vital infrastructure can make a city more resilient and perform better when it comes to service delivery even amidst varying climatic conditions.

Waste Management in Teocelo, Mexico: Teocelo has a long history of grassroots environmentalism since the community-based waste management

program was started in 2001. The community also segregates waste at source level and uses municipal vermicomposting plants on organic matter. This community driven, community-based landfill-reduction model, based on community awareness and local pride has thus seen much landfill reduction and the production of local compost that can be used locally in agriculture, proving the effectiveness of bottom-up and social based environmental initiatives.

Green Bonds in Jakarta, Indonesia: More recently, another modern example of ESG practice is the Jakarta climatization bond. This effort sponsored by the international financial institutions shows that local governments may go directly to the world green finance market to finance major infrastructure that is climate proof.

Lessons Learned: The examples provided above demonstrate that successful environmental activities may be inspired not only by the technological modernization of the infrastructure (Medellin, Jakarta) but by the involvement of local communities (Teocelo, as well). The trick is to tailor the solution to the local context and win either the institutional determination that is led by the people or popular support.

5.2. Progress in Social Development and Inclusion

Healthcare Reforms in Tanzania and Ghana: In Tanzania and Ghana, the Accredited Drug Dispensing Outlets (ADDOs) and the Community-based Health Planning and Services (CHPS) have enhanced access to primary care in rural locations with the support of the local governments. The decentralized health models enable local governments to self-manage as well as provide the necessary obligations, greatly enhancing the health status of underserved areas.

Community-Led Sanitation in Bangladesh: Although Bangladesh is relatively successful in terms of sanitation solutions, there is more that can be done to achieve sanitation, and this challenge is being addressed through programs such as the Sustained and Equitable Access to Safe Water and Sanitation (SEAS). These initiatives permit residents to participate in the design of projects, ensuring their solutions are culturally acceptable, sustainable, and directly respond to the local needs, and, as a result, reduce by a significant percentage the cases of waterborne diseases.

Locally Led Climate Action (LLCA) in Kenya: In Kenya, the World bank devolved climate finance puts local governments in control of launching

resilience projects. The approach will directly connect poverty reduction strategies to climate adaptation, which helps communities that are the most vulnerable in having a say in and receiving access to climate funds.

Lessons Learned: Decentralized governments and community-based plans are critical in enhancing the provision of services and social justice. Decentralization of decision-making processes can help governments to form more effective and inclusive social policies, as the problems of the local area will be addressed to meet the needs of the local people.

5.3. Advancements in Governance and Transparency

Participatory Budgeting in Porto Alegre, Brazil: Since the late 1980s, one of the longest-running participatory budgeting experiences has been in the city of Porto Alegre in Brazil. It has been demonstrated that this system enhances more transparency, curbs corruption, and enhances delivery of public services, thus demonstrating that engagement with the citizens can directly contribute to the effectiveness of governance.

Anti-Corruption Reforms in Durban, South Africa: The reforms in eThekweni Municipality such as the procurement process modernization, digital platforms to render transactions more transparent, and the utilization of the participatory planning strategy have strengthened institutional control. The systematic elimination of corruption and the enhancement of the oversight of the people has made the municipality remain firm in trust and the delivery of the services towards the people (ICLEI, Africa, 2024).

E-Governance in Uruguay: Uruguay has become a leader on digital government in the region, and its digital transformation (spurred on by such projects as the World Bank-sponsored PROMESSEG project) has hugely increased the efficiency and accessibility of its public service. This wholesome digitalization, as emphasized by World Bank (2024), curbs chances of corruption in terms of simplifying processes and raising level of transparency, which in turn strengthens the G of the ESG (World Bank, 2024).

Lessons Learned: Citizen empowerment and systematic openness act as the key elements to prevent corruption and strengthen trust. These examples demonstrate that although change can be tough, a steady application of reform can be created through a reliable system of governance with the widespread use of technology.

6. POLICY IMPLICATIONS AND RECOMMENDATIONS FOR STAKEHOLDERS

All the stakeholder groups should carry out focused actions to ensure that the mainstream ESG in local governments of developing countries is maintained:

6.1. National Governments

- **Craft Contextual ESG Policies** — Encourage ESG through incentives and guidance rather than punitive measures.
- **Support Green Financing** — Establish national green banks, de-risk investments, and offer tax breaks for local green bonds.
- **Align Fiscal Instruments with ESG Goals** — Implement carbon pricing, ESG subsidies, and budget prioritization toward green infrastructure.
- **Enable Decentralization** — Enhance legal and financial autonomy for municipalities.

6.2. Local Governments

- **Prioritize ESG in Planning and Budgeting** — Integrate ESG metrics into strategic documents and budget cycles.
- **Build Capacity** Regularly supports staff in ESG data, project management, and decision-making.
- **Improve Data and Transparency** — Launch open-data platforms, tailored to local contexts and in simple formats.
- **Forge Multi-Stakeholder Partnerships** — Engage academia, entrepreneurs, NGOs, and citizens in ESG processes.
- **Innovate Technologically** — Adopt smart city tools (e.g., Medellín's IoT water system) to enhance services.

6.3. International Organizations and Donors

- **Provide Targeted Support** — Prioritize local ESG sectors via technical help and patient capital.
- **Foster Tailored ESG Frameworks** — Spearhead Cities Learning through pilot and peer learning.
- **Promote Knowledge Exchanges** — Accelerate adoption via networks like C40, ICLEI, and UN-Habitat forums.

6.4. Multi-Stakeholder Partnerships

- **Public–Private Partnerships (PPPs)** — Engage private investment in public ESG projects while ensuring public accountability.
- **Civil Society Involvement** — Leverage local NGOs and community groups as watchdogs and advocates.
- **Academic Collaboration** — Support evidence-driven ESG policymaking through university partnerships.

These policy suggestions lead somewhere, yet success here also requires that a common commitment to sustainable development is pursued. The conclusion is a synthesis of the findings and repetition of the worth of the development- oriented ESG strategy.

7. CONCLUSION

The implementation of ESG should be a priority of local governments of the developing countries aiming at attaining sustainable urbanization and local SDGs. With all the obstacles of financial deficits, under capacity, competing interests, and governance failures, the D-ESG model proposes a viable brand of Development, where economic progress cannot be singled out without environmental stewardship and social justice. The resilient, inclusive, and sustainable future of cities can be achieved by placing ESG frameworks in context and adopting the above ways by local governments.

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