

# Input to GCF's Strategic Plan

## Submission by ICLEI-Local Governments for Sustainability

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### A) Paradigm shift with a focus on urban development

ICLEI welcomes GCF's commitment to achieving transformational change relating to climate change mitigation and adaptation. At the same time, with appreciation of all the efforts made in the past years, without the recognition of local and regional governments' pivotal role, the paradigm shift towards low-emission and climate resilient development pathways is not possible.

Rapid urbanization places huge demands on infrastructure, services, job creation, climate and the environment. More than half of the population live in urban areas and 1.5 million people are added to the global urban population every week. Cities consume over two-thirds of the world's energy and account for more than 70% of global CO<sub>2</sub> emissions. Given the continued and increasing pressures of climate change, acting at the local level is an urgent matter.

Local and regional governments are in the front line of climate action, but they are unable to shoulder the massive infrastructure investments and adaptation efforts required for sustainable, low-to-no emission, and climate resilient development, in the current framework.

Although in recent years, significant strides have been made with regards to availability of climate finance, accessibility of those funds remains limited and there exists a serious gap between how much money is and could be invested, and how much money is making it to local projects.

Further, a key point that requires urgent action is the need for national enabling frameworks and good governance, also from a financial perspective.

The international community has to find ways to close an investment gap of USD 480 billion in order to reach the 1.5 °C global temperature target by 2030. While the International Finance Corporation estimates that there is about USD 22.3 trillion (IFC 2016) in "climate-smart investment potential" worldwide, McKinsey (2018) reports that only USD 3 trillion is actually being invested. Factoring in climate resilience in the urban infrastructure context, under the premise that business proceeds as usual, capital investment needs amount to about USD 4.1 to 4.3 trillion annually, with a premium of 9 to 27% per annum (USD 0.4 trillion to USD 1.1 trillion) of additional investment for a low emission and climate-resilient path (CCFLA 2015). Today more than USD 1 trillion is missing each year for urban investments; and the needs, for the coming decades, are projected to amount to several trillion dollars (CCFLA 2017). Therefore, action needs to be ramped up at all levels of government, including local, regional, and national. In addition, relevant private sector stakeholders and

industries, such as real estate and insurance need to be included at the table of decision-making and release the substantial adaptation financing necessary.

## **B) Proposed action fields**

### Accelerate access to GCF funds

The GCF is in a unique position and can play a pivotal role to achieve the paradigm shift in the urban sector and accelerate access to climate finance.

Climate funds provided through the Operating Entities are a vital source of capital, but difficult for cities to access. To ease this burden, ICLEI encourages GCF to open a **City window** and enable **direct and simplified entry routes for local governments' projects**.

This access could ideally also be linked to building in-house capacity on project management, building professional skill sets within the local government to define priority projects – as part of the local climate and/or development plan. Considering the vast number of projects seeking finance, these could be submitted, either as individual projects or as bundled projects addressing energy generation and access to energy, buildings, transport, water and waste infrastructure. The GCF is requested to explore relevant mechanisms in this regard to leverage and scale support.

### National-subnational coordination

To optimise the impact of the fund, and ensure that it delivers on the expectations of all stakeholders involved, ICLEI calls for **vertical integration** and encourages enhanced collaboration between national designated authorities for the Green Climate Fund, and national, regional and local entities responsible for urban development.

Addressing the national governments active in the GCF, it is crucial to understand the local context when designing a project. As such **involving the local government and community in co-designing projects** will ensure relevance and sustainability. Further, enabling local governments through necessary mandates, responsibilities and resources to tackle climate change and define a coherent and robust action plan, including numerous projects, is viewed as a necessity to achieve any measure of resilience and progress.

Considering the important role of national governments in leading country-wide efforts to tackle climate change, the GCF is also in a unique position to share examples of **successful national-subnational coordination in identifying priority projects and feeding these to the GCF**. It is important to better understand the process and possibilities, to enable others to explore similar opportunities.

### Focus on project preparation

Local governments, despite having many priority projects that are needed to protect and serve the community, also with basic needs, continue to be unable to access funds. This is, in part, also due to a lack of internal technical and financial capacity required to develop robust, transformative and bankable projects. Considering that financial institutions and investors are struggling to find bankable and financially attractive projects, and **pipelines with subnational projects exist (see below)**, a connection can be established to serve needs on both ends.

ICLEI welcomes the support provided through GCF's readiness and preparatory programs, and encourages GCF to continue such efforts with inclusion of the **early stage project preparation**, which is indispensable to jumpstart sustainable and financially attractive projects at the urban level.

### Further engagement of the private sector

ICLEI welcomes GCF'S efforts **mobilizing private finance** and encourages the Secretariat to continue to prepare private sector funding proposals.

In spite of the leading role of private finance in the global climate finance flows, only 30% of that has public sector recipients. Zooming in at subnational level, mostly due to lack of creditworthiness and clear revenue streams, the private sector still has an **unlocked potential** investing in urban projects. GCF working with wide range of financial tools is in the position to de-risk investments and attract private investors, also supporting blended finance approaches.

### Collaboration with city networks and coalitions

GCF is well positioned to have a leading role in transforming the global urban system. **Collaborating with city networks and building on existing initiatives** could help GCF to reach this goal.

ICLEI, a global network of more than 1,750 local and regional governments committed to sustainable urban development, active in 100+ countries, and representing more than 25% of the global urban population, has a significant influence on sustainability policy and drives local action for low emission, nature-based, equitable, resilient and circular development.

ICLEI is founder and member of several initiatives, like the Cities Climate Finance Leadership Alliance (CCFLA), Global Green Bonds Partnership (GGBP), and the Global Covenant of Mayors for Climate & Energy (GCoM). These partnerships provide opportunities for exchange and cooperations, building on the strengths and skillsets available.

Here ICLEI provides the **Transformative Actions Program (TAP)** as an innovative partnership initiative to catalyse and improve capital flows to cities, towns, and region – as a project pipeline and space where local and regional governments can access services offered by ICLEI and TAP partners<sup>1</sup>. This includes guidance along the whole project cycle, helping the development of robust and bankable projects ready for financing and implementation.

Projects are mobilized from all parts of the globe and submitted to the TAP project pipeline. The ICLEI World Secretariat deals with early stage project screening to check the transformative impact, with feedback provided for improvement and mapping of additional support.

Over the past five years, at least 21 TAP projects were successfully financed. As of April 2019, the TAP pipeline has 47 projects with an identified investment need of 1.5 billion Euro.

### Contact

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<sup>1</sup> UN-Habitat, Global Infrastructure Basel (GIB) Foundation, Global Fund for Cities Development (FMDV), European Investment Bank (EIB), R20 Regions of Climate Action (R20), Sustainable Infrastructure Foundation (SIF), C40 Cities Climate Leadership Group (C40), Cities Alliance