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# The City Climate Finance Gap Fund



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The Gap Fund paves the way  
for low-carbon, resilient  
and liveable cities.

The City Climate Finance Gap Fund, or the Gap Fund, supports cities with early-stage technical assistance for low-carbon, climate-resilient urban development plans and projects. The Gap Fund has so far attracted €55 million in funds, but it aims to raise as much as €100 million and could eventually unlock an estimated €4 billion in investments.

In operation since September 2020, the Gap Fund is a global partnership that helps cities in developing countries plan, prioritise and deliver projects focused on climate change mitigation and adaptation. The Gap Fund also promotes climate-smart urban development plans.



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## Why the Gap Fund?

**The Gap Fund is working to close the financing gap for early-stage climate planning and project preparation, particularly in rapidly urbanising cities in developing countries. It has three main goals:**

- 1 **Provide** technical assistance and capacity building;
- 2 **Build** a high-quality urban investment pipeline for later-stage technical assistance;
- 3 **Share** knowledge on project preparation with developers and financiers.

By supporting projects designed to transform cities and focus on resilient, low-carbon development, the Gap Fund promotes a wide range of social and environmental benefits that improve the quality of life, such as clean air, better health, social inclusion and job creation.

The Gap Fund is working to advance low-carbon, resilient initiatives in urban areas across the globe. In its first year of operation, the Gap Fund has approved support for 33 cities in Brazil, Colombia, the Democratic Republic of the Congo, Ecuador, Ethiopia, Guatemala, India, Indonesia, Kosovo, Mexico, Montenegro, Morocco, Panama, Senegal, South Africa, Uganda, Ukraine, Vanuatu and Vietnam. Projects and strategic plans supported by the Gap Fund can serve as a blueprint for climate action projects in cities and countries worldwide.

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## The urban climate finance gap

**Cities too often struggle to develop climate-friendly and resilient infrastructure. In developing countries in particular, cities frequently lack the skills, finance and support needed in the early stages of project preparation. This lack of resources can derail projects.**

The Gap Fund is helping cities deliver ambitious climate infrastructure projects by providing technical assistance for early-stage planning and project preparation. Well-prepared projects have a better chance of attracting funding and contributing to local development, climate goals and the green recovery.

More than half of the world's population lives in cities. Cities account for **more than 70% of global carbon emissions** and consume two-thirds of the world's energy. By 2050, 2.5 billion people are expected to migrate from rural to urban areas. Much of that migration – an estimated 90% – will happen in Africa and Asia and will be the result of climate change. Cities' rapid and often haphazard growth, especially in developing countries, will drive greenhouse gas emissions and increase residents' vulnerability to climate change and other shocks like extreme weather. Ultimately, people will be more vulnerable to the effects of climate change, such as the heatwaves, flooding and health emergencies that have already become all too familiar.

**Climate-smart cities can avoid development paths that create more emissions and ultimately leave their residents more vulnerable.** Cities can improve people's quality of life while also becoming safer and more competitive. Making cities "green," however, will require massive investment – a major obstacle for many local governments. **By 2030, an estimated \$93 trillion of sustainable infrastructure must be built globally.**

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## Knowledge highlights

The Gap Fund is also able to offer cutting-edge knowledge, tools and recommendations for cities taking the next steps on their green journey. For example, the **State of Cities Climate Finance Report Part 2: The Enabling Conditions for Mobilizing Urban Climate Finance**, published by the World Bank, provides conceptual frameworks and recommendations for city, country and climate decision-makers as well as user-friendly practical tools and notes for local authorities and project developers.

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## How does the Gap Fund work?

The Gap Fund provides support at the very early stages of city planning or project preparation and covers a wide range of sectors, including energy efficiency, green buildings, sustainable cooling, nature-based solutions, local renewable energy, sustainable mobility, the circular economy and water/wastewater management.

The Gap Fund does not fund the implementation and construction of projects directly. Rather, it complements cities' know-how, technical expertise and capability to implement projects – in other words, the critical foundations required for projects to succeed. Funding proposals are submitted via an **Expression of Interest** form available on the Gap Fund website and must adhere to the following criteria:

### Eligibility criteria

- **Countries** – Targets low- and middle-income countries.
- **Climate action** – Promotes greenhouse gas mitigation and/or adaptation to climate change.
- **Urban dimension** – Projects must be situated in or functionally linked to an urban area.
- **Ownership** – Projects should be for a city, local authority or municipal council.
- **Applicant** – Applicants must be a city or local government official or a third party submitting the proposal officially on behalf of the city or local government.
- **Stage in project cycle** – Projects must be in the early stages of climate investment planning and project preparation: climate strategy development, project definition, feasibility studies.

### Sectors

- Urban mobility
- Energy efficiency and small renewable energy projects
- Solid waste management
- Water and wastewater management
- Greening of urban areas and nature-based solutions
- Green buildings
- Adaptation to climate vulnerabilities
- Affordable housing with an energy-efficient approach
- Multisector, area-based investment programmes

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## Project spotlight

The City Climate Finance Gap Fund is actively helping cities across the globe bridge the early-stage financial and technical barriers that projects can face.

In **Dakar, Senegal**, the Gap Fund is providing technical assistance to include low-carbon and climate-resilient parameters into the planning, development and construction of affordable and green housing in the greater Dakar region. The support includes piloting a green certification programme to incentivise developers. A first for Senegal, the programme is helping to establish a national policy on green, affordable developments and is providing a blueprint for other cities in the country and beyond.

In **Mangalore and Kolar, India**, the Gap Fund is providing technical assistance to prepare a climate diagnostic report for solid waste management and an action plan for improving and financing low-carbon solid waste management services, including a feasibility study.

In **Bogotá, Colombia**, the Gap Fund is providing technical assistance to help the city better analyse greenhouse gas emissions and air quality. The project is focusing on city-wide coordination and recommendations to incorporate low-carbon and climate-resilient considerations into the Low-Carbon Vital Neighbourhoods project. It is the first pilot project in Latin America to implement the “15-minute city model,” an urban environment in which all amenities are accessible within 15 minutes by foot or by bicycle.

In **Podgorica, Montenegro**, the Gap Fund is supporting a project to identify public buildings that are suitable for green roofs to improve energy efficiency and increase surface permeability.

In **Vinnytsia, Ukraine**, the Gap Fund is supporting climate change adaptation measures along the Southern Bug River. This includes creating new green spaces along the embankments, developing beaches to improve river transport and constructing a new bridge to improve walking routes north and south of the city.

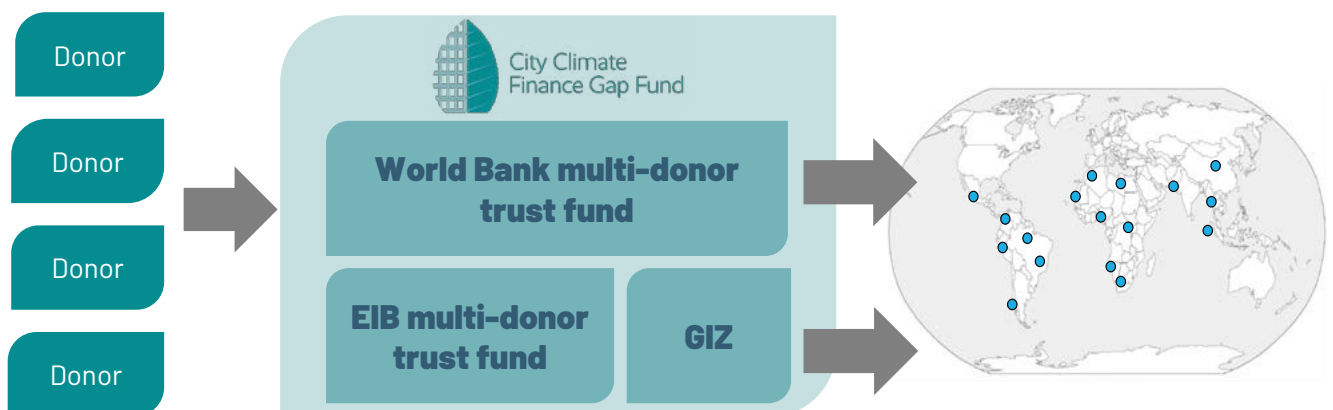
## Who is involved?

The Gap Fund is an initiative of the Federal Republic of Germany and the Global Covenant of Mayors for Climate & Energy (GCoM), along with other key partners in urban and climate finance, including C40 Cities, ICLEI – Local Governments for Sustainability, and the Cities Climate Finance Leadership Alliance (CCFLA). The initial donors include Germany's Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and the Federal Ministry for Economic Cooperation and Development, as well as Luxembourg's Ministry of the Environment, Climate and Sustainable Development.

The Gap Fund demonstrates a unique collaborative model. With funding from Germany and Luxembourg, it is co-implemented by the World Bank and the European Investment Bank in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The fund works directly with city groups and networks, such as **GCoM**, **ICLEI**, **C40** and **CCFLA** (see figure below). Together, the partners bring extensive expertise in sustainable development, climate finance and urban renewal.

The Gap Fund and its partners are helping to raise awareness about the importance of cities and urban systems at a critical time. The latest Intergovernmental Panel on Climate Change (IPCC) report confirms that cities are global warming hotspots, and they will need trillions of dollars of extra investment to meet climate challenges – especially in South Asia and sub-Saharan Africa<sup>1</sup>.

Figure 1: **The Gap Fund – one initiative, different implementing partners**



1. State of Cities Climate Finance Report 2021; New Climate Economy Global Commission Report 2014.

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## How to get involved

**CITIES:** Cities and local governments can **apply** for support through the **website**. Selected projects will receive technical assistance from one implementing partner, depending on the type of assignment required, prior relationships with the partners involved and the availability of the required expertise. For further information on how to apply, please review the **FAQ** sheet and connect directly with the Gap Fund managers, the World Bank and the European Investment Bank via the **contact form** on the Gap Fund website.

**PROSPECTIVE FUNDING PARTNERS:** Up to \$4.5 trillion will be needed to meet the massive urban investments required by 2030. The Gap Fund is actively seeking to add public and private partners to its initiative to support the societal and environmental transformation. For more information, please contact:

### Hermann Amecke

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

☎ +49 (0)30 18 305-4837    ✉ [hermann.amecke@bmu.bund.de](mailto:hermann.amecke@bmu.bund.de)

### Ruben Werchan

Federal Ministry for Economic Cooperation and Development

☎ +49 (0)228 99 535 3261    ✉ [Ruben.werchan@bmz.bund.de](mailto:Ruben.werchan@bmz.bund.de)

### Jimmy Skenderovic

Government of the Grand Duchy of Luxembourg

Ministry of the Environment, Climate and Sustainable Development

☎ +352 247-868 52    ✉ [jimmy.skenderovic@mev.etat.lu](mailto:jimmy.skenderovic@mev.etat.lu)



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Finance Gap Fund

