

The City Climate Finance Gap Fund



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The City Climate Finance Gap Fund supports cities with early-stage technical assistance for low carbon and climate resilient urbanization plans and projects.

It supports three main goals:



Provide technical assistance and capacity building for low carbon, resilient urbanization.



Build a high-quality urban investment pipeline for later-stage technical assistance.



Share knowledge on project preparation with developers and financiers.

Why the Gap Fund?

We created the Fund to help **close the gap** in urban-climate finance for early-stage climate strategy and project preparation in the developing world's rapidly urbanizing cities. To create more sustainable infrastructure for our cities, the world must supply \$93 trillion in climate financing.

Why urban areas? The science is clear: cities are [hots spots](#) for climate change. More than 70% of greenhouse gases come from urban areas today. We expect 70% of humanity to live in cities by 2050. An estimated 90% of rural to urban migrations will occur in Africa and Asia, where [climate change will push millions of people to move](#).

The City Climate Finance Gap Fund was operationalized by the **World Bank and the European Investment Bank** in September 23, 2020. The Fund is capitalized at **€55 million**, with a target capitalization of at least **€100 million** and the potential to unlock an estimated **€4 billion** in investments. It helps **cities in developing countries** to:

Without urban climate action, 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. This would leave citizens even more vulnerable to climate change and its impacts, such as the heat waves, flooding and health emergencies that are already too familiar today.

Why early stage? Especially in the developing countries, cities frequently lack the capacity, finance and support needed for the early stages of project preparation. This typically leads to impasses, and project ideas often fail to progress. Better-prepared projects have higher chances to unlock funding for viable urban investments that contribute to local transformation, global climate goals and green recovery.

- Develop city level climate strategies and GHG analytics to assess the climate potential of plans, strategies, and investment programs
- Provide capacity-building for low-carbon, climate-resilient urban development
- Prioritize climate-smart investments
- Define project concepts and prepare pre-feasibility studies
- Strengthen approaches to project financing
- Match with additional sources of finance to support the later stages of project preparation and implementation
- Ensure projects are thorough and the supporting data is robust
- Deliver knowledge products and learning

Partner Quotes

“Cities are key actors for addressing both the climate and COVID-19 crises”, said Svenja Schulze, the German Federal Environment Minister, “but they can only fulfil their role with support by national governments. We have co-developed the City Climate Finance Gap Fund with both city networks and finance institutions to ensure that the Gap Fund indeed fills the gap to unlock ambitious investment for meeting climate and COVID-19 recovery targets at scale.” **Germany BMU**

“The global sustainable development goals and climate targets can only be achieved in and with cities. The Gap Fund enables cities in our partner countries to advance green projects to the stage where they can attract the much-needed finance. It thus contributes to a green recovery after the Covid-19-pandemic by enabling investments in green buildings and infrastructure, clean transport, circular economy and green spaces that create a more livable urban environment.” **Germany BMZ**

“All cities are affected by climate change, but they don't all have the same starting point in terms of mobilizing urban climate finance. The good news is that there are opportunities for all cities to shift towards low carbon, climate resilient pathways, no matter their starting point.” **World Bank**

“Cities play a crucial role in reducing global greenhouse gas emissions and defining the pathway to 1.5°C. One year after the launch, we can confirm that the demand for infrastructure projects is high and that the Cities Climate Finance Gap Fund provides concrete solutions to strengthen our climate action” **Luxembourg**

“As the EU Climate Bank, the Gap Fund is one of our flagship initiatives that shows how, together with our partners, we can make a real difference for local communities around the world. We congratulate all cities and partners who helped setting up the fund and made its first year a success.” **European Investment Bank**

“Cities are where the climate crisis strikes first, but they are also the arenas where we find and implement solutions first. The Gap Fund is a vital resource for cities, as they build projects that fight the climate crisis while creating jobs and building healthier and more equitable communities.” **Global Covenant of Mayors for Climate & Energy**

“Although in recent years, the strides have been made with regards to availability of climate finance, for local and regional governments accessibility of those funds remains limited. Actions need to be ramped up at all levels to improve the enabling environment, vertical integration and tailor-made early stage project preparation support so as to increase access to urban climate finance.” **ICLEI**

“Cities must be at the forefront of global efforts to address the risks associated with climate change. However, we are failing to provide cities with the finance they need; a whole of economy approach is critically needed to close the investment gap and mobilise sufficient urban climate finance.” **Cities Climate Finance Leadership Alliance**

“Mayors of C40 cities are committed to using a science-based and people-focused approach to help the world limit global heating to 1.5°C and build healthy, equitable and resilient communities. Through a Global Green New Deal, mayors are working alongside a broad coalition of representatives from labor, business, the youth climate movement and civil society to go further and faster than ever before” **C40**

“Cities are not only hotspots for climate change, but also global centres of innovation. Building their capacities to realise low-carbon, resilient infrastructure holds enormous potential for climate action. The joint implementation of the Gap Fund by financial institutions and GIZ ensures a broad base of knowledge and experience in social, environmental, technical and financial areas.” **GIZ**

The Gap Fund is managed by the World Bank and the European Investment Bank in partnership with GIZ, backed by funding from the governments of Germany and Luxembourg and in collaboration with city networks and alliances.



Project Highlights

