



City Climate
Finance Gap Fund

CITY CLIMATE FINANCE GAP FUND ANNUAL REPORT 2021



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Abbreviations and acronyms

BMU	Federal Ministry of the Environment, Nature Conservation and Nuclear Safety of Germany
BMZ	Federal Ministry of Economic Cooperation and Development of Germany
C40	C40 Cities Climate Leadership Group
CCAP	Climate Change Action Plan
CCFLA	Cities Climate Finance Leadership Alliance
CDP	Carbon Disclosure Project
CIF	Cities Investment Facility
CPI	Climate Policy Initiative
EIB	European Investment Bank
GCOM	Global Covenant of Mayors for Climate and Energy
GHG	Greenhouse Gas
GIZ	German Agency for International Cooperation
GPSC	Global Platform for Sustainable Cities
ICLEI	Local Governments for Sustainability
IPCC	Intergovernmental Panel on Climate Change
LoCS4Africa	Local Climate Solutions for Africa
LUCI	Leadership for Urban Climate Investment
LUX	Luxembourg Ministry of Environment
MDTF	Multi-Donor Trust Fund
SIF	Sustainable Infrastructure Foundation
UCLG ASPAC	The United Cities and Local Governments Asia Pacific
UNDRR	United Nations Office for Disaster Risk Reduction
UNFCCC	United Nations Framework Convention on Climate Change

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Foreword



I am pleased to present to you the Annual Report of the City Climate Finance Gap Fund (Gap Fund) for fiscal year 2021 (FY21). This report highlights the progress made since its operational launch in September 2020.

These past 18 months have witnessed three overlapping global crises: a pandemic that has devastated lives and health systems, a weakened global economy that threatens to push 73 million into extreme poverty and 175 million people into poverty and a climate emergency that continues to stretch the limits of our ecosystems, economies and communities.

Cities are in the forefront of these three global crises, and local governments have a critical role to play in addressing them. How cities are built and managed will determine the trajectory of greenhouse gas (GHG) emissions. By making the right low-carbon investments and tackling deep-rooted inequalities, especially in terms of access to land, housing, infrastructure and municipal services, cities can avoid locking-in unsustainable infrastructure, create much-needed jobs and transform their economies so that they are more inclusive, resilient and sustainable.

The World Bank's work in urban development aims to support this objective, in line with the UN's Sustainable Development Goal (SDG) 11 to make cities and human settlements inclusive, safe, resilient and sustainable as well as the World Bank's goals to end extreme poverty and boost shared prosperity. Transforming cities is also a key component of the Bank's Climate Change Action Plan 2021-2025.

As cities strive to recover from the economic impacts of COVID-19, investments in clean energy, climate-resilient water and sanitation, and urban upgrading of underserved neighborhoods will play an important role in reducing air pollution, improving local food systems, and creating green jobs. They will also lead to greener, healthier, and more livable and equitable communities – conditions that can help prevent future pandemics.

Climate investment projects are an indispensable opportunity to improve the lives of millions of urban dwellers around the world. However, cities frequently lack the capacity, finance, and support needed for the early stages of project preparation – especially in developing and emerging economies. This leads to an impasse where cities cannot move project ideas to late-stage preparation and implementation. This hurdle is also frequently overlooked by national and international support – a challenge the Gap Fund seeks to overcome.

This report presents some of the activities that the Gap Fund supports, including helping cities identify key sources of GHG emissions, designing scenarios to see how urban growth and form will affect future GHGs and prioritizing critical policies and infrastructure investments, as well as organizing virtual knowledge sharing and outreach events.

The Gap Fund is now poised to scale up its operations, building upon its existing portfolio and experience. Among the most important challenges in the year ahead will be sustaining the momentum and continuing to raise awareness among city leaders, governments and partners across sectors.

We are grateful for the support received from our donors, the German Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU) and Federal Ministry for Economic Cooperation and Development (BMZ) and the Luxembourg Ministry of the Environment, Climate and Sustainable Development, our implementing partner, the European Investment Bank (EIB), as well as our city network partners including CCFLA, C40, Global Covenant of Mayors for Climate and Energy (GCOM), and Local Governments for Sustainability (ICLEI).

The Gap Fund is open for business.

Sameh Wahba

*Global Director, Urban, Disaster Risk Management,
Resilience and Land Global Practice*



Fez, Morocco

Executive Summary

Fiscal Year 2021 (FY21) marked the first year of operation for the City Climate Finance Gap Fund (the Gap Fund). Its inaugural year, although marked by the persistence of constraints and challenges posed by the COVID-19 pandemic, allowed the Gap Fund to demonstrate that it is fit for purpose and able to deliver on its important mission in a context of ever-increasing urgency to address the harsh consequences of climate change. This annual report presents the implementation progress and results achieved by the World Bank Gap Fund Multi-Donor Trust Funds (MDTF) over FY21 covering the period from July 1, 2020 to June 30, 2021.

FY21 also marked a tipping point on climate change. Weather events were extreme and far reaching with major floods and heat occurring in urban areas across the world – from China to Germany to Seattle – resulting in loss of human life, loss of infrastructure and loss of business and working hours. The Intergovernmental Panel on Climate Change (IPCC) Report¹ published in August further confirmed the science that urban areas are hot spots of climate change and this will get worse without strong action to mitigate greenhouse gases and enhance climate change adaptation and resilience.

Partnership and coordination form key attributes in the Gap Fund's operating model. The Gap Fund's first year has proven the value of the Gap Fund Partnership Forum as a platform for sharing experiences and exchanging information to inform the overall strategy and direction of the Gap Fund. The Partnership Forum has been instrumental in ensuring the success of the Gap Fund's launch on September 23, 2020, and in evolving a comprehensive strategy for outreach and communication to raise awareness of the Gap Fund and encouraging cities to apply to the Gap Fund.

Implementation of the Gap Fund hinges on effective collaboration between the secretariats of the two Gap Fund MDTFs managed by the World Bank and the European Investment Bank (EIB) respectively. The strong collaboration between the two secretariats enabled development of a suite of tools and documents providing cities the information needed and facilitated cities to submit expression of interest and receive feedback and follow-up from the Gap Fund on their requests. Together, the World Bank and EIB secretariats have screened 115 expression of interest (EOIs) during FY21, agreed on the eligibility or non-eligibility, and allocated the responsibility for action on each EOI between the two secretariats.

Building on effective partnership and coordination, the World Bank Gap Fund MDTF has been able to deliver its first results under its two operational tracks: Track 1 – Technical support for low carbon, climate-resilient city development, and Track 2 – Partnerships, knowledge and information sharing and standardization.

Under Track 1, that focuses on city level projects and operations the World Bank Gap Fund MDTF approved technical assistance grants totaling EUR 1.9 million to support 11 cities transform their climate ambitions into finance-ready projects. The grants support cities

¹ <https://www.ipcc.ch/report/ar6/wg1/>

in Democratic Republic of Congo, Ethiopia, India, Kosovo, Mexico, Morocco, Panama, Senegal, and Vietnam as they identify the sources of urban greenhouse gases (GHGs), design scenarios to see how urban growth and form affect future GHGs, and prioritize critical policies and infrastructure investments. The grants will also facilitate coordination between local and national level climate change action planning to help build low carbon, resilient, and livable cities.

Under Track 2, the World Bank Gap Fund MDTF, identified and developed activities that generate new knowledge and promote knowledge sharing, based on a structured approach to identify knowledge gaps in consultation with the Gap Fund's external partners and the World Bank's operational teams involved in delivering city-level technical assistance under Track 1.

A key FY21 achievement in new knowledge generated consists in the World Bank's contribution to the 2021 State of Cities Climate Finance Report (SCCFR) led by Cities Climate Finance Leadership (CCFLA). With financial support from the World Bank Gap Fund MDTF, the World Bank authored the SCCFR Part 2: Enabling Conditions for Mobilizing Urban Climate Finance², which provides critical systems-level conceptual frameworks and recommendations for city, country, and climate decision-makers. Other important achievements under Track 2 include the development of three technical notes on GHG emissions inventories, urban GHG modeling tools, and the relationship between urban form and GHG emissions.

In FY21 the Gap Fund also focused efforts on advocacy and knowledge sharing on issues around cities and climate change. This included delivering virtual high-level events, webinars and presentations on the Gap Fund's offering, and exchange knowledge and experiences on approaches, tools, and platforms available to cities to develop their strategies and projects for low carbon and resilient urban development. WB and EIB Secretariats have jointly presented the Gap Fund in a total of 17 global and regional events organized by the Gap Fund partners during FY21.

To facilitate the exchange of knowledge and experience, the World Bank Gap Fund MDTF contributed to a series of knowledge webinars jointly organized with the Global Platform for Sustainable Cities (GPSC) and the WB's Climate Smart Cities Community of Practice from March through July 2021. These webinars provided policy makers and practitioners an overview of different tools, applications, and sector-based approaches to climate mitigation and their relevance and applicability to inform climate-smart investments decisions in cities. These webinars also leveraged the technical work done on the technical notes as well as the knowledge and experience of Gap Fund partners C40, Carbon Disclosure Project (CDP) and Sustainable Infrastructure Foundation (SIF).

Finally, two Partnership Forum meetings were held on January 21 and June 21 to provide a platform for sharing experiences and expertise and exchanging knowledge and ideas among key stakeholders in the city climate finance arena to inform the overall strategy and direction of the Gap Fund. Participants included representatives from The Federal

² SCCFR Part 2: Enabling Conditions for Mobilizing Urban Climate Finance
<https://openknowledge.worldbank.org/handle/10986/35929>

Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU), Federal Ministry of Economic Cooperation and Development (BMZ), Luxembourg Ministry of Environment (LUX), WB, EIB, The German Agency for International Cooperation (GIZ), GCOM, ICLEI, Climate Policy Initiative (CPI), CCFLA and C40.

The next fiscal year (F22) ushers significant events for the Gap Fund. COP26 will provide an important platform to position the Gap Fund as a critical initiative to support cities' climate ambitions. The Gap Fund will also strive to accelerate the implementation of city-level technical assistance under Track 1 and build on the experience of the first technical assistance activities to promote knowledge sharing. In FY22, the Gap Fund aims to scale up its technical support to low carbon, climate-resilient city development through track 1 activities, with a target of 20 new cities to be supported by technical assistance. The Secretariat will also focus on providing technical support, monitoring progress, and tracking results achieved through the activities that have been initiated in 11 cities in FY21. The Gap Fund will also continue leveraging the strong partnership between donors, the World Bank, EIB or GIZ, and city networks to raise awareness about the Gap Fund and promote knowledge sharing among cities.



Tulum, Mexico



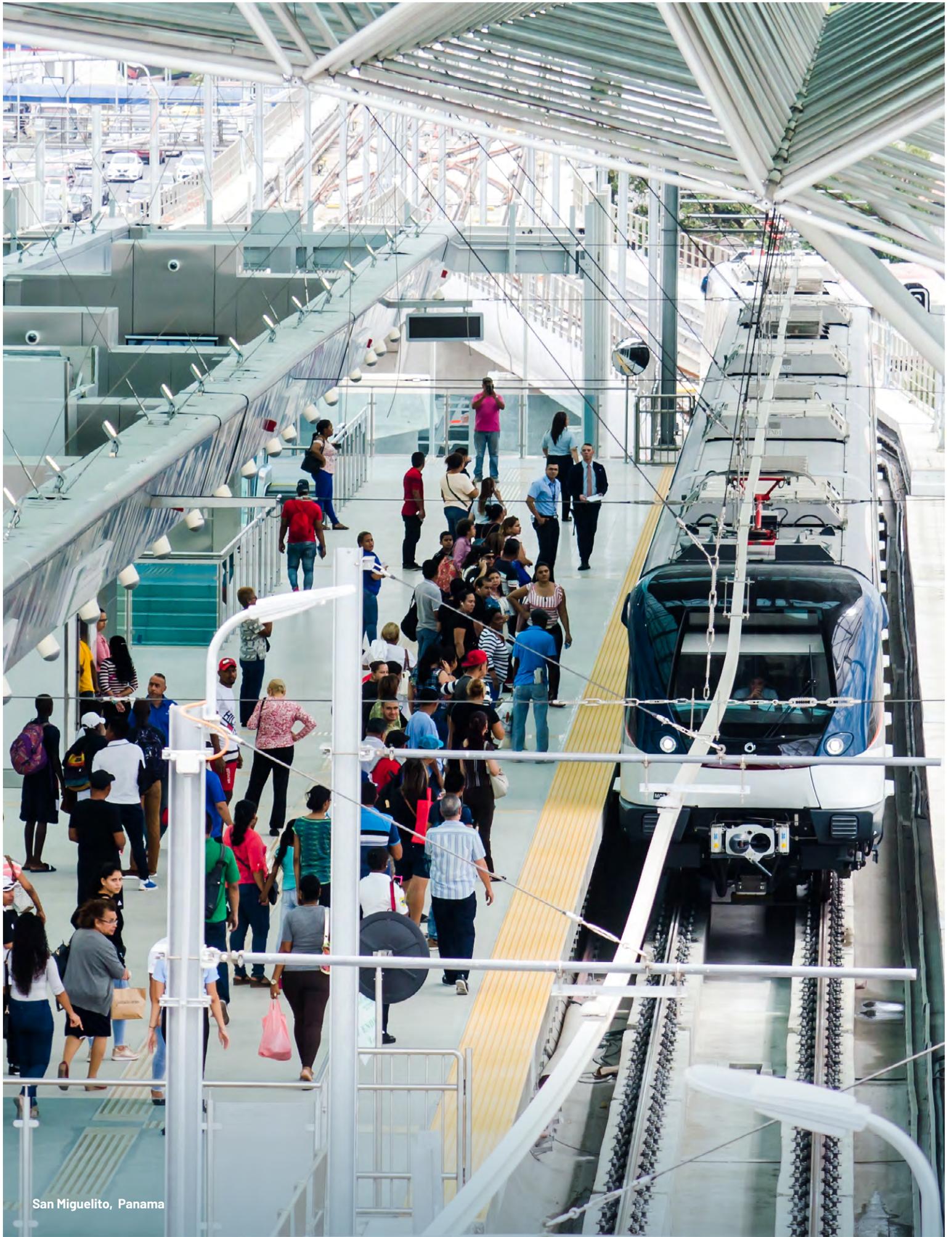
Dakar, Senegal

Introduction

The City Climate Finance Gap Fund (Gap Fund) is a multi-donor initiative established in September 2020 that aims to help cities in developing and emerging countries realize their climate ambitions by turning low carbon, climate-resilient ideas into strategies and finance-ready projects. The World Bank (WB) and the European Investment Bank (EIB) jointly implement the Gap Fund through two multi-donor trust funds—WB Gap Fund MDTF and EIB Gap Fund MDTF—in close partnership with city networks and other key partners including C40, Global Covenant of Mayors for Climate and Energy (GCOM), Local Governments for Sustainability (ICLEI), and Cities Climate Finance Leadership Alliance (CCFLA).

This annual report summarizes the progress made by the World Bank Gap Fund MDTF during fiscal year 2021 from July 2020 to June 2021. Section I presents an overview of the Gap Fund, its background, objectives and activities, as well as its governance and implementation arrangements. Section II presents the implementation progress of the Gap Fund activities under Track 1 – Technical support for low carbon, climate-resilient city development, and Track 2 – Partnerships, knowledge and information sharing and standardization. Section III provides a brief summary of the monitoring results and progress of monitoring indicators and section IV offers the financial summary of the Gap Fund. Finally, the last section presents a brief overview of the work ahead and planned activities for next fiscal year.





San Miguelito, Panama

I. Overview of the Gap Fund

I.1 Program Context – Cities and Climate Change

Rapid urbanization and the growth of cities in low- and middle-income countries (LMICs) have been poorly managed thus far—resulting in a high proportion of the world’s population being vulnerable to extreme weather events. The global urban population is projected to add 2.5 billion urban dwellers between 2018 and 2050. Nearly 90 percent of this growth is concentrated in Asia and Africa, increasing the share of the world’s population living in urban areas to 75 percent (UN 2018). Recent analyses of disaster impacts show that a high proportion of the world’s population most affected by extreme weather events is concentrated in urban areas (UNISDR 2009, 2011; IFRC 2010). Rising global temperature is causing sea levels to rise and increases in the frequency and intensity of extreme weather events, such as floods, droughts, and storms, significantly constrain cities’ ability to provide basic services, maintain infrastructure, provide adequate housing, and ensure resident’s livelihoods and health. These impacts are expected to be exacerbated in the following decades, given that the expansion of urban land is likely to take place in geographical regions of increasing vulnerability to extreme climate events (IPCC AR5 2014).

Therefore, efforts to successfully limit global warming hinge on cities and their capacity to innovate and take the lead on local actions. Cities are facing another growing challenge of reducing emissions and creating more efficient systems to avoid emissions. Cities account for more than 70 percent of global energy-related greenhouse gas (GHG) emissions, with transport, waste, and buildings being the most significant contributors. Scaling up investment in sustainable urban infrastructure will be essential to achieve the goals of the Paris Agreement to limit the global temperature increase to well below two degrees Celsius as well as strengthen climate change adaptation and resilience.

An estimated US\$93 trillion of sustainable infrastructure needs to be built by 2030—over 70 percent of which will be built in urban areas.³ This low carbon investment entails higher capital expenditure required upfront for newer but costly technology to improve energy efficiency in buildings and power generation. It also includes anticipated efficiency gains and savings from transitioning to more energy-efficient urban development, reducing fossil fuel subsidies, and adopting more sustainable infrastructure solutions (Global Commission on the Economy and Climate 2016). New infrastructure could cost LMICs anywhere between two percent and eight percent of gross domestic product (GDP) per year up to 2030, depending on the quality and quantity of service aimed for and the spending efficiency achieved to reach this goal.⁴ Future emission trends will depend on

³ The New Climate Economy Global Commission on the Economy and Climate report (2014) adopted a detailed sectoral analysis estimating global investment needs for sustainable infrastructure between 2015 and 2030. Using existing technologies and investment patterns as the business-as-usual scenario, the study projects that a total cumulative investment of \$88.61 trillion will be needed between 2015 and 2030, which then rises to \$93 trillion on a net basis when adopting a low carbon investment strategy.

⁴ Rozenberg, Julie, and Marianne Fay, eds. 2019. *Beyond the Gap: How Countries Can Afford the Infrastructure They Need while Protecting the Planet*. Sustainable Infrastructure Series. Washington, DC: World Bank. doi:10.1596/978-1-4648-1363-4. License: Creative Commons Attribution CC BY 3.0 IGO.

whether infrastructure built in cities is aligned with the planetary boundaries or whether investment decisions are made that lock in an unsustainable, destructive pathway. But with the right policies, investments of 4.5 percent of GDP will enable LMICs achieve the infrastructure-related sustainable development goals (SDGs) and stay on track to contain the average global temperature increase to two degrees Celsius⁵ (World Bank 2019).

Cities around the world face challenges in becoming resilient and climate smart. Several gaps hinder cities from reaching these goals— limited capacity, lack of technical knowledge, and lack of access to upstream and downstream financing. Even if cities have drafted preliminary climate diagnostics or action plans, many do not have the means or capacity to take the next step. Taking cities' development needs into account, the Gap Fund aims to increase funding dramatically for the formulation of upstream climate strategies and analytics and support cities in understanding their challenges using a holistic, systematic approach while defining a range of priority actions or interventions that address these challenges.

Finally, in an environment where resources and expertise are limited, the Gap Fund was established at a critical juncture where we face overlapping crises: a devastating global pandemic, a historic economic downturn, and a warming planet. Cities are on the frontlines of many pressing challenges, and they are where our shared sustainable future can and must be won. This moment in history presents global, national, and local leaders, dwellers, and financiers a moment of collective reflection on planning, rebuilding, and reimagining to provide a healthy, vibrant, and green future. The Gap Fund seeks to change the nature of engagement between cities and relevant stakeholders by promoting ambitious mitigation and resilience actions. It is well placed to deploy a range of technical assistance and investment preparation support to aid in cities' transition to a greener and more inclusive recovery.

I.2 Gap Fund Mission and Objectives

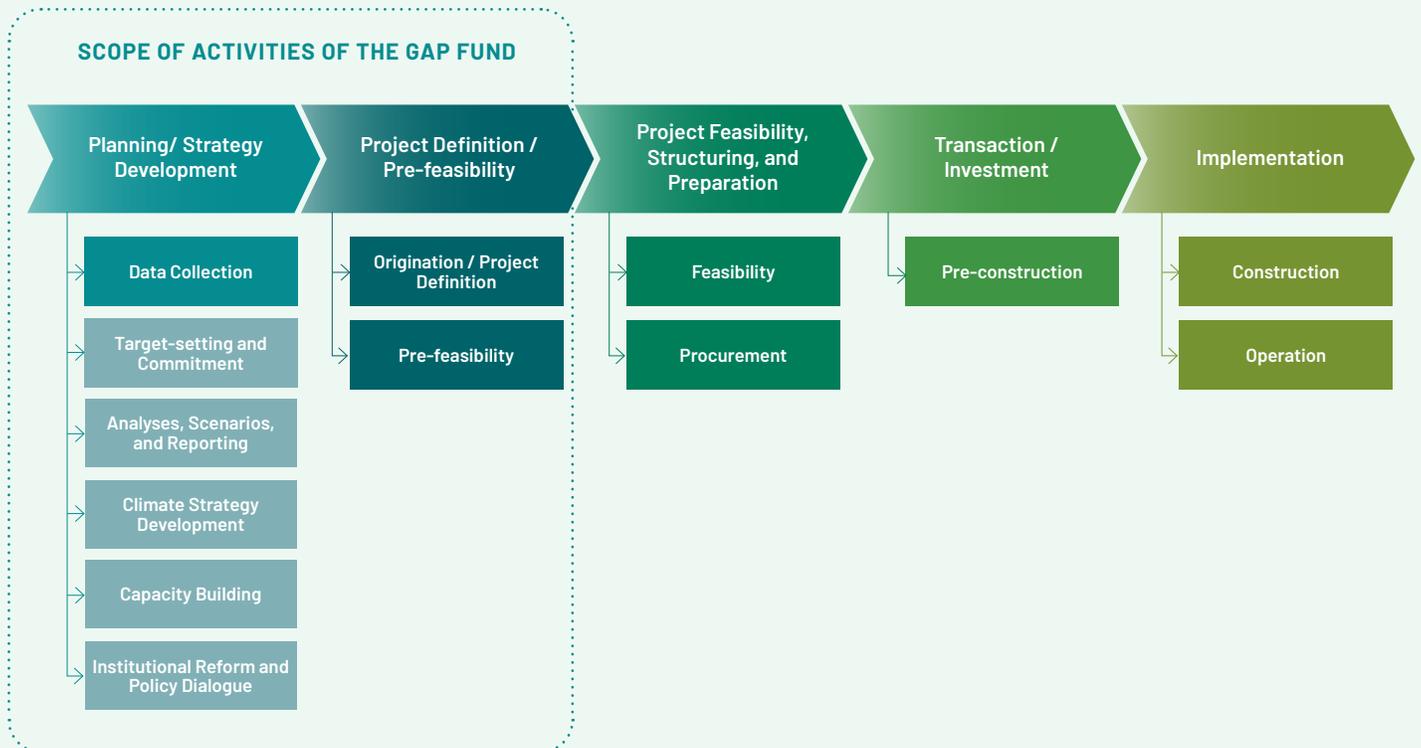
The development objective of the Gap Fund is to help cities in LMICs transition toward low carbon and climate-resilient pathways in line with global efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. The initiative aims to increase funding to develop upstream climate strategies and analytics to meet a city's development needs. Additionally, the purpose of the Gap Fund also supports cities in understanding their challenges using a holistic, systematic approach and defining a range of potential actions to address these challenges. Consequently, the Gap Fund supports cities to address the complexity of climate adaptation and mitigation, along with low-capacity issues, by connecting different actors across government levels, sectors, and public as well as private parties (figure I-1). The Gap Fund contributes, although indirectly, to decarbonizing the economy and preparing infrastructure for climate hazards by focusing on climate change mitigation and adaptation. This also includes crucial coordination among relevant stakeholders such as city networks, and technical and financial experts.

⁵ According to the CCFLA, a 2°C pathway creates a high probability of limiting the average global temperature rise to 2°C (3.6°F) above pre-industrial levels by 2100 and avoids the worst consequences of global climate change. In contrast, a business-as-usual (BAU) pathway is likely to lead to a rise in temperature of 4–6°C (7.2–10.8°F) above pre-industrial levels over the same period.

In its efforts to achieve these goals, the Gap Fund assists cities in the early stages of the project preparation. It:

- Provides capacity building for low carbon capacity and climate-resilient urban development;
- Supports city climate strategy development and the generation of in-depth analytics to assess climate action and resilience potential of plans, strategies, and investment programs;
- Defines project concept definitions and the components of pre-feasibility studies;
- Supports the prioritization of investments as part of a climate strategy or investment program;
- Supports a strengthened approach to project financing;
- Sources additional support for later stages of project preparation; and
- Offers potential support to fill in other project preparation gaps.

FIGURE 1: SCOPE OF SUPPORT PROVIDED BY THE GAP FUND



I.3 Gap Fund Governance and Implementation Arrangements

The Gap Fund provides support to cities through two implementing agencies: the World Bank and EIB. The World Bank and EIB bring a unique mix of long-standing expertise in sustainable development, climate finance projects, and urban renewal. Each implementing agency administers a MDTF with strong coordination between the separate World Bank and EIB Secretariats under “One Gap Fund” architecture related to partnerships, governance, and implementation.



Partnerships: The Partnership Forum provides a platform for sharing experiences and expertise and exchanging information and ideas between key players in the city climate finance arena to inform the overall strategy and direction of the Gap Fund.



Governance: Donors provide strategic guidance and direction to the two MDTFs through their respective donor committees. The donor committee meetings are held consecutively with cross participation from the World Bank and EIB Secretariats as observers in each other’s donor committee meetings to ensure coordination and consistency between the two MDTFs.



Implementation: The World Bank and EIB coordinate implementation along with other key partners including city networks to ensure integrated outreach, selection, and support mechanisms under the “One Gap Fund” brand. This includes: (i) joint outreach, communication and knowledge sharing activities carried out in partnership with city networks and other key partners; (ii) a “One Gap Fund” website offering information on both Gap Fund MDTFs and the ability for cities to submit an Expression of Interest (EOI) to the Gap Fund; and (iii) coordination mechanisms for the World Bank and EIB to screen EOIs and agree on further processing by either of the two MDTFs (figure I-2).

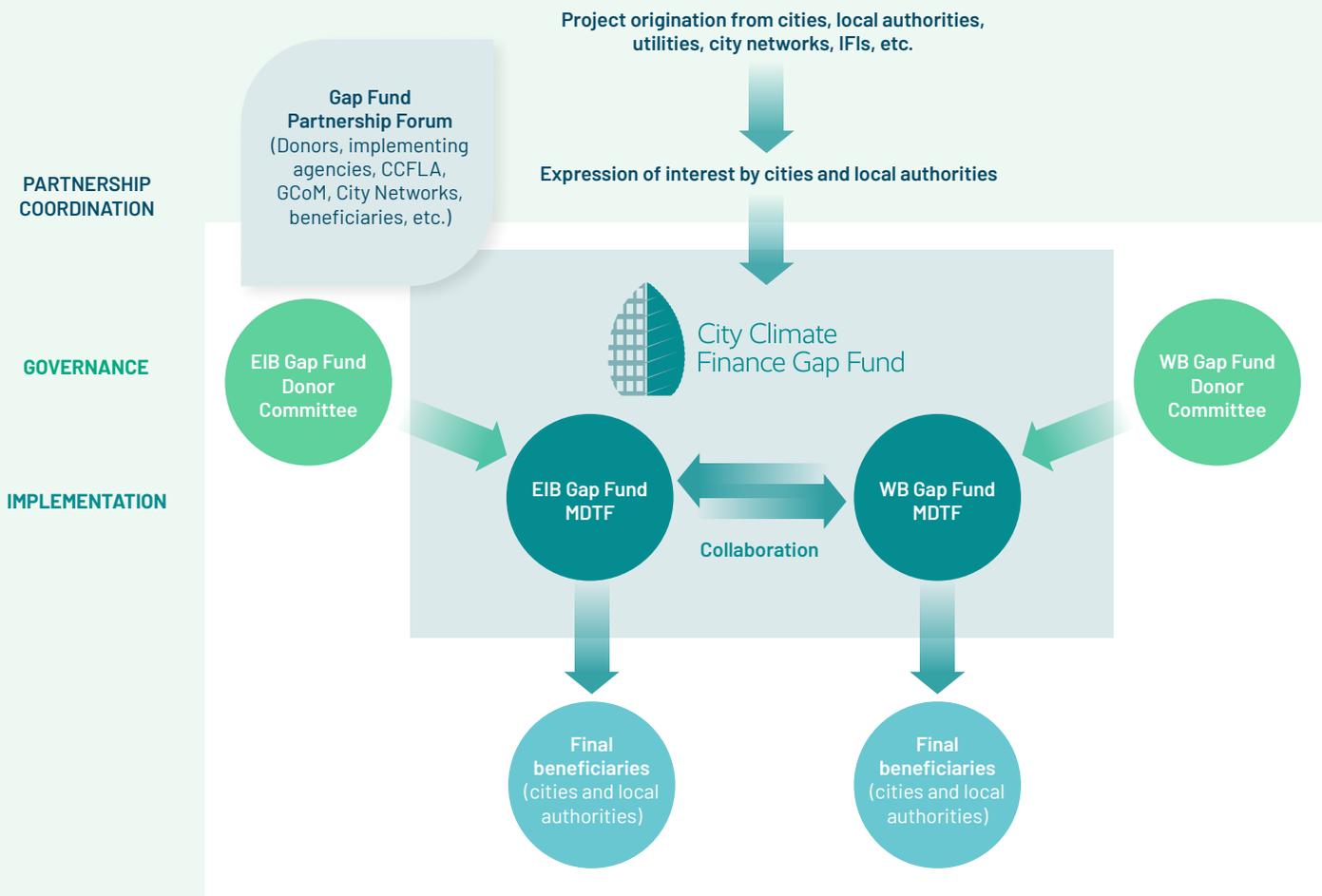
I.4 World Bank Gap Fund MDTF Activities

Activities of the World Bank Gap Fund MDTF are organized into three tracks:

Track 1 – Technical support for low-carbon, climate-resilient city development. This track provides support to cities in the development or expansion of climate strategies, plans and policies, as well as identification, prioritization, and early-stage preparation of climate-smart projects to the selected cities following the application process (see figure II-1).

Track 2 – Partnerships, knowledge and information sharing and standardization. This track aims to strengthen knowledge generation, knowledge sharing, and partnerships for city climate action. Activities under this track lead or contribute to the development of flagship reports, technical

FIGURE I-2: GAP FUND STRUCTURE



notes, and technical tools, organizing workshops and webinars, organizing or participation in outreach events, as well as organizing regular meetings of the Gap Fund Partnership Forum.

Track 3 - Program management and trust fund administration. This track supports management of the partnership program and administration of the Trust Fund. It facilitates annual work programming, monitoring and evaluation, outreach, communications, coordination, reporting, and trust fund administration and governance in accordance with the World Bank's policies and procedures.



Ahmedabad, India

II. Status of Program Implementation

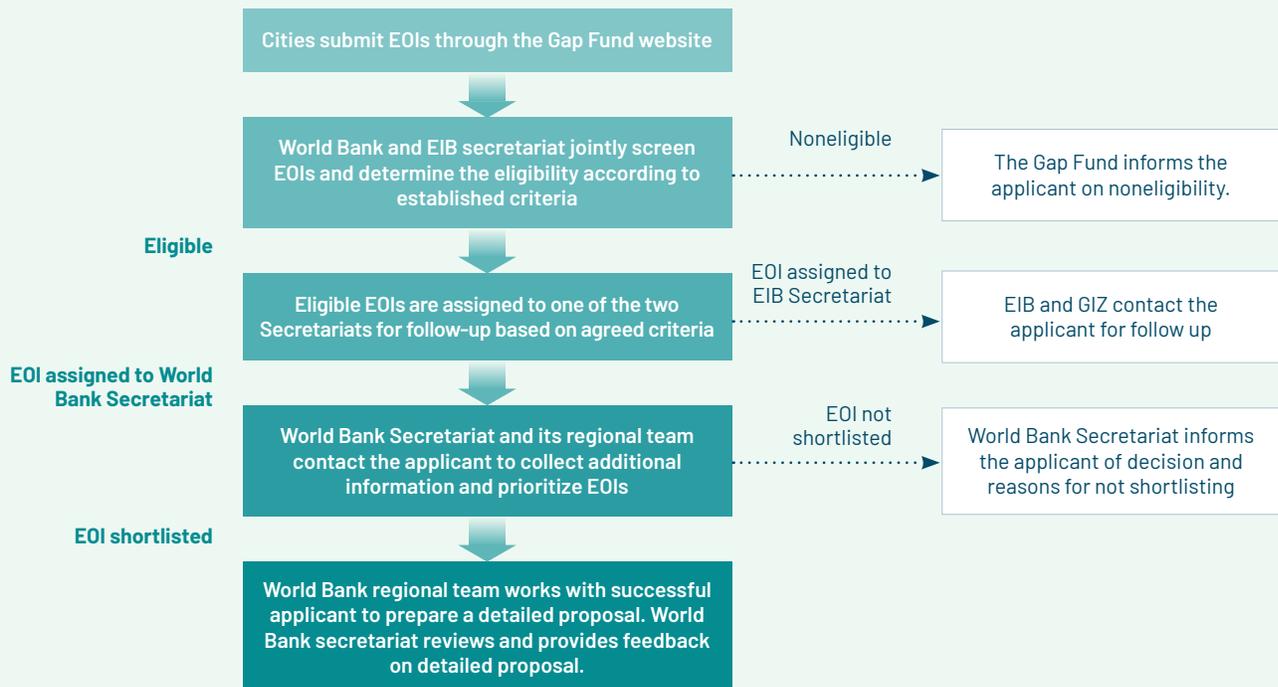
Over the past fiscal year FY21, the Gap Fund has initiated activities under tracks 1 and 2. This section summarizes the status of city engagements as well as program management and communications-related activities.

II.1. Track 1

EXPRESSION OF INTERESTS RECEIVED

The Gap Fund proactively facilitates the demand from a broad range of cities for support on climate strategy formulation and climate analytics, focusing on the high potential for climate impact. In its effort to collaborate with cities, the Gap Fund solicits applications—Expression of Interests (EOIs)—on a rolling basis. The applicants can access the EOI forms through the Gap Fund website⁶. Applicants identify the city’s existing plans and studies on climate strategy development, understand the type of support requested, and assess the eligibility of the proposed activity. The EIB and World Bank Secretariats then screen the received EOIs through biweekly meetings under the guidance of the eligibility criteria (figure II-1).

FIGURE II-1: OVERVIEW OF THE GAP FUND EOI REVIEW PROCESS

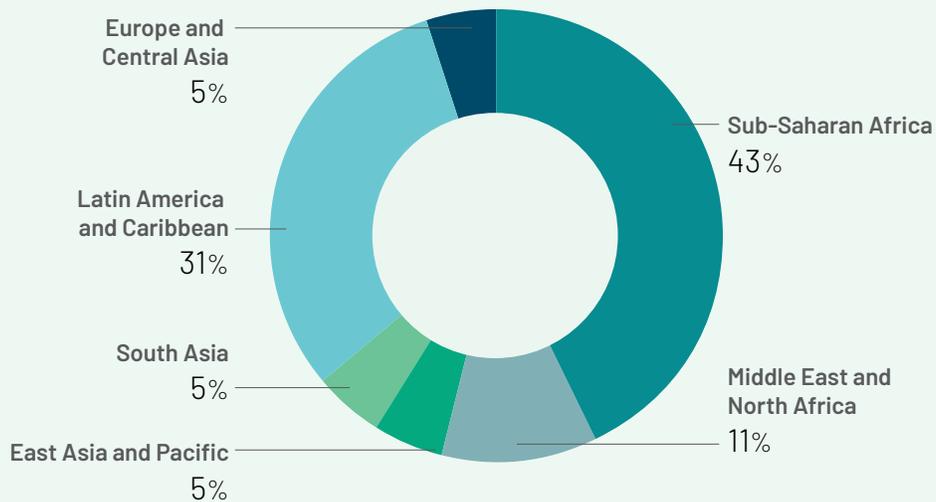


⁶ <https://www.citygapfund.org/apply-for-support>

The Gap Fund received 115 EOIs as of June 30, 2021; 56 were eligible, and 59 were not eligible. An analysis of the reasons behind ineligibility indicates that the most frequent reasons are: (i) eligibility of the applicant—for instance, EOIs submitted by an individual or a private entity with no direct link with a city administration; (ii) lack of a clear climate focus—for example, the EOI requests support for investment in municipal infrastructure without identifying a specific focus on climate mitigation or adaptation; and (iii) lack of specification of the technical assistance requested from the Gap Fund—such as when the EOI presents a project but does not specify at what stage of preparation the project is and the specific type of technical assistance that the Gap Fund would support. The lessons learned from the first EOIs received and guidance on how to formulate EOIs have been communicated to cities in the presentations of the Gap Fund jointly carried out by the World Bank and EIB Secretariats. The Secretariats will strive to continue drawing lessons from EOIs received and will update the guidance and advice provided in future presentations of the Gap Fund and in the relevant section of the Gap Fund website.

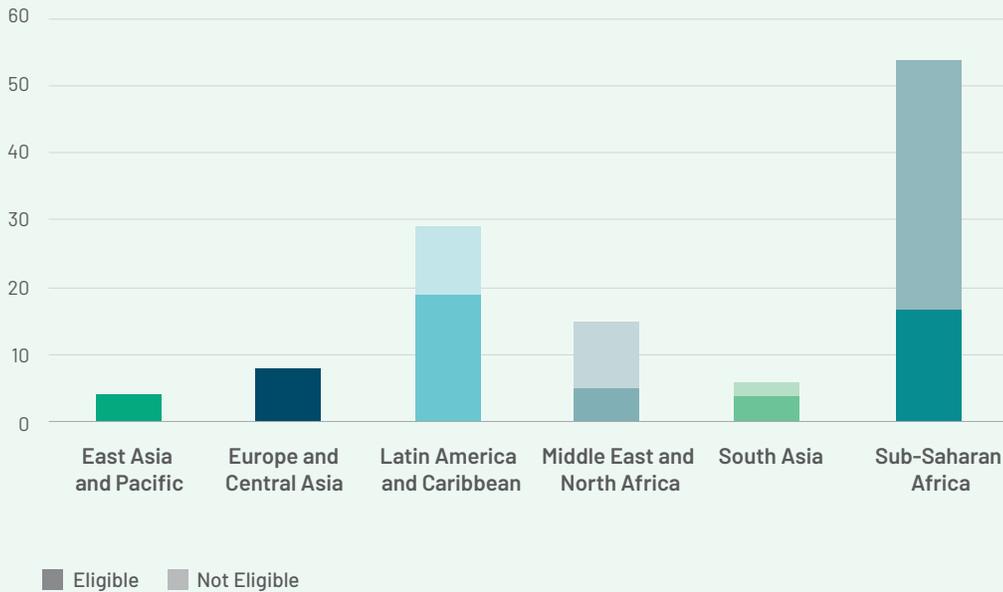
EOIs came from all regions, with significant difference between the share of EOIs received from the different regions. Figure II-2, presents the breakdown of EOIs received, based on the six World Bank regions they originated.

FIGURE II-2: REGIONAL DISTRIBUTION OF EOIS RECEIVED



When looking at the breakdown between eligible and ineligible EOIs received from each region as presented in figure II-2, one can observe significant disparities between regions. Although Sub-Saharan Africa (SSA) accounted for the largest share of EOIs received in FY21, a large share of the EOIs received from that region were found to be ineligible. Significant but lower shares of EOIs received from Latin America and the Caribbean (LAC) and Middle East and North Africa (MENA) were also found to be ineligible. Although a limited number of EOIs were received from Eastern Europe and Central Asia, South Asia (SAR) and East Asia and Pacific (EAP) regions, most EOIs were found to be eligible. As a result, the regional repartition of eligible EOIs is much less uneven compared to all EOIs received.

FIGURE II-3: SHARE OF ELIGIBLE AND INELIGIBLE EOIS RECEIVED FROM EACH REGION



TECHNICAL ASSISTANCE ACTIVITIES APPROVED IN FY21

The World Bank Gap Fund MDTF approved technical assistance grants totaling EUR 1.9 million at the end of FY21 to support 11 cities transform their climate ambitions into finance-ready projects. The technical assistance activities support cities in Democratic Republic of Congo, Ethiopia, India, Kosovo, Mexico, Morocco, Panama, Senegal, and Vietnam as they identify sources of urban GHGs, design scenarios to see how urban growth and form will affect future GHGs, and prioritize critical policies and infrastructure investments. The grants will also facilitate coordination between local and national level climate change action planning to help build low carbon, resilient, and livable cities. Map II-1 presents an overview of the cities supported by the technical assistance activities approved in FY21.

MAP II-1: MAP OF TECHNICAL ASSISTANCE ACTIVITIES APPROVED IN FY21



Nature-based solutions for climate: Unlocking the full potential for low carbon emissions and urban resilience in the City of Kinshasa in the Democratic Republic of Congo.

The activity supports the process of identifying and prioritizing investments in nature-based solutions (NBS) and greening of urban areas more broadly in Kinshasa, a megacity of 13 million inhabitants. It explores the integration of NBS in public buildings, public spaces, and street design toward climate mitigation and adaptation and bolstering the green recovery of the most vulnerable neighborhoods in Kinshasa. The program aims to reduce GHG emissions and improve the livability of low-income, vulnerable neighborhoods, with a completion timeline of June 2022.

Climate-smart urban development and urban resilience in Addis Ababa, Ethiopia:

The activity supports the climate-smart urban development in Addis Ababa by: (i) integrating climate-smart capital investment plans into urban development planning; and (ii) preparing an integrated action plan, policy actions, prioritized investments, and institutional building toward green, climate-resilient urban development. The investment plans aim to ensure that climate change implications are considered at an early stage in the design and implementation process, supporting the city to achieve its climate change and GHG reduction goals and avoid the need for costly retrofits. The program's closing date is October 2022.

Support for a climate-resilient and low-carbon recovery in Tulum and San Cristobal City, Mexico:

The activity supports Tulum and San Cristobal to accelerate low carbon, climate-resilient development through the design and execution of multisector, area-based investment programs geared toward the regeneration of neighborhoods. This technical assistance aims to strengthen the National Urban Upgrading Program, implemented in Mexico, which helps mid-sized cities—with severe deficits in urban infrastructure and amenities—with targeted measures that enhance planning capacities and improve urban infrastructure. The program is building capacity to promote and maximize GHG reductions in the design and execution of urban regeneration projects. It is strengthening the mitigation and adaptation potential of proposed investments; and is supporting the identification of integrated climate-smart investment programs in selected cities. The program is expected to close in February 2023.

Low carbon and resilient municipal service delivery in Ahmedabad, India: The activity assists Ahmedabad in developing low carbon and resilient urban infrastructure to address existing service delivery gaps in priority service sectors and achieve its vision of resource efficiency, resilience and carbon neutrality in the context of rapid urbanization. The objective is identifying the key barriers of institutional, financial, and service delivery frameworks in the city to drive low carbon and resilient urban growth. The program also helps the city address these barriers by developing a long-term service improvement and investment plan and financing strategy by mainstreaming the low carbon, green, and resilience principles during the design and implementation phase. The program's closing date is August 2022.

Climate-smart city action plans in Vihn and Ha Tinh, Vietnam: The activity develops the climate-smart action plans (C-SAP) for both cities, and outlines specific activities to reduce GHG emissions, and improve investments, policies, and implementation. The technical assistance team identifies and prioritizes measures based on impact and cost, using the IFC's APEX tool⁷. C-SAP's objective is to include a vision for low carbon growth, implementation plan, prioritization of actions, and its monitoring and evaluation processes. The program is expected to end in October 2022.

Green, low carbon, and climate resilience in Prishtina, Kosovo: The activity supports the municipality to plan strategically for and invest in low carbon and climate-resilient urban development. It focuses on providing analytical advice and sharing knowledge to enable a low carbon and climate-resilient urban development trajectory and technical assistance for early-stage preparation of low carbon and climate-resilient investments and financing mechanisms. The activity hopes to be a blueprint for other cities in the western Balkans region on advancing climate change mitigation and adaptation at the city scale. The activity's timeline extends to September 2022.

Support for cities to develop climate action planning in Fez, Morocco: The activity supports national and local authorities in developing climate action plans and in identifying low carbon and resilience investments to mitigate climate change effects in the region of Fez-Meknes. The components of the activity contribute to operating the national sustainable development and climate strategy at the local and city levels. The technical assistance aids the development of a strategic vision of climate change as well as the identified operational interventions and investment projects that contribute to reducing climate change effects. Estimated closing date is October 2023.

Sustainable urban transformation and climate smart development associated to a low carbon aerial transportation system in San Miguelito, Panama: The activity supports the identification of climate-smart and energy-efficient urban interventions associated to the new metro cable infrastructure, with the potential to reducing GHG emissions while helping to reduce vulnerability to floods in the overall district. The components aim to unlock opportunities for climate-smart, energy-efficient, resilient, and financially sound sustainable urban development in San Miguelito, linked to the future cable car system. Estimated closing date is April 2023.

Toward a green housing program in Dakar, Senegal: The activity develops tools that can help mainstream a low carbon strategy into urban development and housing construction in the greater Dakar region, in the context of the national affordable housing program (AHP), launched by the Government of Senegal, with a focus on green buildings and green cities, and build the capacity of stakeholders in those areas. The activity aims to promote greener cities with the introduction of tools and operational recommendations to incentivize the use of low carbon solution in the implementation of the AHP and beyond. Estimated closing date is October 2022.

⁷ For further information on the APEX Tool, please see the technical note on "Urban GHG Modelling Tools"

Figure II-4 presents the regional breakdown of track 1 grant amounts approved in FY21. One third of the amounts approved went to Sub-Saharan Africa (SSA) where activities were initiated in three large and rapidly growing cities of Kinshasa, Addis Ababa, and Dakar. The Latin America and Caribbean region accounts for about a fourth of the amounts approved, with activities initiated in Panama City and two secondary cities in Mexico. East Asia and Pacific region feature activities initiated in two secondary cities in Vietnam and account for 14 percent of the amounts approved. Middle East and North Africa, South Asia, and Europe and Central Asia together have in one city in each region with activities initiated.

Figure II-5 presents the sectoral breakdown of track 1 amounts approved in FY21. These data are based on estimates proposed by technical teams at the grant approval stage and are based on the joint multilateral development banks' (MDBs) reporting framework. Energy efficiency occupies the largest share of 22 percent of the amounts approved and cross-cutting issues—which reflect the focus of several activities on building energy efficiency and low carbon urban planning—account for 18 percent. Sector information will be updated for each activity during implementation to reflect any evolution in the activities' focus.

FIGURE II-4: REGIONAL BREAKDOWN OF AMOUNTS OF TRACK 1 GRANTS APPROVED IN FY21

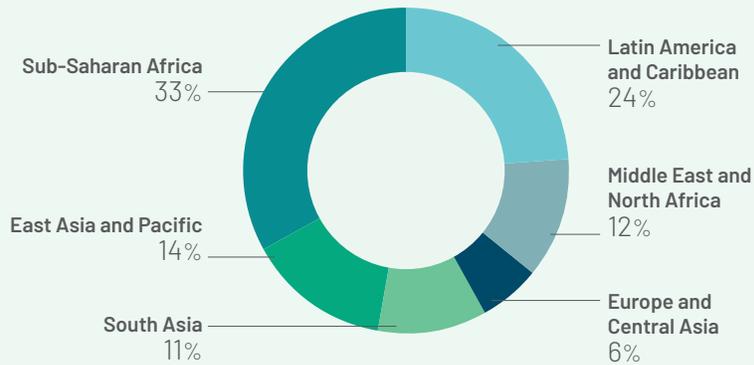
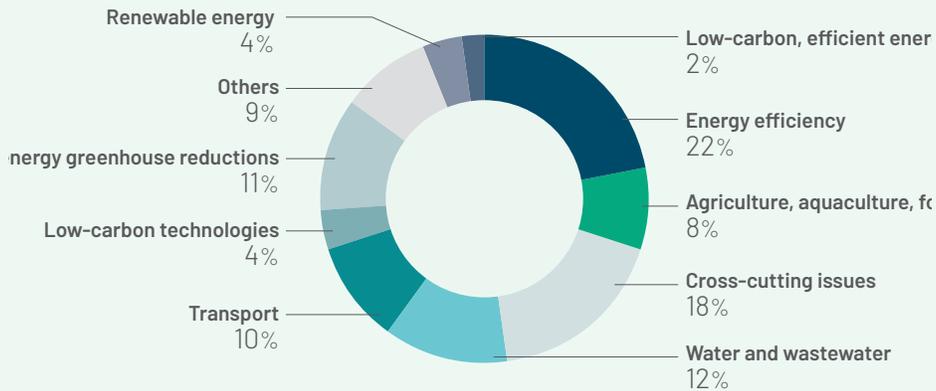


FIGURE II-5: SECTORAL BREAKDOWN OF AMOUNTS APPROVED



II.2. Track 2

Activities under this track are geared to address the following key barriers and challenges: i) knowledge and methodology gaps that exist in assessing urban level GHGs and low carbon development as well as in channeling climate finance to cities; ii) vertical and horizontal coordination challenges across local and national government and the international community to achieve a whole of government and whole of economy approach with cities recognized as a core transformative lever to achieve climate action; and iii) standardization and harmonization of approaches across cities, national strategies, the development community and the private sector. The following subsections highlight the key progress made to date.

KNOWLEDGE GENERATION AND SHARING

Activities carried out were based on a structured approach to identify knowledge gaps. The World Bank Secretariat organized consultations with regional teams to assess client demand and identify a list of activities and knowledge products. Ongoing restrictions of COVID-19 did not permit peer-to-peer learning and in-person knowledge sharing events. Instead, the World Bank Secretariat organized a series of virtual webinars and participated in several regional and global conferences held virtually.

The 2021 State of Cities Climate Finance Report: It is a flagship report delivered in June 2021 in collaboration with the Cities Climate Finance Leadership Alliance Secretariat—Climate Policy Initiative. The report examines the existing state of urban climate investment, the barriers in reaching the needed investment levels, and the steps in overcoming these challenges. The World Bank specifically authored Part 2 of the report—The Enabling Conditions for Urban Climate Finance—which analyzes enabling frameworks and presents solutions for mobilizing climate finance for low carbon, climate-resilient urban development pathways.

Technical note on “GHG Emissions Inventories: An Urban Perspective”: This note helps city officials and technical staff identify adequate tools and methodology to be used for GHG emissions inventory as part of the development of low carbon development strategies. It presents international case studies in which GHG emissions inventories are routinely carried out by local governments, and a description of the relevant regulatory framework, tools, and methodologies available.

Technical note on “Urban GHG Modeling Tools”: This note provides policy makers and practitioners with an overview and a technical comparison of the different modeling tools and their relevance and applicability in informing climate-smart investment decisions in cities. It discusses in practical terms the tradeoffs between the different tools and identify where entry points for different cities are depending on costs, application potential, demand and investment priorities and data availability.

Technical note on “Primer on Urban Form and GHG Emissions”: This note serves as a primer for policy makers and practitioners on the impacts of urban form and GHG emissions drawing from existing literature and various analytical work led by the World Bank. It explores strategies and interventions for fostering transitions toward less carbon-intensive emissions trajectories and applying recommended tools and methodologies in different cities and WB operations.

Knowledge webinars: The World Bank’s Climate Smart Cities Community of Practice organized a series of knowledge webinars jointly with the Global Platform for Sustainable Cities (GPSC) from March through July to provide policy makers and practitioners an overview of different tools, applications and sector-based approaches to climate mitigation and their relevance and applicability to guide climate-smart investments decisions in cities. The World Bank Gap Fund contributed to the following webinars:

- March 10, 2021: Urban Form and GHG Emissions: An Overview of Integrated Planning Tools - a presentation of the preliminary conclusions of the Gap Fund Technical Note on urban form and GHG emissions.
- Apr 29, 2021: Overview of Tools and Applications for Urban Climate Mitigation: A Deep Dive with Urban Performance and Rapidfire –a presentation of two tools reviewed in the Gap Fund Technical Note on Urban GHG Modeling Tools.
- May 13, 2021: Decision Making through Scenario Planning - A Deep Dive on Policy Action and Investment Prioritization Tools - a presentation of two tools—C40’s Pathways and IFC’s APEX—reviewed in the Gap Fund Technical Note on Urban GHG Modeling Tools.
- May 26, 2021: Raising Climate Ambition in Cities: C40’s Experience Supporting Climate Action Planning - with participation from C40.
- Jul 15, 2021: From Project Preparation to Disclosure: Supporting Climate Action through Infrastructure Data Platforms - with presentations by CDP and SIF/Source.

OUTREACH AND COMMUNICATIONS

The World Bank Secretariat supported the organization and conduct of various events to raise awareness among potential beneficiaries and enhance partnership communication and outreach. In addition, it established a Partner Communications Working Group comprising all Gap Fund partners to identify opportunities to raise awareness around the cities and climate agenda and increase the visibility of the Gap Fund among media, policy makers, national governments, donors, and local governments.

Coordination with partners: The Gap Fund established an extended Gap Fund communications working group comprised of focal points from each partner organization (BMU, BMZ, Lux, WB, EIB, GIZ, GCOM, ICLEI, C40, CCFLA) to establish a coordinated approach to information sharing, communications planning and dissemination, and to align and amplify messaging, particularly in the run up to COP26 to be held on November 1–12, 2021.

Outreach webinars: A series of outreach webinars on “Get to Know the Gap Fund”⁸ was jointly organized by the WB and EIB Secretariats on April 21st, 23rd, 26th, and 27th, targeting different regions and time zones. The Gap Fund partners (GCOM, C40, ICLEI and CCFLA) coordinated through GCOM to invite cities to connect to the webinars, resulting in a combined attendance of more than 200 participants representing cities and their partners.

⁸ Recordings of the “Get to Know the Gap Fund” webinar series.
<https://www.citygapfund.org/news/recordings-get-know-gap-fund-webinar-series>

Participation in regional and global conferences: The Gap Fund facilitates events and outreach coordination with key partners around the cities and climate agenda through the Partnership Forum and monthly calls with the Partner Communications Working Group. As a result, the Secretariats were invited to participate in the following virtual events to jointly present the Gap Fund.

- Sept 23, 2020: High level operational launch of the Gap Fund at UNGA New York Climate Week.⁹
- Oct 14, 2020: Catalyzing Private Investment in Climate Smart Cities by Global Platform of Sustainable Cities (GPSC)
- Oct 21, 2020: Plenary session for Daring Cities conference by ICLEI
- Oct 26, 2020: Session on “Scaling Urban Climate Finance for Green Sustainable Recovery” for Daring Cities conference by ICLEI
- Oct 27, 2020: Session on “Test Your Pitch” for Daring Cities conference by ICLEI
- Nov 3, 2020: Finance for Nature-Based Climate Change Adaptation by Local Climate Solutions for Africa (LoCS4Africa)
- Nov 19, 2020: The Future of Cities by Cities Investment Facility (CIF)
- Nov 25, 2020: Evento Finanzas el Clima by GIZ Latin America
- May 4-6, 2021: Forum for Subnational Project Preparation Practitioners in Mexico by CCFLA
- May 25, 2021: Session on “Financing Climate Action in Cities” for Innovate4Climate conference by the World Bank and EIB
- May 28, 2021: “Test Your Pitch” FELICITY II TAP Pitch event by ICLEI Latin America
- Jun 11-13, 2021: G7 Summit
- Jun 15-18, 2021: by United Nations Framework Convention on Climate Change (UNFCCC) Africa Climate Week
- Jul 8, 2021: Asia Pacific Cities Race to COP26 (GCOM)
- Jul 28, 2021: Session on “Getting to know the City Climate Finance Gap Fund” for Making Cities Resilient 2030 by United Nations Office for Disaster Risk Reduction (UNDRR)
- Jul 29, 2021: Urban LEDS Networking Seminar by ICLEI and UN HABITAT
- Sep 7, 2021: Session on “Climate Financing and Budgeting” during 8th UCLG ASPAC Congress by The United Cities and Local Governments Asia Pacific (UCLG ASPAC)
- Sep 8, 2021: Session during African Adaptation Finance Academy by C40.

⁹ Press release

PARTNERSHIPS

Partnership Forum meetings were held on January 21 and June 21 to provide a platform for sharing experiences and expertise and exchanging knowledge and ideas between key stakeholders in the city climate finance arena to inform the overall strategy and direction of the Gap Fund. Participants included representatives from BMU, BMZ, LUX, WB, EIB, GIZ, GCOM, ICLEI, CPI, CCFLA and C40.

The World Bank and EIB Secretariats also participated in different working groups convened by the different partners of the Gap Fund including Leadership for Urban Climate Investment (LUCI) , CCFLA's Steering Committee, Assembly and Member meetings and Project Preparation Action Group, and GCOM's International Coalition for Sustainable Infrastructure (ICSI) Action Track on Financing.



Pristina, Kosovo

III. Monitoring Results

Table III-1 presents the progress to date on the World Bank Gap Fund MDTF results framework. As the first track 1 activities were initiated in the last quarter of FY21 and are still in the startup phase, no results are reported yet under this track. Under track 2, the main results are observed in improved cooperation and coordination of relevant partners, and in the generation of new knowledge.

TABLE III-1: RESULTS FRAMEWORK OF THE GAP FUND'S ACCOMPLISHMENTS IN FY21

TRACK	OBJECTIVE	INDICATOR TYPE	CORE INDICATOR	MEASUREMENT UNIT	TARGETS (5-YEAR)	END OF FY21 -
Track 1.1 Support to City Climate Strategy Development	Increased capacities of cities to formulate low carbon/climate-resilient strategies, plans and policies that are in line with global efforts to limit temperature increase to 1.5 degrees Celsius above pre-industrial levels.	Outcome	A.1 New or strengthened city-formulated lowcarbon/climate-resilient strategies, plans and policies	Numbers	50	-
		Output	AA.1 City officials trained on low-carbon/ climate-resilient development	Number of city officials	500	-
	Cities take action toward formulating and implementing lowcarbon, climate-resilient strategies, plans and policies in line with abovementioned global efforts.	Outcome	B.1 Low carbon/climate-resilient strategies, plans and policies that have been adopted by cities	Numbers	30	-
		Output	BB.1 Cities that have benefitted from the World Bank Gap Fund-supported technical assistance for implementing and formulating low carbon/climate-resilient strategies, plans and policies	Number of cities	50	-
Track 1.2 and 1.3 Support for Low-Carbon, Climate- Resilient Development Capacity and Investments	High impact low carbon/climate-resilient urban projects in line with above mentioned goals are taken up for further preparation support and financing	Outcome	C.1 The Gap Fund-supported projects have been taken up for further preparation support or financing	Number of projects	30	-
		Output	CC.1 The Gap Fund-supported projects that will contribute to GHG reduction and/or adaptation when implemented have been supported by the World Bank Gap Fund	Number of projects	50	-
	Increased capacities of cities to prepare high impact lowcarbon/ climate-resilient urban projects	Outcome	D.1 Cities that have benefitted from WB Gap Fund supported technical assistance for preparing high-impact low-carbon and/or climate-resilient urban projects	Number of cities	50	-
		Output	DD.1 City officials that have benefitted from capacity building activities on high impact low-carbon/climate-resilience project preparation	Number of city officials	500	-

TABLE III-1: RESULTS FRAMEWORK OF THE GAP FUND'S ACCOMPLISHMENTS IN FY21 *CONTINUED*

TRACK	OBJECTIVE	INDICATOR TYPE	CORE INDICATOR	MEASUREMENT UNIT	TARGETS (5-YEAR)	END OF FY21 -
Track 2 Partnerships, Knowledge and Information Sharing and Standardization	Improved access for partner organizations and cities to urban climate knowledge	Outcome	E.1 Cities participating in knowledge exchange events supported by WB Gap Fund	Number of cities	60	-
		Outcome	E.2 Total views or downloads of urban climate knowledge material shared by WB Gap Fund (knowledge products downloads, video/blogs/feature stories views, newsletter opens, website views, social media likes, retweets, and more)	Numbers	4000	-
		Output	EE.1 Technical knowledge products produced to fill identified knowledge gaps on low carbon, resilient urban development	Numbers	10	4
		Output	EE.2 Existing tools/approaches curated	Numbers	2	0
		Output	EEE.1 Knowledge-sharing events organized	Numbers	20	-
	Improved cooperation and coordination of relevant partners, for example, cities, local authorities, private sector and NDBs/MDBs in the field of project preparation support	Outcome	F.1 City applications completed and submitted through the portal and jointly screened by the EIB and the World Bank Secretariats	Numbers	750	115
		Output	FF.1 Partnership forums organized	Numbers	5	2
Output		FF.2 The Gap Fund outreach activities organized	Numbers	10	4	

IV. Financial Update

This section provides a brief overview of the financial contributions to the Gap Fund in FY21, the disbursements of the Gap Fund to its individual tracks and the financial status as of June 30, 2021.

The Federal Ministry of Environment, Nature Conservation and Nuclear Safety, together with the Federal Ministry for Economic Cooperation and Development of Germany pledged 30million EUR in December 2019 to the Gap Fund Multi-Donor Trust Fund managed by the World Bank and EIB. The Luxembourg Ministry of the Environment, Climate and Sustainable Development contributed an additional sources of funding of 2 million EUR in December 2020.

IV. 1. Donor Contributions¹⁰

TABLE IV-1: CONTRIBUTIONS TO THE GAP FUND (MILLION EUR)

CONTRIBUTORS	2019		2020		2021		TOTAL		
	PLEDGED	RECEIVED	PLEDGED	RECEIVED	PLEDGED	RECEIVED	PLEDGED	RECEIVED	PENDING
Germany - Ministry of Environment, Nature Conservation and Nuclear Safety	10	10	-	-	-	-	10	10	-
Luxemburg Ministry of Environment, Climate and Sustainable Development	-	-	2	2	-	-	2	2	-
Germany - Bundesministerium für Wirtschaftliche Zusammenarbeit	20	-	-	8	-	6	20	14	6
							32	26	6

¹⁰ The Gap Fund donor contributions since its launch.

IV. 2. Financial Status

The Gap Fund initiated activities on all three tracks since its launch. Under Track 1, it supported 11 cities across nine countries, mobilizing more than 1.9 million EUR in less than a year. The Gap Fund aims to expand the number of cities and countries it supports in the next fiscal year. Table IV-2 details the disbursements under every track during FY21. Table IV-3 details the financial status of the World Bank Gap Fund MDTF as of June 30, 2021.

TABLE IV-2: GAP FUND DISBURSEMENTS- NOV 2019 (DATE OF INCEPTION) TO JUNE 2021

TRACK ACTIVITIES	OVERALL BUDGET (MILLION EUR)	AMOUNTS APPROVED (MILLION EUR)	AMOUNTS DISBURSED	
			MILLION USD	MILLION EUR
Track 1	25.40	1.89	0.09	0.07
Track 2	5.00	0.88	0.42	0.36
Track 3	1.60	1.50	0.38	0.33
TOTAL	32.00	4.27	0.89	0.76

TABLE IV-3: GAP FUND FINANCIAL STATUS - NOV 2019 (DATE OF INCEPTION) TO JUNE 2021 (MILLION EUR)

	CUMULATIVE TOTAL
Contributions Pledged	32.00
Un-paid Contributions	6.00
CONTRIBUTIONS RECEIVED	26.00
Investment Income	(0.12)
TOTAL RECEIPTS	(0.12)
Less: Amounts Approved	4.27
AMOUNTS AVAILABLE	21.61

* Although the World Bank Gap Fund MDTF is held in EUR, the Bank's financial records are maintained in USD. Therefore, (a) when EUR expenses are posted, the USD equivalents are also recorded; (b) when non-EUR expenses are posted, both the USD/USD equivalent and the EUR equivalent are recorded. The above table presents the recorded amounts, based on the exchange rate at the time of posting.



Kinshasa, DRC

V. Next Steps for the Gap Fund

Fiscal year 2022—July 2021 to June 2022—signals an important year for the Gap Fund. COP26 in November 2021 will provide an important platform to position the Gap Fund as a critical tool to support the climate aspirations of cities across the world. The Gap Fund will also strive to accelerate the implementation of city-level technical assistance under Track 1, build on the experience of the first technical assistance activities to promote knowledge sharing, and leverage Gap Fund's partners to continue raising awareness about the Gap Fund and facilitate cities' access to the most relevant approaches, tools and platforms for low carbon and resilient urban development.

Technical Assistance: In FY22, the World Bank Gap Fund targets a scale up of its technical support to low carbon, climate-resilient city development through track 1 activities, with a performance indicator of 20 new cities to be supported by technical assistance to be approved in FY22. The Secretariat will also focus on providing technical support, monitoring progress, and tracking results achieved through the activities that have been initiated in 11 cities in FY21. The Secretariat will strive to take stock of lessons learned through this first batch of activities and their implementation progress, and promote the sharing of knowledge and experience between cities.

Partnerships: The Gap Fund will augment the strong partnership between donors, the World Bank, EIB or GIZ, and city networks to identify and pursue opportunities to raise awareness about the Gap Fund among key stakeholders including cities, national governments, potential donors, and nongovernment organizations (NGOs). The Communication and Outreach Working Group, which was set up in FY21 has developed a strategy and roadmap for a coordinated approach to COP26. The Gap Fund will initiate a partnership with GCOM to :i) raise awareness of cities and city networks about the City Climate Gap Fund, its activities, the types of support available, and the process for making an application to the Gap Fund; ii) support city governments to identify and seek to overcome the challenges they face in evolving sustainable energy and climate action plans to projects that can contribute to climate change mitigation and adaptation outcomes; and iii) directly assist in identifying appropriate programs and projects and formulating expression of interest for support from the Gap Fund. The preparation of a grant to GCOM was initiated in FY21 and completion of grant preparation is expected in the second quarter of FY22.

The Gap Fund will continue organizing regular meetings of the Partnership forum. The World Bank and EIB Secretariats will follow their practice of joint presentations of the Gap Fund in global and regional events organized by the Gap Fund partners. The Secretariats will also leverage the Gap Fund's partnership network to ensure supported cities have access to the most relevant approaches, tools and platforms for climate analytics, action planning, and financial structuring.

Knowledge generation: The Gap Fund will disseminate its analytical work completed in FY21, while initiating the development of new notes. Dissemination will include presentations of the 2021 State of Cities Climate Finance Report, as well as the publication and presentation of the three technical notes produced in FY21. The Gap Fund will continue developing new technical notes based on specific needs and demand emerging from city-level technical assistance provided under track 1.

Knowledge sharing: The focus on the organization of virtual events continues while the global health situation because of COVID-19 remains fluid. The two Secretariats will work together to assess the opportunities to organize thematic knowledge sharing events, building on the first batch of city-level technical assistance.



Vinh City, Vietnam

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