
The City Climate Finance Gap Fund



City Climate
Finance Gap Fund

EIB Annual Report 2023

Table of contents

List of tables	4
List of figures.....	4
Abbreviations and acronyms	5
Foreword	6
Executive summary.....	9
Introduction	10
The City Climate Finance Gap Fund	10
Governance and implementation arrangements	11
The EIB Gap Fund multi-donor trust fund in 2023	14
Gap Fund operations	14
Delivering the Gap Fund's mission	15
Engaging with partners and sharing knowledge	31
Developing capacities	34
Progress against the reporting framework in 2023.....	36
Financial update	41
Outlook for 2024	42

List of tables

Table 1: Overview of completed technical assistance assignments in 2023	20
Table 2: Examples of progress on matchmaking and handover	27
Table 3: Progress against the reporting framework in 2023.....	37
Table 4: Contribution to the EIB Gap Fund multi-donor trust fund (€ million)	41
Table 5: Use of Gap Fund multi-donor trust fund resources (€ million).....	41

List of figures

Figure 1: Scope of activities supported by the Gap Fund.....	11
Figure 2: Gap Fund governance arrangements	13
Figure 3: Overview of expressions of interest received in 2023	15
Figure 4: EIB-GIZ Gap Fund portfolio (December 2023).....	19

Abbreviations and acronyms

AFD	Agence Française de Développement
BMUV	German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection
BMWK	German Federal Ministry for Economic Affairs and Climate Action
BMZ	German Federal Ministry of Economic Cooperation and Development
C40 CFF	C40 Cities Finance Facility
CCFLA	City Climate Finance Leadership Alliance
EIB	European Investment Bank
FELICITY	Financing Energy for Low-carbon Investment – Cities Advisory Facility
GCOM	Global Covenant of Mayors for Climate and Energy
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICLEI	Local Governments for Sustainability (city network)
IFI	International financial institution
MDTF	Multi-donor trust fund
PPF	Project preparation facility
UNDP	United Nations Development Program
WB	World Bank

Foreword

2023 saw a major turning point for the Gap Fund. Three years into operations, we moved from testing the fund's business model and operational arrangements, building its reputation as a credible player in the field of urban climate action support and starting to deploy its technical assistance for cities and local authorities to accelerated implementation. As of December 2023, the Gap Fund had approved 42 technical assistance assignments covering 60 projects in as many cities. We had also completed 14 assignments.



In 2023, the EIB-GIZ Gap Fund approved support for 12 new projects covering 16 cities. The projects to be supported include integrated waste management initiatives in three cities in Tunisia and two in Kosovo,* community-owned solar power for marginalised communities in Buenos Aires, Argentina, and improvements to the energy efficiency of multi-household residential buildings in Nikšić, Montenegro.

With an increasing number of assignments reaching completion, our focus is shifting to matchmaking and the handover of supported projects to partners for follow-up technical assistance or financing for implementation. We have achieved some success in this area, partnering with other project preparation facilities, the European Commission and other international financial institutions, but there is still a long way to go to ensure that as many Gap Fund-backed projects as possible receive follow-up support. The Gap Fund's operations thus mirror the challenges experienced by many cities around the globe in securing support and financing for vital climate investments.

For this reason, a key focus for 2024 will be streamlining and adopting a regional and sectoral strategic approach to matchmaking, enabling us to identify partners potentially interested in taking over Gap Fund-supported projects as soon as possible, ideally even before the technical assistance operation is approved.

As in 2022, the Gap Fund carried out its work as war raged in the EU neighbourhood region, and the world was gripped by political and economic tensions – for which the poorest and most vulnerable pay a disproportionate price. We are more certain than ever that helping cities and local authorities to realise low-carbon and climate-resilient urban infrastructure projects will have a real impact on people's quality of life. This will

* This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



Executive summary

As the world grapples with the escalating impacts of climate change, cities are emerging as both a battleground and way to address the situation. Home to more than half of the global population, urban areas bear the brunt of extreme weather events, rising sea levels and resource scarcity. Simultaneously, they harbour immense potential for transformative action.

However, cities and local authorities face significant technical, financial and political constraints when implementing their climate action projects and this potential often remains untapped.

The City Climate Finance Gap Fund is well positioned to promote ambitious climate change mitigation and adaptation actions and deploy a range of technical assistance and investment preparation advice to support cities in their transition to a low-carbon and resilient growth pattern.

Launched in September 2020, the City Climate Finance Gap Fund is a global partnership that aims to help cities in low and middle-income countries plan, prioritise and deliver projects focused on climate change mitigation and adaptation.

This annual report summarises the progress made by the EIB-GIZ Gap Fund in 2023 in terms of screening and assessing proposals, delivering technical assistance to cities and local authorities, handing over projects to partners for follow-up technical assistance and/or financing, and developing knowledge products and outreach activities.

The report also provides a financial update on the use of Gap Fund resources and the outlook for the Gap Fund's activities in 2024.



Introduction

Over the past 50 years, the number of people living in cities has almost quadrupled and the Earth's surface temperature has risen by nearly 1.2° Celsius above its pre-industrial levels. This has been accompanied by more frequent extreme weather events across the globe, while rising sea levels have increased the risk of flooding for many coastal cities.

Cities have also become more vocal advocates of climate action and have increasingly taken centre stage in all related discussions at the national and international level. Calls to localise Nationally Determined Contributions (countries' commitments to the Paris Agreement) have multiplied in recent years.

Since climate change adaptation actions are largely local in nature, a strong mechanism needs to be established to link local efforts and achievements and use them to work towards Nationally Determined Contributions. At the same time, local stakeholders and communities are often at the forefront of innovative solutions for the specific needs and challenges they face.

The Intergovernmental Panel for Climate Change (IPCC) also acknowledges the importance of cities and is set to produce a special report on them in its next assessment cycle. This is expected to further enhance awareness and catalyse climate change mitigation and adaptation actions at the local level.

As one of the largest providers of early-stage project preparation support for urban climate action in the world, the Gap Fund is well positioned to support cities and local authorities as they address the challenges of their transition to climate neutrality and resilience.

The City Climate Finance Gap Fund

Launched in September 2020, the City Climate Finance Gap Fund is a global partnership that aims to help cities in low and middle-income countries plan, prioritise and deliver projects focused on climate change mitigation and adaptation.

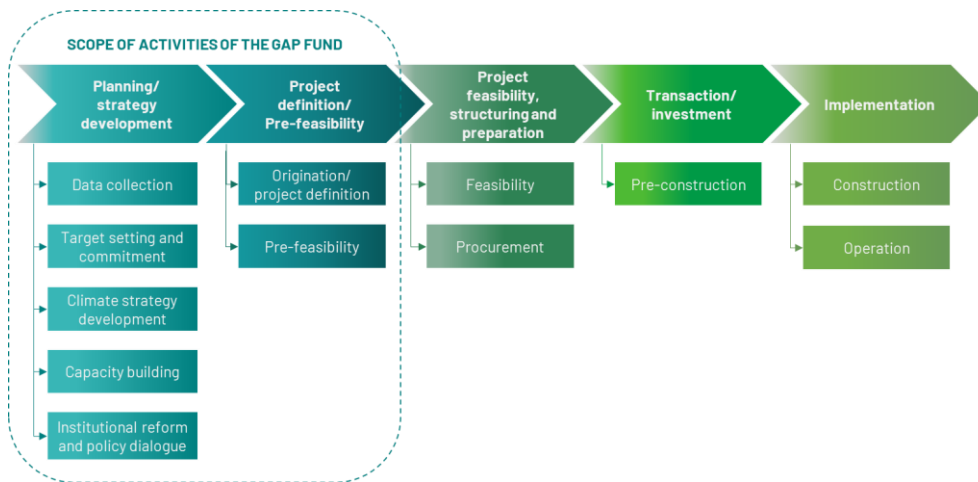
This will help cities transition to low-carbon and climate-resilient pathways in line with global efforts to limit the temperature increase to 1.5° C above pre-industrial levels.

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

- Capacity building for low-carbon and climate-resilient urban development.
- Support for the development of city climate strategies and the generation of in-depth analytics to assess the climate action and resilience potential of plans, strategies and investment programmes.
- Project-concept definitions and components of pre-feasibility studies.
- Support in prioritisation of investments as part of a climate strategy or investment programme.
- Support for developing cities' approach to project financing.
- Potential support for filling other project preparation gaps.

The EIB, in partnership with GIZ, and the World Bank jointly implement the Gap Fund through two multi-donor trust funds (MDTFs) in close cooperation with city networks and other key partners including C40, Global Covenant of Mayors for Climate and Energy (GCOM), Local Governments for Sustainability (ICLEI) and City Climate Finance Leadership Alliance (CCFLA).

Figure 1: Scope of activities supported by the Gap Fund



Governance and implementation arrangements

The Gap Fund is jointly implemented by the World Bank and the EIB, the latter in partnership with GIZ. The World Bank and the EIB bring a unique mix of long-standing expertise in sustainable development, climate finance projects and urban renewal.

Each implementing agency administers a multi-donor trust fund with strong coordination between the separate World Bank and EIB secretariats under a One Gap Fund architecture related to partnerships, governance and implementation.

The One Gap Fund approach involves the following:

- Coordination mechanisms for the World Bank and the EIB to screen expressions of interest and agree on further processing by either of the two trust funds. These decisions are taken jointly during bi-weekly meetings of the two secretariats.
- Joint outreach, communication and knowledge-sharing activities carried out in partnership with city networks and other key partners.
- A One Gap Fund website offering information on both Gap Fund multi-donor trust funds and the ability for cities to submit an expression of interest to the Gap Fund.

The website is hosted by the EIB and updated regularly in agreement with the World Bank and other partners.

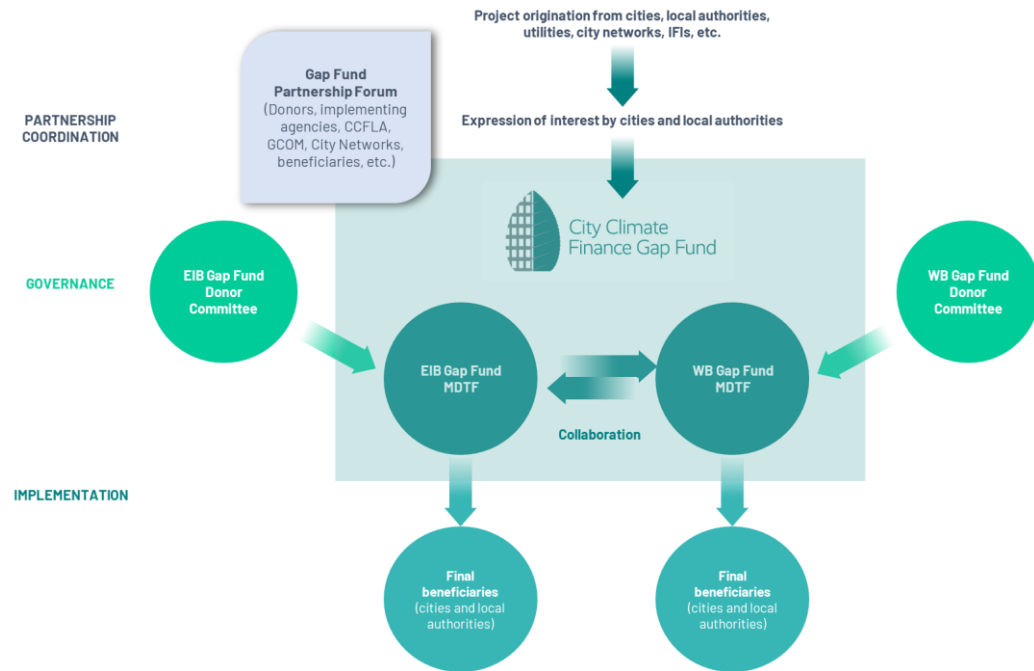
The Gap Fund Partnership Forum provides a platform for sharing experiences and expertise and exchanging information and ideas between key players in the city climate finance arena to inform the overall strategy and direction of the Gap Fund.

Current members of the Partnership Forum include representatives of the donors (BMWK – German Federal Ministry for Economic Affairs and Climate Action, BMZ – German Federal Ministry of Economic Cooperation and Development, and the Luxembourg Ministry of Environment, Climate and Sustainable Development), GCOM, ICLEI, C40 and CCFLA.

The donors provide strategic guidance and direction to the two multi-donor trust funds through their respective Donor Committees. The Donor Committee meetings are held consecutively with cross participation from the World Bank and EIB technical secretariats acting as observers in each other's Donor Committee meetings to ensure coordination and consistency between the two trust funds. The Donor Committee meets formally once per year, while several informal meetings are held to ensure that donors are kept up to date with the progress achieved by the Gap Fund.

At the end of 2022, one of the Gap Fund's key donors, the German Ministry of Economic Affairs and Climate Change, made an additional €25 million contribution, marking their continued support and recognition of the fund's positive impact. With the extra funding comes more ambitious targets for the volume of technical assistance and capacity development.

Figure 2: Gap Fund governance arrangements



The EIB Gap Fund multi-donor trust fund in 2023

This annual report describes the 2023 activities of the EIB multi-donor trust fund.

Gap Fund operations

The third year of operation of the Gap Fund was a period of consolidation and taking stock of the situation to ensure that the fund's ambitious targets could be achieved. As a result, while a significant flow of expressions of interest continued to be submitted through the Gap Fund website, particular efforts were made to improve process and workflow efficiency both between the EIB and the World Bank multi-donor trust fund and between the EIB and GIZ.

It was also a year in which the strategy for capacity development was established and matchmaking activities were enhanced. The importance of both work streams was emphasised by the donors during the discussions that led to the capital increase that took place at the end of 2022.

Cooperation with the World Bank Gap Fund secretariat

The cooperation arrangements between the secretariats of the World Bank and the EIB agreed with donors include a well-defined calendar of bi-monthly meetings during which expressions of interest are jointly reviewed and, if eligible, are assigned for follow-up to either the EIB or the World Bank.

These meetings also offer an opportunity to agree on which organisation will represent the Gap Fund at external events, in line with the One Gap Fund approach. This process has worked very well so far, allowing both teams to have a shared overview of the pipeline and ongoing follow-up actions.

Collaboration between the EIB and GIZ

Collaboration between the EIB and GIZ is crucial to delivering the Gap Fund's mission and achieving the targets agreed with the donors. The EIB-GIZ working processes have been revised and updated to reflect the evolving nature of the work carried out by the secretariat, and fine-tuning of processes was undertaken with respect to the use of SOURCE and its customisation as the standard EIB-GIZ tool for sharing project preparation data with relevant stakeholders.

A project factsheet and presentation template has been developed to be used by the city and the Gap Fund for external communication with stakeholders and donors. The project factsheet will be published on the website for all completed assignments; the

first factsheets on biogas production in Port Vila, Vanuatu, and river park development in Vinnytsia, Ukraine, were published at the Gap Fund high-level event during New York Climate Week in September 2023.

A feedback form was also developed to enable beneficiary cities to evaluate Gap Fund technical assistance, with this being piloted in two cities (Makindye, Uganda and Vinnytsia, Ukraine). The technical secretariat will systematically seek such feedback for all completed assignments starting in 2024.

In addition to the existing consultation process for each individual expression of interest, strategic discussions between the technical secretariat and the EIB front office have been introduced to enhance the opportunities for matchmaking between the Gap Fund-supported projects and existing or future EIB operations.

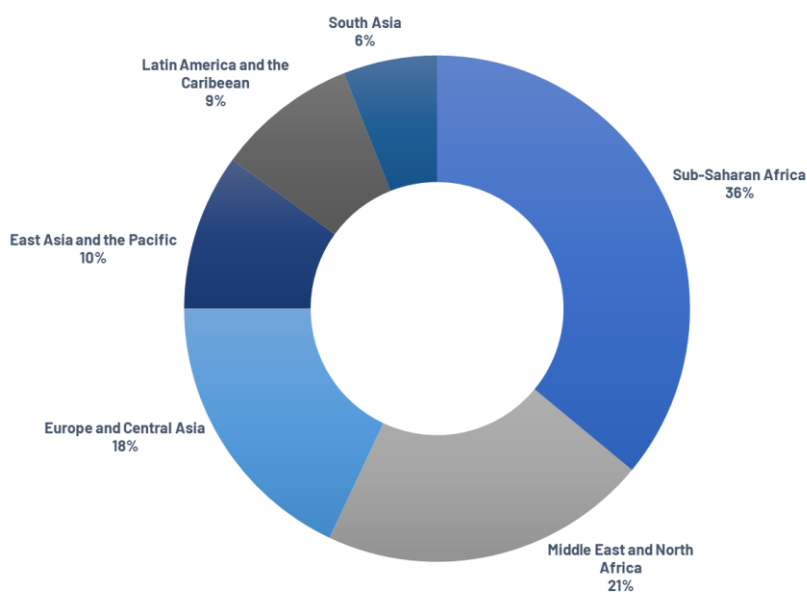
Finally, a new framework contract focused on adaptation and nature-based solutions was tendered in 2023 and the selected provider started their activities in November.

Delivering the Gap Fund's mission

Providing early-stage technical assistance to cities in low- and middle-income countries

During the reporting period, a total of 172 expressions of interest were received by the Gap Fund through the Gap Fund website.

Figure 3: Overview of expressions of interest received in 2023



Of these, 106 expressions of interest were attributed to the EIB-GIZ Gap Fund, 38 of which were found not to be eligible after initial assessment, mainly due to the ineligibility of the applicant (38%) or other reasons for ineligibility, such as incomplete expressions of interest, multiple submissions on the same request, request for support for project implementation or financing (26%), a lack of clear climate action focus or urban dimension (26%), or a lack of precision in the request (11%).

The remaining 68 expressions of interest were deemed eligible and have undergone or are currently undergoing a detailed assessment. In 2023, the EIB-GIZ Gap Fund approved 12 assignments covering 16 cities, namely:

- **Libreville and Port Gentil, Gabon:** The narrow Gabonese plains on the coast of Libreville and Port Gentil are the result of a long-term geological process of fluvial sedimentation, which differs from other coastal plateaus generated by the rise of the continental shelf. Both cities are therefore much more susceptible to erosion in the event of changes to ocean, river and estuary water levels. The Gap Fund will provide technical assistance to help the municipality to draft the terms of reference for an integrated coastal management plan to be financed by the European Union Delegation to Gabon. The technical assistance will also identify a potential investment project portfolio. Finally, it will develop municipality capacities in green and grey coastal defence infrastructure and their integration into their urban planning practices.
- **Otjiwarongo, Namibia:** The city of Otjiwarongo wants to establish a waste resource centre to convert biodegradable household and agricultural waste into biogas, thus avoiding methane emissions generated by the landfilling of organic waste. In addition, the resulting biogas will be used to power a biomass industrial park project. The Gap Fund will provide a pre-feasibility study encompassing project scope and preliminary technical design, a municipal solid waste generation and characterisation study, a stakeholder analysis, a preliminary financial and economic cost benefit analysis, the definition of a suitable business/operation model and a preliminary assessment of climate impacts.
- **La Marsa, Carthage, Sidi Bou Said, Tunisia:** Three municipalities are aiming to deploy a joint integrated waste management project. The Gap Fund will provide a pre-feasibility study for a waste sorting and treatment unit, encompassing a diagnosis of the situation in the three municipalities, a characterisation and quantification of all waste fractions, a study of available technological alternatives and a proposal of the most suitable option, a technical and financial analysis of the potential project, preliminary

assessment of the social acceptability of the project and a proposal for the institutional and financial set up of the project.

- **Buenos Aires, Argentina:** The Housing Institute of the City of Buenos Aires has launched an innovative project aimed at providing clean energy to the residents of marginalised neighbourhoods by installing community solar power. The Gap Fund will provide support for analysing existing experiences of community-owned energy projects and will propose a management model for the collective operation and maintenance of the installations.
- **Salvador, Brazil:** The city of Salvador aims to develop a sustainable project portfolio on the area of the former Canabrava landfill, which is located in a very dense and underprivileged neighbourhood. The Gap Fund will provide support for developing an integrated concept for the sustainable use of the site that integrates clean energy, nature-based solutions and solid waste management. The technical assistance will also look at identifying sustainable business and financing models that are suited to the needs, capacities and interests of local stakeholders.
- **Zanzibar, Tanzania:** Wastewater management systems in Zanzibar, in particular in Stone Town and New Town, lack adequate infrastructure and technologies, effective policy and institutional and legal frameworks to support the different stakeholders involved in the system. Zanzibar is also faced with acute energy poverty, relying solely on power supply from the Tanzanian mainland. The Gap Fund will be conducting a pre-feasibility study to assess the technical, environmental, and economic viability of a wastewater treatment system that can generate alternative income opportunities and reuse options such as generation of electricity for Stone Town and New Town in Zanzibar.
- **Nyamira, Kenya:** Nyamira municipality is located in the South Nyanza region of western Kenya. The municipality aims to promote an alternative solid waste management system that will facilitate the diversion of at least 90% of collected solid waste away from disposal sites to various recycling centres. The municipality will create multiple links currently missing in the value chain: recycling points (where waste will be sorted for subsequent recycling) and composting facilities, the strengthening of organic waste treatment and conversion to manure. The Gap Fund will support the city in preparing a pre-feasibility study to analyse waste generation and characterisation, the quantities produced and the appropriate management strategies for the different categories of waste composition to promote recycling and reuse.
- **Gjilan and Ferizaj, Kosovo:** The transition to a circular economy via reduce, reuse and recycle principles is a national approach that is being adopted in all

38 of Kosovo's municipalities under its Integrated Waste Management Strategy. The collection rate for household waste currently stands at above 75% for Gjilan and Ferizaj, and the municipalities have set targets to increase their reach in the coming years under their Municipal Waste Management Plan. The Gap Fund will support the municipalities with a pre-feasibility study to analyse regional flows of all household waste streams (biodegradable, recyclable, waste from electrical and electronic equipment), waste characterisation, treatment options (for biodegradable waste and plastic), suitable technologies, a preliminary financial analysis and economic cost benefit analysis, and a stakeholder engagement plan. This study will also explore the effect of higher recycling on emissions reduction from energy recovery.

- **Elbasan, Albania:** Elbasan is the fourth most populous city in Albania and has historical heavy industry heritage that has resulted in high levels of pollution. The city has recently joined the European Union-promoted 100 Climate Neutral Cities programme to address its challenges and to progress towards climate neutrality. The Gap Fund's intervention will fit into this context and support a pre-feasibility study on energy efficiency in public buildings and smart street lighting, including preliminary technical design and scope, energy audits, financial and economic analysis, options for operation and maintenance, estimation of greenhouse gas reduction and other environmental benefits and risk analysis.
- **Kisumu, Kenya:** Kisumu is Kenya's third-largest city, located on the shores of Lake Victoria in the west of the nation. It is one of the fastest growing cities in the country. It is aiming to implement a waste to biogas project covering four markets and six informal settlements in the city, with the aim of extending this to the rest of the municipality and county if successful. The Gap Fund will support the city in preparing the pre-feasibility study for this project focusing on organising segregation at source and increasing collection capacity, defining the market and revenue potential of the expected products of the anaerobic digestion (biogas and liquid fertiliser), and building capacity among the population and existing players operating in solid waste management on waste sorting and collection.
- **Nikšić, Montenegro:** Nikšić is the second largest city in Montenegro with a significant industrial production, making it a key contributor to the country's economy. The city is planning to implement a major investment project focused on improving the energy efficiency of multi-household residential buildings. The Gap Fund will support the development of a concept for a functional management model for multi-family housing.

- Balti, Moldova:** Balti, the second largest city in Moldova, is confronted with the lack of reliable data on the energy consumption of its public building stock, most of which dates from the Soviet era. This is a pre-requisite to defining energy efficiency projects that may apply for funding from international financial institutions. The Gap Fund will provide support in the conceptualisation of a public investment programme for energy efficiency in municipal public buildings, and energy audits of a sample of municipally owned public buildings.

Moreover, 15 technical assistance assignment terms of reference were approved, while two more were under preparation as of 31 December 2023.

Figure 4: EIB-GIZ Gap Fund portfolio (December 2023)



Overall, during its first three years of operation, the EIB-GIZ Gap Fund has approved 42 technical assistance assignments covering 60 projects in as many cities. Out of these, 14 assignments have been completed (two in 2022 and 12 in 2023). The assignments completed in 2023 are summarised in the table below.

Table 1: Overview of completed technical assistance assignments in 2023

City, country	Sector	Main results achieved
Cuenca, Ecuador	Water	<ul style="list-style-type: none"> • Diagnosis of the current hydrometeorological network of ETAPA, a local public utility, to improve the early warning system for floods and droughts. • Identification of options to improve the monitoring networks and processes, using hydrological modelling.
Naucalpan, Mexico	Mobility	<ul style="list-style-type: none"> • Baseline and socioeconomic assessment of resettlement conditions. • Analysis of the policy, legal and regulatory framework and conceptualisation of the institutional framework for resettlement. • Concept of the approach to replacement housing and livelihood restoration. • Stakeholder engagement process, next steps for resettlement policy framework formulation and documentation.
Podgorica, Montenegro	Green infrastructure and nature-based solutions	<ul style="list-style-type: none"> • Screening and selection of three to five public buildings that may be selected as pilot cases. • Identification of three to five potential pilot cases for de-sealing surfaces. • Provision of additional recommendations to facilitate the implementation of the municipal Climate Adaptation Strategy.

City, country	Sector	Main results achieved
Mbombela, South Africa	Water management	<ul style="list-style-type: none"> • Identification of existing riverine and stormwater governance arrangements, budget planning and initiatives. • Climate and hydrology modelling, including rainfall estimates for different scenarios and modelling and mapping scenarios of current and potential floodlines for the rivers within the Mbombela municipality. • Vulnerability assessment, including a comprehensive gap analysis of ecosystem-based adaptation approaches to issue recommendations, as well as vulnerability models with the participation of municipal officials. • Interventions for problem-focus areas on stormwater management, including capacity building of city officials and relevant stakeholders focusing on specific areas in Mbombela, workshops and development of maintenance management plan. • Developing a three-year action plan based on a 20-year perspective, including the co-production of a theory of change and a plan for the implementation of a riverine management programme.
Chefchaouen, Morocco	Waste management	<ul style="list-style-type: none"> • Characterisation of all waste fractions. • Development of an organic waste treatment concept in Chefchaouen. • Identification of business model options and institutional capacity building.
Multiple cities, Argentina	Energy	<ul style="list-style-type: none"> • Analysis of the regulatory framework and opportunities in five provinces for the development of distributed photovoltaic energy projects. • Technical pre-feasibility in 57 locations for photovoltaic projects (up to 10 MW in total) mounted on public buildings or on the ground in ten municipalities in Argentina. • Identification of business model options for buying and selling energy and leveraging municipal financing.

City, country	Sector	Main results achieved
Lviv, Ukraine	Mobility	<ul style="list-style-type: none"> • Initial assessment for safe and climate-friendly street redesign. • Detailed study of the area. • Preliminary concept, design and workshop. • Concept design development and presentation of final report. • Preparation of the list of necessary content of project documentation for the next stage.
Escuintla, San José and Iztapa, Guatemala	Waste management	<ul style="list-style-type: none"> • Characterisation of all waste fractions. • Development of an organic waste treatment concept in three member municipalities of the Association of Municipalities in Southern Guatemala. • Identification of business model options and institutional capacity building.
Campinas, Brazil	Green infrastructure and nature-based solution	<ul style="list-style-type: none"> • Catalogue of the nature-based solutions envisioned for the project. • Development of a methodology for the quantification of environmental, economic and social risks and benefits of the implementation of nature-based solutions in linear and fluvial parks and quantification of such risks and benefits • Basic project of the linear park along the Bandeirantes stream.
Danané, Côte d'Ivoire	Mobility	<ul style="list-style-type: none"> • Identification of the profiles of drivers and owners of the current taxi fleet in Danané. • Technical analysis of the feasibility of using electric tricycles for taxi services in Danané. Identification of alternatives. • Development of a business case concept for a microfinance product.

City, country	Sector	Main results achieved
Rio de Janeiro, Brazil	Green infrastructure and nature-based solution	<ul style="list-style-type: none"> • Catalogue of nature-based solutions envisioned for the project. • Development of a methodology for the quantification of environmental, economic and social risks and benefits of the implementation of nature-based solutions in linear and fluvial parks and quantification of such risks and benefits. • Quantification of environmental, economic and social risks and benefits of the implementation of the Jardim Maravilha river park. • Business model of adaptation to climate change aiming at the participation of the private sector in the management and economic and financial governance of the Jardim Maravilha river park. • Multi-stakeholder governance model that enables the maintenance of the Jardim Maravilha river park. • Methodological guide for establishing a business model for linear and river parks and for quantifying the environmental, economic and social benefits of nature-based solutions existing in these areas.
Xianning, China	Mobility	<ul style="list-style-type: none"> • Development of a project proposal for a low-carbon zone project for the centre of Xianning according to the requirements of the public investment system in China based on good practice in sustainable transport planning. • Development of a monitoring, reporting and verification concept according to international standards.

Three additional assignments were completed in 2023 in Vinnytsia, Bogotá and Santa Marta, all of which are related to green infrastructure and nature-based solutions. However, since the Gap Fund has approved follow-up support for the same projects, they will be reported as completed in the 2024 annual report.

Box 1: Intermunicipal integrated waste management in Gjilan and Ferizaj (Kosovo)



Integrated and intermunicipal waste management is a complex endeavour that must incorporate all stakeholders contributing to the avoidance and reduction of waste at source. Developing waste management or other circular economy actions as an individual municipality would be costly and inefficient, since reaching a certain level of economies of scale is essential for the project to make sense from an economic perspective. As such, for smaller municipalities, integrated waste management can benefit from being planned at the intermunicipal level, to enhance the efficiency and effectiveness of waste management and prepare for its transition to the circular economy.

Municipalities in Kosovo joined forces to tackle integrated solid waste management through a participatory approach to identify integrated solid waste solutions at the regional level. The Gap Fund is helping the Gjilan and Ferizaj regions, which include 12 municipalities, to develop a pre-feasibility study on an integrated municipal solid waste management programme covering waste prevention, separate collection, treatment and recycling. The overarching objective is to reduce the amount of waste going to landfill and transition to a more circular economy, thereby decreasing carbon emissions.

As part of the project, a ten-year long-term investment plan for phased implementation will be developed, including the identification of an affordable

priority investment project (such as a composting facility) with preliminary financial estimations and possible funding options.

Despite its complexity, the integrated intermunicipal approach provided Kosovan cities with a unique opportunity to collaborate on project preparation and jointly identify scalable infrastructure projects. According to Mayor of Gjilan Alban Hyseni, “through the pre-feasibility study we have managed to bridge significant gaps within policy and planning, thereby facilitating easier financial access for our municipalities. The experience has been transformative, offering us not just a study, but the vision to innovate and collaborate more effectively across our municipalities.”

Following the Gap Fund-supported pre-feasibility study on integrated waste management, the municipalities in the Gjilan and Ferizaj regions will be able to realise their climate ambitions and pursue several financing options from international financial institutions (IFIs) or other donors.

Box 2: Renewable energy production (solar photovoltaic) in the newly founded Zenata Eco-City (Morocco)



The newly developed Zenata Eco-City (ECZ) faces a pressing issue of growing energy needs for the developing city and the need to control energy demand. In response to this concern, Société d’Amenagement Zenata (SAZ), a public-private company in charge of the development of the new city, will work with the municipal authorities to undertake a significant effort to implement photovoltaic energy production investments.

This initiative aligns with the necessity to develop renewable energy to reduce greenhouse gases and carbon footprint to meet the Eco-City’s ecological vision and contributing to its sustainability goals.

With Gap Fund support, a pre-feasibility study for the development of renewable energy production (solar photovoltaic) is being conducted to align the city’s energy

needs with its commitment to sustainable development. This study aims to provide a comprehensive understanding of the project's viability, tailored to the specific requirements of the Zenata Eco-City based on technical, economic, organisational and regulatory scenarios. It also involves formulating a summary business plan outlining the investment programme necessary for implementing the selected renewable energy initiatives. The initiative will ensure self-energy production to better control the energy demand, supply and cost, and increase income by selling surplus electricity.

Director of the SAZ Sustainable Development Department Nour el Houda El Hamoumi says: *"We are delighted to receive support from the City Gap Fund to begin the implementation of the Zenata Eco-City energy strategy. With this valuable support, our ambition is to begin to partly implement the recommendations of the strategic study of Zenata's energy mix, and to prepare for their scaling up. Being endorsed by the Gap Fund, will accelerate the introduction of renewable energy solutions on our territory, and better prepare Zenata for the upcoming challenges (increase of energy costs, electric mobility) with regard to its sustainable overall approach."*

The availability of non-buildable areas conducive to solar energy production, coupled with continuous EIB financial support and a favourable legal and regulatory framework in Morocco, amplifies the project's significance. The Gap Fund Zenata technical assistance kick-off is planned for January 2024.

Fostering access to follow-up technical assistance or financing for supported projects

An essential mission of the Gap Fund is to facilitate access to follow-up technical assistance or financing for implementation for the cities benefitting from its support. 2023 was a very important year for these matchmaking activities since, as mentioned above, several technical assistance assignments were completed and more are currently being implemented.

Such activities, and the results achieved, highlighted several important lessons:

- Projects receiving support from the Gap Fund can be handed over to several players operating in the urban climate space, ranging from other project preparation facilities and international financial institutions to European Commission delegations in the different countries and national or regional promotional banks.
- In some cases the municipal authorities are willing and able to take over the project, particularly when they have good prospects of using the results of the

Gap Fund technical assistance to obtain funding for subsequent studies or project implementation through national government programmes.

- Partners interested in taking over Gap Fund-supported projects can be identified before launching the technical assistance assignment. This results in greater efficiency and effectiveness of the technical assistance, since the terms of reference can be tailored to suit the needs and requirements of the partner, thereby facilitating a smooth handover.
- A more streamlined approach to matchmaking activities can be developed by engaging proactively with potential partners operating in the different regions covered by the Gap Fund and sharing non-confidential information on the respective areas or sectors of interest and potential pipeline of projects.

During 2023, the first three projects were formally handed over to other partners, in the cities of Mbombela, Xianning and Naucalpan. For other projects (examples of which are presented in the table below), a preliminary agreement has been reached with a partner organisation, however their handover status will be reported as completed upon conclusion of the Gap Fund technical assistance assignments.

Table 2: Examples of progress on matchmaking and handover

Technical assistance assignments	Matchmaking type	Matchmaking partner	Handover status
Supporting the completion of the city's stormwater masterplan (Mbombela, South Africa)	PPF	C40 Cities Finance Facility (CFF)	Completed
Municipal sustainable urban transport project (Xianning, China)	IFI	Asian Development Bank	Completed
Stakeholder engagement and development of a resettlement policy framework for a light rail transit line (Naucalpan, Mexico)	EU	EU Delegation to Mexico	Completed
Green spaces and urban infrastructure for coastal protection (Libreville and Port Gentil, Gabon)	EU	EU Delegation to Gabon	Preliminary agreement
Bio-energy and resource centre for waste treatment (Otijwarongo, Namibia)	IFI	African Development Bank	Preliminary agreement
Urban regeneration and climate adaptation in Hazaribagh neighbourhood (Dhaka, Bangladesh)	IFI	Asian Infrastructure Investment Bank	Preliminary agreement
Wastewater treatment plant (Zanzibar, Tanzania)	IFI	African Development Bank	Preliminary agreement

In some cases, cities are interested in taking over projects to either finance their implementation with their own resources or to apply for funding at the national or supranational level (for example, EU funding).

Box 3: Mbombela is moving forward: C40 Cities Finance Facility takes over the support for the city's stormwater and flood management infrastructure.



Mbombela, South Africa has been dealing with the effects of climate change for a long time. More frequent and intense heatwaves, droughts and extreme rainfall together with flooding incidents have directly affected various communities on Mbombela's territory. As the city's stormwater infrastructure faces growing pressures, underserved communities such as Msogwaba, Kanyamazane and Tekwane have been disproportionately impacted, with significant loss of livelihood and property, public health concerns and infrastructure degradation.

The expansion of informal settlements in the region adds complexity to the existing challenges, further limiting the city's options for flood alleviation beyond conventional grey infrastructure.

In 2021, the City of Mbombela applied for Gap Fund support to further develop their Transformative Riverine and Stormwater Management Programme. The Gap Fund's technical assistance has identified possible solutions to Mbombela's issues, focusing on the restoration of the river network's capacity to provide ecosystem services via a transformative river management approach and the use of nature-

based solutions. The study highlighted the potential role of green and recreational infrastructure, such as tree planting, artificial wetlands, a pedestrian bridge and pathways to manage stormwater influxes, in addition to grey infrastructure.

With Gap Fund help, the City of Mbombela worked with the City of eThekweni – which had just completed its Transformative River Management Programme with the support of the C40 Cities Finance Facility (C40 CFF) – and was able to include lessons learnt from that experience in its own project design.

After 11 months of Gap Fund support, the City of Mbombela is ready to move on to follow-up technical support to be provided by C40 CFF, with the aim of establishing climate-resilient stormwater and flood alleviation infrastructure in three sub-catchment areas: Kanyamazane, Tekwane and Msogwaba. As suggested in the Gap Fund pre-feasibility study, the upcoming interventions will include hybrid solutions, combining both grey and green infrastructure elements to reduce flood risks, especially in informal settlements.

The handover of Mbombela's project from the Gap Fund to C40 CFF was officially announced during a high-level event held in Mbombela on 19 October 2023. The event was attended by 57 participants, including representatives of the municipal authorities, the EIB, GIZ, C40 CFF, USAID, Agence Française de Développement and the Foreign, Commonwealth and Development Office (FCDO).

The launch of the Stormwater and Flood Alleviation Infrastructure project marks a significant step towards a more sustainable, climate-resilient and safe future for Mbombela. Its implementation will reduce flood risks for 60 000 residents, positively affecting their quality of life, public health, water quality and waste management, and creating job opportunities.

Box 4: Climate-resilient urban regeneration in Hazaribagh and Lalbagh (Dhaka, Bangladesh)



Dhaka is one of world's most densely populated mega cities and has been experiencing increased environmental stress, congestion and worsening climate change impacts in recent decades. A lack of developable lands in the flood-prone city has led to unplanned urban sprawl with increased carbon footprints and illegal encroachments into natural bodies of water, increasing vulnerability to flooding and other climate hazards.

These challenges mean that Dhaka has a need for the climate-resilient redevelopment of core city areas that used to be of major economic use, but that are now abandoned or underused. Key examples are the Hazaribagh and Lalbagh areas, which were long major tannery industry sites before relocation. Putting abandoned and underused land to use can provide significant social and economic benefits to communities, the city, and the economy at large, and present an opportunity to explore untapped opportunities for climate mitigation and adaptation.

As part of the Climate-Resilient Urban Regeneration assignment in Dhaka, the Gap Fund will develop a climate-resilient green action plan for two historic areas (Hazaribagh and Lalbagh). This plan will assess climate risks in the selected areas and identify entry points for integrating climate-resilient infrastructure to enhance residents' resilience to climate impacts. Importantly, the plan will be developed with a community-based approach involving several stakeholder workshops in order to

include residents' perspectives on the planned interventions. Once finalised, the assignment will also include recommendations for scaling up and replication of the plan in five similar sites.

According to Town Planner of the Capital Development Authority (RAJUK) of Bangladesh Ashraf Islam, *"the Gap Fund has played a pivotal role in catalysing sustainable development, providing essential technical support that has accelerated our efforts in creating environmentally conscious and resilient urban spaces in the Dhaka Metropolitan region."*

This urban regeneration project will be further supported by the Asian Infrastructure Investment Bank (AIIB), which will provide follow-up feasibility studies. This assignment illustrates how two international finance institutions can work together to support cities' access to climate finance by providing the necessary set of studies, which is often one of the biggest hurdles to infrastructure implementation.

Engaging with partners and sharing knowledge

As in previous years, partners have proven essential to the success of the Gap Fund. In 2023, they raised awareness of the fund among potential beneficiaries and the general public, supported the organisation of dedicated events or the helped the Gap Fund to participate in events organised by others, increased the visibility of Gap Fund knowledge products, and acted as channels for capacity development.

The practice of holding monthly meetings focused specifically on communication and outreach – in place since the launch of the Gap Fund – was maintained in 2023. The Partner Communications Working Group co-organised by the EIB and World Bank secretariats continues to be a valuable opportunity for sharing information and coordinating participation in conferences and events.

The regular meetings and ad hoc exchanges of notes with partners during the reporting period included the following:

- Monthly meetings between the World Bank, EIB and GCOM
- Monthly meetings between the World Bank, EIB, GIZ and city networks in the Communications Working Group
- Partnership Forum meeting held in Casablanca, Morocco on 1-2 November 2023, featuring projects from Fez, Chefchaouen and Zenata and seeking active exchange with GCOM, ICLEI, CCFLA and C40 CFF.

- Regular exchanges with the C40 Cities Finance Facility (CFF) on capacity development tools for cities
- Presentation of the Gap Fund during the EIB-GER BMUV (German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection) meeting on “Finanzierungsangebot der EIB für Umwelt- und Klimainvestitionen,” held in Luxembourg in September and December 2023
- Presentation of the Gap Fund during the EIB/GIZ-EU COM DG INTPA roundtable entitled Teaming up for the Global Gateway: How combining financial and technical cooperation can contribute to boosting sustainable infrastructure, held in Brussels in November 2023
- Presentation of the Gap Fund during the EIB/GIZ-GER BMZ Roundtable “Komplementarität nutzen – Klimafinanzierung voranbringen,” held in Berlin in November 2023
- Exchange with Covenant of Mayors Sub-Saharan Africa on their Kenya portfolio to discuss possible synergies and triggering applications to the Gap Fund on solid waste management in Kenya in November 2023
- Presentation of the Gap Fund during the visit of the Urban Act Thailand delegation to GIZ in November 2023
- Collaboration with CCFLA and GCOM in Central Asia to develop a pipeline of cities to support with project preparation through bi-weekly meetings (September to December 2023) and the development of a one-pager that explains the cooperation between the project preparation facilities GCOM-Gap Fund-Felicity Cities Advisory Facility (Felicity II)

Moreover, the Gap Fund organised or was featured in the following events during COP28 in December 2023:

- Gap Fund Event at COP28 entitled Breaking the silos: how the Gap Fund fosters cooperation along the project preparation cycle, on 10 December 2023, with the participation of EIB Vice-President Ambroise Fayolle. The event featured the Municipality of Mbombela in South Africa and a technical representative of the Council of Governors of Kenya and was co-organised with GCOM and C40 Cities Finance Facility
- Joint multilateral development bank event at COP28 entitled Charting low emissions pathways and climate resilience plans through ambitious Long-Term Strategies – MDBs join forces to support countries, on 5 December 2023.

EIB Head of Climate, Environment and Social Policy Stephen O'Driscoll mentioned the Gap Fund as an example of cooperation for holistic climate protection from the national to local level

- Cities Climate Finance Leadership Alliance (CCFLA) event entitled Why is MDB reform crucial to accelerating urban climate finance? on 3 December 2023. EIB Head of Urban Advisory at Gerry Muscat mentioned the Gap Fund as an example of cooperation with the World Bank and for multi-level support that contributes constructively to multilateral development bank reform

The Gap Fund team also took part in the following events throughout the year:

- Conversápolis Conference in Bogotá Colombia (22-24 February 2023)
- Forum of Mayors of Sustainable Cities, organised by FONPLATA Brasilia, EIB, AFD (13-16 March 2023).
- Global NDCP Conference, Berlin (1 May 2023).
- GCOM training of trainers on expression of interest writing in Brussels (9-11 May 2023)
- Cities and Climate Change Technical Workshop organised by the World Bank in Mombasa, Kenya (14-19 May 2023).
- Urban Care Dialogues Berlin (1 September 2023)
- Africa Climate Summit in the NDCs side event organised by UN-Habitat and UNDP (4-5 September 2023)
- CCFLA Central Asia Hub Roundtable 1: What is Central Asia's current Urban Climate project preparation support landscape? (13 September 2023)
- High-Level Roundtable on Urban Climate Finance at the New York City Climate Week (19 September 2023)
- GCOM Gap Fund Felicity II and CCFLA session on Unlocking Climate Finance Central Asia (19 September 2023)
- Connective Cities/Working Group Renewable energy at local level (3-5 October 2023)
- CCFLA Central Asia Hub Roundtable 2 (10 November 2023)

Developing capacities

Following last year's capital increase, the donors specifically requested that the EIB-GIZ multi-donor trust fund engage more thoroughly in capacity development activities. As such, two new key performance indicators have been added to the reporting framework. In 2023, the EIB-GIZ Gap Fund developed a concept, identified partners, and designed structures for capacity development on the basis of three pillars:

- **Pillar 1 – capacity development for project promoters**, which includes various activities including working with C40 Cities Finance Facility on the roll-out of the C40 City Academy on Finance and Equity series, contributions to and implementation of the Project Preparation Training (PreP) developed by FELICITY, tailored capacity development components in selected technical assistance assignments and dedicated capacity development sessions and events organised with partners.
- **Pillar 2 – capacity development for financial intermediaries**, with the aim to provide alternative options for regional and sub-national finance to meet the major demand for city-level climate resilience infrastructure investment projects. The EIB is currently working on the set up of this activity which is expected to comprise both a foundation training programme (potentially open to a large number of intermediaries) and in-depth support (provided to a more limited number of interested intermediaries) for addressing specific issues that currently hinder the provision of sub-national and municipal climate finance.
- **Pillar 3 – capacity development for networks of cities, associations of municipalities and similar entities**, with the aim to strengthen the capacity of national and regional city networks or associations on climate-resilient investment project preparation, to enable knowledge sharing and to facilitate the replication of successful models for climate action among city members.

Finally, the Gap Fund Step-Up project was launched in January 2023. This project is being implemented by ICLEI and supported with a grant from the EIB-GIZ Gap Fund with the aim to further help Gap Fund beneficiary cities in Africa and Latin America to refine their urban infrastructure projects, making them investment-ready.

The Gap Fund Step-Up project facilitates knowledge exchange and transfer with interactive technical capacity building sessions and city “pairing-and-sharing” to:

- help cities make informed decisions, such as choosing appropriate technologies and climate-smart infrastructure solutions;
- provide tips and methodologies for investor engagement;

- plan a financial roadmap for urban infrastructure projects;
- create a focused community of practice.

The project provides tailored technical assistance for 14 core cities in the two regions. These core cities are paired and receive customised support addressing their similar challenges, enabling them to share, learn, cooperate and build connections that would ideally last beyond the project lifetime.

Core city projects will also be invited to an international event and linked with funding sources or other project preparation facilities to move the project down the project value chain. To foster capacity development, regional in-person workshops will be organised in the course of 2024, supported by practical tools and knowledge products, as required.

In addition to the core city activities, based on recommendations from the EIB, GIZ and GCOM, additional local governments in the respective regions are invited to join the Regional Communities of Practice (RCoMP) to share knowledge in a broader, region-based community.

Progress against the reporting framework in 2023

Table 3 below shows the progress made towards the indicators agreed in the reporting framework from the start of the EIB-GIZ Gap Fund until the end of 2023. As noted in the EIB Annual Report 2022, new key performance indicators were introduced at the end of 2022 following the replenishment of the EIB Gap Fund by the German Ministry for Economic Affairs and Climate Action (BMWK).

The key performance indicators are:

- **900 expressions of interest** are screened for the whole Gap Fund.
- **130 early-stage projects**, that will contribute to greenhouse gas emission reductions and/or adaptation when implemented, have been supported by the EIB-GIZ Gap Fund.
- **65% of projects supported by the EIB-GIZ Gap Fund** are taken up for further preparation support or financing.
- **80 people directly supported** through networking and training to address climate change or to conserve biodiversity, 80% of which express satisfaction in an ex-post assessment.
- **5 partner organisations** (such as financial intermediaries, city networks and/or professional associations, bodies or similar entities) have been equipped to provide support to participating cities through training and/or advisory measures.

The time frame for achieving these key performance indicators has been extended from 2025 to 2027.

The qualitative indicators are listed as completed, ongoing or not started, considering their logical and chronological sequencing in the timeline of Gap Fund activities.

Table 3: Progress against the reporting framework in 2023

	Results expected by December 2027	Results achieved by December 2023
Indicator 1	Relevant processes and procedures agreed between the EIB and GIZ, as well as between the EIB, GIZ and the World Bank, and are available in writing	Ongoing
Activities	1.1 Organise workflow between GIZ and the EIB, including sourcing (digital) tools	Completed
	1.2 Set up technical infrastructure (IT platform for submission of expressions of interest, database, data management system) jointly with the World Bank	Completed
	1.3 Ensure efficient coordination and communication according to the governance structure of the fund (with the Contributor's Committee, the Partnership Forum and the World Bank)	Completed
	1.4 Maintain regular contacts and cooperate with suitable partners and intermediaries such as city networks and other actors operating in the urban climate action space (e.g. GCOM, ICLEI, C40, CCFLA and others)	Ongoing
	1.5 Monitoring and reporting on the outputs of technical assistance (GIZ) and reporting on fund management (EIB)	Ongoing
	1.6 Development of lessons learnt and knowledge products for dissemination	Ongoing
	1.7 Conduct knowledge sharing, such as in cooperation with the Partnership Forum and the World Bank, use knowledge product in activity 1.6	Ongoing
	1.8 Establish and manage pools of experts for the 1) energy, 2) waste and 3) urban mobility sectors, who will provide technical assistance to the cities	Completed
	1.9 Contract and manage further short-term experts for support that cannot be provided under the pools of experts	Ongoing

	Results expected by December 2027	Results achieved by December 2023
Indicator 2	900 expressions of interest completed and screened (jointly between the EIB and the World Bank)	459 (172 in 2023)
Activities	2.1 Establish a detailed screening questionnaire for projects taken forward by the fund	Completed
	2.2 Define approaches to facilitate and standardise support to cities, and where possible develop standardised technical assistance packages for cities	Ongoing
	2.3 Identify Gap Fund-eligible projects for the fund through EIB/GIZ networks and the One Gap Fund Initiative entry process	Ongoing
	2.4 Support city applicants to refine and complete their expressions of interest, in collaboration with city networks, as applicable	Ongoing
	2.5 Screen, evaluate and select projects based on their expression of interest and the formulated eligibility and selection criteria	Ongoing
Indicator 3	130 projects that will contribute to greenhouse gas reduction and/or adaptation when implemented, supported by the EIB Gap Fund	60 projects for which TA is either ongoing or completed
Activities	3.1 Conduct a detailed needs assessment, terms of reference development for advisory services and involve technical experts	90 needs assessments conducted since 2021 (53 in 2023)
	3.2 Provide technical support to cities for the development of initial investment concept into early-stage projects ready for further preparation or feasibility-stage support	42 approved technical assistance assignments covering 60 projects in 60 cities; 14 technical assistance assignments completed since 2021
	3.3 Prepare terms of reference for further preparation support where required and in close cooperation with the relevant project preparation facility	Ongoing
	3.4 Support cities with small technical assistance grants for project preparation activities if considered the most appropriate way to provide support	Ongoing (STEP-UP project with ICLEI)

	Results expected by December 2027	Results achieved by December 2023
	3.5 Support alignment with relevant municipal budget and climate and environmental strategy/agenda	Ongoing
Indicator 4	65% of projects supported by the Gap Fund taken up for further preparation support or financing	3 projects handed over to partners (5% of supported projects and 21% of projects for which the TA was completed)
Activities	4.1 Map existing feasibility-stage project preparation facilities, their requirements and application cycles/procedures and relationship with the fund, building on CCFLA's work	Ongoing
	4.2 Exchange with relevant (international) financing institutions to get a clear understanding of their investment criteria, information requirements as well as their project preparation funds to tailor matchmaking	Ongoing
	4.3 Facilitate matchmaking between projects (fund output) and project preparation facilities with support of partners like CCFLA, potentially facilitating the sharing of project documentation through SOURCE or other channels	Ongoing

	Results expected by December 2027	Results achieved by December 2023
Indicator 5.1	80 people directly supported through tailored networking and training to address climate change or to conserve biodiversity, out of which 80% express satisfaction in an ex-post assessment.	Not started
Indicator 5.2	5 partner organisations (e.g. financial intermediaries, city networks and/or professional associations, bodies or similar entities) have been equipped through tailor-made training and/or advisory measures to better appraise urban climate projects or enhance their provision of support to cities	Not started
Activities	5.1 Define one or more capacity development approaches targeting cities, local authorities, municipal agencies, public authorities and financing intermediaries to be implemented in collaboration with suitable partners and intermediaries	Completed – a concept note for capacity development activities to be implemented by the EIB-GIZ Gap Fund was agreed with the donors in May 2023. A joint capacity development plan with the World Bank has also been discussed with donors and partners
	5.2 Establish appropriate collaboration structures and work with selected partners to carry out capacity development measures for relevant public stakeholders enhancing the outset conditions for preparing sustainable climate action projects at the urban level. The partnership shall promote, among other things, the exchange of good practices in public management, corporate governance, environmental and social governance, public procurement and innovative business models for climate action	Ongoing
	5.3 Optimise chances for sustainable change through capacity development measures, drawing on lessons learnt from FELICITY, JASPERS and other programmes with a relevant proven track record in capacity development	Ongoing

Financial update

Table 4: Contribution to the EIB Gap Fund multi-donor trust fund (€ million)

	2020		2021		2022		2023		Total	
	Pledged	Received	Pledged	Received	Pledged	Received	Pledged	Received	Pledged	Received
Germany – Ministry of Economic Affairs and Climate Action (formerly Ministry of Environment, Nature Conservation and Nuclear Safety)	15	15	-	-	25	25	-	-	40	40
Luxembourg – Ministry of Environment, Climate and Sustainable Development	8	2	-	2		2	-	-	8	6
Total	23									46

Table 5: Use of Gap Fund multi-donor trust fund resources (€ million)

Budget lines	Estimated cost 2020-2027 (€ million)	Expenditure 2020-2023 (€ million)
Implementation of technical assistance activities ¹	40.65	6.26
Implementation of other Gap Fund activities ²	7.35	2.00
Total	48.00	8.26

¹ Including overheads, fund administration fees and other expenses.

² Including overheads, fund administration fees and other expenses.

Outlook for 2024

The Gap Fund's first few years of operation were mainly focused on establishing it as a meaningful player in the urban climate field. It has proved that there is a significant gap in the project preparation support available to cities for less mature but promising urban climate action projects and demonstrated that a technical assistance facility targeting early-stage preparation and offering short-term support can unlock the potential of these projects.

Three years on, the Gap Fund is a recognised player boasting fruitful partnerships with several project preparation facilities and financial institutions and has managed to deploy its technical assistance services across the world. Now that an increasing number of technical assistance assignments are being completed and the projects supported face the challenge of finding follow-up support, the Gap Fund is increasingly focused on its matchmaking activities, while keeping up the pace in deploying technical assistance.

While matchmaking efforts have so far been carried out on a case-by-case basis, there was a recognised need for a more systematic and streamlined approach. As such, in 2024 the Gap Fund will actively seek to establish regional and sectoral strategic approaches for matchmaking, namely through regular contact with project preparation facilities, international financial institutions, national/regional development banks and the EU delegations. This contact will make it possible to share information on prospective Gap Fund projects with interested partners well in advance, so as to elicit their interest in any particular project, if possible even before its approval for Gap Fund support. Moreover, matchmaking opportunities and the likelihood that they will materialise will be given more weight among the project selection criteria.

Finally, 2024 will see the piloting of capacity development activities and fine-tuning of the approach for a broader roll-out in the coming years. Synergies and partnership opportunities with the World Bank have also been identified and a joint capacity development action plan has been presented to the donors and partners.

