CITIES CLIMATE FINANCE LEADERSHIP ALLIANCE

Introductory Training on Project Preparation

22 November 2022
Today’s agenda

1. Cities Climate Finance Leadership Alliance
2. Urban climate finance and project preparation
3. Project preparation support
4. CCFLA tools and resources
5. Q&A
1. Cities Climate Finance Leadership Alliance
The Cities Climate Finance Leadership Alliance is a coalition of leaders committed to deploying finance for city level climate action at scale by 2030.

The Alliance serves as the only multi-level and multi-stakeholder coalition aimed at closing the investment gap for urban and subnational climate projects and infrastructure worldwide.

2014: Launch of the Alliance by the previous UN Secretary General.

2019: The Alliance is officially renewed during the UNSG Climate Action Summit with CPI as Secretariat.
The Alliance brings together leaders from over 80 member institutions

**SUPPLY**
Public & Private Finance Institutions

**ENABLERS**
UN System, Research, Academic, NGOs, Foundations, Philanthropies

**POLICYMAKERS**
National governments (donor and aid-receiving countries)

**DEMAND**
City/subnational governments
Global city networks

**FUNDERS**
Supported by:
Federal Ministry for Economic Affairs and Climate Action
IKI - INTERNATIONAL CLIMATE INITIATIVE
Federal Ministry for Economic Cooperation and Development

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on the basis of a decision by the German Bundestag
2. Urban climate finance and project preparation
Cities are at the center of meeting the climate emergency

GHG emissions

70% Urban

Cities are responsible for 70% of the greenhouse gas emissions that are driving climate change.

By 2050, more than 3.3 billion urban residents could be at risk from severe climate impacts.

Urban population in 2050

3.3 Billion at high risk

See the State of Cities Climate Finance Report for more information at: https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/
USD 384 Billion is invested in urban climate finance annually

Urban climate finance refers to “resources directed to activities limiting city-induced GHG emissions or aiming to address climate-related risks faced by cities, contributing to resilience and low carbon development”

See the State of Cities Climate Finance Report for more information at: https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/
Current urban climate finance flows fall short of cities’ needs

Annual urban climate finance flows must increase by more than 10x to meet cities climate adaptation needs and reduce urban GHG emissions in line with global climate targets.

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Global annual urban climate finance USD Trillions for 2017/2018

See the State of Cities Climate Finance Report for more information at: https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/
Cities face multiple barriers in making climate investments

1. **Limited authority** to plan and regulate urban spaces or initiate projects

2. **Internal capacity** constraints to prepare project pipelines

3. **Limited capital** from own source revenue & intergovernmental fiscal transfers

See the State of Cities Climate Finance Report for more information at: https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/
Sound project preparation can help unlock additional resources

Project preparation is “the process of defining, studying, refining, and developing an infrastructure project concept to the point that it becomes bankable, raising implementation financing from public or private sources”

Projects are bankable when “risk-return profile meets investors’ criteria, whether public or private, and can secure financing to implement the project”

Bankability factors

- Probability of success
- Expected revenue
- Creditworthiness
- Climate & social impacts

See the CCFLA Glossary for more definitions at: https://citiesclimatefinance.org/resources/project-preparation-glossary/
Project preparation spans several phases of the project lifecycle

**Project preparation**

- **Capacity development**
  - Trainings
  - Data collection
  - Target-setting & commitment
  - Local Climate Action Plans
  - Institutional and policy reform

- **Climate strategy**
  - Data collection
  - Target-setting & commitment
  - Local Climate Action Plans

- **Concept design**
  - Concept origination
  - Project definition

- **Pre-feasibility**
  - Pre-feasibility study

- **Feasibility**
  - Feasibility study
  - Environmental impact study

- **Structuring & transaction**
  - Contract signing
  - Financing
  - Pre-construction
  - Procurement

- **Implement**
  - Construction

See the [CCFLA Glossary](https://citiesclimatefinance.org/resources/project-preparation-glossary/) for more definitions.
3. Project preparation support
Project preparation facilities support cities develop their projects

**Project preparation facilities (PPFs)** are “organizations, initiatives, or institutions that support cities in developing bankable, investment ready projects, typically from a project’s concept, design, or scoping stage up to the financial close”

PPFs differ based on multiple dimensions:

- Geographical scope
- Sectorial expertise
- Support given

See the CCFLA Glossary for more definitions at: https://citiesclimatefinance.org/resources/project-preparation-glossary/
Some PPFs have a world presence, whilst others are more active in particular regions.
Some PPFs carry valuable technical expertise across a wide range of sectors, whilst others are more focused on particular sectors.

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- initiative not active in this sector
Some PPFs support cities along the entire project development cycle, whilst others provide more early or later-stage support.
Gap Fund provided early-stage project development support for Podgorica to improve energy efficiency in public buildings

- **PPF:** City Climate Finance Gap Fund
- **Location:** Podgorica, Montenegro
- **Sector:** Energy efficiency, nature-based solutions
- **Support:** helped the city map all relevant public buildings to help identify which ones could be suitable for green roofs combined with facades to improve energy efficiency in buildings and increase permeability in public spaces
CDIA supported Pu’er to enhance its river rehabilitation project design to ensure its suitability to future climate conditions.

- **PPF:** Cities Development Initiative for Asia (CDIA)
- **Location:** Pu’er, China
- **Sector:** Adaptation, urban green spaces
- **Support:** taking off from the conceptual design approved by the municipal government, the CDIA consultants prepared a final design for Simao river rehabilitation to protect the city from flooding.
Each application process for project preparation support is different but often requires basic information about the project.

Types of application windows:
- Continuous
- Special calls

Example of kind of information requested:
- Project description
- Transformative impact and additional benefits
- Preliminary studies completed
- Financial rational

See the [CCFLA Harmonized PPF Application Form](https://citiesclimatefinance.org/publications/harmonized-application-form-for-project-preparation-facilities/) for an example.
4. CCFLA tools and resources
Project Preparation Resource Directory

An open, online, global directory of project preparation facilities designed to help sub-national governments and stakeholders find financial and technical support to develop green and resilient infrastructure in their cities.

Check the CCFLA Project Preparation Resource Directory at: https://citiesclimatefinance.org/project-preparation-resource-directory/
PreP – Project Preparation Course

Online course for city officials and project proponents on key concepts in project preparation, implementation, and impact measures currently available in Spanish.

Access the Prep Course at: https://ccfla-prep.org/en/
Project Preparation Glossary

Provides standardized definitions of key terms used for project preparation topics and PPFs.

See the CCFLA Glossary at: https://citiesclimatefinance.org/resources/project-preparation-glossary/
This toolkit showcases potential financial instruments, highlighting case studies and demonstrating practical applications of instruments in the field.
What is Project Preparation?

There is a great need for sustainable urban infrastructure to be built to withstand climate change impacts. In 2017 and 2018, city climate finance averaged 5% of the billions annually, a fraction of the USD 4.6 to 5.4 trillion needed (CCLFA, 2018). Despite the urgency and growing private investor appetite for low-carbon infrastructure projects, it is challenging to scale up projects to the point that it becomes sustainable, bankable, and attractive to private investors. Project Preparation is the process of defining, studying, refining, and developing an infrastructure project concept to the point that it becomes bankable, making it easier to secure financing from public or private sources.

Project Preparation is the process of defining, studying, refining, and developing an infrastructure project concept to the point that it becomes bankable, making it easier to secure financing from public or private sources.

Existent environments and capacity development are critical to a project’s ability to secure bankable projects but are not usually considered part of project preparation. A supportive enabling environment is vital for a project to be bankable. However, while a project is often bankable, environmental and financial capacity development is a critical element that needs to be strengthened, and it can lead to increased investment opportunities. While project preparation is essential, the potential for a project to be bankable may differ between specific projects, and there are no clear indicators that the regulatory, environmental, social, and economic factors are pivotal to the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented.

Project preparation primarily takes place in four stages: conceptualization, technical, financial, and implementation. Each stage addresses different requirements in bankability and builds on the previous stage.

What is Bankability?

A project is bankable, whether from public or private sources, when its risk-return profile meets investors’ criteria and can secure financing to implement the project. To be bankable, the project must have the capacity to be financed. This means the project must meet specific criteria, and it is often difficult to secure financing for projects that do not meet these criteria.

A project is bankable, whether from public or private sources, when its risk-return profile meets investors’ criteria and can secure financing to implement the project.

The potential for successful development of a project depends on the project’s ability to meet the needs of investors. The potential for success is determined by the project’s ability to identify, develop, and implement a project that meets the requirements of investors.

InfluenCing Bankability: Project ChArACTERISTICS

Project characteristics that influence bankability include project costs, revenue potential, benefits, and risks.

Project costs are a critical factor for bankability because they determine the risk-return profile. Costs of projects often fall into two major categories, infrastructure, financial, and social.

What is a PPF?

Project Preparation Facilities (PPFs) are organizations, initiatives, or institutions that support cities in developing bankable, investment-ready projects, typically from a project’s conception, design, or scoping stage to the financial close. A PPF may provide technical and/or financial support. PPFs can provide a wide range of support depending on the project’s stage and sector. The overarching goal of PPFs is to prepare bankable, investment-ready projects. A PPF is bankable, whether from public or private sources, when its risk-return profile meets investors’ criteria. Key criteria include the probability of success, sufficient estimated cash flows to cover costs and produce returns that meet investor expectations, and whether the project will be implemented by a politically sensitive entity. The assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented. However, it is clear that the assessment of whether a project is bankable may differ between specific projects, and there is no clear indication that the regulatory, environmental, social, and economic factors are pivotal in the project being implemented.

What is Project Preparation Facility?

Project Preparation Facilities (PPFs) are organizations, initiatives, or institutions that support cities in developing bankable, investment-ready projects, typically from a project’s conception, design, or scoping stage to the financial close.

See the CCFLA Financial Instruments toolkit at: https://citiesclimatefinance.org/financial-instruments/
Other publications

Financial Aggregation for Cities
June 2022

Greening City Budgets: Practical Approaches
March 2022

An Analysis of Urban Climate Adaptation Finance
A Report from the Cities Climate Finance Leadership Alliance
February 2021

See the CCFLA Financial Instruments toolkit at: https://citiesclimatefinance.org/financial-instruments/
Q&A
Pop-quiz!