The Role of Multilateral Development Banks in Accelerating Urban Climate Finance in Low- and Middle-Income Countries

Finance to Advance Urban Resilience UNDRR

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The MDB reform agenda: high need to increase climate finance globally

**Figure ES3**: Global tracked climate finance and average estimated annual needs through 2050

- **Climate finance**
- **Range of estimated needs**
- **Needs in the average scenario**

USD billion

Source: Climate Policy Initiative
Why cities should be a part of the discussions?

The needs of cities have rarely been raised in MDB reform discussions.

Cities play a crucial role in addressing the climate emergency:

• Cities contribute 70% of global energy use
• 75% of total CO2 emissions
• **Cities are Vulnerable:** including extreme weather events, such as intense precipitation, flooding, and extreme heat (IPCC)

**Urban Investment Opportunity**
Climate investment in L&MIC cities to exceed **USD 29.4 trillion** by 2030

**Investment Gap**
Yet, cities receive <1% of the required annual global climate finance

**MDB Urban Reform Agenda**
MDBs uniquely positioned to support urban climate finance agenda **directly & indirectly**
This report highlights the relevance of urban climate finance as a strategic component of the MDB reform

Objectives of the report:
1. First-of-its kind analysis that collect and analyze 10 MDBs’ urban climate-related financing data for L&MICs
2. Provide analytical insights on current MDB support for urban climate finance
3. Identify ways to scale up urban climate finance quantity and quality

METHODOLOGY
Mixed-method approach used to collect and analyze urban climate finance data of 10 MDBs:
1. Quantitative findings through data collected by scraping project information from MDB portals
2. Qualitative findings from interviews with staff, city representatives, PPFs, literature & case studies
3. Forward-looking insights on scaling up urban climate finance in L&MICs through the findings

DEFINITIONS
Climate finance: Primary capital flows directed to low-carbon and climate-resilient development interventions with direct or indirect GHG mitigation or adaptation benefits
Urban climate finance: Resources directed to activities limiting city-induced GHG emissions or addressing climate-related risks that cities face, contributing to urban low-carbon development or resilience.
KEY FINDINGS AND RECOMMENDATIONS FOR MDBS

How to make urban climate finance a strategic component of MDB reform?

01. Increase the volume and share of urban climate finance
   - Increase urban mitigation/adaptation finance in high-need regions
   - Accelerate concessional finance for urban climate action

02. Improve urban focus in strategy, coordination, and tracking
   - Reflect city voices systematically across climate, sector and country strategies
   - Track urban shares of climate finance

03. Adapt operating models to scale up urban climate action
   - Adopt a programmatic approach to policy, pipeline and financing
   - Increase technical assistance
   - Promote direct and indirect financing for cities

04. Sharpen focus on private capital mobilization
   - Promote risk-mitigation instruments
   - Strengthen intermediated finance for cities

05. Enhance policy support and capacity building
   - Champion comprehensive national-level policy reform initiatives
   - Expand local capacity-building initiatives to city-governments

Source: Cities Climate Finance Leadership Alliance/Climate Policy Initiative analysis
Despite rising urbanization, the volume of tracked MDB urban climate-related finance has remained stable over time.

Urban Share of MDBs' Climate-related Finance (2015-2022)

Source: Cities Climate Finance Leadership Alliance/Climate Policy Initiative analysis
MDB urban climate finance should focus on regions with the most pressing urban mitigation and adaptation needs

1. Increase the Volume and Shares of Urban Climate Finance

Urban Climate-related Finance by Region (2015-2022)

- South Asia
- Central Asia & Eastern Europe
- Latin America & Caribbean
- East Asia & Pacific
- Sub-Saharan Africa
- Middle East & North Africa
- Transregional
- Unknown

MDBs' Urban Climate-related Finance by Recipient Institution Category (2015-2022)

- Mitigation
- Adaptation
- Multiple Objectives

Estimated Urban Climate Financing (USD millions)
Adopt a **programmatic approach** to urban climate policy, pipeline development, and finance.

**Figure 6: MDB Urban Climate-related Finance Ticket Sizes by Sector (2015-2022)**

Source: Cities Climate Finance Leadership Alliance/Climate Policy Initiative analysis
Conclusions and Next Steps

Promote an open dialogue between MDBs and cities to discuss practical action to further develop this report’s recommendations.

Join forces with other global actors discussing MDBs’ urban climate finance investment, such as the SDSN Urban SDG Finance Commission.

Engage with national governments, particularly MDB shareholders, on scaling and increasing urban climate finance investments from MDBs.

Further explore innovative solutions to increase MDBs’ financial instruments that can respond to cities’ needs.

Further explore the challenges and opportunities for MDBs to scale private-sector funding for urban climate projects.
Thank you!

download the full report here

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