



# C40 CITIES FINANCE FACILITY

## Facilitating access to finance for climate change mitigation and resilience projects in cities

### Introduction

Access to finance is one of the most significant barriers that mayors and city leaders face in delivering on their climate change plans for their cities. This challenge is particularly acute in cities from developing countries and emerging economies where there is a shortage of expertise in securing investment for infrastructure projects. At the same time, these cities have enormous potential to reduce greenhouse gas (GHG) emissions while being highly vulnerable to the impacts of climate change.

In order to address this issue, the C40 Cities Climate Leadership Group (C40) and the German Federal Ministry for Economic Cooperation and Development (BMZ) initiated the C40 Cities Finance Facility (CFF) as a joint project. It is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH together with C40. The CFF supports C40 cities in developing and emerging countries to prepare and deliver sustainable, low carbon and climate adaptation projects. This is expected to contribute to meet the commitment of C40 cities to achieve 3.0 Gt in cumulative GHG emissions reductions by 2030.

### Partners

The CFF was launched at the C40 Forum during COP21 in Paris in December 2015. The CFF is funded by BMZ and United States Agency for International Development (USAID), with additional in-kind assistance by the Inter-American Development Bank (IADB). GIZ is the main implementing agency for technical assistance, while C40 is responsible for building relationships with supported cities and partners. The CFF is cooperating with several sustainable development-focused investor groups and platforms to attract investment for its supported projects, as well as urban development networks and initiatives to make use of synergies, learn from and share best practices.

### Objectives

The ultimate objective of the CFF is to reduce GHG emissions and increase climate resilience in cities by mobilising financing for city-level climate change action. The CFF will aim to achieve the following high-level project outcomes:



#### PROJECT PREPARATION

of urban climate change investment projects for sustainable financing



#### CAPACITY DEVELOPMENT

of city administrations to mobilise and access a broad range of financing instruments



#### KNOWLEDGE SHARING

beyond CFF partner cities via peer-to-peer learning and CFF stakeholders



#### PARTNERSHIPS

between cities, investors/financiers and their representations

The CFF advances the implementation of the 2030 Agenda for Sustainable Development by considering social, environmental and economic aspects: Specifically, it aims to contribute to Goal 11 to 'Make cities and human settlements inclusive, safe, resilient and sustainable'. The CFF also seeks to advance the New Urban Agenda.

Funding partners:



Implementing agencies:



## Principles of Operation

The CFF is guided in its operation by the following principles:

- **Demand-driven** – Cities apply for CFF support to advance their sustainability priorities.
- **City-focused** – The CFF works in the best interests of supported cities and their projects, rather than a specific capital provider, financing mechanism or construction company. Cities and their residents are the targeted beneficiaries of the CFF and its interventions.
- **Strategic climate change action** – Support is targeted towards strategic and transformational projects identified in city climate action and climate resilience plans as well as in the overall vision and master plans of the city.
- **Financial and technical sustainability** – Projects supported must be based on a feasible plan for operation and maintenance as well as for cost-recovery, ensuring the long term sustainability of the project.
- **Ownership and capacity development** – City administrations and their officials are the key actors in the project preparation process and are the recipients of technical assistance for project structuring and use of financing mechanisms.
- **Catalytic nature** – The CFF supports cities in sharing their learning and experiences, and catalyses action.
- **Transparency** – The CFF promotes transparency in all areas of project and city selection and project preparation and carries out regular monitoring and reporting.
- **Outcome-oriented** – A key objective is that projects achieve financial close.

## Pilot cities

The CFF pilot phase will last until December 2017 and will focus on up to four C40 member cities. The cities will each receive up to \$1m in dedicated technical assistance and capacity development support. The first two pilot projects were announced in September 2016: the CFF will support the establishment of a cycling transformation in Bogotá through the development of new cycling infrastructure, and assist with the development of a green transportation corridor with a fleet of clean and quiet electric buses in Mexico City.

The CFF aims to secure additional funding beyond 2017 to enable CFF cooperation with a wider group of C40 cities located in countries that are eligible for official development assistance. These cities should be able to demonstrate well-conceived investment projects, committed and stable municipal leadership, and transparent and predictable financial performance. Projects will be selected primarily for their delivery of climate change mitigation and resilience outcomes.

## Technical assistance and capacity development

The CFF will support cities in developing bankable investment proposals, and act as an intermediary between cities and potential financiers to facilitate investments. City-based technical experts will work to determine the city's capacity needs and the project requirements, while ensuring the city's own project team is fully involved in the project preparation, thereby developing capacity within the city. Successful financing and project structuring models and mechanisms will be shared with other cities in C40's Networks and, through other partnerships, with secondary cities to increase the CFF's impact.