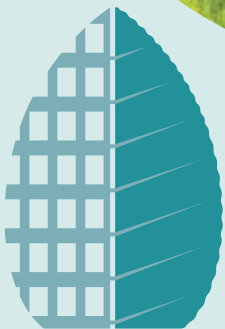

The City Climate Finance Gap Fund



City Climate
Finance Gap Fund

The Gap Fund paves the way
for low-carbon, climate-resilient
and liveable cities.

The City Climate Finance Gap Fund, or the Gap Fund, provides early-stage technical assistance to cities for low-carbon, climate-resilient urban development plans and projects. The Fund has €105 million in capital that could unlock a potential €4 billion in investment.

In operation since September 2020, the Gap Fund is a global partnership that helps cities in developing countries plan, prioritise and deliver projects focused on climate change mitigation and adaptation. The Gap Fund also promotes climate-smart urban development plans.



Why the Gap Fund?

The Gap Fund is working to close the financing gap for early-stage climate planning and project preparation, particularly in rapidly urbanising cities in developing countries. It has three main goals:

- 1 **Provide** technical assistance and capacity building
- 2 **Build** a high-quality urban investment pipeline for later-stage technical assistance
- 3 **Share** knowledge on project preparation with developers and financiers

By supporting projects designed to transform cities and focus on climate-resilient, low-carbon development, the Gap Fund promotes a wide range of social and environmental benefits improving quality of life, such as clean air, better health, social inclusion and job creation. The Gap Fund is working to advance low-carbon, climate-resilient initiatives in urban areas across the globe. Since its creation in 2020, the Gap Fund has approved support for cities in Africa, Eastern and South-Eastern Europe, Asia and the Pacific, and Latin America. Projects and strategic plans supported by the Gap Fund serve as a blueprint for climate action projects in cities and countries worldwide.

The urban climate finance gap

Cities too often struggle to develop low-carbon and climate-resilient infrastructure. In developing countries in particular, cities frequently lack the skills, finance and support needed in the early stages of project preparation. This lack of resources can derail projects. The Gap Fund is helping cities deliver ambitious climate infrastructure projects by providing technical assistance for early-stage planning and project preparation. Well-prepared projects have a better chance of attracting funding and contributing to local development, climate goals and the green recovery.

More than half of the world's population lives in cities. Cities account for more than 70% of global carbon emissions and consume two-thirds of the world's energy. By 2050, 2.5 billion people are expected to migrate from rural to urban areas. Much of that migration – an estimated 90% – will happen in Africa and Asia and will be the result of climate change. Cities' rapid and often haphazard growth, especially in developing countries, will drive greenhouse gas emissions and increase residents' vulnerability to climate change and other shocks like extreme weather.

Climate-smart cities can avoid development paths that create more emissions and ultimately leave their residents more vulnerable. Cities can improve people's quality of life while also becoming safer and more competitive. Making cities "green", however, will require massive investment – a major obstacle for many local governments. By 2030, an estimated \$93 trillion of sustainable infrastructure must be built globally.

Knowledge highlights

The Gap Fund is also able to offer cutting-edge knowledge, tools and recommendations for cities taking the next steps on their green journey. For example, the Gap Fund produces technical notes that can help key decision-makers and experts steer cities towards a low-carbon future by providing analysis and recommendations on topics such as sustainable mobility, slum upgrading and emissions data sources. These knowledge products can be found on the [Gap Fund website](#).

How does the Gap Fund work?

The Gap Fund provides support at the very early stages of city planning or project preparation and covers a wide range of sectors, including energy efficiency, green buildings, sustainable cooling, nature-based solutions, local renewable energy, sustainable mobility, the circular economy and water and wastewater management. The Gap Fund does not fund the implementation and construction of projects directly. Rather, it complements cities' know-how, technical expertise and capability to implement projects – in other words, the critical foundations required for projects to succeed. Funding proposals are submitted via an expression of interest form available on the Gap Fund website and must adhere to the following criteria.

Eligibility criteria

- **Countries** – Projects must be located in low- or middle-income countries.
- **Climate action** – Projects must promote greenhouse gas mitigation and/or adaptation to climate change.
- **Urban dimension** – Projects must be located in or functionally linked to an urban area.
- **Ownership** – Projects should be for a city, local authority or municipal council.
- **Applicant** – Applicants must be a city or local government official or a third party submitting the proposal officially on behalf of the city or local government.
- **Stage in project cycle** – Projects must be in the early stages of climate investment planning and project preparation, such as climate strategy development, project definition or feasibility studies.

Sectors

- Urban mobility
- Energy efficiency and small renewable energy projects
- Solid waste management
- Water and wastewater management
- Greening of urban areas and nature-based solutions
- Green buildings
- Adaptation to climate vulnerabilities
- Affordable housing with an energy-efficient approach
- Multisector, area-based investment programmes

Projects in the spotlight

The City Climate Finance Gap Fund is actively helping cities across the globe bridge the early-stage financial and technical barriers that projects can face.

In Dakar, Senegal, the Gap Fund is providing technical assistance to include low-carbon and climate-resilient parameters in the planning, development and construction of affordable and green housing in the Greater Dakar region. The support includes piloting a green certification programme to incentivise developers. A first for Senegal, the programme is helping to establish a national policy on green, affordable development and is providing a blueprint for other cities in the country and beyond.

In Mangalore and Kolar, India, the Gap Fund is providing technical assistance to prepare a climate diagnostic report for solid waste management and an action plan for improving and financing low-carbon solid waste management services, including a feasibility study.

In Bogotá, Colombia, the Gap Fund is providing technical assistance to help the city better analyse greenhouse gas emissions and air quality. The project is focusing on city-wide coordination and recommendations to incorporate climate-resilient considerations into the Low-Carbon Vital Neighbourhoods project. It is the first pilot project in Latin America to implement the 15-minute city model, an urban environment in which all amenities can be reached within 15 minutes on foot or by bicycle.

In Cuenca, Ecuador, the Gap Fund is helping to strengthen monitoring systems and provide climate and environmental information to improve the management of the city's drinking water systems. In Mataram, Indonesia, the Gap Fund is conducting a pre-feasibility study on smart street lighting, which would help the city scale up energy efficiency to reduce greenhouse gas emissions and costs.

In Makindye, Kira, Entebbe and Nansana, Uganda, the Gap Fund developed a pre-feasibility study on municipal organic waste recovery alternatives in the four cities that identified options for organic waste treatment, based on technical, financial and social criteria.

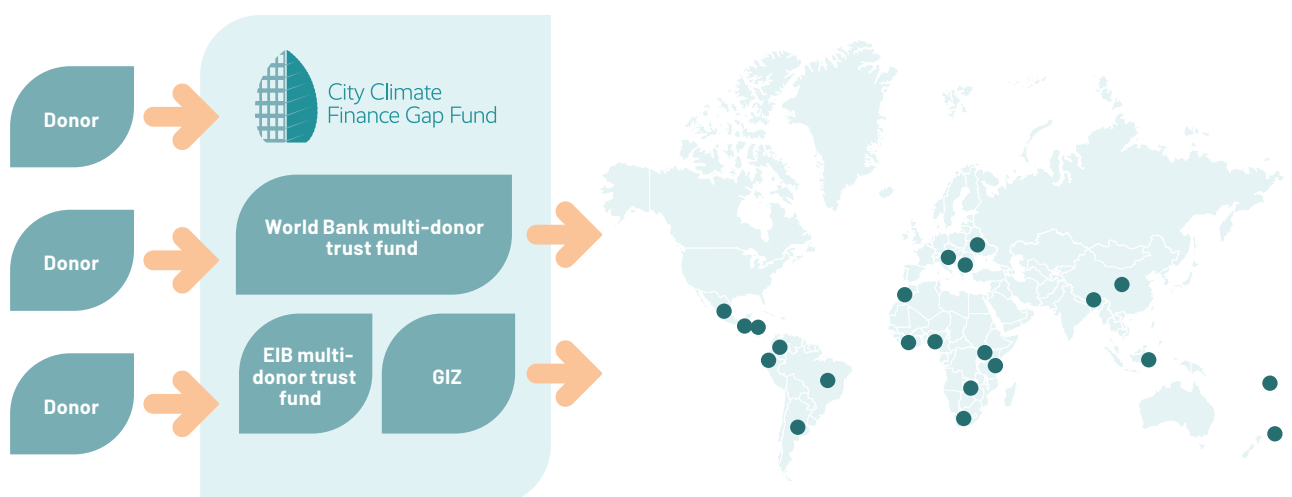
Who is involved?

The Gap Fund is an initiative of the Federal Republic of Germany and the Global Covenant of Mayors for Climate and Energy (GCoM), along with other key partners in urban and climate finance, including the C40 Cities Climate Leadership Group (C40), Local Governments for Sustainability (ICLEI), and the Cities Climate Finance Leadership Alliance (CCFLA). The donors include Germany's Federal Ministry for Economic Affairs and Climate Action and the Federal Ministry for Economic Cooperation and Development, as well as Luxembourg's Ministry of the Environment, Climate and Sustainable Development.

The Gap Fund demonstrates a unique collaborative model. With funding from Germany and Luxembourg, it is jointly implemented by the World Bank and the European Investment Bank in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The fund works directly with city groups and networks, such as GCoM, C40, ICLEI and CCFLA. Together, the partners bring extensive expertise in sustainable development, climate finance and urban renewal.

The Gap Fund and its partners are helping to raise awareness about the importance of cities and urban systems at a critical time. The latest Intergovernmental Panel on Climate Change (IPCC) report confirms that cities are global warming hotspots, and they will need trillions of dollars of extra investment to meet climate challenges – especially in South Asia and sub-Saharan Africa.

Figure 1: **The Gap Fund – one initiative, different implementing partners**



How to get involved

CITIES: Cities and local governments can apply for support through the website <https://www.citygapfund.org>. Selected projects will receive technical assistance from one implementing partner, depending on the type of assignment required, prior relationships with the partners involved and the availability of the required expertise. For further information on how to apply, please see the Frequently Asked Questions and connect directly with the Gap Fund managers, the World Bank and the European Investment Bank via the contact form on the Gap Fund website.

PROSPECTIVE FUNDING PARTNERS: Up to \$4.5 trillion will be needed to fund the massive urban investments required by 2030. The Gap Fund is actively seeking to add public and private partners to its initiative to support the transformation of society and the environment. For more information, please contact:

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