Framework Convention on Climate Change

SCF/2019/21/4

Standing Committee on Finance

01 October 2019

Twenty-First Meeting of the Standing Committee on Finance
Bonn, Germany, 3–5 October 2019

Background paper on the report of the 2019 Forum of the Standing Committee on Finance

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

(1) Consider the draft report on the 2019 SCF Forum on Climate Finance and Sustainable Cities, including draft key findings contained therein, and agree on a final report to be included in the SCF report to COP 25;

(2) Consider the outcomes of the participants' survey from the Forum and discuss on ways to improve its future Forums.

I. Possible actions for consideration by the Standing Committee on Finance

1. The SCF may wish to consider the draft report on the 2019 SCF Forum on Climate Finance and Sustainable Cities, including the draft key findings contained therein. The draft report can be found in annex I of this document.

2. The SCF may wish to consider the outcomes of the participants' survey from the Forum and discuss on ways to improve its future Forums, both from the organizational and substantive perspectives. Key outcomes of the survey is contained in annex II and a full version can be found on the SCF website.[1]

II. Background on the organization of the Forum

3. The Forum was organized from 12 to 13 September 2019 in Beirut, Lebanon, hosted by the United Nations Economic and Social Commission for West Asia (UNESCWA). The Forum was organized with financial contributions from Australia and Norway, as well as from the UNESCWA, the Union for Mediterranean and the Islamic Development Bank.

4. Around 130 participants joined the Forum, including 50 resource persons, representing municipal and national governments, global city networks, multilateral development banks, multilateral climate funds and international commercial banks, as well as bilateral agencies, international organizations, UN agencies, think-tanks and civil society. 10 SCF members attended the Forum.[2]

5. The SCF co-chairs delivered the opening and closing remarks of the Forum. Additional opening remarks were delivered by H.E. Mr. Fady Jreissati, the Minister of Environment of Lebanon, Ms. Amina Mohammed, the Deputy Secretary General to the

[1] https://unfccc.int/sites/default/files/resource/Forum%20feedback_.pdf.

[2] Mr. Ayman Shasly, Mr. Ismo Ulvila, Ambassador Mohamed Nasr, Ms. Fiona Gilbert, Mr. Carlos Ivan Zambrana Flores, Mr. Zaheer Fakir, Minister Paul Herbert Oquist Kelley, Mr. Sergey Chestnoy, Ms. Vicky Noens and Mr. Toru Sugio.

United Nations (by video) and Ms. Rola Dashti, the Executive Secretary of the UNESCWA. During the opening of the Forum

6. a moment of silence was observed for the victims of hurricane Dorian that hit Bahamas 10 days prior to the Forum.

7. Furthermore, an exhibition space was offered to the participants, where interested participants could display and share materials with other participants. Offering of this space was in the broader context of fulfilling the mandate of the SCF Forum, which is to facilitate the exchange of information and knowledge among actors involved in the mobilization and deliver of climate finance.

8. The secretariat circulated a survey to all registered participants to gather their feedback on the Forum, both in terms of organizational and substantive matters. Total number of 35 responses were received.

Annex I

Draft Report on the 2019 Forum of the Standing Committee on Finance: "Climate Finance and Sustainable Cities"

Advance unedited version

Contents

Abbreviations and acronyms

EBRD	European Bank for Reconstruction and Development
EUR	Euro
GCF	Green Climate Fund
GHG	greenhouse gas
ICLEI	International Council for Local Environmental Initiatives
LGFI	local government financing institutions
MSME	micro-, small- and medium-sized enterprise
NAP	national adaptation plan
NDC	nationally determined contribution
OECD	Organisation for Economic Co-operation and Development
SDI	Slum Dwellers International
SME	small- and medium-sized enterprise
SCF	Standing Committee on Finance
SDG	Sustainable Development Goal
UNDP	United Nations Development Programme
USD	United States dollars

I. Introduction

1. At its 17th meeting, the SCF agreed on the theme of its 2018 Forum: "Climate Finance Architecture: enhancing collaboration, seizing opportunities". The objective of the Forum was to enhance the understanding on how to accelerate the mobilization and delivery of climate finance for sustainable cities by:

(a) Bringing together key stakeholders and sharing good practices and lessons learned in financing sustainable cities and integrating climate considerations into cities' broader domestic infrastructure, development, and urban planning processes;

(b) Identifying challenges faced by actors at the city level to access and attract climate finance and to share information on available support and;

(c) Exploring the role of climate finance in facilitating inclusive, participatory, gender-responsive and youth-oriented cities.

2. About 130 participants attended the Forum, representing municipal and national governments, global city networks, financial institutions, including multilateral development banks, multilateral climate funds and international commercial banks, as well as bilateral agencies, international organizations, UN agencies, think-tanks and civil society.

3. The Forum[1] was structured around four thematic parts and eight sessions to discuss various aspects of climate finance and sustainable cities (see figure 1).

Figure 1:
The four parts of the 2018 Forum of the Standing Committee on Finance

<table>
<tr><td colspan="3">Part I (Session 1 and 2)
Climate Finance and Sustainable cities
○ Importance of cities in climate action
○ Climate finance in the context of cities' sustainable development
○ Urban sustainability solutions for key sectors and financing needs</td></tr>
<tr><td>Part II (Session 3 and 4)
Planning & Financing climate actions for sustainable cities
○ Sources of climate finance for cities
○ Innovative financing mechanism and instruments for cities' climate actions
○ Financial needs and investment priorities for cities</td><td>Part III (Session 5 and 6)
Capacity-building and enabling environment for cities to mobilize and access climate finance for sustainable cities
○ Access to climate finance from the city level
○ Project preparation and readiness support for city-level actors
○ Incentivizing private sector engagement</td><td>Part IV (Session 7 and 8)
Role of climate finance in building more inclusive sustainable cities
○ Empowering groups in vulnerable situations
○ Enabling environments for inclusive growth
○ Micro-, small- and medium-sized businesses in funding climate actions at the city level</td></tr>
</table>

4. The following are the types of discussion modalities aimed at discussing the Forum themes extensively:

(a) Plenary sessions, which included scene-setting presentations and panel discussions aimed at stimulating further discussion among participants;

(b) Break-out group sessions, which consisted of case study presentations to initiate in-depth group discussions on best practices and lessons learnt, and to identify challenges and possible solutions to overcome them;

(c) Report-back plenary sessions, to sum up the breakout group discussions and to identify key findings.

[1] The Forum programme, presentations and slides used during the Forum and the video recordings are available at: https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/climate-finance-and-sustainable-cities.

5. Multimedia instruments were used to trigger interactive discussions at the Forum, including video openings to introduce the discussion objectives and the resource persons, pre-recorded and real-time virtual presentations with invited resource persons.[2]

6. The secretariat circulated a survey questionnaire to the participants of the 2019 SCF Forum to evaluate the organization of the Forum, from both substantive and logistical perspectives. The outcomes of the survey are available online.[3]

II. Key findings

Climate Finance and Sustainable cities

7. Climate change impacts all urban sectors and the consequence on one sector impacts another sector, causing domino effect. Multiple international development agendas also highlight the close linkage between climate action and urban sustainable development. Climate actions and urban development must be complementary at all levels and across all sectors, and cities must be supported to mainstream climate change and sustainable development into their development plans and strategies.

8. National government has an important role to play in establishing enabling environment and policy frameworks that will transition the country into low-emission and climate resilient economy. A sustained vertical integration between national and municipal government is important for a more concerted effort towards building sustainable cities.

9. While cities are crucial to a low emissions climate resilient future, a lack of finance is a major barrier preventing cities, particularly in developing countries from realising their sustainability ambitions. Furthermore, existing DFIs and MDBs are often constrained by their mandates and balance sheets to work directly with cities or to mobilise climate investment for cities at the pace and scale required.

10. Cities need defined, quarantined, predictable and accessible climate finance. There is financing gap of USD 1.8–2.4 trillion per year for low-emission and climate resilient infrastructure, majority of which is in urban areas. Both public and private finance need to be fully harnessed to fill the gap and cities must be supported with financial and technical support to mobilize and access public and private sources. City networks and partnerships have crucial role in matching supply with the demand of climate finance.

11. Cities vary in sizes, geographical locations, fiscal status, creditworthiness, financial autonomy and they face different challenges in building sustainable cities. Each city requires a nuanced approach to plan and finance for a sustainable city and the financial and technical support needs to be customized to meet the needs and priorities of cities.

12. Awareness on climate finance by the city level actors involved in planning and financing sustainable cities must be heightened and their capacity to mobilize and access climate finance should be bolstered. Institutionalizing the capacity of city authorities will help in sustaining the ability to utilize climate finance for urban sustainability projects in longer term.

13. Science needs to inform the design of urban sustainability project to ensure that climate finance addresses the core sustainability issue. This will also help to maximize the effectiveness and impact of the project funded by climate finance.

14. Development benefits of the urban climate actions should be the entry point to make the actions more meaningful and effective and to improve the livelihoods of people living in developing country cities. Communication and engagement with local stakeholders in planning and financing urban sustainability projects is crucial to ensure no one is unintentionally sidelined by the projects.

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[2] The comments and questions received from participants via the online tool can be found at the 2019 SCF Forum website.

[3] SCF meeting documents page: https://unfccc.int/topics/climate-finance/meetings--events/scf-committee-meetings.

15. There are clear differences between cities in developing and developed countries, in terms of capacity, levels of financial and decision-making independence and most importantly ability to access finance. Many cities in developing countries have no functioning capital market, low creditworthiness or no credit ratings. If the multilateral climate funds and development institutions make interventions based only on the criteria of economic returns or commercial viability, there is a risk that cities in developing countries cannot benefit from the interventions.

16. There are social and economic impacts in shifting conventional cities into sustainable cities, particularly in developing countries and in sectors such as transport and waste management. Issues of equitable transition and job creation are crucial for catalysing political decisions required for the shift.

Planning and financing sustainable cities

17. Partnerships and joint initiatives among the key actors (including cities, global city networks, national governments and multilateral and bilateral financing institutions) are critical in planning and financing sustainable cities and:

(a) In raising awareness on climate finance among local authorities;

(b) In fostering peer to peer learning and in building their capacities to mobilize and access climate finance.

(c) In sending out positive political signal and in providing confidence and trust to the private sector.

18. Small cities can join local government associations to cooperate with national governments, global city networks and international support providers, and jointly seek systemic solutions to prepare and implement urban sustainability projects. Small-scale projects from small cities with similar contexts and characteristics can be bundled into project portfolios, which can help lower the credit risks, reduce transaction costs and streamline project application processes.

19. A number of international and domestic sources of climate finance exist. No single source of finance can meet all the needs of cities, therefore a financial structure of an urban project may consist of a mix of financial sources, both from public and private sector. Innovative domestic sources of climate finance, including green bonds, subnational climate funds and cities' participatory budget are being piloted. However, many cities in developing countries need financial and technical support to make use of the sources.

20. Financial instruments can help cities overcome fiscal and regulatory barriers and mobilize financial resources from both public and private sources. The financial and regulatory barriers are best understood by the experts at the city level and subnational development banks (and also sub-regional multilateral development banks and climate funds) may be in the position to advise and assist cities in designing and applying the most suitable financial instrument.

21. Unlocking private investments for cities requires translating urban sustainability project into private investor's language, such as risk, return and duration of a project. An unclear understanding of the project may result in amplifying perceived risk and giving a perception to the investors that urban sustainability projects entail additional risk and cost.

22. Assessing the investment needs of cities in the context of national investment needs to implement the NDCs and NAPs will strengthen the vertical integration between national and subnational actors in pursuing a concerted effort towards achieving the goals of Paris Agreement and the SDGs. Engaging with multiple key climate finance stakeholders in assessing the needs and applying internationally endorsed methodologies can transmit positive signal and attract potential investors.

Capacity-building and enabling environments for the mobilization and delivery of climate finance for cities

23. Cities need more facilitated access to climate finance, so that scaled-up climate finance can be channeled to cities for urban sustainability projects. Creating subnational finance vehicles to be operated by multilateral climate funds that directly support cities could be a solution. Inclusion of urban climate actions in the second round of NDCs could ensure that urban priorities are integrated into national planning processes and secure more financial resources for city-level projects.

24. Financial engineering of climate and sustainability investments are done primarily at the national level and many financiers lack an understanding of how city finance works. There is a need for training and capacity-building for financiers on city finance, and subnational development banks may have the expertise to fulfill this need. Subnational development banks can help local and regional governments expand and diversify their financial resources while helping to solve the structural lack of capacities in formulating bankable low-emission and climate-resilient projects.

25. Engaging and collaborating with the financial sector is essential to finance urban sustainability projects. Engaging the sector early during the project conceptualization stage would be useful as it can help assess the commercial viability of a project and advise on how the project can be financially structured. There is a high demand for good green investment opportunities at the city level, and it should be a priority of cities and other key stakeholders supporting urban sustainability actions to engage the financial sector and explore ways to finance urban projects.

26. Engaging local private investors and finding the right place for them in the urban sustainability actions will be important. Incentives should be offered to the investors, based on milestones they reach to showcase the sustainability outcomes of their activities, and while taking into consideration the characteristics and scale of local businesses.

27. While unlocking private investment is important, prospects for economic returns or commercial viability of projects cannot be determining factors for interventions to be made by multilateral climate funds and development institutions.

28. Aligning cities' project proposals with the NDCs and the SDGs is important in the project preparation phase, as this will be conducive in bridging the supply and demand for climate finance. Creating inter-departmental working groups within city administrations could help enhance internal coordination in preparing project proposals. One way to alleviate city governments' burden of internalizing the capacity to develop project proposal could be to delegate part of its functions relating to the project proposal to a dedicated national/subnational agency.

Role of climate finance in building more inclusive and sustainable cities

29. City planning and project implementation must be done in an inclusive manner, bringing in all constituencies and groups, including the urban poor, women and youth.

30. At least one-fourths of the world's urban population today lives in slums and informal settlements, and the number is on the rise. Yet, the urban poor have often been neglected in the planning and implementation processes. They should be seen as positive change makers and be invited to participate in the planning and project preparation and implementation processes. Local and national governments can work together with industry leaders to create green jobs that could benefit both the urban poor and the municipalities.

31. Rural areas cannot be neglected in development and addressing the development gap between rural and urban areas is important to slow down the rapid urban population growth. When it comes to sustainable urban development, due consideration should also be given to small and secondary cities, not just mega-size cities.

32. The use of gender and youth advisors could be helpful in urban planning to ensure that climate finance will be used to make cities more sustainable, gender-responsive and youth-oriented. The opinions and advice of such youth and gender advisors should be given due consideration in the project cycle.

33. While building the capacity of women, youth and community leaders is important, capacity-building for local and municipal authorities is equally important so that they can understand the linkages between climate change and the economic, social and environmental issues that cities face today as well as the importance of including gender and youth perspectives in sustainable city planning.

34. Getting the political buy-in and financial support for gender and climate change projects especially from local governments remains a challenge, and a stronger political will is needed to localize and finance climate action.

III. Summary of the Forum

A. Climate finance and sustainable cities

35. The world is undergoing rapid urbanization, fuelled by economic, social and environmental changes. Currently 55% of the world population lives in cities and by 2050, this ratio will rise to 68%, adding another 2.5 billion people to urban areas. Cities account for more than 80% of the global GDP, and this number is expected to grow to 88% in 2025.[4] Not only cities are the main driver of climate change, but they are at the frontline of the adverse impacts of climate change, such as extreme weather events. Furthermore, climate change is also impacting the livelihoods of people, especially those living in the cities of developing countries, as climate change contributes to increased prices of food, water and energy.

36. Tackling climate change is inherently linked with achieving sustainable development in the context of urban planning and development. City authorities are facing the need to identify how each sector is impacted by climate change and assess the chain reaction that one sector's impact can cause in another sector. In this regard, one panellist shared a tool called Cross Dependency Initiative,[5] which can be used by city actors to map climate change risks such as heatwaves, flooding, coastal inundation, bushfires against different types of critical infrastructure at the city level.

37. Multiple international development agendas[6] also highlight the linkages between climate change and urban development, as illustrated in table 1. The linkages demonstrate the importance of breaking the silo and ensuring complementarity between climate action and urban sustainable development, at all levels.

Table 1

Linkages between climate change and urban development in multiple international agreements

Paris Agreement	The Paris Agreement underscores the importance of climate action by and support for cities and other subnational authorities. Of 160 NDCs reviewed, UN-Habitat found 110 (69%) included reference to urban actions.
SDGs	Of 169 SDG Targets, 92 (54%) are relevant for local governments
The New Urban Agenda	The New Urban Agenda includes 22 references to climate change, climate action & related (versus 1 reference in Habitat II document)
Sendai Framework	Sendai Framework includes 30 references to climate change; Urban planning is highlighted as a key to strengthening disaster risk governance to manage disaster risk

Source: Available at: http://www.europarl.europa.eu/cmsdata/124169/REGI_2017.06.19_3._R.Tuts_Urban%20Action%20on%20Climate%20Change%20Linkages_UN-Habitat.pdf

4 United Nations World Urbanization Prospects 2018. Available at: https://population.un.org/wup/Publications/Files/WUP2018-Report.pdf.

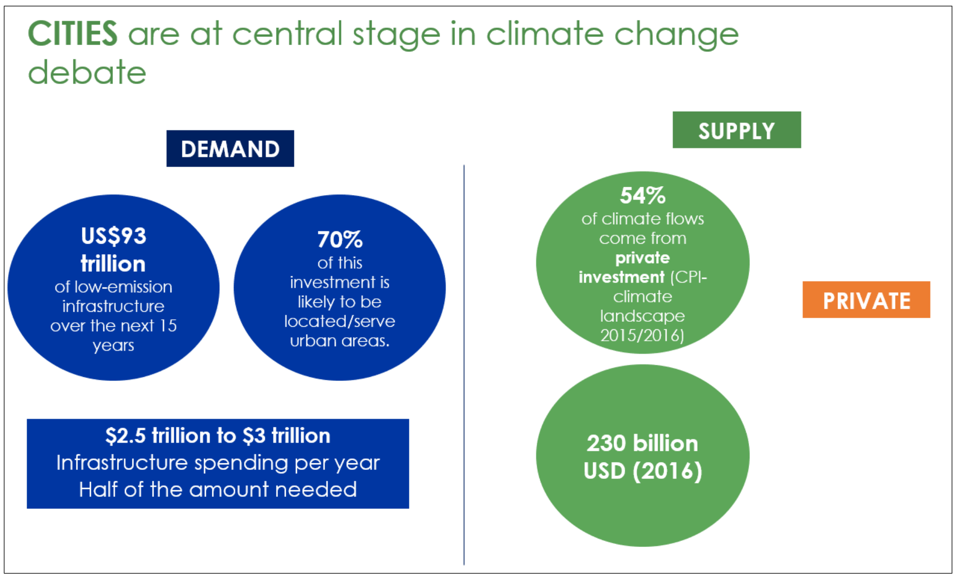
5 More information can be found at available at www.XDI.systems or www.easyxdi.com.

6 Such as the Paris Agreement, the SDGs, the New Urban Agenda and the Sendai Framework for Disaster Risk Reduction.

38. Subnational governments have significant role to play in combating climate change. The panellist from the Climate Policy Initiative mentioned that, according to the OECD, 55% of public financial spending is carried out by subnational governments, and 64% of climate-related spending and investment is at the subnational level.[7]

39. According to the Global Commission on the Economy and Climate, USD 93 trillion investment is required for low emission infrastructure in next 15 years and 70% of the investment will be in urban area (figure 2).[8] This translates into per annum investment of USD 4.3–5.4 trillion per year until 2030, but current investment scale remains at USD 2.5–3 trillion per year, which is about half of the amount required. Interpreting the financing needs for urban infrastructure requires a nuanced and regionally-contextualized approach, given that: (1) by 2050, 90% of population growth in coming years will be concentrated in medium-sized cities in Africa and Asia[9] and; (2) the financing needs of developed countries are focused in maintaining and retrofitting aged infrastructures.

Figure 2
Estimated demand and supply of climate finance at city level



Source: Available at: https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/climate-finance-and-sustainable-cities

40. Studies show that there are financial resources, particularly from the private sector, that could be harnessed to fill the financing gap. According to the New Cities Foundation, there an unprecedented appetite in the private sector, including from institutional investors and pension funds, for investments in climate resilient infrastructure.[10] However, several challenges remain, particularly for cities in developing countries, in relation to mobilizing and accessing finance to address financing needs of cities for infrastructure investments and sustainable development, such as:

[7] Financing Climate Futures: Rethinking infrastructure. 2018. OECD. Available at: https://www.oecd.org/environment/financing-climate-futures-9789264308114-en.htm.
[8] The state of city climate finance 2015. 2015. Cities Climate Finance Leadership Alliance. Available at: http://ccfla.wpengine.com/wp-content/uploads/2015/12/CCFLA-State-of-City-Climate-Finance-2015.pdf.
[9] 2018 Revision of World Urbanization Prospects. 2018. United Nations. Available at: https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html.
[10] Handbook on urban infrastructure finance. 2016. New cities Foundation. Available at: https://newcities.org/wp-content/uploads/2016/03/PDF-Handbook-on-Urban-Infrastructure-Finance-Julie-Kim.pdf.

(a) Lack of financial autonomy (e.g. taxation policy is manged by the national government; cities not being permitted to take on debt on its own);

(b) Limited financial and human resources and technical capacity to formulate investment-ready climate projects or issue municipal bonds;

(c) Poor creditworthiness (or lack thereof) resulting in limited access to global financial market;

(d) Regulations that cities can enact are bound by national priorities;

(e) Low level of awareness and capacity to utilize:

(i) International sources of climate finance through bilateral and multilateral channels;

(ii) Innovative financial instruments that can help cities collaborate more closely with financial institutions and corporations and harness the potential of private markets.

41. Many cities, in both developed and developing countries, are committed to carry out climate actions and achieve SDGs. For example, the Mayor of Metepec City, Mexico, shared activities that her city has undertaken, including: developed inventory of GHG emissions; undertook vulnerability assessments; mainstreamed climate change into local development strategies and emergency management plans; placed systems to monitor and report progress in meeting the SDGs; and joined the global city networks to form partnership with other cities.

42. Some cities in developing countries (e.g. city of Metepec in Mexico as a case study), have also started to assess their financing and investment needs required to implement urban sustainability projects, even with specific climate targets and financial requirements (See figure 3). This was highlighted as a useful approach to match the supply and demand of climate finance. Furthermore, some cities have started to work with the financial sector, including commercial banks and insurance groups, to create climate adaptation bonds and climate resilience investment vehicle, thereby exploring the possibilities on ways to engage the private sector to meet the financing and investment needs of cities.

Figure 3
Assessment financial needs and investment priorities of Metepec City's urban sustainability projects

SDG 6. Clean Water and Sanitation (10.67 MUSD)	• 35 rainwater collection systems in schools (4.60 MUSD) • 2 Wastewater treatment plants with quality for direct use (irrigation) with a capacity of 100 and 60 liters per second, respectively (6.07 MUSD)
SDG 7. • Affordable and non-polluting energy (10.11MUSD)	• Change to 6,000 solar heaters (3.03 MUSD) • Change of 9,584 public luminaires to LED technology (5.76 MUSD) • Change of use of conventional electric energy by solar energy in 10 water wells (1.26 MUSD) • Operation of gas ovens for clay crafts and inventory of baked partition producers (0.04 MUSD)
SDG 9. Industry, innovation and infrastructure (5.56 MUDS)	• Construction of collector system for wastewater and storm surplus (2.02 MUDS) • First stage of installation of micro measurement of household and commercial drinking water consumption (1.52 MUSD) • Construction of a purple line for treated wastewater for irrigation and services (2.02 MUSD)
SDG 11. Sustainable cities and Communities (42.11 MUSD)	• Municipal program for the integral management of urban solid waste (12.89 MUSD) • Second stage of sanitation of former municipal landfill (Undercut) (0.66 MUSD) • Improvement of the cultivation of urban green areas (2.53 MUSD) • Comprehensive alternative mobility program. Cycleway Network (23.63 MUSD) • Strengthening of plant production capacity in municipal nursery (.61 MUSD) • Conclusion of the 1st stage of administrative building construction (1.77 MUSD)
SDG 13. Climate Action (0.8 USD)	• Identification of urban vacant lots to apply tax policy that stimulates cleaning, afforestation and fire prevention (0.08 MUSD).

Source: Available at: https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/climate-finance-and-sustainable-cities.

43. National governments have a two-fold role in facilitating climate action at the city level: enabling role and regulatory role. A panellist, who was an ex-minister of environment of Egypt, shared an example from the energy sector, where the national government introduced policy on feed-in-tariff, thereby enabling new investments in renewable energy by multilateral development banks and private sector. As a second step, the national government also played a regulatory role by reforming price structure of electricity and adjusting fossil fuel subsidies, while ensuring equity and protecting people in vulnerable situations.

44. Vertical integration that would ensure harmonization and integration between governments at the national and the municipal levels was highlighted as a crucial element in taking a coherent national action towards tackling climate change and achieving sustainable urban development. An example was shared, where one major city in a country is taking climate actions, while another major city is taking decisions that are harmful towards climate change. The electoral cycle of cities and the consequent changing of the mayors was also raised as a challenge in ensuring a sustained vertical integration.

45. In this context, ways to ensure a sustained vertical integration was discussed. Working with city-level technocrats or assigning a national agency to coordinate the integration may help in sustaining the integration. Furthermore, it was highlighted as important to inform the city authorities about: (1) the cost of climate change impacts on different sectors (infrastructure, health, water, etc.), (2) the cost of inaction or mal-action and (3) the potential of accessing and harnessing the public and private financial resources to support sustainable urban projects and programmes.

46. In three breakout groups, forum participants were invited to brainstorm around the challenges cities are facing today in building sustainable cities, and how climate finance can address those challenges in the following sectors: (1) energy and building; (2) water and waste management and; (3) transportation. Table 2 summarizes the brainstorming discussions.

B. Planning and financing sustainable cities

47. Planning and financing sustainable cities is a challenging and complex venture. Nevertheless, key stakeholders (including cities, national governments, global city networks, multilateral and bilateral financing institutions) are stepping up to the challenge to jointly assist cities mobilize and access climate finance required to plan and finance urban sustainability projects.

48. In this context, the Mayor of Guisser City, Morocco, shared an example of a subnational climate finance expertise program,[11] which is a joint initiative by an association of mayors and local governments and is supported by a global city network and national government. City authorities, particularly from small cities, find such joint initiative useful because it raises awareness of climate finance to local authorities and helps them to develop investment-ready urban sustainability projects.

Another example of a city-to-city matchmaking scheme[12] was shared by a panellist from Japan. Under the scheme, cities from developed and developing countries are partnered with each other, based on the financial, technological and capacity-building support that is required by the developing country city and can be offered by the developed country city. A bilateral support agency coordinates the matchmaking and uses public grants to perform feasibility studies in the developing country city. At the project implementation stage, public finance funds provide half of the investment requirement and a consortium of private businesses (both from the two partnered cities) contributes the other half of the investment needed, thereby mobilizing financial resources required for the project, as well as fostering the ownership of the recipient city and long-term sustainability of the project.

[11] http://www.fmdv.net/Actualites/Actualite_1376.

[12] http://www.env.go.jp/earth/coop/lowcarbon-asia/english/index.html.

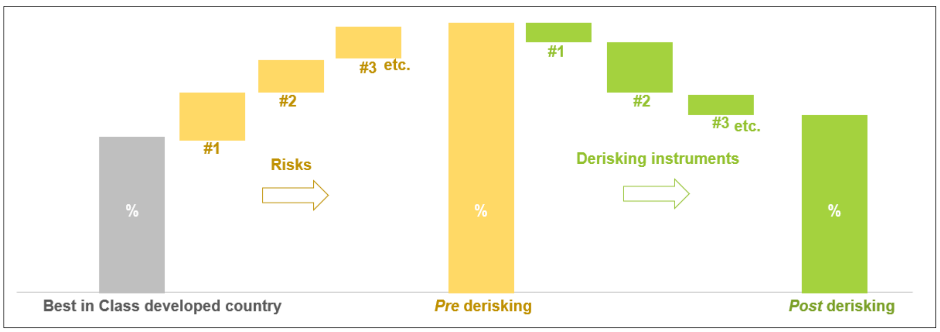
Table 2
Summary of the brainstorming discussions

<table>
<tr><th colspan="3">Points that emerged across all three brainstorming groups</th></tr>
<tr><td colspan="3">• A nuanced approach is needed in addressing sustainability challenges faced by cities and exploring possible solutions because of different circumstances and contexts faced by different sizes of cities, as well as their geographical locations.
• There is a general lack of complementary planning and action across the different sectors. A strengthened governance, for example, establishing an urban cross-sectoral framework and empowering one agency to lead the coordination, may help in enhancing the complementary planning and action.
• Blended finance can utilize limited public finance of municipal governments to improve the risk profile of urban projects and make them more investment-ready, thereby catalysing additional financial resources from various other sources, including private sector.
• Awareness on climate finance need to be heightened for city authorities, local communities, local financial institutions and engineers working on urban projects. In particular, capacity-building on climate finance for city authorities must be institutionalized, so that it can be sustained. Furthermore, there needs to be a platform, where city experts on each sector can share best practices and lessons learnt in utilizing climate finance to build sustainable cities.</td></tr>
<tr><th>Points emerged from the energy and building brainstorming group</th><th>Points emerged from the water and waste management brainstorming group</th><th>Points emerged from the energy and building brainstorming group</th></tr>
<tr><td>• City authorities and investors need to undertake cost-benefit analysis to weigh between retrofitting old buildings and building new buildings; sometimes it is more economically sensible to build new buildings to “leapfrog” into a sustainable city.
• Building code is an important policy instrument to lower the GHG emissions from urban buildings and structures. Many cities in developing countries are in need of support to develop and apply building codes to classify and manage the buildings and structures.
• Access to financial instruments (such as more equity finance or guarantees that can de-risk the urban housing and energy projects) by city authorities and urban project developers needs to widen. Provision of scaled-up public finance (e.g. for guarantees) and enabling environments for greening the financial market may help in widening the opportunity.
• Small-scale energy or housing projects can be bundled into portfolios. This can help to lower the credit risks, reduce transaction costs and streamline application processes, which encourages local financial institutions to participate, thus enabling larger-scale investments that may have not been feasible otherwise.</td><td>• Due to fast urbanization, water stress will increase at an unprecedented rate; solid waste generation will double between 2016 and 2050. Enhancing the science-policy interface is key to ensure that climate finance is directed to the core issues or “hotspots” in these sectors.
• For example, in the water sector, international support is available to: (1) help countries identify hotspots at the river basins, where it is most vulnerable to climate change and (2) develop capacities to develop investment-ready water projects that can be funded with climate finance.
• There are funding opportunities for water projects in multilateral climate funds; project proposals need to frame the issue of water from a climate change perspective, in order to get the funding approval.
• Public policy tools, such as environmental licencing and payment for ecosystems, are available to city authorities preparing water or waste projects. However, challenges remain, for example: environmental licensing may increase time, technology and finance required for project implementation; payment for ecosystem services require political interest of the people that are impacted by the project; measuring the impact and effectiveness of the policy intervention and the investment remains difficult.</td><td>• Many developing countries have higher development priorities that are more closely related to livelihoods of people (e.g. poverty alleviation or public health), than low-emission transportation. In this context, development benefits of transportation projects (e.g. enhanced mobility and cleaner air) should be the entry points to make transportation projects more meaningful and effective.
• Transportation sector, particularly in developing country cities, is highly dominated by micro-, small- and medium-sized companies. This makes it important to provide the right incentives and enabling environment to catalyse green transition in the sector. Public-private partnership is one of the policy instruments that can be effective in making climate finance directly accessible by the MSMEs.
• Communication and engagement with local stakeholders with clear and transparent process is crucial to make sure the economies of local transportation businesses (which often depend on conventional fossil fuel-based automobiles) are not sidelined by the urban transportation projects.</td></tr>
</table>

49. Such joint initiatives and partnership schemes send out positive political signal and provide confidence and trust to the private sector, particularly to the local micro-, small- and medium sized enterprises, thereby encouraging them to participate and invest into urban sustainability projects.

50. Furthermore, the usefulness of public instruments was highlighted, in the context of de-risking urban renewable energy projects. Urban renewable energy projects require a higher up-front cost, compared with conventional fossil fuel-based energy investment, and the cost of capital is higher in developing countries than in developed countries, due to various risks (perceived and actual).[13] A representative from Lebanon shared how a package of public instruments can bring down the risk and assist the policymakers and city authorities in developing countries. See Figure 4.

Figure 4
An illustration of UNDP's framework on de-risking renewable energy investment



Source: Available at: https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/climate-finance-and-sustainable-cities

51. Building on this example, one participant shared an example of Nicaragua and stated that a combination of conducive foreign direct investment policy and long-term power purchasing agreement that ranges over 20 years can be as effective as a package of public instruments in de-risking urban energy projects.

1. Sources of climate finance for cities

52. There is no single source of finance that can meet every need of cities. Sources of finance for urban projects are determined by a number of factors, such as scale and types of projects, fiscal status of cities, creditworthiness and financial autonomy.[14] In designing a financial structure of an urban project and identifying possible sources of climate finance, each city's unique circumstances and each project's characteristics must be taken into account.

53. Green bonds can mobilize climate finance at scale by attracting investments from institutional investors and pension funds for both mitigation and adaptation projects. There are a few successful cases, such as Paris, Tokyo, Cape Town and Johannesburg, where cities have successfully issued green bonds to mobilize climate finance for urban projects, highlighting the potential of green bonds to finance urban sustainability actions.

54. However, many challenges remain in utilizing green bonds to meet the financing needs of cities in developing countries, including:

(a) Many cities are under financial stress due to budgetary constraints and are not creditworthy to access the green bond market;

(b) Issuing green bonds require substantial amount of technical expertise and capacity-building;

[13] Including grid/transmission risks, political risks, power market risks, social acceptance risks, financial sector risks, macro economic risks, etc.

[14] For example, some cities are not legally permitted to receive grants or loans from an international source.

(c) There is no internationally agreed standard to determine a bond as "green" and cities have to rely on national guidelines, which are sometimes not available;

(d) Checking a project for its eligibility to be funded by green bonds requires a certification by a third-party institution, which can increase the project cost.

55. Participants explored alternative sources of climate finance that developing country cities can avail of. Subnational climate funds, cities' participatory budget, and local taxation at the municipal level were discussed as possible options:

(a) Subnational green fund can utilize the limited public funding sourced from the national government to catalyse private investments at the municipal level. Paris Green Fund, which was initially mobilized with EUR 15 million from the French government in 2018, has catalysed more than EUR 200 million of investments in urban sustainability projects, mainly from small- and medium-sized enterprises. The enterprises are required to showcase positive impacts on urban sustainability, such as jobs, energy and social impacts.

(b) Under the cities' participatory budgeting, a mayor decides to set aside certain percentage of public urban investment budget for citizens to decide its usage. Additional resources can be mobilized through crowd-funding among the citizens. This scheme is useful to draw out voluntary participation of the citizens and strengthen the ownership of the urban sustainability projects.

(c) Local tax was also raised as a potential option to mobilize financial resources. However, in many countries, taxation policy is managed at the national level and even the local tax requires authorization of the state and mayors have little leeway to mobilize meaningful amount of resources through taxation. In addition, social acceptability of the additional local tax can be a political burden to the city.

56. Examples shared during the Forum show no single source of finance can fulfil the investment needs of cities and different sources of finance, both public and private, need to be geared to make an impact. A closer communication and collaboration between environment and finance communities in the city administrations, and the governments' closer communication with the financial sector, is required to match the supply and demand of finance.

2. Innovative climate finance instruments for cities

57. Innovative financial instruments can help cities utilize financial resources from both public and private spheres. Enabling environments and conducive policies are key to help cities tap into the private financial resources available in the investment market, including from pension funds, sovereign wealth funds and institutional investors, through entrepreneurship and innovative financial instruments.

58. Innovative financial instruments may not necessarily be "new" instruments. Rather, a financial instrument can be considered as innovative, if the instrument can unlock the problems that market alone could not resolve. Such circumstances of market failures vary by city and by sector, hence the development and application of innovative financial instruments may vary from city to city. Issues cities face on the ground, for example financial or regulatory constraints, are best understood by the experts at the city level. Therefore, they should be engaged in designing and applying innovative financial instruments for urban sustainability projects. Ways to assist cities utilize innovative financial instruments and replicate the best practices in other cities with similar size and context include:

(a) Pooling resources within a geographical scope (e.g. a sub-region);

(b) Promoting communication and collaboration among the key climate finance actors, including subnational development banks, sub-regional multilateral development banks and climate funds;

(c) Utilizing the initiatives and financing vehicles that support cities with the use of innovative financial instruments, such as the global innovation lab for climate finance[15] and the Subnational Climate Fund Africa of R20.[16]

Various financial instruments are used to design the financing structure of an urban sustainability project and city authorities and urban project designers often engage with private investors. Issues of urban sustainability and transition into low-emission climate resilient cities need to be translated into a narrative that could be easily understood by the private investors and they need to be informed of the risks, returns and duration of the proposed project. If this narrative is unclear, the perceived risk of the investors may be amplified because of complex nature of urban sustainability project and the misconception of additional cost entailed to the projects. Furthermore, it can be useful to initiate the conceptualization and design an urban project by using the needs and priorities of private investors as a starting point.

3. Financial needs and investment priorities for cities

59. Assessment of cities' investment needs and priorities should be undertaken in the context of the broader identification of national investment needs and priorities to implement the NDCs and NAPs. Given that recent climate finance (both at the national and international levels) are often prioritized to support actions under NDCs and NAPs, aligning cities' investment plans of cities with the NDCs and NAPs will facilitate access to climate finance.

60. National government should reflect urban climate actions in their NDCs, particularly in preparing the second round of NDCs by 2020, so that city considerations can be mainstreamed in national planning and more financial resources can be provided for urban projects. Furthermore, national government (e.g. ministry of finance) that undertakes fiscal policy reforms should consider ways to support subnational governments mobilize and access climate finance.

61. Assessing the investment needs and priorities of cities is often undertaken in collaboration with multiple stakeholders. As an example, a representative from the EBRD shared the Green Cities Programme.[17] The programme helps cities identify their sustainable urban investment needs and priorities and prepare a green city action plan, based on a methodology developed by ICLEI. Key stakeholders, such as local communities, civil society, mayor's office, and potential private investors are involved in assessing the needs, identifying priority action areas and developing the action plan. Such plans helped in financing urban sustainability projects by EBRD and in catalysing co-financing by GCF. Furthermore, engaging with multiple partners from the early stage of the needs assessment – in a transparent manner and in accordance with internationally endorsed methodologies and standards – delivers a positive signal to potential investors and lowers the financial risk of private investors.

62. Cities taking an active role in assessing the financial and investment needs strengthens ownership of the cities in its investment plans and the project results. Scalability and replicability are keys to ensure long-term sustainability of the projects.

63. Smaller cities may have identified financial and investment needs that are smaller in scale than others, but they should have equal opportunity to access domestic and international climate finance. However, examples shared during the Forum illustrated that smaller cities often do not have working relationship with the national government, nor the access to public instruments, such as sovereign guarantees. To overcome this challenge, smaller cities could join local government associations, so that they can express their needs collectively. Furthermore, national governments and smaller cities can jointly seek systemic solutions that will facilitate cities' access to climate finance in a more independent manner and on a more regular basis.

[15] https://www.climatefinancelab.org/.
[16] https://regions20.org/sub-national-climate-fund-sncf-2/.
[17] https://www.ebrdgreencities.com/.

C. Capacity-building and enabling environments for the mobilization and delivery of climate finance for cities

64. Urban sustainability projects or climate actions have high upfront cost, but many cities face challenges to mobilize or access international climate finance, due to their low level of capacity, creditworthiness and/or inadequate enabling environments and policy frameworks. To overcome these challenges, cities' capacities to manage their fiscal resources and access climate finance need to be ratcheted up, and national governments need to find systematic ways to localize climate actions, particularly at the city level.

65. Although many climate funds and multilateral development banks offer climate finance and capacity building support for project preparation and implementation, advancing a project to the actual financing stage remains a challenge for many cities. It is necessary to decentralize climate finance access modalities and mechanisms to ensure that cities will have a wider opportunity to access finance and funding will flow directly to cities for their urban sustainability projects.

66. Political challenges at every electoral cycles both at the national and subnational levels hamper the sustainability of urban projects and local climate actions because many policies are often discontinued, when a new government or mayor takes office. In this regard, there is a need for "election-proofing" cities' climate action plans, so that the work can go undisrupted even after a change of political leadership.

67. Most financiers lack an understanding of how city finance works, and there is an important role for subnational development banks. Subnational development banks can help local and regional governments expand and diversify their financial resources, address the structural lack of capacities and formulate and implement low-emission and climate-resilient projects. Similarly, several international support organizations and development institutions can provide capacity-building support specifically targeting LGFIs. For example, the United Nations Capital Development Fund and the Global Fund for Cities Development – Fonds Mondial pour le Developpement des Villes are working with a network of African local government financing institutions (known as RIAFCO) to enhance the cites' understanding of municipal finance instruments and their regulatory and policy context as well as innovative sources of finance (see box 1 below).

Box 1
RIAFCO: Network of African Local Government Financing Institutions

RIAFCO is an innovative network of LGFIs from across Africa. The network aims to encourage LGFIs to cooperate closely on all aspects of decentralization of finance and to build solidarity between its members through peer-to-peer institutional and technical exchange. It has 11 member countries: Madagascar, Burundi, Gabon, Cameroon, Niger, Benin, Burkina Faso, Côte d'Ivoire, Mali, Guinea, and Senegal.

RIAFCO members include Cameroon's Special Fund for Equipment and Inter-Municipal Intervention,[18] , Mali's Local Authorities National Investment Agency[19] and Madagascar's Local Development Fund.[20] FEICOM, for instance, has pursued ISO 9001 (quality management system) certification and has completed training, backed by Cameroon's Ministry of Economic and Finance, on how to obtain credit rating from international rating agencies in line with international accounting standards.

Source(s): Studies on financial resource sustainability and diversification for Local Government Financing Institutions in Africa. Cross-cutting summary of studies on FEICOM (Cameroon), FDL (Madagascar), ANICT (Mali) and ANFICT (Niger). February 2018 by UNCDF, the FMDV and RIAFCO.

Abbreviation(s): LGFIs = local government financing institutions.

[18] FEICOM – Fonds Special dÉquipement et d'Intervention Intercommunale.

[19] ANICT – Agence Nationale d'Investissement des Collectivites Territoriales.

[20] FDL – Fonds de Developpement Local.

68. Building a project pipeline that generates income remains a challenge. The importance of engaging and collaborating with the private sector is often emphasized, but there is still a dire need for capacity-building in the area of private sector engagement and partnership in sustainable development.

69. Unlocking private finance is essential to meet the climate and sustainable development needs of cities. The representative of Hongkong and Shanghai Banking Corporation stressed the importance of engaging the private sector from the early stages of urban project design, as the financial sector has the capacity to assess the commercial viability of a project in the initial conceptualization stage and determine the project's risk-return profiles. There is a high demand from the financial sector for good green investment opportunities at the city level, and it will be important for city authorities to reach out to the sector and explore all possibilities to unlock private sector investments.

1. Climate finance access and accreditation

70. The access modality commonly used by international climate funds and multilateral development banks is still predominantly through the accredited entities at the national and international levels. For instance, the GCF currently does not have a subnational financing vehicle that directly channels funds into city-level sustainability projects and programmes. As a result, under the current structure and modality of GCF, cities would first need to identify and aggregate their mitigation and adaptation needs and present their aggregated needs to the country's GCF national designated authority, who will relay the information to the GCF and request for support. When doing so, the cities also need to ensure that their needs are justified in the context of climate change, which can be challenging for city administrations.

71. However, there is an emerging awareness that small- and medium-sized cities should be also given the funding opportunities for their investment-ready climate projects. In this context, the need for de-centralizing the access modality and creating subnational financing vehicles that can better reach cities and address their needs was highlighted.

72. City authorities and representatives participating in the Forum expressed that they were largely unaware of the existing international funding mechanisms and programmes before attending the Forum. They highlighted the general unawareness of city administrations on the sources and instruments of climate finance and their capacity constraints in developing and implementing urban projects. For instance, the GCF representative noted that no investment-ready urban project proposal has been submitted to the GCF to date via direct access modality.

73. While capacity gaps and constraints of cities in all phases of project cycle as well as in accessing finance have been highlighted throughout the Forum, differing views were expressed on the orientation of interventions by multilateral climate funds and development institutions. One group of participants underlined the importance of de-risking urban projects through public finance and utilizing financial instruments like blended finance to unlock private sector investment. Another group of participants stressed that prospects for economic returns or commercial viability of projects cannot be the determining factors for interventions by multilateral climate funds and development institutions. If only based on the criteria of economic returns and commercial viability, many cities in developing countries and the poor will not be reached, which will be contrary to the SDG principle of leaving no one behind.

74. While much emphasis has been given on replicating good practices and sharing lessons learned on capacity-building, the capacity gap between different cities in the world can be immense, not just between cities in developing and developed countries, but also between cities in different developing countries. In this context, the diversity of sizes, characteristics and circumstances cities was reiterated, and some participants noted that replicating good practices from a few cities leading in climate actions may not be directly applicable to a large number of other cities. Furthermore, building institutional capacity of cities is a long-term venture that requires long periods of time and it should be undertaken in parallel with developing regulatory and legal frameworks that will enable climate action at the subnational level.

2. Project preparation and capacity-building support for cities

75. Lack of human and institutional capacity at the municipal level makes it challenging for cities to navigate the numerous project preparation facilities and plan and finance urban sustainability projects. Incubator platforms, such as ICLEI's Transformative Actions Programme, which matchmakes cities with a suitable project preparation facility and financier based on the city's project stage and needs, can help cities to overcome the capacity-related challenges.

76. Participants raised some important points relating to preparing project proposals by making use of the project preparation facilities. The project proposals need to be fully aligned with NDCs and SDGs to be eligible for climate finance and should contain specific indicators on how the success of the project can be measured, what are the results framework that can be used to assess the indicators and the expected duration of the project to achieve the project objectives.

77. For the purposes of project preparation and implementation, internal coordination needs to be strengthened within the city administrations, such as by creating inter-departmental working groups involving staffs from environmental and financial departments.

78. One way to alleviate local and subnational governments' burden of project preparation and capacity-building could be to delegate part of functions relating to project preparation to national or subnational agencies. This way, cities do not have to internalize all project preparation capacities from onset, but can make use of support from the national/subnational agency to expedite the process. In fact, there are a number of organizations and groups providing specific expertise and technical assistance to help cities develop and implement projects that are in line with the global climate goals and the SDGs.

3. Incentivising private sector engagement

79. Awareness and understanding of the national climate finance architecture has improved but there is yet a general lack of understanding among private sector and financiers at both public and private spheres on how climate finance works at the subnational level. Financiers, who would also have the knowledge of various financing options, including innovative financial instruments,[21] need to be trained on city-level sustainability projects, on de-risking urban projects and ways incentivize private sector engagements. In this context, subnational development bank's potential role to train the financiers, as well as to raise the awareness and understanding of municipal finance was highlighted.

80. Private sector entities need to be better informed about sustainable investment opportunities at the city level. In recent years, some multilateral development banks introduced urban programmes to improve private sector's access to climate finance and their engagement with cities. However, such programmes remain to be fully mainstreamed into the operations of the MDB's, as well as multilateral and bilateral channels of climate finance.

81. Engaging private investors and finding the right place for them in the value chain of urban sustainability will be important. For this, financial incentives for the private sector should be offered based on the milestones they achieved and activities they showcased on how they have contributing to the urban sustainability, taking into consideration each local business' unique characteristics and scale. The pace and scale of finance flowing from the international and national level down to the city and local level is currently not fast enough to meet the SDGs by 2030. Stronger efforts must be made to catalyse local climate action through champions, advocacy and follow up work.

D. Role of climate finance in building more inclusive and sustainable cities

82. Possible ways were discussed on how to address the needs of urban poor communities and people in vulnerable situations through sustainable urban services and creating green jobs.

[21] Including risk sharing, insurance associations, sustainability and green bonds, equity investments and blended finance.

83. A case study from Egypt was presented on how the urban poor communities were supported through government-led sustainability initiative. The national government worked with municipalities, the packaging industry and local small and medium sized enterprises to formally offer job contracts to those living in informal settlements as garbage collectors, who had already been voluntarily collecting and recovering up to two-thirds of municipal waste. The initiative started with the national government recognizing the urban poor and the work they were already doing. The national government started to work with packaging multinationals to create a system of reversing credits, so that every garbage collector in the value chain could be compensated for their work. As a result of this initiative and close collaboration with the industry and local SMEs in the process, every ton of municipal waste collected created seven jobs, benefiting and empowering the urban poor.

84. Creating sustainable cities that are more inclusive, gender-responsive and youth-oriented must go beyond undertaking stakeholder consultations with the urban poor, gender and youth groups. For instance, a representative from the Mediterranean Youth Climate Network shared that many youth consultative bodies stand ready today to engage with city authorities on the local planning, and that the voices of youth must be taken into consideration to make a sustained impact at the city level. Vulnerable communities and minority groups should be supported to identify their sustainability needs and priorities and to translate their needs into sustainability projects in collaboration with city and national authorities and other partner organizations.

85. Targeted training and capacity-building is needed to empower female in urban sustainability projects and political and financial support is required to warrant long-term sustainability of gender climate action at the urban level. The Urban Climate Change initiative by the Gender CC aims to build local knowledge and skills for climate action from the grassroots level. Women trainees were selected from community groups to participate in a sustainable energy training programme. The trainees became energy advisors to local governments after completing the training programme. However, the project did not get buy-in or funding from the local government, and the trainees had to seek and rely on external funding.

86. Municipal and local authorities also have an important role to play in linking climate change with the cities' social, economic and environmental issues, as well as with the broader sustainable development needs. The level of awareness of city authorities on the linkages needs to be heightened and their capacities needs to be bolstered, so that the authorities can adequately address the needs of the people in vulnerable groups. Furthermore, linking climate change with the broader development issues will assist city authorities in identifying possible source of climate finance.

87. Developing the countryside and rural areas was highlighted as a way to slow down the migration from rural to urban areas and lessen the burden that a rapid urban population growth puts on the cities' infrastructure. In the 1980s, authorities in Managua were struggling to build and maintain infrastructure for a city of 800,000 people because the pace of urban population growth exceeded the pace of urban infrastructure development. It was emphasized that rural areas cannot be neglected in development and that addressing the gap between rural and urban areas is also important from the perspective of achieving sustainable development in a balanced manner.

1. The role of climate finance in empowering groups in vulnerable situations

88. The rapid growth of urban populations worldwide is accompanied by an increase of populations living in informal settlements, slums and poor residential areas. UN Habitat estimates that around 25 per cent of the world's urban population lives in slums and that 213 million slum dwellers have been added to the global population since 1990.[22]

89. Those living in informal settlements or slums have often been neglected and have not been invited to take part in urban sustainability discussions and they have also been largely excluded from opportunities to make decisions on urban systems and infrastructure. A

[22] Habitat III Issue Papers 22 – Informal Settlements, Quito, October 2016, UN Habitat http://new.unhabitat.org/sites/default/files/download-manager-files/Habitat-III-Issue-Paper-22_Informal-Settlements-2.0%20%282%29.pdf.

representative of SDI, which is a network of community-based organizations of the urban poor in 33 countries in Africa, Asia and Latin America, emphasized that the slum dwellers can be agents of community- and municipal level climate action and must be seen as part of the solution. A number of grassroots initiatives and micro-level climate actions were introduced, including SDI's work with the slum dwellers in greening the streets, collecting waste around settlements and recycling, and building public toilets. Efforts are also being made in informal settlements in countries like Uganda to introduce small renewable energy solutions for people living in settlements.

90. The urban poor living in informal settlements and slums must be integrated into city planning and decision-making, as they have the potential to contribute to sustainable cities and can bring about positive change, with the right training and opportunities for participation. Grassroots networks and federations like SDI focus on having regular community-level forums and also forums at the city, national and regional levels and aggregating the needs of their communities to be the collective voice of the urban poor, so that they can influence politics and decision-making. For instance, these grassroots networks are participating in global climate action spaces, including the Global Commission for Adaptation talks.

91. The power of small grants and seed money in implementing community/urban projects was also emphasized. A participant from Belize shared a project aimed at developing a national resilience strategy action plan by working directly with communities and having them agree on their 10 priority actions. Project administrators received a grant of USD 50,000 from UNDP for the project and are utilizing the grant money to conduct research and to seek additional funding from other donor agencies.

92. A general lack of data at the local and municipal level was raised as a challenge in empowering groups in vulnerable situation to build sustainable cities. There are not many reports dedicated to subnational and municipal levels and what is reflected in the national reports often does not reflect the realities and needs of smaller communities and the poor residential areas in cities. The data gap needs to be addressed to enable development of effective projects and can possibly be addressed through the use of grants to collect data, as mentioned in the above paragraph, and through partnerships with local research institutes and universities.

2. Enabling environments for inclusive growth

93. There is a high level of youth activism in climate change, and more green and social mentoring initiatives and programmes are being offered to youth. Gender policies are also mainstreamed in many multilateral and bilateral institutions channelling climate finance. However, there is a need for going beyond simply referencing to gender and youth groups in the city planning and budgeting processes and these groups need to be part of formulating and implementing projects.

94. Engaging with gender and youth advisors, as well as applying markers and checklists in preparing urban projects can help foster a more inclusive, gender-responsive and youth-oriented city. Having gender and youth advisors engaged throughout all stages of designing urban sustainability projects may be useful to reflect their needs into the project. Furthermore, additional enabling environments for inclusive growth were shared, including: strengthened advocacy for inclusive growth; facilitating platforms to share experiences of taking part in urban sustainability actions; and social impact projects and entrepreneurship with climate dimension.

3. The potential of micro-, small- and medium-sized businesses in funding climate actions that can benefit groups in vulnerable situations

95. MSMEs are the biggest engine for local economy development and there is an emerging movement to engage in urban sustainability projects. Matchmaking the MSMEs' needs with the supply of climate finance is necessary, including establishing financing criteria and standards specifically for MSMEs at the city level. Financing products and tools are available or being developed for MSMEs in developing countries, such as Mexico and India. A good example from the developed countries is the policy of providing incentives to local MSMEs by allocating 5 per cent of the local government budget for this use so that the financial resource can be used to support MSMEs.

96. MSMEs have the potential to finance climate actions and projects. For instance, MSMEs can contribute to supporting the needs of the vulnerable and marginalized groups in their municipalities and cities, as well as in supporting micro-sized mitigation actions at the city level. Developing funding programmes that may be conducive for investments by MSMEs can help gear the full potential of MSMEs in urban sustainability. Furthermore, MSMEs must be engaged in the cities' climate action and planning processes as key stakeholders.

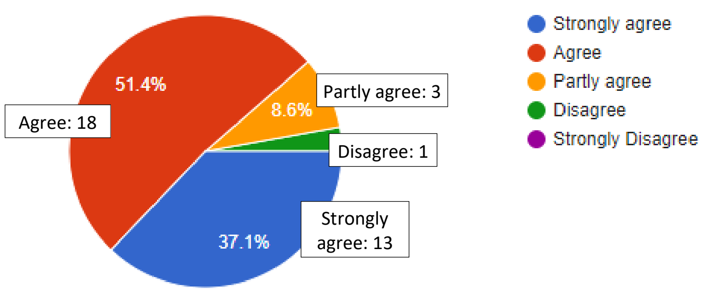
Annex II

Key outcomes from the 2019 SCF Forum participant survey

General assessment

The 2019 SCF Forum met my expectations.

35 responses



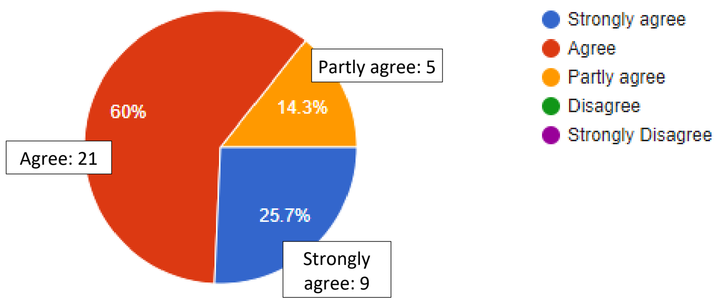
Please elaborate as needed

The Forum succeeded in bringing together relevant actors and ensure a real-life perspective on the issue of climate change & sustainable cities
City Level representation was low, and too supply side participants heavy
It was very helpful and an open door to learn how to acess funds.
Very disappointed, too far from cities needs and too few cities attended, too many UN bodies, no representant from private investors, pension funds...
Would have benefited from more city officials and private sector actors being present. Too much input from SCF members.
More engagement of civil society (youth, private sector, academia) in future conference for a more dynamic sessions
More diversity in participants is needed to truly advance on some of the topics in the SCF agenda.
I saw how we can surely include the poor parson and collaborations as well, and also prioritization of activities
Planning for climate action in cities and urban communities has to be cognizant of the complexity and multiple dimensions (economic, socio-cultural, environmental and governance) that interact and are in constant motion. The sectoral approach (water, building, transportation etc.) has to be integrated into an overarching interaction. The financial mechanisms must also reflect this. This did not fully come out at the forum.

Objectives of the Forum

The 2019 SCF Forum was successful in meeting its objectives.

35 responses



Objective of the Forum was to enhance the understanding on how to accelerate the mobilization and delivery of climate finance for sustainable cities by:

(1) Bringing together key stakeholders and sharing good practices and lessons learned in financing sustainable cities and integrating climate considerations into cities' broader domestic infrastructure, development, and urban planning processes;
(2) Identifying challenges faced by actors at the city level to access and attract climate finance and sharing information on available support and;
(3) Exploring the role of climate finance to facilitate inclusive, participatory, gender-responsive and youth-oriented cities.

Please elaborate as needed

Some participants also wanted clear answers on how to get funding for their city projects, which was not the purpose of the meeting, but might have perceived to be so as part of the 'sharing info of available support'.
The panelist were clear in expending on objectives of the sessions, but i think objective 2 was not fully met.
For next time, it would be nice to invite the stakeholders from private sectors, banks, etc.
Same comment as above. Example invite developers for sustainable cities and conventional ones to exchange views and real life experience and challenges. Lessons learnt
Same as above. I think better challenge identification and categorization could also support the events outcomes. While the third objective was explored - depth was lacking - the conversation on these topics need more time to be explored and focused on.
stake holders surely give their experiences and also exclusivity in planning for cities during the a dress of climate finance
it was very usefull to conect with all the key stakeholders of the issue
I share the view of some participants that more private stakeholders could be invited to some sessions as appropriate.

Overall assessment

Please list three positive elements from the 2019 SCF Forum

Focus on Cities, Participant Engagement, Organization
Great topic & presentations; Participation of diverse actors & audience; Beautiful city
Networking, side talks, diversity .
City of Beirut had a very positive impact on me. The venue was easily accessible. Hotel was well situated. Lunch was excellent best food every served at UNFCCC meeting. COP organisers should in future ensure to actually have local cuisine included in the food choices. Not just bread rolls and sandwiches. UNFCCC and ESCWA staff are all very helpful and friendly
networking, bottom-up examples, clear identification of gaps and barriers
Interactive that never made it boring, broad themes, diverse background and specialists that made the session groups very interesting.
role of cities in future action to tackle climate change, cobenfits of using climate finance that expands to unforseen sectors like health and energy, better understanding on social and economic challanges facing cities climate related actions
Inclusive, Good balance between the Global, the Regional and the Local, Very good organization.
Cross cutting issues were integrated Novel perspectives were explored Frank and candid discussions about the current state of climate finance were presented
SCF admits now that local governments and authorities are part of the solutions, therefore they will need to finance their actions, consequently facilitating the access for these stakeholders is a must
Well done
Good Network Clear articulation of the Needs of Cities to be matched with resources Understanding the works ongoing in other parts of the world
Excellent organization and time management, great panelists, excellent moderators
1. Networking 2. Content 3. Location - Beirut was great
Requirement of domestic enabling environment, effective and efficient use of public money by leveraging all other sources of finance, efficient use of all instruments other than grants for mobilizing resources

Practic information, capacity-building
1) Networking with people, 2) disseminating my stories and ideas, 3) feeling the current situations and trends of the world's climate finance.
concrete discussion, practicioners outside UNFCCC box, mainly decent time management
Conncrete examples, mix of backgraunds
Informative, Diverse expertise of participants & only 2 days focused meeting
Cities, cities, HSBC
good organisation, engaged participants, well kept time
Networking, interesting participants, lively discussions
2 days is a good duration, overall well attended, good mix of participants
1. Broader coverage of the topics 2. A wider variet of experts from multilateral, private and government insitutions 3. Good location and venue for the meetings

1. Case studies very useful 2. Engagement of research institutes and banking sectors very useful 3. The topic of forum is well chosen and inline with climate action
1. Good representation from key actors in the city finance space. 2. Engaged participation from almost all participants. 3. Section on inclusiveness was valuable and interesting but can be further expanded in the future.
Experience sharing Diversity of participants Engagement of participants.
It was so interactive, Time management was so good, Facilitators were so good and new what to do when
conecting. information. perspective for the future disscussions on climate change
Networking, knowledge gained and exploring potential partnerships.
Multiple actors involved; Diversity of topics discussed; Possibility of horizontal discussions
The forum should remain a small(ish) gathering, turning it into a big event should be avoided, working in breakout groups gives one a chance to actively participate in discussions, having plenary wrap ups of work in groups enables one to learn what was discussed in other groups, this formula should be retained
- different stakeholders were present. /- getting introduced to different projects in the region and internationally. /- the agenda was well made
theme setting, regional coverage, and composition of the forum
It was a wonderful idea to organise this meeting but unfortunately it was not a forum with tru city reality but the vision from UN bodies, MDB, City networks... BUt not from cities practionners and it lacks actor from local economy : companies and private investors...
Thanks for inviting me and looking forward to more events to support climate action
This forum constitutes an real opportunity to lear from many practicians and researchers both from developed and developing countries. Very useful.
Thank you. It was a very useful experience to paricipate in the forum

Please list three areas of improvement for the future SCF Forums

Too few case studies in breakouts meant discussions less well rounded
How to translate what was learned at the forum into UNFCCC?; Lunch.
being sustainable in our logistics, fund youth to attend, time management.
Communication regarding water not been allowed into the meeting room would have been helpful. Fully understand the issue of using plastic bottles but then alternative should be provided, eg Water jugs for the speakers and panelist.
need for concrete solutions, finance and city people talking past each other
Lack of contact lists for future references (at least an email or web page of other participants and climate funding organizations), no written or digital material,
relevance of case studies, daily summary to be circulated and posted, more time for interactive discussions
More IFIS and banks should participate. It should be a kind of an obligation for WB, EIB, EBRD,... in the framework of their commitments to UNFCCC.
Inclusion of private sector investors
N/A
None
More City participants to bring the practical issues up More time for breakout sessions More City Needs to Matching Potential Finance Sources
More participation of local authorities if developing countries
1. IT systems - Secretariat ensuring all videos are loaded and working well prior to all sessions 2. Food and coffee - fruit at morning and afternoon tea, also need to have milk for tea and coffee 3.
Focus also on social infrastructure with a focus on experiences of developing countries.
how to include our country on fund access. what are the criterias
1) No good time management (always same persons speak long and no time left for others), 2) invite more variety of stakeholders including private sector, 3) add 1/2 day (within the 2-day program) or one-day excursion (after the 2-day programme as option) to visit actual sites implemented by climate finance.
more exchange after the reports back, perhaps less involvement by the SCF members in the panels
Flexibility in setup: subsance over form
More interaction with less presenters, consider an exhibition or poster making and displaying practice and report back not in plenary but facilitator to present that in a poster form and have all the report backs in parallel and allow engagement on that as well.
City responsability and autonomy, shift the trillions to private initiatives, Businnes actors are also the key with cities

more engaged SCF members, follow the topic of discussions, SCF members to interact more with participants
Bad organization, SCF members too involved not giving enough time to other participants to join, logistics need improvement
Forum could be more open in terms of participation, more central governments, more negotiators to link the discussion to practical recommendations for policymaking at UNFCCC, more interactive setp up (worl cafes, etc) videos, etc
1. The topics could be better tailored to represent needs in developing countries 2. Venues could also be more flexible and open to all. The limitations of participants based on whether they have visited Israel or have stamps from Israel or even goods from Israel is discriminatory.
1. Engagement of academia, private extortion , developers , civil society 2. Including an exhibition for environmentally friendly products and projects conducted by civil society 3. Engagement of youth 4. A more practical approach and enter active sessions
1. Increase in the diversity of actors present, 2. Better time management of the agenda to avoid late starts and rushing through collaborative discussion interventions 3. More focus on identifying challenges / showcasing solutions for adaptation financing.
The plenary room was very small
Time factor was too short, More vulnerable people to be invited and consistent at least 2-3 times the same people for proper tracking of the progress and understanding.. Private sector should also be more called for a balanced representation as well as understanding .
more videos
Grouping of countries which share similar climate risk (SIDS), more best practices with developing and least developed countries and milk for the coffee..lol
Make tables with greater specificity by regions or affinity of problems
A careful selection of individuals representing relevant private sectors would help to connect the forum to the world at large and enhance the impact of the forum
- more engagement of youth and civil society/ followup with attendees during the year
networking, site-visit, and some external speaker