

Call for Submissions

Decision -/CMA.6 New collective quantified goal on climate finance

Submission by:

Bonn, 21 March 2025

With regards to:

Message from the Presidencies of the sixth and seventh sessions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the “Baku to Belém Roadmap to 1.3t”

C40 Cities and the Global Covenant of Mayors (GCoM) welcomes the opportunity to contribute to the development of the Baku to Belém Roadmap to 1.3T and supports the UNFCCC’s continued efforts to accelerate climate finance. As home to over half of the global population and responsible for 70% of global emissions, cities are at the forefront of the climate crisis. They are also key drivers of climate solutions—delivering ambitious policies, projects, and innovations that align with the Paris Agreements and the Sustainable Development Goals (SDGs).

However, cities continue to face barriers in accessing finance at the scale and speed required to implement climate action. The Baku to Belém Roadmap represents a valuable opportunity to bridge this gap by ensuring that subnational governments are prioritised as part of this Roadmap and that can directly access the funding necessary to build resilient, low-carbon, and inclusive cities.

C40 and GCoM urges the Roadmap to focus on unlocking finance for cities, enhancing the role of innovative financial mechanisms, and ensuring a just and equitable transition that prioritizes the needs of vulnerable communities. Our responses below outline key expectations, priority topics, best practices, and relevant multilateral initiatives that can help shape an effective and actionable Roadmap.

1. What are your overall expectations for the “Baku to Belém Roadmap to 1.3T”?

C40xGCoM expects the Roadmap to address how the massive finance gap in cities will be addressed including by scaling urban climate investment and enhancing direct access to finance for cities, recognizing their critical role in achieving global climate targets.

- Embedding Cities in Climate Finance Reform: The reform of the international financial architecture must recognize that cities and subnationals are essential players in achieving climate goals. This requires their inclusion in key financing mechanisms and policies. All MDBs should develop ambitious urban climate investment strategies and track and report on their urban climate investment, and identify how they can scale and increase direct access to finance for cities.
- Develop an ambitious target to scale urban climate finance: Set out a specific target to help close the urban climate finance gap, ensuring that a significant portion of the \$1.3 trillion climate finance target will benefit cities and subnational governments, recognizing their outsized role in delivering climate action. Promote the creation of scalable solutions to enable cities to secure investment in climate solutions. Address

structural barriers that prevent cities from directly accessing international climate finance, including lengthy project development cycles, sovereign guarantee requirements, and creditworthiness challenges.

- **Strengthening Climate Finance Mechanisms:** One of the biggest obstacles for cities and subnationals in accessing climate finance is that most funding flows through national governments, which often prioritise national-scale projects over local initiatives. To address this, the four Vertical Climate and Environmental Funds (VCEF) should institute mandatory engagement with subnational associations or representatives and establish targets and strategies for how they can catalyze subnational climate investment.
- **Enabling Policies and Capacity Building:** Finance alone isn't enough. Many cities lack the policy framework, the enabling environment, and technical capacity to access and manage funds effectively. Development banks and national governments need to develop tailored approaches to strengthen the enabling environment to unlock and facilitate access to finance for subnational governments.
- **Facilitating Access to Private and Blended Finance.** Public finance alone won't close the gap—we must mobilize private capital. Concessional finance needs to be used to catalyze urban climate investment, including through the provision of derisking instruments.
- **Foster Greater Coordination and Elevate Urban Among Global Financial Institutions:** Encourage multilateral development banks (MDBs), climate funds, and private sector investors to align their financing strategies with the needs of cities, and ensure that the coordinated shift to country platforms includes a subnational workstream.

The *Baku to Belém Roadmap* must go beyond setting a financial target—it must ensure **funding is accessible, equitable, and catalytic** for cities. Cities are already leading the way on climate action, and this Roadmap represents a crucial opportunity to empower them with the financial resources needed to accelerate and scale their efforts.

2. Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

To ensure the *Baku to Belém Roadmap to 1.3T* is effective, it must address the key financial, policy, and structural challenges that cities face in accessing climate finance. Cities are responsible for implementing a significant share of climate solutions, yet they struggle with limited direct access to funding, limited capacity, and insufficient financial mechanisms tailored to their needs.

The Roadmap should explore innovative financing models, policy reforms, and capacity-building strategies that empower cities to scale up their climate action. It should also prioritize equity and resilience, ensuring that financial flows support the most vulnerable urban populations and accelerate the transition to a just, low-carbon economy. Below are the critical topics and thematic issues that should be explored within the scope of the mandate.

Embedding LRAs in Climate Finance Reforms

- **New Collective Quantified Goal (NCQG) for Climate Finance:** Define a clear pathway for scaling climate finance to \$1.3T annually, ensuring that a significant

portion is directed to urban and subnational climate action.

- **Multi-Level Governance:** MDBs and climate funds should integrate multi-level governance principles into their financing frameworks, ensuring that LRAs are not just seen as implementers but also as decision-makers in climate finance discussions.

Strengthening Climate Finance Mechanisms

- **Dedicated Funding Windows for cities:** The VCEFs, MDBs, public development banks and other DFIs should create dedicated funding mechanisms and programmes tailored to cities and regions. This would allow LRAs to apply for and receive funding directly rather than relying on national governments to allocate resources. At minimum LRAs should be involved as partners and co-creators of projects.
- **Sub-Sovereign Direct Lending and Guarantees:** MDBs should scale up sub-sovereign lending models, allowing cities and regions to access loans without requiring national government guarantees while ensuring adequate financial controls and fiduciary needs are addressed. This would enable LRAs to finance climate projects independently.

Enabling Policies and Capacity Building

- **Just transition:** NDCs should include a just transition approach, recognizing that cities require finance for both mitigation and adaptation, especially for vulnerable urban populations.
- **Enabling policies** need to address cities' limited fiscal autonomy, weak fiscal decentralisation and restrictive subnational borrowing frameworks, while exploring climate budgeting approaches that integrate subnational needs into national climate investment strategies.
- **Project Preparation Support:** MDBs must scale up technical assistance to help cities develop bankable, investment-ready projects aligned with urban components of NDCs.
- **Country-Level Urban Climate Programs:** As part of the financial reform agenda, MDBs should work directly with national and subnational governments to integrate cities into national climate investment plans and create urban-focused financing programs tailored to local needs.

Facilitating Access to Private and Blended Finance

- **De-Risking Instruments:** Many cities struggle to secure private investment due to perceived risks. MDBs and national governments can create guarantee mechanisms, credit enhancement tools, and concessional loan structures to improve the bankability of subnational projects.
- **Blended Finance Solutions:** By combining grants, concessional finance, and commercial investments, MDBs can help lower borrowing costs for LRAs and make climate projects more attractive to investors.

3. What country experiences, best practices, and lessons learned can be shared related to¹:

- **Bangladesh Climate Development Partnership (BCDP):** The Government of Bangladesh has launched a country-led climate and development platform with the support of the Asian Development Bank, the Asian Infrastructure Investment Bank, the IFC, the IMF, the World Bank, and other stakeholders. The BCDP is a cross-sector, multistakeholder, and multiyear partnership to drive climate actions at scale and with urgency to support low-carbon and climate-resilient development essential to achieve Bangladesh Vision 2041. The BCCP Platform promotes a whole-of-government approach to drive the national strategy and actively achieve climate outcomes. The BCDP will generate a robust pipeline of climate projects, integrated with a financing strategy. This integrated approach is expected to integrate climate risks into fiscal planning, improve the sensitivity of public investment management to climate-related challenges, bolster climate-related risk management for financial institutions (including climate stress testing), strengthen and institutionalize the monitoring and reporting of climate-related spending, and fortify disaster risk reduction and management. The BCDP is structured around the development of a national project preparation facility in support of a multiyear programmatic approach based on investment priorities defined by the national government. This multi-donor/ multi-sector project preparation facility will support aggregation/scalability to attract private investments across Bangladesh, mainstreaming projects in development plans, while reducing the financial burden on the public sector.
- **Colombia – Non-Sovereign Loan in Local Currency to Municipality of Barranquilla from Agence Française de Développement (AFD):** The €120 million loan from AFD to the city is denominated in local currency (Colombian pesos), eliminating the risk of higher loan payments of a hard currency loan resulting from the depreciating of the host country’s currency. The loan provides the city with budget support in the implementation of “I am Barranquilla,” the 2020-2023 Development Plan dedicated to implementing sustainable climate actions, including adaptation to climate change, biodiversity, environmental protection, disaster risk management, and social inclusion, especially for women.
- **Brazil – Subnational Bank Program:** The US\$ 125 million World Bank program “Southern Brazil Urban Resilience Program (SUL RESILIENTE)” is aimed at promoting natural disaster mitigation and urban resilience in 547 municipalities in southern Brazil to address natural disaster and extreme climate-related events. The Government of Brazil is the guarantor providing a sovereign guarantee to the Regional Bank of Development for the Extreme South (BRDE), which is the borrower,

¹ Examples directly extracted from:

<https://www.c40.org/wp-content/uploads/2025/02/CHAMP-Guidebook-Executive-Summary.pdf>

implementing agency, and financial intermediary at the subnational level. The credit line includes the following components: investment in local infrastructure, capacity building to strengthen the institutional capacity of selected municipalities, and capacity building to build BRDE's institutional capacity, including in assessing social and environmental risk, supporting its efforts to align its procedure and portfolio with the 2030 Agenda for Sustainable Development and the Paris Agreement. The credit line is primarily available to small and medium-sized municipalities facing significant disaster risks in southern Brazil but lacking access to the financing required to mitigate climate-specific challenges. Notably, the World Bank states that BRDE is licensed and supervised by the Central Bank of Brazil (BACEN) and shows adequate financial fundamentals.

- European Bank for Reconstruction and Development – Municipal and Environmental Infrastructure (MEI) and Green Cities Program:** The EBRD has a priority focus on mobilizing private capital for municipal and environmental infrastructure. The EBRD has the most decentralized city program, implementing innovative approaches to channel climate finance directly to cities, enabling effective planning and decision making at the city level. It has a cumulative investment of €12.4 billion in 620 projects in Europe, Central Asia, and Türkiye. The EBRD's MEI Strategy covers the Bank's activities in traditional urban sectors (i.e., water and wastewater, urban transportation, solid waste management, district energy, and energy efficiency). It also conducts expanded areas of operations such as climate adaptation, irrigation, integrated renewables, smart cities, industrial parks, facilities management, urban regeneration, cultural heritage, and circular economy. The EBRD strategy promotes diversified and innovative financing structures, including a strong focus on sub-sovereign lending, to address funding gaps and harness private capital.

4. Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

CHAMP - National Accelerators for Local Climate Finance Concept

- CHAMP is a global campaign to mobilize national governments to increase involvement of cities and other subnational governments in NDCs and related investment plans. In contrast, the National Accelerators for Local Climate Finance concept is a co-design process, including with some CHAMP countries, to support country-level convenings and eventual implementation of efforts to increase financing and implementation of urban climate projects.
- The National Accelerators for Local Climate Finance concept intends to support national governments and representatives of cities and subnational governments to engage in country-level coordination efforts with national government ministries, development finance institutions, existing initiatives of bilateral donors and international organizations, including city and subnational networks, with the goal of identifying and implementing actions to increase the financing and implementation of climate-relevant projects in cities.

- For those countries that initiate a National Accelerator for Local Climate Finance, activities could include: landscape gap analysis, knowledge sharing, improving enabling environments, supporting project preparation, matching projects to financing, building financing and implementation capacity, and supporting the development and implementation of new financing mechanisms.
- The initial geographic focus is Global South countries that endorsed the Coalition for High Ambition Multilevel Partnerships for Climate Action (CHAMP) pledge. National Accelerators will be designed to be country-led, to be tailored to specific country contexts, and to build on and complement existing in-country efforts. The National Accelerators concept is meant to be flexible enough to be carried forward by partners, including but not limited to National Accelerator Core Group partners.
- National Accelerators focus on supporting Global South countries in fulfilling the CHAMP pledge on NDC Investment. National Accelerators could be implemented in non-CHAMP countries in future, depending on their interest and willingness to engage in a National Accelerator process.

City Climate Finance Gap Fund

- The City Climate Finance Gap Fund is a multi-donor trust fund designed to help cities in developing and emerging economies prepare and advance early-stage climate-smart urban projects. It aims to bridge the gap between project concepts and bankable investments by providing technical assistance, capacity building, and early-stage funding. Many cities struggle to access climate finance due to a lack of technical capacity and early-stage funding. The Gap Fund helps overcome these barriers by turning concepts into investment-ready projects, ensuring urban climate initiatives can attract larger-scale funding.
- In 2022, the City Climate Finance Gap Fund (Gap Fund) and the Global Covenant of Mayors for Climate and Energy (GCoM) joined forces to expedite cities' climate progress. This partnership aims to enhance awareness of the Gap Fund as a crucial resource for local governments to receive technical assistance and accelerate the implementation of climate plans and actions. Through specialised events and targeted guidance, cities can transform their sustainable energy and climate action plans into project ideas ready to apply for the Gap Fund. The Global Covenant of Mayors leverages its expertise to support local governments in preparing strong and eligible applications for the fund.

C40 Cities Finance Facility and other project preparation facilities

- The C40 Cities Finance Facility (CFF) is a program that helps cities in developing and emerging economies access financing for climate projects by providing technical assistance and capacity building. It enables cities to develop bankable, investment-ready projects that support climate mitigation and adaptation efforts. Many cities struggle to finance climate projects due to limited expertise or creditworthiness. The CFF bridges this gap by helping cities design and structure projects that can attract funding from international financial institutions and investors. The CFF is a joint initiative of C40 Cities and GIZ, funded by governments including Germany, the UK, and the USA.