Bridging the Last Mile of Climate Finance: Practitioner Insights from Supporting Cities Across Regions

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Why the "last mile" of climate finance matters

Cities are central to the implementation of national climate commitments, including Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). Yet despite this critical role, cities remain structurally underserved by international climate finance, particularly when it comes to accessing resources for adaptation and resilience.[1]

Discussions among practitioners, development partners and financial instititions increasingly point to a shared diagnosis: climate finance tends to stall at the "last mile" of implementation. While significant resources are committed at the global level, cities frequently struggle to meet eligibility requirements, navigate complex financing instruments, or prepare projects that align with local needs and investor expecations. As a result, finance often fails to reach the communities most exposed to climate impacts, particularly in contexts where institutional capacity and access to networks are limited.

Bridging this last mile is therefore not only a technical challenge, but a systemic one. It requires rethinking how climate finance ecosystem engage with cities – not merely as recipients of funding, but as essential implementation partners whose local realities, governance structures and development pathways must shape the design and delivery of financial solutions.

What cities struggle with in practice

First, cities often struggle to navigate a fragmented and opaque climate finance landscape. International funds, development finance institutions, philanthropic capital, corporate social responsibility mechanisms and private investors each operate with different mandates, criteria and timelines. Many cities lack the network, language skills, or institutional access required to understand which instruments are relevant to their needs, particularly as traditional sources of development finance decline and new forms of private and blended finance merge.

Second, there is a persistent misalignment between perceived and actual risk. Cities – especially those outside major metropolitan centers – are frequently viewed as high-risk by financiers, even when projects address essential services such as water, waste, energy or food systems. In practice,

[1] Cities worldwide require USD 4.5 billion annually for climate mitigation and adaptation activities. However, less than 10% of climate finance reaches subnational governments. (Global Covenant of Mayors for Climate & Energy)

the challenge is often not project viability, but the absence of early-stage de-risking, aggregation or governance structures that make risk profiles visible and manageable.

Third, cities face difficulties translating climate plans into bankable projects. Climate strategies, adaptation plans and policy commitments are rarely articulated in financial terms that link climate outcomes to revenue streams, cost savings or long-term sustainability. This gap leaves cities unable to demonstrate how projects can be financed, maintained or scaled over time.

Finally, institutional silos within city administrations remain a major bottleneck. Climate responsibilities are often dispersed across environmental, planning and technical departments, while financial decision-making sits elsewhere. Without identifying the right counterparts and creating internal alignment, even well-designed projects struggle to move forward.

What has worked through innovative finance and partnerships

The following insights suggest that improving access to climate finance depends less on creating new instruments and more on strengthening how actors collaborate during project development.

Early-stage signaling, de-risking and pipeline shaping are critical. Structured project origination and assessment processes help cities clarify objectives, identify bottlenecks early and signal credibility to potential funders. International platforms that convene cities and finance actors at an early stage allow technical ambition and financial logic to be aligned before projects enter formal financing processes. For example, in municipal energy projects, early assessment can distinguish between asset-backed opportunities suitable for aggregation and projects that require savings-based or concessional financing – avoiding late-stage rejection.

Targeted capacity building that links cities with finance actors has also shown strong impact. Practical workshops and peer-learning formats that bring together municipal officials and private sector or financial stakeholders help demystify climate finance instruments and expectations.

Facilitated dialogue that translates between city realities and funder logic plays a crucial role. Cities often articulate needs in terms of urgency or public value, while funders assess projects through risk, accountability and performance frameworks. Intermediated processes help convert broad ambitions into specific, solvable bottlenecks related to data, governance, monitoring or risk mitigation, enabling more productive engagement between local and international actors.

Layered and differentiated financing approaches, enabled through partnerships, are particularly important for projects that combine bankable and non-bankable components. For instance, initiatives related to regenerative agriculture or waste management may require blended structures that combine grants for capacity or community engagement with concessional or private finance for infrastructure elements. In such cases, impact is achieved not by scaling individual projects financially, but by scaling institutional pathways, cooperation models and shared learning across cities.

Finally**, identifying and engaging the right counterparts within city administrations is as important as the financing itself.** International cooperation mechanisms that support internal coordination and shared ownership will increase the likelihood of projects progressing toward implementation.

Together, these insights suggest that effective climate finance for cities relies on partnership-driven translation, preparation, and coordination, rather than on funding availability alone.

SCF Forum: strengthening international cooperation and partnerships

These practitioner insights point to several implications for the Standing Committee on Finance and its role in shaping international climate finance discussions.

First, cities and subnational government networks should be recognized as active finance enablers, not merely as end-beneficiaries. Through international cooperation platforms, these actors play a critical role in translating global climate goals into implementable pipeline, de-risking early-stage projects and facilitating dialogue between cities, funders and techncial partners.

Second, climate finance discussions should place greater emphasis on project preparation, technical assistance and institutional capacity building as core components of international cooperation. Capital alone is insufficient if cities lack the conditions required for finance to flow – such as credible governance structures, reliable data and monitoring systems, clarity on risk allocation and long-term project sustainability.

Third, finance instruments and cooperation frameworks should be better aligned with local realities and diverse risk profiles. International platforms can support aggregation and differentiation approaches that allow cities with varying capacities to participate without being excluded by uniform eligibility criteria.

Taken together, these actions position international cooperation and partnerships not as supporting activities, but as foundational infrastructure for effective, inclusive climate finance delivery.

Conclusion

Bridging the last mile of climate finance requires more than increasing the volume of available capital. It requries strengthening the international cooperation and partnership structures that enable cities to translate climate ambition into implementable, finance-ready action. Experiences from city-focused support mechanisms show that when project preparation, capacity building and translation between local realities and finance logic are embedded into cooperation frameworks, climate finance becomes more accessible, inclusive and effective. As the Standing Committee on Finance advances discussions on cliamte finance delivery, greater attention to these enabling functions can help ensure that resources reach the urban communities where climate risks and development opportunities intersect most directly.