

CitiesAlliance
Cities Without Slums

Hosted by
 **UNOPS**

ClimInvest4Cities

Building National Climate Finance for Cities in MENA





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Cities Alliance is a global partnership fighting urban poverty and supporting cities to deliver sustainable development, hosted by the United Nations Office for Project Services (UNOPS).

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LIST OF ABBREVIATIONS

APA:	Annual Performance Assessment
CI4C:	ClimInvest4Cities
CO₂:	Carbon Dioxide
CPBGs:	Climate Performance-Based Grants
CPI:	Climate Policy Initiative
CRVA:	Climate Risk and Vulnerability Assessments
DFIs:	Development Finance Institutions
DRR:	Disaster Risk Reduction
GCA:	Global Commission on Adaptation
IIED:	International Institute for Environment and Development
IPCC:	Intergovernmental Panel on Climate Change
IPW:	Investment Preparation Window
LGs:	Local Governments
LLA:	Locally Led Adaptation
LLCA:	Locally Led Climate Action
MDB:	Multilateral Development Bank
MENA:	Middle East and North Africa
NAPs:	National Adaptation Plans
NDCs:	Nationally Determined Contributions
OECD:	Organisation for Economic Co-operation and Development
SDGs:	Sustainable Development Goals
SPVV:	Special Purpose Vehicle (referenced in finance typology)
TWh:	Terawatt-hour
UCCRN:	Urban Climate Change Research Network
UNEP:	United Nations Environment Programme
UNFCCC:	United Nations Framework Convention on Climate Change



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INTRODUCTION

Cities are at the frontline of the global climate crisis. They host more than half of the world’s population, produce 70% of greenhouse gas emissions, and consume two-thirds of global energy¹. At the same time, they are among the most vulnerable to climate impacts such as floods, heatwaves, droughts, and air pollution, which directly affect people’s health, livelihoods, and well-being.

In the MENA region, **small and medium-sized cities** are particularly at risk. Their rapid demographic growth often outpaces planning and infrastructure development leaving communities exposed to unmanaged climate risks. The region’s continued population growth is expected to further increase from 501 million in 2023 to more than 724 million by 2050², despite worsening climate conditions and water scarcity.

At the same time, many municipalities generally lack financial resources, institutional frameworks, or the technical expertise needed to plan and deliver effective actions to mitigate climate-related disasters.

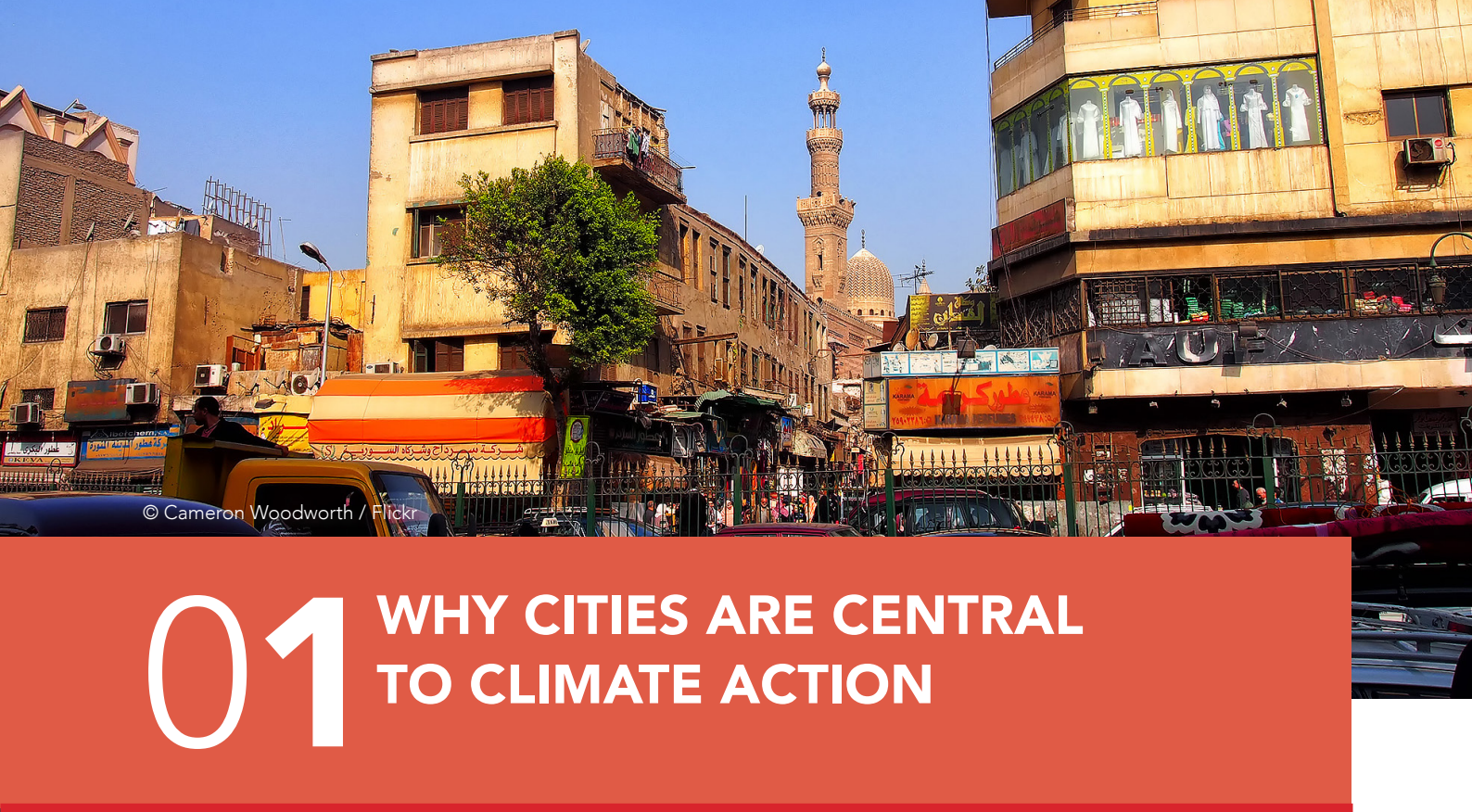
Led by Cities Alliance, the **ClimInvest4Cities** mechanism aims at bridging these gaps by establishing national systems that combine two

complementary supporting instruments. First, Climate Performance-Based Grants (CPBGs) finance small and medium-scale investments (typically €50,000–€300,000) directly through municipal budgets, embedding local climate action within national financial systems. Second, a dedicated Investment Preparation Window (IPW) complements the grants by strengthening projects design for larger investments, creating credible pipelines and reducing transaction costs for donors and financiers. Therefore, the IPW targets more complex operations that require technical assistance, loans, or guarantees.

By addressing both the lack of predictable financing and the absence of investment-ready project pipelines, this dual approach enables cities to deliver climate quick wins while systematically building the foundations for larger bankable urban projects.

This paper outlines in detail the rationale for a **national climate finance strategy targeting cities supported by ClimInvest4Cities**, and shows how it delivers **vertical integration** to strengthen the overall **climate finance architecture** for governments, cities, and partners.

1 UNEP (2019) Emissions Gap Report 2019.
2 Statista (2050) Total population across the Middle East and North Africa from 1990 to 2050.



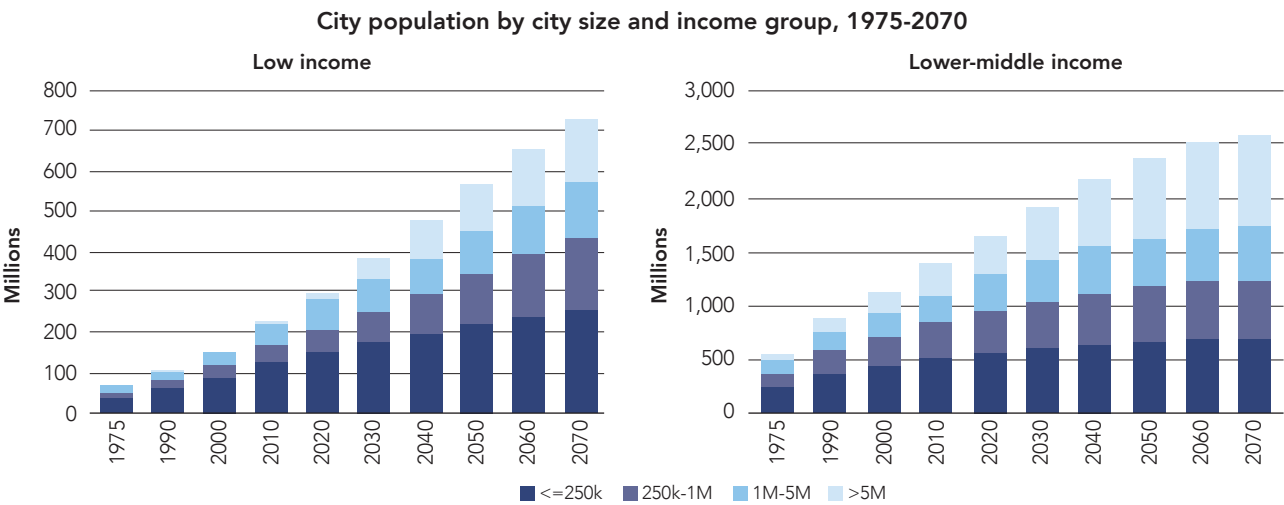
01 WHY CITIES ARE CENTRAL TO CLIMATE ACTION

Rapid urbanization and climate change

Cities today stand at the forefront of global development and climate action. They are simultaneously major contributors to emissions, highly vulnerable to climate risks, and essential hubs of local governance and basic service delivery to communities. Over 55% of the world’s population currently lives in urban areas, a share projected to rise to 70% by 2050³. At the same time, urban centres already account for nearly 70% of global CO₂ emissions⁴

and concentrate vital infrastructure, industries, and services. At the same time, they face growing exposure to climate-related risks such as coastal flooding, heat islands, and pressures on natural resources.

In the MENA region, urbanization trends are even stronger. Cities already host - on average - above 77% of the region’s population⁵ and are expected to continue growing.



Source: UN HABITAT (2022) World Cities Report 2022: Envisaging the Future of Cities

3 IPCC (2021) Sixth Assessment Report, Working Group III: Mitigation of Climate Change.
4 United Nations Climate Change (2020) Urban climate action is crucial to bend the emissions curve.
5 The Global Economy (2024) Percent urban population, country ranking.

Africa illustrates the **scale and urgency of climate inclusive strategies to accompany urban growth**. The number of urban agglomerations on the continent is expected to rise from 9,000 in 2020 to over 11,000 by 2050⁶. **Secondary cities** of fewer than one million inhabitants already account for 55% of urban populations⁷ and are growing rapidly. Yet, policy and planning efforts in many developing countries continue to concentrate disproportionately on large metropolitan areas, reinforcing urban primacy while **leaving smaller cities**

under-resourced and less prepared for the climate challenges ahead.

This rapid growth also highlights a critical opportunity: 60% of infrastructure needed in urban areas by 2030 has not yet been built⁸. This creates both an **urgent need and a unique opportunity** to ensure that future investments align with climate goals, while adapting existing systems to become low-carbon and climate-resilient.

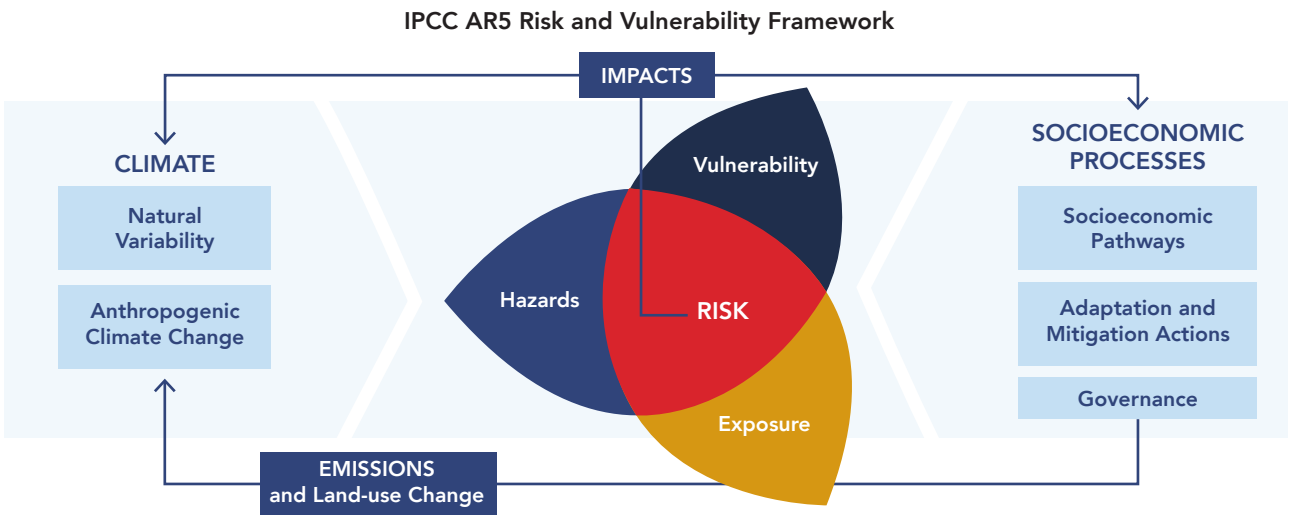
Cities' vulnerability to climate change

In the MENA region, cities are becoming more vulnerable to climate change. The Intergovernmental Panel on Climate Change (IPCC) reports how urban areas - particularly those in warm climates or low-lying coastal zones - face serious threats from extreme events such as heatwaves, sea-level rise, storm surges and intense rainfall.

Additionally, the increasing population pressure from urbanization, on top of industrialization, has led to higher demands on energy, especially electricity (an increase of 416% from 1990 to 2022), reaching 1060 TWh in 2020⁹. This directly contributes to climate change, resulting in higher regional temperatures. By 2050, temperatures are

estimated to increase in MENA countries between 1.5 to 3 °C¹⁰. This in turn exacerbates drought, causing severe heatwaves and water scarcity.

Ultimately, these culminating variables negatively affect existing urban challenges such as poverty, inequality, inadequate investments and housing shortages, reducing progress towards the Sustainable Development Goals (SDGs), especially those related to poverty eradication, food security, health, water, sanitation and functioning ecosystems. Over the long term, combined impact of climate change and other external shocks undermine or reverse development gains.



Source: IPCC (2014) 5th Assessment Report, Risk and Vulnerability Framework.

Urban areas are increasingly vulnerable to shocks, and many secondary cities are growing without the planning and reforms needed to build resilience. To ensure a sustainable future, **cities need better governance, stronger planning, and innovative ways to finance local development.**

Climate change also makes extreme weather events more frequent and dangerous. Urban conditions, like heat islands and poor water management, increase the risk of climate related disasters, especially in coastal cities facing sea-level rise and storm surges. Without urgent action, these combined pressures harm communities' well-being and threaten long-term development.

6 OECD et al. (2025), *Africa's Urbanisation Dynamics 2025: Planning for Urban Expansion*.
7 Ibidem.
8 OECD (2020) *Green Infrastructure in the Decade for Delivery: Assessing Institutional Investment*.
9 Qasem R. H. M., Scholz M. (2025) *Climate change impact on resources in the MENA region: a systematic and critical review*.
10 Ibidem.



02 THE ROLE OF CITIES IN DRIVING CLIMATE ACTION

Local governments are uniquely positioned to transform national climate commitments into tangible outcomes. Citizens increasingly expect local authorities to deliver visible improvements in environmental conditions. **Local climate action** directly affects people's daily lives, and the investment choices cities make today will influence emissions and climate resilience for many years.

With **mandates** over land use, urban planning, housing, transportation, and energy efficiency, cities directly influence how communities adapt and grow. As drivers for change, cities engage citizens and the private sector, test new solutions, and implement new approaches that can be replicated elsewhere. Cities represent the **operational bridge between global goals, national strategies, and local context.**

For city strategies to be effective and sustainable, **strong national frameworks** must be in place. National governments create the conditions for effective climate action: they generate risk information, establish legal and institutional arrangements, and align sectoral policies

such as agriculture, health, and ecosystem protection with climate objectives. They also coordinate financing, channel resources to subnational levels, and ensure protection for vulnerable groups. Without this guidance and support, local initiatives risk remaining fragmented, underfunded or disconnected from national priorities.

Local governments design effective solutions with local knowledge and focused analysis, making them socially relevant and technically solid. National governments ensure these actions are coordinated, scalable, and long-lasting. The key challenge (and the opportunity) is to achieve effective **vertical integration**, by balancing local empowerment and strong national support.

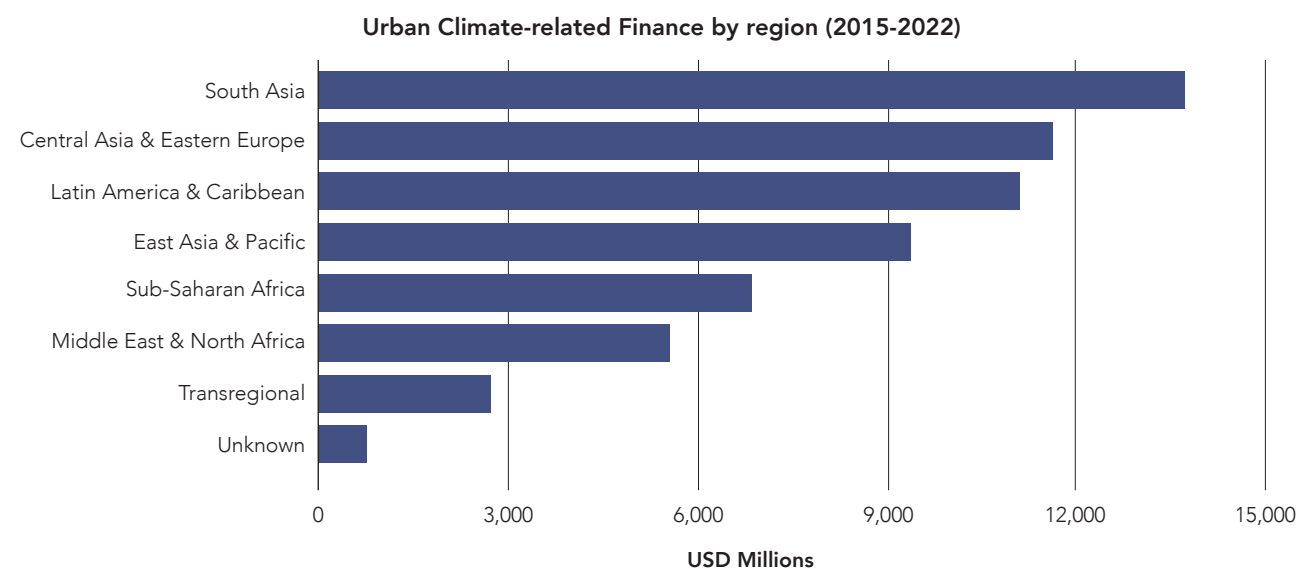
International finance and governments should therefore prioritize investments that bridge this gap: providing cities with direct, predictable, performance-based finance, while embedding local climate action in national policy and budgetary systems. Only by aligning the local and national levels can countries achieve resilient, inclusive, and low-carbon development.



03 CLIMATE INVESTMENTS NEED vs FINANCING TOOLS

Current investment levels are insufficient to match urbanisation trends and climate challenges. Estimates from global institutions highlight that some USD 4.5 trillion would be needed annually to close the urban climate finance gap by 2030¹¹. According to the

Climate Policy Initiative, the MENA region and its cities placed second to last for cumulative urban climate-related investments between 2015-2022, with financing concentrated in South and South-East Asia, Europe and Latin America.



Source: Climate Policy Initiative (2023), Accelerating Urban Climate Finance in Low- and Middle- Income Countries: An important strategic dimension of MDB reform

11 Cities Climate Finance Leadership Alliance (2025) Scaling Urban Climate Finance, CCFLA contribution to the Baku to Belem Roadmap to 1.3T: Second Round of Submissions

Local governments currently face significant challenges in unlocking the finance required to close the investment gap required to address climate change.

Redirecting investments to these cities and leveraging climate finance instruments - such as green bonds, carbon markets, and blended finance - could unlock up to USD 100 billion annually in private capital¹². To enable this, USD 30 to 50 billion in public or concessional finance is needed annually to de-risk investments and encourage private sector contributions.

However, private finance remains largely tailored to mitigation-focused, revenue-generating projects (such as renewable energy or energy efficiency), leaving adaptation and local resilience underfunded. In many fragile or underserved contexts support for essential public goods like nature-based solutions or basic services rely on grants to supplement private sector funding to ensure equity, inclusion, and long-term sustainability that addresses adaptation and local resilience funding.

Grants are a strategic tool to pilot and institutionalize national climate financing mechanisms, such as performance-based grants to local governments. They provide the early-stage support and credibility needed to anchor these mechanisms in national systems and demonstrate their effectiveness at scale.

12 Climate Policy Initiative, Cities Climate Finance Leadership Alliance (2021) The State of Cities Climate Finance.

Despite the growing impacts of climate change, local actors still struggle to access finance at the scale and speed required. This gap persists even as the needs of communities, cities, and regions (particularly for adaptation and resilience) are well documented. Most private finance remains focused on bankable mitigation projects, bypassing smaller or more vulnerable areas.

In the MENA region, the public and private sectors fall significantly short of the scale needed to achieve climate resilience. Public finance falls far short of targets and the private sector still fails to attract capital at scale, as climate solutions usually do not meet mainstream lending criteria in terms of size, tenor and return on investment.

To close this gap, public and concessional finance must play a catalytic role, both by leveraging private capital and by directly funding essential non-revenue-generating investments. Grants are especially crucial, not only to support vulnerable populations, but also to pilot and scale national climate finance mechanisms that ensure predictable, inclusive funding for local action. These access challenges are not only financial but also institutional and political, particularly in emerging economies.



04 CURRENT CLIMATE FINANCE LANDSCAPE

According to the Climate Policy Initiative (CPI), global climate finance reached a record USD 1.9 trillion in 2023. Between 2018 and 2023, finance for mitigation more than doubled, rising from USD 757 billion to USD 1.78 trillion, representing 93% of total climate investments¹³. This surge was driven primarily by large-scale private investment in renewable energy across advanced economies and China, as well as growing flows toward electric mobility and energy-efficient buildings.

In sharp contrast, adaptation finance remained critically low, reaching just USD 65 billion in 2023, or 3.4% of the total. An additional USD 58 billion supported projects with both mitigation and adaptation benefits (“dual benefits”).

The imbalance between mitigation and adaptation finance, and between private (USD 1.25 trillion) and public (USD 650 billion) contributions, highlights the **urgent need for more targeted, grant-based and publicly driven investment to support climate resilience**. Vulnerable and underserved territories in particular have the greatest adaptation needs where market-based solutions are not viable.

¹³ Climate Policy Initiative (2025) Global Landscape of Climate Finance Data Dashboard.

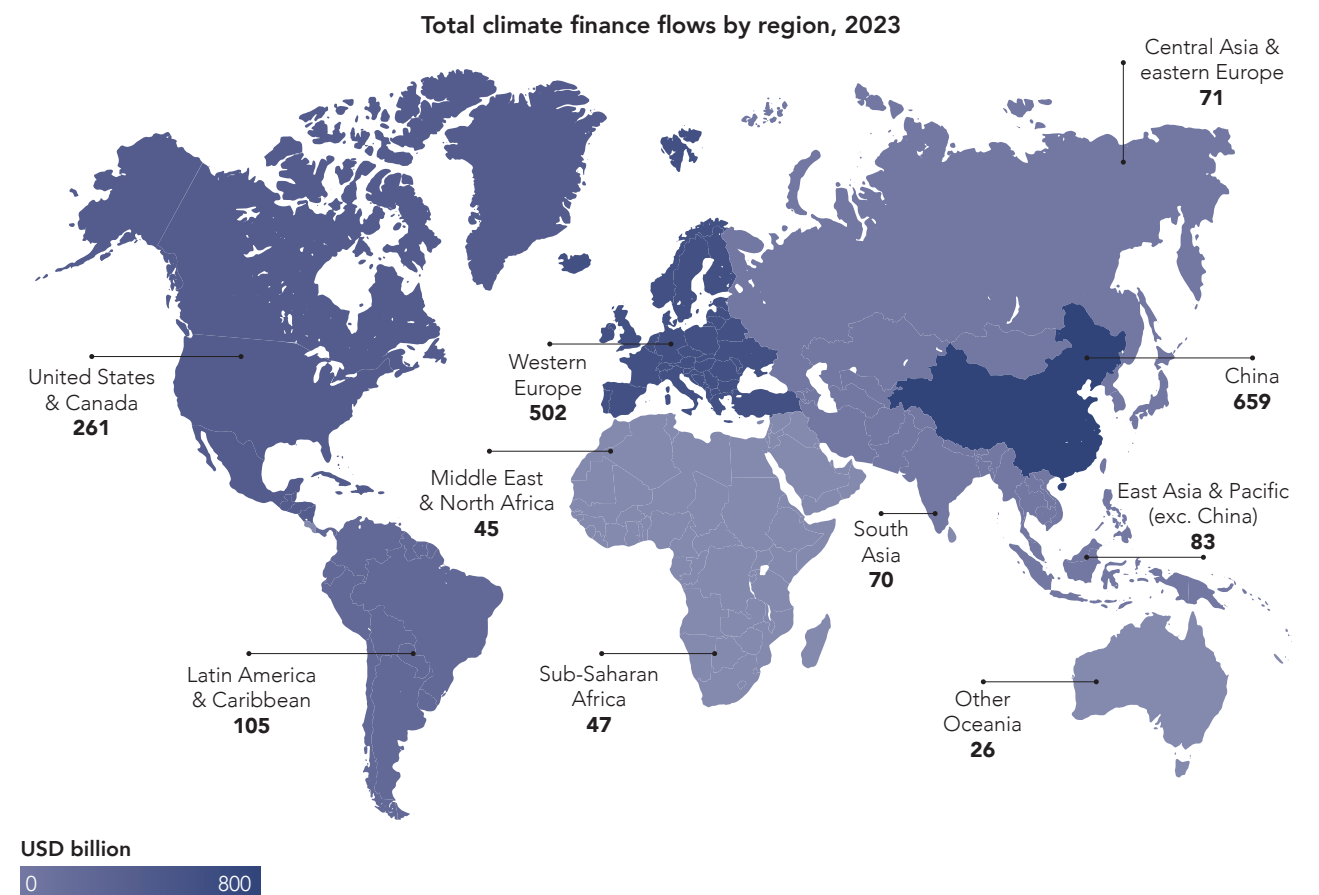
¹⁴ Climate Policy Initiative (2025) Global Landscape of Climate Finance.

¹⁵ Climate Policy Initiative (2025) Global Landscape of Climate Finance Data Dashboard.

The following map presents total climate finance flows by region in 2023. It highlights the strikingly low levels of climate investment directed to the MENA region and Sub-Saharan Africa, despite both regions’ high vulnerability to climate impacts and growing adaptation needs¹⁴.

The map highlights significant imbalances between regions and the need for climate finance allocations to be targeted more equitably, particularly in the areas of greatest need.

In 2023, the MENA region received USD 44.9 billion of climate finance, representing only 2.5% of the total, which are predominantly used to serve climate mitigation purposes. As a matter of fact, out of the USD 44.86 billion invested in MENA, 77.8% targeted mitigation, 12% was invested in climate adaptation, and the remaining 10.2% was for dual purpose¹⁵.



Source: Climate Policy Initiative (2025) Global Landscape of Climate Finance

It is also worth noting that most of the resources mobilized for the MENA region come from non-public sources, as the public sector accounts for just 33% of the total. This includes contributions from governments, national DFI, and Export Credit Agencies. This highlights the potential effect of institutional entities in unlocking private capital to serve climate-related purposes.

In addition, investments are dominantly financed through debt components (58.6%), whereas the grant component is extremely limited, and in 2023, grants made up USD 57.2 billion (3% of the total climate finance) globally.

In MENA, grants are slightly above the world average, representing 4% of the overall investments in the region¹⁶, yet significantly insufficient to fill the existing financing gap.

¹⁶ Climate Policy Initiative (2025) Global Landscape of Climate Finance Data Dashboard.

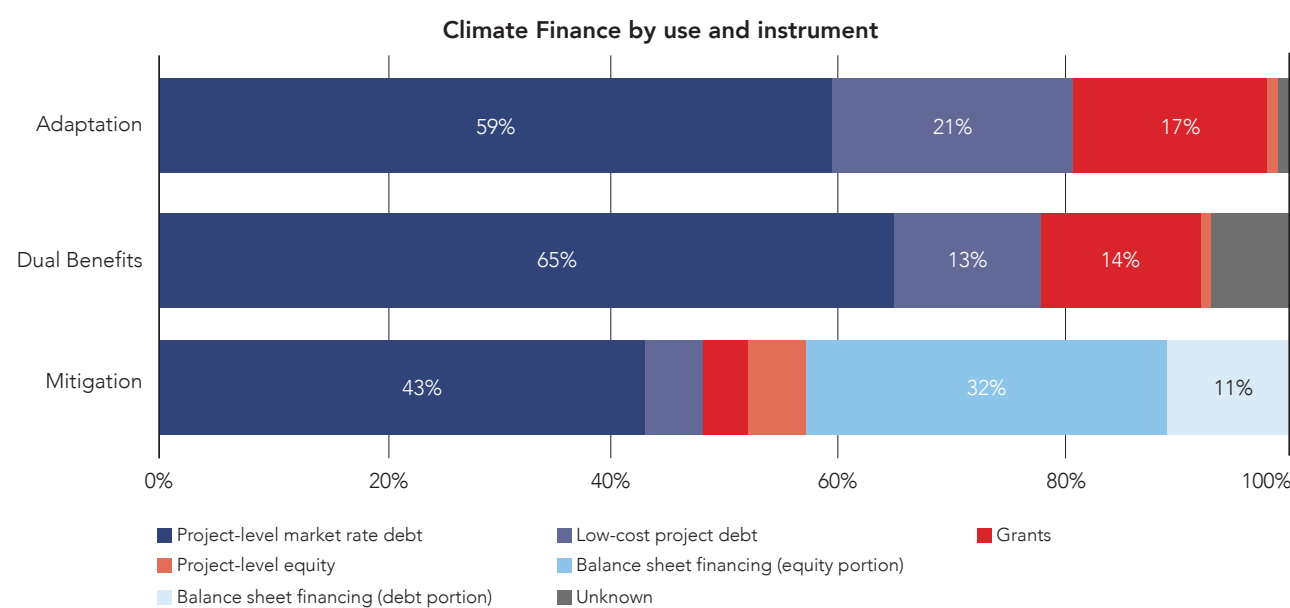




05 EXISTING FINANCIAL INSTRUMENTS FOR CLIMATE INVESTMENTS

A wide range of financial instruments are provided by financing institutions, development banks and multilateral and bilateral donors which offer national governments opportunities to mobilize resources for climate

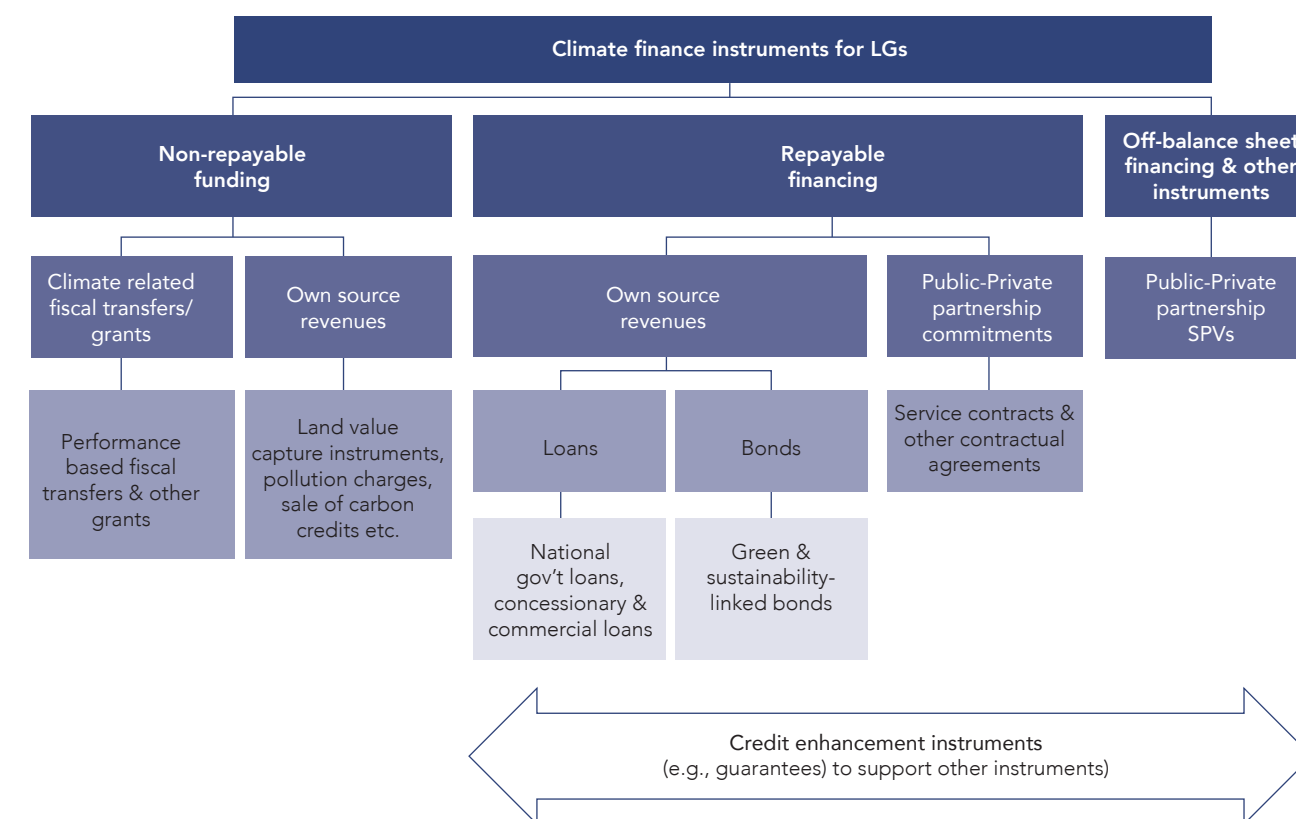
investments. These instruments include concessional (low-cost) and non-concessional loans and bonds (accounted for debt instruments), grants and equity participation.



Source: Climate Policy Initiative (2023) Global Landscape of Climate Finance 2023

The following chart provides a comprehensive overview of the typology of climate finance instruments available to local governments (LGs). It is divided into three broad categories: (i) non-repayable funding; (ii) repayable

financing and (iii) off-balance sheet instruments. Funds to local governments provide opportunities for strategies grounded in the local context.



Source: World Bank and UNCDF (2024) Climate Finance Instruments for Local Governments: Global Experiences and Prospects in Developing Countries

Although guarantees are not counted in total climate finance flows (contingent liabilities, not actual disbursements) they play a critical role in de-risking investments and mobilizing private capital, especially in emerging markets and underfunded sectors like adaptation. As a form of credit enhancement, guarantees help reduce investment risk and improve access to finance, particularly for underserved or lower-capacity cities.

Their use highlights the importance of a diverse set of financing tools and the need for flexible, tailored approaches that reflect the varying financial realities of local governments.

Most subnational governments do not have sufficient own-source revenues or borrowing capacity to independently plan or implement climate-related investments. They rely heavily on external grants or earmarked transfers to finance adaptation and resilience-building actions.

Mechanisms like performance-based climate grants, like ClimInvest4Cities, are well-aligned with the existing financial realities of subnational governments, particularly in countries where decentralization is still evolving and where own-source revenue remains constrained. It further underscores the importance of designing climate finance instruments that build on existing fiscal flows (such as conditional grants) while progressively strengthening local revenue mobilization, financial management and access to concessional finance.



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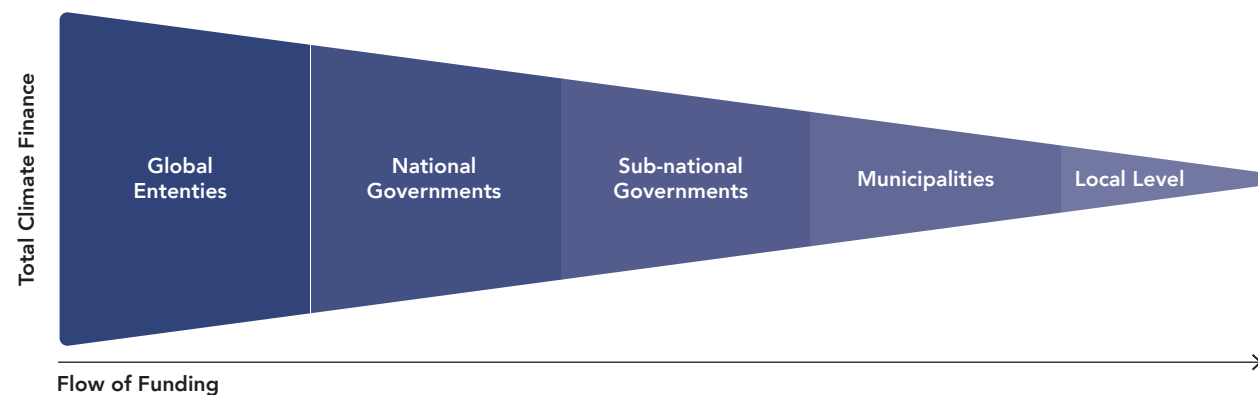
06 BARRIERS AND OPPORTUNITIES FOR CLIMATE FINANCE AT THE LOCAL LEVEL

Although climate action is widely recognized as urgent, funding is still far from enough, especially for developing countries. To date, the focus has been on cutting CO₂ emissions, but there are even bigger needs for adaptation, dealing with climate damage, building resilient investments, improving policies, and strengthening local capacity to act.

Cities face acute challenges in mobilizing the climate finance required to respond effectively. Local governments operate under severe fiscal and institutional constraints. Only 4% of the largest cities

in low-income countries have investment-grade credit ratings¹⁷. 56% of countries prohibit local governments from borrowing while only 16% grant them meaningful taxation¹⁸. These constraints are even more pronounced for small and medium-sized cities, which often lack both the technical capacity and visibility to attract public or private finance, despite being home to most of the urban population in many countries. As a result, most cities lack the fiscal autonomy and financial instruments needed to raise sufficient capital for climate investments, leaving them structurally dependent on external transfers or grants.

IIED research has found that less than 10% of funding committed under international climate funds to help developing countries take action on climate change is directed to the local level¹⁹



¹⁷ World Bank (2013) *Financing Sustainable Cities: How We're Helping Africa's Cities Raise Their Credit Ratings*.

¹⁸ Climate Policy Initiative, Cities Climate Finance Leadership Alliance (2021) *The State of City Climate Finance 2021*

¹⁹ IIED (2021) *Follow the money: tracking least developed countries' adaptation finance to the local level*.

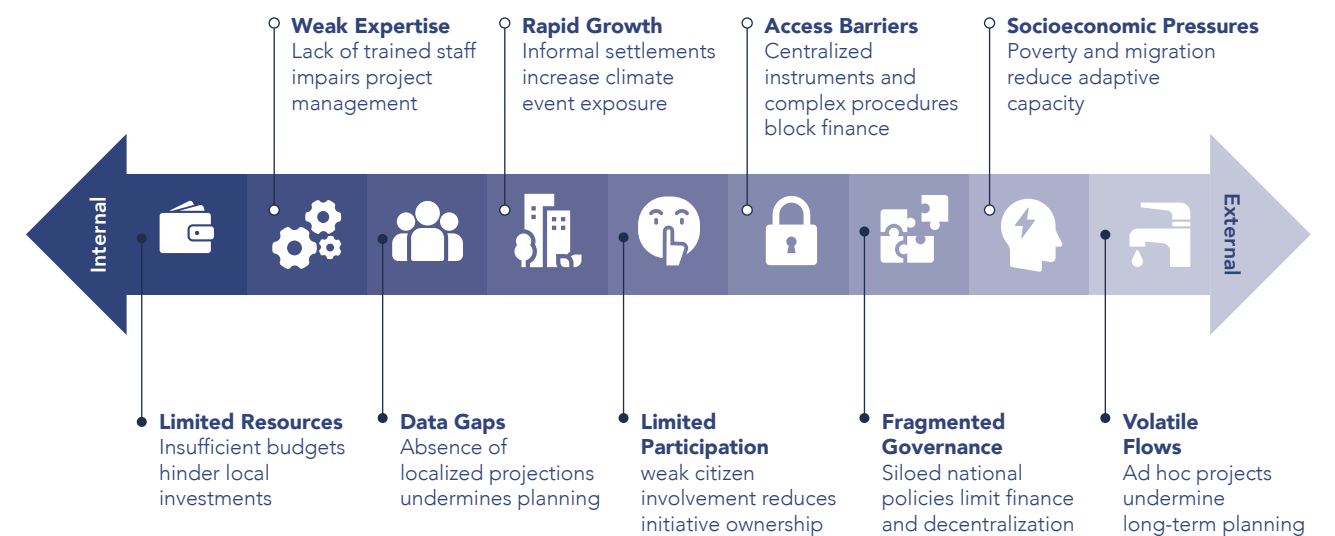
Even when financing is available, local governments often lack the technical capacity to design and prepare investor-ready projects. Existing project support facilities remain insufficient relative to demand. The shortage of bankable projects has repeatedly been identified as one of the main barriers to scaling up urban climate finance. Proposals frequently fall short in demonstrating financial viability or sustainability. At the same time, private investors are often unaware of subnational opportunities, and their financial products are rarely tailored to municipal needs.

Institutional and political dynamics further complicate the picture. Municipal budgeting cycles rarely align with the long-term nature of climate investments. Fiscal transfers are uneven, often earmarked for specific sectors such as education or health, and seldom integrate climate

criteria; in some contexts, they are undermined by corruption or political rivalry. Sovereign risks discourage long-term private investment in emerging economies, while projects that extend beyond municipal boundaries frequently create governance conflicts. Finally, multilateral development banks and international partners often channel funds through national governments, restricting access for cities.

In this context, cities face both internal weaknesses and external threats that limit their capacity to play a full role in the climate transition. Left unaddressed, these constraints could lock cities into pessimistic futures marked by economic instability, environmental degradation, and deepened social vulnerability. By embedding economic, social, and environmental resilience at the core of urban development, cities can build sustainable futures.

Understanding constraints on climate action: internal vs external factors



Providing direct support to cities remains challenging due to a range of structural limitations. In many cases, donor-funded interventions at the local level tend to result in small, fragmented projects that are difficult to scale or replicate. Direct support often bypasses national fiscal and planning systems, undermining government ownership and long-term sustainability. Moreover, the absence of strong, investment-ready project pipelines at the local level makes

it difficult to mobilize co-financing from development banks or private investors. Such support is frequently perceived as costly and high-risk, due to weak financial management systems and limited capacity for monitoring, reporting, and safeguards compliance at the municipal level. As a result, despite strong policy interest, donors often struggle to translate local engagement into sustained, programmatic climate finance for subnational governments.

Many current Nationally Determined Contributions (NDCs) do not adequately address the specific needs of local governments. They often lack clarity on which financial actors (public and private) and instruments should support subnational implementation and rarely include investment roadmaps that guide finance to match local priorities. A major challenge is the difficulty in tracking and reporting locally led climate actions in national reports to the UNFCCC, such as the Biennial Transparency Reports.

These structural barriers highlight the urgent need to establish and operationalize a dedicated financial scheme for climate action at the local government

level, particularly in countries where climate finance remains scarce and the vulnerabilities are most acute. A new scheme must go beyond fragmented, project-by-project approaches and offer a predictable, scalable, and country-owned mechanism that supports local governments, especially small and medium-sized cities, which are often overlooked. By aligning with national systems and priorities while empowering local actors, this type of mechanism can help bridge the persistent implementation gap between global climate commitments and local context. It would also provide donors with a more effective vehicle to channel resources to strengthen ownership, build institutional capacity, and unlock co-financing.



07 THE CLIMINVEST4CITIES APPROACH

Cities Alliance proposes a national financial system that responds to current challenges and unlocks local climate opportunities. **The ClimInvest4Cities initiative introduces Climate Performance-based Grants (CPBGs) and an Investment Preparation Window (IPW).**

At its core, the CPBGs are grants for climate action that are delivered through national financial systems. These grants finance small and medium-scale investments directly through municipal budgets, while incentivising performance, accountability and alignment with national climate priorities. Additionally, the IPW addresses upstream bottlenecks by supporting cities to identify, structure and prepare larger and more complex climate investments that require technical assistance, loans or guarantees. These two instruments can be implemented separately and operate in parallel.

The Theory of Change underpinning ClimInvest4Cities is simple yet powerful:

→ If local governments, communities, and civil society organisations are supported not only with predictable financing, but also with targeted and timely investment preparation support to translate priorities into bankable projects,

→ Then cities will be able to design and deliver inclusive climate projects that respond to local needs, strengthen social cohesion, and contribute to national commitments such as Nationally Determined Contributions (NDCs)

This approach ensures that cities, especially small and medium-sized ones, can rapidly access climate finance in a predictable, transparent, and performance-driven way through the CPBGs, but also easily access technical support under the IPW.

Ultimately, ClimInvest4Cities aims at supporting central and local governments to:

- Improve the well-being and resilience of urban populations, starting from the needs of women, youth, and the most vulnerable groups.
- Embed climate action into national systems, ensuring coherence with policies, strategies, and financial structures.
- Accelerate delivery of local climate investments while progressively building the capacity required to access larger, longer-term and more complex climate financing.



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ClimInvest4Cities: Unlocking Urban Climate Action

Instrument 1: Climate Performance-Based Grants (CPBGs)



Financing Immediate Climate Action

Provides predictable, performance-driven grants for small and medium-scale projects via municipal budgets.



Embedded in National Systems

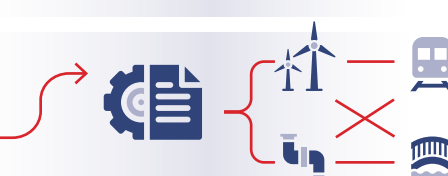
Strengthens local accountability, financial discipline, and alignment with national climate priorities.



Delivers "Climate Quick Wins"

Funds projects (€50'000-€300'000) that build a track record of successful implementation.

Instrument 2: Investment Preparation Window (IPW)



Preparing for Large-Scale Investment

Offers tailored support to structure larger, more complex projects needing loans or guarantees.



Aligned with Financing Needs

Uses simplified procedures to help cities prepare projects that meet donor requirements.



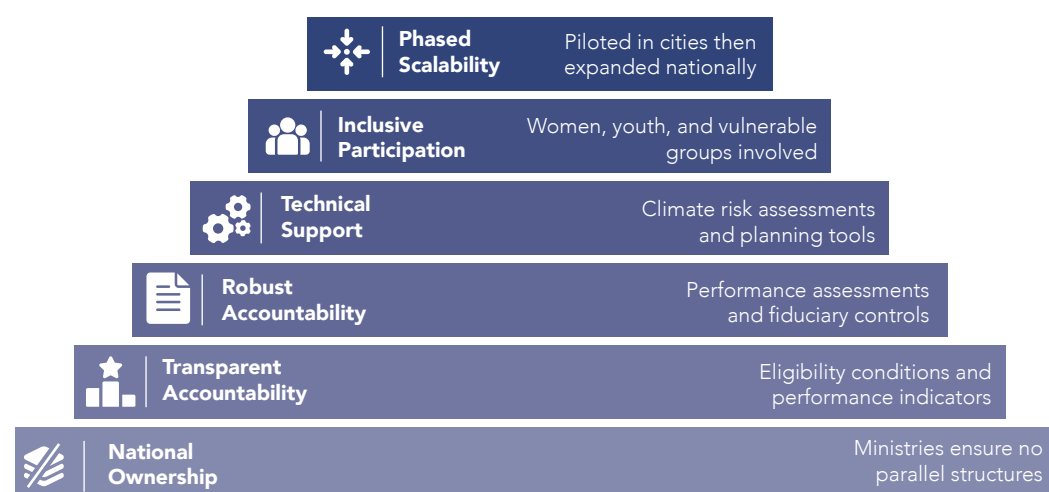
Creates Investment-Ready Pipelines

Unlocks access to international climate funds, development banks, and blended finance.

The following key ClimInvest4Cities principles shape the design of the national financial scheme, ensuring it is country-owned, performance-based, inclusive, and scalable to effectively support climate action at the local level. It embarks

the "Five climate action pathways to urbanization"²⁰ and the 3 features of the Locally Led Climate Action (LLCA) proposed by the World Bank, together with the 8 Global Commission on Adaptation (GCA) LLA principles (see in Annex).

ClimInvest4Cities Principles

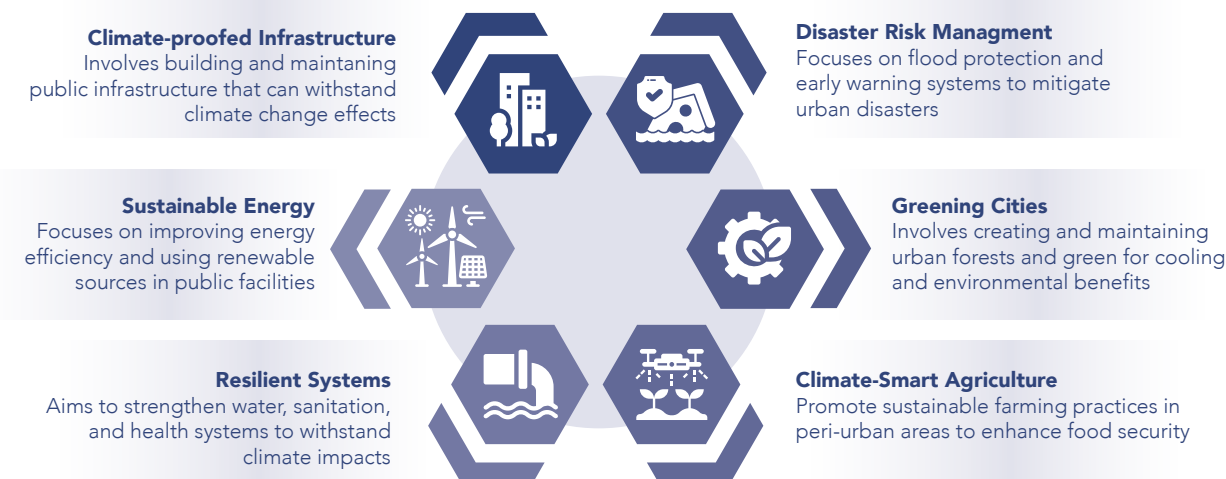


ClimInvest4Cities supports a diverse range of local investments designed to deliver both adaptation and mitigation benefits. To ensure alignment with national climate policy, an Eligible Investment Menu is defined for each participating country, strictly following its NDC and national

sectoral plans. This menu serves as a strategic guide for cities and communities to prioritize climate-responsive projects across urban systems, whether they are funded directly through Climate Performance-Based Grants (CPBGs) or larger-scale initiatives via the Investment Preparation Window.

²⁰ Urban Climate Change Research Network (2018) Climate Change and Cities: Second Assessment Report of the Urban Climate Change Research Network. Second Assessment Report on Climate Change and Cities (ARC3.2)

ClimInvest4Cities – Investment Pillars

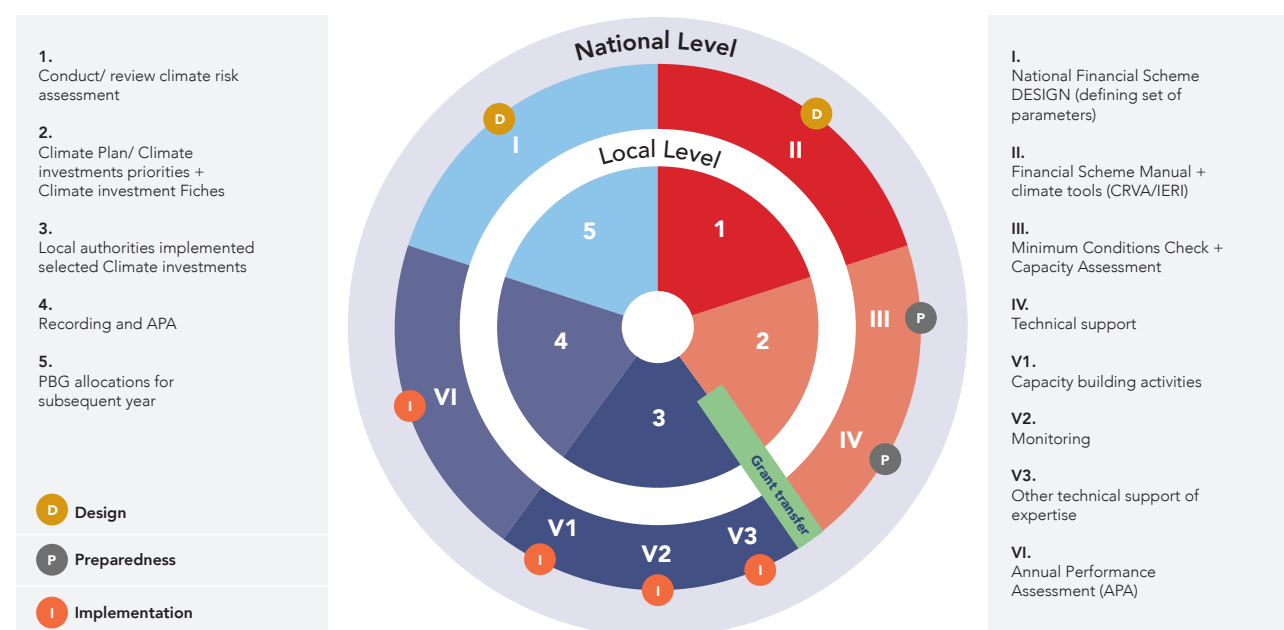


→ For investments financed through CPBGs, the menu provides local governments with sufficient flexibility to address local issues of relevance to climate change. Typical projects range from €50,000 to €300,000 per cycle, large enough to deliver visible impacts, yet manageable for municipalities with limited capacity and executed directly through local budgets.

→ For larger or more complex investments within the same priority areas, the Investment Preparation Window supports cities to move beyond this scale by providing targeted preparation assistance. This includes standardised project identification, pre-feasibility analysis, climate and risk screening, and initial technical and financial structuring, while enabling the aggregation of projects by sector across cities to reach the minimum investment ticket size required by donors and financiers. This approach allows cities to develop investment-ready projects suitable for international financing (World Bank, Green Climate Fund, Adaptation Fund) through loans, guarantees or blended finance instruments.

Key features of ClimInvest4Cities include:

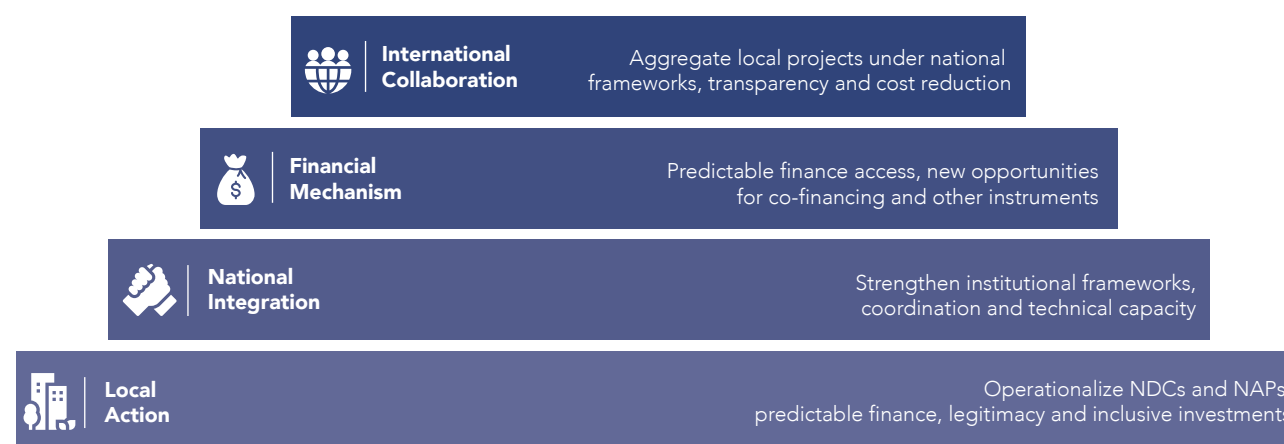
- **National ownership:** a dedicated climate fund managed through national ministries typically in charge of finance, economic planning, local affairs, and climate or environment. Both CPBGs and the Investment Preparation Window are aligned with national strategies and fiscal systems, avoiding parallel implementation structures.
- **Transparent parameters:** clear allocation formulas, minimum eligibility conditions, and measurable performance indicators govern access to CPBGs, while the IPW operates through defined selection criteria, streamlined application processes and donor-aligned preparation standards.
- **Robust accountability:** annual performance assessments, fiduciary controls and audits underpin CPBG disbursements, while the Preparation Window applies proportionate quality assurance, risk screening and compliance checks adapted to the level of project maturity.
- **Technical climate tools:** cities are supported with standardised and simplified tools like Climate Risk and Vulnerability Assessments (CRVA), CO₂ Emissions Audits, and practical guidance on mainstreaming climate considerations into planning. Through the IPW, this support is extended to pre-feasibility studies, investment concept notes and financial structuring for larger projects.
- **Inclusive design:** performance measures under CPBGs explicitly track the participation of women, youth and vulnerable groups, while the IPW promotes inclusive, bottom-up project identification and community engagement as part of investment preparation.
- **Phased approach and replicability:** CPBGs are piloted with a limited number of local governments and progressively scaled up, while the IPW generates a replicable pipeline of investment-ready projects that can be aggregated across cities and sectors, allowing projects to reach the minimum investment size required by donors and financiers.
- **Access to larger finance:** by combining a track record of performance-based delivery with structured, finance-ready project pipelines, cities are better positioned to access international climate funds, development banks and blended finance instruments. Investments can be climate-tagged, reported against NDCs and SDGs, and presented to financiers (MDBs, funds) with reduced transaction costs.



ClimInvest4Cities (CI4C) provides a concrete framework for climate vertical integration, translating international climate goals into effective local action. By linking international collaboration, national systems, and local delivery, **CI4C ensures that climate finance flows efficiently and**

transparently from the global level to municipalities. This integrated approach delivers targeted benefits for cities, national governments, and international partners: supporting implementation, strengthening systems, and enabling scalable investment in resilient, inclusive urban development.

ClimInvest4Cities vertical integration



In addition to merely financing investments, **ClimInvest4Cities provides support at three complementary levels, tailored to national contexts and priorities:**

1. Government level: support to design and operationalise of the national climate financing scheme, integrate CPBGs within intergovernmental fiscal systems, access international climate finance, and harmonise climate tagging, monitoring and reporting frameworks. Where relevant, this support also helps governments link prepared municipal investment pipelines to national investment platforms and donor or development bank programmes.

2. City level: guidance in conducting CRVA and emissions' audits, preparing investment plans, managing fiduciary processes, and building capacity in project design and reporting. Through the Investment Preparation Window, this support is extended to project identification, pre-feasibility analysis and initial technical and financial structuring for larger or more complex investments.

3. Community level: promotion of civil society engagement, women and youth participation, and local awareness campaigns. Both CPBGs and the Investment Preparation Window integrate

participation and inclusion requirements, ensuring that inclusive approaches are not an add-on but a condition for investment readiness and performance.

ClimInvest4Cities is anchored to a monitoring system, which ensures credibility, scalability and fiduciary robustness of the projects and related investments.

A number of monitoring measures and entities will be established accordingly, as follows:

- A **Steering Committee** of relevant ministries and contributing donors defines the strategic orientation. It validates overall allocation principles, approves annual envelopes for CPBGs and selects the investments to be developed through the Investment Preparation Window, and ensures coordination and alignment with national climate strategies and donor priorities.
- An **Authorizing Officer**, often the Ministry in charge of local affairs, is responsible for disbursements and compliance with national fiduciary rules.
- A **Technical Committee** manages design parameters, monitoring, audits, and capacity-building activities. The Committee supervises monitoring, audits, capacity-building activities and quality assurance across the full investment cycle.

- Municipalities prepare climate plans, identify and implement CPBG-financed investments, and report on results. Where relevant, municipalities may also formally request support from the Investment Preparation Window to prepare larger or more complex climate investments, while retaining ownership of project priorities and decision-making.

- Civil society and community organisations are formally engaged to ensure transparency and inclusion, ensuring that investments respond to local needs and benefit vulnerable groups.

- Independent oversight: the national Court of Auditors or an equivalent control body ensures independent oversight. This function may be complemented by external auditors or independent reviews, proportionate to the scale and nature of financing activities.

With this structure, ClimInvest4Cities combines strong national leadership with local ownership and independent oversight. By integrating CPBGs and the Investment Preparation Window within a single institutional architecture, ClimInvest4Cities reinforces policy coherence, reduces transaction costs and builds countries' own climate financing ecosystems, enabling them to operate sustainably without external substitution.

A Scalable Model for Urban Climate Finance

ClimInvest4Cities operates as a practical and scalable delivery mechanism designed to unlock climate finance for cities by simultaneously addressing the need for predictable funding and investment readiness. By embedding Climate Performance-based Grants into national financial systems and pairing them with a dedicated Investment Preparation Window, the model **effectively bridges the gap between local priorities, national frameworks, and international financing requirements.**

This approach strengthens local delivery capacity and supports governments in achieving their NDC and SDG targets while building the credibility and project pipelines

essential for accessing larger volumes of international and blended finance. It creates a clear pathway for cities to transition from small, budget-executed investments toward larger, finance-ready climate projects.

Through its phased and replicable design, **ClimInvest4Cities serves as both a financing instrument and a powerful catalyst for institutional change.** By transforming fragmented initiatives into a coherent and performance-driven system, it empowers municipalities, engages local communities, and reinforces national leadership. Ultimately, this model positions small and medium-sized cities as central, proactive actors in the global response to climate change.



Benefits for cities:

- Predictable and performance-driven finance access.
- Strengthened institutional and technical capacity.
- Greater legitimacy through national integration.
- Locally relevant and inclusive investments.
- Long-term benefits for their communities.



Benefit for governments:

- Operationalisation of NDCs and National Adaptation Plans through local action.
- Stronger intergovernmental fiscal systems.
- Improved monitoring and national reporting.
- Enhanced political legitimacy and trust.
- First step towards building and strengthening climate finance towards cities (country platform, investments portfolio, new financial instruments like climate bonds, carbon markets, etc.)



Benefits for international financing partners:

- Aggregation of local projects under national frameworks.
- Robust mechanism to monitor progress against implementation, with enhanced reporting and coordination.
- Scalable mechanism with fiduciary oversight, thus enhancing transparency.
- Lower transaction costs versus ad hoc projects through harmonized process and use of national systems.
- Increased opportunities for public and private co-financing and blended finance.

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BACKGROUND INFORMATION

A comparison of climate finance flows in 2023²¹ highlights important structural differences between regions. For instance, in the MENA region, climate finance amounted to USD 44.86 billion, with a strong dominance of debt instruments (64%) and a significant role for the private sector, which accounted for 65% of total investments. The vast majority of these resources targeted mitigation (78%), while only 12% supported adaptation and 10% delivered dual benefits. This reflects both the region's emission profile and its capacity to attract large-scale infrastructure finance. By contrast,

Sub-Saharan Africa relied less on debt (52%) and much more heavily on grants (30%), with equity also playing a comparatively larger role (17%, mainly for mitigation investments). In this region, almost 70% of climate finance came from the public sector, underscoring the limited ability to mobilize private capital at scale. Sub-Saharan Africa's greater reliance on concessional finance and grants suggests a stronger orientation toward adaptation needs. These contrasts underline the importance of tailoring international support to the specific financing structures of each country.

²¹ Climate Policy Initiative, Global Landscape of Climate Finance Data Dashboard

Pathways to Urbanisation (UCCRN)	ClimInvest4Cities
1 Integrate mitigation and adaptation, as actions that reduce greenhouse gas emissions while increasing resilience are a win–win.	CI4C aims to address both mitigation and adaptation at the local level, focusing on small and medium-scale investments.
2 Coordinate disaster risk reduction and climate change adaptation, as together these are the cornerstones of resilient cities.	CI4C integrates Disaster Risk Reduction (DRR) and climate adaptation into the planning and budgeting processes of local governments.
3 Co-generate risk assessments and climate action plans with the full range of stakeholders and scientists for the most effective outcomes.	A Climate Risk and Vulnerability Assessment (CRVA) is conducted to inform the City Climate Action Plan and guide future investment cycles.
4 Focus on disadvantaged populations, ensuring that the needs of the most vulnerable citizens are addressed at the forefront of climate planning and action.	The CRVA also includes an assessment of the most vulnerable groups, including women and youth. When feasible, a “Leave No One Behind” assessment is carried out to ensure inclusivity.
5 Advance governance, finance, and knowledge networks — enhancing city creditworthiness, building strong city institutions, and participating in city networks to facilitate climate action.	Building local government capacity is essential for long-term, sustainable resilience. Each participating city undergoes a baseline capacity assessment, followed by an Annual Performance Assessment (APA) to identify priority areas for further capacity strengthening in future cycles of operation.
Locally Led Climate Action (WB)	ClimInvest4Cities
1 Subsidiarity, and an emphasis devolving power to, and strengthening the capacity of the lowest appropriate level for governing the climate challenge.	A national financial scheme is established, owned, and steered by the national government. However, the climate action planning, investment selection, and implementation are led by local governments (municipalities or their equivalent).
2 Participation, inclusion, and empowerment of communities for climate action.	CI4C ensures that vulnerable groups are meaningfully considered throughout the entire process — including the assessment phase, decision-making, and monitoring and evaluation. Tailored capacity-building activities are designed to empower and engage targeted communities.
3 Climate-informed investment: Alignment of investments with the best available climate science and existing climate priorities.	The CI4C approach is grounded in the latest available climate data for the country and is aligned with national strategies and commitments, such as NDCs, NAPAs, and the country's net-zero trajectory.

Locally Led Adaptation Principles (GCA)	ClimInvest4Cities
1 Devolving decision making to the lowest appropriate level	The climate action plan is prepared by LG. The choice of financed investments and its implementation is made by the LG. LG participates actively in the Annual Performance Assessment.
2 Addressing structural inequalities faced by women, youth, children, disabled and displaced people, Indigenous Peoples and marginalised ethnic groups	Each investment must analyse its impact on the vulnerable groups. Communities must participate in the design of the investment to be implemented, the decision process, and the monitoring / evaluation.
3 Providing patient and predictable funding that can be accessed more easily	The size of the financial support is adapted to the national context and the local capacities. Only the long term outlook is seen as a driver for change.
4 Investing in local capabilities to leave an institutional legacy	CI4C places strong emphasis on building lasting institutional capacity at the local level through tailored capacity-building plans and continuous support. Municipal staff learn on the job throughout the entire process and actively participate in the Annual Performance Assessment (APA) to better identify areas where further support and improvement are needed.
5 Building a robust understanding of climate risk and uncertainty	Each participating city undertakes a Climate Risk and Vulnerability Assessment (CRVA), which informs planning, prioritisation, and investment decisions. The CRVA is grounded in the best available climate science and data and explicitly acknowledges and addresses uncertainty in climate risk.
6 Flexible programming and learning	CI4C incorporates an iterative, cycle-based approach, enabling municipalities to adjust planning and investment choices over time. Lessons learned from Annual Performance Assessments (APAs) and project implementation feed into continuous improvement and adaptive learning across cycles.
7 Ensuring transparency and accountability	CI4C uses a rules-based and performance-informed allocation system, backed by clear eligibility criteria, public reporting mechanisms, and independent assessments (using national systems in place when possible). This ensures transparent decision-making, financial accountability, and trust among all stakeholders.
8: Collaborative action and investment	CI4C fosters collaboration between national and local governments, as well as engagement with civil society, communities, and development partners. It helps create a shared investment framework that aligns national policy goals with local priorities, encouraging joint ownership and co-financing opportunities.

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