

FTAG 2022 Concept Note

Financial aggregation blueprints for urban climate projects

Context

Home to two-thirds of the global population, cities contribute to three-quarters of the global greenhouse gas emissions and can be particularly vulnerable to changes in climate, underlining the need for heavy urban climate investments. However, as presented in the *2021 State of Cities Climate Finance* report published by the Cities Climate Finance Leadership Alliance (the Alliance), annual urban climate investments stand at USD 384 billion, far less than needs, estimated to stand at USD 4.5 to 5.4 trillions.

The multiple barriers cities face in accessing climate finance pose the need for innovative financial strategies. This need is even more profound in small and intermediary cities, particularly in developing economies, as they often do not have projects sizeable enough to attract investment.

Financial aggregation is one of the most promising strategies available to help cities secure funding for smaller projects (demand-side) and mobilize financial resources from smaller or diverse investors (supply-side). It was defined by the Alliance as *financial instruments or enterprises that combine multiple investments, participants, projects, or sectors to scale up financing for urban climate mitigation or adaptation needs*¹. Furthermore, it's an approach that can be used to enable both climate mitigation and climate adaptation projects.

The Financial Toolbox Action Group (FTAG) from the Alliance is looking to build on previous work² and **develop practical financial project blueprints showcasing financial aggregation models used to increase the number of urban climate projects funded**. To do so, the FTAG will hire a consultant to identify and review successful case studies of financial aggregation for urban climate projects and develop financial project blueprints for each of the case studies, highlighting the distinct project phases, roles played by the different stakeholders involved, and the financial instrument mechanics.

Objective

The key objective of this work is to help Alliance members understand how they can support cities develop financial aggregation financial instruments to increase the volume of financial flowing to urban climate projects worldwide.

To this end, the Alliance will hire a consultant to perform desk research, financial analysis, and engage with Alliance members (e.g., through interviews) in order to produce one document containing **nine detailed financial project blueprints** based on **successful case studies** of financial aggregation for urban climate projects. More

¹ *Financial Aggregation for Cities* policy brief.

² FTAG 2021 Activity: *Mapping Financial Instruments Utilized for Urban Climate Finance Projects* and the *Financial Aggregation for Cities* policy brief.

specifically, three project blueprints (two in developing economies and one in a developed economy) should be made for each of the three following financial aggregation instruments:

1. Municipal pooled procurement;
2. Municipal bonds (green, climate or sustainability-linked bonds); and
3. Municipal insurance pooling.

Each of the financial project blueprints should highlight the distinct project phases and roles played by the different stakeholders involved, following a structure similar to that used in the report [Blueprints for Climate Finance in Kenya](#) by the Climate Policy Initiative, and comprising the sections:

1. Context and problem;
2. Concept and solution;
3. Financial instrument mechanics;
4. Implementation pathway;
5. Impact; and
6. Key takeaways.

Finally, following the outline of the *Blueprints for Climate Finance in Kenya* report, the Consultant should also develop a concluding section drawing general considerations that proponents and implementing partners should address during the development of financial aggregation instruments.

This deliverable will help Alliance members understand how they can support cities to implement financial aggregation instruments, helping unlock urban climate finance worldwide. Additionally, it would allow Alliance members already making use of financial aggregation to showcase some of their most successful case studies.

Added value

Although procurement, bonds, or city insurance aggregation are not novelties, these instruments can contribute substantially to meeting cities' climate financing needs. Financial project blueprints can be a powerful tool to aid replication. By developing successful blueprints, this work intends to inspire other initiatives and serve as a practical reference to new projects on financial aggregation for urban climate projects.

This work will build upon the existing literature and expert interviews to target a gap in practical knowledge of successful financial aggregation instruments to fund urban climate projects. In particular, this deliverable should make use of two of the Alliance's resources (*FTAG 2021 Activity: Mapping Financial Instruments Utilized for Urban Climate Finance Projects* and *Financial Aggregation for Cities* policy brief) and the network of experts working for the CCFLA member institutions.

Furthermore, the Alliance is very well positioned to lead this work together with the Consultant it will hire, as:

1. The Alliance, in its condition of being hosted by the Climate Policy Initiative, gathers the expertise and has already developed multiple knowledge products investigating the potential of financial aggregation for scaling urban climate financing; and
2. The Alliance, in its role as a convener of multiple institutions aiming to scale urban climate investment worldwide and as the host to the Leadership for Urban Climate Investment (LUCI), has direct access to experts who can support the development of this deliverable by providing interviews, and helping identify case studies relevant to this research.

Deliverable format and Alliance support

The final output will be a report containing an introduction, the nine successful case studies blueprints and the concluding section as indicated in the "Objectives" section. The document should be referenced, use the Alliance document template, and have cities, project preparation facilities, city networks, private investors, and development banks as the target audience. The hired Consultant firm will present preliminary and final findings.

The Alliance will provide:

- A list of relevant knowledge products produced by the Alliance on the matter; and
- A list of Alliance members with experience working with financial aggregation of the selected instruments.

Workplan

The Consultant will be hired by the Climate Policy Initiative (CPI) in its role as the Secretariat of the Alliance from June 2022 to November 2022, with the approximate work schedule below:

Activity	Due date
Kick-off meeting with Alliance Secretariat	TBD June 2022
Presentation of initial findings to FTAG members	TBD August 2022
Presentation of the final findings to FTAG members	TBD October 2022
Delivery of the final version of the report	TBD November 2022

Consultant profile

Qualifications

- Education/Training: Master's degree or equivalent professional experience in finance, political science, economics, sustainable development, urban planning, public administration or relevant subject.
- Language: Excellent business language skills in English are mandatory.

- General professional experience: At least seven years of professional experience in or with municipal finance, international development organizations, consulting, research institutions, policymaking, or financial institutions. Must be able to demonstrate experience in municipal finance, preferably in low and middle-income countries, and expertise in climate finance is highly desirable.
- Specific professional experience: Publications in this field. Strong analytical skills and working experience with crisp, concise writing.

Other specific requirements

- The service provider will organize regular exchanges with the Alliance Secretariat, and the contact person will be provided upon the start of the contract.

Proposal requirements

- The bidder is required to describe their approach, timeline, and budget for the services for which it is responsible and key aspects of the assignment in no more than three pages. Project personnel CVs should be included as an Annex.
- All work is expected to be conducted virtually.

Expected days of work

- The Consultant should expect to work for at least 40 days.

Deadline

- Proposals are due to Secretariat@citiesclimatefinance.org by **17:00 BST 27 June 2022**.