



EFAG 2022 Concept Note

Issue brief: How can cities in developing economies improve the local enabling conditions to attract private investment and scale urban climate projects?**Context**

As highlighted in the *2021 State of Cities Climate Finance* report published by the Cities Climate Finance Leadership Alliance (the Alliance), private investment represents only a small fraction of urban climate finance needs, currently estimated in trillions of dollars. Furthermore, urban climate financing flows are heavily concentrated in OECD countries and China, increasing the need to accelerate the supply of these resources to cities in developing economies.

One of the reasons behind the limited flow of private financial resources to cities in developing economies is associated with the relatively high risks and poor enabling conditions for private urban climate investment in these countries. As shown in the *2021 State of Cities Climate Finance*, three main enabling elements influence urban climate finance outcomes:

1. Climate-specific: connecting city-level climate investments with the appropriate climate financing instruments;
2. Country-specific: national-level governance and fiscal systems under which cities fall and which determine what they can do in terms of planning, regulation, and finance; and
3. City-specific - the capacity and remit cities have for planning and financing expenditures and their potential for mobilizing or attracting other sources of finance.

The Enabling Frameworks Action Group (EFAG) aims to understand how cities in developing economies can work on city-specific enabling elements to scale local private climate investment. To do so, the EFAG will hire a consultant (or Consulting Firm) to review the main enabling environment barriers for private urban climate investment markets and what municipalities in those markets can do to overcome these barriers by reviewing case studies in order to propose practical recommendations to cities and other strategic partners, such as project preparation facilities, on how to increase private sector investment in different institutional contexts.

Funding for this work is partially supported by the Subnational Climate Finance Initiative, which has funding for supporting scale-up and replication with this work from its Technical Assistance arm, supported by the Green Climate Fund (GCF).

Objective

The key objective of this work is to identify ways through which cities in developing economies can improve the local enabling environment for private investment.

To this end, the Alliance will hire a consultant (or Consulting Firm) to perform desk research and engage with multiple institutions¹ through interviews and surveys in order to produce a 10/15-page policy brief containing the following elements:

1. A summary of the main enabling environment barriers for private urban climate investment in developing economies, based largely on existing work notably the State of Cities Climate Finance report;
2. From those barriers, identify the ones that can be partially or entirely overcome by cities themselves. To make this analysis, the consultant should consider the power of the city to influence policies (e.g., if the national and subnational states are centralized or decentralized – see Annex 1);
3. Five successful case studies across different markets and institutional contexts will be used to illustrate the specific circumstances and key improvements in the local enabling framework (e.g., local capacity, regulations, standards and incentives as well as conditions for private sector engagement) that helped attract private investment for urban climate projects. The analysis of the case studies should consider the local (e.g., administrative system, legal, local capacity, private sector, and economic constraints) and broader enabling conditions (i.e., country-specific and climate-specific elements) in order to derive lessons learned and reflect on their applicability to other cities. The case studies should focus on the following sectors, with at least one case study for each sector:
 - a. Urban sustainable energy solutions;
 - b. Waste and water management;
 - c. Nature-based solutions; and
 - d. Adaptation/resilience solutions.
4. Based on these case studies and relevant research, recommendations for cities in developing economies on how they can improve local enabling conditions to facilitate private investment in their climate projects and what changes to prioritize given their specific administrative system, legal, local capacity, private sector, and economic constraints;
5. Recommendations for strategic partners on how they can support cities in developing economies to enhance the local enabling conditions for private urban climate investment. The strategic partners to be considered are:
 - a. National, regional or state governments;
 - b. Other municipalities;
 - c. Development finance institutions and climate funds;
 - d. NGO, civil society, philanthropies, and project preparation facilities;
 - e. Commercial banks and insurance companies;
 - f. Pension funds, private equity firms, infrastructure funds, and asset managers;
 - g. Impact investors and philanthropies; and

¹ Including, but not limited to Alliance members.

h. Non-financial corporates.

This deliverable will help Alliance's members understand how they can support cities in developing economies to unlock urban climate finance.

Added value

This work aims to build on the broader literature available about urban climate finance enabling conditions (e.g., [2021 State of Cities Climate Finance](#), *Financial Aggregation for Cities* by the Alliance (in press), *Increasing Sub-National Pension Fund Urban Climate Investments* by the Alliance (in press), *A Standardized Approach for Analysis of Enabling Framework Conditions Related to Cities' Ability to Access Climate Finance: Blueprint for a Tool* by the Alliance (in press), [Catalyzing Private Sector Investment in Climate Smart Cities](#) by the World Bank Group and UNDP, and [Enabling Institutional Investment in Climate Smart Infrastructure](#) by the World Bank Group) and develop a targeted product focused on investigating the barriers preventing private sector investment in developing economies cities and what is within the remit of cities to address them. This work's narrow and practical approach, embedded in the specific set of recommendations to municipalities and strategic partners, is unique and hopes to constitute a step forward in mainstreaming urban climate finance in developing economies.

Furthermore, the Alliance is very well positioned to lead this work together with the Consultant (or Consulting Firm) 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 influence of enabling conditions on climate investment more broadly;
2. The Alliance, in its role as a convener of multiple institutions aiming to scale urban climate investment worldwide, has direct access to experts who can support the development of this deliverable by providing interviews, answering surveys and helping identify case studies relevant to this research; and
3. The Alliance, as the host to the Leadership for Urban Climate Investment (LUCI), has the potential to take the outcomes of this research forward and help structure the piloting and testing on the ground of the recommendations that will be produced in this research together with the initiatives hosted under LUCI.

Deliverable format and Alliance support

The final output will be a 10/15-page policy brief containing all the elements listed in the "Objective" section, as well as a brief introduction and conclusion. The document should be referenced, use the Alliance document template, and have cities, policymakers, project preparation facilities, city networks, private investors, and development banks as the target audience. In addition to the policy brief, the Consultant (or Consulting Firm) should also support the broader dissemination of the deliverable by drafting a short blog piece (e.g., 500 words) surrounding the brief's

release. Finally, the hired Consultant (or Consulting Firm) will present twice to the EFAG on preliminary and final findings.

The Alliance will provide:

- A list of relevant knowledge products produced by the Alliance;
- A list of Alliance members with experience working with enabling conditions for cities in developing economies and contact information; and
- Selection of other relevant sources and data.

Workplan

The Consultant (or Consulting Firm) 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 July 2022
Presentation of initial findings to EFAG members	TBD August 2022
Presentation of the final findings to EFAG members	TBD October 2022
Delivery of the final version of the policy brief	TBD November 2022

Consultant (or Consulting Firm) 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

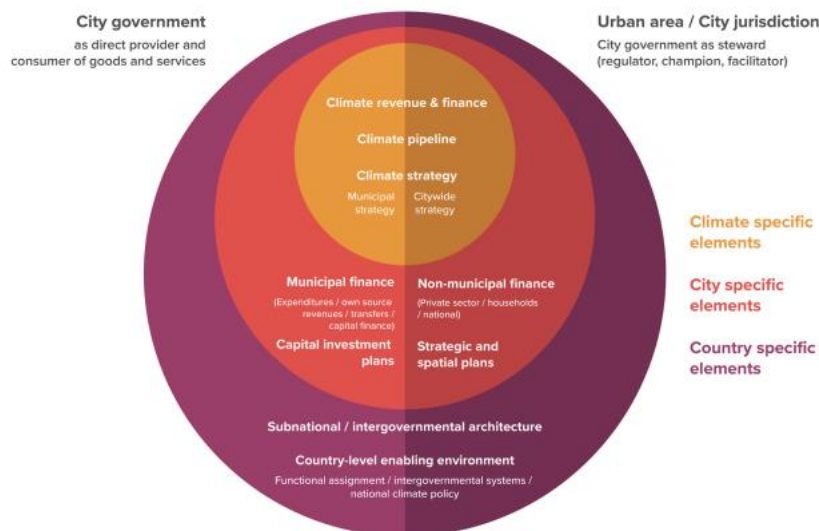
- The Consultant (or Consulting Firm) should expect to work for at least 40 days.

Deadline

- Proposals are due to Secretariat@citiesclimatefinance.org by 17:00 GMT **30 June 2022**.

Annex 1

Figure 1: The enabling conditions framework to mobilize urban climate finance: country, city, and climate-specific elements



(Source: 2021 State of Cities Climate Finance)