



INSTITUTE FOR
CLIMATE AND
SUSTAINABLE
CITIES

Climate Finance and Cities

The Need for Innovative Finance Mobilization for
Resilient Cities

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CITIES CONTRIBUTE UP TO 70% OF GHG EMISSIONS

54% OF CURRENT POPULATION LIVE IN URBAN AREAS

BY 2045, NUMBER OF PEOPLE LIVING IN CITIES WILL INCREASE BY 1.5 TIMES TO 6 BILLION, ADDING 2 BILLION MORE URBAN RESIDENTS

1 BILLION PEOPLE LIVE IN INFORMAL SETTLEMENTS



INSTITUTIONAL INVESTORS FACE SUBSTANTIAL CHALLENGES IN THE CURRENT INVESTMENT ENVIRONMENT.



Up to 50% of all government bonds are paying negative interest and 20-year government bonds are paying less than 1% p.a.



Valuations on U.S. and European equity markets are in their top historical quartiles.



Core real estate assets are being traded at historically low returns.

As such, capital flows are increasingly becoming available for infrastructure investments that offer stable cash flows.



ASIA

By 2020, Asia will be home to some of the world's largest mega-cities.

INFRASTRUCTURE will be essential to

- **improve connectivity and productivity, competitiveness and job creation.**
- **improve the quality of life of millions of people.**



ASIA

By 2050, Asia will account for more than half of the world's gross domestic product (GDP).

Yet at the moment, more than 600 million people in the region today lack access to electricity, 1.7 billion to sanitation, and 400 million miss out on other services such as safe drinking water. Rapid urbanization is going to exacerbate the access problem. To bridge the gap, Asia will need to invest much more.

Asia infrastructure needs will exceed \$10-15 trillion over the next 10 years.



INFRASTRUCTURE FINANCE LANDSCAPE



70%
Public Sector



20%
Private Sector



10%
**Multilateral Banks,
Bilateral Agencies, &
Export-Import Banks**

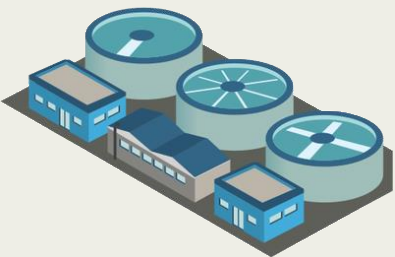
ISSUE OF BANKABILITY

Bankability is fundamental to project finance because lenders are willing to finance a project only if it has a stream of net revenues that provide an internal rate of return commensurate to the associated risks. If there are bankability issues, instruments such as guarantees, insurance, and credit enhancement facilities can provide bankable solutions.



KEY INFRASTRUCTURE SECTORS IN CITIES

Urban Services



Urban services such as water, wastewater, waste management and urban transport systems.

Transport



Transport, communications and logistics including bandwidth expansion, distribution centers, roads, ports, airports and railways.

Water



Water management and irrigation.

Energy



Energy generation, transmission and distribution but with a focus on renewable energy, waste to energy, clean energy and energy efficiency, demand and supply side alike.



WHAT DOES THE CLIMATE CHANGE MEAN FOR CITIES?

Innovative financing and strength in ownership is key.

Institutions will need to provision readiness support to strengthen municipal's governance structures, and institutional and technical capacity to mainstream climate goals into urban planning processes, and develop and implement projects or programmes.

Innovative Finance Mobilization for Resilient Cities

Example: Urban Guarantees and Other Facilities

- **Political Risk Guarantees**
- **Contractual and Regulatory Risk Guarantees**
- **Credit Risks Guarantees**
- **Minimum Revenue Risk Guarantee Mechanism**
- **Foreign Exchange Risk Facilities**
- **Guarantee Fee and Interest Rate Subsidies**



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END

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