Cities Climate Finance Leadership Alliance Assembly: Scaling Cities Climate Finance in the Context of COVID-19

Virtual Session, June 16, 2020

The Cities Climate Finance Leadership Alliance holds an annual Assembly to convene and exchange knowledge among stakeholders dedicated to urban development, climate action, and financing. The 2020 Alliance Assembly, held virtually for the first time, focused on how to build a green and resilient recovery in cities in light of the COVID-19 pandemic and recovery efforts. The discussion brought together prominent speakers from national governments, multilateral development banks, and private finance institutions.

In opening remarks, Michael Liebreich, Chairman and CEO of Liebreich Associates and Founder and Senior Contributor to Bloomberg New Energy Finance, highlighted that cities are “ferociously efficient places” both economically and socially, and are at the center of both the climate crisis and the COVID–19 pandemic. Several overarching themes emerged throughout the discussion that followed.

Theme 1: The long shadow of the COVID-19 pandemic

The COVID-19 pandemic will lead to long-lasting changes in cities in ways that are only beginning to emerge. One of the areas where the impacts of the pandemic have been most clear is transport. Mr. Liebreich highlighted changes to public transport to accommodate social distancing that will change the economics of transport. In London, single-decker buses will only carry 8 passengers, and double-decker buses just 20. People will continue to use alternative modes of transport such as cycling and walking in cities, but the COVID-19 pandemic also puts an increasing pressure on the use of private vehicles until the trust in public transport is restored. Julia Prescot, the Co-founder and Chief Strategy Officer of Meridiam Infrastructure, discussed how these changes create uncertainty for transport business models, which pushes away private investors.

The Mayor of Sagnarigu Municipality in Ghana, Hajia Mariam Iddrisu, who provided input following the session due to technical difficulties, pointed out that the farming sector is facing enormous distress, as income loss will result in reduced farm sizes and increased hunger in high population areas. In addition, Mayor Iddrisu indicated several other challenges her city is facing during the COVID-19 pandemic, including reduced awareness and education on climate change, decreased funding on climate actions, and even an increased production and consumption of fuelwood and charcoal.

Cities have been at the center of the pandemic’s health and economic impacts, but they are also where investments in recovery will have the greatest effect, according to Dr. Karsten Sach, the Director-General, International and European Policy, Climate Policy in the Federal Ministry for Environment, Nature Conservation and Nuclear Safety in Germany. Urban investments in climate that reduce pollution also have wellbeing co-benefits that are even more essential for recovery from the pandemic.
Chris Hurst, the Director General, Projects Directorate at the European Investment Bank, echoed these thoughts, saying that it is important to rethink investments in transport and public spaces to prevent a bounce back in emissions and to start taking co-benefits into account.

**Theme 2: Monetary policy helps, but directing real financial support to cities is essential**

Panelists agreed that loose monetary policy from central banks in response to the COVID-19 pandemic is helpful for cities, but that monetary policy alone will not be enough to support a green recovery. Mr. Liebreich pointed to increased transport, public health, and social costs being borne by cities as one cause. Financial support from central governments will be crucial as cities need funds quickly. According to Dr. Sach, the German government is removing the 40% match requirement for municipalities to get recovery funding moving quickly.

Joaquim Levy, the Former Managing Director of the Brazilian Development Bank and Former World Bank Group Chief Financial Officer, advocated for labor intensive, replicable projects by cities that can quickly create lots of jobs without creating balance-of-payments issues, particularly in the Global South. Mayor Iddrisu added to this the importance of directing financial support to vulnerable businesses who otherwise would tend to the environment for livelihood.

**Theme 3: Project preparation and aggregation is needed to connect projects with private investment**

Project preparation and project pipelines are a missing link between willing institutional investors who want to put money into infrastructure, and cities that need financing to recover from the pandemic and deeply decarbonize. Marie-Aimee Boury, the Head of Impact Based Finance at Société Générale Corporate and Investment Banking, said that there is no shortage of private money for infrastructure investment, but there is a disconnect—projects are too small for most investors. Simplification, standardization, aggregation, and credit enhancement can address and ensure that public money is leveraging private money.

Ms. Prescot also described a new platform, The Urban Resilience Fund (TURF), launched by Meridiam and The Rockefeller Foundation that brings together project preparation to build a pipeline of urban projects with a capital and blended finance investment fund to bridge the pipeline roadblock. Mayor Iddrisu echoed that building partnerships for climate resilient infrastructure together with financial stimulus to revamp key sectors is the way forward.

**Theme 4: Procurement is a critical roadblock to innovation**

Multiple speakers highlighted the need for innovation and collaboration from the public and private sectors, and how procurement rules are a major stumbling block. Under the current system, when private actors have innovative ideas, they have to spend time and money to educate the public counterparty, and if they succeed, they still have to go through an open bidding process before they see any financial reward.

Ms. Boury suggested disrupting the Request for Proposals (RFP) process so that cities can focus on impacts rather than specific technical solutions. She also highlighted the need to have forums to exchange ideas, particularly between the public and private sectors, and pointed to Rêve de Scènes Urbaines in Plaine Commune north of Paris as
an example where cities can ask for ideas and experiment outside of typical procurement rules that limit collaboration.

Mr. Liebreich echoed Ms. Boury's suggestion, saying there must be a middle ground to reward private innovation without losing the benefits of open processes. Cities should also use their “soft power,” according to Mr. Liebreich, to advocate for a unified position with national governments and development banks to get the enabling frameworks right. Cities can also convene parties, aggregate projects, and provide guarantees to catalyse more private investment than cities could through their buying power alone.

**Conclusion: Massive, disruptive innovation on financing, collaboration, and solutions needed**

An overarching takeaway that spanned the four themes, highlighted by moderator Dr. Barbara Buchner, is the need for massive, disruptive innovation on financing, collaboration, and solutions. She summarized that we need collaboration between municipalities, national government, and public and private financial institutions, moving away from a siloed approach to solving multiple problems with one approach. Development finance institutions have an important role in this context to help establish principles and best practices, streamline the budgeting and financing of programs, and increase transparency. Cities’ leadership is key to developing solutions that help cities use their soft power, to work together, and to get the attention of their national governments.

*This summary was written by Lize Festers and John Michael LaSalle*