Cities & Regions Pavilion

6 – 17 November 2017 • Bonn Zone @ UNFCCC COP23, Bonn, Germany

Comprehensive Financial Solutions to Increase the Climate Resilience of Cities

Draft as of 09/11/2017

Date: Tuesday, 14 November 2017

Time: 10:30 – 12:00

Organized by: City Resilience Program; the World Bank

Session type: Panel Discussion

Level of access: Open

Session description:

The World Bank Group's City Resilience Program (CRP) is designed to address the disconnect between investors seeking opportunities and city leaders that require external capital to develop their infrastructure. CRP will catalyze deal flow for investors by supporting city governments in the design of large-scale investment programs to strengthen resilience. This requires a coordinated approach to investment in urban infrastructure across departments that is risk informed, particularly to hydromet risks and how these will evolve in the future. The outcome will be a transparent pipeline of well-prepared bankable investment opportunities that link a package of investment opportunities with the range of financial instruments that are most appropriate. At the same time, while supporting city governments in the design of investment programs, CRP will improve access for private and institutional investors to crowd into new markets. These investment programs will be designed to specifically target a range of financial instruments, including those that are particularly attractive to private investors. The focus will be on reducing transaction costs through, inter alia, conducting market reconnaissance, providing capacity-building to governments to move toward investment readiness, and facilitating the negotiation between cities and investors on specific transaction opportunities. More broadly, CRP will leverage the Bank's ability to deploy risk mitigation instruments to address risk that have traditionally not been acceptable to private investors.

There is a shortage in the number and range of high-quality investment opportunities in urban infrastructure, particularly those that respond to the pressures of rapid urbanization and climate change, that are attractive to private investors. The global infrastructure deficit has attracted significant attention for many years. As public funding is constrained, there is widespread recognition that private capital will play a crucial role in enabling governments to more effectively address the infrastructure deficit. However, governments are often not able to develop high-quality infrastructure projects that offer attractive risk-return profiles to private investors. One of the key underlying reasons is that governments fail to align the incentives of involved stakeholders and build successful coalitions to plan and design these projects. As a result, there is currently no global pipeline of bankable urban infrastructure projects and private investors continue to consider these projects as one-off opportunities.

Despite large infrastructure needs and potential opportunities for investors, the market is not sufficiently developed to enable the flow of capital into infrastructure projects. The potential for strong investment returns, and the opportunity for diversification, has made infrastructure an increasingly attractive asset class in recent years. While there is strong interest to invest, investors often face difficulties in deploying their capital because the opportunities are sporadic and widely dispersed. From an investor's perspective, there are a number of barriers which lead to transaction costs being higher than desired. As a result, unlocking the flow of financing for urban infrastructure projects is far from straightforward, but CRP can play a critical role in building a pipeline of potential transactions in a cost-effective manner.

Key Message 1: The World Bank's City Resilience Program (CRP) is designed to address the disconnect between investors seeking opportunities and city leaders that require external capital to develop their infrastructure.

Key Message 2: There is a shortage in the number and range of high-quality investment opportunities in urban public infrastructure, particularly that respond to the pressures of rapid urbanization and climate change, that are attractive to private investors.

Key Message 3: Despite large infrastructure needs and potential opportunities for investors, the market is not sufficiently developed to enable the flow of capital into infrastructure projects.