LGMA Response to “Baku to Belém Roadmap to $1.3t”

Submitted on 25 March 2025 by:
ICLEI and SDSN Urban SDG Commission as Co-leads LGMA Finance Working Group

This submission aims to position *multilevel action and urbanization* as key elements in the design and implementation of the *“Baku to Belém Roadmap to $1.3t”,* building on; the recognition of the importance of all levels of governments under the 2015 Paris Agreement, recognition of the urgent need for multilevel and cooperative action under the 2021 Glasgow Climate Pact, urging to all Parties for multilevel action at the COP28 UAE decision para.161, Mitigation Work Programme outcomes at COP29, and taking into account all relevant partnerships initiatives since COP26.

(a) What are your overall expectations for the “Baku to Belém Roadmap to 1.3T”?

The LGMA Finance Group urges the Presidencies of the sixth and seventh sessions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to ensure that the 'Baku to Belém Roadmap to 1.3T' establishes a bold mission, actionable policy recommendations, and an inclusive and innovative strategy that considers all stakeholders in consideration —including all levels of government and financial institutions— and ensures coordinated, just, and effective climate action. To achieve its mission the Roadmap must clearly articulate that all subnational governments must be empowered and enabled to actively participate in climate negotiations and drivers of climate action. Their involvement is essential to ensuring that climate commitments translate into tangible, sustainable, and localized action. This is in alignment with the Paris Agreement recognition of the importance of all levels of governments, and the Glasgow Climate Pact’s recognition of the urgent need for multilevel and cooperative action. Scientific evidence, backed by the IPCC AR6 report, highlights the role of cities as critical for climate action, while recognizing that climate change has caused adverse impacts on human health, livelihoods, and key infrastructure. This aligns with the “mutirão” vision published by the COP30 Presidency on March 10, and the call for “deep, rapid, and sustained cooperation.” **Subnational governments have a crucial role to play** as levers to drive climate-resilient transitions, but have thus far been restricted from reaching their full potential in the fight against climate change. Cities are responsible for nearly 70% of global CO_2 emissions and are highly vulnerable to climate changes, with over 70% already experiencing severe climate impacts. **Adequate, tailored, and needs-based multilevel finance is crucial for effective engagement and climate action**: Subnational perspectives and considerations should be incorporated in accelerating adaptation efforts, since communities served by local governments are at the frontlines of climate change impacts, and thus central in any adaptation and loss and damage interventions. The Roadmap must facilitate the integration of multilevel approaches by all financial institutions supporting climate action. Despite their critical role in implementing mitigation and adaptation efforts, subnational governments face a massive annual funding gap of trillions of dollars, hindering progress toward net-zero and effectively meeting climate targets. To close this gap, public finance alone is insufficient; a blended finance approach is essential, combining grants, concessional loans, and private sector investments to mobilize the trillions of dollars needed globally.

Climate finance initiatives should prioritize inclusivity, ensuring that vulnerable communities living in cities and regions are not left behind. To turn financial commitments into concrete results, the Roadmap must incorporate clear and practical implementation strategies. This entails establishing transparent channels for fund disbursement, creating mechanisms to track the allocation of resources, and initiating capacity-building programs to empower subnational governments in effectively absorbing and utilizing climate finance. A dedicated framework should also be introduced to monitor progress, uphold accountability, and allow for timely adjustments. Without these mechanisms, even the most ambitious financial commitments risk falling short of their potential.

The Roadmap must also promote increased involvement of and cooperation with subnational governments in conversations with MDBs and National Development Banks (NDBs), and support the formulation of subnational approaches to increase finance. Cities Climate Finance Leadership Alliance (CCFLA) indicates that annual urban climate finance must increase more than fivefold to attain a 1.5C climate pathway, which reveals a great investment opportunity in low-emissions and resilient infrastructure. The Roadmap should also clearly acknowledge and support the pivotal role that intermediary organisations play in tackling and overcoming the well documented barriers that hinder the flow of finance to the local level where it is needed most.

To ensure that all cities and regions can access the resources needed for ambitious climate action, financial flows must be expanded, not be redirected, which is also why LGMA stands firmly against any reduction in available funding for subnational governments from the Global North. This is particularly important given recent policy shifts and Official Development Assistance (ODA) cuts and budget reallocations by key contributors in the Global North. Redirecting existing climate finance risks undermining local progress rather than accelerating it. Instead, the Roadmap must address pending critical questions regarding contributions and disbursement strategies, and outline contingency strategies to overcome the uncertainty surrounding international climate finance commitments. Inclusion and cooperation will be fundamental to find and implement viable pathways to meet the climate investment needs, and the Roadmap should focus on capacity building, interventions that remove financing barriers (like restrictions in the financial and fiscal capabilities of subnational entities), innovative mechanisms that de-risk local projects (e.g. local project focused first loss facilities), and localization of climate action to ensure a just and equitable transition for all.

The Roadmap must acknowledge climate action as a preferred economic opportunity. The International Finance Corporation (IFC) estimates that urban sustainable investment opportunities in six sectors (waste, water, renewable energy, electric vehicles, public transport, green buildings) in emerging markets alone amount to $ 2.5 trillion annually through 2030. Similarly, the Coalition for Urban Transitions indicated that greenhouse gas emissions in cities can be reduced by almost 90% by 2050 with technically feasible, widely available measures, potentially supporting 87 million jobs in 2030 and generating a global economic dividend of $ 24 trillion. But beyond the return on investment in climate action, all stakeholders must internalize the potential cost of inaction on climate change and understand that failure to act with urgency now will lead to incalculable damage and suffering.

(b) Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Cities and regions are engines of economic growth and opportunity generation for improving livelihoods, and play a key role as hubs for access to fundamental services. Key thematic areas for climate action at the local level include sectors such as water, renewable energy, waste management, electric vehicles, public transport, housing, green buildings, nature based solutions, and coastal and sea level rise response.

Given the critical role cities and regions play in climate action, integrating sustainable urban interventions and policymaking is essential to maximizing imapct and ensuring long-term resilience. This process must be guided by sustainability principles, as defined by the New Urban Agenda, which is a vital pathway for advancing progress toward achieving the Sustainable Development Goals (SDGs). Sustainable urbanization will provide an opportunity for all developing countries, beyond least-developed countries, to obtain financial coverage for both climate mitigation and adaptation action, as they serve the major share of the global population.

The Roadmap should consider the localization of SDGs to accelerate progress and drive transformational change. Localizing SDGs will help create an enabling environment for adequate finance and policies, preventing and mitigating unsustainable patterns that could otherwise exacerbate inequalities and undermine the quality of life for all.

Building on the localization of SDGs, the Roadmap should encourage long-term and integrated urban and territorial planning and design, which is fundamental to incorporating and leveraging synergies between development, climate, biodiversity, the environment, and SDGs. This should extend to embracing innovative financing strategies. These strategies need to prioritize the mobilization of private capital wherever possible and at scale, involving private sector stakeholders early on and throughout the urban value chain to expand and mainstream innovative financing strategies for Climate Resilient Development Pathways. This requires mobilizing private capital early in the planning process and ensuring clear frameworks for collaboration between public institutions and private stakeholders, from policy design to infrastructure management.

(c) What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

Experience to date has revealed that barriers hindering the flow of finance to local/ urban projects can be best overcome by intermediary organisations working with DFIs, MDBs and PPFs in parallel to building local capacity to develop portfolios/ pipelines of financeable projects. This intermediary work ensures that national and sub-national government, DFI, MDB, PPF and local actor needs are met in project development. By increasing transparency and collaboration, these efforts enhance project access to feasibility and implementation support. One such example has been a collaboration between ICLEI and the Development Bank of Southern Africa in developing municipal-led projects that access DBSA and GCF's innovative Embedded Generation Investment Programme.

Pipelines of financeable, locally-led priority climate projects, such as the ICLEI-led Transformative Actions Program (TAP), are critical to accelerate local climate action and there is an imperative need to deploy capital and invest in these pipelines. To further enhance the effectiveness of urban resilience financing, ongoing research by the Resilient Cities Network focuses on identifying best practices among cities that apply a portfolio approach to designing and financing resilience projects. The goal of these projects is to develop the city's capacity to manage and financially plan for investments that build and strengthen its systems. This research, which will be published soon, identifies six governance practices that are important to attract capital for city resilience finance and achieve a return on investment. These include holistic approach, stakeholder coordination, long term capital planning and agility, a process for project development, project management, and transparency and accountability. The SDSN Urban SDG Commission is also working with private sector leaders to develop private sector engagement frameworks that address persistent knowledge gaps.

A structured approach to linking environmental challenges with sustainable infrastructure investments is the Green City Action Plan Methodology, developed by the European Bank for Reconstruction and Development (EBRD) in collaboration with the Organisation for Economic Co-Operation and Development (OECD) and ICLEI - Local Governments for Sustainability. This methodology serves to identify and prioritise environmental challenges, which are then connected with sustainable infrastructure investments and policy measures. It features extensive stakeholder engagement to articulate a clear vision and an implementable short and mid term capital investment plan for the target city that is politically and economically feasible, while also identifying the policies required to support its delivery. This methodology has been implemented in cities across Europe and the MENA region, supporting urban transformation processes.

While direct financial mechanisms play a key role, Non-Market Approaches (NMA) provide an additional pathway to securing climate financing that supports sustainable urbanization development, particularly for the cities in the Global South. National and subnational levels are interconnected. Beyond the existing cities, the future urban cities in the Global South e.g new Jakarta and new Cairo will be designed by national governments and will be developed with national funds for urbanization purposes. Through NMAs, sustainable urbanization could be achieved, and it would facilitate and spearhead the engagement and commitment of ministries and governmental departments in urban planning and infrastructure, as well as private sector actors in the real estate and construction sector as an important private sector driver of climate action. Urbanization Financing NMAs can potentially act as bridging components between the different levels and types of financing, while also scaling the volume and the robustness of subnational level investments. Strong political and financial support of the national governments will attract private investors and other international finance institutions, facilities, and funds. Efforts to achieve this include Regions4's pipeline for Just resilience projects, and Under2's work to identify bankable regional projects in Brazil, among others.

Beyond approaches for project pipeline development, many institutions are developing specific financial instruments to address risk, an important strategy to expand access to finance and reduce the cost of financing. Guarantee facilities, such the Green Cities Guarantee Fund, the UNCDF Guarantee Facility for Sustainable Cities, or GuarantCo, provide credit enhancements that help cities and regions overcome creditworthiness challenges and access more and more affordable financing for climate projects.

Meeting climate finance goals will require a combination of financinial sources and mechanisms, supplemented by global levies and debt restructuring. Raising $5tn in climate finance by 2030 can be achieved through global levies that channel proceeds to developing countries.

(d) Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

Global initiatives play a crucial role in leveraging and scaling up opportunities for sustainable and resilient development for all. By fostering collaboration, mobilizing finance, facilitating knowledge exchange, and sharing best practices, these initiatives provide essential support for subnational governments, including cities and regions. Kex programs include:

- The Global Environment Facility's Sustainable Cities Integrated Program, which promotes sustainable urban development;
- The Malaga Coalition as a collaboration between UNCDF, UCLG and FMDV (Global Fund for Cities Development) for a global financial ecosystem that works for cities and local governments;
- The Finance In Common Summit and related efforts such as FMDV's Global Alliance of Subnational Development Banks (SDBs) encompassing 2 Regional Alliances of SDBs for Latin America and the Caribbean and for Africa;
- CCFLA's Leadership for Urban Climate Investment (LUCI) framework as a platform for coordination and collaboration for bold and effective urban climate finance targets; or,
- The Climate Finance Accelerator Program by the Coalition for High Ambition Multilevel Partnerships (CHAMP) for Climate Action, aiming to connect existing initiatives that support NDC development or help accelerate local level action.

These initiatives play an important role developing and championing innovative solutions and concrete project-level collaboration to finance and deliver climate action.

Additionally, there are also numerous examples of DFIs collaborating to develop and refine financial instruments that support project preparation and implementation, which prioritise urban and local projects focused on building climate resilience. For example, Benin's National Fund for Environment and Climate Change (FNEC) and the Community Development Support Fund (FaDEC) are implementing a GCF-funded project that allocates annual funds to communes for performance-based climate adaptation. Another innovative initiative is Zimbabwe's Infrastructure Development Bank, which has been GCF-accredited, launch of a Climate Finance Facility to support green infrastructure projects. These types of initiatives must be supported to ensure that hard-earned lessons are shared for scaling.

Country platforms, as government-led frameworks that coordinate international climate finance and technical support, have emerged as promising mechanisms. Expanding these platforms to integrate urban climate action could enhance regulatory frameworks and unlock new financing strategies. This would unlock opportunities and motivation for improvements in the regulatory framework at different levels of governments, as well as deploying clustering or other finance strategies that may be unsuitable for smaller projects.

Some of the key actions to support subnational climate action include financial architecture reform so that financial institutions and subnational governments are empowered and legally able to negotiate and contract finance. Another important aspect is adjusting traditional credit mechanisms and financial tools to assess the creditworthiness of cities and regions, which often fail to account for the unique financial structures of cities and regions.

Further information

- IPCC AR6 report highlighting the role of cities as critical for climate action. The report states that climate change has caused adverse impacts on human health, livelihoods and key infrastructure
- Greenhouse gas emissions in cities can be reduced by almost 90% by 2050 with technically feasible, widely available measures, potentially supporting 87 million jobs in 2030 and generating a global economic dividend of $ 24 trillion.
- The International Finance Corporation (IFC) estimates that urban sustainable investment opportunities in six sectors (waste, water, renewable energy, electric vehicles, public transport, green buildings) in emerging markets alone amount to $ 2.5 trillion annually through 2030
- Moreover, cities are motivated to act. To date, 6,150 cities participating in the Global Covenant of Mayors and representing 20% of urban residents globally have developed climate action plans
- Vastly insufficient levels of urban climate finance were invested in developing economies, such as South Asia and Sub-Saharan Africa, which saw an annual average investment of just $ 4 billion and $ 3 billion, respectively
- The estimated flows of urban mitigation finance far outweigh those of urban adaptation finance, though data availability is also uneven. Investment for urban climate change mitigation activities averaged $ 375 billion during 2017/2018. The estimated annual investment in urban adaptation and resilience measures were primarily in water and wastewater projects and averaged $ 7 billion, representing 9% of tracked project-level data (the capital expenditure approach was not applied for adaptation).
- Costs of Business as Usual in urban areas:
    - increase of urban infrastructure investment gap and failure to deliver basic urban infrastructure and services - deficit in investment for global infrastructure is estimated to be $ 1 trillion annually.
    - Growing financial and welfare costs related to traffic congestion - up to 5% in Asia and 10% in Latin America

- Escalating economic and social costs due to air pollution: in 311 Asian cities (1.5 billion people), business as usual resulted in 86% overshooting WHO air quality standards and 730,000 premature deaths.
- Lock-in of inefficiently high levels of energy consumption - and vulnerability to volatile energy prices
- Lock-in of higher operational emissions from buildings and transport for centuries to come.
- Increasing social exclusion through growing income and wealth inequalities in rapidly urbanizing countries
- Wide range of other economic and social costs such as (road) safety, food security, etc.

- Shifting to more compact urban growth, connected infrastructure and coordinated governance:
  - Raising productivity and growth through agglomeration effects
  - Improving efficiency of capital deployment and closing the (sustainable) infrastructure gap.
  - Delivering substantial cost savings in the transport sector
  - Delivering a wide range of co-benefits related to green transport
  - Generation of health benefits due to improved air quality and physical activity
  - Lower GHG Emissions from transport, infrastructure, and operations.
- Understanding urbanization as a NMA approach can be a key supporting pillar to climate finance to support low-carbon, climate resilience urban development and close the recent climate finance gap.
- Sustainable urbanization as an NMA can ensure sufficient climate financing that supports sustainable development, particularly for the cities in the Global South.
- National and subnational levels are interconnected. Beyond the existing cities, the future urban cities in the Global South e.g new Jakarta and new Cairo will be designed by national governments and will be developed with national funds for urbanization purposes. Through Non-Market Approaches (NMA), a sustainable urbanization could be achieved, and it would facilitate and spearhead the engagement and commitment of ministries and governmental departments in urban planning and infrastructure, as well as private sector actors in the real estate and construction sector as an important private sector driver of climate action.
- Sustainable urbanization is strongly aligned with COP27 Urbanization and Climate Ministerial and draft UN Habitat resolution on urbanization - demonstrating that

ministers and urban communities are interested to connect climate investments in climate friendly urbanization.

- Sustainable urbanization will provide an opportunity for all developing countries other than least-developed countries, being able to reach and serve a major share of the global population and covering both climate mitigation and adaptation action.
- Urbanization Financing NMAs can potentially act as bridging components between the different levels and types of financing, while also scaling the volume and the robustness of subnational level investments. Strong political and financial support of the national governments will attract private investors and other international finance institutions, facilities, and funds.
- Global initiatives, such as the Cities Climate Finance Leadership Alliance (CCFLA); the Leadership for Urban Climate Investment (LUCI); the Malaga Coalition as a collaboration between UNCDF, UCLG and FMDV for a global financial ecosystem that works for cities and local governments; and FMDV's Global Alliance of Subnational Development Banks (SDBs) encompassing 2 Regional Alliances of SDBs for Latin America and the Caribbean and for Africa (under the Finance In Common Summit umbrella) - all represent valuable platforms to leverage opportunities towards a more resilient and sustainable development for all.
- Pipelines of financeable, locally-led priority climate projects, such as the Transformative Actions Program (TAP), are critical to accelerate local climate action and there is an imperative need to deploy capital and invest in these pipelines.
- Urbanization Financing alone is not enough, but there is a need to integrate sustainability components as well as well functioning transparency mechanisms and guidance.