THE PARTNERING INITIATIVE

TRANSFORMING THE URBAN CLIMATE PROJECT PREPARATION ECOSYSTEM

Emerging findings on how enhanced collaboration can deliver greater coherence, efficiency and impact

ABOUT THE PARTNERING INITIATIVE

The Partnering Initiative was founded by the University of Cambridge and the International Business Leaders Forum in 2003, on the passionate belief that only through systematic, effective collaboration across business, government, communities, NGOs, the UN, foundations and others can we achieve a collective vision of thriving societies underpinned by a prosperous economy and a healthy environment.

TPI's mission is to build *institutional* capabilites and professionalise the practice of partnership, and so unleash the power of collaboration to deliver transformational sustainable development. TPI's pioneering work and foundational concepts, frameworks and tools have helped to define the field of multi-sector partnering for more than two decades.

ABOUT THE INTERNATIONAL CLIMATE INITIATIVE (IKI)

The International Climate Initiative (IKI) is an important part of the German government's international climate finance commitment. Within the Federal Government, the IKI is anchored in the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN). Selected individual projects are also the responsibility of the Federal Foreign Office (AA).

The initiative was founded in 2008 and aims at enabling and promoting climate and biodiversity projects in developing, emerging, and transition countries.

This report was written on behalf of the BMUKN and does not necessarily reflect the opinion of the Ministry or its employees.

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EXECUTIVE SUMMARY

The challenge

Cities need USD 4.3 trillion annually through 2030 to meet climate action objectives, yet current flows reach only USD 831 billion[1]. This gap is caused by several key factors:

Firstly, there is a mismatch between the capital available, and the nature of city needs. Institutional investors have signalled a USD 130 trillion commitment to net-zero investments[2], but commercial capital can only flow where projects generate predictable returns (e.g. energy transition projects). Meanwhile, large segments of urban resilience and adaptation require concessional or public funding, of which there is far less available.

Secondly, many cities, particularly in emerging markets and developing economies (EMDEs), also face fundamental barriers to accessing finance, among them poor creditworthiness, restrictive national regulations limiting municipal borrowing, weak institutional systems, and gaps in technical and financial management capacity.[3] These constraints mean that even well-designed projects often cannot progress to financing.

Thirdly, the machinery meant to bridge these gaps is not yet delivering at the scale required. A complex urban climate project preparation ecosystem has emerged to develop and match projects with the right blend of public, concessional, and private finance, but it appears to be insufficiently efficient and effective, and there is a consistent complaint by investors about the lack of 'bankable' projects[4]. Cities exhaust resources preparing projects without fully understanding investor requirements, while financiers wait for investment opportunities that never materialise in the expected form. Between them, countless projects stall at various stages of preparation, having consumed significant resources without ever reaching implementation.

Purpose of this study and research approach

This research focusses on the third of these challenges, examining the urban climate project preparation ecosystem through the lens of partnership and collaboration to diagnose where and why projects stall along the financing value chain. The research draws on 20 confidential interviews with Project Preparation Facilities (PPFs), funders, financiers and other key stakeholders along with desktop research and outputs from workshops. It explores the key challenges and inefficiencies and presents practical recommendations to transform the ecosystem of support to be more coherent and collaborative, deliver a more efficient service to both cities and financiers and increase the number and percentage of projects achieving funding or investment.

Given the limited scope of the study and that most interviewees were from one part of the system — PPFs or PPF-adjacent organisations — the findings should be considered emergent rather than a comprehensive assessment. Validation through broader consultation would be needed to confirm wider applicability.

DEFINITION:

Financing value chain

The sequential stages through which projects progress from conception to financial close, with each stage adding value toward achieving bankability and securing investment.

[1] Press-Williams et al., *State of Cities Climate Finance* (2024).
[2] GFANZ, *Finance Committed to 1.5°C* (2021).
[3] Press-Williams et al., *Mobilizing Private Capital for Resilient and Low-Carbon Cities* (2025).
[4] C40 & GCoM, *Increasing Finance for Subnational Climate Action* (2025).

The ecosystem today

The urban climate project preparation ecosystem comprises cities seeking funding, financiers seeking investable projects (national governments, bilateral and multilateral funds, institutional and private investors, development and commercial banks etc.), and a complex support infrastructure meant to bridge the two. The ecosystem includes dozens of PPFs globally[5] that support project preparation at various points in the financing value chain, along with a number of coordination mechanisms. Critically, national governments remain essential gatekeepers throughout this ecosystem — shaping climate agendas, setting regulatory and borrowing frameworks, controlling intergovernmental transfers, and ultimately determining which projects can proceed.

The coordination mechanisms operate along two dimensions (Figure 1): their function (system-level versus project-level) and their geographic scope (global versus place-based):

- **System-level coordination** focuses on improving the enabling environment: aligning standards, facilitating knowledge exchange, convening stakeholders
- **Project-level coordination** provides matchmaking and navigation for individual projects: connecting to next-stage support, brokering relationships with financiers, facilitating handovers between preparation phases
- **Global mechanisms** operate across countries and regions
- **Place-based approaches** focus on specific countries or cities.[6]

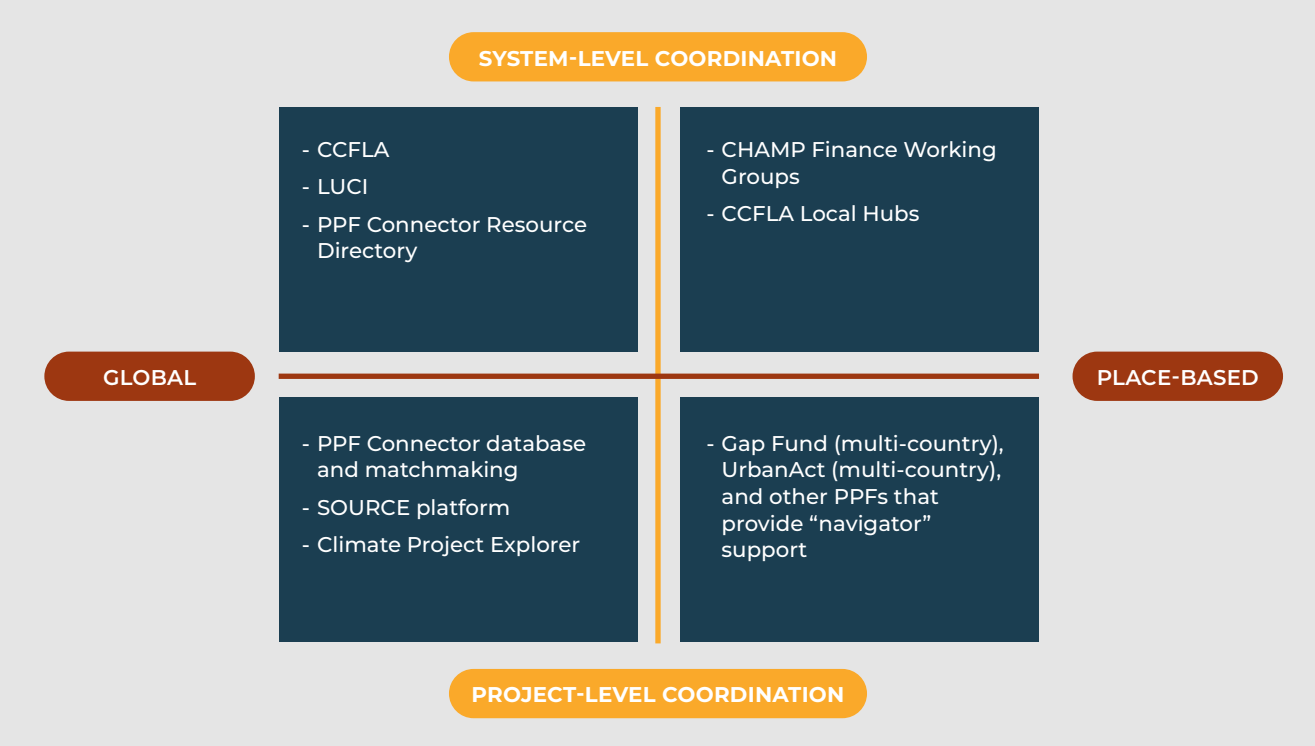
PPFs operate through two distinct models, ***integrated and stage-specific.***

Major development banks (e.g. the World Bank, EBRD) often operate across the full project life cycle — from early preparation, due diligence, and structuring to financing — enforcing strict standards, credit frameworks, and risk thresholds. However, many municipalities (especially smaller or less creditworthy ones) struggle to meet the minimum scales and credit requirements typically expected for direct MDB financing[7].

Stage-specific PPFs like C40 Cities Finance Facility (C40 CFF), Integrated Urban Climate Action for Low-Carbon & Resilient Cities (Urban-Act), and the City Climate Finance Gap Fund (Gap Fund) emerged to fill this critical gap. They provide essential support — strengthening local capacity, translating priorities into concepts, conducting feasibility studies, and/or connecting projects to financiers. However, operating only on specific stages creates challenges: some projects must navigate between multiple facilities with different standards and documentation requirements, often becoming stranded between stages despite being technically ready to advance.

Every project faces competing masters — city needs versus financier requirements.[8] Project preparation facilities operating early in the value chain naturally respond to city priorities and political imperatives. Those operating later must align with financier requirements and risk frameworks. Yet the ecosystem, outside of integrated approaches, provides no mechanism to reconcile these tensions from the beginning, meaning projects can progress through

Figure 1: Examples of coordination mechanisms across geographic and functional dimensions



[5] Latest mapping by CCFLA identified 67 PPFs globally though this mapping may not be entirely exhaustive — there may be more national level PPFs that haven't been identified, for example, because of language. Source: Abdullah, Gu and LaSalle, *Landscape of Project Preparation* (2024).

[6] Gap Fund and Urban Act are categorised as place-based because they provide project-level support within specific city contexts, even though their overall scope is global (Gap Fund) or regional (UrbanAct).

[7] Beavor et al., *Guide for Small and Intermediary Cities* (2023).

[8] LaSalle, *PPF Connector Assessment Brief* (2024).

multiple preparation stages without ever aligning with any realistic financing flightpath. Therefore, when support covers only part of the value chain, extra effort is required to create the integration that comes naturally when one institution controls the entire process.

The ecosystem has achieved notable successes — since the inception of Leadership for Urban Climate Investment (LUCI) in 2019, a global platform for coordination and collaboration between urban climate initiatives, its initiatives have collectively prepared over 1,000 climate-smart and resilient bankable projects and linked over 300 projects to finance for implementation. However, despite many PPFs operating globally and multiple coordination mechanisms, only a small fraction of projects reach financing. Comprehensive statistics on urban climate project completion rates do not exist, but available evidence from the broader climate finance ecosystem indicates that fewer than one-third of proposed projects reach the construction stage[9]. Projects fail at three predictable points: translating climate strategies into financeable concepts, moving from pre-feasibility to detailed preparation, and connecting prepared projects with appropriate financing.[10] Understanding why these systematic failures persist requires examining the deeper dysfunction across the ecosystem.

Diagnosing the dysfunction

Our analysis reveals that dysfunction in the urban climate project preparation ecosystem manifests across three dimensions.

First, **absent financing flightpaths** mean projects enter preparation without specific clarity on which financiers might support them. PPFs develop "bankable" projects to theoretical standards that match no actual financier's requirements. Part of this challenge stems from the structure of PPF mandates themselves. Many PPFs provide support for only one stage of the project preparation value chain — conducting feasibility studies, for example, or developing technical specifications — without responsibility for connecting projects to specific financing sources. This means preparation work may proceed in a generic way, without differentiating between the requirements of different financing sources.

> ***"Earlier-stage PPFs tend to be more city-demand driven and open to complex, multisectoral projects that maximize climate, economic, and social benefits but are harder to finance due to that complexity. At later stages, PPFs are more responsive to financiers, leading to a focus on projects with larger investment sizes (roughly over USD 10 million) and that have dedicated revenue streams, which tend to be energy projects."***[11]

DEFINITION:

Financing flightpath

In this report, *flightpath* refers to the defined and deliberate route a project follows from ideation to financing. Unlike a *pathway*, which can be exploratory and uncertain, a flightpath is defined early and anchored in real financing options — intentional and structured from the outset. It identifies the likely types of capital (public, concessional, commercial), potential financiers, eligibility conditions, known constraints, and national approval pathways, and is revisited at each stage-gate as the project develops.

Just as an aircraft registers its flightpath with authorities before take-off, projects should have a clear, documented — designated route to secure finance early on. This route may involve multiple potential financiers but should be well-defined, ensuring that financing options are identified from the start and aligned with both the project's needs and national fiscal processes — helping preparation teams avoid dead ends, reduce rework, and align technical work with actual opportunities from the outset.

Second, the **lack of a partnering culture and skill set** perpetuates fragmentation. PPFs are generally not structured or incentivised to collaborate — lacking the time, funding, mandate, and incentives for partnership. Many PPFs operate on short-term, project-based models similar to traditional consulting firms — pitching competitively for grants, delivering discrete packages of technical assistance, and moving on without responsibility for long-term outcomes. With little dedicated budget for handovers or navigation support, project transitions depend on staff goodwill rather than systematic processes.

> ***"Many PPFs either prepare early-stage or later-stage projects, and only a handful of them coordinate with financier or other PPFs to link projects with follow-on technical assistance and financing."***[12]

The skills gap compounds these constraints, as PPF staff may lack the financing expertise to evaluate different funding modalities or translate between city priorities and investor requirements — critical capabilities for preparing bankable projects.

Third, **weak transparency and incompatible standards** create significant navigation challenges. Cities cannot easily identify what help is available or whether their work will transfer between institutions. Few PPFs publish basic eligibility parameters such as project sizes, sectors, or requirements. Language barriers compound access problems, with most information only in English[13], systematically disadvantaging non-anglophone cities.

[9] Source: Bartle & Gómez-Contreras, *From Bottlenecks to Breaking Ground* (2025). In the interviews with stakeholder working in urban climate project preparation, we heard this figure to be as low as 10%.
[10] LaSalle, *PPF Connector Assessment Brief* (2024).
[11] LaSalle, *PPF Connector Assessment Brief* (2024).
[12] Abdullah and LaSalle, *PPF Connector Assessment* Brief (2025).
[13] LaSalle and Negreiros, *Landscape of Project Preparation Summary* (2021).

Beyond individual transparency, the ecosystem lacks consistency across PPFs. "There is not agreement on what the stages of project preparation are between PPFs."[14] What one facility calls "pre-feasibility," another terms "concept development" or "initial scoping." Each PPF operates with different templates, metrics, and assessment criteria, which can lead to substantial duplication of effort when projects transition between facilities. At the system level, the competitive dynamics between PPFs limit learning, as facilities lack incentives to share what works. Facilities competing for the same donor funding lack incentives to share what works, limiting collective improvement.

Many of the symptoms described above involve PPFs. However, this is not a comprehensive evaluation of individual PPFs, which vary considerably in quality. Even high-quality PPFs operate within a system that is not functioning efficiently. During interviews, it became evident that many PPF practitioners are aware of these issues and want change, but face constraints without addressing the underlying root causes.

Root causes

The fundamental challenges appear to stem from **misaligned incentives.** PPFs are funded based on outputs — i.e. studies completed, cities supported — rather than outcomes such as projects financed. As one interviewee observed, PPFs secure their funding when projects go through them but "it doesn't matter what happens at the end." The need to demonstrate quick, quantifiable results conflicts with infrastructure development realities. PPFs typically operate on short-term funding cycles while infrastructure projects require 5-10 years or longer, creating a temporal mismatch between reporting requirements and project timelines. In short, given the incentives on PPF managers that focus them on process rather than outcomes, the system delivers process outputs rather than financed investments.

Financier opacity compounds the problem. Banks view assessment criteria as proprietary, preferring flexibility over firm commitments. Requirements such as minimum ticket sizes, documentation formats, and due diligence standards are often not explicit to cities and PPFs from the beginning. Projects advance without institution-specific fit checks, only to **require rework** later when **preparation** does not meet undisclosed requirements.

These causes reinforce each other. Misaligned incentives result in discontinuities in the financing value chain. Funding scarcity means inappropriate projects are accepted and/or viable projects are rejected in order to fit in with funders metrics. Insufficient transparency from financiers hinders efficient project development and limits feedback to PFFs. Although these systemic issues are broadly recognised, PPF managers adjust their behaviour to perform against funder-defined process metrics rather than contributing to the quantum of climate investment undertaken by cities.

Elements for reform

Project-level coordination

Transformation requires both structural reforms and operational improvements. Structurally, the ecosystem would benefit from **outcome-based funding** — paying for projects financed or successfully handed over on a clear flightpath to financing, rather than mere activity such as studies produced. Several PPFs have already demonstrated that this works when contractually required to help cities navigate to next steps. However, it is not a systematic practice across all PPFs. This shift means accepting fewer projects overall for higher success rates.

Early financier engagement proves equally critical. Investor roundtables may help align preparation with realistic requirements from the start, with financiers presenting typical deal structures and common rejection reasons while projects receive early feedback. Even publishing basic parameters — indicative ticket sizes, eligible sectors, documentation checklists — would eliminate months of misdirected preparation. The shift from late-stage matchmaking to early-stage dialogue requires both sides to adjust. PPFs need to engage financiers as partners rather than distant targets. Financiers need to recognise that clearer early guidance could improve their deal flow. Both require forums, incentives, and protocols for productive engagement throughout the project cycle rather than only at the final financing decision.

National platforms could play an important role — where financiers, ministries of finance, and PPFs work through a continuous, country-level process to clarify project requirements early — supporting projects to reach investment-readiness. Interviews highlighted that financing decisions sit with national authorities (**"**without the Ministry of Finance, nothing moves***";* "**Municipal borrowing always goes through national approval"; "Finance opportunities... depend incredibly largely on your national context"). At the same time, external finance is only one pathway for city infrastructure. Interviews highlighted the need to strengthen municipal finance capabilities — investment planning, asset management, and creditworthiness — so that cities can better evaluate financing options and engage more effectively with lenders when external capital is needed.

Operationally, the ecosystem would benefit from using clear financing flightpaths with project typologies distinguishing commercial projects appropriate for private investment flightpaths; economically viable projects that require blended finance to be financially viable, through to public goods needing grant finance. This could enable PPF specialisation in terms of sector and/or geographic area, and help projects identify all potential financing routes at inception, progressively narrowing options as preparation advances.

Standardisation is important but instead of pursuing complete standardisation — which interviewees stressed would be extremely difficult — basic frameworks like common project identifiers and agreed preparation stages could enable more effective handovers. Global coordination mechanisms like Cities Climate Finance Leadership Alliance (CCFLA) could play a valuable role in developing and maintaining these common frameworks, building consensus across diverse institutions without imposing rigid uniformity. Emerging AI

[14] Ibid.

tools offer practical solutions, with platforms like City Catalyst allowing cities to complete one application that automatically converts to multiple funder formats, achieving coordination benefits without forcing institutional change.

It is also important to strengthen the organisational capacity of PPFs. PPFs need resources partnering — it should be treated as core delivery rather than unfunded overhead. Dedicated handover budgets would enable proper project transfer between stages. More fundamentally, resources should be allocated to strengthening PPF networks — with other PPFs, financiers as well as other key actors to reduce the fragmentation across the project preparation ecosystem.

KEY RECOMMENDATIONS

FOR FUNDERS:

- **Depth over breadth.** Fund against a small shared set of outcomes: focus on outcomes such as conversion rate (to credit approval/financial close or budgeted public funding), mobilised co-finance, and time-to-handover/close. Tie payments to outcomes, not just deliverables.
- **Longer horizons and harmonised indicators.** Shift from 1–3 year grants to 5–7 year frameworks with a small set of common outcomes (conversion rate, mobilised co-finance, time-to-handover).
- **Back the navigator/broker role.** Ring-fence budget for handovers, matchmaking, and MoUs; allow shared attribution when projects convert after a handover; resource appropriate levels of expertise (particularly finance-focused) in PPFs.
- **Incentivise PPFs to partner.** Make collaborative behaviours (handover protocol, shared IDs, response SLAs) a funding condition.
- **Embed partnering in results frameworks.** Assess collaborative performance through qualitative indicators, such quality of handovers, engagement, active partnerships and contribution to the wider ecosystem, rather than quantity metrics alone.
- **Invest to create a supportive environment for collaboration.** Explicitly resource convening, relationship building among PPFs and with other stakeholders, professional partnering capacity development and ecosystem coordination, treating these as core activities rather than overhead.

FOR FINANCIERS:

- **Clarify parameters.** Provide clear guidance on minimum sizes, typical structures, eligibility, and documentation requirements.
- **Co-shape, not just approve.** Engage earlier as partners in project shaping rather than only end-stage evaluators.
- **Portfolio routes.** Use framework loans and on-lending via NDBs/municipal banks to absorb smaller, replicable sub-projects.

FOR PPFS[15]:

- **Map financing routes from day one.** Identify all potential financing sources at the start to identify potential financiers at an early stage, keep focus along the financing value chain, and progressively narrow as projects develop.
- **Early "discovery" sprint.** 4–8 weeks to evidence the flow-of-funds, borrower, ticket size, and eligibility gaps — close early if not credible and log the reason.
- **Share what works.** Openly share knowledge, methodologies, and lessons to strengthen collective capacity.
- **Specialise and partner.** Build sector/geography specialisms and form complementary consortia instead of working in isolation.
- **Build partnering and finance skills.** Invest across staff in collaboration capabilities and strengthen credit/risk/structuring expertise.

FOR CITIES:

- **Leverage peer networks and city associations.** Connect with peer cities through provincial and local government associations, networks like C40 and the Global Covenant of Mayors (GCoM), and regional platforms to share relevant templates, vendors, and lessons and to build collective leverage.
- **Cluster for scale.** Where viable, join city cohorts to procure/finance portfolios (e-buses, retrofits, street lighting).
- **Engage appropriate expertise.** Hire or contract financial, legal, and technical specialists to identify and prepare bankable project pipelines and fill in short term capacity gaps.
- **Invest in building internal capacity.** Use external support as an opportunity to develop in-house financial and technical expertise that strengthens overall municipal management beyond project preparation.

[15] Many of these practices require donor support to implement effectively — both through contractual requirements and by providing the necessary resources and mandates to enable such activities.

System-level coordination

Without funding for convening, relationship building, and maintaining coordination mechanisms, the ecosystem defaults to fragmentation regardless of good intentions.

System-level coordination must occur at appropriate geographic levels with dedicated resources. Global coordination should focus on standards, convening and knowledge exchange rather than project matchmaking. Rather than attempting to coordinate specific projects or partnerships from afar, global mechanisms should provide the frameworks and forums that enable coordination to happen more effectively at other levels.

Place-based coordination is more effective for implementation, with national platforms bringing together actors with genuine geographic and sector overlap. At national level, a "minimum viable platform" is three concrete functions:

- a standing pipeline forum (ministries, cities, NDBs/DFIs) with a regular decision cadence
- an up-to-date flow-of-funds map (who lends what, to whom, on what terms)
- a small navigator team that brokers handovers and solves bottlenecks.

International support should focus on building local capacity to operate these platforms independently rather than maintaining external dependence.

The ecosystem needs deliberate vertical connections — global frameworks adapted locally and local innovations informing global standards — transforming isolated efforts into a learning ecosystem where each level strengthens the others.

Moving forward

The urban climate project preparation ecosystem stands at an important juncture. The ecosystem could continue operating with its current inefficiencies and fragmentation or pursue structural and behavioural reforms to enable the collaboration and integration that practitioners increasingly recognise as essential.

What is needed is not more support mechanisms but fundamental restructuring — transforming the incentives, relationships, and accountability systems that perpetuate fragmentation — rather than merely addressing the symptoms of a system that is not optimized. Funders would need to focus more on quality over quantity and use their leverage to drive change. Many PPFs would benefit from specialisation in terms of sector and/or geographic area rather than broad coverage. Financiers could enhance their deal flow by providing clearer guidance and transparency and stronger connection into the ecosystem. All actors would need to balance institutional priorities with system-wide effectiveness.

Institutions providing support across the whole financing value chain demonstrate benefits of integrated approaches and appear to reduce handover failures. Successful navigator models show that effective project progression is possible with appropriate support structures. Emerging national platforms indicate that coordination closer to implementation, built on genuine partnerships between national and local actors, has potential to improve outcomes.

KEY RECOMMENDATIONS

FOR FUNDERS:

- **Resource national platforms.** Support appropriate catalyst entities (MDB, NDB, MOF etc.) to establish national platforms to enable more localised, context-aware project development.
- **Fund global systems-level coordination.** Allocate dedicated resources for convening, knowledge exchange, and the development of shared standards and tools, recognising that these functions are collective goods that benefit the whole ecosystem.

FOR COORDINATING BODIES:

- **Keep global-level light and useful.** Focus the global layer on knowledge exchange, convening, standards, and tools/templates that can be contextualised — not project-level matchmaking.
- **Wire the verticals.** Create two-way links between global and local: adapt global templates to context and feed local lessons back to update standards and guidance.
- **Back place-based platforms.** Prioritise national/regional platforms with clear government ownership; embed navigators to align ministries, cities, and financiers around shared pipelines.

FOR NATIONAL GOVERNMENTS / COUNTRY PLATFORMS:

- **Integrate city climate targets.** Clearly communicate city climate investment targets within national climate and sustainability plans.
- **Own the enabling environment.** Tackle domestic bottlenecks (on-lending rules, tariff policy, borrowing limits) and align national programs with city pipelines.

> ***"No single institution can drive system change alone.** Actors must collaborate to create transformational change — the kind needed to bend the curve on emissions and build resilience to escalating climate risks. Through more and better collaboration, stakeholders can transition from individual interventions to delivering transformational change at scale, leveraging their respective institutional strengths while maintaining institution-specific mandates."*[16]

The specific pathways will vary by context, but the direction emerging from practice is clear: towards greater integration, transparency, and partnership-based collaboration. Achieving this transformation represents both a significant challenge and a critical opportunity for all ecosystem actors committed to closing the urban climate finance gap.

[16] Naran et al., *Quality of Climate Finance* (2025).

LIST OF ABBREVIATIONS

Abbreviation	Full form / Meaning
AI	Artificial Intelligence
BMZ	German Federal Ministry for Economic Cooperation and Development *(Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)*
BMUKN	German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety *(Bundesministerium für Umwelt, Klimaschutz, Naturschutz und nukleare Sicherheit)*
C40 CFF	C40 Cities Finance Facility
CCFLA	Cities Climate Finance Leadership Alliance
CHAMP	Coalition for High Ambition Multi-level Partnerships
CIF	Climate Investment Funds
CIP	Concept In Principle
COP21	21st Conference of the Parties to the UNFCCC
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EMDE	Emerging Markets and Developing Economies
EV	Electric Vehicle
FELICITY	Financing Energy for Low-Carbon Investment — Cities Advisory Facility
FX	Foreign Exchange
GCF	Green Climate Fund
GCoM	Global Covenant of Mayors (for Climate & Energy)
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIF	Global Infrastructure Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IFI	International Financial Institution
IKI	International Climate Initiative *(Internationale Klimaschutzinitiative)*
ICLEI TAP	ICLEI Transformative Actions Program
KPIs	Key Performance Indicators
LDC	Least Developed Country
LUCI	Leadership for Urban Climate Investment
MDB	Multilateral Development Bank
MDTFs	Multi-Donor Trust Funds
MoU	Memorandum of Understanding
NDB	National Development Bank
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
PPF	Project Preparation Facility
PPP	Public-Private Partnership *(not explicitly expanded but implied contextually)*
SLA	Service Level Agreement
TA	Technical Assistance
ToR	Terms of Reference
USD	United States Dollar

1 INTRODUCTION

1.1 The urban climate finance challenge

Cities are at the epicentre of both the climate crisis and its solutions. Housing over half the world's population[17] and generating 80% of global GDP, urban areas account for more than 70%[18] of global carbon emissions while bearing the brunt of climate impacts — from flooding to extreme heat.

Yet despite their critical role in achieving global climate goals, cities face a persistent and worsening gap in accessing the finance needed for climate action. Current urban climate finance flows of USD 831 billion annually fall far short of the USD 4.3 trillion cities need each year through 2030 to align with 1.5°C pathways[19].

This gap stems from several interconnected challenges.

First, there is a mismatch between the capital available and the nature of city needs. Private investors have signalled substantial commitments — the Glasgow Financial Alliance for Net Zero represents USD 130 trillion in assets committed to net zero by 2050[20]. However, commercial capital can only flow where projects generate predictable returns. Revenue-generating projects like renewable energy or energy efficiency retrofits can attract private investment, but large segments of urban climate action — flood defences, nature-based solutions, adaptation measures — function as public goods with limited or uncertain revenue streams. While private capital can participate through mechanisms such as availability payments, viability-gap financing, or performance-based contracts, these instruments still rely on public or concessional funding to underpin the cashflows and make the projects investable, and these funds remain genuinely scarce. This mismatch is structural: much of the capital available globally is suited to commercially viable, revenue-generating projects, while many priority urban climate investments fall outside that category.

Second, many cities, particularly in emerging markets and developing economies, face fundamental barriers to accessing finance: poor creditworthiness, restrictive national regulations limiting municipal borrowing, small project sizes that raise transaction costs relative to investment, weak institutional systems, and gaps in technical and financial management capacity.[21] These barriers are particularly acute in secondary cities, where the majority of urban population growth is occurring but where resources and technical capacity are most limited. These constraints mean that even well-designed projects often cannot progress.

Third, the machinery meant to bridge these gaps is not yet delivering at the scale required. A complex urban climate project preparation ecosystem has emerged to develop projects and match them with the right blend of public, concessional, and private finance. However, this system appears to be insufficiently efficient and effective. Cities invest substantial resources preparing projects without always having clear visibility into what different types of investors require — even reflecting a misunderstanding of which projects suit commercial investment versus those needing grant funding. Meanwhile, investors consistently cite a "lack of bankable projects"[22] as their primary barrier, seeking projects that arrive fully prepared to their particular investment criteria. This disconnect results in numerous feasibility studies and project concepts that, despite significant preparation investment, struggle to secure implementation funding. Even where finance exists, the connections between cities and appropriate capital sources remain fragmented, leading to inefficiencies and wasted resources.

Every failed project not only represents wasted financial resources but also delays crucial climate action. When projects do not succeed, city officials may face political challenges and communities continue to experience the impacts of climate change, such as flooding or inadequate transport infrastructure. Moreover, as the urgency of the climate crisis grows, the time available for impactful action continues to shrink, reinforcing the need for more effective systems to bridge the financing gap for urban climate projects.

[17] Deuskar et al., *Banking on Cities* (2025).
[18] C40 & GCoM, *Increasing Finance for Subnational Climate Action* (2025).
[19] Press-Williams et al., *State of Cities Climate Finance* (2024).
[20] GFANZ, *Finance Committed to 1.5°C* (2021).
[21] Press-Williams et al., *Mobilizing Private Capital for Resilient and Low-Carbon Cities* (2025).
[22] Press-Williams et al., *State of Cities Climate Finance* (2024).

An ecosystem in transition

The urban climate project preparation ecosystem has undergone fundamental shifts over the past decade, yet some aspects remain trapped in outdated approaches.

The early phase, around COP21 in 2015, focused on advocacy and visibility. Cities Climate Finance Leadership Alliance (CCFLA), launched by the UN Secretary-General in September 2014, played a crucial role in mapping the landscape and making the case for subnational finance. High-level pledges and global convenings dominated the agenda, based on the assumption that awareness would unlock capital flows.

Today, the focus is shifting towards implementation. As one interviewee observes: "We are not pioneers anymore; now we need to deliver". The ecosystem is starting to evolve accordingly — from global coordination through initiatives like CCFLA and LUCI to place-based approaches through national platforms and local hubs. The emphasis has shifted from mapping exercises to implementation challenges, from making the case to building systems that actually move projects from conception to construction.

> ***"The global conversation on project preparation is moving beyond what is needed in total financing to how this mobilized finance can be effectively deployed and where investable project pipelines are needed."***[23]

While some parts of the system have shifted towards more action-oriented strategies, other aspects remain stuck. As highlighted by interviewees, there is a growing consensus that what is needed now is less discussion and more tangible action.

Multiple actors now support projects along the entire financing value chain towards accessing finance. Yet despite this proliferating support for project preparation, the financing gap persists. Projects continue to stall between preparation and implementation. What is needed is not more support mechanisms but fundamental restructuring — transforming the incentives, relationships, and accountability systems that perpetuate fragmentation rather than merely addressing its symptoms.

DEFINITION:

Financing value chain

The sequential stages through which projects progress from conception to financial close, with each stage adding value toward achieving bankability and securing investment.

1.2 Purpose and approach of this research

Purpose: While acknowledging that both funding availability and ecosystem efficiency contribute to the urban climate finance gap, this research focuses specifically on the second challenge: how the machinery connecting cities to capital can function more effectively. This research examines the urban climate project preparation ecosystem through the lens of partnership and collaboration, and diagnoses how the ecosystem actually functions in practice — where and why projects stall along the financing value chain — and surfaces practical, partnership-based ways existing actors can work together more coherently.

The focus is on system behaviour, not on evaluating individual organisations. Our purpose is to understand why extensive coordination efforts have failed to significantly increase project financing, and to identify how the ecosystem could function more coherently and efficiently.

Scope: We look at the full journey from project conception to financial close across multiple geographies, with emphasis on subnational (city/utility) pipelines and the interfaces with PPFs, DFIs, national development banks, private financiers, and funders.

The research started with a focus on the LUCI initiative. With LUCI's scheduled conclusion in the end of 2025, we originally intended to assess its achievements and limitations, which is why a substantial proportion of our interviewees are from LUCI initiatives. However, as the research progressed, we broadened our scope beyond LUCI-specific activities to examine the urban climate project preparation ecosystem more comprehensively — recognising that the systemic challenges and opportunities we identified extend well beyond any single initiative.

Guiding questions: Where do projects most commonly get stuck, and why? How do incentives, information flows, and roles across actors shape outcomes? What patterns of collaboration help or hinder handovers and conversion to finance? What changes within current institutions would improve flow through the chain?

Approach: The approach taken is threefold:

- **Evidence base:** desk review of recent literature and program documents (incl. CCFLA materials) and about 20 confidential interviews with practitioners across PPFs, city networks, funders, and MDBs (see Annex 1 for full list).
- **Method:** stakeholder interviews; complemented by triangulation with secondary sources; to distil systemic bottlenecks, examples of effective and actionable best practice to strengthen project preparation and bankability flightpaths.
- **Partnership lens:** attention to roles, incentives, governance, handovers, and the human work of coordination.

Limitations: This research presents emerging findings rather than a comprehensive assessment of the entire ecosystem. While the insights draw from interviews and literature review, they are not fully representative of the complete landscape of PPF actors — a definitive assessment would require

[23] Abdullah and LaSalle, *PPF Connector Assessment Brief* (2025).

significantly wider and deeper research across all regions and actor types. Importantly, most interviewees were from PPFs or PPF-adjacent organisations, which may create a perspective bias toward preparation challenges rather than financing or city-level constraints.

The research focuses on understanding systemic patterns and behaviours rather than evaluating individual institutional performance, though we highlight some positive examples to share learning.

These findings represent patterns and insights that emerged from our research but will need validation through broader consultation, such as workshops with key stakeholders, to confirm their wider applicability across the ecosystem.

HOW TO READ THIS REPORT:

- **Section 2** maps the current ecosystem of actors and how projects flow through it
- **Section 3** diagnoses the dysfunction and its root causes
- **Section 4** presents key elements for reform at the project level, with specific recommendations integrated throughout for different actor groups
- **Section 5** examines system-level coordination at global and place-based levels, with recommendations for coordination bodies and national governments
- **Section 6** synthesises key findings and broader implications for transforming the ecosystem from fragmentation to integration.

2

THE URBAN CLIMATE PROJECT PREPARATION ECOSYSTEM OF ACTORS

In the simplest terms, the urban climate project preparation ecosystem is made up of the two key protagonists — the cities seeking funding for projects, and the financiers seeking projects to invest in — plus a complex array of intermediary support organisations and initiatives that collectively aim to connect the two by taking projects along the financing value chain from conception through to bankability and investment.

2.1 The two key protagonists

Cities

Cities seeking climate finance operate through various institutional arrangements.

Municipal government structures vary widely. In some cities, the mayor's office drives climate initiatives with dedicated climate units and direct budget authority. In others, responsibility fragments across municipal departments — transport, water, energy, planning — with limited coordination. City councils may control budgets but often lack technical expertise, whilst municipal utilities often have technical capacity but restricted mandates.

City types and capacities range dramatically. Megacities like London or São Paulo employ dedicated climate finance teams and issue green bonds directly. Mid-sized cities might have one overwhelmed sustainability officer juggling multiple responsibilities while secondary cities in lower-income countries face the most acute capacity challenges.

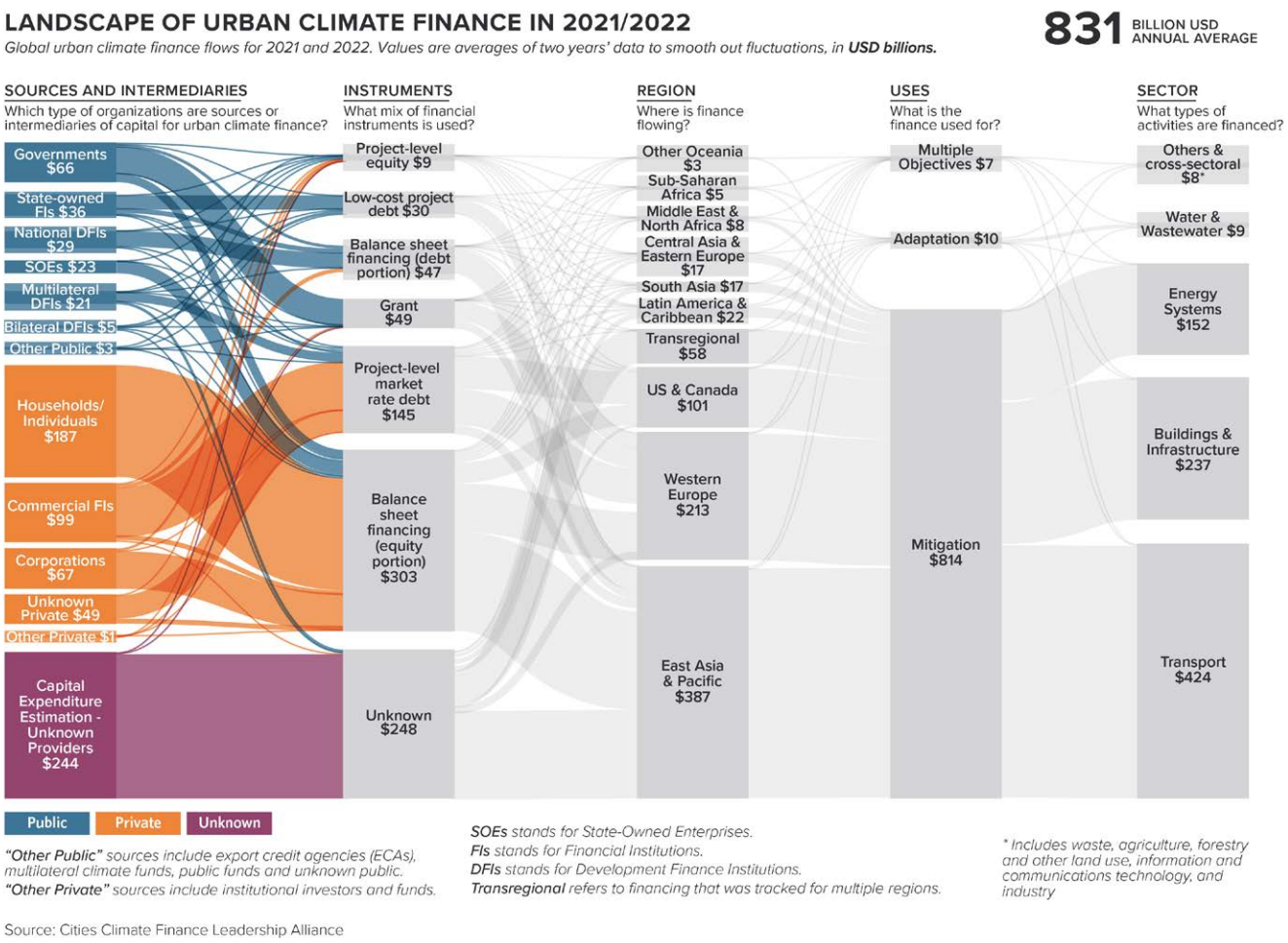
At the same time, interviews underscored that city action is never fully autonomous: national governments remain critical gatekeepers — shaping climate agendas, regulatory and borrowing frameworks, and intergovernmental transfers — echoing one interviewee's reminder that "finance opportunities... depend incredibly largely on your national context." Even where municipal capacity is strong, national frameworks ultimately determine which projects can proceed — an issue explored further in the box below.

Financiers

Urban climate investment projects can be financed through multiple channels (and not just municipal governments), each with distinct requirements. In 2021/2022, private finance provided 49% and public finance 22%, with 29% from unknown sources; private flows have tripled and public flows more than doubled since 2017/2018 (Figure 2). Importantly, the State of Cities Climate Finance Report[24] clarifies that most private urban climate finance in 2021/2022 came from households in high-income countries — primarily through spending on electric vehicles and residential energy efficiency — rather than from institutional investors, commercial banks, or infrastructure funds.

[24] Press-Williams et al., *State of Cities Climate Finance* (2024).

Figure 2. The landscape of urban climate finance in 2021/2022 (USD billion)[25]



Source: Cities Climate Finance Leadership Alliance

Public sources: According to the State of Cities Climate Finance Report (2024)[26], national governments were the largest single public source of finance (36% / USD 66 bn), provided primarily by way of grants and subsidies, primarily for sectors like electric vehicles and building efficiency; development finance institutions (multilateral, bilateral, and national DFIs) offering loans and technical assistance; state-owned enterprises and financial institutions; and climate funds like the Green Climate Fund. Together, public sources provided around USD 180 billion to urban climate in 2021/2022. Public flows are uneven — about half went to China, while other EMDEs received 7% and LDCs <2%. Most public flows were domestic (81%) rather than international (19%). Domestic public finance was concentrated in East Asia & Pacific (USD 91 bn, led by China) and Western Europe (USD 52 bn); international public flows were led by multilateral DFIs (USD 20 bn) and went chiefly to transport and building retrofits.

[25] Press-Williams et al., *State of Cities Climate Finance* (2024).
[26] Ibid.

IN PRACTICE:

Why national governments are the essential gatekeepers

In several interviews we heard how even technically sound and well-prepared city projects stall when national fiscal gatekeepers control access to finance, making alignment with sovereign approval processes more decisive than project quality alone. The models described as effective were those that linked preparation to a specific financing instrument and national approval pathway from the very start, rather than trying to match projects to finance later.

"Projects happen on the ground in the cities, with the local governments." But "if the Minister of Finance is not approving this to get it financed, it's just not going to happen" (interviewee).

Even when preparation support moves a project forward, "it's the government that decides, if they take a loan from the MDB, they decide on which projects they want to take, and that might not always align with the cities that you worked with" (interviewee). Without that alignment, "you might have to reject cities that are not seen as a priority by the national government for this kind of financing pipeline" (interviewee).

Another interview highlighted that even when preparation is well aligned with MDB standards, national finance channels still decide which projects move forward. "Financing will always be on a national level, just because of regulatory means... unless you channel it fully through the multilateral system, which is highly inefficient and not necessarily cost effective" (interviewee). In practice, "you have the global level, an arrow going to some national institution... and then it goes on to whoever takes the funds and distributes them in the country" (interviewee). If national systems don't align, "you can have 300 pages of feasibility studies... and the national government will just tell you, it's wonderful, but it is not a national priority. We will not fund your bus rapid transit system" (interviewee).

A third interview reinforced that even when funds are structured to blend public and private capital, national finance systems remain the gatekeepers. "Finance opportunities... depend largely on your national context." Even when blended finance vehicles are designed to attract private capital, "MDB funds go through national governments — there are very few cases still of MDBs financing a city project directly" (interviewee).

Another interviewee from an MDB confirmed that even where MDB financing is in place, national fiscal approval remains the decisive gate. This interviewee explained: "When we're working with the government, we need a document from the Ministry of Finance saying that we will take a loan for this," and emphasised that "we do not start any due diligence until there is a mandate letter signed." Without that national sign-off, "you cannot commit any funding" (interviewee).

Taken together, these perspectives show that even when projects are technically sound, well-prepared, or linked to innovative blended finance models, they only progress where preparation is explicitly aligned with national financing channels and mandate processes from the start. Without that vertical linkage (city → national authority → financing instrument) preparation efforts risk producing strong concepts that simply cannot translate into real capital flows.

Private sources: These sources include commercial banks seeking profitable projects with clear revenue streams, corporations investing in their own facilities, and institutional investors looking for long-term returns. Private actors provided approximately USD 400 billion — nearly half of all tracked urban climate finance. However, nearly half of private finance came from households/individuals (USD 187 bn / 46%), largely for electric vehicle purchases and building investments including solar retrofits and community energy generation. Commercial financial institutions contributed USD 99 bn (24%), mainly market-rate project debt (USD 83 bn) and largely in developed markets. Corporations provided USD 67 bn (17%), while funds and institutional investors were negligible in the tracked totals.

Blended finance: The strategic use of public and philanthropic capital to improve the risk–return profile of urban projects and crowd in private investment is essential. Blended finance can play a powerful, targeted and catalytic role in helping city projects reach bankability. Cities often face structural constraints they cannot solve alone: limited fiscal space, low-cost-recovery models for climate and resilience projects, currency mismatch, and risks (construction, demand, policy) that are not priced by commercial investors. As OECD[27] and WEF[28] note, public and philanthropic capital is justified when climate and social benefits are real but unmonetised, and when it can "shift the risk–return profile" to crowd in private finance. In practice, this works best through intermediated structures rather than stand-alone city projects: national and sub-national development banks, pooled facilities, or financial-intermediary loans that can aggregate pipelines and on-lend in local currency. Instruments typically include guarantees and subordinated or first-loss capital, concessional loans or interest-rate buy-downs, FX hedging, and results-based payments — particularly important for adaptation or nature-based projects with thin cash flows. To be catalytic, concessional capital must be time-bound, additional, and tied to clear eligibility rules and tapering. Designing these structures with financiers upfront, and linking PPF outputs to fund or facility requirements, is critical to increasing conversion rates rather than simply deploying concessional funds.

[27] OECD & AfDB, *Scaling Finance and Investment for Climate Adaptation* (2025).
[28] WEF (2025)

IN PRACTICE:

Regional finance realities

Private finance is mostly domestic and skewed to richer markets: ~96% of private urban climate finance is sourced and invested domestically, and the largest shares come from Western Europe, the US/Canada, and East Asia & Pacific (driven heavily by China). Least-developed countries capture a tiny fraction[29].

Households drive private flows in advanced economies; far less so in the Emerging Markets and Developing Economies (EMDEs). Households account for the single largest slice of private urban climate finance (like EVs and rooftop solar panels), but this spending is concentrated in developed markets. In many emerging markets, lower incomes, limited consumer credit, weak dealer/installer ecosystems, and tariff/subsidy structures dampen household uptake.

Commercial banks and institutional investors are less active in EMDE cities. Local banks in EMDEs face higher perceived risk, shorter tenors, and FX constraints; institutional investors are a small share everywhere and smallest in EMDEs.

Public/DFI and national development banks are more critical in EMDEs. Given thinner household and commercial flows, EMDE pipelines rely more on concessional public finance, guarantees, and national/sub-national development banks (often via framework loans) to move projects.

Each financing source operates with distinct requirements for project size, risk tolerance, return expectations, and bureaucratic processes, creating a complex landscape for cities to navigate. For this report, we focus primarily on city projects funded by development finance institutions and/or private investors.

2.2 Project preparation support: bridging cities and finance

The city capacity gap

Most cities lack the technical capacity to prepare bankable climate projects. This challenge is acute in the Global South, particularly in small to medium sized cities, where cities face multiple constraints: limited technical staff, competing priorities, weak fiscal positions, and little experience navigating international finance requirements.[30] Preparing a bankable project requires expertise cities rarely possess: financial modelling, risk assessment, environmental safeguards, procurement planning, and legal structuring. The process can take years and incur substantial costs before any financing is secured.

Given that few cities are able to fully develop projects themselves, the project preparation ecosystem has developed to connect the demand and supply sides of the climate finance market — cities needing finance for climate projects and financiers seeking investable opportunities.

Project Preparation Facilities: the ecosystem's response

Project Preparation Facilities (PPFs) serve as the "missing link"[31] to fill the capacity gap, providing technical assistance to help cities develop bankable projects. CCFLA's most recent landscape mapping[32] identified 67 PPFs globally, offering various forms of support.

The proliferation of PPFs has broadened the availability of project preparation support. However, this proliferation — with dozens of PPFs operating with different approaches, standards, and processes — has created a complex, fragmented landscape that projects struggle to navigate, and too many projects fail to make it through the system to financing.

2.3 Coordination mechanisms

Recognising the need for better coordination, various mechanisms have emerged, from global initiatives like CCFLA to project-specific support like the PPF Connector. These coordination mechanisms operate along two dimensions: their geographic scope (**global** versus **place-based**) and their function (**system-level** versus **project-level**):

- **Global mechanisms** operate across countries and regions
- **Place-based approaches** focus on specific countries or cities.
- **System-level coordination** focuses on improving the enabling environment: aligning standards, facilitating knowledge exchange, convening stakeholders, building institutional infrastructure
- **Project-level coordination** provides matchmaking and navigation for individual projects: connecting to next-stage support, facilitating handovers between preparation phases, brokering relationships with financiers

This differentiation matters because different challenges require different solutions. System issues such as inconsistent PPF standards need broad coordination, while connecting specific projects to financing requires targeted matchmaking and navigation support.

The following sections provide illustrative examples of coordination mechanisms at different levels, not a comprehensive mapping of all ecosystem actors.

System-level coordination

At the global level, CCFLA convenes over 80 organisations including governments, financial institutions, and city networks. CCFLA is mostly funded by the German government, notably through the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Ministry for the Environment, Climate Action, Nature Conservation and

[29] Press-Williams et al., *State of Cities Climate Finance* (2024).
[30] Ibid.
[31] Abdullah, Gu and LaSalle, *Landscape of Project Preparation* (2024).
[32] Source: Ibid. This mapping may not be entirely exhaustive as there may be more national level PPFs that haven't been identified, for example, because of language.

Nuclear Safety (BMUKN), alongside support from Bloomberg Philanthropies for the PPF Connector. Through working groups and annual convenings, CCFLA facilitates knowledge exchange and attempts to align practices. It hosts the secretariat of Leadership for Urban Climate Investment (LUCI) which links action orientated initiatives, elevates and tracks commitments towards urban climate targets and strengthens each initiative's own impact by promoting cooperation, communication, analysis and exchange.

The PPF Connector contributes to system strengthening through its Project Preparation Resource Directory — a public database of PPFs and capacity programmes that helps cities understand the landscape of available support.

More recently, place-based system coordination efforts have begun to emerge. CCFLA has established a local hub in Central Asia focused on convening and knowledge exchange and has just recently started a local hub in Brazil. In connection with the Coalition for High Ambition Multilevel Partnerships (CHAMP) initiative, supported by Bloomberg Philanthropies, CHAMP Finance Working Groups are emerging to provide a platform for national ministries, cities, and international actors to align and coordinate their efforts in countries like Brazil, Morocco and Kenya.

System-level, place-based coordination is still nascent, and its impact remains to be seen. This presents a timely opportunity to inform and strengthen these emerging national-level coordination mechanisms.

Project-level coordination

At the global level, the PPF Connector facilitates collaboration and information exchange among project preparation facilities. The service provides matchmaking between PPFs, helping facilities identify which other PPFs can support projects at different stages or with specific expertise. Through intensive relationship brokering and deep knowledge of PPF capabilities, the PPF Connector helps projects move between preparation stages by connecting them to the right technical assistance providers.

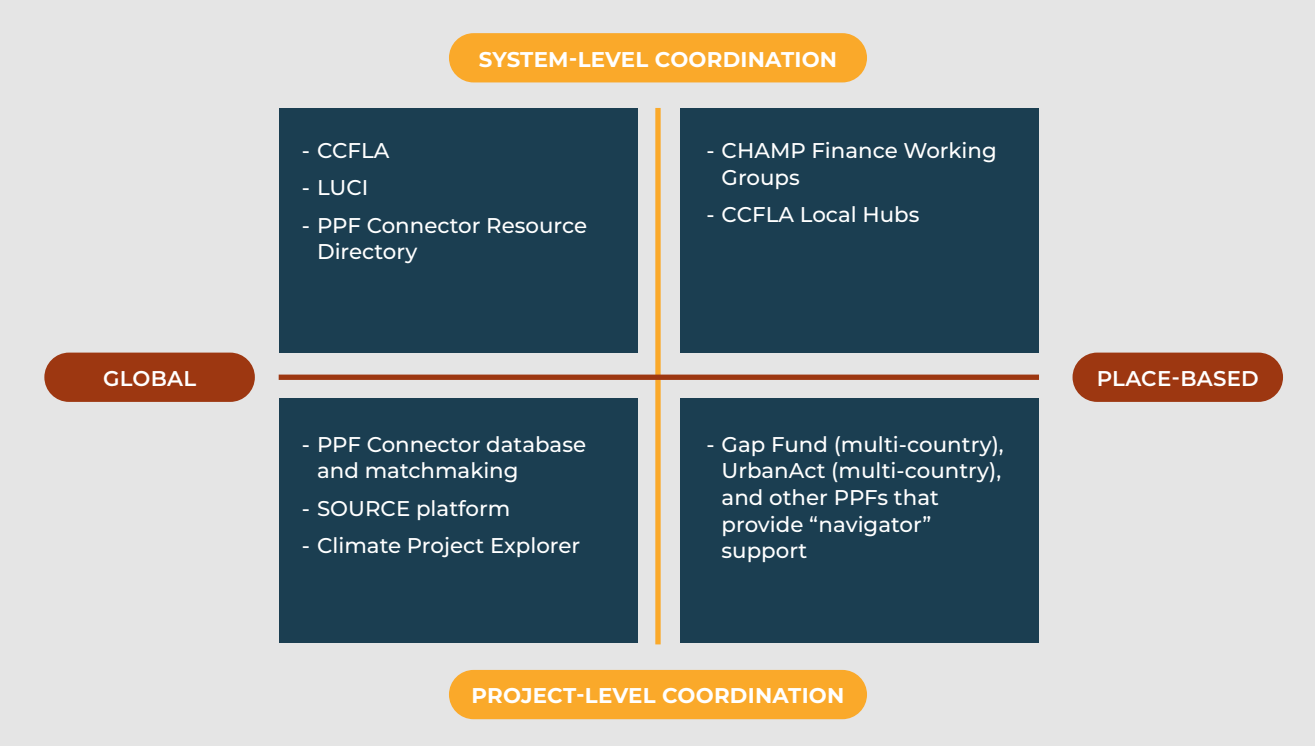
Digital platforms provide additional infrastructure. SOURCE offers standardised project documentation tools for governments managing infrastructure projects. The PPF Connector database provides a searchable directory of preparation facilities, while the Climate Project Explorer helps identify which climate funds support different project types — though these primarily serve as information resources rather than active handover mechanisms.

Place-based project coordination includes the **"navigator" role that facilities** like the Gap Fund, UrbanAct[33], and others take on to guide individual cities through the ecosystem. The ecosystem is so complex that it is "very tricky for cities to navigate the whole landscape on their own" (interviewee). Beyond providing technical assistance, some PPFs actively connect projects to subsequent support stages and/or potential financiers. They serve as bridges between preparation phases, understanding both local contexts and international requirements.

This "navigator" function extends beyond PPFs' core mandate of technical assistance for project preparation (and capacity building), requiring additional dedicated resources to perform both roles effectively.

These coordination mechanisms serve important functions — relationship building, information sharing, and standardisation attempts. Yet we still see persistent fragmentation along the financing value chain.

Figure 3: Examples of coordination mechanisms across geographic and functional dimensions



[33] Gap Fund and Urban Act are categorised as place-based because they provide project-level support within specific city contexts, even though their overall scope is global (Gap Fund) or regional (UrbanAct).

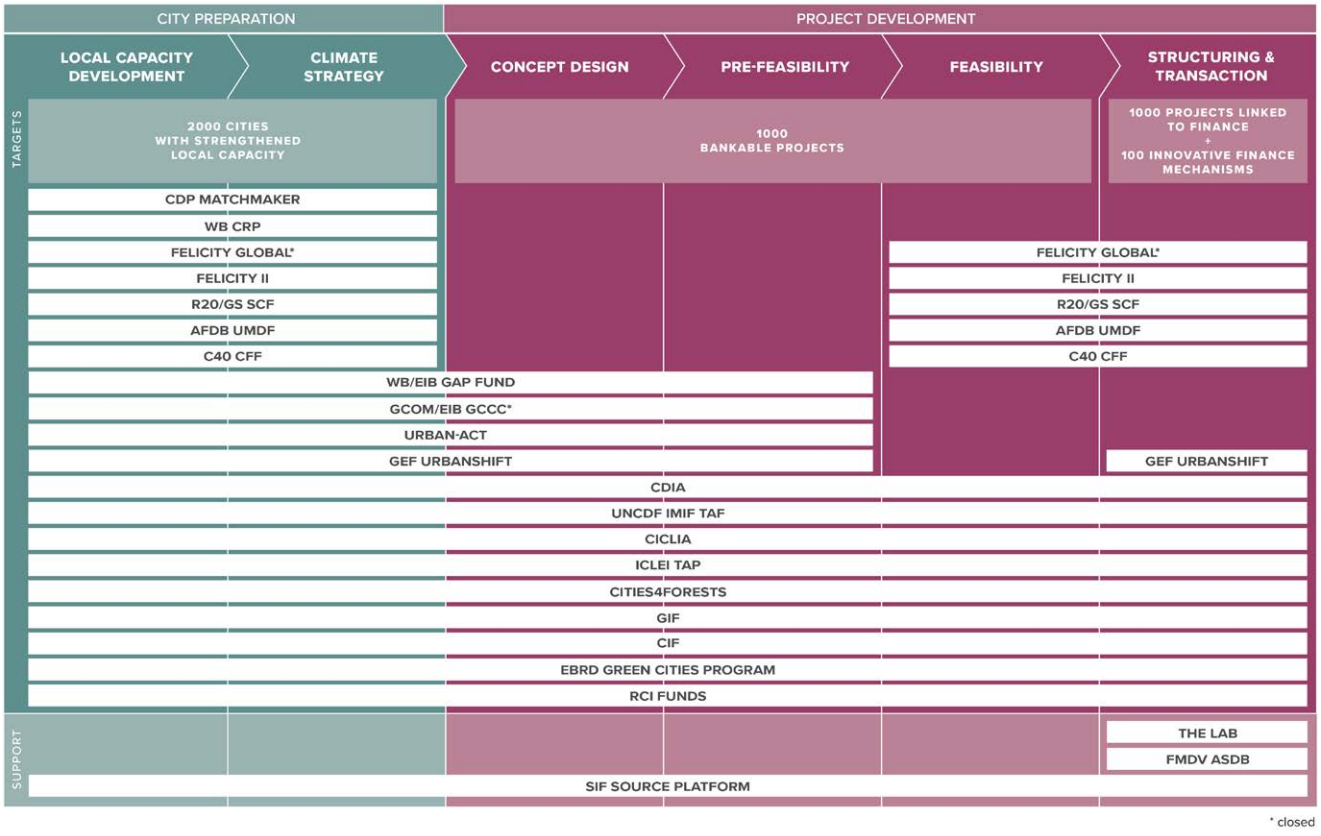
2.4 How projects flow currently

PPFs operate through two main models:

Fully integrated: This model provides support across the whole financing value chain where preparation assistance and financing come from the same institution. Major development banks like the World Bank and EBRD control the entire process — from project identification through to financing and implementation. As one interviewee from EBRD explains, they can take projects "from the start and then also finance the projects". This model provides clarity and continuity but typically requires sovereign guarantees, large project sizes (e.g., average EBRD investment is €25 million[34]), and strong creditworthiness.

Stage specific: This model provides support for part of the financing value chain where independent facilities provide preparation assistance without financing. These PPFs — including facilities like the C40 CFF, Urban-Act, and Gap Fund — support specific preparation stages or link projects to external financiers (Figure 4).

Figure 4. 20+ LUCI initiatives supporting different stages of the financing value chain[35]



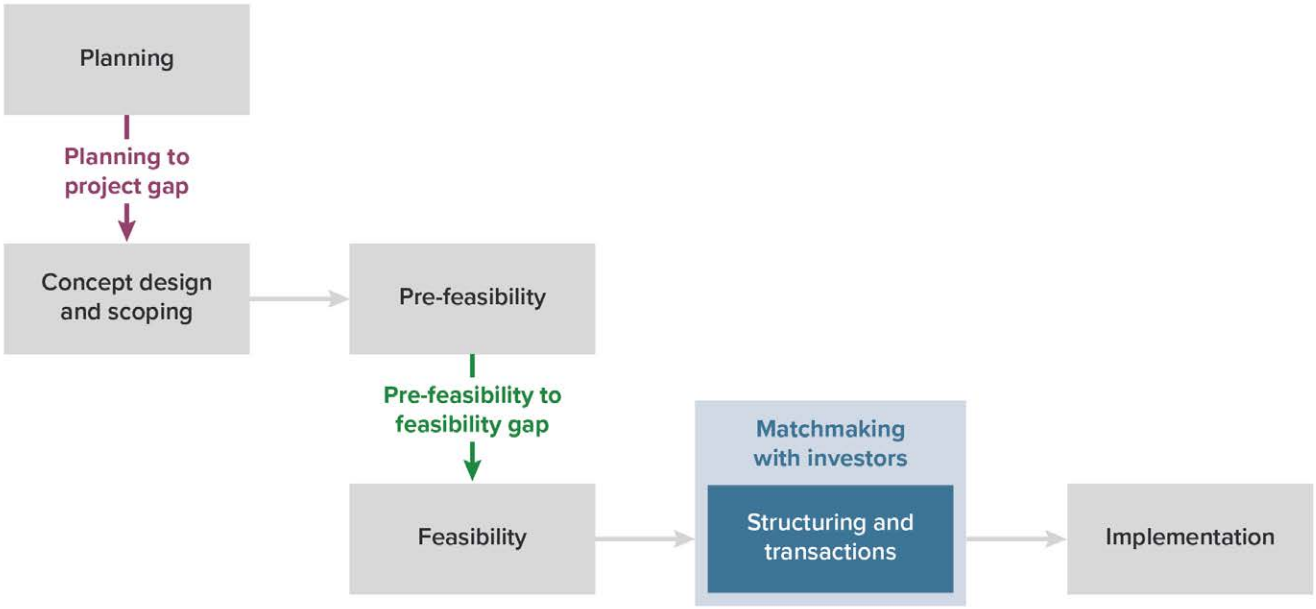
The ecosystem has achieved notable successes in project preparation. Since LUCI's inception in 2019, its initiatives have collectively prepared over 1,000 climate-smart and resilient bankable projects and linked over 300 projects to finance for implementation.[36]

However, despite many PPFs operating globally and multiple coordination mechanisms available, only a small fraction of projects actually reach financing. Comprehensive statistics on urban climate project completion rates do not exist, but available evidence from the broader climate finance ecosystem indicates that fewer than one-third of proposed projects reach the construction stage.[37]

Urban climate projects can discontinue at various stages of the value chain. CCFLA analysis[38] found that this pattern repeats across the ecosystem, with projects failing at predictable points along the financing value chain (Figure 5).

[34] EBRD, *Guide to EBRD Financing* (2013).
[35] CCFLA, LUCI https://citiesclimatefinance.org/programs/luci
[36] As of December, 2025. Source: CCFLA, *LUCI* https://citiesclimatefinance.org/programs/luci
[37] Source: Bartle & Gómez-Contreras, *From Bottlenecks to Breaking Ground* (2025). While some attrition is normal in project preparation (which is why it requires dedicated funding), the current completion rate seems very low even accounting for this reality.
[38] LaSalle, *PPF Connector Assessment Brief* (2024).

Figure 5. Project preparation stages and valleys of death (source: PPF Connector Partnership Assessment Brief)



Three valleys of death

These failures concentrate at three critical junctures:

- **The planning to project gap** — where city climate strategies fail to translate into concrete, financeable concepts
- **The pre-feasibility to feasibility gap** — where initial studies don't meet requirements for detailed preparation
- **The matchmaking with investors gap** — where prepared projects fail to connect with appropriate financing

Each represents systematic failure points where substantial investments of time and resources fail to yield results. In an ecosystem where project preparation funding is severely constrained, these failures represent significant waste — cities invest scarce staff time and resources in applications and studies that never materialise, eroding trust and undermining the system's capacity to deliver climate outcomes at the required pace and scale.

2.5 Why integration matters

The key issue is insufficient integration across the financing value chain. Too much support flows to projects without a clear flightpath to the eventual funding sources, creating orphan project proposals and wasted preparation resources.

The fundamental tension

Every project faces competing masters — city needs versus financier requirements.[39] Project preparation facilities operating early in the financing value chain naturally respond to city priorities and political imperatives. Those operating later must align with financier requirements and risk frameworks. Yet the ecosystem, outside of integrated approaches, provides no mechanism to reconcile these tensions from the beginning, meaning projects can progress through multiple preparation stages without ever aligning with any realistic financing flightpath.

The advantages of full financing value chain support

Where institutions like the World Bank and EBRD provide support across the whole financing value chain — from identification through to financing — projects benefit from clear standards, consistent requirements, and known financing parameters from the outset. Financier requirements are embedded throughout preparation because the financier is part of the entire process. The complete financing flightpath is visible from the beginning.

However, most cities cannot access institutions that control the whole financing value chain. This stems from structural realities: different institutions have different mandates, geographic focuses, and eligibility criteria. Therefore, much of the ecosystem's project preparation support covers only part of the financing value chain.

[39] LaSalle, *PPF Connector Assessment Brief* (2024).

The need for enhanced coordination

When support covers only part of the financing value chain, extra effort is required to create the integration that comes naturally when one institution controls the entire process. Cities moving between different PPFs need mechanisms to ensure continuity and alignment. Projects require clear flightpaths from the outset, even when multiple actors are involved. Early visibility of financing options becomes even more critical when the financier isn't part of initial preparation.

This is why both project-level support and system-level coordination are essential. Project-level support can help navigate between stages and connect to appropriate next steps. System-level coordination provides the enabling infrastructure — common definitions, shared tools, knowledge platforms, and convening spaces — that allows diverse actors to work coherently despite institutional differences.

DEFINITION:

Financing flightpath

In this report, *flightpath* refers to the defined and deliberate route a project follows from ideation to financing. Unlike a *pathway*, which can be exploratory and uncertain, a flightpath is defined early and anchored in real financing options — intentional and structured from the outset. It identifies the likely types of capital (public, concessional, commercial), potential financiers, eligibility conditions, known constraints, and national approval pathways, and is revisited at each stage-gate as the project develops.

Just as an aircraft registers its flightpath with authorities before take-off, projects should have a clear, documented — designated route to secure finance early on. This route may involve multiple potential financiers but should be well-defined, ensuring that financing options are identified from the start and aligned with both the project's needs and national fiscal processes — helping preparation teams avoid dead ends, reduce rework, and align technical work with actual opportunities from the outset.

3

DIAGNOSING THE DYSFUNCTION

3.1 How the breakdown appears in practice

Our analysis reveals that the dysfunction of the urban climate project preparation ecosystem manifests in observable symptoms across three dimensions: missing financing flightpaths, cultural norms and behaviours that limit collaboration, and weak transparency with incompatible standards.

Many of these symptoms involve PPFs. However, this is not a comprehensive evaluation of individual PPFs -we have not conducted systematic assessments of specific facilities. PPFs vary considerably in quality and approach. Importantly, even those that are high quality still operate within a system that is not functioning efficiently. Indeed, during interviews and broader conversations, it became evident that many actors within PPFs and PPF-adjacent organisations are aware of these issues and want change. However, they face constraints in making meaningful improvements without addressing the underlying root causes that shape how the entire ecosystem operates.

The root causes of these symptoms are outlined subsequently.

Absence of defined financing flightpaths

Projects routinely enter preparation without clear understanding of potential financing sources or national-level regulations. PPFs develop "bankable" projects to generic standards that may not match any actual financier's requirements. As one interviewee notes, projects are prepared to theoretical bankability criteria rather than specific investor needs, creating a persistent misalignment between preparation outputs and financing inputs.

Part of this challenge stems from the structure of PPF mandates themselves. Many PPFs provide support for only one stage of the project preparation value chain — conducting feasibility studies, for example, or developing technical specifications — without responsibility for connecting projects to specific financing sources. This means preparation work may proceed in a generic way, without differentiating between the requirements of different financing sources. Resources are spent on project development, but without clarity on the appropriate financing pathway or whether the preparation outputs align with targeted financiers' needs.

> ***"Earlier-stage PPFs tend to be more city-demand driven and open to complex, multisectoral projects that maximize climate, economic, and social benefits but are harder to finance due to that complexity. At later stages, PPFs are more responsive to financiers, leading to a focus on projects with larger investment sizes (roughly over USD 10 million) and that have dedicated revenue streams, which tend to be energy projects."***[40]

The ecosystem also often overlooks the need to distinguish between fundamentally different project types that require distinct preparation approaches and financing strategies. Commercially viable projects with revenue streams — such as renewable energy or energy efficiency retrofits — need preparation focused on scale, speed, and replicability across multiple cities. These could attract private investment if prepared with standardised documentation and clear financial returns. In contrast, public good projects like flood defences or

[40] LaSalle, *PPF Connector Assessment Brief* (2024).

nature-based solutions require preparation that builds a strong economic (not financial) case for public funding.

While not a formal finding, several interviewees suggested that preparation processes are not always differentiated by project type, which can lead to adaptation or public-good projects being shaped toward commercial models that are unlikely to fit. As one interviewee noted, "private investment may fundamentally not be interested in these types of investments," underscoring the need for clearer early classification so that non-commercial projects follow appropriate public or concessional pathways.

Lack of partnering culture

Competition can drive efficiency and quality when markets function well. However, the PPF landscape exhibits characteristics of competitive dynamics that impede rather than enhance ecosystem effectiveness. PPFs compete primarily for donor funding rather than on project outcomes, whilst the feedback mechanisms that would reward success and penalise failure operate weakly.

Fundamentally, most PPFs are not set up or incentivised to collaborate — they lack the time, mandate, and metrics that would enable partnership.

Many PPFs operate on short-term, project-based models similar to traditional consulting firms — pitching competitively for grants, delivering discrete packages of technical assistance, and moving on without responsibility for long-term outcomes. They tend to operate on short contracts without mandates to ensure projects reach financing.

> ***"Many PPFs either prepare early-stage or later-stage projects, and only a handful of them coordinate with financiers or other PPFs to link projects with follow-on technical assistance and financing."***[41]

As one interviewee from a PPF acknowledges, "we do not track it beyond the project duration, because [our organisation] is a project-based organisation and therefore cannot follow up once the commissioned project has run out. If there are follow-up projects, we do follow and monitor, but on an individual basis."

Limited funding creates structural pressures that encourage broad rather than specialised service offerings. In competitive funding environments, PPFs often position themselves as comprehensive solution provider, even when partnering with or referring to other facilities might better serve specific aspects of project preparation. The incentive structure can discourage acknowledging capability gaps or suggesting alternative providers who might be better positioned for certain preparation stages.

As one interviewee observes, funding constraints mean PPFs "just volunteer to do everything," preventing the specialisation that could create a more efficient division of labour. This model — where success is measured by TA contracts awarded rather than investment financed-perpetuates fragmentation as PPFs tend to guard their client relationships and methodologies as competitive advantages rather than shared resources.

Resource and capacity constraints further limit collaboration. Operating on tight budgets, PPFs lack dedicated funding for project handovers or helping cities navigate to next stages of project preparation.

> ***"PPFs typically do not have extra capacity for collaboration when it is not included in their core mandates. Few PPFs have collaboration built into their key performance indicators (KPIs) or have their donors explicitly push for collaboration as part of the PPFs' core activities."***[42]

While some facilities assist with these transitions because staff "personally cares about project success" (interviewee), this happens on an ad hoc basis rather than systematically across all PPFs. This lack of resources makes them rely on external support like the PPF Connector to support matchmaking. As one interviewee described it "Members don't have enough resources to make connections with other PPFs — they don't have mandate, they don't have human resources". While external matchmaking support provides valuable short-term assistance, it can limit the development of institutional partnering capacity. Without developing direct relationships and networks with other ecosystem actors, PPFs remain isolated nodes rather than integrated partners.

A financing expertise gap also constrains project advancement. PPF staff often lack deep understanding of how financing actually works — the risk assessment frameworks, financial structuring requirements, or investor mindsets that determine funding decisions. Across several interviews, we heard how PPFs "lack understanding of financing" (interviewee), yet this is precisely the expertise needed to prepare projects that can attract capital, especially from the private sector. Without the ability to evaluate different financing modalities early in project development, PPFs may spend months preparing projects for unsuitable financing structures. This fundamental misalignment between project preparation and financing requirements helps explain why so many technically sound projects never secure funding. Without staff who understand both project preparation and financing requirements, PPFs cannot effectively bridge the gap between city needs and investor expectations, regardless of how many studies they produce.

In combination, these factors — short-term mandates, limited collaboration incentives, and variable financing expertise — contribute to inefficiencies in project progression and handovers.

[41] Abdullah and LaSalle, *PPF Connector Assessment Brief* (2025).
[42] LaSalle, *PPF Connector Assessment Brief* (2024).

Weak transparency, incompatible standards, and absent traceability

Cities can't reliably see what help is available, how to qualify, or whether past work will "count" with the next institution.

Opaque entry points. PPFs themselves often lack transparency about their offerings and don't publish basic eligibility parameters (ticket size ranges, sectors, geographies, project stages, public/PPF models): "Few PPFs give specific size parameters for the projects they will support,"[43] leaving cities to discover inadequacies only after months of work. Language barriers compound access problems — "most PPFs only have information available in English" and "a third of PPFs do not have clear contact or application information," according to the CCFLA report. These barriers make access uneven and limit participation, particularly for non-anglophone cities and smaller municipalities.

Inconsistent stages and document standards. Beyond individual transparency, the ecosystem lacks consistency across PPFs. "There is not agreement on what the stages of project preparation are between PPFs."[44] What one facility calls "pre-feasibility," another terms "concept development" or "initial scoping." Each PPF operates with different templates, metrics, and assessment criteria.

> ***"Technical assistance providers are not aligned around shared technical standards, which limits the interoperability of preparation outputs between different institutions."***[45]

These inconsistencies can lead to substantial duplication of effort when projects transition between facilities, with one interviewee reporting that MDBs "routinely redo pre-feasibility studies because previous work doesn't meet their undisclosed requirements." Documentation prepared for one institution may require significant adaptation to meet another's standards.

Underused shared infrastructure. Projects lack clear tracking across their preparation journey. Without widely-adopted systems showing completed milestones or remaining gaps, coordination failures persist. In the most extreme cases, anecdotally, we heard about multiple PPFs unknowingly supporting the same project. The "limited comprehensive tracking of projects, including outcomes and finance transactions, contributes to the general unawareness around pipeline maturity and the impact of PPFs."[46]

Tools exist — PPF Connector database for discovery/routing and SOURCE for documentation — but are not systematically adopted across the ecosystem.

Another initiative — the NDC Partnership's Climate Funds Explorer — illustrates positive progress, aggregating funder windows and eligibility information from multiple donors for national-level NDC implementation. A similar resource tailored specifically to urban climate projects would provide comparable value for cities.

Learning remains siloed. The competitive dynamics between PPFs further limit transparency and learning. Facilities competing for the same donor funding lack incentives to share what works, limiting collective improvement. Without transparency about success rates, methodologies, or lessons learned, the sector struggles to evolve beyond current dysfunctions. These combined factors make it difficult for PPFs to collaborate effectively, for projects to transfer successfully between stages, and for cities to navigate the support landscape with confidence. Without comparable performance data or a norm of open learning, the system struggles to self-correct.

Overall, these transparency and alignment gaps hinder efficient project movement, making navigation complex for cities and reducing the ability of facilities to build on one another's work.

3.2 Root causes: why the system fails

The core dysfunction: misaligned incentives and timelines

At the heart of the ecosystem's dysfunction lies a fundamental misalignment between what gets measured and what matters. Many PPFs are funded based on outputs — number of cities supported, studies completed, workshops delivered — rather than outcomes like projects reaching financial close. As one interviewee starkly observes, PPFs secure their funding for projects that go through them but "it doesn't matter what happens at the end".

This creates a system optimised for activity and visibility rather than sustained progress. Donor requirements for quick, quantifiable results sometimes conflict with the long-term nature of infrastructure development. In the interviews, we heard about how some funders "want to see results overnight", even though infrastructure projects can take years to mature. For example, one interviewee described a PPF receiving substantial funding to prepare 20 projects within less than two years. The interviewee stressed how this timeframe was "completely absurd" given the realities of technical project preparation, bank approval timelines, regulatory processes, and the necessity of political buy-in, particularly for innovative climate projects where markets may not yet exist.

The short funding cycles compound this issue. PPFs typically operate on short-term funding cycles, yet urban infrastructure projects require five to ten years (or more) from conception to implementation. This forces facilities to prioritise short-term metrics that satisfy immediate donor reporting over long-term project success.

Funders' programming models strongly shape these incentives — with different logical frameworks, reporting calendars, and branding rules often pulling facilities in different directions. The scarcity of funding overall further limits PPFs' ability to push back against these requirements. **As a result, the system delivers exactly what it is asked to deliver,** even if that diverges from the ultimate goal of more projects reaching implementation.

[43] LaSalle and Negreiros, *Landscape of Project Preparation Summary* (2021).
[44] Ibid.
[45] Abdullah and LaSalle, *PPF Connector Assessment Brief* (2025).
[46] Ibid.

Financier transparency gaps and their effects

Different interviewees consistently described a key constraint being the persistent opacity on what financiers actually require. Projects are often prepared without clear understanding of specific requirements. One interviewee reports that a major MDB "routinely redoes pre-feasibility studies because previous work doesn't meet their undisclosed requirements". The same source describes a situation where financiers "can't tell people what their requirements are," leaving PPFs to work toward unclear criteria.

In practice, the blind spots span basics that determine bankability: indicative minimum ticket sizes and aggregation expectations; preferred tenors and amortization profiles; currency and hedging policies; security packages and sovereign/sub-sovereign guarantee rules; procurement and environmental/social due-diligence standards; and documentation formats lenders will accept without rework. Cities rarely see these parameters together in one place up front, so preparation teams optimise to generic "bankability" rather than to a specific credit / investment committee's decision logic.

This lack of transparency extends to basic parameters. When asked about minimum project sizes, financing institutions often state they "assess case by case" while practitioners understand that very small projects are unlikely to qualify. As one interviewee notes, financing institutions are "often not transparent with what they're looking for".

The variation across financiers compounds the problem. A climate fund's concessional window, a national development bank's framework loan, and a commercial lender's project finance line all apply different thresholds, evidence standards, and comfort factors. What passes as "pre-feasibility" for one institution may be insufficient for another that requires utility credit analyses, tariff roadmaps, or portfolio-level performance data. Without an early, institution-specific "flightpath" check, projects advance only to be reset later.

There are institutional reasons for this limited transparency. Banks may view their assessment criteria as proprietary, not wanting to reveal their "decision tree" to competitors (interviewee). They may also prefer to maintain flexibility by avoiding firm commitments to specific thresholds (interviewee). Additionally, institutional requirements may mean banks often need to "redo preparation because it needs to meet their due diligence requirements and can't accept work from another institution" due to internal risk management protocols (interviewee). Interviewees also noted that financing requirements differ across countries, lending windows, and technical teams within the same institution. As a result, staff involved in early preparation may only see part of the overall decision framework applied during final appraisal.

Financiers also face legal constraints: confidentiality around internal rating models; competition-law sensitivities; fiduciary, AML/CFT and sanctions controls; procurement and state-aid rules; and credit-committee practices that prohibit reliance on third-party studies unless commissioned under their own terms of reference. Even when staff want to be clearer, publishing hard thresholds can reduce flexibility or create perceived commitments they cannot honour across markets.

This results in significant information gaps. Key requirements often exist "in people's heads, not documentation," accessible primarily through established relationships. As one interviewee explains: "A lot of what I do is build relationships, so people tell me information they won't write down". Cities and PPFs have limited ability to access this information directly, while those with established networks become essential intermediaries. The institutional nature of these constraints makes rapid change difficult.

3.3 The vicious cycle

These root causes reinforce each other. Misaligned incentives drive competition between PPFs, weakening their collective voice. Funding scarcity forces PPFs to accept problematic, short-term metrics to survive. Financier opacity ensures projects fail without clear feedback on why, preventing learning and improvement.

Throughout our interviews, practitioners consistently called for fundamental change. Yet each actor waits for others to move first — funders continue demanding quick wins, PPFs keep competing rather than collaborating, financiers maintain opacity. Everyone recognises the dysfunction but optimises for their own survival within it.

Taken together, these patterns explain why the system continues to generate rework, stranded projects, and limited feedback loops — even when individual actors are capable and well-intentioned. The challenge is therefore systemic, not individual: aligning incentives, information, and timelines across the financing value chain will be essential for improving flow from project preparation to financing.

4 PROJECT-LEVEL COORDINATION: KEY ELEMENTS FOR REFORM

4.1 Vision: how the ecosystem could function

A functional urban climate project preparation ecosystem would connect city needs to appropriate capital efficiently and at scale. Rather than projects drifting through multiple facilities without clear direction, each project would have a visible flightpath (candidate instruments, likely lead financier(s), eligibility gaps) from conception to implementation, with financing options identified early and preparation aligned to specific requirements.

In this reformed ecosystem, PPFs would operate as complementary specialists (e.g., in terms of sector, geographic scope and/or project stage) rather than competing generalists. Facilities focusing on early-stage development would excel at translating city priorities into financeable concepts that align with national government climate investment priorities. Those working on later stages would bring deep understanding of investor requirements. Handovers between stages would be systematic, with clear protocols and shared accountability for project success. Cities would understand which support to access when, and PPFs would guide projects toward realistic financing options from the start.

Financiers would engage earlier and more transparently which would allow PPFs to prepare projects to known standards. Regular feedback loops would enable learning from both successes and failures. The two competing masters — city needs and financier requirements — would be reconciled through early dialogue rather than sequential retrofitting.

In practice, a coherent ecosystem is place-based by default and light-touch globally. Country platforms convene ministries, cities, national/sub-national development banks, and MDBs around a shared pipeline and a living flow-of-funds map. A designated navigator function — embedded in government or a trusted in-country partner — guides projects through rules, procurement, and lender criteria, brokering introductions and handovers in real time.

Incentives and accountability align to outcomes, not outputs. Funders and facilities apply common conversion metrics (e.g., % of projects with a confirmed next-stage taker, time-to-handover, approvals/financial close, mobilised co-finance). Handovers are governed by simple MoUs/service level agreements between PPFs with ring-fenced budgets for brokerage, and projects are tracked on transparent dashboards to reduce duplication and surface bottlenecks.

The model works through financial intermediaries for scale — especially in EMDEs — using framework loans and standardised, replicable sub-projects (e.g., building retrofits, e-bus fleets). Interviews underscored that, in most EMDEs, scale is only achievable through intermediated models in which IFIs channel finance via national financial institutions — most commonly NDBs, public utilities, or specialised sector agencies. Practitioners described how framework loans and programmatic structures allow lenders to aggregate many small sub-projects (such as building retrofits or electric buses) that would be impossible to finance one-by-one. As one interviewee put it, “you cannot get to scale without an intermediary,” reflecting both the need for local-currency on-lending and the operational capacity to bundle projects.

Building on this, a more ambitious version of the model would establish dedicated national urban or sector facilities — entities mandated to convert city pipelines into investable portfolios and able to draw on both public and private capital. While not yet the norm, early examples come from Brazil, where national development banks and municipal financing programmes already aggregate pipelines and channel urban climate investments through programmatic, standardised structures — effectively performing many of the functions a dedicated national urban facility would formalise. This shows how such platforms can coordinate financing lines, standardise appraisal, and provide a scalable home for blended finance. These national facilities could also create a clearer entry point for institutional investors, who interviewees emphasised will only participate where portfolios are standardised, risk-managed, and large enough to justify transaction costs.

These intermediated models naturally point toward the need for coordinated national platforms—entities that can align city pipelines with national programmes, host framework lending structures, and connect projects to domestic capital markets. This provides the institutional home for local-currency on-lending, pooled facilities, and eventual participation of domestic institutional investors.

The same logic extends to the financial architecture that underpins these institutions. Intermediated models can only function at scale when domestic financial institutions have access to reliable local-currency funding, when national programmes can co-finance projects alongside MDBs, and when risk-management tools (such as hedging windows or pooled facilities) are available within the country. These elements sit upstream of project preparation but determine

whether programmatic urban investments can be financed affordably and at volume. This is why the recommendations emphasise strengthening local capital markets — supporting local-currency issuance, on-lending mechanisms, and structured domestic co-financing plans — as part of the broader national platform needed to move city pipelines from preparation to investment at scale.

Adaptation and nature-based projects follow tailored public/grant-heavy flightpaths with blended-finance de-risking (guarantees, first-loss, FX solutions) and economic-case appraisals. Regional differences are explicit: retail/household channels are leveraged in advanced markets; utility/NDB-led portfolios and local-currency lines are prioritised where household and commercial markets are thinner.

Crucially, partnering is treated as core delivery. Teams are resourced for relationship management, negotiation, and systems thinking; collaboration is rewarded through joint attribution and shared targets. This is what "good" looks like when the system reliably moves urban climate projects from concept to construction.

This vision is highly ambitious, requiring fundamental shifts in how the ecosystem operates. Some elements will be more difficult to achieve than others — changing entrenched institutional practices will take longer than improving information sharing, for instance. The following sections examine each element needed for transformation, recognising that systemic change is a complex process. During this transition, treating symptoms may provide necessary immediate relief while working on deeper structural reforms. Both are essential — addressing root causes ensures lasting change, while symptomatic improvements can build momentum and demonstrate that transformation is possible.

4.2 Addressing root causes: structural reforms

To tackle the root causes, the ecosystem needs structural shifts that rewire incentives and relationships — paying for outcomes rather than activity and embedding financiers' needs earlier in preparation.

Transforming incentives from outputs to outcomes

A consistent theme across interviews and desk research is that the system largely pays for activity, not progress. Studies, conferences, workshops and "projects supported" are easy to count, but they don't guarantee movement along a credible financing flightpath. This section sets out how an outcomes lens can be introduced without creating heavy bureaucracy.

The fundamental shift requires paying for progress rather than activity. PPFs should be rewarded for projects reaching financial close or successfully completing handovers, not just for studies produced. This could involve success fees, portfolio approaches where payment depends on overall achievement rates, or longer-term contracts that allow patient development rather than rushed delivery. This shift necessitates a paradigm change: accepting fewer projects supported overall in exchange for higher success rates. Rather than celebrating "200 cities supported", the ecosystem would focus on "20 projects financed." This requires political courage from funders to explain why smaller numbers represent greater impact.

Positive examples already exist. The Gap Fund demonstrates how contractual requirements can embed these principles.

IN PRACTICE:

Gap Fund — embedding handovers in performance indicators

The City Climate Finance Gap Fund (Gap Fund), supported by German federal ministries, BMZ and BMUKN, as well as the Government of Luxembourg, is one of the largest providers of early-stage technical assistance financing for cities and climate in the world[47].

The Gap Fund operates via two multi-donor trust funds (MDTFs)[48]:

- **World Bank Gap Fund multi-donor trust fund:** Projects are specifically prepared to World Bank standards
- **EIB Gap Fund multi-donor trust fund (in partnership with GIZ):** Rather than preparing for a particular standard, this approach aims to identify potential financiers from the beginning, but it also maintains flexibility for various financing options

At Gap Fund, the "navigator" role is essential, especially for the EIB/GIZ track. Helping cities with matchmaking after pre-feasibility completion is part of the formal indicators set by the donors. As an interviewee explains, "Donors require us to… help cities find the next step in project preparation. It's contractual, so we have to do it." Their indicators focus on "enhancing project's financial options and possibility for implementation," with successful navigation counted whether a city secures its own budget, obtains national financing, connects to an MDB, or links to another PPF.

What's interesting is that they have learned about the importance of identifying potential partners early:

> *"Partners interested in taking over Gap Fund-supported projects can be identified before launching the technical assistance assignment. This results in greater efficiency and effectiveness of the technical assistance, since the terms of reference can be tailored to suit the needs and requirements of the partner, thereby facilitating a smooth handover."* [49]

The inclusion of handovers in performance indicators means navigation support receives dedicated resources, while early identification of potential partners allows technical assistance to be tailored to their specific requirements.

[47] City Climate Finance Gap Fund, *Fact Sheet* (2023).
[48] EIB, *Gap Fund Annual Report 2023* (2024).
[49] Ibid.

Several practitioners suggested explicit rewards for saying "no" to non-viable projects early. Rather than accepting every project to maintain throughput, PPFs would be incentivised to conduct rigorous early screening, directing resources only to projects with realistic financing prospects. This selectivity should become standard practice.

Shifting incentives need not be complicated: a small set of outcome signals along the financing value chain, and room in contracts for patient, multi-year delivery. In practice, this comes down to a few simple moves: agree two to three key conversion stage — collaboration — partnership outcomes. These tweaks shift effort from counting activities to moving projects to money — without adding heavy bureaucracy — and will help the ecosystem reward what actually closes the finance gap: projects that move, handovers that stick, and funding that flows.

Ultimately, funders hold the key to this transformation as they set the incentives that shape ecosystem behaviour. Greater alignment and coordination between major funders (e.g., sharing lessons about what metrics drive real impact) could accelerate this shift toward outcome-based approaches.

RECOMMENDATIONS

FOR FUNDERS:

- **Depth over breadth.** Fund against a small shared set of outcomes: focus on outcomes such as conversion rate (to credit approval/financial close or budgeted public funding), mobilised co-finance, and time-to-handover/close. Tie payments outcomes, not just deliverables.
- **Longer horizons & harmonised indicators.** Shift from 1–3 year grants to 5–7 year frameworks with a small set of common outcomes (conversion rate, mobilised co-finance, time-to-handover).
- **Back the navigator/broker role.** Ring-fence budget for handovers, matchmaking, and MoUs; allow shared attribution when projects convert after a handover; resource appropriate levels of expertise (particularly finance-focused) in PFFs.

Bringing financiers' needs into the preparation process

Early financier engagement needs to be backed into donor requirements and programme design. In places where preparation teams start with a sketched flow-of-funds (borrower, instrument, intermediary, ticket size), and a clear understanding of financier requirements — and donors fund the convening cost — financiers can react to something concrete. Flightpath success is seen in the "integrated model" approach: a preparation approach where financiers (or at least their clear, specific criteria) are engaged early in the preparation process so that technical assistance, documentation, and structuring are aligned with real financing instruments from the start. This alignment is far more feasible in countries that already have national or sectoral "framework" finance — such as credit lines through NDBs or utilities — because the financier's standards, documentation, and appraisal logic are known in advance. In these contexts, preparation teams can build to specification from day one, mirroring what one interviewee described as "preparing directly for the lending line rather than for an abstract concept." The disconnect between project preparation and financing requirements stems partly from financiers' late engagement in the process. Rather than demanding full transparency — which may be unrealistic given institutional constraints — the ecosystem needs mechanisms to involve financiers earlier and more meaningfully.

Successful models are emerging. Investor roundtables, as described by practitioners, bring together projects with potential funders not for immediate investment but to shape preparation toward realistic financing. As one interviewee explained, these events help projects understand investor perspectives early, allowing course correction while changes are still possible. Though "no investor hands out cash after a 7-minute pitch," the dialogue helps align preparation with eventual financing requirements (Interviewee).

This wouldn't require revealing proprietary assessment methods but would provide clearer targets for preparation efforts. Several MDBs already engage in such sessions informally — the challenge is making this systematic rather than ad hoc. Donors can hard-wire this into grants and ToRs — for example, a short "pre-appraisal clinic" when a financing line exists, or a brief discovery sprint to see if one can be set up — so early dialogue becomes standard practice rather than optional goodwill. This would enable a more targeted approach wherever financing lines already exist, while still allowing investor roundtables to play a complementary role for broader market signalling.

IN PRACTICE:

A shared financier requirements library

At the system level, a Financier Requirements Library could be a living database where financial institutions publish basic parameters — ticket sizes, eligible sectors, loan tenors, documentation requirements, and common rejection reasons. It would allow cities and PPFs to identify suitable financiers when projects enter preparation.

Given financier opacity, the implementation may be challenging, and a country-level approach may prove more practical than a global database. Since most (private) finance is sourced domestically, national libraries focused on domestic financiers — national development banks, local commercial banks, national climate funds — would be more feasible to establish and better reflect actual financing opportunities. A hybrid approach may also work: country-level databases for domestic sources, complemented by a lighter global layer for international DFIs and climate funds.

Early engagement faces real constraints. Financiers have limited time and resources to review early-stage concepts. They may be reluctant to provide guidance that could be construed as commitment. Yet even modest improvements would help — published indicative ranges (not promises) for ticket sizes, sectors, and typical structuring features, red-flag "no-go" criteria, document checklists by stage (concept → pre-feasibility → feasibility → appraisal), example successful projects (including project implementation and business models that can be replicated across different cities), or aggregated feedback on why projects fail. Some institutions already provide this informally through relationships. As one interviewee noted, critical information exists "in people's heads, not documentation" — the goal is making more of this tacit or individual knowledge more easily accessible.

The shift from late-stage matchmaking to early-stage dialogue requires both sides to adjust. PPFs need to engage financiers as partners rather than distant targets. Financiers need to recognise that clearer early guidance could improve their deal flow. Both require forums, incentives, and protocols for productive engagement throughout the project cycle rather than only at the final financing decision.

When funder requirements, PPF practice, and financier touchpoints line up, with flightpaths named early, projects stop drifting. The net effect is fewer stranded projects, faster transitions between stages, and more trust on all sides.

IN PRACTICE:

Catalytic Finance Foundation's Subnational Climate Fund — designing backwards from investors needs

The Catalytic Finance Foundation (Catalytic) attempts to bridge the investor-city gap by designing funds that align project pipelines with investor requirements from inception. Their approach addresses a fundamental challenge: "You need to know very, very early on what investors want" (interviewee).

Their model works by keeping a narrow focus and building investor needs into the initial design:

Geographic and sector focus: Rather than launching broad, generic funds, they limit scope to specific sectors and geographies (e.g., e-buses in Latin America[50]). This responds directly to investor feedback — "their interest is much more geography-specific and sector-specific" (interviewee).

Foundation-led innovation: The non-profit foundation does the heavy lifting to create these funds because "the private sector would not spend their own resources to come up with these innovative products" (interviewee). Catalytic is funded "to do the homework for these asset managers and once they're up, then the asset manager runs them" (interviewee).

Bridging two realities: They create "not just projects that are good, but a fund that takes into account both what investors want and the reality of the projects that will come there" (interviewee). They're "not trying to match a project to finance first", but "trying to create a fund that actually can build on existing real-life projects" (interviewee).

De-risking through blended finance: Catalytic uses concessional funding from donors — including governments and philanthropies[51] — to anchor blended finance vehicles, reducing risk for private investors and making real projects investable.

This model shows how working "higher upstream" — creating investment vehicles designed around both investor expectations and project realities — can be more effective than trying to retrofit individual projects to investor requirements after preparation.

This is consistent with broader blended finance lessons — facilities that are designed upstream with investor participation have materially higher conversion rates than those built project-by-project and matched later.[52]

[50] Catalytic Finance Foundation, https://www.catalyticfinance.org/catalytic-cities/
[51] Catalytic Finance Foundation https://www.catalyticfinance.org/our-funding-partners
[52] Juneja, *Economic Shocks & Bankability* (2023).

RECOMMENDATIONS

FOR FINANCIERS:

- **Clarify parameters.** Provide clear guidance on minimum sizes, typical structures, eligibility, and documentation requirements.
- **Co-shape, not just approve.** Engage earlier as partners in project shaping rather than only end-stage evaluators.
- **Feedback loops.** Provide aggregated, anonymised reasons for decline to enable ecosystem learning.
- **Light guidance, early.** Offer minimum thresholds, typical deal sizes, and example term sheets; run brief pre-appraisal clinics/office hours with PPFs.
- **Portfolio routes.** Use framework loans and on-lending via NDBs/municipal banks to absorb smaller, replicable sub-projects.

These changes require support from multiple actors. Funders and donors can make early engagement a condition for accessing concessional capital. National governments can require transparency in framework agreements. MDB shareholders can advocate for policy reforms. Coordination bodies can facilitate peer-developed disclosure standards. Market incentives may also drive change as clearer parameters improve deal flow.

4.3 Treating symptoms: operational improvements

While addressing root causes is essential, symptomatic relief can create immediate improvements and build momentum for deeper reform. These are practical process tweaks — naming the project type, mapping plausible sources of finance from the outset, and agreeing simple clear milestones for each phase — that make preparation faster, clearer and easier to hand over.

Establishing clear project typologies and flightpaths

The ecosystem needs to differentiate between project types requiring different preparation approaches and financing strategies. Commercial projects with revenue streams should follow flightpaths toward private investment, with preparation focused on standardisation and replicability. Public good projects should be directed toward grant and concessional finance from the outset, with preparation building economic rather than financial cases.

The *Banking on Cities* World Bank report[53] shows that low-carbon and resilient investments span a wide range of sectors — from buildings and transport to waste, water and flood-protection — each with different cost structures, service-delivery models and financing needs. This variation means that a one-size-fits-all financing strategy is unlikely to succeed, underscoring the need for clear project typologies and early matching of projects to appropriate financing paths.

Clear differentiation would enable PPFs to specialise rather than attempting to serve all project types generically. Facilities could develop deep expertise in specific flightpaths — some excelling at structuring commercial deals for energy efficiency, others specialising in building economic cases for resilience projects. This specialisation would allow much more targeted support than the current generalist approach. For commercially viable projects, the focus could shift to, as one interviewee put it, "speed and scale" — developing standardised templates and replicable models that accelerate deployment across multiple cities rather than treating each solar installation as a bespoke project.

> ***"Targeted investor outreach that clearly distinguishes which projects are suitable for private participation and which should remain publicly financed can help improve the visibility and quality of city-specific project pipelines among private investors."***[54]

Some PPFs are beginning to recognise this need. As one interviewee from a PPF explains, they now require "identifying the flow of funds at the beginning" of project preparation, mapping potential financing sources before investing in detailed studies. Projects should start with all possible financing routes identified — MDB lending, climate funds, commercial investment, national programmes — then progressively narrow options as preparation advances and project parameters become clearer. Yet some interviewees commented that cities cannot realistically undertake this mapping alone. As one practitioner noted, "most municipalities simply don't have visibility into national or international financing windows," and another warned that "you can't expect cities to know the flow of funds — that intelligence sits elsewhere. In practice, this can stay simple: add a one-page "financing plan" to every concept note (project type, candidate instruments, likely lead financier, minimum ticket, known eligibility gaps) and review it at the start of each stage. The financing plan can also flag whether the project or its preparation costs sit on- or off-budget, and why — an early signal of feasibility and the approvals that may be required. For projects where private-sector participation must be competitively identified (e.g., PPP structures), the plan should note this uncertainty rather than naming specific financiers; the aim is to map plausible routes, recognising that terms and eligibility will vary across financiers and must respect competitive processes.

[53] Deuskar et al., *Banking on Cities* (2025).
[54] Abdullah and LaSalle, *PPF Connector Assessment Brief* (2025).

IN PRACTICE:

The capacity challenge

This mapping challenge points to a fundamental tension: cities need sophisticated financial and technical expertise to navigate the ecosystem, yet most lack this capacity internally. In the short term, cities should engage external specialists — hiring or contracting financial, legal, and technical advisors to identify financing routes and prepare bankable pipelines. However, as CCFLA research points out, "local government technical and financial capacity development — including improving municipal creditworthiness — are the biggest levers to move the needle at scale" promising systemic change over time.[55]

Building internal capacity delivers benefits beyond project preparation. Staff who understand financial structuring, risk assessment, and investor requirements can evaluate financing options more critically, negotiate better terms, and maintain projects through implementation. These capabilities strengthen overall municipal financial management, improving cities' ability to plan capital investments, manage assets, and engage with lenders across all infrastructure sectors.

> *"Project preparation support benefits from complementary capacity development work to enable cities to do more in-house preparation, which will also enable them to access future PPF support more easily."*[56]

Many PPFs already recognise this and integrate capacity building into their support. The challenge is making this systematic rather than ad hoc, ensuring that project preparation includes deliberate knowledge transfer and skill development that remains after external support ends.

What's needed is to make this early flightpath identification standard practice across all PPFs. This requires publicly available frameworks that clearly map project types to appropriate financing sources. Cities should be able to access simple tools showing which projects suit which funding sources. Such tools would not predetermine a single funding source — many projects require blended, multi-source solutions — but they can help cities understand the likely mix of public, concessional, and commercial finance appropriate for different project types.

PPFs should share their typologies and screening criteria openly, allowing cities to self-assess before entering preparation and choose the most appropriate support for their project type.

RECOMMENDATIONS

FOR PPFS:

- **Map financing routes from day one.** Identify all potential financing sources at the start to identify potential funders at an early stage, keep focus along the financing value chain, and progressively narrow as projects develop.
- **Say "no" early.** Decline non-viable projects quickly to free resources for those with realistic financing prospects.
- **Early "discovery" sprint.** 4–8 weeks to evidence the flow-of-funds, borrower, ticket size, and eligibility gaps — close early if not credible and log the reason.
- **Hire appropriate financial and structuring expertise** as and when required.
- **Integrate capacity building into project preparation.** Build deliberate knowledge transfer and skill development into technical assistance, enabling cities to strengthen in-house capabilities over time.

FOR CITIES:

- **Build multiple ecosystem relationships.** Cultivate relationships with multiple PPFs, DFIs, NDBs, and ministries — not a single PPF gateway.
- **Leverage peer networks and city associations.** Connect with peer cities through provincial and local government associations, networks like C40 and the Global Covenant of Mayors (GCoM), and regional platforms to share relevant templates, vendors, and lessons and to build collective leverage.
- **Name accountable leads.** Appoint an internal sponsor and a finance focal point to keep decisions moving and align with lender requirements.
- **Maintain a live data room.** Keep standard documents (financials, asset registers, tariffs, permits) updated and aligned with the chosen flightpath.
- **Cluster for scale.** Where viable, join city cohorts to procure/finance portfolios (e-buses, retrofits, street lighting).
- **Engage appropriate expertise.** Hire or contract financial, legal, and technical specialists to identify and prepare bankable project pipelines and fill in short term capacity gaps.
- **Invest in building internal capacity.** Use external support as an opportunity to develop in-house financial and technical expertise that strengthens overall municipal management beyond project preparation.

[55] LaSalle, *PPF Connector Assessment Brief* (2024).
[56] Ibid.

Building common institutional infrastructure

Multiple interviewees stressed that complete standardisation across PPFs would be extremely difficult to achieve and may not warrant the enormous effort required. It is challenging on two levels: reaching agreement on common frameworks and then sustaining their use in practice.

The CCFLA Project Preparation Action Group's harmonised application form exemplifies this. Leading organisations including C40 CFF, CDP Matchmaker, ICLEI TAP, and Sustainable Infrastructure Foundation committed to using this common template, designed for basic standardisation but allowing institutional adaptation. It aimed to reduce cities' application burden and create a streamlined approach to project application[57]. Getting this agreement represented significant effort. However, several interviewees acknowledged that in practice, they still adapt the template for their specific needs and reporting requirements. As one interviewee explained, despite the commitment to harmonisation, "in reality, even we ourselves couldn't quite manage it because we just have different requirements from funders, from sponsors, from partners ". This experience reveals the underlying reality: each institution has developed systems reflecting their specific mandates, risk frameworks, and operational contexts. Rather than pursuing full standardisation, the ecosystem needs basic, high-level common frameworks that allow for institutional variation. For example, agreement on broad project preparation stages would enable clearer handovers even if detailed implementation differs.

There have been attempts to centralise project data to improve information sharing (e.g., SOURCE platform or PPF Connector project database). More accessible databases with unique project IDs could help track projects throughout the financing value chain and prevent duplication. However, creating and maintaining such systems faces considerable human and financial resource challenges.

Emerging technologies offer new possibilities for bridging incompatible systems. AI tools could serve as "translators" between different PPF documentation standards, automatically mapping information from one facility's templates to another's requirements. Rather than requiring all PPFs to adopt identical formats, AI could enable interoperability while allowing institutions to maintain their existing systems. This technological bridge could achieve practical coordination without the political and operational challenges of forcing standardisation.

IN PRACTICE:

AI bridging documentation standards[58]

City Catalyst[59], developed by Open Earth Foundation, is prototyping an approach to bridging incompatible documentation standards through AI translation. The platform allows cities to complete a single project application form, which AI then automatically translates into multiple funder-specific templates — whether for the Green Climate Fund, Climate Investment Funds, or other financing windows. Rather than requiring cities to learn different technical languages and requirements for each funder, the AI serves as an intelligent translator, converting information about flood defences or energy efficiency projects into the appropriate format, terminology, and structure each institution requires.

Cities retain control through a three-step process: AI helps brainstorm appropriate content, suggests improvements, and then transforms validated answers into specific templates. Currently deployed with 50 cities in Brazil and scaling to 5,500 at the request of the federal government, the platform is still in early development stage.

Language and accessibility barriers in PPFs require immediate attention. PPF information in local languages and clear contact points are basic requirements for inclusive access. Among the priorities, it is important that accessibility is made measurable: publish a two-page overview in relevant local languages, list a live contact channel, disclose application windows, and commit to a refresh cadence (e.g., quarterly). Additionally, there is value in tracking usage and response times so funders can resource what cities actually use, not just what exists on paper.

These are not complex reforms but would significantly improve navigation for cities.

RECOMMENDATIONS

FOR FUNDERS:

- **Accessibility.** Fund localisation (non-English materials, simple eligibility pages) so smaller/non-anglophone cities can access support.

FOR PPFS:

- **Publish the basics.** Clear ticket sizes, sectors, geographies, languages, and a named contact.
- **Share what works.** Openly share knowledge, methodologies, and lessons to strengthen collective capacity.

[57] CCFLA, *Harmonized Application Form for PPFs* (2022), https://citiesclimatefinance.org/publications/harmonized-application-form-for-project-preparation-facilities/
[58] From CCFLA Project Preparation Action Group Meeting — Q3 2025
[59] City Catalyst https://citycatalyst.openearth.org/

Strengthening organisational capacity

PPFs need resources for functions currently treated as unfunded overhead. Dedicated handover budgets would enable proper project transfer between stages. More fundamentally, resources should be allocated to strengthening PPF networks — with other PPFs, financiers as well as other key actors to reduce the fragmentation across the project preparation ecosystem.

The sector needs to invest in building partnering capabilities across all staff. Rather than creating specialist partnership manager positions, everyone involved in project preparation should develop both technical expertise and the soft skills required for effective cooperation. This means training in negotiation, relationship management, and cross-cultural communication alongside technical project preparation skills. As several interviewees noted, successful handovers and matchmaking depend as much on trust and communication as on technical documentation. This is especially important when working in the culture of competition and mistrust.

Staff recruitment and development need rethinking. The sector should bring in more professionals with financing experience, creating teams that understand both city needs and investor requirements. This might require different salary structures and career paths, acknowledging that preparing bankable projects demands financial as well as technical expertise. Staff exchanges between PPFs and financiers would build mutual understanding of requirements and constraints, creating personal networks that facilitate project movement through the financing value chain.

Building these capabilities requires explicit investment. Funders currently support project preparation activities but rarely fund the relationship building, network development, and skill building that enable projects to move successfully through the ecosystem. This perpetuates isolation and competition. Recognising partnering as core work rather than overhead would transform how PPFs operate and collaborate.

RECOMMENDATIONS

FOR FUNDERS:

- **Incentivise PPFs to partner.** Make collaborative behaviours (handover protocol, shared IDs, response SLAs) a funding condition.
- **Embed partnering in results frameworks.** Assess collaborative performance through qualitative indicators, such quality of handovers, engagement, active partnerships and contribution to the wider ecosystem, rather than quantity metrics alone.
- **Invest to create a supportive environment for collaboration.** Explicitly resource convening, relationship building among PPFs and with other stakeholders, professional partnering capacity development and ecosystem coordination, treating these as core activities rather than overhead.
- **Joint funding frameworks.** Pool funds or run aligned windows with common ToRs, reporting, and handover protocols to encourage collaboration.

FOR PPFS (TO BE INCENTIVISED BY FUNDERS):

- **Specialise and partner.** Build sector/geography specialisms and form complementary consortia instead of working in isolation trying to do everything.
- **Build partnering and finance skills.** Invest across staff in collaboration capabilities and strengthen credit/risk/structuring expertise.
- **Resource handovers.** Allocate time and budget for project transfers and relationship management between stages and organisations.

5

SYSTEM-LEVEL COORDINATION: FINDING THE RIGHT LEVEL

Beyond project-level cooperation, system-level coordination remains essential for addressing ecosystem-wide challenges like inconsistent standards, knowledge gaps and enabling learning. However, this coordination must occur at the appropriate level — global, regional, or national — with each serving distinct functions.

Critically, such coordination requires dedicated resources. As one interviewee notes: "We talk about cooperation and coordination, and if we don't invest as donors in these platforms, how on Earth should it work?" Without funding for convening, relationship building, and maintaining coordination mechanisms, the ecosystem defaults to fragmentation regardless of good intentions.

The ecosystem's evolution from advocacy to implementation demands a fundamental shift in where coordination efforts are concentrated. Yet this transition is uneven, with parts of the ecosystem still focused on conferences and research while practitioners urgently seek concrete action. This disconnect generates growing frustration. As one practitioner observes: "The challenge I've seen is that quite often this sort of research-based think tank approach was cooked all over again in conferences... the climate crisis has also evolved, and therefore conferences on their own are not sufficient anymore, and advocacy on its own is losing its appeal". While global coordination served its purpose during the awareness-building phase, the implementation challenge requires coordination closer to where projects actually happen.

This shift towards place-based coordination is still emergent, with models like CHAMP Finance Working Groups and CCFLA Local Hubs just beginning to demonstrate what localised coordination could achieve. The following sections examine what's needed at each level, recognising that effective system coordination requires both horizontal alignment within levels and vertical connections between them.

5.1 Global-level coordination: light-touch and focused

Global coordination remains important and relevant but needs to become leaner and more targeted. The challenge is investing wisely — supporting essential global functions without creating bureaucratic overhead that diverts resources from implementation.

CCFLA's convenings and working groups demonstrate both the value and limitations of global coordination. Having a dedicated space for urban climate finance — where latest studies, knowledge, and tools are shared — provides important infrastructure for the ecosystem. Practitioners value the opportunity to build relationships across institutions and geographies, connections that often prove crucial when seeking partners or solutions for specific challenges.

However, global initiatives can drift into activity for its own sake. LUCI's evolution illustrates this risk. Originally conceived to enable "concrete project-level cooperation"[60] between initiatives, it increasingly focused on reporting against targets — a function that consumed resources without facilitating actual collaboration. The fundamental issue is that **meaningful partnership requires sufficient overlap of interest in terms of geography and sector focus, which global platforms struggle to provide.**

The PPF Connector's experience reinforces this lesson. PPF Connector emerged as a result of discussions between LUCI initiatives, recognising the need for a dedicated resource to support matchmaking between PPFs. While its database of preparation facilities provides useful reference material, practitioners report that the real value comes from dedicated matchmaking by someone with deep ecosystem knowledge. Yet attempting this at global scale proves overwhelming — with thousands of projects across diverse contexts, meaningful matchmaking needs to happen closer to where projects originate. As one interviewee explains, this function would be more effective at regional or national levels where matchmakers can develop contextual understanding and maintain relevant relationships.

Moving forward, global coordination should focus on functions that genuinely require global scale: developing common standards and definitions, sharing tested methodologies and

[60] CCFLA, *LUCI* https://citiesclimatefinance.org/programs/luci

tools, facilitating peer learning between countries and regions, and maintaining platforms for knowledge exchange. Rather than attempting to coordinate specific projects or partnerships from afar, global mechanisms should provide the frameworks and forums that enable coordination to happen more effectively at other levels.

RECOMMENDATIONS

FOR FUNDERS:

- **Fund global systems-level coordination.** Allocate dedicated resources for convening, knowledge exchange, and the development of shared standards and tools, recognising that these functions are collective goods that benefit the whole ecosystem.

FOR COORDINATION BODIES:

- **Keep global-level light and useful.** Focus the global layer on knowledge exchange, convening, standards, and tools/templates that can be contextualised — not project-level matchmaking.
- **Wire the verticals.** Create two-way links between global and local: adapt global templates to context and feed local lessons back to update standards and guidance.

5.2 Place-based coordination: where implementation happens

The shift toward place-based coordination reflects hard-won understanding that context determines success. National and regional platforms can achieve what global mechanisms cannot: bringing together actors with overlapping interests, adapting international frameworks to local realities, and building sustained relationships between cities, national governments, and financiers operating in the same markets.

National government engagement proves particularly crucial. As multiple interviewees emphasised, sustainable coordination requires national government buy-in and ideally leadership. Without this, international initiatives remain external impositions rather than integrated parts of domestic climate finance architecture. One practitioner stressed the need for "building capacity in country, making it less reliant on external actors" — shifting from dependence on international support to nationally owned and operated systems.

Emerging models demonstrate what's possible. CHAMP Finance Accelerators in Brazil, Morocco, and Kenya have started to create platforms where national ministries, cities, and international actors align their efforts. These initiatives support country-level efforts, including "landscape gap analysis, knowledge sharing, improving enabling environments, supporting project preparation, matching projects to financing, building financing and implementation capacity, and supporting the development and implementation of new financing mechanisms."[61] By operating at national scale, they can address country-specific barriers like regulatory constraints or gaps in local financial markets.

CCFLA Local Hubs provide another model, offering forums for knowledge exchange in particular countries or regions. Cities facing similar climate risks, operating under comparable governance structures, or accessing the same regional financing sources can share more relevant experiences than global exchanges allow. CCFLA's first Local Hub in Central Asia focused on developing action-oriented knowledge products and fostering collaboration around the preparation and financing of net-zero carbon buildings. A major outcome was to bring together PPFs operating in this region and in this sector together and support cities to understand how PPFs can support them, where these connections and knowledge did not exist before. The second Local Hub in Brazil is prioritising knowledge systems for project preparation, stakeholder coordination and strengthening policy alignment and enabling condition for subnational climate finance, working to support project sourcing and preparation with buy-in from the national government.

Country platforms — nationally led mechanisms that coordinate development partners around shared climate and development priorities — represent another emerging

IN PRACTICE:

At national level, a "minimum viable platform" is three concrete functions:

- A standing pipeline forum (ministries, cities, NDBs/DFIs) with a regular decision cadence
- An up-to-date flow-of-funds map (who lends what, to whom, on what terms)
- A small navigator team that brokers handovers and solves bottlenecks.

Interviews highlighted how this mix — especially the flow-of-funds view used in FELICITY II context — turns abstract collaboration into bankable pipelines by aligning projects with real financing lines early.

These functions were distilled from cross-interview evidence showing that projects advance further when countries have a regular, structured process for reviewing and prioritising urban climate pipelines with the key actors at the table — typically ministries of finance and line ministries, national or sub-national development banks, cities, and project preparation teams. Interviews from EBRD, FELICITY II and the CHAMP Finance Working Group in Brazil — all described versions of this: early joint discussions on which projects to take forward, alignment on financing pathways, and agreement on what information is needed for appraisal. Although different programmes use different terminology, the underlying pattern is consistent: regular multi-actor review moments, and up-to date flow-of-funds view, and a small coordination function to track progress and resolve bottlenecks.

[61] Internal working document (unpublished)

coordination approach. While examples such as Egypt's Nexus of Water, Food, and Energy (NWFE) and Brazil's Climate and Ecological Transformation Investment Platform (BIP) exist, most have not yet systematically integrated urban priorities or subnational governments, though CCFLA has developed a framework to support such integration.[62]

The "navigator" function proves particularly effective at local level. Stakeholders who understand both local contexts and international requirements can guide projects through the ecosystem far more effectively than distant matchmakers. They know which national programmes exist, which local banks might finance certain project types, and how to navigate domestic political and bureaucratic landscapes. The "navigator" role could be embedded in national governments, operated by PPFs with local presence, city networks with established local relationships or CCFLA Local Hubs — an approach currently being piloted in Brazil.

Yet place-based coordination faces significant challenges. It requires substantial resources to establish and maintain — resources that many countries lack. National governments may have limited capacity or interest in coordinating urban climate finance, particularly when it is one of many competing priorities. The proliferation of place-based initiatives could also create new fragmentation if poorly coordinated.

5.3 Connecting the levels: the missing vertical architecture

The ecosystem needs deliberate connections between global and place-based coordination to enable learning from each other.

The solution likely involves templates and frameworks developed globally but adapted to national and local conditions. Rather than imposing identical structures, the ecosystem needs flexible models that countries can adjust to their contexts — federal versus unitary states, different financial market development levels, varying city capacities. As one interviewee explains: "Partnerships vary and look different depending on the context in which they're happening... we don't think there is a one size fits all solution".

This approach requires two-way exchange. Global coordination develops tools and standards based on aggregated experience, while local platforms adapt these to specific contexts and feed back what works. CCFLA's Brazil Local Hub demonstrates this vertical integration in practice, translating insights from the global PPF Connector programme to support the Ministry of Environment and Climate Change in developing the PCVR project pipeline, whilst simultaneously feeding Brazilian experience back to inform the broader ecosystem. Such deliberate linkages enable each level to strengthen the other — global tools adapted to local realities and local innovations informing global standards.

RECOMMENDATIONS

FOR FUNDERS:

- **Resource national platforms.** Support appropriate catalyst entities (MDB, NDB, MOF etc.) to establish national platforms to enable more localised, context-aware project development.

FOR COORDINATION BODIES:

- **Back place-based platforms.** Prioritise national/regional platforms with clear government ownership
- **Support the critical role of navigator.** Resource and embed navigators to align ministries, cities, and financiers around shared pipelines.

FOR NATIONAL GOVERNMENTS / COUNTRY PLATFORMS:

- **Integrate city climate targets.** Clearly communicate city climate investment targets within national climate and sustainability plans.
- **Minimum viable platform.** A standing pipeline forum with a regular decision cadence; an updated flow-of-funds map; and a small navigator team.
- **Flow-of-funds maps.** Keep country-level maps current (who lends what, to whom, on what terms) and make them accessible to cities/PPFs.
- **Own the enabling environment.** Tackle domestic bottlenecks (on-lending rules, tariff policy, borrowing limits) and align national programs with city pipelines.
- **Local capital markets.** Support local-currency issuance/hedging windows and mandate domestic co-financing plans in major programs.

[62] Negreiros et al., *Integrating Urban & Subnational Priorities* (2025).

6 CONCLUSIONS: FROM FRAGMENTATION TO INTEGRATION

6.1 Key findings

This research identifies systematic patterns that limit the effectiveness of urban climate finance preparation. Despite extensive support infrastructure — dozens of PPFs, multiple coordination mechanisms, and substantial preparation funding — the ecosystem exhibits persistent challenges in moving projects from preparation to implementation. The analysis reveals three primary factors: incentive structures that prioritise activity metrics over project success, limited transparency about financing requirements, and fragmentation that leads to duplication and inefficient resource use.

These patterns create measurable costs. Resources invested in redundant studies could support additional project preparation. Extended preparation timelines delay both adaptation measures for vulnerable communities and mitigation in growing cities. The gap between preparation investment and implementation outcomes suggests significant scope for improvement.

The centrality of partnership

The research demonstrates that effective collaboration at both project and system levels is essential for transformation. At the project level, successful cases show that when PPFs, cities, and financiers work as partners rather than sequential service providers, projects are more likely to reach implementation. At the system level, coordination that connects global standards with local implementation creates the enabling environment for project success.

Yet current structures actively discourage partnership. Competition for limited funding prevents PPFs from collaborating. Lack of resources for handovers means partnership happens despite the system rather than because of it. The shift from fragmentation to integration requires making partnership a core deliverable rather than unfunded overhead.

This need for partnership-centred transformation is increasingly recognised by practitioners, but translating recognition into action proves difficult. The challenges span individual capabilities, organisational structures, partnership design, coordination platforms, and funding policies. Isolated interventions at any single level are unlikely to succeed because the barriers reinforce each other. The "Unite to Ignite" framework provides a structured approach for understanding and addressing this complexity.

A SYSTEMS APPROACH TO COLLABORATIVE TRANSFORMATION:

Applying the "Unite to Ignite" systemic collaboration framework

The "Unite to Ignite" framework identifies the enabling factors, and the investment required, to develop and optimize system-wide collaboration[63]. Below, we map the findings of this report against the five-level systems framework:

1. INDIVIDUALS: building professional partnering capabilities. Professional partnering skills are essential for effective collaboration. For urban climate finance, this means:

- Developing specialised training and guidance on collaboration best practices for project preparation
- Creating tools and templates for partnership agreements and reviews
- Building capacity for managing complex multi-stakeholder relationships across the financing value chain

2. ORGANISATIONS: becoming 'Fit for Partnering'. Organisations need appropriate internal systems, processes, and culture to partner effectively. Support needed includes:

- Guidance on different collaboration models appropriate to urban climate finance
- Building internal capacity to engage effectively across project preparation stages
- Shifting internal incentives and culture from competition to collaboration

3. PARTNERSHIPS: establishing best practice standards. Partnerships must be set up with the right building blocks for success. This requires:

- Clear reference standards for effective partnerships across the financing value chain
- Defined success factors and key ingredients for collaboration
- Systematic approaches to partnership design and management

4. PLATFORMS: creating infrastructure for collaboration. Platforms are essential for bringing organisations together and enabling systematic collaboration:

- At national/local level: coordinating stakeholders, aligning priorities, and ensuring projects move smoothly through the full journey from preparation to financing
- At global level: establishing common standards, sharing knowledge and best practices
- Connecting these levels to ensure local innovations inform global practice whilst international standards support local implementation

5. POLICY & FUNDING: enabling systemic change. Funders and policymakers must incentivise and support the collaboration required for system transformation:

- Adapting funding modalities to support partnership development and coordination costs
- Creating policy frameworks that encourage and enable multi-stakeholder collaboration
- Investing in the infrastructure and capacity building needed for effective partnering

This framework reinforces our finding that improving urban climate finance requires not just technical solutions, but fundamental changes in how organisations collaborate across the ecosystem.

Emerging solutions

The research identifies functioning elements within the ecosystem that merit further exploration. Institutions providing support across the whole financing value chain demonstrate benefits of integrated approaches and appear to reduce handover failure. Successful navigator models show that effective project progression is possible with appropriate support structures. Emerging national platforms indicate that coordination closer to implementation, built on genuine partnerships between national and local actors, have a potential to improve outcomes.

6.2 Broader applicability and further research

Applicability beyond urban climate finance. The patterns identified here extend beyond urban climate projects. Recent research on clean energy project preparation in EMDEs documents remarkably similar dynamics: fragmentation across facilities, overdependence on short-term grants as well as capacity and technical gaps.[64] These parallels suggest systemic features of development finance going beyond the urban climate project preparation ecosystem.

[63] Benton and Stibbe, Unite to Ignite (2023).
[64] Bartle & Gómez-Contreras, *From Bottlenecks to Breaking Ground* (2025).

This has important implications. Project preparation facilities exist across many sectors and scales. Therefore, our recommendations developed for city-focused project preparation ecosystem may prove relevant to facilities operating in other sectors or at different scales, particularly those facing similar structural constraints.

Validation and extension needed. This research presents emergent findings based on approximately 20 interviews, primarily with practitioners from PPFs and PPF-adjacent organisations. While findings align with documented patterns and resonate with practitioner experience, they would benefit from: expanded stakeholder perspectives (cities, financiers, national governments); geographic diversity examining how dynamics vary across contexts; quantitative analysis tracking project cohorts and success rates; and implementation research monitoring experiments with recommended reforms.

6.3 A call for collective action

The urban climate project preparation ecosystem stands at an important juncture. The ecosystem could continue operating with its current inefficiencies and fragmentation, or it could pursue dramatically greater impact through structural reforms to enable the collaboration and integration that practitioners increasingly recognise as essential.

Meaningful change would require shifts in established practices. Funders would need to focus more on quality over quantity. PPFs would benefit from specialisation rather than broad coverage. Financiers could enhance their deal flow by providing clearer guidance and transparency. All actors would need to balance institutional priorities with system-wide effectiveness.

> ***No single institution can drive system change alone.** Actors must collaborate to create transformational change—the kind needed to bend the curve on emissions and build resilience to escalating climate risks. Through more and better collaboration, stakeholders can transition from individual interventions to delivering transformational change at scale, leveraging their respective institutional strengths while maintaining institution-specific mandates."*[65]

The specific pathways will vary by context, but the direction emerging from practice is clear: toward greater integration, transparency, and partnership-based collaboration. Achieving this transformation represents both a significant challenge and a critical opportunity for all ecosystem actors committed to closing the urban climate finance gap.

[65] Naran et al., *Quality of Climate Finance* (2025).

ANNEX A: LIST OF INTERVIEWEES

The following practitioners provided important insights through interviews, drawing on their direct experience navigating and shaping the urban climate project preparation ecosystem. We are grateful for their valuable contributions:

- **Adriana Kocornik-Mina,** World Resources Institute (WRI)
- **Alastair Mayes,** Cities Climate Finance Leadership Alliance/Climate Policy Initiative
- **Alexis Robert,** OnClimate LLC and consultant to Bloomberg Philanthropies
- **Asif Nawaz Shah,** Coalition for High Ambition Multilevel Partnerships for Climate Action (CHAMP)
- **Asil Abuassba,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), City Climate Finance Gap Fund (Gap Fund)
- **Asma Jhina,** Global Covenant of Mayors for Climate & Energy (GCoM)
- **Augustin Maria,** World Bank, City Climate Finance Gap Fund (Gap Fund)
- **Carlos de Freitas,** Global Fund for Cities Development (FMDV), Alliance of Subnational Development Banks (ASDB)
- **Carolin Koenig,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), C40 Climate Finance Facility (CFF)
- **Cédric van Riel,** Sustainable Infrastructure Foundation, SOURCE
- **Constant Harbonn,** Agence Française de Développement (AFD), NUCA
- **Inga Beie,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- **Jean-François Habeau,** Meridiam
- **Jiao Tang,** Catalytic Finance Foundation, Subnational Climate Fund initiative (SCF)
- **Joao Reye Sabino,** World Bank, Global Infrastructure Facility (GIF)
- **John Michael LaSalle,** Cities Climate Finance Leadership Alliance/Climate Policy Initiative
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- **Lukas Prinz,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Financing Energy for Low-Carbon Investment — Cities Advisory Facility (FELICITY II)
- **Marie-Lena Hutfils,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Integrated Urban Climate Action for Low-Carbon & Resilient Cities (Urban-Act)
- **Mia Callenberg,** World Resources Institute (WRI), Sustainable Cities Impact Program (UrbanShift)
- **Sarah Habersack,** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- **Tawanna Lima,** Agence Française de Développement (AFD), NUCA

ANNEX B: REFERENCE LIST

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