




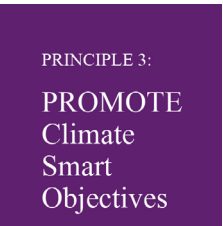
# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## The Development Bank of Latin-America (CAF) « *Cities with a Future* » initiative

Institution	Principle	Related Work Stream(s)
		

Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
CAF's initiative " <i>Cities with a Future</i> " began in 2013	To finance some of the actions carried out through the " <i>Cities with a Future</i> " initiative, CAF has received, among other resources: <ul style="list-style-type: none"> <li>• a credit facility from the French Overseas Development Agency (AFD), whose purpose is to finance urban infrastructure projects with climate co-benefits (mitigation and adaptation), and</li> <li>• a grant from the Latin American Investment Facility (LAIF) requested by AFD from the European Commission.</li> </ul>	This multi-sectorial approach involves the different CAF's business areas with a rotating chair of responsibility for the initiative.
Monitoring, reporting tools		How Implemented
N/A		CAF develops a climate approach with its partner cities, carrying out specific actions through financing, technical cooperation and public-private associations within the framework of its " <i>Cities with a Future</i> " initiative.

## Key lessons

- Since 2013, the “*Cities with a Future*” program aims at promoting an integrated vision of urban development and a multi-sectorial approach to better answer the challenges local governments are facing.
- The program allows structuring a dialogue with the cities with four main dimensions: (i) inclusive urban development, (ii) productive transformation, (iii) environmental sustainability and (iv) institutional strengthening and security.
- The program promotes a long-term vision on sustainable urban policies and allowed to identify and finance projects with climate co-benefits.

## Introduction

Latin America is one of the most urbanized area in the world: 80% of the Latin-American people live in urban areas, and the urban population in the continent should reach 83% of the total population by 2030 (650 million people).

The cities' sustainability is at stake as Latin-American cities are high energy consumers and therefore major contributors to the global greenhouse gas (GHG) emissions because of resource-intensive consumption and production patterns.<sup>1</sup> Simultaneously cities are vulnerable to the impacts of climate change because of their geographical location, demographic concentration and critical infrastructures. Urban dwellers, especially the poorest, are the first victims of climate change effects.

Faced with these challenges, local governments need to promote low-carbon and climate-resilient development paths, both through investments and public policies. Therefore, various Latin-American cities led ambitious and innovative policies for a sustainable urban development.

In 2013, the Development Bank of Latin-American (CAF) launched the initiative “*Cities with a Future*” to accompany these policies as well as to promote an integrated vision of urban development and a multi-sectorial approach to better answer the challenges faced by local governments.

## Development and Design

“*Cities with a Future*” supports structuring a dialogue with cities on four main dimensions: (i) inclusive urban development, (ii) productive transformation, (iii) environmental sustainability and (iv) institutional strengthening and security. In the framework of the initiative, the first step of implementation includes technical assistance (diagnosis and priorities) financed with a grant, which leads to the second step of investment.

This initiative represents CAF's enhanced effort to support local governments in their long-term planning efforts and to broaden its approach from a sector or project point of view to a territorial and multi-sectorial focus.

## Implementation

Within the framework of its “*Cities with a Future*” initiative, CAF has developed a climate approach carrying out specific actions through financing, technical cooperation and public-private associations.

To implement some of the actions embedded by the “*Cities with a Future*” program, CAF has received the collaboration of the French Development Agency (Agence Française de Développement - AFD). In 2015, the two institutions entered into a credit facility agreement of 100 million euros with the purpose of financing urban infrastructure projects with climate co-benefits (mitigation or adaptation) in Latin American countries. The AFD also made available to CAF a grant of 500 thousand euros to finance studies linked to the Credit Facility.

Also within the framework of the *Cities with a Future* initiative, the AFD has requested the European Commission to finance a technical assistance program under the Latin America Investment Facility (LAIF) on the benefit of CAF to implement a sustainable cities and climate change project. This LAIF of 4.2 million euros aims at promoting a low-carbon and climate-resilient development in Latin America by:

- Strengthening CAF climate methodology to support thoroughly including climate issues in its financing of projects;
- Raising awareness about climate issues among Latin-American local governments and strengthening their capacities in defining and implementing low-carbon and climate-resilient development paths;
- Identifying and financing (through the credit facility provided by the AFD) investment projects with climate co-benefits in these countries.

Moreover, through the framework of the program, CAF supports out knowledge-sharing conferences and platforms. For instance, CAF will hold the Conference “*Cities with a Future*” in November 2017

<sup>1</sup> Intergovernmental Panel on Climate Change (IPCC) estimates that urban areas account for 71–76% of energy-related CO<sub>2</sub> emissions.

in Lima (Peru) to promote debate and share best practices on interventions in cities. This conference also aims to disseminate knowledge based on the successful experiences of different players involved in the process of planning, designing and locally implementing public policies. This proactive exchange will make it possible to challenge current paradigms on urban development, focusing on five pillars of action: Fairness and social inclusion, Comprehensive risk management and resilience, Productivity, Infrastructure and connectivity, Funding.

## Experience and Impact

Promoting low-carbon and climate-resilient development pathways, both through investments and public policies, implies moving from a sectorial to an integrated and transversal urban vision. This approach poses a number of key challenges to both to cities and public entities supporting them, such as CAF, as it requires significant change in the institution's processes and the mobilization of additional expertise on urban or climate issues. The "*Cities with a Future*" has been designed to help overcome these challenges.

In the last five years, CAF has worked with many local governments in Latin America and has financed urban projects in more than 25 cities for a global amount of 7 billion dollars. CAF has thus managed to build strong relationships with many cities.

This initiative also helped to mobilize and catalyze dedicated funds and facilities, from the AFD and from the European Union.

Through conferences organized around the "*Cities with a Future*" initiative, CAF's goal is to promote knowledge sharing and extensive dialogue among multiple sectors, encouraging the creation of specific proposals while raising awareness regarding the benefits of regional integration across several different levels.