



Climate Action in Financial Institutions

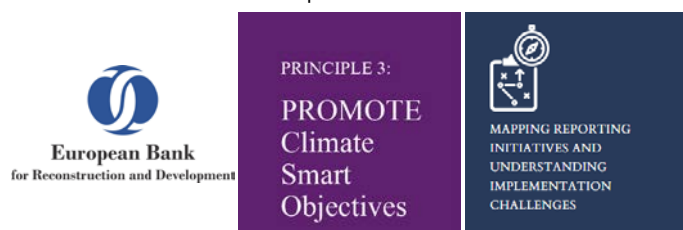
PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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EBRD's Green Cities Framework

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
The Green Cities Framework was approved by EBRD's board in November, 2016 with an initial pilot period focusing on the Caucasus and Western Balkans.	The overall capacity has remained in-line with business-as-usual scenarios. However, the inclusion of dedicated staff provides a more effective deployment of resources by providing oversight to all operations under the Framework, while facilitating consistent implementation expertise.	The Framework was established to provide a systematic approach to planning and identifying the investment needs of cities in the EBRD regions to address their most pressing environmental and climate change challenges.
Monitoring, reporting tools		How Implemented
As part of a broader initiative, the EBRD implemented a climate finance and climate impact tracking tool. Beneficiary cities also carry out monitoring and reporting activities to track their progress on implementing measures identified through their participation in the Framework.		The Framework is a € 250 million window of funding operated through the Bank's municipal and environmental infrastructure division. The Framework's Green Cities Action Plans (GCAP) and technical assistance components are covenanted in the projects financed through the window.

Key Lessons

- By tying cities' participation in the Framework to a 'trigger' investment, the Framework ensures that planning is linked to investment from day one.
- Stakeholder engagement throughout the GCAP process is necessary to develop a plan that meets a city's needs. Robust engagement also helps to ensure that plans are not solely linked to city administrations and continue to have political will to be implemented across political cycles.
- Experience has shown that the Framework and GCAPs need to ensure the beneficiary cities have a sense of ownership over the projects and plans to be successful both in their development and implementation.

Introduction

Cities are a major driver of climate change impact. Globally, cities account for up to 70 per cent of energy use and 80 per cent of greenhouse gas emissions, figures that are set to rise over time. Cities also host most of the infrastructure exposed to risk from climate change, requiring them to invest in resilience as well. Finally, energy and resource use in cities creates major environmental concerns ranging from the quality of air, to pressure on water resources and loss of green areas due to land use change. Cities, thus, are critical to delivering climate change mitigation and adaptation goals, but they face significant barriers to scaling up much needed 'green' climate investments.

Development and Design

Recognising these issues, the EBRD developed its Green Cities Framework ('GrCF') to deliver a comprehensive and systematic approach to address key climate and environmental challenges facing cities across all EBRD countries of operations. The Green Cities Framework is a € 250 million window of funding, approved by the EBRD's board in November 2016, which aims to support cities in the EBRD region to measure and benchmark their environmental performance and to prioritise response actions and investments to address their most pressing environmental challenges. The GrCF offers a systematic method for addressing these problems through targeted planning, capacity building and investment to improve cities' environmental performance in those areas that are most critical. The critical elements in the GrCF are i) linking the policy and strategic planning support and ii) technical assistance to encourage iii) green infrastructure investments. These elements compose the Framework's three components:

Component 1 – Green City Action Plans

A comprehensive approach to investment planning is needed to locate climate change mitigation and adaption actions within the broader urban agenda.

Recognising this, the EBRD worked in collaboration with the Organisation for Economic Co-operation and Development (OECD) and the International Council for Local Environmental Initiatives (ICLEI) to develop a methodology to identify, prioritise and evaluate green city actions. The resulting GCAPs serve as both a guiding mechanism for the Framework, and a tool which municipalities can use to steer their own green urban planning initiatives. The GCAP is a year-long process that involves:

Months 1 – 3: Conducting a baseline assessment of urban environmental performance based on a comprehensive set of indicators measures urban environmental performance combined with local stakeholder input;

Months 4 – 6: Identification of priority environmental challenges to address a city's current and projected environmental, economic and social challenges;

Months 7 – 9: Establishment of long-term strategic objectives and medium-term targets; and

Months 10 – 12: Articulation of a five-year investment plan to target priority environmental challenges, including estimated costs and sources of finance, covering both CAPEX investments and policy initiatives.

Component 2 – Green City Infrastructure Investments

The Framework facilitates and stimulates sovereign and sub-sovereign finance for environmental, climate change mitigation and resilience investments in six priority sectors:

- Public Building Energy Efficiency
- Water & Wastewater
- Urban Transport
- Solid Waste Management
- District heating
- Urban Roads & Lighting

The Framework demonstrates the roll-out of scalable and replicable green city infrastructure investments linked to planning. Projects under the Framework following the development of a city's GCAP must be identified in the plan as a priority measure to address the local environmental and climate change challenges. Potential borrowers are central government, municipalities, utility companies, private companies and special purpose vehicles for public-private partnerships.

Component 3 – Technical support and targeted capacity building

Investment and planning are combined with technical assistance and capacity building to ensure effective preparation and implementation. Technical assistance includes appropriate project-level due diligence, capacity building for city management and relevant stakeholders including utilities, and project implementation and monitoring. Capacity building helps projects to be delivered on time and within budget, ensuring the delivery of anticipated outputs and outcomes.

Eligibility

To participate in the Framework, cities and municipal governing bodies must meet three criteria:

- 1) Have a population of at least 100,000;
- 2) Commit to implementing a 'trigger' investment project that initiates a city's participation in the Programme, meaningfully addresses climate change issues and meets the project eligibility criteria detailed above;
- 3) Commit to developing a Green City Action Plan in conjunction with the 'trigger' project.

Progress to date

The Framework has been enthusiastically received by municipalities and their stakeholders in the EBRD region. To date, two GCAPs have been approved by their local municipal authorities in Yerevan, Armenia and Tbilisi, Georgia. A third GCAP in Tirana, Albania launched in early 2017, is on track to be approved by early 2018.

With respect to infrastructure investment, the Framework has supported five projects in its pilot phase, helping to implement technologies such as energy efficiency in public buildings, new water networks to reduce critical water losses, electric bus fleets and biomass boilers for district heating. The Framework plans to significantly scale up its operations in the coming years both in terms of GCAPs developed and annual investment.