

BRIDGE

BRookering Innovation for
Decentralised climate finance &
Gender Equality

What funding instruments are available for local climate projects?

Training session no 2

This work was
carried out with
the aid of a
grant from:



IDRC · CRDI

International Development Research Centre
Centre de recherches pour le développement international

Canada



Ministry of Foreign Affairs of the
Netherlands

through the Step Change initiative

Implemented
by:



Local Governments
for Sustainability

AFRICA



The background is a solid teal color. Two decorative arcs are present: a white arc on the left and a purple arc on the right, both curving downwards.

OPENING REMARKS



BRIDGE

Session agenda

Conceptualising your project: the role of the concept note

Presentation of the stages and requirements of the concept note.

Financing your project: the different financing instruments

Presentation of the different financial instruments available to finance your project

Focus on some international experiences

Presentation of some international examples of project financing to inspire Cameroon

Mobilising and diversifying resources

Discussion on mobilising resources



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Session objectives

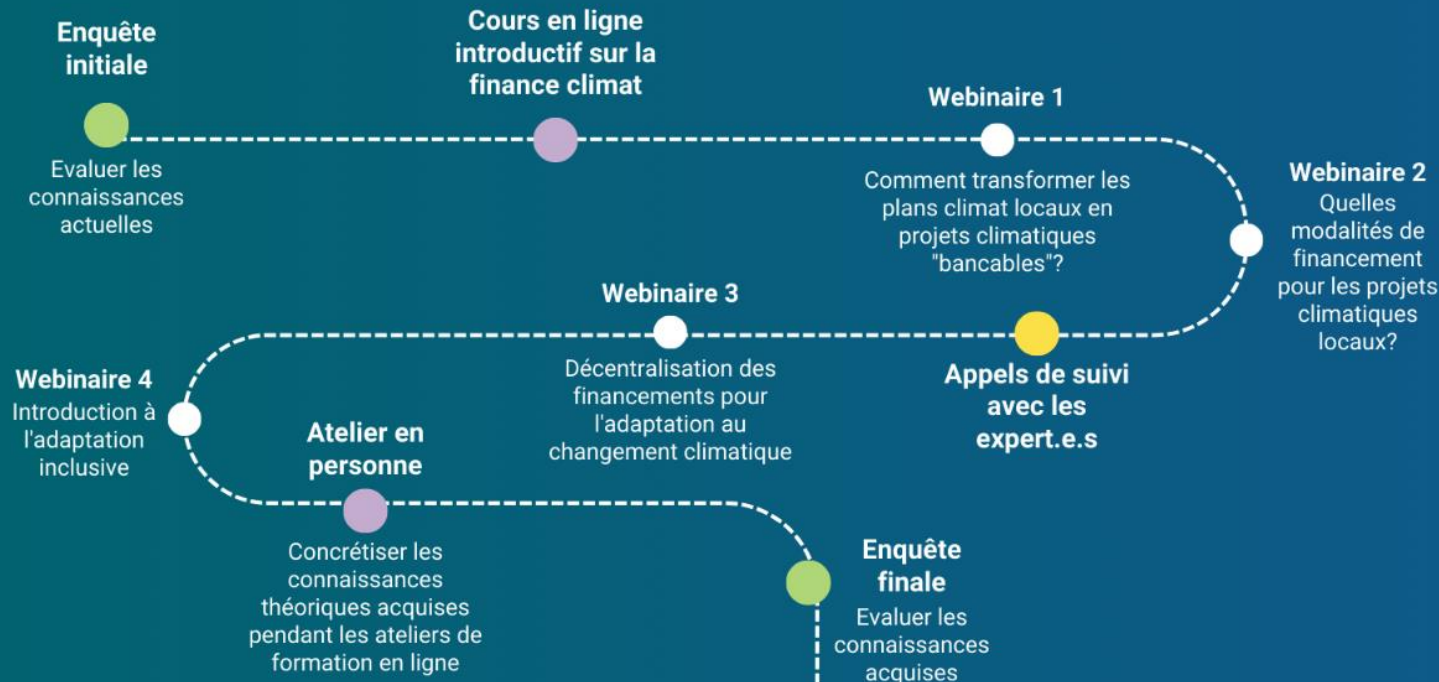
- Present the different sources of finance available at different stages of the project cycle
- Discuss the following concepts:
 - Optimising own revenue sources
 - Mixed financing
 - Local public-private partnerships
 - Innovative instruments (e.g. climate bonds)
 - Aggregation of local projects
- Presenting African and international case studies on mobilising funding for local climate projects and gender-sensitive projects.
- Laying the foundations for an effective resource mobilisation and diversification strategy for knowledge brokers



Review of training session 1

Programme de formation BRIDGE sur le financement de l'adaptation sensible au genre

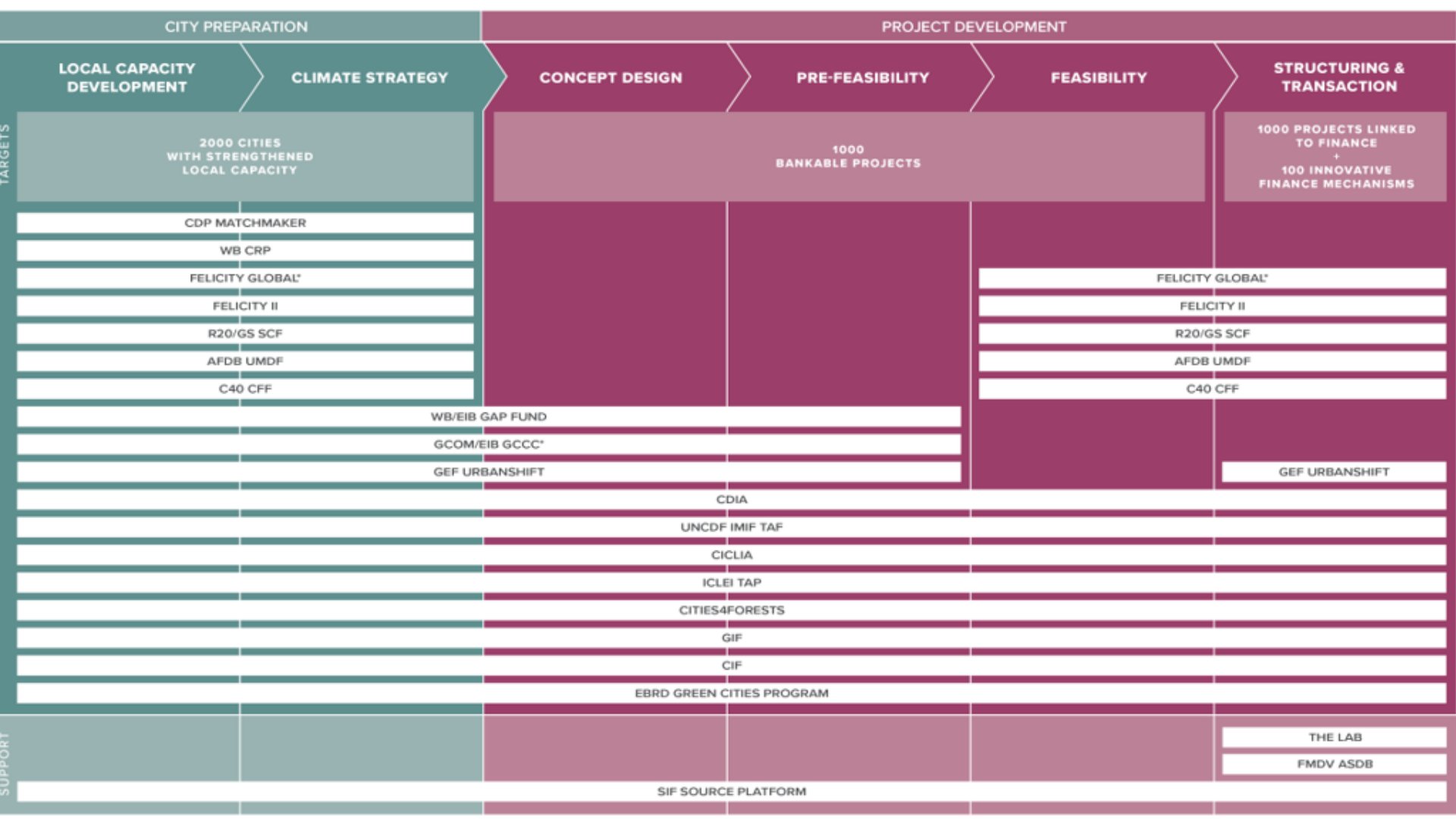
Mai-septembre 2024



Comments raised during session 1	Answers provided by the BRIDGE project team
<ul style="list-style-type: none"> - Questions about the involvement of civil society stakeholders and FEICOM stakeholders in the same training programme. 	<ul style="list-style-type: none"> - Emphasise the capacity-building approach of the BRIDGE project's knowledge brokers and the collaborative arrangements between stakeholders to strengthen financing for gender-sensitive adaptation. - Share the brochure on the training programme on the Whatsapp group, which contains the explanations - Increase the number of examples of collaboration between CSOs and institutional stakeholders (consortium, project development)
<ul style="list-style-type: none"> - What are the benefits for civil society of contributing to the development of local authority projects? 	<ul style="list-style-type: none"> - Capacity building for local authorities - Increasing the level of expertise - writing studies, consultancy work, etc.
<ul style="list-style-type: none"> - Target audience: a mix of technical and less technical representatives 	<ul style="list-style-type: none"> - The theoretical online training courses are designed to ensure that all participants have the same level of information and knowledge about project formulation and financing, and about adaptation and gender issues. We will be offering bilateral meetings in August with the technical stakeholders to go further + the practical sessions for technical staff will take place in August.
<ul style="list-style-type: none"> - Lack of concrete examples of project funding + density of sessions 	<ul style="list-style-type: none"> - The first session was theoretical and focused on project preparation facilities, while the following sessions will include numerous examples and case illustrations.
<ul style="list-style-type: none"> - Tools and examples need to be better adapted to FEICOM's day-to-day work 	<ul style="list-style-type: none"> - Share the needs assessment questionnaire to FEICOM staff via the Whatsapp group with the opportunity to leave comments - Revision of the training programme by the FEICOM management team
<ul style="list-style-type: none"> - Question related to the practical implications of this theoretical training for participants who do not only work with local authorities. 	<ul style="list-style-type: none"> - A range of practical deliverables tailored to the needs of the participants to be developed during the face-to-face session (see slide 10).

A closer look at the successive stages of project preparation





CITY PREPARATION

PROJECT DEVELOPMENT

LOCAL CAPACITY DEVELOPMENT

CLIMATE STRATEGY

CONCEPT DESIGN

PRE-FEASIBILITY

FEASIBILITY

STRUCTURING & TRANSACTION

2000 CITIES WITH STRENGTHENED LOCAL CAPACITY

1000 BANKABLE PROJECTS

1000 PROJECTS LINKED TO FINANCE + 100 INNOVATIVE FINANCE MECHANISMS

CDP MATCHMAKER

WB CRP

FELICITY GLOBAL*

FELICITY II

R20/GS SCF

AFDB UMDP

C40 CFF

WB/EIB GAP FUND

GCOM/EIB GCCC*

GEF URBANSHIFT

CDIA

UNCDF IMIF TAF

CICLIA

ICLEI TAP

CITIES4FORESTS

GIF

CIF

EBRD GREEN CITIES PROGRAM

FELICITY GLOBAL*

FELICITY II

R20/GS SCF

AFDB UMDP

C40 CFF

GEF URBANSHIFT

THE LAB

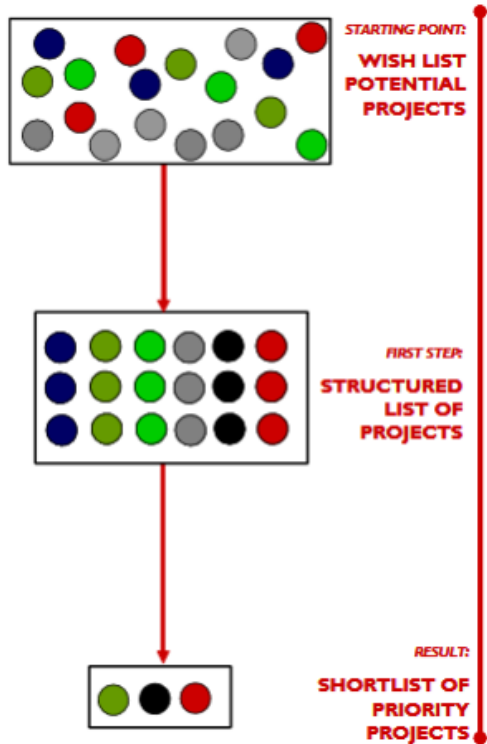
FMDV ASDB

SIF SOURCE PLATFORM

TARGETS

SUPPORT

Stages and parties involved in the prioritisation process



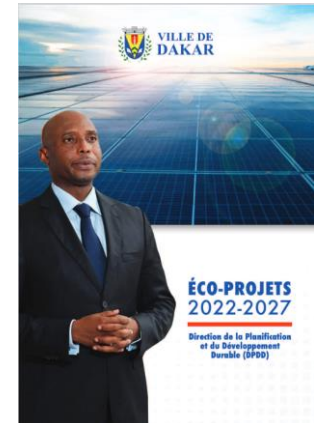
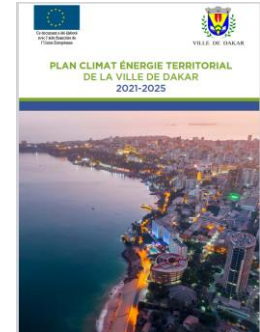
Project ideas

Analysis of the mandate
Results of preliminary assessments
(climate plan)
Understanding the activities carried
out by potential partners

Identification of a structured list of projects

A series of criteria ranked in
order of importance and a
prioritisation process in
collaboration with technical
and financial partners

Prioritisation and selection of projects





**Part I. Prepare a solid concept note
for your project**

Concept note

Objective:

- Describe an actionable project
- Consolidate and simplify the visions of the various stakeholders
- Guide partners and decision-makers towards a shared understanding of the project
- Identify the priority areas for analysis and the data to be collected in order to develop the project more precisely

Output:

- Project identity card to share with potential partners, project preparation facilities, etc... which is essential for assessing alignment with their objectives and criteria
- Captures the essence of a project, its potential, justification, objectives, expected results and impact
- Provides an overview of the budget and business model



Covenant of Mayors
in Sub-Saharan Africa

This programme is co-funded by:



Concept note - essential elements

1. Demonstrate the need to implement the project :

Demonstrate what problem is being addressed and how. Justify the approach chosen (e.g. the technology selected)

2. Demonstrate the will to implement the project:

Share the planning document(s) in which the issues/project are/is referred. Clarify whether a budget and human resources could be allocated to the project (e.g. for operation and maintenance)

3. Draw on existing experience, data and studies

e.g. pilot projects, studies, market analyses

4. Present a realistic economic/operational model

Outline the main risks and how they could be mitigated.

5. Analyse the project environment

Regulations, administrative processes, public education and awareness, etc.

6. Prepare for implementation:

Study the availability of the necessary materials/resources/skills, and location

7. ESG

Environmental, social and gender aspects



Convention des Maires
pour l'Afrique subsaharienne

Le programme est cofinancé par



Union européenne



german
Cooperation
DEUTSCHE ZUSAMMENARBEIT



Spanish
Cooperation

Conceptual phase - development of a climate rationale

Example 1: Solid waste management

1. Building the story :

- As a result of climate change, extreme precipitation events are becoming more frequent
- Inadequate waste collection and treatment means that waste accumulates in the sewers. This increases the risk of flooding in the event of extreme rainfall.
- The flooded area risks being contaminated by waste.

1. Demonstrate the veracity of the story by providing data:

- Historical rainfall data showing a difference in rainfall patterns; if possible, provide models that confirm this trend
- Historical flood data (number of floods and size of flooded area)
- Description of current waste management and evidence that waste is blocking the drainage system.

1. Useful indicators :

- How many hectares of land/households would not be flooded in the event of extreme rainfall if the project were implemented?

Project concept note template (1/3)

Project name :	Name
Location:	City, Country
Manager:	Indicate the name of the organisation(s) developing the project or behind it If the project is to be undertaken by a consortium, list all members.
Contact details:	Provide the name and contact details (e-mail address and telephone number) of at least two key people involved in the proposal.
Project description :	Briefly describe the infrastructure/service to be provided by the project, its intended location, scope and structure, key stakeholders, etc.
Project phase :	Idea/concept note/feasibility/pilot
Justification and purpose of the project:	<p>Describe the purpose and need for the project (see mitigation/adaptation): why does the project need to be implemented? If applicable, what is the development plan behind the project? Share any research carried out or data collected.</p> <p>Explain the benefits of the chosen solution in relation to the mitigation/adaptation objectives: how the project will be innovative, transformative and/or have an impact on achieving the desired objectives. Describe the social, economic and/or environmental benefits expected from the project. Share any research carried out or data collected.</p>

Project concept note template (2/3)

Project results:	Identify the quantifiable results of the project, in terms of facilities built, services provided, etc. (e.g. size of facility built, number of people or households served, amount of clean water or electricity provided).
Impact of the project:	Select the relevant impact areas from the following: Mitigation - Reducing emissions thanks to: access to energy, energy efficiency and clean energy production; low-emission transport; buildings, cities, industries and appliances; forestry and land use; waste disposal. Adaptation - Increasing the resilience of: Most vulnerable people and communities; Health and well-being; Food security and agriculture; Water security and sanitation; Infrastructure and built environment; Ecosystem and ecosystem services
Estimated quantified impact:	Estimated impact on mitigation: in tCO ₂ eq over the product's lifetime Estimated impact of adaptation: number of direct beneficiaries and % of base population [This must be adapted to the requirements of the SPP or funders].
Co-benefits of the project:	Education, local economic development, safety, indigenous communities/cultural preservation, gender equality and youth development

Project concept note template (3/3)

Alignment with local and national priorities:	<p>Indicate the local plans or policies on which this project is based.</p> <p>Briefly indicate how the proposal aligns with the national priorities of the recipient country(ies) (e.g. NDC submitted to UNFCCC/National Climate Strategies/Nationally Appropriate Mitigation Actions/National Development Plan/National Adaptation Plan). These priorities will be detailed below.</p> <p>Describe how ownership by national stakeholders will be ensured. Mention related ongoing or planned national/regional initiatives and how coordination and complementarity will be ensured.</p>
Regulations and approvals:	<p>List all regulations, statutes, registrations and approvals required to implement the project (e.g. community engagement, local content requirement for material, environmental impact assessment, network impact assessment, etc.).</p>



II.

A wide range of financial instruments available to finance your local climate project

A few definitions

Project preparation is the process of defining, studying, refining and developing an infrastructure project concept until it becomes bankable, by raising implementation funds from public or private sources. (CCFLA)

Climate finance refers to local, national or transnational financing - from public, private and alternative sources - to support mitigation and adaptation measures to combat climate change (Source: UNFCCC).

"Urban Climate Finance represents all sources of financing directed within cities and channelled by all types of public and private parties towards climate mitigation and adaptation (Source: CCFLA*).



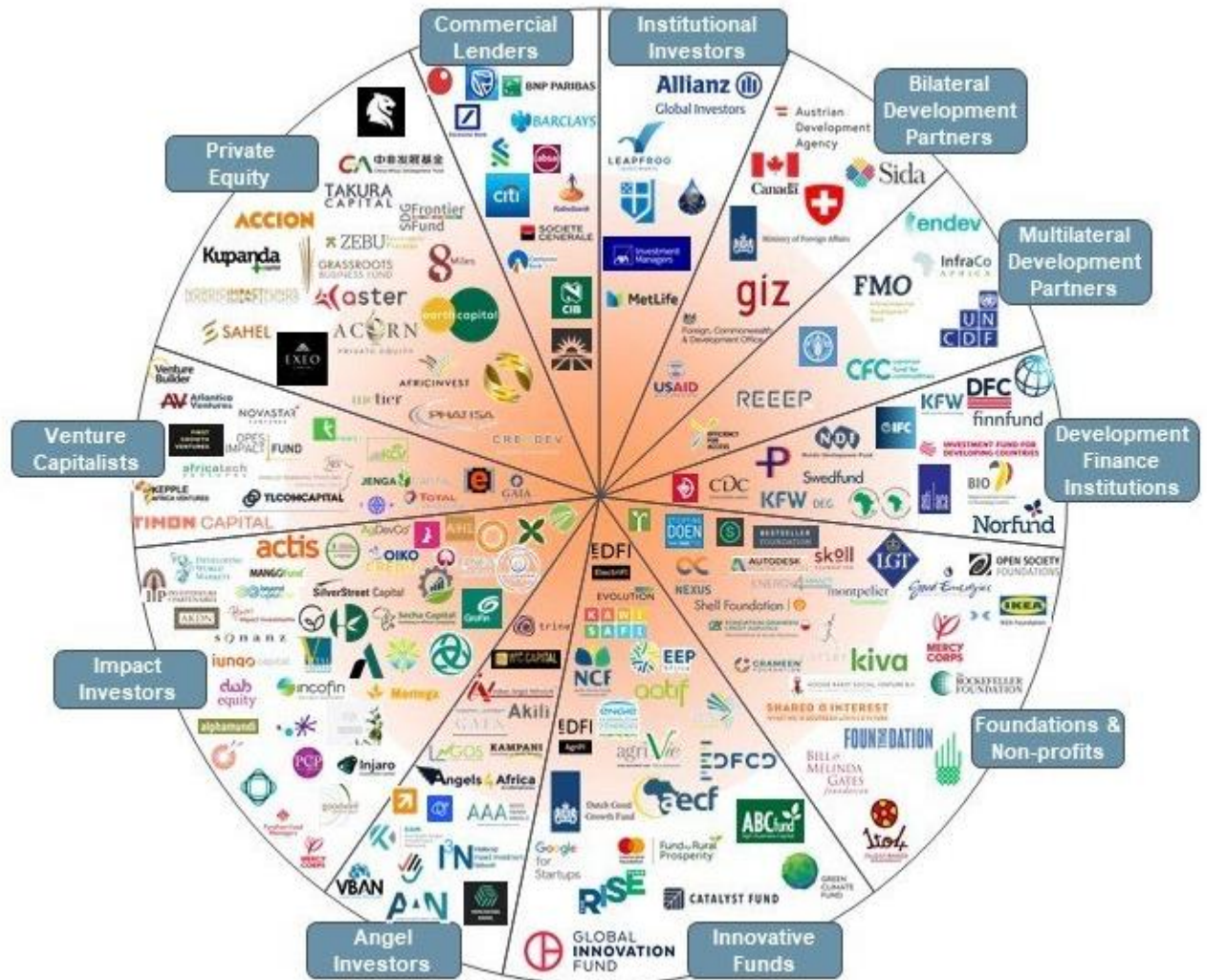
It should be noted that the context and challenges of access to climate finance for cities are also in line with those relating to access to finance for cities in general.

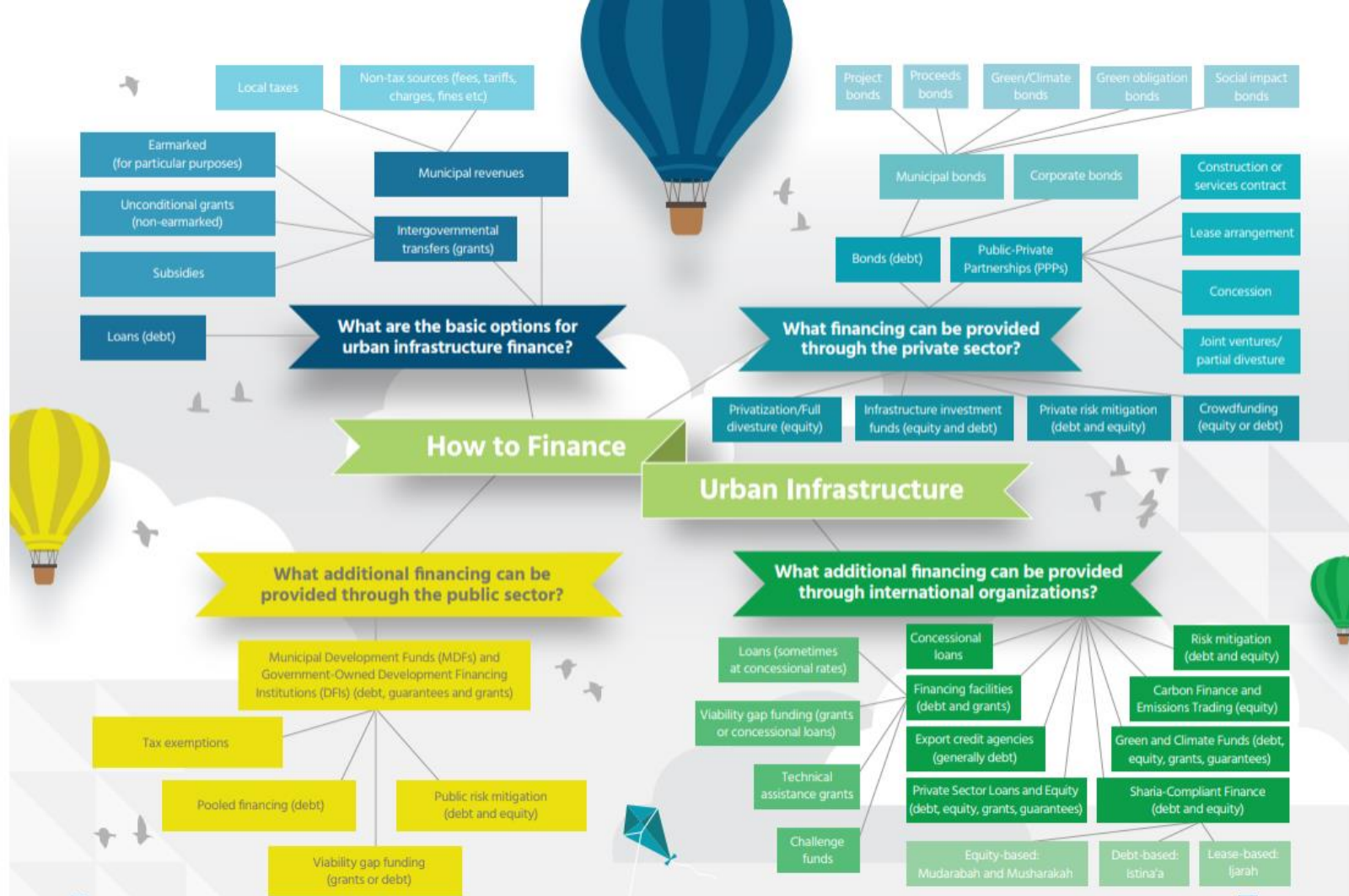
* <https://citiesclimatefinance.org/>

Instruments for financing your projects



Instruments offered by a multitude of players capable of financing urban projects in Africa



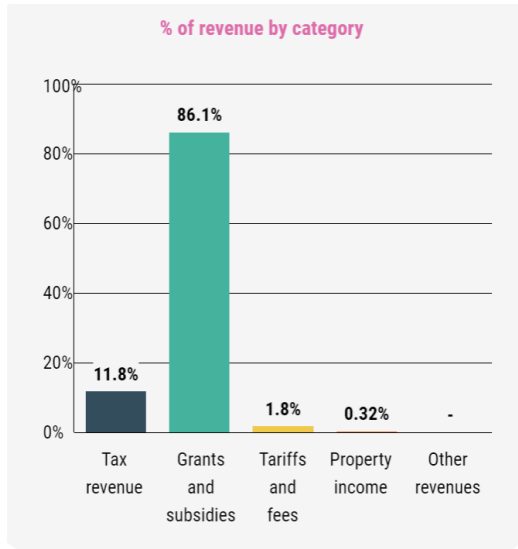


Source: [How to Finance Urban Infrastructure C40](#)

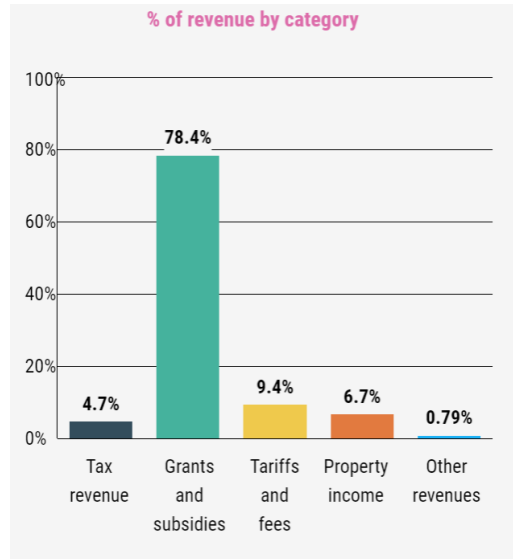
Despite this wide range of instruments: the heavy dependence of African cities on intergovernmental subsidies and transfers

1. Subsidies and transfers
2. Tax
3. Rates and fees

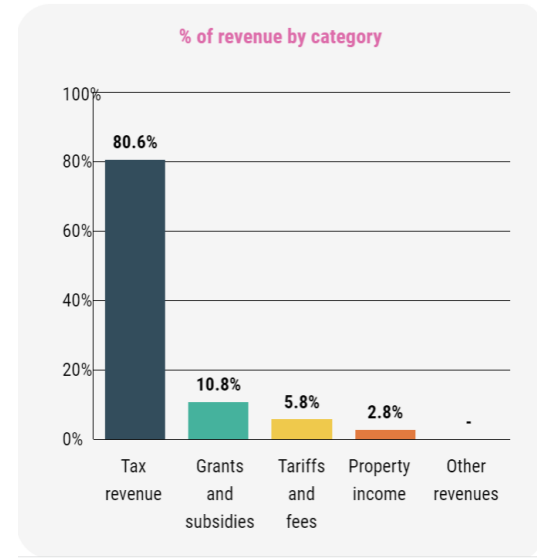
"The need to diversify, increase and mobilise income is one of the most urgent challenges facing city leaders" (UN Habitat, 2016)



Mali (source: OECD, 2022)



Ghana



Morocco



III.

**Instruments available for
financing local projects in
Cameroon**

A wide range of instruments to finance your projects



Own resources of local authorities in Cameroon

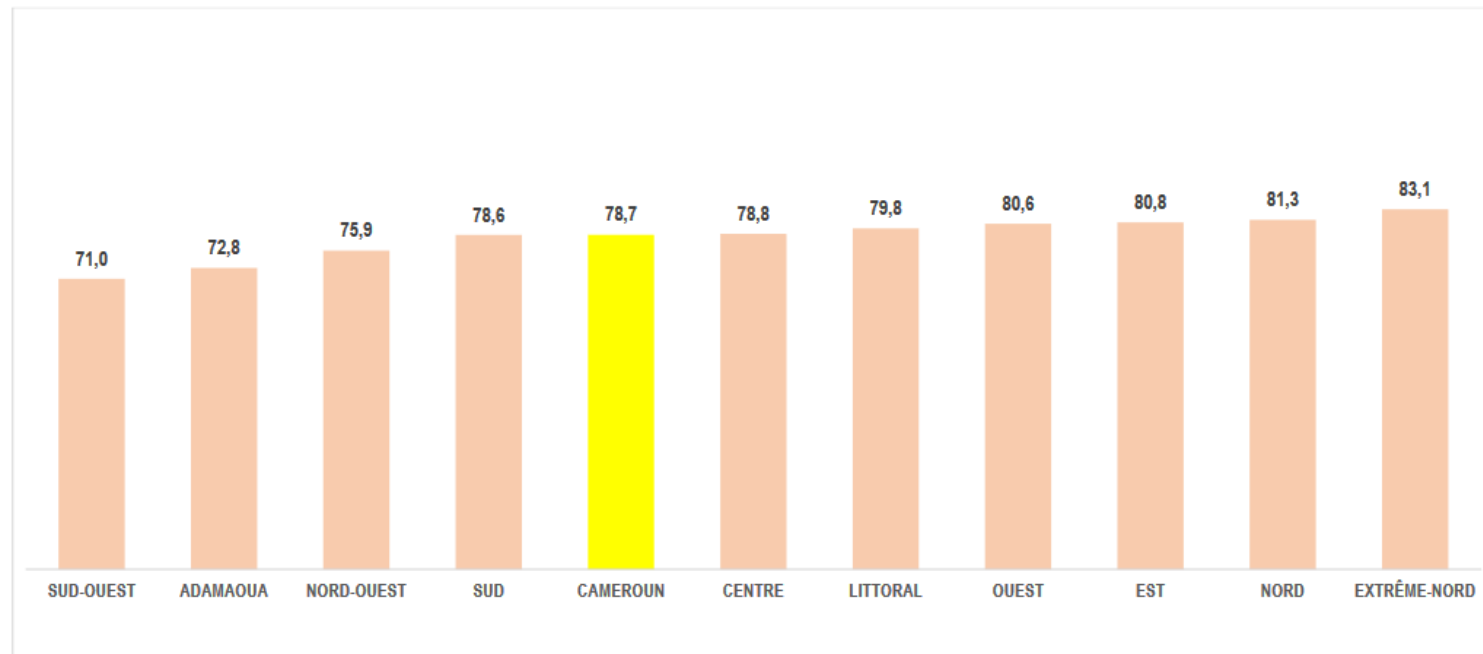


Own resources of local authorities in Cameroon

- Poids des recettes fiscales dans les recettes de fonctionnement

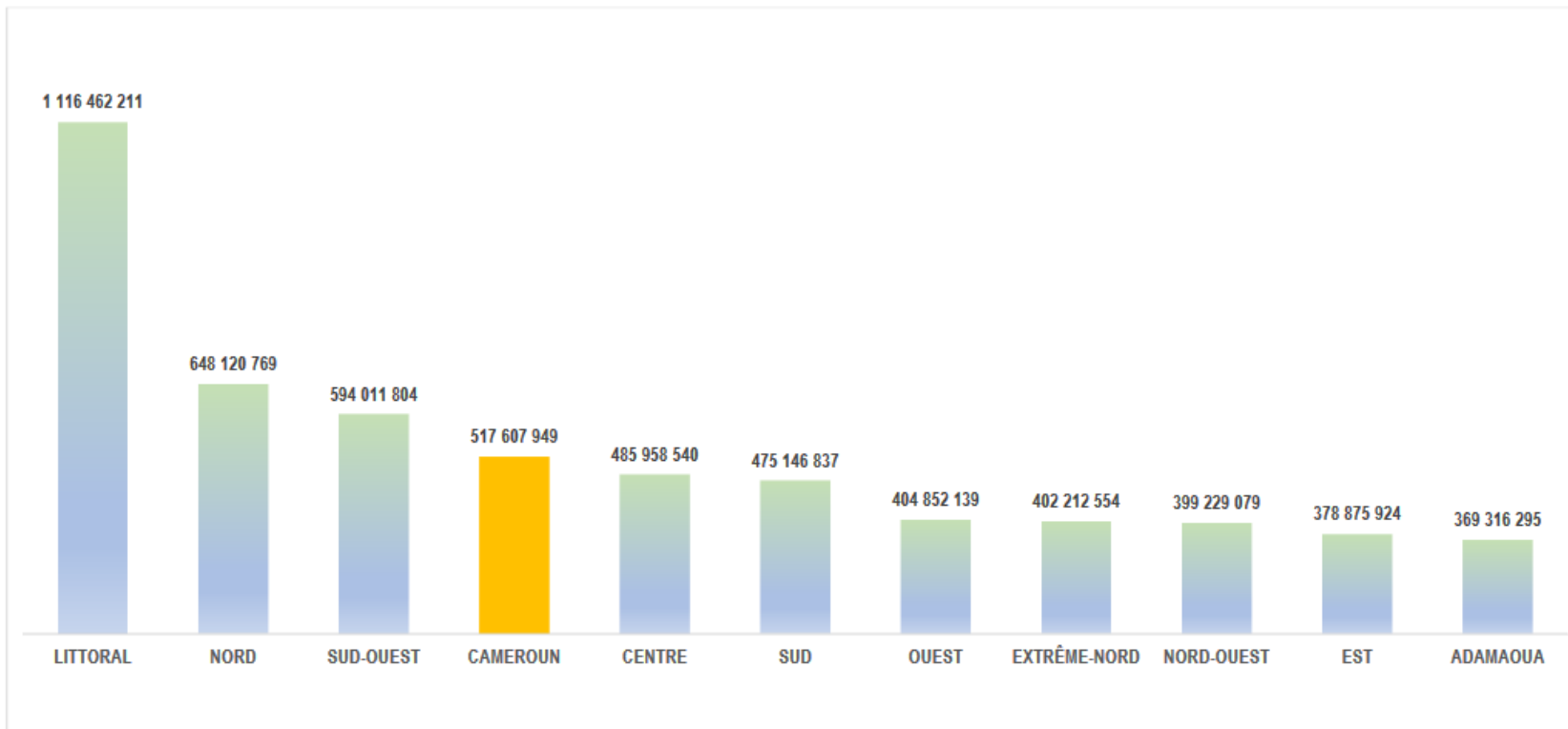
Sur la base des données exploitées, les recettes fiscales représentent en moyenne 78,7% des recettes de fonctionnement des Communes. Ce ratio se situe en moyenne à 83,1% dans la Région de l'Extrême-Nord et à 71,0% dans la Région du Sud-Ouest.

Graphique 8 : Poids moyen des recettes fiscales dans les recettes de fonctionnement (en %) par Région entre 2012 et 2016



Own resources of local authorities in Cameroon

Graphique 4 : Performance moyenne des recettes des Communes (en FCFA) par Région entre 2012 et 2016



Government grants and subsidies



Type of instrument : Grants

A necessity for start-up and not-for-profit projects

Description :

- Financing with no expectation of repayment or remuneration
- Generally by the public sector or philanthropic organisations

Conditions of authorisation :

- Feasibility and design of projects at an early stage
- Non-revenue projects - particularly for adaptation

Benefits

- There is no associated financing cost.

Challenges

- Subsidies are limited in time and are not always sustainable.
- The eligibility criteria are always defined by the donors.

Government grants

REPUBLIQUE DU CAMEROUN

PAIX – TRAVAIL – PATRIE

DECRET N° 2023/405 DU 06 SEPT 2023

fixant la répartition de la Dotation Générale de la
Décentralisation au titre de l'exercice 2023.-

communes,

DECRETE :

Article 1er.- Le présent décret fixe la répartition de la Dotation Générale de la Décentralisation au titre de l'exercice budgétaire 2023.

Article 2.- Les ressources affectées à la Dotation Générale de la Décentralisation au titre de l'exercice budgétaire 2023, d'un montant de deux cent cinquante-deux milliards cinq cent soixante-huit millions neuf cent trente-six mille (252 568 936 000) FCFA conformément aux prévisions de la loi de finances 2023, sont répartis ainsi qu'il suit :

- Dotation Générale de Fonctionnement : cent trente sept milliards deux cent quarante millions six cent trente-huit mille (137 240 638 000) FCFA ;



Rules governing local authority debt in Cameroon



Type of instrument : Loans to local authorities

Description:

- Loans granted by (public/private/commercial/development) banks or specialised financial institutions
- Loans granted at market conditions (commercial loans) or at lower prices (concessional loans).
- Banks mobilise their deposits and other sources of finance to grant loans.
- Loans recorded on the bank's balance sheet but which can be pooled and sold to other financial institutions (securitisation).
- The conditions are defined according to the borrower's needs.
 - Short/medium and long-term loans
 - Variable rate/amortisable loans
- Loans are granted to a single borrower by a bank (bilateral loan) or by a group of banks (multilateral loan).

Benefits

- Simple and common financial instrument
- Structure tailored to the borrower's needs
- Bilateral agreement with standard documentation

Challenges

- Limited or capped loan (borrower's maximum debt ratio / bank's maximum exposure to a borrower).
- Eligibility for new loans depends on the bank's risk aversion and funding resources.
- To apply for a loan, the creditworthiness of the borrowing entity or the local government is generally a prerequisite.
- Interest is added to the overall cost of the investment and can make external financing a heavier financial burden than expected.
- Maximum term: it's difficult to get long-term loans

Type of instrument : General or specific purpose local bonds

Description:

- Public debt issued on the capital market by sub-sovereign entities
- On-balance sheet financing instrument with full recourse
- General purpose/specific purpose bonds
- Specific purpose bonds are financed by revenues generated by identified projects / general bonds can be repaid by a wide variety of resources.

Conditions of authorisation:

- Existing legal framework authorising the issuance of public debt at sub-national level

Benefits

- Access to the largest segment of the capital market
- Standardised instruments with different maturities and repayment profiles (amortisation or in fine)
- Pre-defined financing costs (risk of price volatility borne by investors)

Challenges

- Minimum size to attract investor interest and liquidity on the secondary market
- Rated debt instruments requiring minimum ratings
- Regular reporting and monitoring of issuer solvency
- Heavy regulatory and supervisory obligations

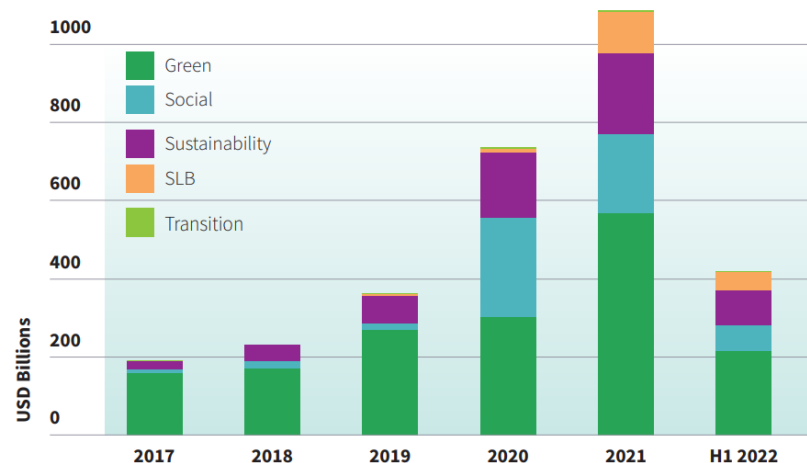
Local obligations to “assigned revenues”

A global market :

- Cumulative issue volume of USD 3.3 trillion
- Including USD 2,000 billion for its green segment
- Multilateral institutions and sovereign issuers are the most common.
- In January 2022, the International Bank for Reconstruction and Development issued its largest ever transaction: a USD 7.2 billion bond for the sustainable use of proceeds of the issue.

Sustainable fixed income market			
Theme		Label	Format
GSS+	GSS	Green	Use of proceeds
		Social	Use of proceeds
		Sustainability	Use of proceeds
	Transition	Sustainability-linked	Entity KPI-linked
		Transition	Use of proceeds

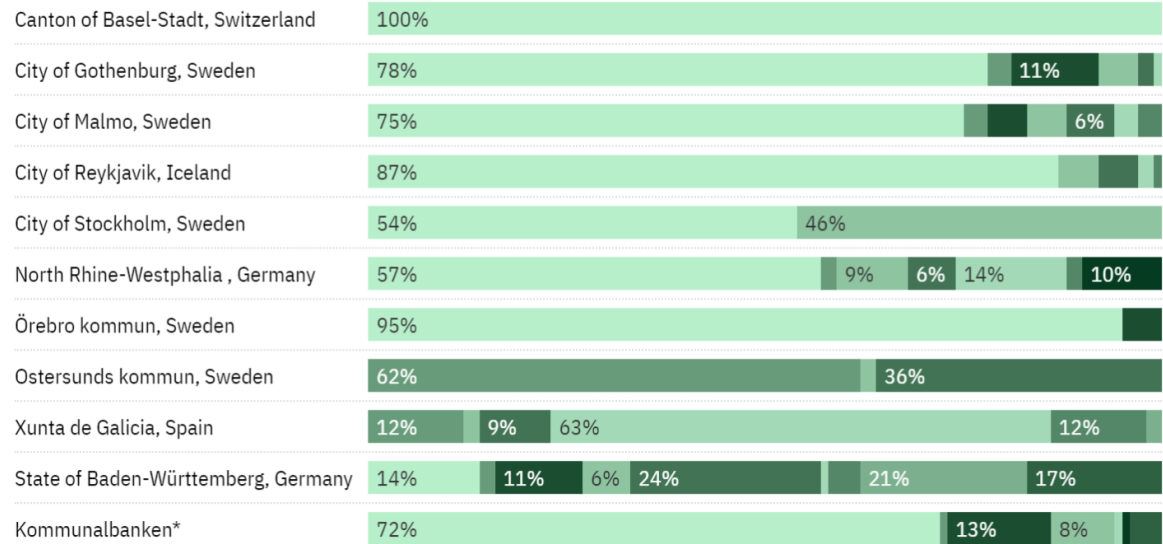
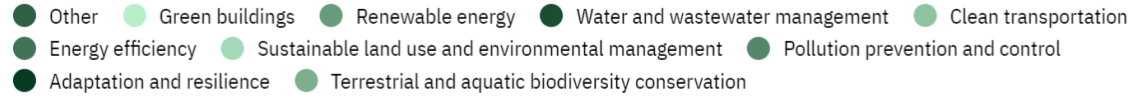
Cumulative GSS+ volumes reached USD3.3tn in H1 2022



Type of instrument : Local green bonds with “assigned revenues”

Where municipals are putting their green money

Use of proceeds by category, %, cumulative or latest available year

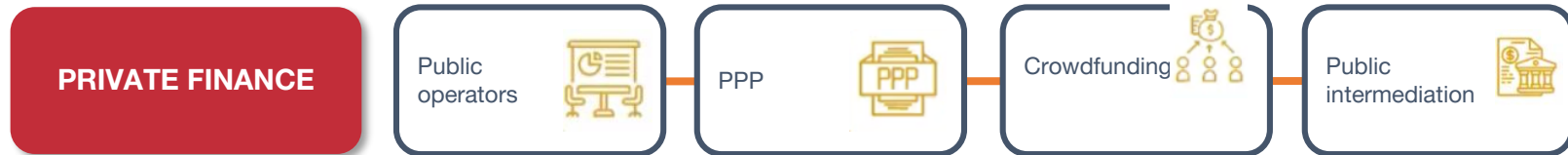


Green bonds

* Responsible for financing Norway's local authorities

Source: Capital Monitor, post-issuance reports

Private finance instruments



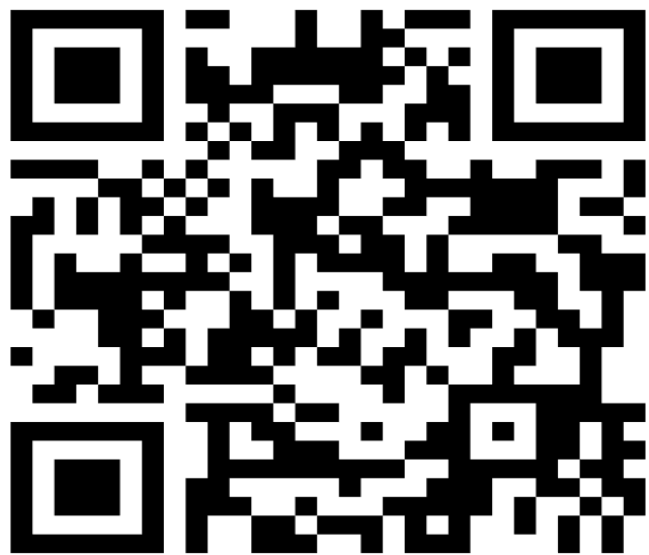
Source: FMDV

Financing infrastructure projects: different implementation schemes - PPP

- The private partner receives income:
 - from users of the services provided by the infrastructure project
 - from the public partner
 - a combination of the two
- Payments received by the private partner may be
 - dependent on performance defined in the PPP contract
 - volume-based for services provided to users
- A PPP company, a special-purpose vehicle, is created to
 - deliver the project
 - organise financing
 - define the roles and responsibilities of the various stakeholders



Questions and answers





IV. International examples

Own resources



Local taxes

- Taxes on advertising billboards in Dakar and Senegalese municipalities
- Revenue up by almost 40% between 2008 and 2012
- Carbon taxes



CASE STUDY: INCREASING KAMPALA'S OWN RESOURCES (UGANDA)

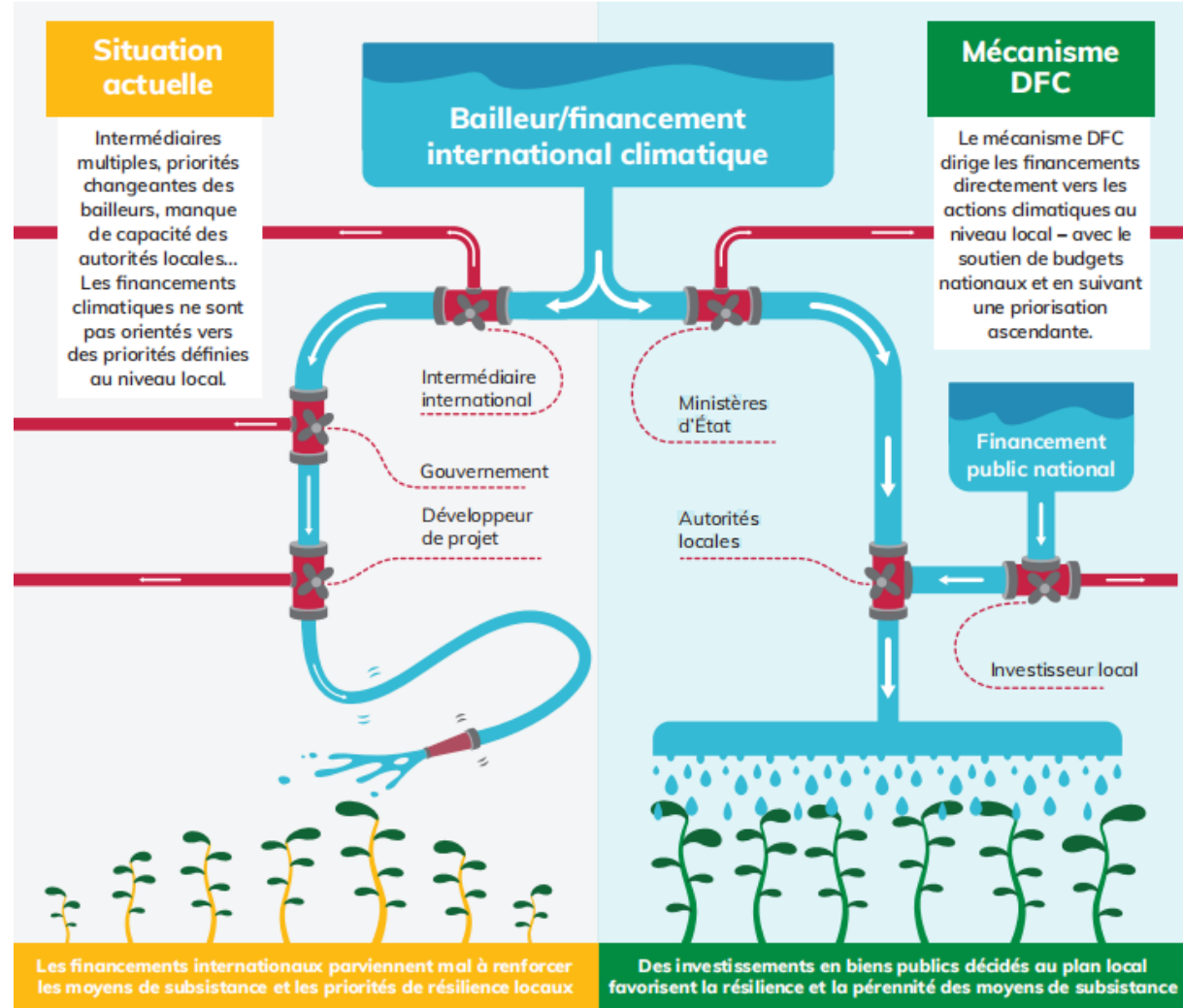


- ❑ The quality of own revenues is one of the most important factors that can affect the municipality's *credit worthiness*, which is the assessment of the ability of an entity (a city or a local entity) to repay its financial obligations to commercial investors.

Grants and subsidies



Local Climate Funds Mopti (Mali) and Kaffrine (Senegal)



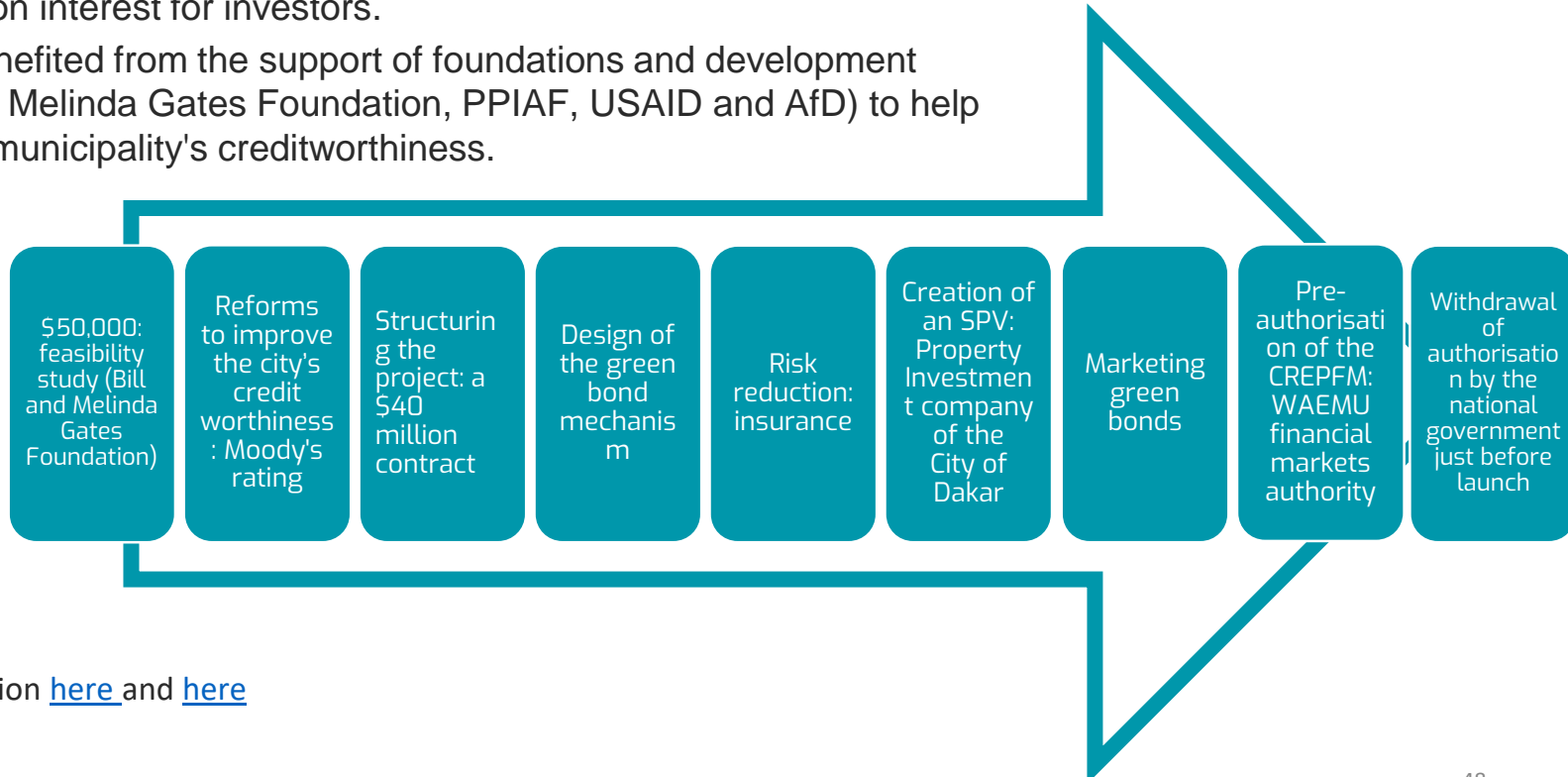
Debts



Case study: Stages in the consolidation of the municipal bond of Dakar, Senegal (2011-2015)

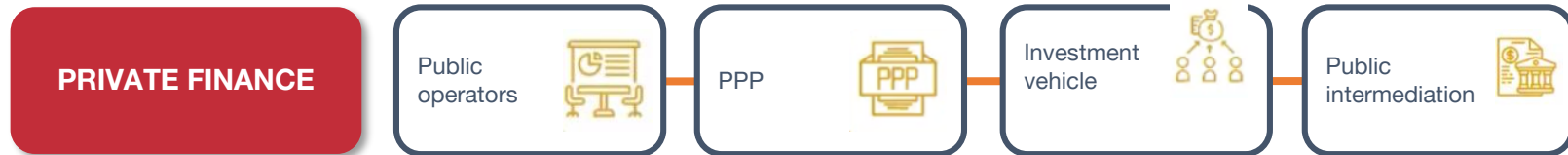
In January 2015, the city of Dakar attempted to issue its first municipal bond for infrastructure projects, to finance the relocation and modernisation of a market place. The 7-year, EUR 40 million bond was subject to tax exemption on interest for investors.

The city has benefited from the support of foundations and development investors (Bill & Melinda Gates Foundation, PPIAF, USAID and AfD) to help strengthen the municipality's creditworthiness.



More information [here](#) and [here](#)

Private finance instruments



Source: FMDV

Meridiam and the Mauritanian government create a public-private company to protect and develop the Nouakchott coastline



Meridiam - a Paris-based investment fund - and the Mauritanian government have just set up a public – private partnership to protect the city of Nouakchott against the risks of erosion and flooding and to develop its coastline for the benefit of local residents. This innovative project, the total cost of which is estimated at 60 million euros (2.4 billion ouguiyas), will be implemented by the Société d'Aménagement du Littoral de Nouakchott (SALN), in which the TURF - IMIF fund, managed by Meridiam in partnership with The Rockefeller Foundation and UNCDF, will invest in equal shares with the Mauritanian government.

CASE STUDY: Ishack project - Stellenbosch (South Africa)



Business model:

- Started as a **research project supported by grants** (Bill and Melinda Gates Foundation, South African Green Fund)
- Has evolved into a **public-private partnership** with the municipality of Stellenbosch (Western Cape). The social enterprise receives a share of the free basic electricity (FBE allowance)



Questions and answers



V. Three lessons to keep in mind

1/ Mapping donors and funding sources

Private sector



International stakeholders

Multilateral



Bilateral



IFD



National/regional development banks and territorial banks



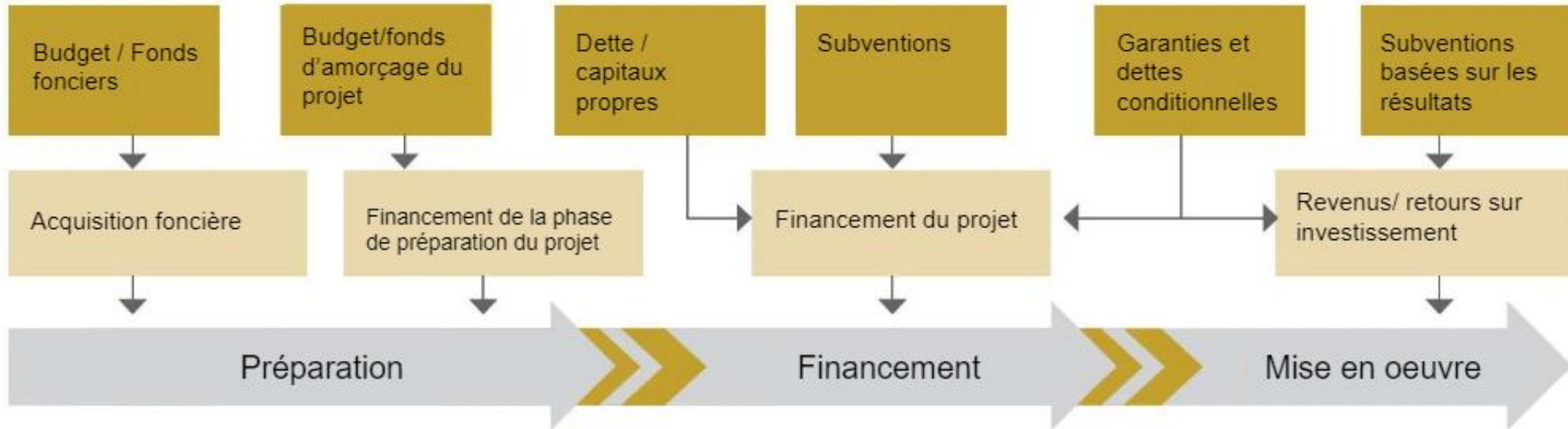
Additional public fundings



Ville de Lausanne



Lesson 2. Adapting financial instruments to the project cycle



Source: Adapted from J. Delmon, *Public-Private Partnership Projects in Infrastructure* (New York: Cambridge University Press, 2011).

3/ Diversify their sources of funding through multi-level and multi-stakeholder initiatives

PUBLIC FUNDS

Central governments



Multi-stakeholder dialogue
Put in place/strengthen the existing legal and regulatory framework to facilitate access to various sources of finance

LOCAL STAKEHOLDERS



Solidity and transparency of municipal finances improve credit-worthiness and build trust

PRIVATE FINANCE

Commercial Banks & institutional lenders

International development financial institutions



Approach development finance institutions to take advantage of the relevant technical and financial assistance mechanisms.

Own sources of income



Improving knowledge, assessment and management of urban assets
Creating sustainable revenue streams

International / domestic Capital markets

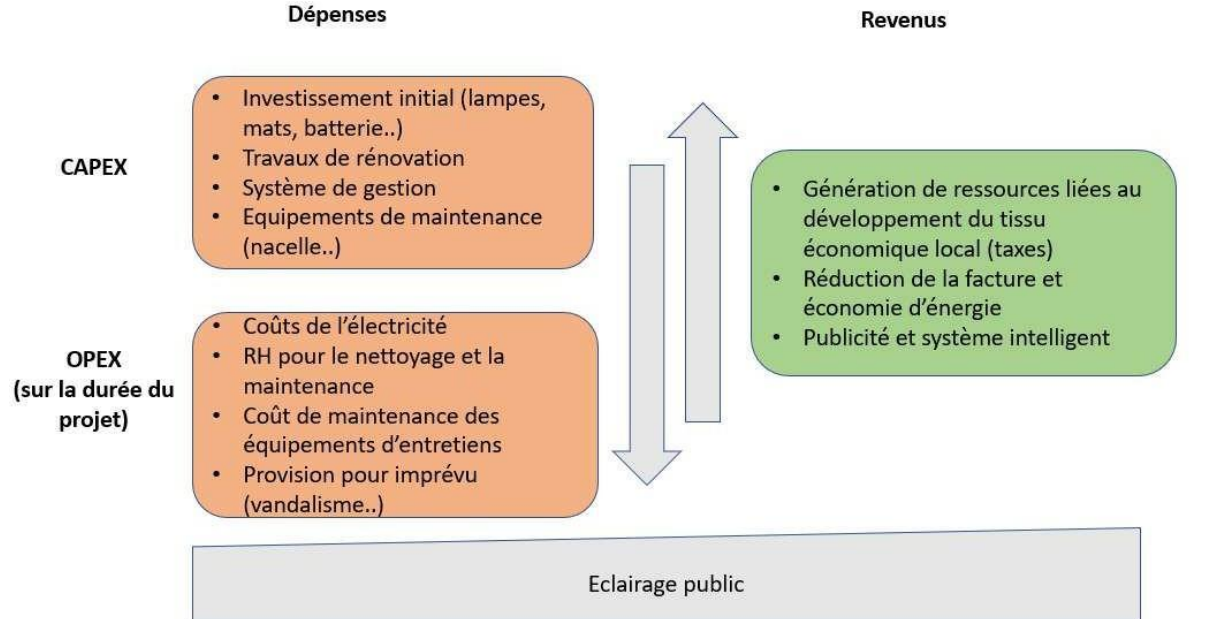
INTERNATIONAL PUBLIC FINANCING



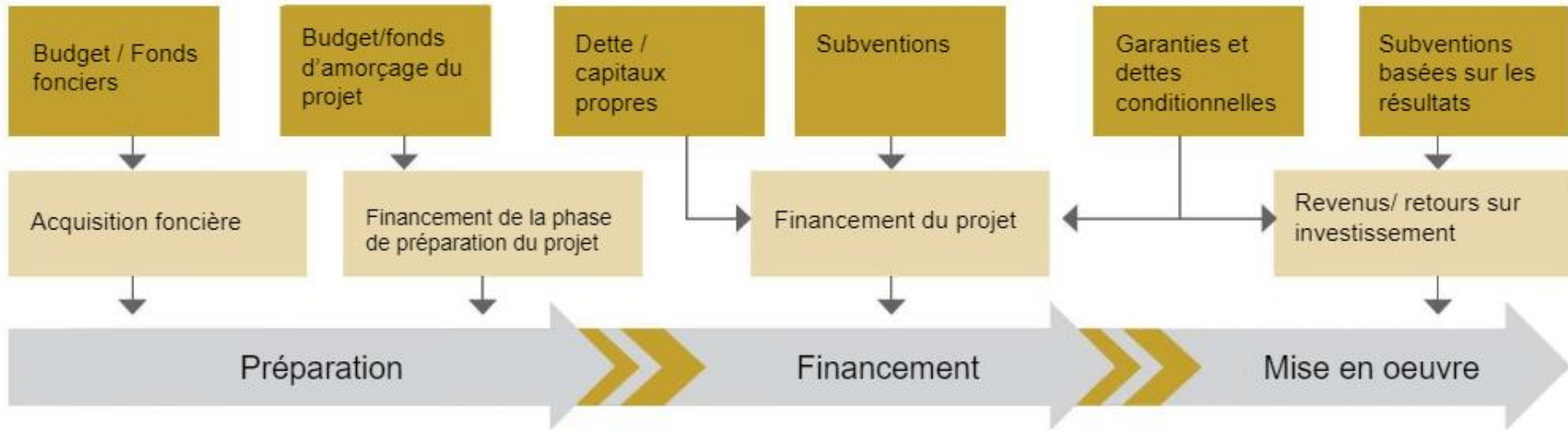
V. Strategy for mobilising and diversifying resources

2. The economic and financial package

- **Evaluation of total costs (CAPEX and OPEX)**, from project preparation and study costs, to investment costs, to operating and maintenance costs.



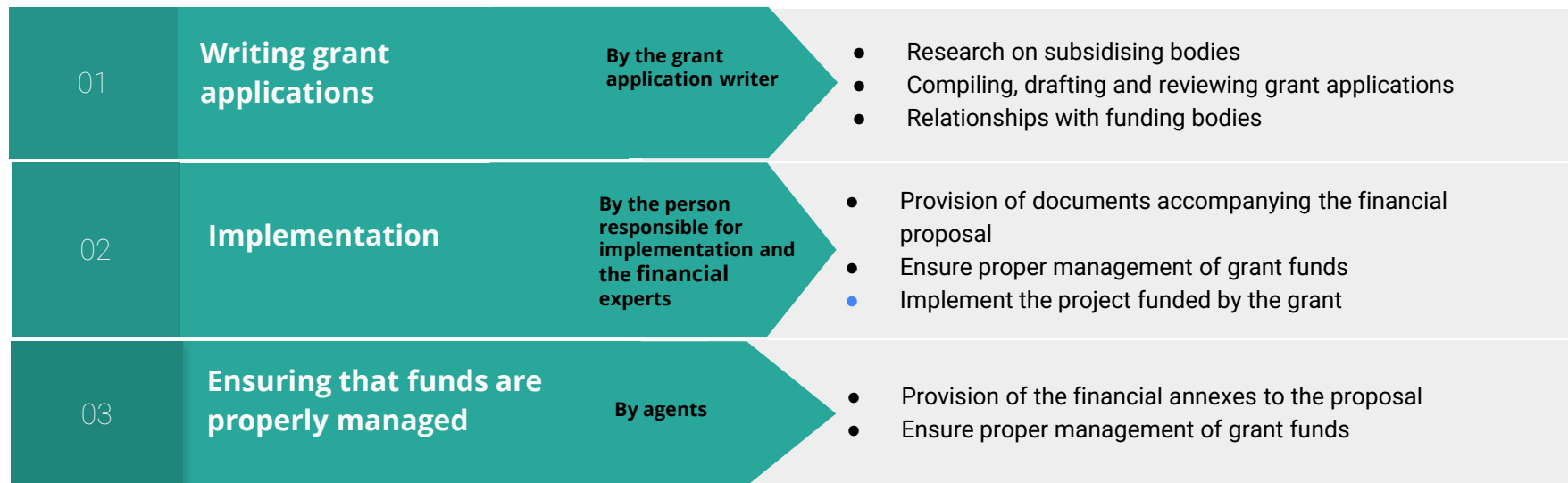
Different financial instruments used during the project cycle



Source: Adapted from J. Delmon, *Public-Private Partnership Projects in Infrastructure* (New York: Cambridge University Press, 2011).

Stage 1: Appoint a person or team to be responsible for fundraising activities

This person or team will be responsible for:



Stage 2: Identify the categories of funders to better understand their mandate (non-exhaustive)

International organisations



Regional financial funders



Bilateral donors



Private donors



Stage 2: Mapping the funders to better understand their mandate

Updated list of funding sources and opportunities



1. Include relevant sources of funding for the projects to be financed
2. List the contact details of the focal points (e-mail address/telephone number)
3. Update and monitor the list of funders with new opportunities

Stage 3- Preparing the documents needed to respond to calls for projects

1. Develop summary documents of current and past activities
2. Develop partnership reports
3. Prepare a file containing all the documents needed to respond to calls for projects, in particular:

1. Relevant internal policies

2. Sectoral policies and strategies

gender policy and environmental and social safeguarding policy

3. Annual balance sheets (last 3 years)




4. Annual budgets (last 3 years)

Step 4 - Draft a project brief

The project brief should contain the following information:

1. General information on the programme or project
2. Programme/project profile
3. Description of the programme/project
4. Information on costs/financing
5. Expected benefits and results
6. Implementation and management plan
7. Risk analysis

Toolbox :

-  [CCFLA harmonised application form](#) (in English only)
-  Translation of the CCFLA harmonised application form into French
-  Sample TAP-ICLEI 2024 application form in French

Step 5 - Establish relationships with funders and share regular information on project progress

1. The person or team in charge is responsible for updating project information, communicating regularly with funding bodies and monitoring new funding opportunities.
2. The person or team in charge is responsible for convincing funders and decision-makers of the relevance of the project.
3. The person or team in charge is responsible for "selling" the project and making it attractive to potential donors.



Thank you for your time!

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