

CLIMATE FINANCE FOR THE URBAN POOR

A REVIEW OF GLOBAL CLIMATE FUNDS



Cities Alliance
Cities Without Slums

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 **UNOPS**

Climate Finance For The Urban Poor

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Contents

1. Introduction	04
2. Methodology	08
3. Key Findings	10
3.1 Geographical Distribution	11
3.2 Adaptation and Mitigation Focus.....	13
3.3 Amounts Approved per Project	14
3.4 Funding Mechanisms.....	15
3.5 Donor Fund & Implementing Partner.....	15
3.6 Projects in Focus.....	16
4. Recommendations	18
References	21
Annex	22

1. INTRODUCTION

THE URBAN POOR¹ ARE PARTICULARLY VULNERABLE TO CLIMATE CHANGE AND AT THE SAME TIME ESSENTIAL TO A GREEN AND JUST LOW-CARBON TRANSITION IN CITIES. HOWEVER, CLIMATE FINANCE ALLOCATED TO THESE COMMUNITIES IS LIMITED.

Climate financing is a critical pathway to investing in climate adaptation and mitigation efforts in climate-vulnerable countries and communities. It has the potential to truly transform communities impacted by climate change. Without adequate climate finance for action, however, communities become increasingly vulnerable to the climate crisis and unable to meet local and global development goals.

At the 15th Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in 2009, developed countries committed to a collective goal of mobilising

USD 100 billion per year by 2020 for climate action in developing countries. In 2022, they provided and mobilised a total of USD 115.9 billion in climate finance for developing countries, exceeding the annual USD 100 billion goal for the first time according to the OECD's recent assessment (OECD, 2024).

Climate finance for cities is also increasing. According to the 2024 State of *Cities Climate Finance* report, total urban climate finance grew from an average of USD 541 billion in the 2019–2020 period to USD 830 billion in 2021–2022 (CCFLA, 2024).² While these are all encouraging signs, it is critical to understand where this

finance is going to ensure that it is benefiting the most vulnerable.

The Cities Alliance is a global partnership fighting urban poverty and supporting cities to deliver sustainable development. For over 25 years, the Cities Alliance has been working in rapidly urbanising cities that have neither the resources nor the authority to deliver their mandates to improve the lives of the urban poor by supporting and implementing comprehensive programmes. The climate crisis has greatly compounded the needs, lack of resources, and urgency for solutions, as well as the need for partnerships that bring together urban communities, local and national governments, civil society, and international organisations.

Currently, there are more than one billion people living in slum conditions in cities around the world; by 2030, this number may reach two billion (UN-Habitat, 2022). In addition, the urban poor are disproportionately affected by the challenges induced by climate change, and they are more likely to live in disaster-prone areas (UN-Habitat, 2020). People living in slums and informal settlements and those who work in the informal sector³ are increasingly affected by direct climate impacts such as heat waves, drought, and flooding, as well as the secondary impacts of increased water and food insecurity. They are also less equipped to adapt to these challenges, causing further social, health, and economic impacts. As a result, the urban poor may lose their housing, small businesses, and possessions when experiencing climate-induced disasters, or be forced to use their limited resources to recover from such events without any safety nets.

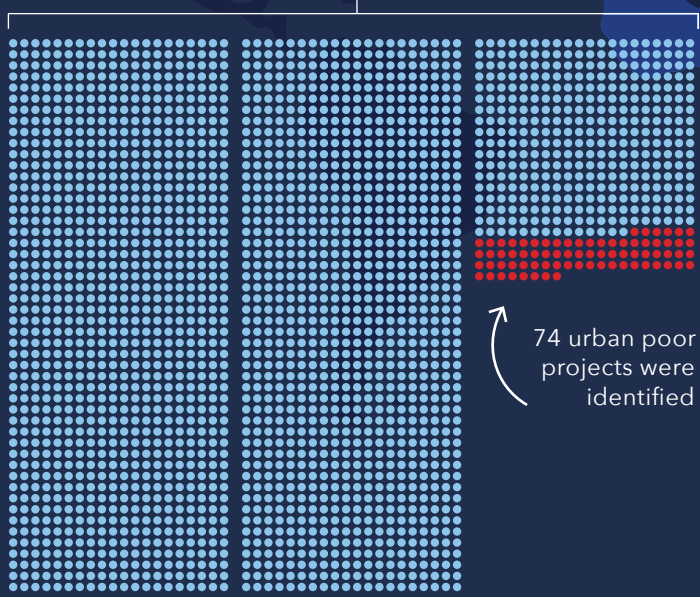
1 While there is no internationally recognised definition of urban poverty, this report recognises that the urban poor face multidimensional poverty with defining characteristics, such as: limited access to livelihood opportunities; inadequate and insecure housing; poor infrastructure, services and transport; and vulnerability to disasters and environmental hazards (Baker, 2008).

2 This figure is significantly higher than the OECD figures because it includes private sector finance and funding in and for cities in developed countries.

3 Although not all of the urban poor live in informal settlements or work in the informal economy and not all residents of informal settlements and informal workers are poor, there is a close correlation and therefore statistics and conditions for informal settlements are relevant for understanding the conditions and totality of the urban poor.

PROJECTS

3,428 projects were analysed, approved between 2003 and 2023:



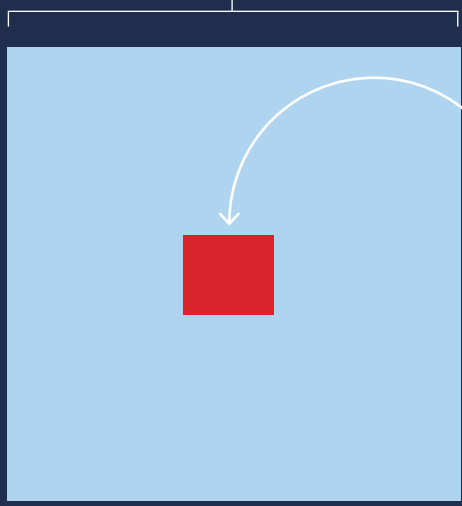
More than half (53%) of this funding focuses on **Sub-Saharan Africa** and **East Asia and the Pacific**, where the majority of slum dwellers live.

There are about **1 billion people** living in slums.



FUNDING

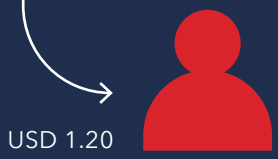
Equivalent to a total approved funding analysed: **USD 33.4 billion**



3.5%
USD 1.2 billion approved urban poor funding was found

If the **USD 1.2 billion** was **distributed equally** among them, they would each receive only.

USD 1,200,000,000



ONLY 3.5 PER CENT OF ALL FUNDING FROM THE GLOBAL CLIMATE FUNDS HAVE A FOCUS ON THE URBAN POOR.

Investments for adaptation and risk reduction interventions that benefit the urban poor include physical investments, such as urban infrastructure and basic services in slum areas, housing improvements, as well as good information systems and tools for integrating climate change and disaster risk management into urban planning, safety nets, and capacity building to help local governments better deliver services and manage risk for their residents.

For cities, the urban poor can be key allies in mitigation efforts. Climate finance can unlock access to cleaner energy for cooking, electricity needed for small businesses, or urban infrastructure that facilitates safe, non-polluting modes of transport. It can also spark investment in innovation, while green jobs for youth and women can empower multiple segments of society. Identifying the amounts and share of climate finance intended for the urban poor is crucial. Despite the clear need, there is minimal data on just how much climate finance is reaching the urban poor.

Climate finance can come from different sources: public or private, national or international, bilateral or multilateral. It can employ different instruments, such as grants and concessional loans, which can be used for adaptation and/or mitigation.

Identifying the amounts and share of climate finance intended for the urban poor is crucial. Despite the clear need, there is minimal data on just how much climate finance is reaching the urban poor.

In 2022, international public climate finance (bilateral and multilateral from developed countries) accounted for close to 80 per cent of the total, with an increase from USD 38 billion in 2013 to USD 91.6 billion in 2022 (OECD 2024). Urban climate finance from multilateral climate funds reached USD 600 million in 2021/2022 (CCFLA, 2024).

This analysis aims to raise awareness about the share of global public climate finance intended for the urban poor in order to highlight the need for more investment in these essential communities. The study focuses on projects financed through twenty-two Global Climate Funds, including the Green Climate Fund (GCF), the Adaptation Fund (AF), and the Global Environment Facility (GEF).

Projects financed by these funds cover a range of sectors, including agriculture, disaster prevention and preparedness, ecosystems, energy, environmental policy and protection, forestry, health, infrastructure, transport, and water and sanitation. They range in size from hundreds of thousands to hundreds of millions of dollars and in geographic scope from sub-national level to global,

spanning urban and rural areas and all types of ecosystems.

Of all the projects approved by these funds between 2003 and 2023, only 2.1 per cent (74 projects) were found to have interventions targeting the urban poor. This amounts to 3.5 per cent of the total funding, or USD 1.2 billion, for projects that include informal settlements, slums, or low-income urban communities. However, it does not mean that the urban poor are explicitly identified as target beneficiaries of the project, and it does not mean that the full amount of the project benefits the urban poor. Of the 74 projects identified, only three projects actually had informal settlements or urban poor in the title.

Even if the entire USD 1.2 billion of these projects did benefit the urban poor and was equally distributed across the globe, this would amount to an average of only USD 1.20 for each person living in informal settlements. This is a climate justice issue. It means some of the most vulnerable people on the planet are not receiving sufficient financial support, which has broad implications for the resilience of major cities across the globe.

Sub-Saharan Africa and East Asia and the Pacific have the most projects (70 per cent combined) and 53 per cent of the total funding (USD 620 million), which makes sense given that they also have the largest populations living in informal settlements. Yet, South Asia, which also has a considerable informal settlement population, only has 7 projects in the region – less than 10 per cent of all projects and 4 per cent of the funding (USD 40 million).



Photo: @ Cities Alliance

As the climate crisis intensifies, the needs of the urban poor are great, and it is encouraging that some projects target these critical and vulnerable communities. However, more money needs to be flowing into these communities. We know from experience that money allocated at the local level has a huge impact on the lives, livelihoods, ecosystems, and built environment in vulnerable communities. Without this funding – which developed countries committed to providing – the urban poor are forced to rely on their own resources, including their limited household budgets, remittances, and savings groups to offset climate-induced loss and damage.

There are incredible examples of communities investing their own resources to build resilience. For instance, the women-led savings groups of the Malawi Homeless People's Federation have helped communities recover from climate-induced shocks by organising community projects such as rebuilding small bridges destroyed by floods (SDI, 2017). Considering the large size of global climate funds, however, the fact that the urban poor are mostly on their own raises questions about climate justice and equity.

Communities, local governments, and organisations working with the

urban poor have long suspected that very little climate finance has been making its way to low-income vulnerable settlements in cities. The actual volume and share targeting the urban poor, however, remained unknown.

Ideally, by identifying how little climate finance targets the urban poor, we hope to enable sufficient funding to be strategically channelled to the urban poor and that they are explicitly identified in projects. This information will enable a better understanding of how much and in which locations climate finance for the urban poor is currently being spent, and where it is missing.

2. METHODOLOGY

This report aims to contribute to understanding the volume and share of global public climate finance intended for the urban poor. It uses data from the Climate Funds Update (CFU), which includes the projects financed by 22 global climate funds.⁴ The CFU dataset has 3,428 projects approved for funding between 2003 and 2023, with a total amount of USD 33.4 billion in funding approved.

The methodology utilised was to perform a keyword search on the projects in the database, first to identify those projects that target cities and then to refine this by searching for keywords related to poverty and informal settlements (see Annex I for the detailed methodology with exact keywords utilised). Similar studies to identify urban climate and local-level climate finance conducted by the CPI/CCFLA and IIED have also utilised the keywords methodology.

As the analysis is focused only on global climate funds, it does not capture bilateral funding on climate change, domestic investments or private sector funding, all of which are significant amounts of urban climate finance. Nor does the analysis capture large urban development programmes funded bilaterally or by Multilateral Development Banks (MDBs) that help to build urban resilience but are not funded via these global climate funds.

This assessment focuses on climate finance for mitigation and/or adaptation that is directed to

cities and recognises low-income groups or households, marginalised communities, and slum or informal settlement dwellers in these settings, summarised as the urban poor.

This process therefore did not capture projects that are citywide and may benefit the poor, but do not recognise poor, low-income and vulnerable communities in the project title, summary description, and beneficiaries. For example, a citywide sustainable transport project would likely benefit residents of all income levels, but if there were no explicit references to the groups listed above, then it was not identified as a project targeting the urban poor.

These projects were not included in order to avoid assumptions that they automatically benefit the urban poor; without careful consideration of inequality and informality, poverty projects are less likely to benefit those groups and more likely to cause harm. A citywide transport project might benefit residents of all income

levels, but it might also displace families in informal settlements to make way for infrastructure, divide communities, or ignore unmapped, informal neighbourhoods.

It is also important to note that the results show the sums for the total funding approved for identified projects targeting the urban poor. However, in some cases, only part of the project may be intended for this group.

Despite some limitations in scope, this initial report provides a preliminary understanding about global climate funds – a main source of financing for Global South countries – and the extent to which they are intended for the urban poor.

4 Adaptation for Smallholder Agriculture Programme (ASAP), Adaptation Fund (AF), Amazon Fund, BioCarbon Fund Initiative for Sustainable Forest, Landscapes, Central African Forest Initiative (CAFI), Clean Technology Fund (CTF), Congo Basin Forest Fund (CBFF), Forest Carbon Partnership Facility, Forest Investment Program (FIP), Global Climate Change Alliance (GCCA), Global Energy Efficiency and Renewable Energy Fund (GEEREF), Global Environment Facility (GEF), Green Climate Fund, Least Developed Countries Fund (LDCF), MDG Achievement Fund, Partnership for Market Readiness, Pilot Program for Climate Resilience (PPCR), Scaling Up Renewable Energy Program (SREP), Special Climate Change Fund (SCCF), and UN-REDD Programme.



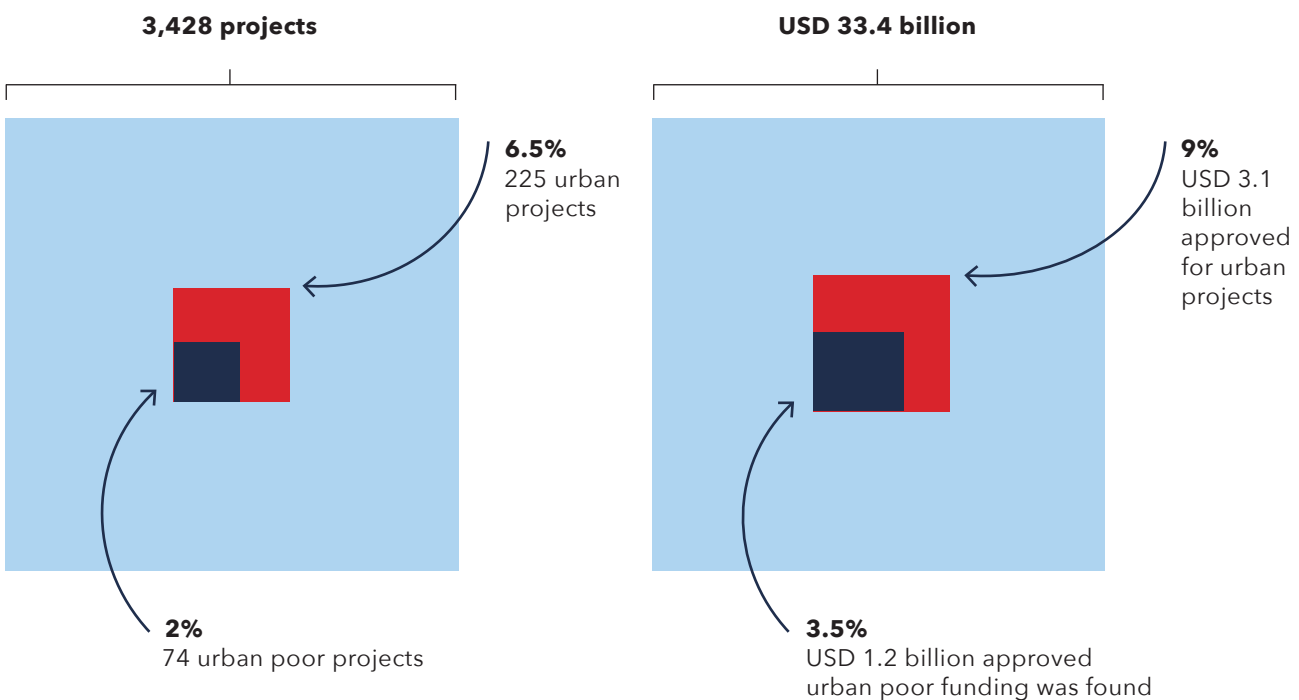
Photo: @ Kalyakan - AdobeStock.com

3. KEY FINDINGS

The study found that out of the 3,428 projects analysed, 225 had an urban focus and only 74 matched the criteria for both urban areas and poor communities. According to these results, 2.1 per cent of all projects analysed during this period have climate interventions intended to benefit the urban poor. This does not necessarily mean that the urban poor were explicitly identified as beneficiaries of the project, but that these projects can be considered as intended to benefit the urban poor. The funding approved for these projects was about USD 1.2 billion, or 3.5 per cent of the total of USD 33.4 billion approved by the global climate funds between 2003 and 2023.

Figure 1 shows the share of the projects directed at the urban poor in terms of numbers and funding amount. Of all the projects with an urban focus, about one third are intended to benefit the poor. The next sections provide more details on the geographical distribution, objectives, and funding vehicles for these projects.

FIGURE 1. SHARE OF NUMBER OF PROJECTS AND FUNDING FOR THE URBAN POOR



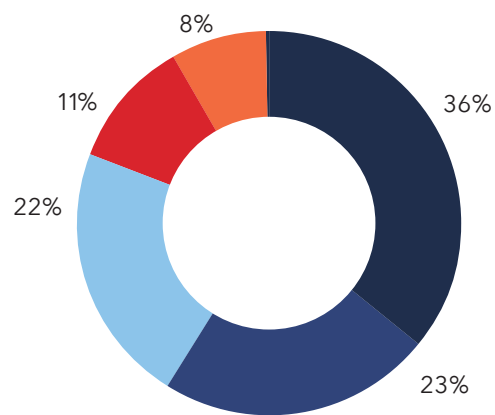
3.1 Geographical Distribution

East Asia and the Pacific is home to 36 per cent of slum dwellers globally (UN-Habitat, 2020) and has the highest regional share of climate finance that targets the urban poor (27 per cent) with USD 313 million. Sub-Saharan Africa, which is home to 23 per cent of slum dwellers, has 26 per cent (USD 307 million) of the finance identified in the assessment. South Asia with 22 per cent of slum dwellers globally has just 4 per cent of the total funding. Latin America and the Caribbean house 11 per cent of slum dwellers and have about 8 per cent of the funding. The Middle East and North Africa region has the smallest percentage of funding with only 0.2 per cent.

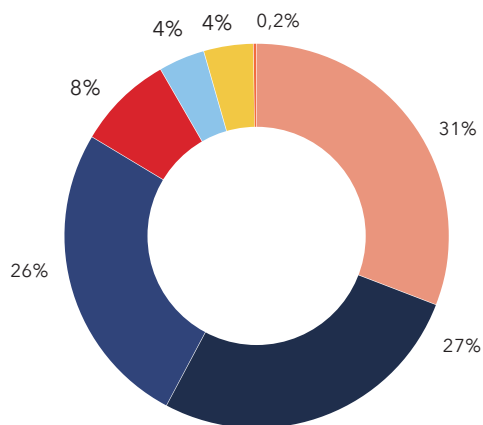
East Asia and the Pacific also had the largest share of total urban climate finance in 2021/2022 (CPI, 2024). Conversely, for urban climate finance only from multilateral climate funds, such as those in the CFU database, Latin America and the Caribbean had the largest share with 66 per cent of the USD 600 million. Despite an overall increase in urban climate finance from 2019/2020 to 2021/2022, Sub-Saharan Africa had the smallest growth of any region (CPI, 2024).

FIGURE 2. FUNDING FOR THE URBAN POOR PROJECTS BY REGION

Urban population living in slums



Funding for the urban poor projects by region (USD millions)



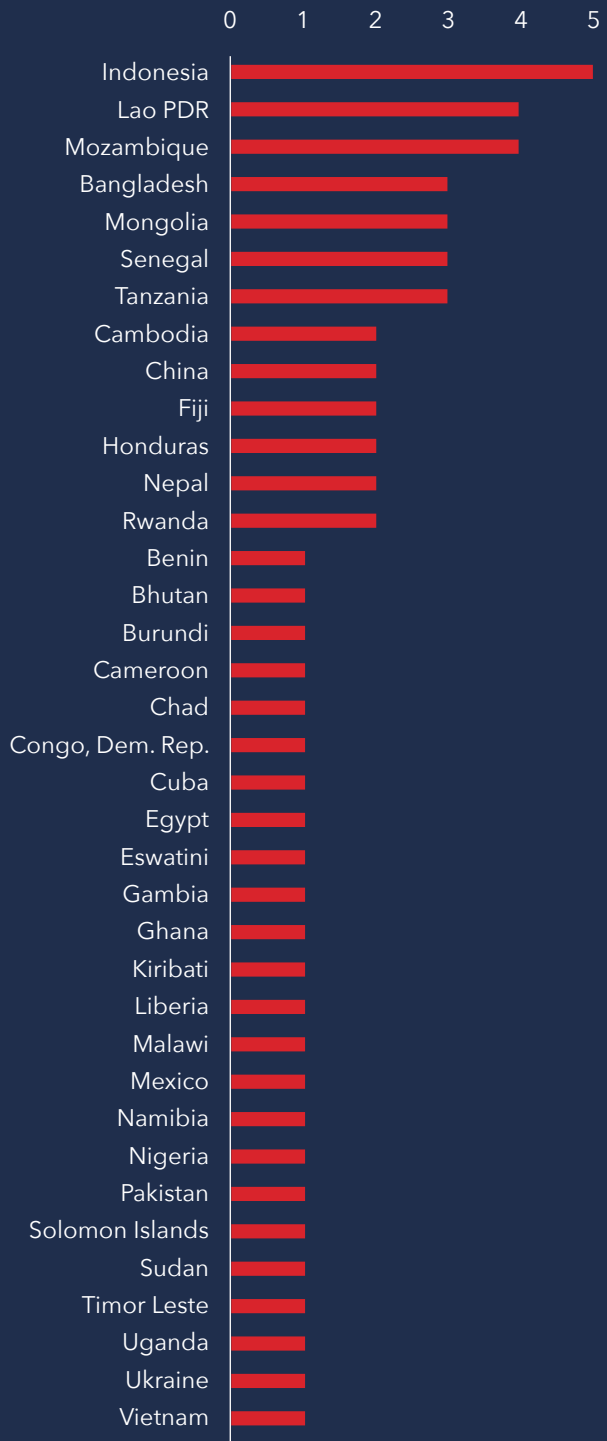
- Eastern and South-Eastern Asia
- Sub-Saharan Africa
- Central and Southern Asia
- Latin America and the Caribbean
- Northern Africa & Western Asia
- Europe & Central Asia
- Global Multicountry



Photo: @ Cities Alliance

The large majority of projects, 61 in total, focus on one country, with several countries having more than one project identified: Indonesia (5), the Lao People’s Democratic Republic (4), Mozambique (4), Bangladesh (3), Mongolia (3), Senegal (3), and Tanzania (3). In the case of Indonesia and Senegal, all urban projects also recognise the poor. Eighteen per cent of the projects are global, multi-country, or regional across different territories in Sub-Saharan Africa, the Middle East and Northern Africa, Latin America and the Caribbean, East Asia and the Pacific, and Central Asia and Eastern Europe.

FIGURE 3. NUMBER OF URBAN POOR PROJECTS BY COUNTRY (excluding regional and multi-country projects)

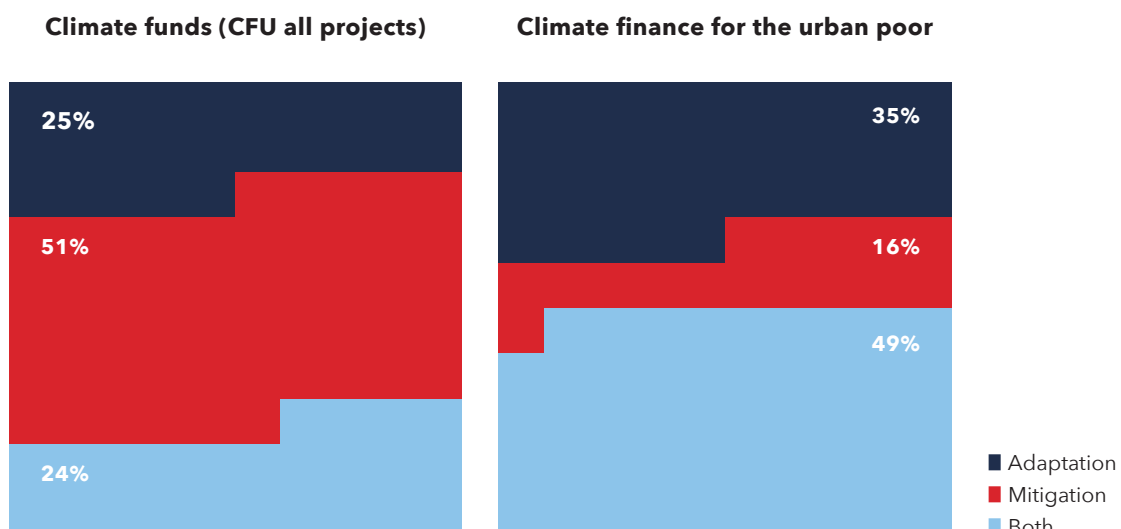


3.2 Adaptation and Mitigation Focus

Given the vulnerability of the urban poor, it would be expected that the majority of projects would have an adaptation focus. This is true in terms of total number of projects, with just over half (51 per cent) dedicated to adaptation. However, when assessing the total funding amount, adaptation-only focused funding accounts for only 35 per cent of the total (USD 406 million) and mitigation for 16 per cent (USD 192 million). Projects which have both adaptation and mitigation focus account for the majority of funding (USD 570 million). This diverges from the breakdown for all CFU projects, where the majority is for mitigation (see Figure 5). Across all funding sources, mitigation continues to account for the majority, representing 60 per cent of total climate funding (OECD, 2024).

Nearly half of the adaptation funding identified directed at the urban poor is in the environmental policy and protection sector. For the rest, about one quarter goes to water and sanitation, and just less than a quarter goes to disaster prevention and preparedness, which includes urban resilience projects. Specifically, there are several projects on ecosystem-based adaptation (EbA), flood risk reduction planning and infrastructure, and improving sustainable water supply. More than half of the mitigation funding is directed to transport, including bus rapid transit projects and improved public transport networks, and just over one quarter to energy. Almost all dual benefit funding goes to multisector areas and the banking and services sector.

FIGURE 4. SHARE OF TOTAL FUNDING BY KEY OBJECTIVE



3.3 Amounts Approved per Project

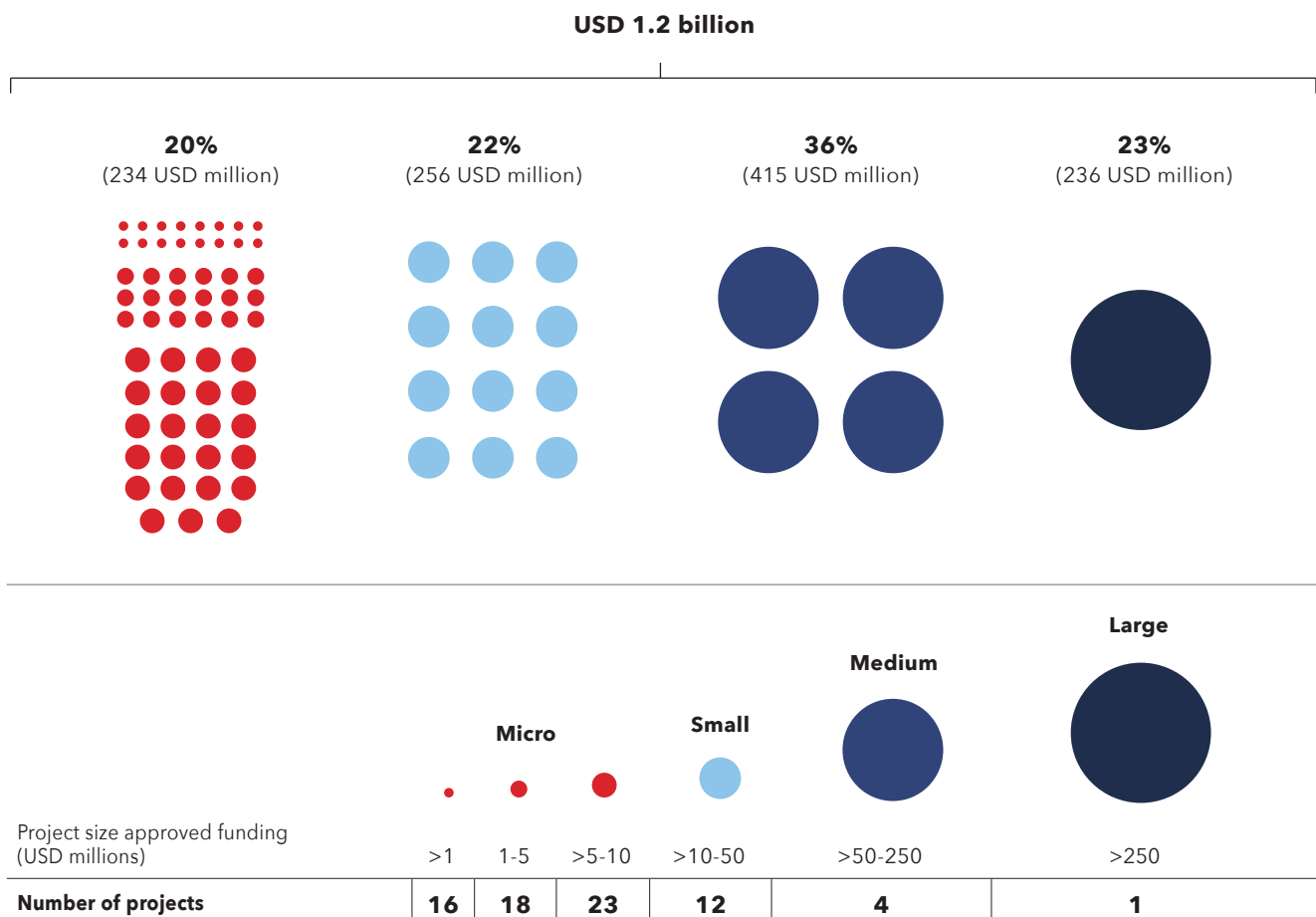
In terms of the amount approved, the majority of projects (77 per cent) are micro projects under the GCF categorisation (less than USD 10 million) and 12 projects are small (USD 10–50 million). Four projects are medium-sized (between USD 50–250 million) and one large (more than USD 250 million). Of these projects, the large and two of the medium-sized ones have both a mitigation and adaptation focus, helping to explain the skew between the number of

projects and amount of funding by objectives in the previous section. The five projects (four medium and one large) account for 58 per cent of the total amount of funding.

Of the micro projects, about half are between USD 5–10 million and about a quarter are less than USD 1 million. They are typically readiness or project preparation grants.

The abundance of smaller sized projects may reflect a lack of capacity to develop larger scale projects that engage local communities or target benefits to the urban poor effectively. In addition, the private sector intermediaries that are accredited to receive large-scale funding may be less likely to focus on the urban poor.

FIGURE 5. SHARE OF TOTAL FUNDING BY AMOUNTS APPROVED PER PROJECT



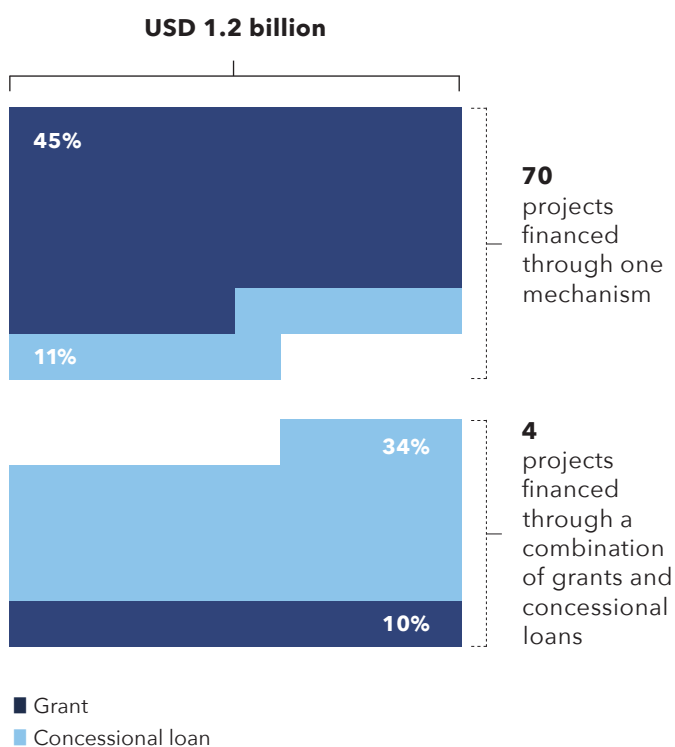
3.4 Funding Mechanisms

There are 70 projects that were financed through one mechanism, either grants or concessional loans, and four projects by a combination of both. Grant-only projects account for 45 per cent of the total funding amount and concessional loan-only projects are 11 per cent.

The four blended finance projects with the combination of mechanisms are 44 per cent of the funding; of these, most are concessional loans (Figure 6). In terms of size of funding approved, two of the projects are medium and one is large. Given the large number of adaptation projects and the focus on poorer segments of society, it is not surprising that more funding is flowing through grant mechanisms. However, it is interesting to see that in cases where both mechanisms are utilised in a single project, the amount for concessional loans is much higher.

Grants account for only 6 per cent of total urban climate finance in 2021/2022 (CPI 2024), highlighting the limitation of relying on grants too heavily for finance for the urban poor.

FIGURE 6. DISTRIBUTION OF TOTAL FUNDING FOR URBAN POOR PROJECTS BY MECHANISM



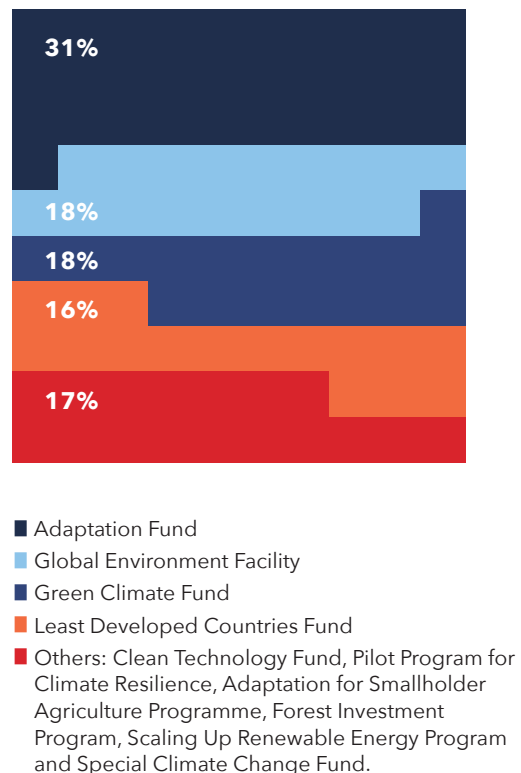
3.5 Donor Fund and Implementing Partner

Nearly one third of projects targeting the urban poor are financed through the Adaptation Fund. The Global Environment Facility and the Green Climate Fund account for 18 per cent each, and the Least Developed Countries Fund for 16 per cent. Figure 7 shows the distribution of projects by fund.

These projects are implemented by various agencies and institutions, including the United Nations Development Programme (UNDP), UN-Habitat, the United Nations Environment Programme (UNEP), the International Bank for Reconstruction and Development (IBRD), the World Bank, the Asian Development Bank (ADB), and the African Development Bank (AfDB).

When cross-referencing the size of projects and mechanisms with the implementing partner, the ADB was responsible for two of the larger blended finance projects and one of the concessional loan projects. The Agence Française de Développement (AFD) and European Bank for Reconstruction and Development (EBRD) also undertook blended finance, and the IBRD had two of the projects with concessional loans only.

FIGURE 7. DISTRIBUTION OF URBAN POOR PROJECTS BY FUND



3.6 Projects in Focus

Out of the projects analysed, there are three that centre informal settlements or the urban poor in the title. Further analysis of the details of two of these projects provides an understanding of what is being funded and lessons for how to develop further projects.

Promoting Technology Innovation and Entrepreneurship to Mitigate Climate Change and Combat Land Degradation in Informal Settlements and Peri-Urban Areas.

This is a mitigation-focused project in Namibia, financed in part by the GEF with the United Nations Industrial Development Organization (UNIDO) as Executing Agency and the Environmental Investment Fund of Namibia as the other Executing Partner. The project focuses on promoting cleantech solutions by cultivating innovation and entrepreneurship expertise for solutions that address climate change mitigation and combating land degradation. It has a total budget of USD 5.898 million, of which USD 898,000 is financed by the GEF. The co-financing is a combination of in-kind and grant contributions from the government and UNIDO, as well as yet-to-be-secured investments in the form of grants, in-kind and loans from private sector entities. The initial GEF grant funding is intended to catalyse investments in Small and Medium Enterprises (SMEs) for the development and

commercialisation of their innovative, cleantech solutions, including sustainable water solutions such as rainwater harvesting, improved drainage, climate-friendly and energy efficient cooling and refrigeration, and renewable energy technologies.

The project was approved in December 2023. The proposal includes plans to work with the Shack Dwellers Federation and the Integrated Land Management Institute of Namibia to identify two pilot areas for a total of 1,480 shack dwellings to deploy innovations developed under the project. As a mitigation project, outcomes are expressed in both CO₂ emission reduction and number of beneficiaries, which total 900 (disaggregated as 315 female and 585 male). The proposal clearly states that: "Informal settlements in urban and peri-urban areas are the main target group of beneficiaries for the technologies developed under this project." The environmental problems analysis also specifically explains the urbanisation rate and state of informal settlements, and it links to the National Housing Policy. Several of the outputs set clear targets for women participants, for example:

- *Output 1.1.2:* Pool of 20 cleantech innovation and entrepreneurship experts are trained and certified to support

the Namibia Accelerator (with at least 35 per cent women participants) and

- *Output 1.2.4:* Innovative early-stage financing mechanism is designed to deploy innovative cleantech solutions to mitigate climate change and combat land degradation in informal settlements and peri-urban areas (up to 10 enterprises, with at least 35 per cent women participants).

This project offers a few clear, positive lessons:

- (1) Involvement of a community organisation (Shack Dwellers Federation of Namibia) in the identification of the best sites;
- (2) A clear identification of informal settlements as the main target group of beneficiaries;
- (3) Gender-disaggregated targets in project outputs; and
- (4) Including urbanisation and state of informal settlements in the problem analysis.

Addressing Climate Change Risks on Water Resources in Honduras: Increased Systemic Resilience and Reduced Vulnerability of the Urban Poor.

This project, financed by the Adaptation Fund, was implemented from 2011–2016 with UNDP as Implementing Entity and the Secretariat for Natural Resources and Environment (SERNA), a government agency, as Executing Entity. The project had a total budget of USD 5,698,000. It aimed to increase resilience to water-related climate change risks in the most vulnerable population in Honduras through pilot activities and mainstream climate change considerations into the water sector.

The project explicitly aimed to benefit poor households in Tegucigalpa, the capital of Honduras, and the upper Choluteca basin to have increased access to water all year, thus reducing current vulnerability and increasing their coping range under climate change scenarios. The final evaluation found that 6,842 families in urban areas and 2,104 families in rural areas benefited directly from climate change adaptation measures to improve access to water in quantity and quality (water harvesting, micro irrigation, improvement of small water systems, domestic technologies such as stack, eco-stoves, and filters). An additional 23,318 households benefited from efforts to protect the watershed ecosystems that serve the urban area of Tegucigalpa. The project also undertook drainage work to manage excessive runoff, water pumping systems for schools, and knowledge management actions for beneficiaries, as well as improved communication systems and land management support for protected areas and in sub-basins.



Photo: @ Cities Alliance

The final evaluation found that there was active participation and collaboration between the project implementers and beneficiaries that resulted in communities participating in the planning of activities, which increased the effectiveness of the planning processes. The evaluation also found that the communities developed a sense of ownership of the interventions linked to the protection of the sub-basins, and that community organisations formed new strategic alliances with state institutions that have continued beyond project implementation. The project in Honduras provides several key lessons for the development and implementation of projects:

- (1) Involvement of community organisations can increase the effectiveness of planning processes and the sense of ownership over interventions.
- (2) Cultivating collaboration between communities and state institutions can have lasting impacts beyond the project life cycle.
- (3) Identifying poor urban households as beneficiaries in the project proposal ensures that the evaluation explicitly identifies how many of these households and families benefit from the project intervention, directly and indirectly.

4. RECOMMENDATIONS

This analysis shows that there is some climate finance invested into projects with a focus on vulnerable communities in urban areas in many countries, funded by multiple global climate funds and tackling a range of issues. However, there are relatively few climate mitigation and adaptation projects that centre on the urban poor and informal settlements. Overall, the total amount of funding devoted to vulnerable communities is inadequate to meet the needs for transformative climate action.

Reports from CCFLA and OECD have shown that while climate finance and finance for cities are increasing, finance that reaches the local level is limited. This has the potential to create further development divides and limits the chance for a just transition.

There are many reasons why funding may not be targeting and reaching the urban poor in sufficient amounts. These include funding mechanisms that are difficult for local organisations to access due to donor requirements, the urban poor and informal settlements not identified as a priority or specified as a vulnerable group by national strategies and donor frameworks, and lack of involvement of local urban communities and civil society organisations working in these areas.

Changing this trajectory will require many actors coming together to learn from each other and committing to both improving financial flows to the local level and developing climate change projects that explicitly benefit the urban poor.

There is a lot of emphasis on the need for innovative climate finance that has involved exploring blended finance and new mechanisms. However, climate finance is truly innovative when it responds to the needs and priorities of the urban poor and it is accessible by local organisations working directly with local communities.

Based on this analysis as well as the experience of Cities Alliance members and partners, there are a few recommendations to improve access, prioritisation, and engagement.



Donor Organisations

Although this report focuses on global climate fund donor organisations, the following recommendations also apply to bilateral funding, philanthropies, private sector, and domestic public funding.

- › Clearly identify the urban poor and people living in informal settlements as especially vulnerable groups. Tag projects as urban and indicate which ones benefit low-income groups. This recommendation extends to the establishment of the Loss and Damage Fund.
- › Create measurable targets to increase funding that targets the urban poor from global climate funds, bilateral funding, philanthropies and private sector.
- › Involve representatives of civil society working with the urban poor, including representatives of slum dwellers and informal settlements as observers and experts in board meetings and regional and global exchanges.
- › Further develop mechanisms for direct access by local governments and organisations for locally-led action in urban areas and prioritise funding that responds to, and is accessible by, vulnerable urban communities.
- › Encourage increased coordination between national and local governments as well as strengthening capacity of local governments to access finance to meet needs of local communities.

National and Local Governments

National governments with ministries focused on environment, climate change and urban development and as the interface to many international climate funds are critical agents in helping to deliver more climate finance for the urban poor. Local governments also have a role to play in implementation and assessing citywide needs.

- › Create platforms to engage representatives of slum dwellers and informal settlement communities in the development of national and sub-national climate change priorities by involving them in the revisions of Nationally Determined Contributions (NDCs), the development of National Adaptation Plans (NAPs) and district adaptation plans, and processes for other climate change and disaster risk reduction strategies at the national and local levels.
- › Engage with ministries of housing, social protection, health, and gender that have active programming for the urban poor and in informal settlements on the development of climate change policies and projects.
- › Integrate the needs and challenges of the urban poor into citywide projects to ensure that they have equitable access and benefits from these initiatives.



Project Development

When developing projects, there are several ways to better integrate communities and their data to ensure that climate interventions benefit them.

- › Clearly and explicitly identify families, households, and individuals living in informal settlements and/or poverty in urban settings as target beneficiaries to ensure that interventions target these groups. The evaluation should also explicitly identify how many households and families benefit from the project intervention directly and indirectly.
- › Involve local community organisations in order to identify the best sites for interventions in informal settlements. This increases the sense of community ownership and facilitates an inclusive and effective planning process.
- › Involve female community members and community groups focused on gender issues in project development to ensure that the needs, concerns, and climate vulnerabilities of women and girls are considered and that interventions respond to these issues.
- › Utilise gender-disaggregated targets to ensure both women and men benefit from interventions for climate mitigation and adaptation projects.
- › Partner with local communities to collect data or draw on previously community-collected data to inform assessments and tailor interventions to benefit the urban poor, informal workers, people living in informal settlements, women, and girls.

Further Research

The analysis provides an initial approximation of the share of global finance that targets the urban poor. The results are to be taken as indicative, with this report serving as a guide for future research on the topic.

- › Further research is needed on the amount of financing required for adaptation and mitigation interventions sufficient to reduce vulnerability and poverty for the urban poor.
- › As this study was limited to global climate funds, further research could analyse other public international climate finance provided by bilateral institutions or Multilateral Financial Development Institutions (FDIs), as well as domestic public and private sector climate finance. A critical missing aspect is the household-level investment made by the urban poor and people living in informal settlements to adapt to climate change, utilise low-carbon technologies and solutions, and recover from climate change-fueled disasters.
- › Further analysis is required to determine the extent to which funding within projects is reaching the most vulnerable populations, and the funding mechanisms that are most suitable for impact and accessibility.

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Annex: Detailed Methodology and Study Limitations

This study used the Climate Fund Update (CFU) dataset. CFU data is public, and it is assembled receiving and gathering information from global Climate Funds (the list of funds are listed below). The full dataset is in English. The latest datasets available as of June 2024 and used in this research include project-level data for 3,428 projects approved for funding between 2003 and 2023, with a total amount of USD 33.4 billion in approved funding. All projects in this dataset were analysed for this research.

CFU Dataset Funds

- › Adaptation for Smallholder Agriculture Programme (ASAP)
- › Adaptation Fund (AF)
- › Amazon Fund
- › BioCarbon Fund Initiative for Sustainable Forest Landscapes
- › Central African Forest Initiative (CAFI)
- › Clean Technology Fund (CTF)
- › Congo Basin Forest Fund (CBFF)
- › Forest Carbon Partnership Facility
- › Forest Investment Program (FIP)
- › Global Climate Change Alliance (GCCA)
- › Global Energy Efficiency and Renewable Energy Fund (GEEREF)
- › Global Environment Facility
- › Green Climate Fund
- › Least Developed Countries Fund (LDCF)
- › MDG Achievement Fund
- › Partnership for Market Readiness
- › Pilot Program for Climate Resilience (PPCR)
- › Scaling Up Renewable Energy Program (SREP)
- › Special Climate Change Fund (SCCF)
- › UN-REDD Programme

The first step of the analysis was to identify projects that target cities. This was accomplished by conducting a search for keywords: "city," "cities," and "urban"; and by crossing the dataset with a list of 1,860 city names of urban agglomerations of 300,000 people or more provided by the United Nations World Urbanization Prospects. This was performed using the following columns in the CFU dataset:

- › Project Name
- › Summary
- › Keywords
- › Sub-sector

The results from Step One were refined by identifying and removing coincidences that were not referring to cities, but to places with the same name, including countries including Armenia and Djibouti, as well as provinces such as Herat and Buenos Aires, which house cities that are homonymous, but also encompass rural areas. Matches alluding to, for instance, the Paris Agreement and the Warsaw Framework, but that were not urban projects in the cities of Paris or Warsaw, were also excluded.

For the projects that target cities, as a second step, a search for keywords that refer to low-income communities was performed using the following columns of the dataset:

- › Project Name
- › Summary
- › Keywords

These keywords include "poor," "poverty," "low-income," "impoverished," "marginalized," "marginalised," "community," and "communities." This was complemented, particularly for those projects that did not have a summary in the CFU database, by reviewing the project documents, such as the funding proposal and/or project websites for the keywords and target populations. For GEF projects, it was also checked if the boxes on vulnerable people, communities, and regions were ticked.



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Study limitations

The approach taken to answering the research question has advantages, but also limitations. The study uses readily available public data from CFU, which is in a format that allows for data processing and analysis. The dataset also already consolidates information received and gathered by CFU from different sources, including the fund website, documents, and reporting. In addition, it has information for more than 3,000 projects approved for funding over two decades.

The CFU dataset is current for most, but not all, projects as of December 2023. It is possible that those approved in the last year are not completely up-to-date. Only 53 per cent of the projects have keywords or a summary. To address this issue, for the urban projects identified, project documents were reviewed and summaries added to review for keywords related to “poor.”

Even when this information is available, for some projects it may be insufficient to identify if they have a focus on urban areas or low-income communities. One of the challenges of conducting this study is that climate finance projects are not tagged by urban, poor, or urban poor. The CFU dataset is not designed to track projects targeting the urban poor specifically, but climate finance in general. It is also not constructed to systematically collect and integrate information on the project beneficiaries. Having a more accurate estimate of the climate finance intended for the urban poor would require a more thorough, in-depth examination of all project documents and websites, which was beyond the scope of this study.

Moreover, the study focuses only on the global climate funds, which account for a small fraction of both international public finance and total climate finance. The study does not disaggregate the volume of climate funds per specific component of a project intended for the urban poor, or finance that could potentially benefit the poor. It also does not examine whether the finance has reached or benefited the urban poor.

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