City Climate
Finance Gap Fund

COVID-19 Response: Building Healthy, Livable and Resilient Cities and Neighborhoods

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The purpose of the note is to provide background for cities on links between Gap Fund eligible activities and potential complementary COVID-19 response and recovery interventions. It also outlines a preliminary and suggestive list of activities that can be supported under the Gap Fund to facilitate the "greening" of responses by cities and governments and contribute to the long-term achievement of the Paris Agreement goals[1]. This note is organized as follows: (i) the need to align climate change mitigation and adaptation action with the response to the impacts of COVID-19; (ii) the provision of a menu of options that the Gap Fund can support during the medium- and long-term economic recovery phases; and (iii) the main areas in which climate interventions can deliver both climate and pandemic response benefits that contribute to job creation and sustainable growth and recovery.

The COVID-19 pandemic is threatening cities and neighborhoods across the globe in unprecedented proportions, impacting not only public health but also the economy and social fabric. Emerging lessons from COVID-19 reveal that poorly managed urbanization can contribute to the rapid spread of infectious diseases. The risk of transmission is likely to be exacerbated in slums and informal settlements where the limited availability of open public space offers less opportunity for social distancing and where people live in overcrowded conditions with poor ventilation and are under-served by basic public services, such as health care, clean water, drainage, street lighting, electricity, sewerage and waste management. These impacts are further compounded by more frequent and severe future shocks and extreme weather events due to climate change effects. In addition, there is evidence[2] suggesting that poor urban air quality through traffic, waste, energy and industry increases the risk of spreading the pandemic faster.

COVID-19 could mark a turning point in the progress on climate change. Governments have rightly focused its early efforts in strengthening the health sector and mitigating the economic impacts of COVID-19 to households and firms. But as countries gradually reopen their economies, there is a risk that focus on the pandemic will eclipse attention on climate change, which remains a threat to global sustainability. In fact, much of the economic stimulus funding to date is expected to flow into infrastructure sectors[3] that already contribute significantly to GHG emissions, air and water pollution and loss of biodiversity. Many countries also lack concrete policies to facilitate a transition in those sectors to a more low-carbon and resilient trajectory. As a result, current stimulus into those sectors risks reinforcing a lock-in of less efficient forms of economic activity and urban growth. Without a sustainable recovery, emissions will rise, slackened economic growth will deter private sector investment in clean technology, and the Paris goals will be nearly impossible to meet. Governments therefore have the opportunity and responsibility to steer their stimulus package to support green recovery ensuring that short-term emergency measures lead to a better, more resilient future. **The Gap Fund could contribute to ensuring that these choices will help cities recover from the pandemic while at the same time enhancing their climate resilience and retaining some of the benefits citizens have experienced from cleaner air and reduced pollution.**

[1] To limit global warming to 1.5° Celsius relative to preindustrial levels, global net annual emissions would need to fall by 45% from 2010 levels by 2030, reaching net zero around 2050.

[2] Preliminary research done in New York City, Lombardy in Italy and China's Wuhan province by Greenpeace in Italy, Harvard University in the United States, and Martin Luther University Halle-Wittenberg in Germany.

[3] This includes agriculture, industry and manufacturing, waste, energy and transportation.

The opportunity to enhance and transform urban infrastructure and service provision in a climate-smart way is critical for creating co-benefits for job creation, public health and overall well-being. Investments and policies that deliver economic and climate benefits in line with the goals of the Paris Agreement simultaneously can deliver value for money and have the most transformative impacts. Goals can link to support for: addressing long-standing sustainable infrastructure gaps; jumpstarting high-growth potential sectors or technologies; installation of energy-efficient technologies for cleaner air and water; preserving or restoring natural areas that provide ecosystem services; remediating pollution; access to local food supply chains including urban farming; or other traditional infrastructure to improve public health or other environmentally sound practices, such as non-motorized transport. Furthermore, addressing climate change in urban areas enhances competitiveness by attracting talent, business necessary for job creation and municipal revenue enhancement. Climate-smart infrastructure will be critical for creating attractive and livable cities that offer clean air, green spaces; well-managed waste services; and access to safe, resilient and green housing and comfortable commutes. Investing in resilience reduces costs to rebuild or repair; and low-carbon infrastructure planning and investments enhance energy efficiency and cost effectiveness, which can also help build resilience to financial shocks, for example.

The Gap Fund is well-placed to deploy a range of technical assistance and operational support both upstream and downstream to support cities' medium- to long-term recovery efforts across different sectors:

1. Support to strengthening planning and finance systems. Cities are on the frontline of combating COVID-19 in coordination with national, state and ministry actors. They play a key role in delivering critical infrastructure and services and providing support to communities and livelihoods. However, they currently face budgetary constraints due to a decline in municipal revenues and repurposing of intergovernmental transfers and are therefore reliant, now more than ever, on mobilizing external public and private funding. The Gap Fund can support cities' planning and finance systems, which are needed to inform the prioritization and integration of infrastructure investments. This includes: (i) climate-informed spatial and capital investment planning and investment prioritization; (ii) stakeholder engagement during plan development; (iii) in-depth climate analytics and methodologies to advise on linkages to local economy, urban growth, environment and public health; (iv) support to smart technology solutions and geospatial intelligence; and (v) support to policy and institutional reforms, such as priority transfers to local governments, structuring financial vehicles for private sector participation and developing guidelines for strengthening emergency preparedness and response.

2. Investment preparation. The Gap Fund is primarily designed to intervene during the early stages of an investment cycle, normally at identification and pre-feasibility. Investments supported by the Gap Fund will therefore likely require further feasibility work, detailed design, and appraisal for financing before they can be implemented. This allows for the potential to introduce Paris-compatible, climate-friendly design elements to pandemic-related response and recovery interventions. Some of the areas and types of investment where there are strong co-benefits between post-pandemic recovery and climate-smart pathways are summarized but not limited to the table below. Other interventions could qualify and meet these desired results:

THEME	INVESTMENT	PANDEMIC RESPONSE BENEFITS	CLIMATE BENEFITS
Urban resilience to external shocks	Multi-sector investments	Enhanced resilience to pandemics across multiple sectors	Climate adaptation, reduced vulnerability to climate risks
Sustainable urban development	Urban regeneration, slum upgrading, multipurpose public spaces, greening of urban areas	Opportunities for social distancing within the public space, economic recovery and job creation; improved hygiene and sanitation	Resource efficiency, climate adaptation
Air quality	Air quality investments in industry, housing, public transport, heating/cooling approaches	Correlation between COVID-19 and air quality impacting respiratory system, etc.	CO_2 reduction through increased efficiency
Waste management	Investments in recycling, circular economy, integrated waste management systems	Improved hygiene and sanitation; reduced risk of spreading from contamination; job creation	Resource efficiency, reduced emissions from incineration and landfills
Sustainable mobility	Public and non-motorized transport options	Improved sanitation, reduced overcrowding; job creation	CO_2 reductions
Water supply and waste management	Investments in water supply and sewerage	Improved sanitation and hygiene	Energy savings, water resource efficiency, reduced emissions, etc.
Affordable housing	Climate-smart (e.g. EDGE compliant) affordable housing	Able to reduce overcrowding, facilitate isolation, reduced spread	Energy efficiency, CO_2 savings
Last mile service delivery solutions	Impact investing and climate-smart industrial zones	Support post-crisis economic recovery through job creation	Decarbonization, reduced emissions, climate adaptation