



What is Project Preparation?

There is a great need for sustainable urban infrastructure that is resilient to climate change impacts. In 2017 and 2018, city climate finance averaged just USD 384 billion annually, a fraction of the estimated USD 4.5 to 5.4 trillion needed (CCFLA 2021b). Despite the urgency and growing investor appetite for low-carbon infrastructure investments, a lack of bankable projects limits increased investments from public and private financiers. Projects that reduce greenhouse gas emissions or adapt to climate change impacts have unique challenges that lead to a greater need to thorough preparation to attract financing (GPRBA 2018). Project Preparation is the process of defining, studying, refining, and developing an infrastructure project concept to the point that it becomes bankable, raising implementation financing from public or private sources.

A project is bankable, whether from public or private sources, when its risk-return profile meets investors' criteria. Key criteria include probability of success, sufficient estimated cash flows to cover costs and produce returns that meet investor expectations, and whether the project will be implemented by a creditworthy entity. Though the assessment of whether a project is bankable may differ between specific financiers, they all need confidence that the regulatory, environmental, social, and economic factors are unlikely to prevent the project from being completed (Rana 2017; GPRBA 2018). Bankability is influenced by project level, city level, and national level factors (Nassiry, Nakhlooda, and Barnard 2016).



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Enabling environments and capacity development are critical to cities' ability to prepare bankable projects but are not usually considered part of project preparation. A supportive enabling environment and well-developed capacity will make it easier to prepare bankable projects but will not guarantee bankability. Conversely, a project can be made bankable despite a poor enabling environment and weak capacity. Project preparation, enabling environment, and capacity development are all closely linked and positively reinforce each other, but address distinct roadblocks to project bankability and implementation, and have distinct support needs (World Bank 2021).

Project preparation primarily takes place in four stages: concept/design/scoping, pre-feasibility, feasibility, and structuring and transactions. Each stage addresses different impediments to bankability and builds on the previous stage. The activities within each stage will be different depending on the specifics of a project and enabling environment.

THE INFRASTRUCTURE PROJECT CYCLE: THE ROLE OF PROJECT PREPARATION FACILITIES



Project Preparation Facilities (PPFs) are formal platforms that assist cities by supporting activities in the Planning and Project Preparation stages of the project cycle with the goal of successfully connecting with project finance.

- 1. Concept/Design/Scoping:** The initial preparation phase involves developing the project concept, basic design, and scope. These can include activities such as identifying the highest priority projects from a climate action plan or identifying the corridor to be served by a public transport project.
- 2. Pre-feasibility:** Once the basic concept and scope are identified, a pre-feasibility study is done. A pre-feasibility study is an assessment, usually shorter than a feasibility study, that provides early technical considerations on the project's interventions, justifies why the project's interventions were chosen instead of other options, and provides a clear overview of the benefits and co-benefits. The pre-feasibility study should give confidence that the project should be assessed in more detail because there seems to be a credible business case and potential for implementation.
- 3. Feasibility:** If the pre-feasibility study supports developing the project further, and more detailed feasibility study will be done. Feasibility studies explore the technical details of the project interventions and prove that these can be implemented from a technical and economic standpoint. Required levels of detail for the feasibility study may vary depending on the funder, the project nature, and the project size.
- 4. Structuring and Transactions:** The final stage of project preparation encompasses the legal and financial structuring of the project. This project stage is when the prepared project executes the legal steps to secure financing and to procure construction and operation services and risk management processes and responsibilities are detailed (Beckers and Stegemann 2013). This stage includes the commercial and financial close.

Beyond the four stages of project preparation, urban planning/climate strategy preparation and enabling environment development are important to preparing bankable projects, as is post-implementation monitoring evaluation (CCFLA 2021).

FURTHER RESOURCES

The Alliance and its members have developed a wide range of resources in project preparation. The Alliance's [Project Preparation Action Group Resources](#) page has links to relevant reports and publications. The Alliance has also developed a [Project Preparation Glossary](#), defining key terms and concepts used in project preparation.

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