

# 2020

*GUIDE FOR THE ELABORATION*  
**OF BANKABLE  
CLIMATE ACTION  
PROJECTS**

**Experiences and lessons**  
from the LEDES Lab 2020 climate financing laboratory

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# GUIDE FOR THE ELABORATION OF BANKABLE CLIMATE ACTION PROJECTS

## CONTEXT

Currently, we live in a **climate crisis** resulting from changes in atmospheric conditions and that has serious consequences for life on Earth. Such climate changes were already occurring as a result of natural causes – such as variations in solar radiation and in the Earth’s orbital movements. However, in the period in which we live, these changes occur very quickly and without precedent, as a result of human activities, particularly those linked to the emission of greenhouse gases (GHG), such as the consumption of fossil fuels and activities related to farming.

**Mitigation and adaptation** actions must be planned in a sustainable, scalable and replicable way to overcome the challenges posed by climate change. Thus, the participation of national and local governments – these as important strategic actors – is essential to enhance engagement in the public and private spheres, in addition to the population.

In this sense, the Urban-LEDS II project was developed “Accelerating Climate Action through Promoting Low Emissions Urban Development Strategies”, which has as its main objective to make low-emission development strategies a fundamental part of urban policy and planning in cities.

Urban-LEDS II, financed by the European Commission and implemented by ICLEI - Local Governments for Sustainability in partnership with UN-Habitat, is being implemented in eight countries (South Africa,

Bangladesh, Brazil, Colombia, India, Indonesia, Laos and Rwanda). In South America, it is being implemented in seven local governments in Colombia and in eight cities in Brazil.

One of the components of **Urban-LEDS II** is the LEDS Lab, a laboratory for financing climate projects, launched in 2019. It aims to improve the installed capacity in city halls for the elaboration of bankable projects, considering aspects of mitigation and adaptation to climate change.

## THIS GUIDE

This material presents the main recommendations and experiences arising from the preparation and development of the pilot version of the LEDS Lab in the Brazilian cities of Recife and Belo Horizonte, as well as in the Colombian cities of Envigado and Tópaga.

The guide is based on the **GreenClimateCities (GCC) methodology**, developed and tested by ICLEI. It was structured to support local governments to address the challenges and opportunities of urban growth, promoting sustainable development and a low-carbon, climate-resilient economy.

The roadmap proposed here focuses on the steps: Detailing and Funding Projects and Implementing and

Monitoring, both contained in the Act phase of the GCC methodology, presented in Figure 1:

**“Accelerating Climate Action through Promoting Low Emissions Urban Development Strategies”**

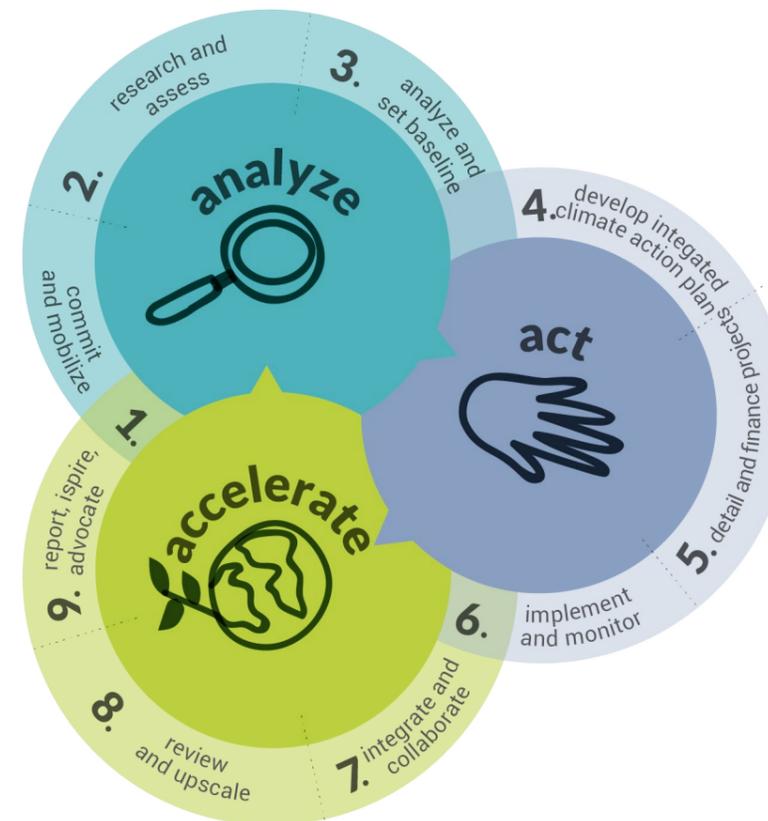


Figure 1. Details of the phases and steps of the ICLEI GreenClimateCities methodology  
Source: ICLEI, 2016.

## GUIDE OBJECTIVES

- PROVIDE CONTENT AND TOOLS TO MOTIVATE AND GUIDE LOCAL GOVERNMENTS IN **IMPROVING THEIR INTERNAL PROCESSES FOR DEFINING AND STRUCTURING BANKABLE PROJECTS THAT MEET CLIMATE CRITERIA** TO PROMOTE LOW-CARBON, CLIMATE-RESILIENT DEVELOPMENT;
- **DEVELOP CAPACITIES FOR IDENTIFYING AND EVALUATING TECHNICALLY VIABLE PROJECT PROPOSALS AND IDEAS**, CAPABLE OF ACCESSING FINANCING AND ALIGNED WITH THE CONCEPTS OF SUSTAINABILITY, MITIGATION AND ADAPTATION TO CLIMATE CHANGE;
- PROVIDE INFORMATION ON THE **REQUIREMENTS FOR TECHNICAL AND FINANCIAL STRUCTURING OF PROJECTS IN THE PRE-INVESTMENT PHASE.**

## TARGET AUDIENCE

This material is dedicated to **local government managers and technicians**, as well as **professionals interested in bankable climate action projects.**

# HOW TO USE THIS GUIDE AND WHICH CLIMATE ACTION PROJECTS DOES IT APPLY TO?



Generally speaking, climate funding refers to the execution of projects and actions that aim to reduce the causes or effects of the climate crisis:

- **MITIGATION:** ACTIONS TO REDUCE GREENHOUSE GAS (GHG) EMISSIONS, CREATING STRATEGIES AND IMPLEMENTING CHANGES IN HUMAN ACTIVITIES TO AVOID EMISSIONS AND THEIR IMPACTS ON THE TERRITORY.
- **ADAPTATION:** ACTIONS TO ADAPT THE TERRITORY TO THE EFFECTS OF THE CLIMATE CRISIS AND EXPLORE POSSIBLE BENEFICIAL OPPORTUNITIES, CREATING STRATEGIES TO RESPOND TO CLIMATE CHANGE. ADAPTATION ACTIONS COMPLEMENT MITIGATION ACTIONS.

Support Resources and References:

ICLEI; Sustainable Cities Program, 2016: Local Climate Action Guide. São Paulo, Brazil (Portuguese).

Mitigation projects, for example, are associated with a better offer of mass public transport and use of cleaner energy, reduction of GHG emissions associated with solid waste management, better basic sanitation infrastructure, use of renewable energy and energy efficiency programs, efficient architectural systems, afforestation, resource saving education programs with financial incentives, among others.

At the same time, there are also adaptation efforts and projects, which are generally related to conservation, improvement and expansion of natural areas in cities and surroundings, reuse and conservation of water resources, implementation of alternative energy solutions, promotion of urban agriculture and green roofs, flood and landslide protection, disaster risk management etc.



The methodologies and tools presented in this guide are applied to projects related to **climate crisis mitigation and adaptation**. Mitigation actions are not mutually exclusive with adaptation actions, and a project can generate impacts in both respects.

The examples presented throughout the steps of this guide are based on the experience gained in designing bankable climate action projects in the **Energy** sector, but the methodology presented can be applied to different sectors and project sizes, as exemplified above.

## HOW TO USE THIS GUIDE?

This document presents a suggested roadmap to increase the likelihood of success in developing projects and obtaining short-term financing. 11 complementary steps that do not necessarily need to be performed in sequence are proposed (Figure 2). It's like a hopscotch game with multiple jump paths.

Any user can follow this route from the specific stage that best represents their planning, budget and political context, advancing to the other stages and completing the entire route.

The following chapters present some necessary considerations for the application of this guide. On the one

hand, they define what kind of projects are the object of this step-by-step, define minimum requirements for monitoring and present the phases of elaboration of a project. In addition, the following chapters discuss the importance of preparing bankable projects and establish the guidelines that guide the steps presented here, that is, the main aspects covered by this Guide. Next, the eleven steps used in the LEDS Lab project to lead action ideas to a developed project capable of accessing funding are presented in detail. At the end, recommendations and best practices are provided for the continuity, implementation and monitoring of projects, as well as a glossary with the main terms used in this document.

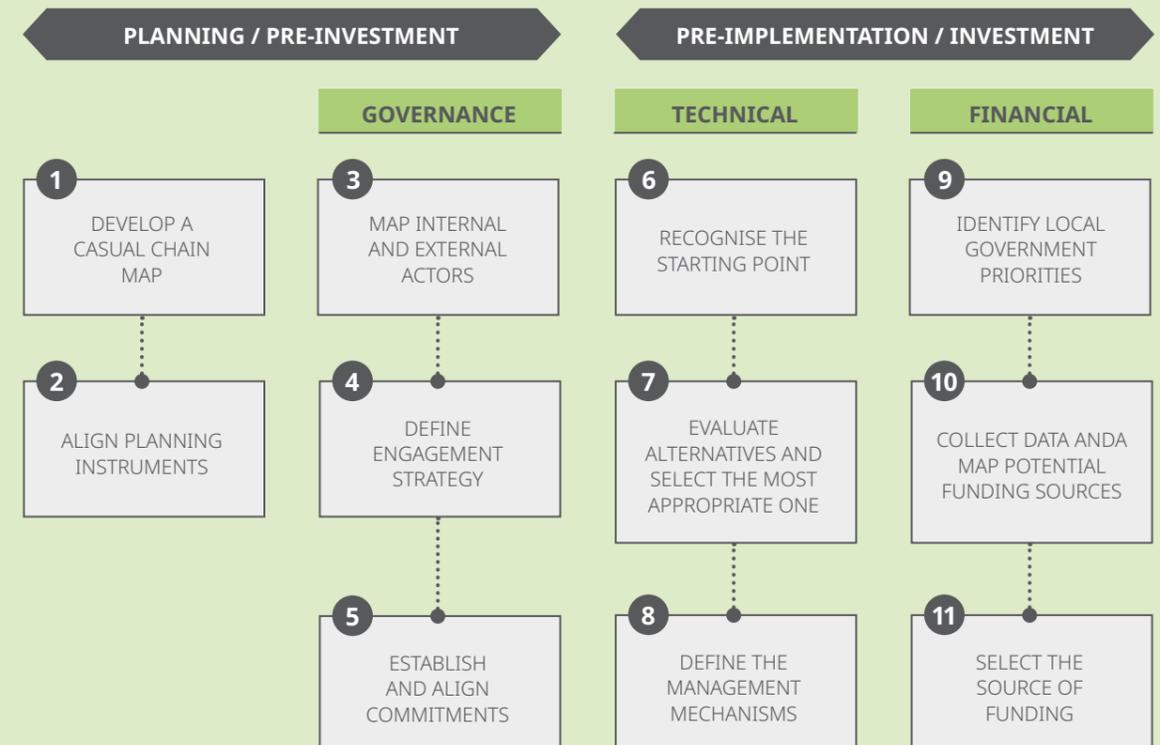


Figure 2. Guide structure. Source: Authors own elaboration.

# MINIMUM REQUIREMENTS FOR THE DEVELOPMENT OF A PROJECT

## PROJECT ELABORATION PHASES

The time taken to prepare a climate project depends on its technical, financial and institutional complexity. To identify the size of the effort, **the minimum requirements for technical and financial structuring of the project during the pre-investment phase** will be presented, which is the focus of this guide.

To carry out a project it is necessary to go through the stages of pre-investment, investment, operation and ex post evaluation. In Figure 3 A schematic representation of these phases is presented, focusing on the pre-investment stage. This stage consists of the development of all the analyzes and studies necessary to define the project and identify the best solution alternative, through the technical, legal, environmental, economic

and social evaluation of the **various investment options** considered.

As you progress through the stages, technical and financial uncertainties become smaller, reduced as project development progresses.

Therefore, the **progress status of local climate action ideas or projects must be identified**, based on Figure 3. For projects in the pre-investment phase, the steps in this guide will provide practical guidance to successfully advance to the investment phase and support project implementation and the necessary requirements to enable measurement, verification and reporting expected impacts.

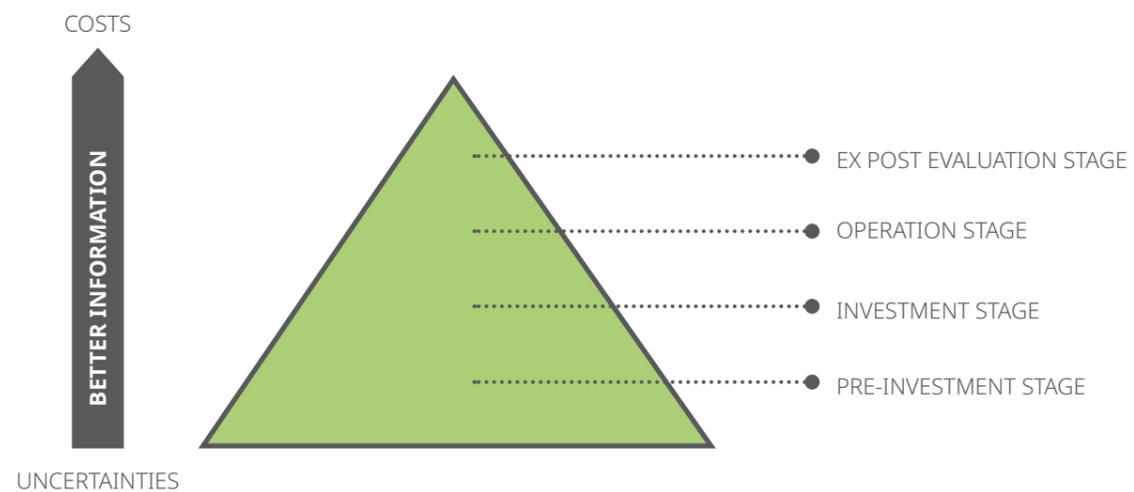


Figure 3. Uncertainty and Cost during the stages of a project  
Source: Adapted from DNP, 2019.

# ARTICULATION INSTRUMENTS

## IMPORTANCE OF CARRYING OUT PROJECTS

Climate adaptation and mitigation projects are initiatives that seek to reduce greenhouse gas emissions to avoid or reduce the impacts of climate change, exploring possible opportunities. These projects are articulated with other instances of government strategic planning: programs, public policies and plans.

Programs are documents that indicate a set of projects whose results allow reaching the main objective

of a public policy – a set of government actions and decisions, aimed at solving society's problems. These tools are found in a larger universe: the plan, a more comprehensive document, which contains studies, situational analysis and diagnoses necessary to identify the themes to be addressed, the necessary programs and projects, the objectives, strategies and goals of a government or government agency. Figure 4 illustrates a representation of project articulation instruments:



Figure 4. Representation of project articulation instruments  
Source: Authors own elaboration.

For this, the financing of climate action projects and the actions proposed in this roadmap are key to the effective implementation of these efforts. In general terms, the financing stage is fundamental to **transforming policies into reality through projects**. Complementarily, building engagement with different

actors in the public sector, energy and climate financing enables the exchange of experiences and lessons learned, building trust and creating strong community buy-in. This strong stakeholder relationship allows for the continuity of projects and policies during leadership transitions.

# WHERE TO START FROM?

## MAIN GUIDELINES FOR FINANCING CLIMATE PROJECTS

The financing of a climate change mitigation or adaptation project depends on three main guidelines that must be taken into account:



### 1. Understanding the institutional structure: project governance and public policy guidelines for managing the climate crisis.

- Institutional for project management: the climate crisis is a cross-cutting theme for different sectors. At national and local levels, there is an inter-institutional coordination framework for climate change management.
- Project governance: recognizing that there are multiple actors and the relationship between them – territorial and national entities, industry, unions, academia, development banks, commercial banks, cooperation agencies, investors, regulatory bodies, community, etc.



### 2. Align the project with national, state and municipal priorities, needs and objectives.

The actions proposed for financing must respond to the guidelines of public policies on climate change at national, state and municipal levels. Thus, they must demonstrate that they meet the needs identified at these different levels of government and that they contribute to national and local commitments and goals. The importance of the country's Nationally Determined Contributions (NDC) and strategic or local development plans as guiding documents for the proposed projects is highlighted.

As projects comply with this alignment, it will be much easier to get government approval for their implementation.



### 3. Ensure financial resources to make the project viable.

Access to resources from each source has specific conditions, which must be mapped and analyzed according to their adherence to the project and local government priorities. It is worth noting that some financial institutions may prioritize the financing of projects that have specific criteria, such as:

- Ex-ante estimates of impacts (reduction of GHG emissions in the case of mitigation projects, reduction of vulnerability and beneficiary population in the case of adaptation projects);
- Definition of a mechanism to monitor project impacts (M&A in the case of adaptation projects and MRV in the case of mitigation projects);
- Demonstration of gender and diversity approaches;
- Analysis of environmental, social, cultural, economic risks that may affect project implementation.

The steps described in this material are intended to implement these guidelines into practical guidelines that, when followed, enable the creation of robust projects with greater chances of accessing financing. Gradually, the eleven steps take an initial project idea into a pre-financing structure.

# 1 DEVELOP A CAUSAL CHAIN MAP

## WHAT MIGHT BE THE IMPACT OF THE CLIMATE INVESTMENT IDEA?

A good climate action project structuring requires a clear understanding of public policy objectives in social, economic and environmental matters. Agendas such as the Paris Agreement, the Sustainable Development Goals (SDGs) and the Pact of Mayors for Climate and Energy (GCoM) are some of the main international agreements that serve as a basis for national governments to propose their roadmaps and plans. These must be converted into concrete and measurable actions at the local level.

*The causal chain is responsible for linking and aligning the macro-existing objective in climate action policies and plans to the projects to be implemented.*

Thus, a causal chain map is recommended as a good first step in defining a viable, bankable, and monitorable project. A causal chain is a conceptual diagram that orders events in such a way as to show that they occur sequentially, one chained to the other. From the identification of a problem and the definition of actions to respond to it, this tool will help to understand how changes in behavior, practices or technological adoptions are connected by cause and effect relationships to the desired impacts of the proposed action.

Likewise, it is possible to identify which benefits of a different nature can be generated with the project, as well as potential negative impacts and risks associated with intermediary effects. In short, the causal chain is responsible for linking and aligning the macro-existing objective in climate action policies and plans to the projects to be implemented. The tool also exposes the intermediate effects of projects.

The main questions to be answered for the development of your causal chain are:

- WHAT ARE THE POTENTIAL EFFECTS CAUSED BY CLIMATE CHANGE MITIGATION AND/OR ADAPTATION MEASURES?
- WHAT ARE THE INTERMEDIATE AND FINAL EFFECTS OF THE PROJECT?
- WHAT ARE THE FORESEEABLE CONSEQUENCES OF SUCH CHANGES IN BEHAVIOR?
- WHAT ARE OTHER SUSTAINABLE DEVELOPMENT BENEFITS NOT RELATED TO GHG EMISSIONS?
- WHAT WILL BE THE CHANGES IN BEHAVIOR OR PRACTICES IN THE TARGET GROUP?
- WHO WILL BE AFFECTED BY THE PROJECT?



With the project's intermediate and final impacts assessed, **mitigation or adaptation objectives** can be defined. It will also be possible to identify the public policy framework within which your climate financing project can be framed. Examples: Climate Change Policy, Priority Lines in the NDC, Priority Lines in the Comprehensive Climate Change Management Plans of the region where the project is executed, National Development Plan and/or Local Development Plans.

Likewise, the construction of the causal chain will allow the **initial identification of the actors and groups of actors that will be affected by the project**, as well as the boundary conditions for its implementation.

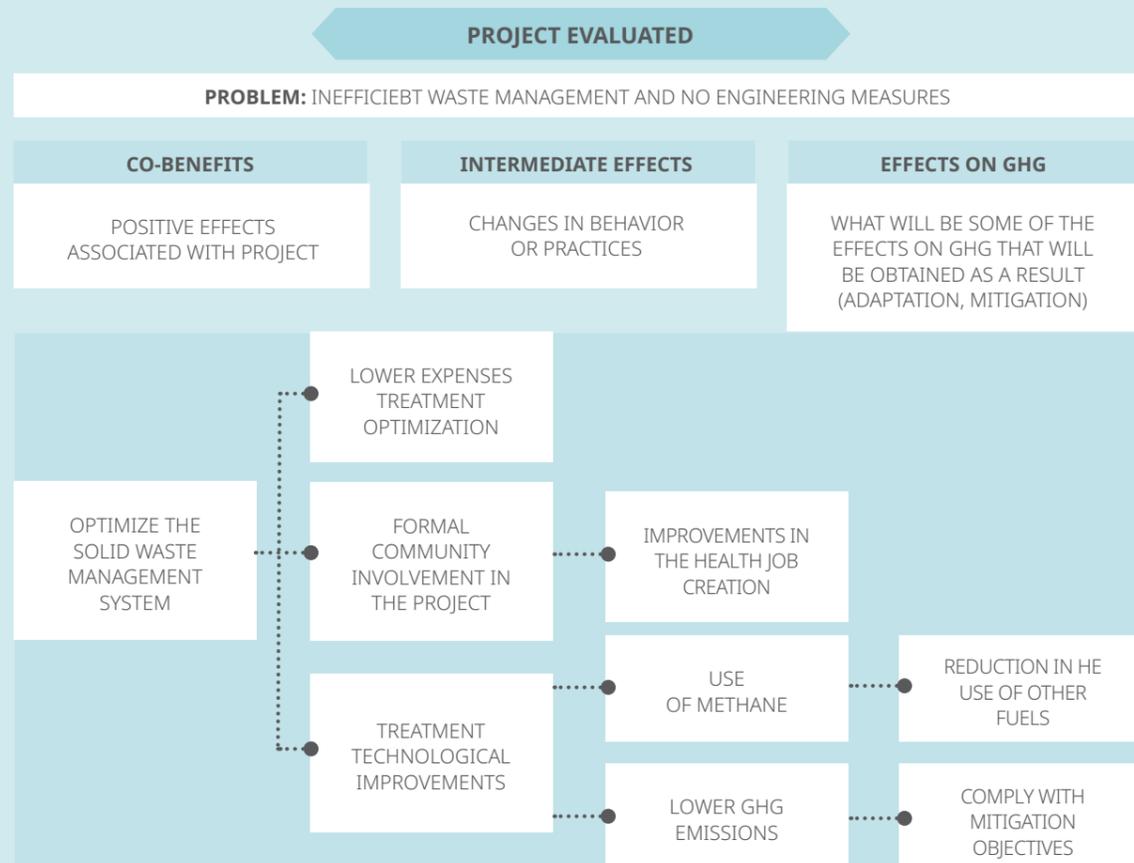


Figure 5. Example of causal chain. Source: Authors own elaboration

*At the end of this first step, a first map of the project's direct and indirect impacts will be obtained.*

# 2 / ALIGN PLANNING INSTRUMENTS

## WHAT POLICIES, PROGRAMS AND PLANS ARE RELATED TO AND SUPPORT THE CLIMATE ACTION BROUGHT ABOUT BY THE PROJECT?

Part of the effectiveness of public action depends on the alignment between the different planning instruments: policies, laws, regulations, programs, plans and projects, explained at the beginning of the guide. In this sense, it is extremely important to identify the **main planning instruments** that form the regulatory framework in which the project is inserted, as also recommended by the GCC methodology in its Substep 2.1 - *Assess the governmental context: "Identification of external social, economic, social, political and environmental conditions that can influence the LED process"*.

The signatory countries of the Paris Agreement must submit their Nationally Determined Contributions (NDC) to strengthen climate mitigation and adaptation measures. The action of local governments is essential for countries to achieve their NDC.

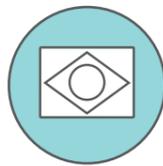
At the municipal level, governments establish instruments such as **Local Climate Action Plans, Target**

**Plans, Master Plans and Environmental Sustainability Plans**, which establish priorities linked to urban development and environmental protection, among other objectives aligned with the SDGs. Furthermore, there are specific plans and regulations for the different sectors of climate action, such as energy, sanitation and mobility. It is noteworthy that, for the search for financing, the project's alignment with these instruments endorses its importance.

Below are examples of policies in Brazil and Colombia. To identify local regulations on how your municipality or country encourages the carrying out of climate action projects, searches can be carried out with keywords in the Official Press (Official Gazette of the Union, States and Municipalities), on the online portals of the Chambers and Legislative Assemblies, Ministries, Secretariats and Departments related to the project, as well as other guides and reference materials.

### WHAT IS THE GCC METHODOLOGY?

The GCC methodology is a nine-step process that provides access to tools, instruments, best practices and support for process management, supporting local communities that are at the forefront, addressing the challenges and opportunities of urban growth, exploring their economy and green infrastructure and pursuing a low-carbon development trajectory.



## EXAMPLES OF POLICIES IN BRAZIL

*Climate Change Planning Instruments*

**National Policy on Climate Change – PNMC, Law 12187 of 2009:** defines the voluntary national commitment to reduce projected emissions by 2020.

**Nationally Determined Contribution - NDC:** commitment to reduce, in 2025, GHG emissions by 37% and, in 2030, the indication to reduce by 43%, with the year 2005 as a reference.

### EXAMPLE OF MAPPING OF PLANNING INSTRUMENTS IN THE ENERGY SECTOR (SHOULD BE SUITABLE FOR EACH TYPE OF PROJECT DONE):

**Energy Efficiency Law (10,295/2001):** establishes minimum energy efficiency rates for equipment sold in Brazil and in buildings, to be carried out based on specific regulations.

**National Electric Energy Conservation Program (PROCEL):** instituted in 1985, it directs resources to be invested in projects that carry out investments in studies, training and energy efficiency programs;

**National Program for the Rationalization of the Use of Petroleum and Natural Gas Derivatives (CONPET):** created in 1991, its main objective is to encourage the rational use of fuels in sectors such as residences, commerce, industry, transport and agriculture;

**Energy Efficiency Program (PEE/ANEEL):** created under Law 9,991/2,000 and conducted by the National Electric Energy Agency (ANEEL), the PEE establishes a percentage allocation of the Net Operating Revenue (NOR) of the electricity distribution activity in the country, for investments in research and development (R&D) in energy efficiency.

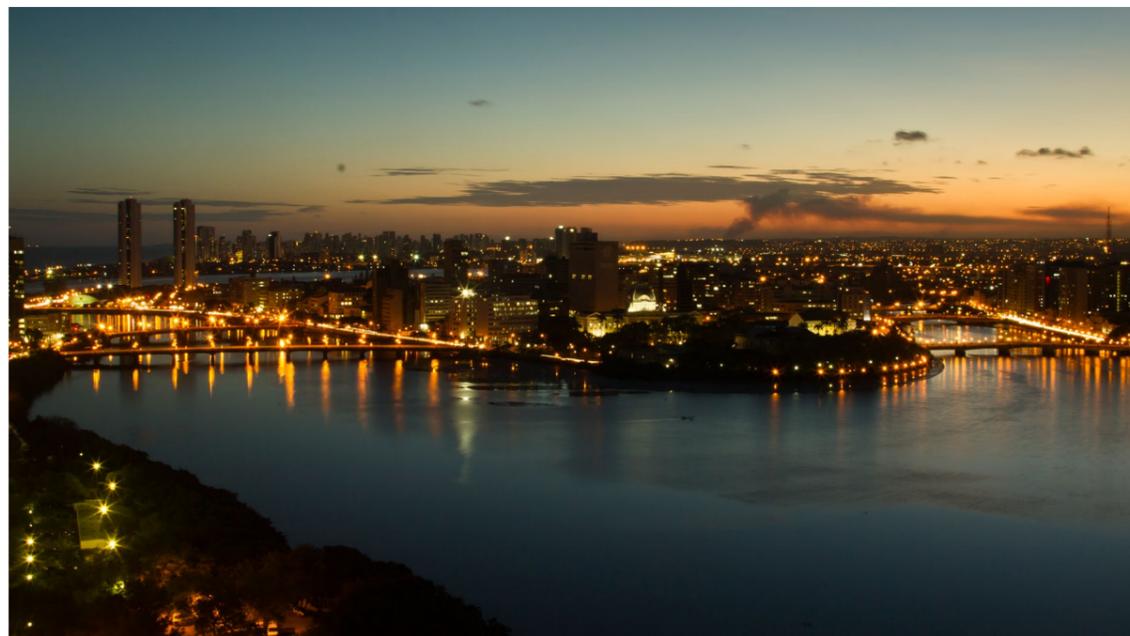


Photo taken by Andrea Rego Barros



## EXAMPLES OF POLICIES IN COLOMBIA

*Climate Change Planning Instruments*

**National Climate Change Policy:** organizes climate change management to influence the most relevant public and private decisions that define the country's development path, in order to integrate GHG adaptation and mitigation considerations into these decisions.

**Law 1931 of 2018:** establishes guidelines for the management of climate change in the decisions of public and private persons.

**Colombia's Low Carbon Development Strategy (ECDBC):** seeks to decouple national economic growth from the growth of GHG emissions, maximizing the carbon efficiency of the country's economic activity and contributing to social and economic development.

### EXAMPLE OF MAPPING OF PLANNING INSTRUMENTS IN THE ENERGY SECTOR (SHOULD BE SUITABLE FOR EACH TYPE OF PROJECT DONE):

**Law 1715 of 2014:** promotes the development and use of Non-Conventional Energy Sources.

**Decree 348 of 2017:** establishes public policy guidelines on efficient energy management and small-scale self-generation surplus delivery.

**Resolution CREG 030 of 2018:** regulates operational and commercial aspects to allow the integration of small-scale self-generation activities and distributed generation in the National Interconnected System.

**UPME Resolution 196 of 2020:** establishes the requirements and procedures by which UPME will assess applications and issue certificates that allow access to tax benefits of income tax discount, income deduction and VAT exclusion for those who develop efficient management projects in energy terms.



## EXAMPLES OF MUNICIPAL LEGAL INSTRUMENTS

**Master Plan:** main instrument for territorial planning of a municipality, relating to different instruments that govern specific elements of the urban fabric, presenting the path towards which urban development efforts are directed.

**Constructions and Buildings Code:** guidelines governing individual constructions. It presents technical standards for the execution of various types of constructions, as well as defines the procedures for approval of projects and licenses for carrying out constructions.

*By the end of step 2, you will have identified key local policies, programmes, plans and projects, and mapped out how they relate to each other and to your project. You will possibly have identified needs for regulatory change and new actors related to the project.*

## PLANNING / PRE-INVESTMENT

## GOVERNANCE

# 3 / MAP INTERNAL AND EXTERNAL ACTORS

## WHICH ACTORS ARE RELATED TO THE CLIMATE ACTION PROJECT? HOW CAN THEY CONTRIBUTE OR BENEFIT?

For the project to be successful, the articulation and participation of all interested parties is necessary, ensuring successful implementation and continuity of actions. Stakeholders are all those who influence or can influence the project and its beneficiaries. The creation of a multi-sector working group for climate action is considered a good practice of local public management and is an integral part of the GCC methodology in its step 1 - Commit and Mobilize (see Figure 1).

**Stakeholders are all those who influence or can influence the project and its beneficiaries.**

All project stakeholders can be listed in the **Internal and External Actor Identification Tool** by filling in the actor, sector and possible responsibilities fields. In this mapping, gender inclusion and diversity are important aspects to be considered.

### Local Work Group

It is recommended to form a team capable of leading the processes in the elaboration of your project, commonly called the Work Group (WG). The group is a multidisciplinary team that brings together several secretariats, which manages the implementation of the project (or several projects) from beginning to end, and which can be formalized through the publication of decrees that regulate the allocation of public servants. It is important to define a responsible person (or responsible department/secretariat) to lead the committee. Thus, the group will have a focal point of the process, responsible for facilitating the integration between the different secretariats and departments and guaranteeing the efficiency and speed of the processes necessary for the elaboration of the project.

There are also external actors who can and should make up the governance structure of your project. In climate mitigation and adaptation projects, one can mention water and energy concessionaires, civil society institutions, financial institutions, universities and teaching centers, private companies, the beneficiaries themselves and the local community, among others.

Communication and integration among the members of the Work Group is a very relevant factor in the project's success, both with internal and external government stakeholders. Therefore, it is recommended that you establish a frequency for your meetings and official communication channels. Clear and frequent communication allows continuous identification of opportunities for collaboration on projects of interest to the city.



## EXAMPLES OF INTERNAL ACTORS

**Mayor or Governor's Office:** formally approve and support the project, in addition to promoting it publicly.

**General coordination of the WG:** ensuring integration and articulation between the Secretariats, in addition to the participation of other stakeholders.

**City Council:** propose and approve projects within the city's work schedule.

**Public Works Secretariat:** plan the operational aspects of project implementation.

**Heritage, Purchasing and Logistics Department:** provide available information about the buildings participating in the project, in addition to facilitating access to the data needed for project calculations.

**Environment Secretariat:** promote transversal action, ensuring alignment of the project with the municipality's environmental, sustainability or climate change mitigation and adaptation policies.

**Demanding Department:** Health Secretariat, if in hospitals, clinics, UPAs etc.; Education Secretariat, if in schools; or other secretariats: leadership position and autonomy, participating in all stages of the project design and implementation process.



## EXAMPLES OF EXTERNAL ACTORS

**Universities and Teaching Centers**

**Civil Society Institutions**

**Local community**

**Multilateral or development banks, and development funds or sustainable investment funds,** whose objectives include not only generating returns, but also environmental and/or social benefits. Examples: BID, AFD, BNDES (Brazil).

**Public or private commercial banks,** whose purpose is associated with generating profitability. Examples: CAIXA (Brazil), Banco do Brasil, Itaú (Brazil).

**ESCOs (Energy Service Companies), concessionaires and private companies,** with interest and/or availability of capital to invest and generate profitability. Examples: Green Yellow, CEMIG (Brazil), CELPE (Brazil), NewSun (Brazil).

*At the end of this step, all actors and stakeholders who can contribute to, benefit from or be affected by the project will be listed.*

*Support Resources and References:*

*Internal and External Actor Identification Tool*

*Key elements for including gender equality in climate policy, PNUD (in Spanish)*

PLANNING / PRE-INVESTMENT  
GOVERNANCE

# 4 / DEFINE ENGAGEMENT STRATEGY

## WHICH ACTORS ARE PRIORITY FOR THE DEVELOPMENT OF THE PROJECT?

After identifying the different groups of actors necessary for the project's success, which ones have **priority for involvement and engagement must be defined.**

At this stage, the completion of the *Internal and External Actor Identification Tool*, ranking the actors identified in step 3 according to power (P) and interest (I) in the project, on a scale of 1 – low, 2 – moderate, 3 – high, and obtaining their qualification.

It is important to highlight that this assessment is internal to the Local Work Group and must be carried out periodically by the WG, as projects are very dynamic and the participation of internal and external actors may change during the timetable. Table 1 shows an example of the tool completion.

ACTOR	SECTOR	RESPONSIBILITIES	POWER (P)	INTEREST (I)	QUALIFICATION (P X I)	
Contact 1	Mayor's office	Approval and formal support for the project.	3	3	9	High
Contact 2	Management, Civil House, Government	General coordination of the Working Group. Integration and articulation between Secretariats. Communication focal point with external technical assistance (if any). Ensuring and maintaining the engagement of the Mayor and other key stakeholders for the project's success.	-	-	-	-
Contact 3	Public Services Secretariat	Information on the project's impacts on the municipality's public services. Information about potential technical and legal challenges. Planning operational aspects of project implementation. If the project is carried out, in whole or in part, by an internal team of the City Hall, train and make available professionals to carry out the work.	-	-	-	-
Contacto 4	Public Works Secretariat	Provision of financial resources for project implementation.	1	3	3	Moderate



ACTOR	SECTOR	RESPONSIBILITIES	POWER	INTEREST (I)	QUALIFICATION (P X I)	
Contact 5	National financial institution	Installation of bidirectional meters.	-	-	-	-
Contact 6	ESCO 1	Project implementation.	1	3	3	Moderate
Contact 7	ESCO 2	Project implementation.	1	3	3	Moderate

Table 1. Example of filled form  
Source: Authors own elaboration.

*Support Resources and References:*  
Internal and External Actor Identification Tool

With the identification and prioritization of actors, they can be placed in different categories, which correspond to different **engagement strategies, within a project's communication plan.** For actors with high prioritization, they can, for example, be integrated into the Work Group and establish a constant alignment to monitor the project's progress. For actors with an intermediate rating, periodic meetings can be established to update the project's progress, and for those not directly involved in the project at the time of analysis, it is recommended to keep them on the radar for possible future collaboration.

It is also recommended to hold meetings with each of the actors classified as high priority for a brief presentation of the initiative and invitation to participate in the WG.

*At the end of this step, you will have defined an engagement strategy and a communication plan to keep all stakeholders attentive and aligned with the project's development.*

## PLANNING / PRE-INVESTMENT

## GOVERNANCE

# 5 / ESTABLISH COMMITMENTS

## HOW AND WHEN WILL EACH ACTOR ACT AND CONTRIBUTE TO THE DEVELOPMENT OF THE PROJECT?

The Work Group should establish and coordinate clear objectives so that all group members and high priority stakeholders have clear answers to the following questions:

- WHAT IS THE MAIN OBJECTIVE OF THE PROJECT?
- WHAT ARE YOUR ENVIRONMENTAL, SOCIAL, FINANCIAL, EDUCATIONAL AND/OR POLITICAL MOTIVATIONS?
- WHAT IMPACTS ARE ANTICIPATED?

A key step in ensuring the active engagement of each member of the governance structure is to understand what their needs and expectations are. Through meetings, the project can be presented to stakeholders, and an action plan with **deadlines and responsibilities assigned to the actors involved** can be agreed upon.



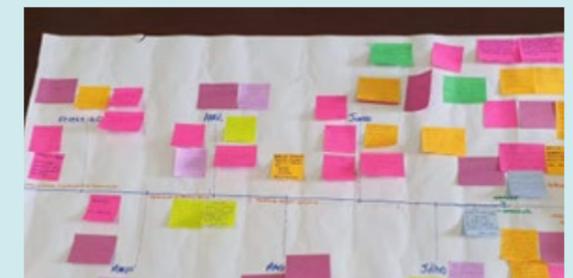
For the initial meeting with the Work Group, the following agenda is suggested:

1. **Presentation of participants**, in order to understand the area of expertise of each one;
2. **Presentation of the project scope and work plan**;
3. **Schedule of project activities and implementation**;
4. **Dynamics to identify potential actors' contributions**, with the aim of promoting each participant's reflection on how they, as well as their team and sector, can contribute to the project development process. Each participant can write their suggestions for contributions on a timeline, with the aim of clearly identifying which phase of the project each contribution is integrating into. As such, it is possible for changes to occur in the initial work plan and schedule.

After this dynamic, all the commitments that each actor assumed can be registered in a document. An example of the organization of the commitments is presented in Table 2 below.

ORGANIZATION (INTERNAL AND EXTERNAL ACTORS)	CONTRIBUTION	PROJECT STAGE ACCORDING TO SCHEDULE	DEADLINE

Table 2. Model table for filling in contributions.  
Source: Authors own elaboration



Figures 6 and 7. Flavia Bellaguarda, ICLEI Climate Change Advisor, presenting the LEDS Lab timeline used for the dynamic "How can I contribute to the LEDS Lab?". Belo Horizonte, February 2020.  
Photo taken by Vladimir Faria.

It is very important to discuss **goals, follow-up strategies, frequency of meetings and moments of discussion with the WG**, as well as the important milestones of the project that will need approval from the group and other actors. These definitions are essential to create a sense of belonging and commitment among the members of the Group. The WG focal point will lead the process and ensure the sharing of information with other participants.

*At the end of step 5, you will have established commitments with the actors relevant to the project, through the preparation of a document presenting the potential contribution of those involved.*

PRE-IMPLEMENTATION / INVESTMENT

TECHNICAL

# 6 / RECOGNIZE THE STARTING POINT

## WHAT ARE THE INITIAL CONDITIONS FOR CARRYING OUT THE PROJECT?

It is a priority to understand the conditions of the territories where climate action will be concentrated. This step refers to a project baseline survey. A baseline essentially presents the current scenario: how it is, how it works and who are the actors affected. This allows you to compare and track the project's evolution over time and verify that objectives have been met. Without this initial information, subsequent evaluations lose weight and reliability.

Some questions that can be asked: where is the project located, what is the state of the sector addressed, how does it relate to the local flora or fauna, which communities will be affected and how, what are the positive and

negative impacts on the environment (energy demand, use of fossil fuels, greenhouse gas emissions, pollution, services provided, etc.). The analysis should include a characterization of the problem and how the situation is affecting your city and its citizens; the infrastructure challenges; the impacts in terms of emissions or pollution; the situations of vulnerability or empowerment that are generated for the different groups affected.

Figure 8 shows a typical example of planning an energy diagnosis that can be easily adapted to other needs and sectors. Setting deadlines and resources for these diagnostic activities is critical.

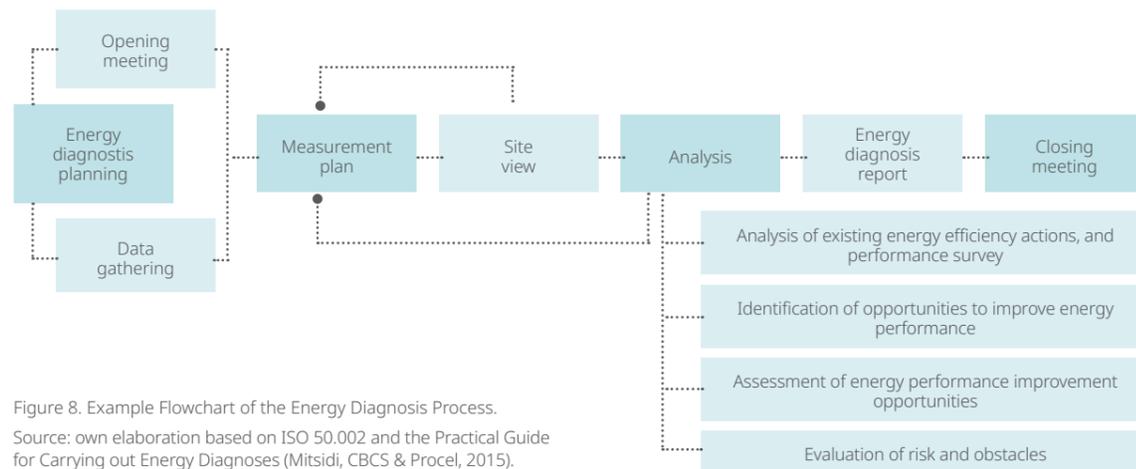


Figure 8. Example Flowchart of the Energy Diagnosis Process.  
Source: own elaboration based on ISO 50.002 and the Practical Guide for Carrying out Energy Diagnoses (Mitsidi, CBCS & Procel, 2015).

While this mapping of the current situation is developed, it is possible to generate alternative solutions and consider the different projects that could satisfy one

or more of the challenges identified in the diagnosis. These alternatives will be analyzed and weighed in the next step.

*Finally, there will be a clear diagnosis and understanding of the variables and factors that interact and are related to the current situation (baseline).*

PRE-IMPLEMENTATION / INVESTMENT

TECHNICAL

# 7 / EVALUATE ALTERNATIVES AND SELECT THE MOST APPROPRIATE

## WHICH ALTERNATIVE BEST FITS THE PROJECT SCOPE? WHAT ARE THE DETAILS OF THE SELECTED ALTERNATIVE?

At this stage, a range of intervention options should be raised, in order to prioritize those that best meet the identified needs and that best achieve the impacts intended by the causal chain elaborated. For this, it is essential:

- IDENTIFICATION OF TECHNICAL REQUIREMENTS FOR EACH WORKAROUND.
- MAPPING RISKS, THEIR MANAGEMENT NEEDS AND MITIGATION STRATEGIES.
- MAPPING THE CO-BENEFITS OF EACH ALTERNATIVE. CO-BENEFITS ARE POSITIVE CONSEQUENCES ASSOCIATED WITH THE OTHER ENVIRONMENTAL, SOCIAL AND ECONOMIC COMPONENTS OF THE PROJECT.
- THE DEFINITION OF TIME HORIZONS AND PROJECT LOCATION..
- A PRELIMINARY ECONOMIC ANALYSIS THAT REVEALS THE ALTERNATIVE'S INVESTMENT NEEDS AND POSSIBLE MONETIZATION OF ITS BENEFITS. AN EFFORT SHOULD BE MADE TO ANALYZE THE ECONOMIC GAIN FROM POSITIVE HEALTH IMPACTS, MITIGATION OF EMISSIONS AND SAVINGS DUE TO LOWER ENERGY COSTS OR OPERATIONAL EFFICIENCIES.
- COST-EFFICIENCY (NOT BENEFIT) ANALYSIS THAT ALLOWS EVALUATING THE PROJECT'S NON-MONETARY RESULTS AND THEIR POTENTIAL IMPACTS.

To facilitate the selection of an alternative, it is advisable to develop **comparison matrices**. There is no single way to develop these comparisons. What is important is that the criteria are consensual and respond to the particular needs of the project and the context.

Table 3 presents an example of a comparison matrix using a photovoltaic system installation project:

ASPECTS FOR ANALYSIS	DESCRIPTION	ALTERNATIVE A	ALTERNATIVE B	ALTERNATIVE C
Property Description and Condition	Year of construction, method of construction, roofing materials, owner			
Replicability	How representative are the other buildings in the city/region?			
Governance	On which institution does the management of the building's infrastructure, including maintenance, depend? Who makes decisions about adaptations in the physical plan?			
Photovoltaic energy generation potential	Identification of electricity consumption, photovoltaic generation potential			
Status of the coverage, roof or area intended to locate photovoltaic panels	Type of materials, structural integrity, present characteristics			

Table 3. Example of a comparison matrix for the installation of a photovoltaic solar energy generation system  
Source: Own elaboration.

Once the most suitable alternative is selected, it is necessary to clarify its execution schedule, details on where the project will be developed, what are the necessary inputs, costs and contractual requirements. Other examples of inputs and activities that must be dimensioned are: materials, maintenance machines and equipment, skilled and unskilled labor, transport of people and goods, other services (communications, specific studies), acquisition of land or real estate, and other expenses (administration, finance, tax, etc.).

*At the end of this phase, a sufficiently detailed intervention strategy should be available to make the most important spending and investment decisions for the subsequent phases of the project: investment, operation and ex post evaluation.*

# 8 / DEFINE MANAGEMENT MECHANISMS

## HOW WILL THE PROJECT IMPLEMENTATION AND OPERATION BE MANAGED?

In this step, the management mechanisms for the implementation and operation of the project must be defined, **detailing the responsibilities, procedures and structure of the organization that will be responsible for activities in the investment and operation** phases, as well as the instruments to improve the institutional arrangements identified in the previous steps.

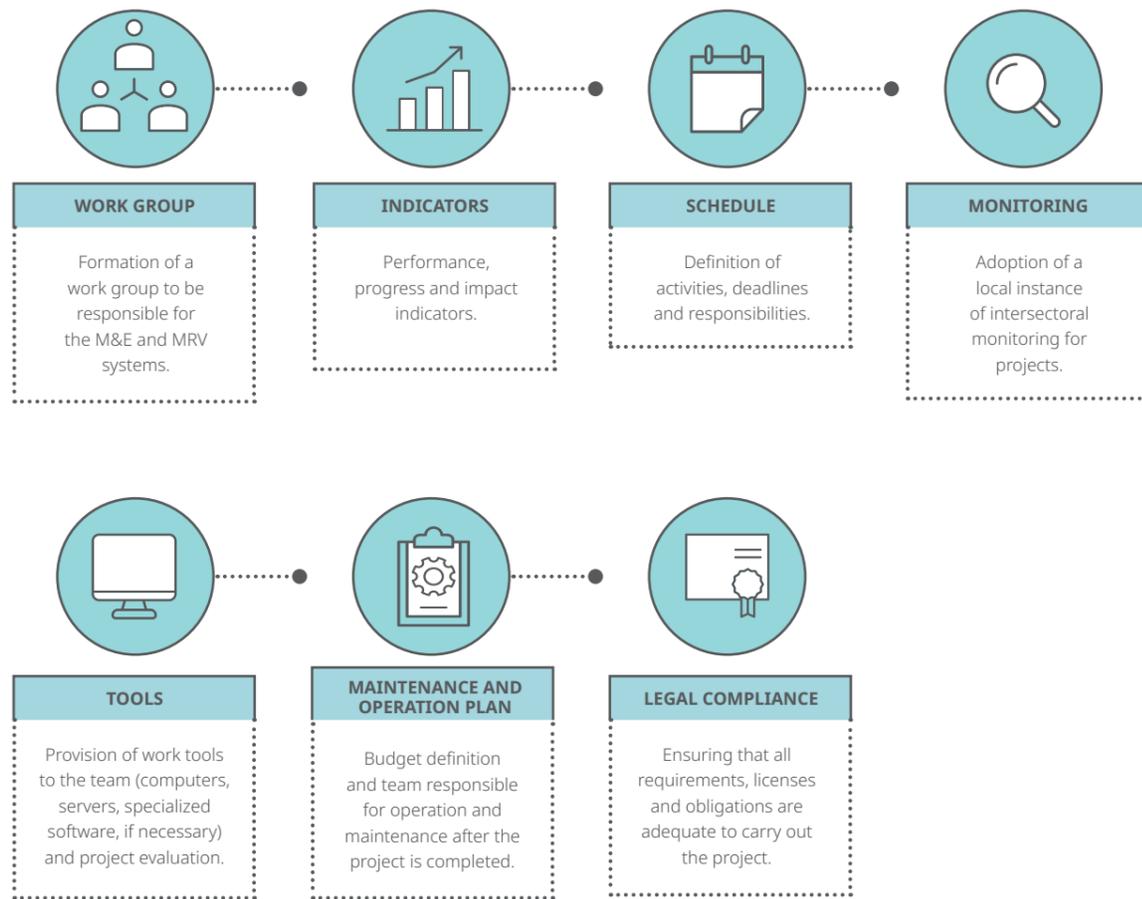
*This stage is essential for the economic feasibility and attractiveness of the project to potential funders*

It is noteworthy that this stage is essential for the economic feasibility and attractiveness of the project to potential funders: through the presentation of a robust management, implementation and operation plan, part of the mapped risks can be mitigated through these mechanisms.

It is important to mention that the roles defined in steps 3, 4 and 5 for Work Group members may change when the project moves from the pre-investment to investment and operation phase. Often, those directly responsible for monitoring project implementation and ensuring the start of its operation may be teams and employees who work directly with the project's core activity (for example, education, transport, health, etc.).

You can then point out the main components and mechanisms of a management system for the implementation and operation of your project:

- TEAM AND RESPONSIBILITIES OF EACH MEMBER;
- DEFINITION OF PROJECT PROGRESS AND PERFORMANCE INDICATORS;
- DETAILED IMPLEMENTATION SCHEDULE, WITH DEFINITION OF RESPONSIBILITIES AND THOSE RESPONSIBLE;
- COMMUNICATION PLAN BETWEEN THE TEAM DEDICATED TO THE PROJECT, AS WELL AS THE TOOLS TO BE USED;
- COMMUNICATION PLAN WITH OTHER STAKEHOLDERS, DEFINITION OF REPORTING FORMAT AND PROGRESS REPORTS;
- MAINTENANCE AND OPERATION PLAN AFTER PROJECT INVESTMENT/INSTALLATION, WITH BUDGET FORECAST AND PREVENTIVE MAINTENANCE ACTIONS SCHEDULE;
- REVIEW OF LEGAL OBLIGATIONS RELATED TO AUTHORIZATIONS, LICENSES OR ANY OTHER TYPE OF PREREQUISITE FOR THE EXECUTION OF THE PROJECT, AS WELL AS THE TECHNICAL STANDARDS THAT APPLY TO INFRASTRUCTURE PROJECTS.



**It is important to evaluate these management mechanisms before and after obtaining funding.** Before, to give credibility to your project and get funders, and then, having clarity about the funding sources, a management that meets the criteria established in these contracts must be included.

*At the end of this step, the project will have an implementation, operation and resource management structure to be presented to potential funders, indicating a high level of preparation of the local team and the project.*

# 9 / IDENTIFY LOCAL GOVERNMENT PRIORITIES

## WHAT ELEMENTS SHOULD BE CONSIDERED AND PRIORITIZED BY THE LOCAL GOVERNMENT TO START THE SEARCH FOR FUNDING?

Ensuring the financial resources to implement the project is an essential step for its feasibility. Accordingly, in Steps 9, 10 and 11, you will learn about the main points to be considered when selecting the most suitable funding source for your context.

Local government priorities regarding access to the resource should be reviewed. The identification of these priorities will be a guide for the analysis of the potential sources of funding mapped (Step 10) and, finally, for the indication of the source considered most appropriate (Step 11).

To facilitate the organization of information, it is suggested that the analysis regarding the relevance of the main elements to be considered in identifying local government priorities be recorded in Table 4:

MAIN ELEMENTS TO BE ANALYZED		RELEVANT TO THE LOCAL GOVERNMENT WHEN CHOOSING FUNDING SOURCE?	
ELEMENT/COMPONENT	DESCRIPTION	YES	NO
<b>RESTRICTIONS</b>	All situations and/or conditions associated with the city hall that inhibit a relationship with a type of resource provider or with a particular provider, or that impose some specific form of action in any case. Some types of restrictions are (i) contractual: for example, the municipality cannot contract with certain term conditions, counterparts or types of contract; (ii) acquisition: for example, restrictions on values; (iii) guarantees: whether one can offer guarantees or not, (iv) others: any other restriction that prevents the municipality from obtaining financial resources, such as budget, indebtedness capacity and authorization and guarantee from the federal government.	Yes	No
<b>CONDITIONS OF ACCESS TO RESOURCES:</b> Asset Properties	It ranges from a mutual financial contract to leasing contracts (lease), in which the asset is leased for a specified period and, only after the contract is concluded, the city hall can choose to purchase it.		

MAIN ELEMENTS TO BE ANALYZED		RELEVANT TO THE LOCAL GOVERNMENT WHEN CHOOSING FUNDING SOURCE?	
ELEMENT/COMPONENT	DESCRIPTION	YES	NO
<b>CONDITIONS OF ACCESS TO RESOURCES:</b> Payment Term	It refers to the preference and ability to have short, medium or long term obligations		
<b>CONDITIONS OF ACCESS TO RESOURCES:</b> Amount paid	Value associated with all costs/expenses to be borne by the municipality regarding the financing. These values impact the city's budget and can determine the feasibility or not of a given financing.		
<b>CONDITIONS OF ACCESS TO RESOURCES:</b> Operation and Maintenance Cost	Each type of financing mechanism creates different obligations around the operation and maintenance of the implemented solution. In some cases, this item is assumed to be part of the local government operation, with associated budgetary implications, or by a third party.		
<b>CONDITIONS OF ACCESS TO RESOURCES:</b> Need for initial or counter-part investment	This value reflects the need for the city hall to have its own resources, or not, to be able to develop the project.		
<b>CONDITIONS OF ACCESS TO RESOURCES:*</b> Financial cost	It specifically refers to the amount of interest paid and applies exclusively to mechanisms that include some form of loan of financial resources.		
<b>BUREAUCRACY</b>	Set of activities and procedures necessary to access each of the sources of funds, such as requesting a debt installment to apply for a loan. Some examples of bureaucratic issues: licenses and procedures related to financial and/or administrative areas.		
<b>EXTERNALITIES</b>	Externalities can have any indirect impact, positive or negative. An example to be taken into account is the ease or difficulty in the hiring process.		

Table 4. Analysis of local government priorities for funding.  
Source: Authors own elaboration

\* CONDITIONS OF ACCESS TO RESOURCES

It is important for the municipality to assess its preferences regarding the conditions of access to resources and consider the main elements that characterize the sources of financing, in addition to the relevance of each one. For example: ownership of assets, payment term, financial cost and others shown in the table.

If the municipality does not have the resources to develop these projects, then it should turn to financial entities that offer flexible lines of credit, but where payments will be made from savings made on energy bills, and where the infrastructure built can serve as a guarantee for the financier.

*Support Resources and References:*

*Analysis of local government priorities for funding*

*At the end of this step, the priorities of the local government that will guide the decision to choose the most appropriate funding source for the project will have been identified.*

PRÉ-IMPLEMENTAÇÃO / INVESTIMENTO

FINANCIAL

# 10/ COLLECT DATA AND MAP POTENTIAL FUNDING SOURCES

## WHAT ARE THE POSSIBLE SOURCES OF FUNDING FOR THE PROJECT?

In this step, potential funding sources for the project will be mapped and information will be collected on them. For this purpose, it is suggested that official information available on the website of the institutions be consulted, as well as any publications made available by them. Using networking to gain additional information can also be a good strategy. In addition, whenever possible, it is recommended that interviews be carried out with representatives of the institutions, in order to deepen any desired information and resolve any doubts.

Readings about climate financing can help in the process and also in the collection of information and, in this sense, some bibliographies are made available in this Guide's Support Resources and References. Examples of data collection carried out for LEDS Lab climate financing projects in Colombia and Brazil in 2020 are also available (this information may vary according to context and time). Figure 9 presents potential sources of financing related to local government, in the specific case of an energy sector project:

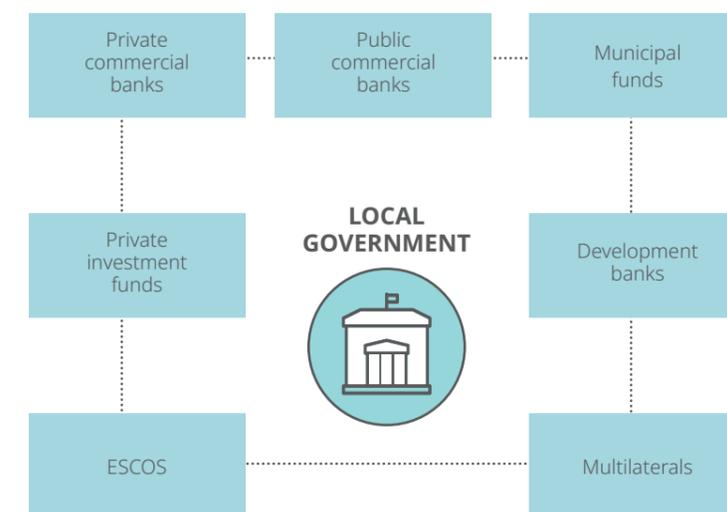


Figure 9. Potential sources of funding.  
Source: Authors own elaboration

Support Resources and References

Tool for consolidating information mapped on funding sources

Example of data collection in LEDS Lab projects in Brazil

References on climate financing

It is recommended to structure a matrix or table that allows the organization of the data obtained during this step, which facilitates the comparison between the different options.

It is presented below, in Table 5, the spreadsheet model for consolidating the mapped information, with an indication of the main elements to be considered in the process. There is also space for analysis regarding the applicability of the funding source for the project in question, for its replication (when applicable) and for the indication of the most adherent source, after the selection indicated in Step 11.

		DATA COLLECTION (STEP 10)					APPLICABILITY OF THE FINANCING SOURCE AND SELECTION OF THE MOST ADHERENT SOURCE (STEP 11)				
Examples of categories	Exemples of Institutions	Warranty requirements	Nature of financing	Procedure	Term	Project Size	Climate action project	Justification	Is it the best option?	Project Replication	Justification
Multilateral Banks	BID CAF AFD NDB BEI						More appropriate		Yes	More appropriate	
Commercial Public Banks	CEF, BB										
Commercial Private Banks	Itaú, Santander etc.										
Development Banks	BNDES, FENOGE, etc.										
Private Investment Funds	MGM										
ESCOs	MGM, Green Yellow										
Municipal Funds											
Others											

Table 5. Spreadsheet model for the mapped information  
Source: Authors own elaboration

*At the end of this step, the main sources of funding for your project and the most relevant information about each one of them will have been mapped.*

# 11 / SELECT FUNDING SOURCE

## WHICH FUNDING SOURCE IS MOST APPROPRIATE TO SECURE FUNDING FOR THE PROJECT?

At this stage, it is important to define, first, which selection criteria will be used to choose the most suitable source that best meets the needs of the local government for the project. It is essential, in this decision-making process, that a joint analysis of the results obtained in Steps 09 and 10 of this guide is carried out.

For this step, two methodologies for selecting the funding source are presented, which can be used depending on the context and available information.



### I. METHODOLOGY APPLYING SELECTION CRITERIA



Selection criteria, such as the examples below, should be considered and those most relevant to the local government and the project in question identified:

- A. **MUNICIPALITY'S ELIGIBILITY FOR THE RESOURCE:** WHETHER THE MUNICIPALITY MEETS THE CRITERIA OF THE FUNDING SOURCE FOR ACCESS TO THE RESOURCE;
- B. **PROJECT ELIGIBILITY FOR FINANCING:** WHETHER THE MUNICIPALITY MEETS THE CRITERIA OF THE FINANCING SOURCE IN TERMS OF PROJECT FEASIBILITY DUE TO ITS SIZE;
- C. **EASE OF FUNDRAISING PROCEDURE;** FOR EXAMPLE, BUREAUCRACY, NEED FOR AUTHORIZATION AND GUARANTEE FROM THE FEDERAL GOVERNMENT, SINGLE OR MULTIPLE FUNDING;
- D. **DEADLINE FOR SIGNING THE CONTRACT;**
- E. **NEED FOR COUNTERPART;**
- F. **RELATIONSHIP BETWEEN CITY HALL AND FUNDERS (CURRENT CONTRACTS, TRUST, ETC.);**
- G. **FINANCING SCHEDULE;**
- H. **POSSIBILITY OF ACCESSING RESOURCES FOR PROJECT REPLICATION.**



## II. METHODOLOGY WITH EVALUATION AND PRIORITIZATION PROCESS

A qualitative analysis of the municipality's financing needs is carried out: restrictions, bureaucratic issues and externalities (Step 09) and a quantitative analysis regarding the conditions of access to resources (mapped in Step 10), as explained below:

*Assessment of the conditions of access to resources: this dimension allows the assessment of the preferences that the local government has regarding the main elements that characterize the sources of financing and the relevance of each one, following the steps:*

- A. SORT FROM MOST IMPORTANT FACTOR TO LEAST IMPORTANT 1,2...N;
- B. EVALUATE EACH FACTOR ON A SCALE FROM 1 TO 5, WHERE 5 IS "TOTALLY RELEVANT", 3 IS "INDIFFERENT" AND 1 IS "NOT RELEVANT", AS SHOWN IN THE TABLE BELOW.
- C. ADD IN EACH COLUMN THE VALUE ASSIGNED IN THE PRIORITIZATION WITH THE VALUE ASSIGNED IN THE EVALUATION.
- D. FINALLY, ARRANGE THE ACCESS CONDITIONS FROM THE HIGHEST VALUE TO THE LOWEST.

Table 6 presents the tool for evaluating the conditions of access to resources:

EVALUATION OF RESOURCE ACCESS CONDITIONS						
COMPONENTS	OWNERSHIP OF ASSETS	PAYMENT TERM	AMOUNT PAID (CASH FLOW)	NEED FOR INITIAL INVESTMENT OR COUNTERPART	OPERATION AND MAINTENANCE COST	FINANCIAL COST
Priority						
Valuation (1-5)						
Total=(P+V)						

Table 6. Evaluation of resource access conditions.  
Source: Authors own elaboration

After defining the selection criteria and identifying the most relevant ones (Methodology A), or after obtaining the funding components with the highest score (Methodology B), these will be cross-checked with the information collected in Step 10 about the conditions of access to resources from different mapped sources. Thus, subsidies will be obtained to consider which financial institutions best meet the needs of the local government. After this analysis, information on the applicability of potential mapped sources and on the selection of the best option can be consolidated. All of this can even be registered in the spreadsheet presented in Step 10.

*At the end of this step, it will be possible to select the best source of funding to start the approach process.*

# GOOD PRACTICES FOR MONITORING PROJECT IMPACTS

## HOW TO MEASURE PROJECT PERFORMANCE?

The impacts of a climate action project must be measured and disclosed. First, because it is a way of showing the project's contribution to local (development plans) and national (NDC) goals in reducing GHG emissions and increasing adaptation to climate change. It also enables a progressive improvement in climate action, improving political and regulatory frameworks and keeping up with the advances achieved (Peñuela & Pulido, 2018). In addition, impact monitoring is a requirement for accessing international and development bank resources to finance this type of project.

In mitigation projects, the practice of monitoring the impact of projects should be oriented towards defining the monitoring, reporting and verification (MRV) scheme. In adaptation projects, practice should be oriented towards establishing a monitoring and evaluation (M&E) scheme. Both schemes include measuring the technical aspects of the project through indicators estimated at certain review periods and reporting these progress/results through specific reports.

For the specific case of climate mitigation projects, the MRV scheme should represent:

## M - WHAT IS MEASURED

Monitoring your project is not just about measuring the ultimate impact. It also takes into account the measurement of the performance of activities linked to the implementation of the initiative, as shown in the examples of Table 7:

TYPE	DESCRIPTION	EXAMPLES OF INDICATORS
MANAGEMENT	Indicator in which the performance of activities, tasks, processes and procedures related to project implementation is measured.	<ul style="list-style-type: none"> <li>Progress in implementing activities [%]</li> <li>Financial execution [\$/year]</li> </ul>
INTERMEDIATE RESULTS	Indicator in which progress is measured in the implementation of activities and intermediate milestones that enable the achievement of the final objectives.	<ul style="list-style-type: none"> <li>Training in Good Operational Practices [number]</li> <li>Installation of efficient equipment [quantity, %]</li> <li>Electric consumption in a defined period [kWh/year]</li> </ul>

TIPO	DESCRIÇÃO	EXEMPLOS DE INDICADORES
GHG impact	Indicator that describes the impact on emission reduction, in tons of CO <sub>2</sub> e	• Annual reduction of emissions through energy efficiency actions [tCO <sub>2</sub> e]
Non-GHG impact	Indicators that provide information on the economic, social and environmental benefits associated with direct results	• Available income derived from energy savings [\$/month]

Table 7. Examples of indicators to be monitored.

Source: Authors own elaboration based on JICA (2017).

## R - WHAT IS REPORTED

Results and methodologies in quantifying project GHG emissions and co-benefits, as well as progress on enabling activities (e.g. institutional arrangements). Reporting of GHG emissions and the efforts undertaken to mitigate and adapt to climate change in the Unified Reporting System CDP-ICLEI is suggested, as this task provides a way to centralize data and monitor progress. The platform provides cities with all publicly available data, assesses emissions and compares performance with other cities.

## V - WHAT IS VERIFIED

All quantitative and qualitative information reported for the mitigation measure. Methodologies are validated and results are verified. This process, depending on the characteristics of the project, can be carried out by a first party (owner of the initiative) or by a third party (an external actor to the initiative). In any case, national guidelines and criteria of transparency, completeness, comparability and accuracy must be followed.

It is important that the project impact monitoring described here is consistent with the management mechanism stipulated in Step 8, specifically in relation to project monitoring indicators and instances. A good practice is to carry out, at the end of the project, a documentation of the lessons learned from the entire project design and implementation process, presenting the successes and errors made.

# GOOD PRACTICES FOR SHARING EXPERIENCES AND SCALING UP INITIATIVES

## WHO CAN YOU LEARN FROM? WITH WHOM TO SHARE THE LEARNINGS?

Maximizing the climate impact of local actions requires replicating successful experiences and inspiring other local governments to act. For this, participation in knowledge networks and communities of practice is essential, as it allows:

- A. PROMOTE LEARNING AND COLLABORATION IN MANAGING ACQUIRED KNOWLEDGE AND THE IMPACT OF CLIMATE ACTION AND
- B. IMPROVE AND DISSEMINATE KNOWLEDGE ADAPTABLE TO DIFFERENT CONTEXTS.

In Latin America, there are several networks and initiatives that are actively working on the climate agenda in different approaches (adaptation, low-carbon development, climate finance, lobbying, communications), such as the ICLEI global network of cities, which brings together local and regional offices in more than 100 countries. This network has a city-city cooperation methodology, with a structure for monitoring by other local governments of projects implemented by region or by cities that face similar challenges.

It is noteworthy that bringing cities together and sharing experience and knowledge does not need to wait for proof of success and completion of the project. Thus, learning through experience and active observation is encouraged.

Regarding the scaling of the initiative, some steps associated with projects at the local level may include (according to Cooley & Linn, 2014):



### 1. Mapping and analysis of key actors for scaling:

Which actors influence project scaling and how do they relate to each other?

- **Peer implementation:** organize the implementation of projects, supporting the initiative.
- **Connections:** responsible for articulating the different actors and facilitating the process.
- **Alliances:** networks that bring together actors and facilitate the sharing of knowledge and experiences among their members.



## 2. Identification of the adoption of similar practices in other scenarios:

What conditions are favoring or hindering the adoption of the pilot project in another scenario?



## 3. Identification of territories with similar climatic and socioeconomic conditions:

Which territories or scenarios have climatic and socioeconomic conditions similar to where the pilot was adopted?



## 4. Validation of a replication-scaling proposal:

Within the new scenario, what are the conditions, opportunities and limitations to perform the scaling?

Although the above points provide guidance to the project replication process, it is essential to understand four other factors that enable and increase the potential for scalability of climate action at the local level: technical knowledge, management capacity and political will, resources to finance and train citizens.

- 1. TECHNICAL KNOWLEDGE: FOR IDENTIFYING PRIORITIES, STRUCTURING AND IMPLEMENTING THE PROJECT AND ITS FOLLOW-UP.
- 2. MANAGEMENT CAPACITY AND POLITICAL WILL: POLITICAL WILL REPRESENTED IN PRIORITIZING CLIMATE ACTION ON THE LOCAL PUBLIC AGENDA AND ITS BINDING INSTRUMENTS (EG DEVELOPMENT PLANS). AT THE SAME TIME, STRENGTHENING INSTITUTIONS IS VERY IMPORTANT TO IMPROVE PROJECT MANAGEMENT CAPACITY.
- 3. FUNDING RESOURCES: RESOURCES MUST BE ALLOCATED TO CLIMATE ACTION IN PUBLIC AND CORPORATE BUDGETS. THE INCLUSION OF CLIMATE CHANGE CRITERIA MUST BE ENSURED IN SECTORS THAT COVER THE MAJORITY OF LOCAL BUDGETS (EG MOBILITY, INFRASTRUCTURE, EDUCATION, HEALTH).
- 4. CITIZEN EMPOWERMENT: COMMUNITY PARTICIPATION GOES FAR BEYOND BEING INFORMED (THIS IS JUST THE FIRST STEP). CITIZENS MUST BE INVOLVED IN IDENTIFYING AND PRIORITIZING PROJECTS AND MONITORING THEIR IMPLEMENTATION.

# GLOSSARY

**Leverage** - term used in the context of climate financing, which refers to public finances (eg from international financial institutions) that are used to encourage private investors to support the same project. This can be in the form of loans, risk guarantees and insurance or private equity, aimed at reducing the perceived risk for the private sector.

**Cost-Benefit Analysis** - decision-making tool that allows a comparison of options based on the derived benefit level and the cost of achieving the benefit of different alternatives.

**Technical Assistance** - non-financial assistance provided by local or international experts, which may take the form of sharing information and experience, instruction, skills training, imparting practical knowledge and consulting services, and may also involve the transfer of technical data.

**Public-Private Association** - general term for a contractual relationship between the public sector and private companies to finance, design, construct and operate facilities such as roads, hospitals and schools, in order to use public policies and regulations to leverage private sector financing. This form of financing is increasingly used as a means of financing climate-related infrastructure.

**Asset** - something someone owns, such as property, structures, money, or investments such as stocks or bonds.

**Audit** - management tool to assess a community's fiscal performance, examining a community's financial systems, procedures and data by a certified public accountant (independent auditor), and a report on the fairness of the financial statements and on local compliance with statutes and regulations.

**Bankability** - The fact that a bankable project or proposal has sufficient collateral, future cash flow and a high probability of success to be acceptable to institutional lenders for funding.

**Multilateral Development Banks** - are financial institutions formed by a group of countries and which focus on financing development projects in developing countries (examples: World Bank, Asian Development Bank, Inter-American Development Bank Group). Its operating logic consists of directing resources, at competitive costs, to finance public and private projects in borrowing countries, generally with low financial returns, but with important economic and social returns. They share a common mission of promoting socio economic progress in developing countries, financing projects, supporting investments and generating financial resources.

**Co-financing** - a practice in which several entities finance the same project. Co-financing can be provided by the project developer or by external entities. A strong co-financing plan demonstrates that there is broad interest in the project by a diversity of relevant stakeholders, so it is an important feature of project design.

**Collateral** - property that guarantees that the loan will be repaid.

**Conditionality** - The term refers to the conditions that beneficiary entities must meet to receive financial support from the funds, which may include the allocation of resources to certain sectors, co-financing, acquisition project, meeting certain criteria in the socio-environmental scope, etc.

**Nationally Determined Contributions (NDC)** - The Paris Agreement requires each Party to prepare, communicate and maintain successive nationally determined contributions that it intends to achieve. Parties shall pursue national mitigation measures, with the aim of achieving the objectives of such contributions.

**Climate Criteria** - climate change mitigation and adaptation parameters used in projects.

**Efficiency / Effectiveness of Funds** - refers to the measurement of how much product can be produced with a given amount of input and shows the effectiveness of the success of the resources used in achieving the outlined objectives.

**Implementing Entity (IE)** - responsible for reviewing and endorsing project and program proposals, and for

disbursing funding from funds when proposals are successful. The term IE may vary depending on the fund, for example, in the Adaptation Fund accrediting national, regional or multilateral IEs, the IE works with an Executing Entity, in charge of day-to-day management and field interventions; whereas for the GEF, the equivalent of IE is called "Implementing Agency" and can be national (eg South African Development Bank), regional (eg West African Development Bank) or multilateral (eg Program of the United Nations for the Environment).

**Environmental and Social Safeguards** - measures taken to prevent and mitigate possible undue harm to people and the environment, mandatory for any program or project.

**Results-Based Framework** - a set of indicators, targets and baseline information that form the basis for evaluating a project. The design of this structure is a crucial phase of project formulation, as it will directly drive project execution.

**Feasibility/Pre-Feasibility Study** - monitoring of the financing proposal, showing the technical details of the project's interventions and proving that these can be implemented from a technical point of view. Required levels of detail may vary depending on the funder, the nature and size of the project. While the purpose of the feasibility study is to show how and why selected interventions will be implemented, the pre-feasibility study indicates why such interventions were chosen over other options.

**Climate Financing** - refers to "climate finance" as financial resources dedicated to the adaptation and mitigation of global climate change, aiming to reduce greenhouse gas emissions, reduce vulnerability and maintain and increase the resilience of human and ecological systems to the negative impacts of climate change.

**Municipal Development Fund** - Local and/or regional governments can create their own development fund dedicated to urban development. The funds are intended to raise funds for public investment.

**Revolving Fund** - a fund created for specific purposes with the concept that repayments to the fund can be used again for these purposes. Once implemented, the revolving fund model can be self-sustaining.

**Greenhouse Gases (GHG)** - gases that absorb part of the infrared radiation, emitted mainly by the earth's surface and that make it difficult for them to escape into space.

**Project Management** - method used to lead a team in order to achieve goals and success criteria, seeking to achieve all established project goals within the constraints provided.

**Project Implementation Management** - management methodology used to exclusively lead the project implementation stage.

**Development Finance Institutions** - specialized development banks or subsidiaries created to support development projects and programs in developing countries; they are generally majority owned by national governments and obtain their capital from national or international development funds, or benefit from government guarantees, guaranteeing their credit quality, which allows them to raise large amounts of money in the international capital markets and provide financing on very competitive terms.

**Results Matrix** - tool that enables the visualization of indicator data. It is possible to see the area, perspective, unit of measure, actual and forecast values within a period, and files containing detailed or relevant information for each period can also be attached.

**Mergers and Acquisitions (M&A)** - merger of assets or companies through various types of financial transactions, such as mergers, consolidations, acquisitions, public offerings, among others.

**Risk Mitigation** - useful tools to increase the financial viability of infrastructure projects, since the most used risk mitigation mechanisms: guarantees (eg risk guarantees and credit guarantees) and safe risk (eg political risk insurance) can cover the failure of the public sector to meet specific obligations within a project.

**Climate Change** - variation of the Earth's climate over time, caused by natural reasons and human action, which impacts biodiversity, natural resources and the survival of Man on the planet.

**Transformative Change** - aims to bring about a holistic change considering inclusion. Opposite to "business-as-usual" projects, which can contribute to addressing a problem, but not fundamentally change the way the issue is handled and will be addressed in the future.

**Sustainable Development Goals (SDGs)** - 17 goals established by the United Nations (UN) covering social and economic development issues, including poverty, hunger, health, education, global warming, gender equality, water, sanitation, energy, urbanization, environment and social justice.

**On-lending** - An entity accredited under specialized fiduciary standards may receive money from a fund with the intention of lending it to other project-executing entities for the implementation of selected programs and/or projects, which may include providing capital or guarantees to other entities.

**Public-Private Partnership (PPP)** - general term for a contractual relationship between the public sector and private companies to finance, design, build and operate facilities such as roads, hospitals and schools, with the objective of using public policies and regulations to leverage financing from the private sector. This form of finance is increasingly being used as a means of financing climate-related infrastructure.

**Plan** - comprehensive and general document, which contains studies, situational analysis or diagnoses necessary to identify the points to be tackled, the necessary programs and projects, the objectives, strategies and goals of a government, a Ministry, a Secretariat or a Unit.

**Climate Action Plan** - detailed strategic framework for measuring, planning and reducing the emission and climate impacts of greenhouse gases. They are designed by local governments and used as tailored roadmaps for informed decision-making and understanding where and how to achieve the largest and most cost-effective emission reductions that are in line with other municipal goals. Climate action plans include an emissions inventory, reduction targets or objectives, and analyzed and prioritized reduction actions. Ideally, a climate action plan also includes an implementation strategy that identifies the required resources and financing mechanisms.

**National Adaptation Plan** - a continuous, progressive, iterative, participatory and transparent process that allows stakeholders to formulate and implement national adaptation plans as a means of identifying medium and long-term adaptation needs, and developing and implementing strategies and programs to meet those needs.

**Public Policies** - a set of government actions and decisions, aimed at solving (or not) society's problems.

**Program** - document that indicates a set of projects whose results allow reaching the main objective of a public policy. Focused on the schedule itself; however, always linked to a plan and/or project.

**Project Preparation Facilities (PPF)** - used as a means of developing bankable, investment-ready projects and can provide technical and financial support to project owners and concessionaires. These supports can cover a wide range of activities, including: undertaking projects and feasibility studies; developing procurement documents and project concession contracts; conducting social and environmental studies and raising awareness among stakeholders.

**Project** - smallest unit of the planning process. Instrument for the execution of specific enterprises, aimed at the most varied interventional activities. It has all stages of creation, including feasibility studies to put the idea into practice.

**bankable projects** - well-structured projects that are technically, economically and socio-environmentally viable, with risk mapping and mitigation strategies, and that are attractive to financing institutions.

**Financially Viable Projects** - Economically Viable Projects.

**Return on Investment (RoI)** - a performance measure used to assess the efficiency of an investment or compare the efficiency of a range of different investments. It seeks to directly measure the amount of return on a given investment, in relation to the cost of the investment.

**MRV System** - system designed to allow monitoring and standardization of measurement (M), reporting (R) and verification (V) of information associated with climate change. This information is necessary to ensure compliance with national and international targets and to ensure the quality and consistency of unreported data.

**Subsidies** - form of financial aid or support extended to an economic sector (or institution, company or individual) in general with the aim of promoting economic and social politics. Subsidies come in various forms, including those direct (cash grants, interest-free loans) and indirect (tax breaks, insurance, low-interest loans, depreciation amortization, rent reductions).

**Technical feasibility** - analysis of the project, covering the entire technical study of measures and solutions to be implemented, ensuring that the project is viable.

**Economic feasibility** - analysis of the project, considering its economic and financial aspects, ensuring that the project is viable to be implemented.

**Social and environmental feasibility** - analysis of the project, encompassing the benefits for society and the environment that the project will bring, as well as possible social and environmental risks and mitigation measures.



# ACRONYMS

**ANEEL** - National Electric Energy Agency of Brazil

**ECDBC** - Colombia's Strategy for Low Carbon Development

**GCC** - Green Climate Cities

**GHG** - Greenhouse Gases

**WG** - Work Group

**M&E** - Monitoring and Evaluation

**MRV** - Measurement, Reporting and Verification

**NDCs** - Nationally Determined Contributions

**R&D** - Research and Development

**SDG** - Sustainable Development Goals

**UN** - United Nations

**EEP** - Energy Efficiency Program

**PPF** - Project Preparation Facilities

**PPP** - Public-private partnership

**RoI** - Return on Investment

**NOR** - Net Operating Revenue