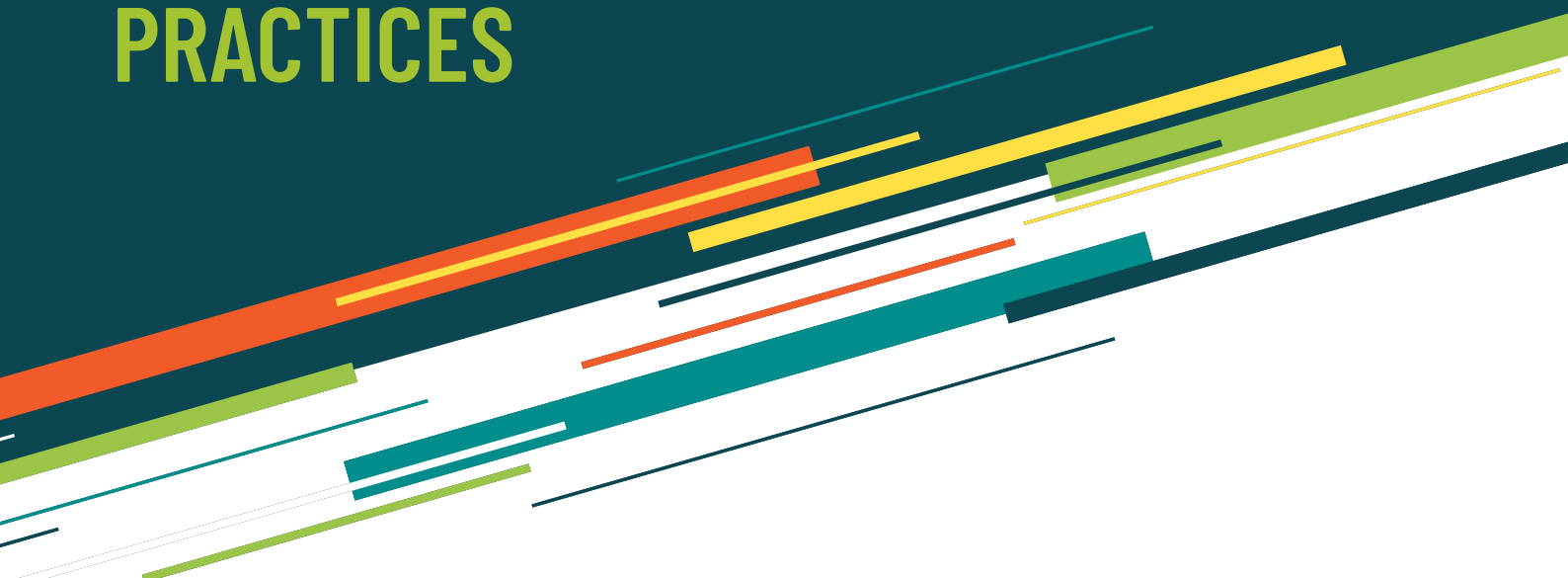




# DARING CITIES 2022

COMPENDIUM OF BEST  
PRACTICES





## INTRODUCTION

The world is under a climate emergency. Cities, towns and regions are dealing with the continued and increasing pressures of climate change, but they are unable to shoulder the massive infrastructure investments and adaptation efforts required for a sustainable, net zero emission, and climate resilient development.

Local leaders that dare to engage in innovative solutions, face and overcome challenges to tackle climate change, could serve as inspiring examples for their counterparts.

Recognizing this potential, ICLEI and the Federal City of Bonn created the Daring Cities event, an annually organized, action-oriented forum to recognize and empower courageous urban leaders – including mayors and other decision-makers, technical staff, researchers, private sector representatives, and community organizers – to disrupt business-as-usual and shift towards business-as-possible. Daring Cities showcases and catalyzes exemplary local climate action to tackle the climate emergency, including ambitious resilience-building and climate mitigation efforts.

The 2022 edition, held virtually from 03 to 07 October, focused on climate emergency finance as the overarching theme. The event showcased the main challenges cities face, as well as solutions they find to finance climate emergency measures. Through a series of workshops and high-level sessions, Daring Cities 2022 brought inspiring examples of subnational governments that are working on the ground to unlock finance and overcome technical barriers from all over the world.

This Compendium consists of a compilation of best practices shared by city representatives, decision-makers and key stakeholders, aiming to showcase successful stories at the subnational level. It is also part of the Daring Cities 2022 outcomes, such as the [Call to Action](#) that builds on the sessions and was launched at COP27 to raise awareness of the urgency and the importance of addressing climate emergency finance at the local level.

This document is divided into four sections, which cover the main topics when dealing with a climate emergency finance accessing project preparation support; financing adaptation and resilience; use of innovative finance instruments and project pitching, serving as inspiration for subnational governments and experts working in this field.

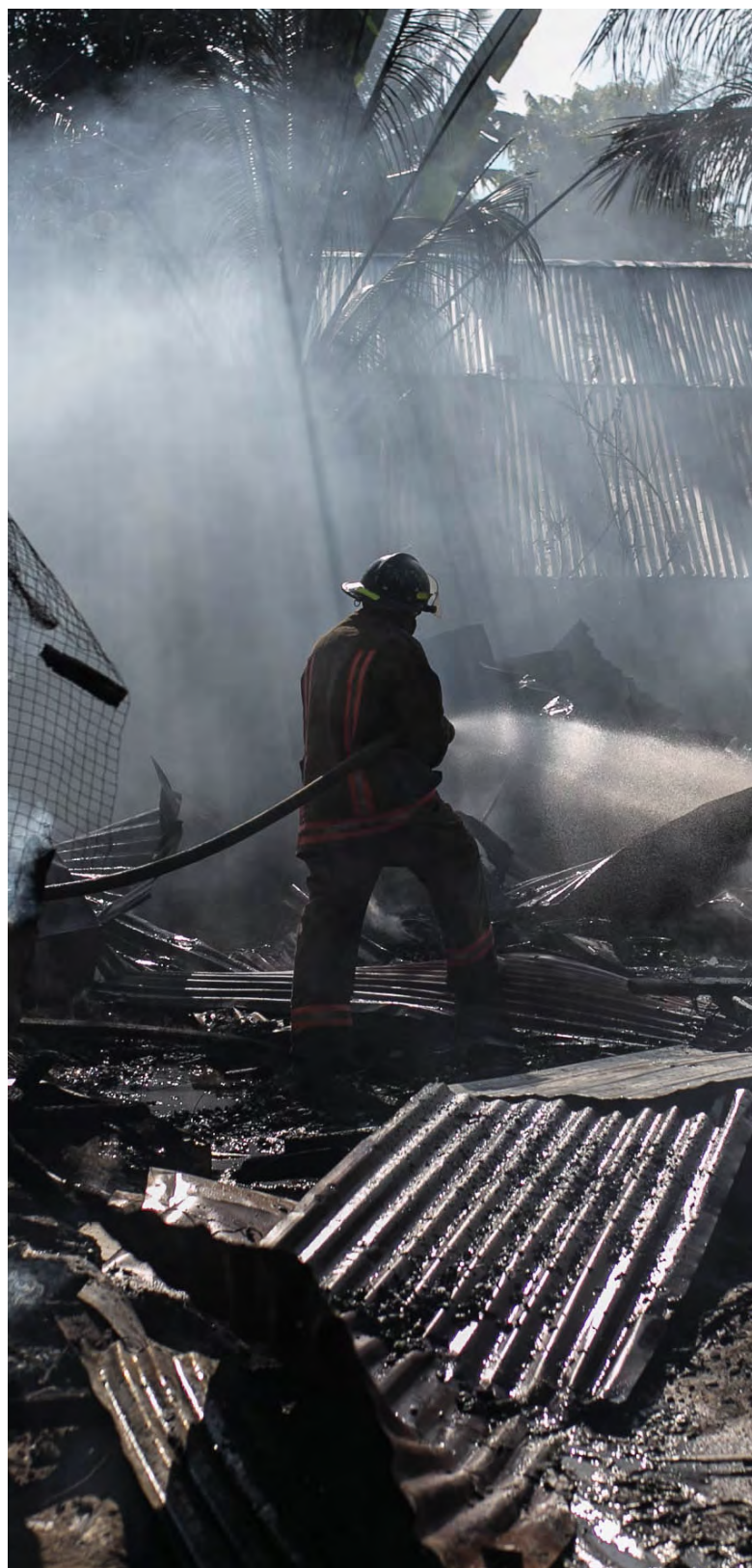
# ACCESSING PROJECT PREPARATION SUPPORT

One of the main challenges in addressing a climate emergency is the lack of capacity to develop finance-ready projects, which would mean having solid technical and financial (pre-)feasibility studies. Project preparation facilities (PPFs) such as the ICLEI led [Transformative Actions Program](#) (TAP) and the European Investment Bank and World Bank managed [City Climate Finance Gap Fund](#), play key roles to support subnational governments in accessing technical assistance for their projects.

Project preparation is a decisive step in tackling a climate emergency. At the local level, technical barriers are one of the most important challenges that undermine the cities' capacity to design and implement impactful and transformative climate projects. Difficulties to define priorities, mapping the existing infrastructure and the need to modify or adapt them to a more climate-friendly environment are some examples of the technical issues that subnational governments face on a regular basis. Without solving these issues, it becomes unlikely that such authorities will be able to design robust climate projects that will attract and access finance.

Therefore, as climate hazards continue to hit cities, towns and regions, the role of cities network and project preparation facilities has gained momentum as they support these governments in tackling technical and, in last instance, financial barriers to unlock climate emergency funding.

The Transformative Actions Program, coordinated by ICLEI and 16 partners, is an example of a successful PPF that provides tailored services to support project development to achieve maturity and be finance ready.



## Makindye Ssabagado: technical assistance through the Gap Fund



The TAP project of Makindye Ssabagado in Uganda was featured to showcase how they managed to access the Gap Fund support and how they benefit from that.

Makindye Ssabagado, together with Kira, Nansana and Entebbe have a serious challenge in waste management. Currently, the only gazetted area is Kiteezi landfill, which receives more than 1000 tonnes of waste per day, yet this represents only 50% of the waste generated in the area. The rest is indiscriminately disposed of in wetlands, drainage channels or burnt.

To address this issue, the cities joined forces and together developed a waste management project to undertake necessary and sustainable interventions. The project is expected to reduce between 100,000 – 150,000 tCO<sub>2</sub> emissions in the municipalities through enhancing sequestration and emissions saving over a 20 year period.

At the beginning, the main barrier was the lack of a common approach between the cities. In some cases the focus was on landfills, while others wanted to search for funding to buy garbage trucks. Besides, the lack of data increased the obstacles in defining the baseline of waste management in each city. Another challenge was to manage expectations of political leadership, who tend to be more focused on physical deliverables, giving capacity building and digital activities less attention.

The cities gathered some factors that allowed the project to move forward. First, stakeholders from the 4 cities were invited and involved from the beginning. They discussed the challenge, its magnitude, repercussions and the need for a joint action. After this, a focal group developed a project proposal that was submitted for approval by all the four city councils. The process allowed a strong political buy-in to the project, guaranteeing its maintenance in the long term. The group also managed to collect all the necessary local plans and initial climate data to provide accurate information to the project preparation facilities.

As a result of the common efforts, in 2022, the project accessed technical assistance during 6 months from the Gap Fund and was able to have a pre-feasibility study on alternatives for municipal organic waste treatment.

The cities collected multiple lessons learned with this waste management project:

- The importance of establishing a bankable project for better preparation to access climate finance. This can be achieved through a detailed assessment of the project and tracing strategies to mitigate all potential financial and technical risks. Regarding the project design, it is important to establish a concrete set of actions and a rationale. Cities need to have clarity on who are the key stakeholders and what type of technical assistance they are searching for and the financial instruments they are allowed to engage in. This will make sure that the project moves forward without any regulatory constraint.
- Experience has shown that joint applications are attractive for project preparation facilities since they cover wider areas and target larger populations.
- The political buy-in is a crucial aspect since most of the PPFs ask for approval by local councils and authorities, as well as the alignment with local climate action plans. Having a dedicated team or committee inside the city administration also contributes to developing the project, delivering its main activities and monitoring the impacts.

## II FINANCING ADAPTATION AND RESILIENCE

Climate finance is still mainly focused on mitigation. According to CCFLA (2021), investment for urban climate change mitigation activities averaged USD 375 billion during 2017/2018, while adaptation and resilience reached only USD 3 billion in the same period. As cities are vulnerable to natural disasters, it is imperative that they unlock finance for adaptation and resilience strategies. At the local level, the challenges to finance adaptation persists and cities seek alternative and innovative solutions for their project ideas. Whether due to the lack of liquidity, fiscal constraints or capacity to understand and tackle climate risks, subnational governments are often not able to attract resources to support their preventive measures and recovery from disasters. The following sections bring inspiring examples on how cities address adaptation and resilience, whether focusing on just transition or deploying insurance mechanisms.

### MAKING CITIES RESILIENT THROUGH A JUST AND EQUITABLE TRANSITION

Just transition is an important part of tackling climate change, since it guarantees that vulnerable groups are considered in the decision-making process and project development. Experience has shown that adaptation projects can potentially impact the more marginalized and poor communities, increasing the need to also incorporate equity and a “no harm” approach, so they do not worsen inequality or increase vulnerability. A strategy centered on these vulnerable communities that listens to their issues is an ideal starting point for such projects.

A green and just urban transformation must be accompanied by community-based finance, where funds are directed to and through local civil society organizations, enabling local populations to lead the design and deliver sustainable development interventions.



## Tanzania: leveraging community knowledge to achieve climate goals

Cities are developing strategies to mainstream adaptation and equity throughout the project cycle, trying to simultaneously unlock the access to finance and undertake a just transition. In Kenya, Tanzania, Mali and Senegal subnational governments are implementing a Decentralised Climate Finance (DCF) mechanism. (Greene 2021) Through this approach, the authorities are working together with local communities to co-produce solutions to climate change through a shared approach of planning and delivery of local actions.

The pilot in Tanzania, built local governments' institutional capacity to respond to climate impacts by establishing a climate adaptation fund; establishing elected community representatives at division level that prioritize and lead implementation of adaptation projects, introducing resilience planning tools to help communities articulate the nature of local livelihoods and resource use to governments. (Greene 2021)

The International Institute for Environment and Development and the United Nations Capital Development Fund (UNCDF) provided technical support in the cities, starting in Monduli, Longido and Ngorongoro districts in Tanzania, on how to decentralize climate finance and also engage communities. The technical capacity of the local officials are combined with the local knowledge from the communities, guaranteeing meaningful transparency and accountability. Such groups work as representatives of the needs at the community level and provide details of the local situation that might be not accessible at the national or regional level.

## Partnerships for resilience: how to reduce disaster risk and guarantee equity

Another important aspect of the relationship between adaptation and just transition is the recovery from natural disasters. As the poor population is more likely to live in areas with higher exposure to the effects of climate change, responses to such events that do not incorporate equity may worsen inequality and increase vulnerability.

The [Community Resilience Funds](#) (CRF), managed by the Huairou Commission, for example, is combining a resilient strategy with a community-based approach. The organization recognized in 40 countries in the Global South that the vulnerable communities were not included in the decision-making processes, even though they are the most impacted by climate change related events. The initiative, which adopts a flexible financial mechanism, was created to deliver climate finance to local communities by strengthening and supporting grassroots women's groups in urban, rural and indigenous communities.

The fund empowers these groups to make decisions regarding investments related to resilient practices or partnerships with local authorities. To complement this work, the Huairou Commission is leading the [Frontline Funds Acceleration](#), trying to shift the climate financial architecture towards a more collaborative approach with these grassroots women groups and local communities in general through knowledge sharing.

CRF created a [community risk mapping tool](#) which consists of a mechanism for stakeholder engagement that helps local communities to mobilize people and create partnerships with local governments, building consensus around shared priorities. Through this tool, communities can also contribute to filling out governmental data gaps by providing information that is often missing from the local authorities' scope.

In Zambia, for example, women groups in the Mungule community mapped risks related to climate vulnerabilities and how land impacts their livelihoods and took this data to the local government. The authorities validated this data and women were able to secure land rights in informal sectors. This helped them to build other resilience practices such as food security and livelihoods at the local level.

The initiative has proved to be effective also to the local governments as they, through these partnerships with the communities, are able to access information and knowledge and can also be committed to allocate resources towards the identified priorities.

# INSURANCE TO MAINSTREAM ADAPTATION

## Adaptation as a core value at the local level: the example from Makati city

With a focus on prevention instead of recovery, Makati City in the Philippines applied and was selected to be a pilot city of the [Climate Insurance Linked Resilient Infrastructure Finance](#) (CILRIF) program, managed by United Nations Capital Development Fund (UNCDF). Through this collaboration the city is receiving assistance from key experts on how to integrate adaptation into long-term municipal policy and planning.


In parallel with the program the city declared a climate emergency, and the two processes strengthen and complement each other very well through supporting Makati to learn how to integrate and harmonize their data and see them through the lens of climate change. The city has benefited from a comprehensive, integrated and proactive approach in lessening the socio-economic and environmental impact of climate disasters. The program is also building knowledge among local agents to meet long-term climate change goals. CILRIF tries to address common barriers at the local level such as the lack of liquidity and budget reallocation for natural disasters and the limited investments in resilient infrastructure.


Also beyond CILRIF Makati is a frontrunner city that mainstreamed adaptation and mitigation in the budgetary processes. This triggered investments in a resilient energy grid, the adoption of a green building code and incentives for the construction of energy efficient infrastructure. Resilience strategies are also informed at an early stage to the private sector, that is consulted during the budget definition, which also assists in guaranteeing a transparent and just transition.

In practice, this constant consultation with different stakeholders has been fundamental for the collection and preparation of information and data about climate change-related risks in the city.

Makati city is a good example of how cities are revolving to innovative finance mechanisms to overcome barriers to accessing climate finance. With significant participation from the private sector, the city has been able to prioritize climate actions at the local level, while providing essential services to its citizens. One example of such engagement is the USD 30 million grant received from the South Korean government to develop a smart transport system, which will promote job creation, digitalization and reduction of the citizen's carbon footprint and the city's general emissions of greenhouse gasses.

### To learn more

 [Makati City, KOICA ink partnership for 'smart' public transport system](#)

 ["We are feeling its impact", Makati City declares climate emergency](#)

## Measuring risk to achieve urban resilience: the Urban Infrastructure Insurance Facility

The [Urban Infrastructure Insurance Facility](#) (UIIF), financed by KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by ICLEI, is allowing cities in Latin America and the Caribbean to purchase insurance from a tailor-made regional risk pool that increases urban resilience against climate change. The project, through the insurance facility, will ensure rapid financial resources to local governments after damaging events to rebuild critical infrastructures and help the poor vulnerable population cope with the negative impacts.

Cities natural disaster risks are transferred to a common risk pool which leverages risk sharing and spreads the financial costs among different investors. The insurance provider will also facilitate a rapid allocation of resources in the case of a natural disaster through quick pay-outs. Through the pool, cities obtain more affordable coverage than they could acquire on their own.

## III USE OF INNOVATIVE FINANCE INSTRUMENTS

As cities and regions face significant challenges in accessing climate finance, the use of innovative finance instruments emerges as a strategy to overcome such barriers and allow subnational governments to develop climate projects and tackle the negative impacts of climate change. Mechanisms such as blended finance, land value capture and public private partnership help local and regional governments to allocate funds to their climate action, whether by better using their own resources or attracting external partners.

### To learn more



[Global Compendium of Land Value Capture Policies](#)



[In Bogotá, a new era for sustainability](#)

## LAND VALUE CAPTURE: USING LOCAL OWN RESOURCES AS A CLIMATE STRATEGY

The significant urban population growth in the last decades increases the demand for basic public services such as water, sanitation, transport and parks. At the local level, communities need to enhance the knowledge not only on how to build such infrastructures, but also on how to maintain it. Climate change poses an additional challenge in establishing and maintaining such infrastructures due to lack of technical capacity and limited resources from local authorities.

In this context, land value capture (LVC) emerges as a strategy to employ own-source revenue to address climate change, providing more autonomy over the management of finances at the local level than traditional revenue streams. By managing land use, land value capture helps in distributing the benefits and burdens of urbanization.

LVC is a policy that enables communities to recover and reinvest land value increases that result from public investment and government actions.

In practice, there are different forms of increasing the value of the land, whether through the establishment of green infrastructure (parks, green spaces and flood control), energy efficient buildings or regulatory actions such as land-use and zoning designations. Usually these actions are local-driven tools that are connected to land and involve the engagement of different actors.



## Land-used tools supporting Latin American cities in leveraging funds for climate action

Land value capture has been helping cities in Latin America to unlock climate finance. In Bogota, for example, the Urban Development Institute implements public works that increase the value of the land. Public works include a broad category of infrastructure projects with a climate change perspective such as sustainable urban drainage systems, bicycle and pedestrian infrastructure and recyclable materials in pavement construction.

The city of Santa Marta, in Colombia, approved a new plan connecting national law to urban development; considering the key role of nature in structuring the territory. The plan includes management and financial land tools such as water charge where developers and landowners are required to pay a water charge in exchange for building rights in order to reduce the negative impacts of construction on water supply. All of the water charges go to a Water Trust which pays for reforestation (70%) and land acquisition in the upper basin (30%).

Land-based tools also involve different actors that are called to finance climate measures. This is the case of Santa Fe. The city in Argentina is extremely vulnerable to floods, whether through river overflow (2003) or due to heavy rains (2007). As part of networks such as ICLEI and 100 Resilient cities, Santa Fe engaged in establishing land and water regulations and policies, gray and blue/green infrastructure such as storm drainage works, pumping station and urban nature reserve, using different financing sources.

After the recent flood events, municipal authorities faced difficulties in obtaining the necessary funds to reconstruct the city's infrastructure and used land-based tools to overcome these barriers, by creating a mandatory rainwater harvesting in exchange for building rights. In this case, landowners are required to pay and install or build rainwater harvesting devices in exchange for basic building rights. If they do not do that the building rights are now allowed.

As demonstrated by different examples, land-based tools provide financial opportunities at the local level. The employment of such tools should start by revising the legal framework of the city and the other existing tools that are already used but to re-think their use under the framework of climate change. They should also be based on justice and equity principles, which legitimize their use.



## **PUBLIC PRIVATE PARTNERSHIPS (PPP): ENGAGING DIFFERENT ACTORS TO UNLOCK FINANCE**

As local governments trace different strategies to unlock access to finance, partnering with multiple actors emerged as a solution. Innovative financing schemes to decarbonize the energy system with the support of private companies are sprouting around the world to ensure action for the climate emergency. By cooperating with the business sector, local governments are stepping up and filling the gaps of local climate action, securing expertise and resources that would not be otherwise available.

Hence, PPP is a unique opportunity to access finance, especially in renewable energy projects that usually require a lot of capital expenditure to get started off the ground. Through this model, public funds are brought together and the private element adds efficiency, making sure that the project reaches its intended outcome. In some cases, partnerships with private companies and startups can bring innovation not only to the project, but to the city which can be escalated to other regions. That was the case in Salvador, Brazil, where a PPP was created to provide solar energy equipment, guaranteeing one stadium's energy supply. This had a positive influence in the future development of policies and regulation that allow effective integration of renewable sources to the grid, not only in Brazil but also in other countries of the region.

Despite all these benefits, there is still a lack of technical capacity at the local level to understand the mechanism and develop impactful partnerships with the private sector. Therefore, ICLEI, together with the Association of National Communities in Benin, is implementing the GIZ funded Benin Energy Plus Project, which focuses on capacity building on PPPs and carbon markets. Through a detailed collection of tools and resources, the Toolkit was developed with the aim to enhance knowledge at the local level on the design and implementation of such partnerships, working as a critical enabler to renewable energy projects.

## **GREEN BONDS: AWARENESS RAISING AT THE LOCAL LEVEL**

Green bonds are usually employed as an innovative strategy to unlock access to finance and as an instrument to raise awareness to the relevance of climate projects. This was the case also in Indore, India. The city decided to issue green bonds which target individual investors for the installation of the Captive Solar Project. Indore Municipal Corporation seeks to raise as much as 2.6 billion rupees (\$31.8 million) via a 10-year bond sale, which will assist the city in setting up a 60 MW solar power plant. Further, the Green Bonds will be listed on the National Stock Exchange of India and Bombay Stock Exchange.

This will not only save monthly electricity expenditures, but also speed up the local transition towards clean energy. The city officials confirmed that bonds were a strategy to increase the civil society's buy-in of climate projects.

The bonds have an innovative structure that supports the acceleration of sustainable energy financing, helping to provide funds to climate projects and contributing to carbon footprint's reduction. In practice, the green bonds are at the same time providing benefits to the citizens and guaranteeing better returns on investment than other traditional mechanisms.

## IV PROJECT PITCHING

After preparing the project, a well-structured pitch containing the project rationale, objective and expected impacts is crucial to attract investors' attention. Since 2019 TAP has supported and offered pitching opportunities to more than 50 projects. During Daring Cities 2022, 6 cities from Latin America, Central America and Europe, that are part of the TAP pipeline, pitched their projects in front of a technical jury composed of financial experts.

The recommendations of the jury members focused on two of the most important stages in developing climate projects: the project design and gaps identification.

### Project design

- Define objectives, the stakeholders involved and a concrete set of activities. This will guarantee better planning, allocation of responsibilities and a smooth implementation of such initiatives.
- Collect background information to trace a logical narrative, demonstrating the importance of the project and the impact it might have. This will strengthen the concept note and demonstrate what the project is trying to achieve.

### Gaps identification

- Identify existing technical gaps, which will facilitate the support from project preparation facilities.
- Analyze and define what type of technical assistance is required
- Assess the financial barriers and gaps that need to be addressed. This will allow a better planning on how to leverage capital and through which instruments, e.g.; public-private partnerships; own resources, etc.

## REFERENCE

CCFLA 2021. 2021 State of Cities Climate Finance Report <https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/>

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