



Training programme & “embedded tutoring” on innovative finance for city officials

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Abbreviations and acronyms

Acronym	Description
AP	Action Plan
CCC	City Climate Contract
IP	Investment Plan
WP	Work Package

Summary

A major objective of the NetZeroCities project is the support to Mission Cities in financing their long-term climate strategy towards reaching net zero emissions until 2030. The project aims to enable cities to draft and develop sound financial strategies that accompany the Action Plan which describes the necessary portfolio of measures to reach climate neutrality. In an Investment Plan, the city maps current financial flows, identifies costs and benefits of the portfolio and matches costs with sources of capital.

This report describes the development of the training programme and 'embedded tutoring' on innovative finance by the NetZeroCities Work Package 7 partners. Firstly, the modular approach, which covers the different sections and modules of a sound financial strategy, is highlighted. The report then describes the development and delivery of an integrated finance training with a focus on providing guidance on the drafting of an Investment Plan. Chapter 2 to 4 summarize the different formats that were chosen to deliver the training, ranging from webinars to videos and in-person summer schools.

Having read the report, the reader is able to follow the process of how the training programme was developed and which main contents were delivered to Mission Cities and how. It also gives an overview of how Mission Cities will be supported in the future to access and source sufficient capital to finance the transition to climate neutrality in their cities.

Keywords

Investment Plan, financial strategy, training, capacity building, funding, cities, local authorities



Introduction

The Investment Plan is an integral part of the Mission Cities' journey towards climate neutrality. Together with the Action Plan (AP), it lays the basis for the city's City Climate Contract (CCC), a document that encapsulates the city's political commitment, setting out the plan to achieve net-zero by 2030.

Whilst many cities have experience in developing climate action plans and undertaking advanced efforts to direct capital to support those actions, the concept of an Investment Plan (IP) for Climate Neutrality is quite new and innovative. The Investment Plan, which is developed by each Mission City individually, is a systematic overview of the costs and capital needed in each city to reach the goal of climate neutrality in 2030. Since the drafting of Investment Plans is such a new and challenging task for many cities, NetZeroCities offers training and tutoring to support Mission Cities in delivering the activities necessary to build an economic and financial strategy.

The following report summarizes the approach taken to design the training and presents the support offered to cities via different training and capability building formats.

1 Aim and approach

The aim of the training and embedded tutoring service offer directed at Mission Cities, and specifically finance officers in those cities, is to build their capacities to draft Investment Plans that finance and fund the portfolio of actions described in their Action Plans. Ultimately, the goal for each city is to mobilise the necessary capital to reach net zero by 2030. Furthermore, developing a Climate Investment Plan is a way to understand current financial flows, identify costs and sources of financing. It is also a way to structure how cities assess risk, engage financial stakeholders, plan for enabling policies and monitor the impact of investments.

Based on the modular approach of the Investment Plan template, it was decided to develop the training along the lines of the different modules that comprise the Investment Plan: Data collection, Risk Analysis, Cost, Impact and Capital Planning, Financial Policy, Stakeholder Engagement, Capacity Building and Assessment, Impact Monitoring Framework, and the Alignment with the Action Plan. At a later stage, this was further specified to mirror Part A, B and C of the Investment Plan template and the respective modules to provide more tailored support. The template was developed to guide Mission Cities in the drafting of the Investment Plan by giving out a clear structure and steps to follow. It also allows for comparability and a structured assessment.

At various occasions in the design phase, feedback loops with city representatives and advanced Mission Cities were sought to include the user perspective and improve the training structure and content. These design loops also intended to understand better the current state of investment planning in cities, the level of climate budgeting undertaken as well as the demands and needs on the user side, in order to create a useful training for Mission Cities. The identification of needs and main challenges with investment planning was recognized as one of the most important stepping-stones for the development of the training and several approaches were sought to achieve these necessary insights.

Ultimately, the finance and investment planning training and tutoring developed organically into different formats, adapting to the course of the NetZeroCities programme. The following chapters give an overview of those formats ranging from webinars for cities, to a tutorial for City Advisors, bilateral ad-hoc support and content creation for cross-thematic capability building courses. In the future, further support mechanisms will be made available for cities to support them on their journey towards financing their net zero ambition.

2 Training programme

2.1 Development of modular approach

Based on the report on the "[City climate finance landscape, barriers and best practices in city climate finance](#)", main topics for the training were identified. Those first topics included access to funding and financing, building capacity in cities to attract funding and creating knowledge on innovative financing instruments. With the emerging relevance of the Investment Plan for cities, it was however decided to



shift the focus of the training on financing to cover the particular challenge of drafting an Investment Plan while still also catering to the needs and challenges identified prior.

In a design session with all involved task partners, the most relevant fields of action were identified and summarized in key pillars and modules. The eight pillars that the training covers are displayed in Figure 1: Data collection, Risk Analysis, Cost, Impact and Capital Planning, Financial policy, Stakeholder Engagement, Capacity Building and Assessment, Impact Monitoring Framework, and the Alignment with the Action Plan.

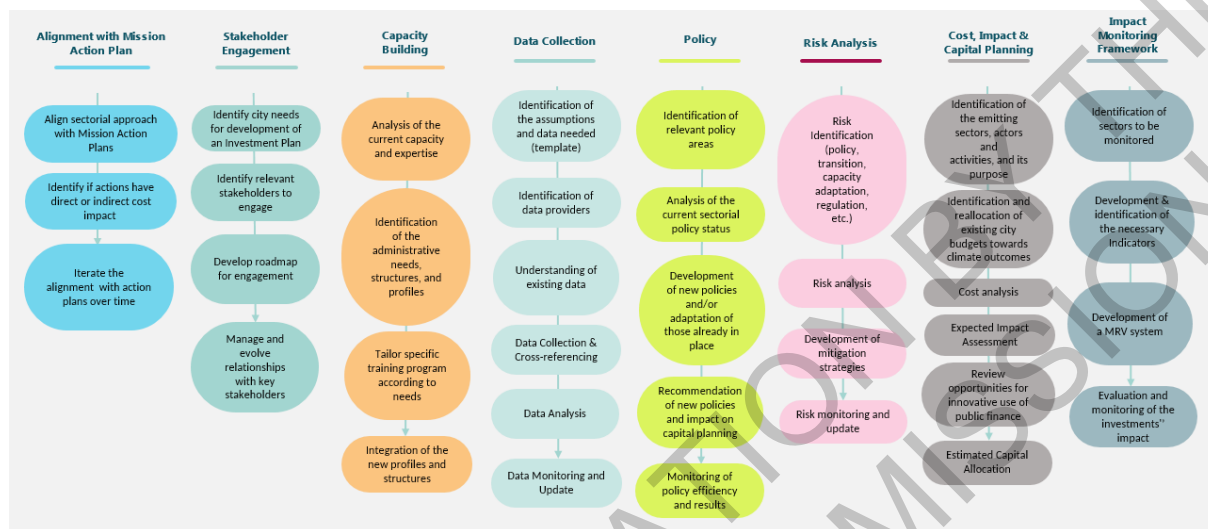


Figure 1: Pillars of the Investment Plan

Each pillar further consists of sub-modules that break down the activities to be carried out under the key areas of intervention. Modules were identified to represent the holistic and integrated approach that is the Investment Plan, which covers all sectors of the city and provides a long-term finance planning instrument beyond the city's own assets. For instance, the training therefore encompasses not only key elements such as cost, impact and capital planning support but emphasises the importance of mapping and engaging the ecosystem of financial stakeholders in the city as well as the formulation of enabling financial policies to trigger climate-friendly investments.

2.2 Design phase with cities

NetZeroCities recognizes that user needs and perspectives are core elements of successful service design. With Mission Cities being the main user of the innovative finance programme, their feedback was incorporated during different stages of the training prototype development. To this end, city panels, consisting of high-level city representatives and practitioners from climate and finance departments, were invited to comment on the Investment Plan template and the accompanying training structure. In addition, several frontrunner cities provided insights on needs, challenges but also good practices that were incorporated into the design of the training. The following chapters give an overview of their input.

2.2.1 City panels

Two city panels were organized to gather input on challenges with investment planning from a city perspective as well as to emphasize the importance and relevance of drafting an Investment Plan to perform a sound capital planning for net zero. The panels consist of practitioners in climate and finance departments (Practitioners panel) and high-level representatives of cities (Strategic panel).

Practitioners Panel

The online workshop with the Practitioners Panel in May 2022 focused on the presentation of the Investment Plan Framework and supporting services that were being developed at the time for the Mission Cities. In the beginning, the presenters stressed the alignment of both action and investment planning, demonstrating the overlaps of both processes. For a better understanding of the concept of an 'Investment Plan', the pillars that inform the development of an investment plan were presented to the audience, followed by a closer look at the processes of cost analysis, expected impact assessment and capital planning – all of which will be at the core of the development of an IP in each city.

Following this introduction, one Mission City, the city of Turku, presented its work and experiences on investment planning – a practical example that was welcomed by the audience and session organizers. Building on both presentations, the finance guidance tool, the data collection template and the training on investment planning were briefly presented as an outlook towards services developed by NetZeroCities. There was a lot of interest in the data template, which provides insights into the data characteristics per sector that is are recommended for collection.

The audience continued to discuss two main questions on needs and requirements (see below) in smaller groups in breakout rooms, giving the organizers the opportunity to collect more detailed feedback on the presented framework.

Good practices in Turku

In the city of Turku, several departments work together on the investment plan. A steering group was created to oversee this process which consists of representatives from several departments to avoid working in silos. The investment plan in Turku covers all kinds of capital sources with the goal to reach climate neutrality by 2030.

Challenges

Challenges that were identified by cities in terms of drafting an Investment Plan include:

- Coordinated data collection necessary for capital planning
- Inclusion of the private sector actors; associated risks of certain investments
- Monetary quantification of benefits of citizen engagement or other soft measures and co-benefits; importance of aligning private investments and actions (e.g. businesses) and behaviour change of citizens
- Lack of capacities and high workload in cities
- Working across city departments with the problem of silos between the climate and finance departments
- Cities lack control over their budgets and depend on higher governmental levels to develop Investment Plans; therefore alignment with national government and policies is crucial
- Need to make the Investment Plan more tangible, by identifying which sectors are most relevant.

Discussion in breakout rooms

- 1) Which challenges do you anticipate with respect to the development of an Investment Plan?
- 2) How do services and tools need to be designed to support Mission Cities in developing an Investment Plan?

Summarized results of discussions in breakout rooms

- **Barriers:** Limited capacity, lack of replicable business cases, role of the regional and central government, language barrier, lack of data and information overview, mainstreaming climate across investment decisions rather than 'climate investments', difficulty to measure costs of behaviour change actions and needs, lack of experience in creating a pipeline of bankable projects, achieving the broad consensus across boards and several actors, understanding and assessing financial risk, bridging policy cycles and long-term planning of finance and climate activities
- **Opportunities:** Work with a practical example to bring city departments together on one concrete project to build on later, involvement of all relevant stakeholders, encourage networking between cities, climate officers as main contact points and key staff, use existing tools and approaches of investment planning in cities to build on tailored approach

Strategic Panel

The second city panel with representatives of the Strategic Panel took place in June 2022 with a focus on conveying the benefits of investment planning for cities. The Strategic Panel, compared to the hands-on Practitioner Panel, had a different focus. Given that the attendees were high-level officials – including mayors, deputy mayors and city advisors – the content of the presentation differed. In this Strategic Panel, the delivery team focused more on the justification of *why*, as opposed to the Practitioner Panel which focused on the *how*. Much of the content presented focused on the need for an Investment Plan, and in addition to that, the necessity of city leadership to overcome silos and develop an integrated, holistic, citywide Investment Plan.



2.2.2 Frontrunner cities

With the goal of identifying good practices of existing investment planning approaches already applied in Mission Cities that serve as stepping stones and examples for other cities, NetZeroCities organized an online workshop with three cities that are considered frontrunners with regard to developing a sound financial strategy for climate neutrality. Helsinki, Madrid and Malmö participated in the session on 'Sharing experiences on Investment Planning' in July 2022.

The goal of this working session was threefold: With the three cities being frontrunner in terms of investment planning or climate budgeting, NetZeroCities partners were interested in exploring their approach to investment planning; identifying any needs they may have in terms of driving its implementation locally and enabling them to progress faster by taking advantage of the supporting services. During the course of the workshop, the cities were asked a set of questions that corresponded to the different pillars of the Investment Plan as described by the modular approach. Their experiences and feedback inspired the following **key learnings** for the training:

- Levels of understanding and advancement with regard to investment planning vary hugely among the cities
- Cities tend to focus only on their own assets and do not yet incorporate privately owned assets in the cost analysis for climate neutrality
- Engagement of private stakeholders and asset owners in the city is crucial → Understanding the local financial ecosystem is necessary and valuable
- Stakeholder engagement to be added as additional standalone pillar (*Note by authors: In earlier versions, stakeholder engagement had not been a separate pillar*)
- Strong urge to develop an Investment Plan template to guide cities in a step-by-step methodology to draft an Investment Plan (*Note by authors: At this point, an Investment Plan Framework and a data template had been developed, an Investment Plan template had not*)
- Regulatory conditions are decisive for non-publicly owned assets and cities need to be involved in multilevel governance and policy making
- Need to clarify level of detail and data needed for investment planning
- Need to convey benefits of developing an Investment Plan, rather than seeing it as a mere budgeting exercise
- The interconnection of Investment Plan and Action Plan needs to be more clearly visible and input data stronger aligned
- There is concern that a lower credit rating for cities will lead to a lower chance of attracting funding than others



The following questions were discussed with the frontrunner cities with the goal of understanding their approach and gather their learnings:

Category/ Pillar	Questions asked
Process	<ul style="list-style-type: none"> Who is involved in investment planning in your city and why? How do you foster collaboration across departments and organizations?
Risk	<ul style="list-style-type: none"> What are major risk categories and challenges that you encounter(ed) while setting up and implementing the IP? How do you monitor risk?
Policy	<ul style="list-style-type: none"> How are the relevant policy areas that could influence the investment plan identified? How is the impact of new policies on capital planning estimated? How do you shape policy to facilitate capital flows?
Data collection	<ul style="list-style-type: none"> What are the main data sources you use to set up the investment plan? What approach do you take to collect the data? What data gaps have you identified? Is there any specific entity that you collaborate with to collect data?
Capital planning	<ul style="list-style-type: none"> What are the challenges for sourcing capital? How do you source capital? What are time frames in your budget?
Capacity building	<ul style="list-style-type: none"> What needs for capacity building have been identified in your city's administration regarding the development and implementation of an investment plan? Which other organizations that you collaborate with could enhance their capacity?

Table 1: Set of question on investment planning

2.3 Webinar on IP framework

In June 2022, as part of the CCC webinar series that presented the on-going work of the NetZeroCities programme on the City Climate Contract process, all Mission Cities were invited to part in a webinar on the Investment Plan framework. This webinar presented the work that had been done until this date on the modular approach of the Investment Plan and responded to the cities' major concerns towards developing this long-term financing strategy.

Several key messages were formulated beforehand to deliver to participating cities:

- The Investment Plan is not an Action Plan (AP) but is aligned with the AP as many strategic/policy actions will impact the IP and the portfolio of actions described in both documents is the same.
- There is a need to ensure that the focus is on the Financial Planning for a city, providing information on the cost, impact and capital allocation.
- The IP will take on a top-down approach, which can subsequently be complemented with a bottom up, portfolio project approach.
- IP aims to capture both public and private stakeholders.
- We are looking at a long-term planning exercise and not short term operational budgetary planning.
- It will act as a catalyst to optimise capital and help cities seek more funding & financing.
- Investment planning involves various actors both within the city administration and outside of it (i.e. private sector GHG emitters).
- The IP will be an iterative process and reviewed regularly against a set of indicators to monitor progress. A standard set of indicators is still being developed, for now economic and financial indicators are identified by cities based on the portfolio.



City representatives welcomed the information on the IP framework and its step-by-step, modular approach. However, due to the novelty of the concept, doubts remained as to how to go about the development of an Investment Plan and specifically the analysis of overall costs for the whole city and the capital needed, as well as its sources.

2.4 Webinar on IP template

Based on the feedback gathered in the city panels, the working session with frontrunner cities and several bilateral talks with Mission Cities, it was decided to develop guiding materials for cities to set up sound investment plans. It was due to the cities' expressed needs that the IP template and the accompanying Guidance document came to life.

The template developed splits the long-term financial planning exercise that is investment planning into three main parts: Part A on Existing Climate Action Funding and Financing, Part B on Investment Pathways Towards Climate Neutrality by 2030 and Part C on Enabling Conditions for Climate Neutrality. Those three parts cover all pillars and modules identified prior as relevant for investment planning. They are interconnected and are not to be viewed as single entities but depend on and complement each other. In the same way, the whole Investment Plan refers and is aligned with the portfolio of measures and actions described in the Action Plan.

In October 2022, Mission Cities were invited to take part in a webinar in which the IP template and guidance document were presented. This webinar was designed in a way to serve as a training basis for Mission Cities that would be able to submit their Investment Plan in spring 2023.

3 Embedded tutoring through supporting national cohorts and ad-hoc city support

In the second quarter of 2023, dedicated support sessions were held to cities in national cohorts. Namely sessions for French, Polish, Finnish, Greek, Irish, German, and Portuguese (two occasions) Mission Cities were held. Here, specific support was provided for financial planning and adjusting materials to the local contexts. On top of national clusters, ad-hoc city support was provided for instance to Klagenfurt (Austria), Leuven (Belgium) and Umeå (Finland). All these support activities were provided on an on-demand basis and beyond the regular IP check and validation process.

4 Development of IP summer school programme

After the first submission window on the 15th of April 2023, two summer schools were organized for cities to exchange experiences and receive practical advice on submitting their Investment Plans. First in Milan, Italy (May), and then in Santander, Spain (July), cities received in-depth training about the Climate Investment Planning do-s and don't-s, the best practices, and the formalized support process that they are receiving in Window 2 (submissions until the 15th of September 2023). During these sessions, organizers made sure that cities that submitted plans in Window 1 were able to attend and share their experiences directly with cities planning to submit in Window 2. These peer-to-peer knowledge exchanges form the backbone of mutual learning.

To give a better view for later stages, the BwB team gave a high-level view about the possible financial instruments that can be used for city project financing. These instruments can vary depending on ownership type, sectors, and project development stage. On top of this, the notion of the Mission City Capital Hub was introduced. The Hub will provide technical assistance to cities to turn investment plans into reality via attracting and deploying private sector capital to investable projects. In this way, cities will not only receive assistance in developing their financial case, but also will be introduced to multiple investors on a project-by-project basis.

5 Development of modules for the Capability Building Programme

In addition to ad-hoc city support and the two summer schools, it had been decided to develop training material as part of the cross-cutting Capability Building Programme for Cities that NetZeroCities began



elaborating by the end of 2022. Having understood the interconnectedness of all services provided for Cities by the programme and the necessity to think holistically about the transition to net zero, the training on innovative financing for climate neutrality was interwoven with this overall capacity building programme.

From the financial perspective, it was decided to focus on delivering a practical guide to filling the investment plan template with examples on good practices and what to avoid. This material was based on lessons learned from first IPs submitted by Mission Cities in April 2023. The content developed refer to Module 6 of the Capability Building Programme on developing a financing strategy.

For all three parts of the Investment Plan template, a video was recorded to explain the benefits, objectives and reasons for the necessity of each module in detail. This was due to the fact that it was noted that several cities had left sections of the template blank – partly due to unavailability of data, but also due to an underestimation of the importance of each module. Consequently, more information was provided in the recorded training material to give an indication of the level of detail required for the session as well as the reasoning behind the module. In addition to the guidance through the template, hands-on examples were given of well-developed sections and also examples that needed some form of revision. These examples from peers were included to cater to the needs for peer-to-peer exchange among the cities. The tables below summarize the main messages developed for the financing module (module 6) of the Capability Building Programme.

The videos were made available to Mission Cities via the NetZeroCities [Portal](#).

Part A - Existing Climate Action Funding and Financing

Good practices	What to avoid
Map out the current and planned budgeted climate activities within the city and any associate companies.	Avoid allocation by city organization department
Use sector specification provided in the Action Plan	Avoid detailing a few specific investments. Present a holistic picture instead.
Provide as precise city budget spending (in LCU) as possible and also sources of income and capital	Avoid only providing internal municipal income sources (e.g. local tax). Provide external sources such as grants, green bonds
Identify new, potential capital sources	Avoid listing barriers without linking them to the potential capital sources
Differentiate among structural, fiscal, economic barriers. Describe mitigation actions	Avoiding assessment on internal capacity for raising capital

Table 2: Learnings Part A

Part B - Investment Pathways Towards Climate Neutrality by 2030

Good practices	What to avoid
Provide details about CAPEX and OPEX (let it be absolute or incremental), emissions, and co-benefits.	Avoid only costing for municipality entities. Include private stakeholders with emitting assets.
Differentiate private/public capital sources project-by-project	Avoid high level deployment of capital without linking it to individual projects
Identify indicators for monitoring and which are related to efficiency of capital deployed (e.g., EUR/gCO ₂ reduced)	Avoid focusing on public funding sources with no consideration of private capital or blended finance
Use indicators that are relevant to both public and private entities (not only no. of jobs created, not only RIO, but gCO ₂ reduced)	Avoid using the same monitoring process outlined in the Action Plan. Set up separate financial monitoring.

Table 3: Learnings Part B

Part C - Enabling Conditions for Climate Neutrality



Good practices	What to avoid
List policies that both support and hinder the climate spending / borrowing process	Avoid leaving this section blank.
Use this as an exercise to identify gaps and opportunities for implementing climate- or investment-enabling policies, and whether the city has required capacity for implementation.	Avoid generic risk identification. Identify them on project level.
Categorise and describe risks in detail: are risks financial/regulatory/transactional/policy-related? What is the likelihood of occurrence? scale of impact? Mitigation options?	Avoid high-level stakeholder mapping without considering their usefulness or potential for engagement.
Perform internal org. capacity self-assessment for implementation. Identify existing expertise and resource gaps.	N/A
Complete an extensive stakeholder list, assess their influence and impact, and craft engagement strategy	N/A

Table 4: Learnings Part C

Conclusion

This report has shown how the training programme developed from a cluster of different topics and followed a structured, modular approach. Due to the growing importance of the Investment Plan for Mission Cities, the decision was taken to base the service offer on finance on this particular topic (making sure IPs are well-developed), rather than a bundle of specific innovative finance solutions and instruments with limited direct use for cities. The step-by-step methodology gives cities guidance on conducting sound investment planning, while still holding enough space for local approaches, conditions and possibilities.

An agile and iterative approach was taken to service development to include city needs and challenges in the training. Therefore, frontrunner cities and practitioners from climate and finance departments were included in the design from the beginning. Based on their valuable insights and feedback, NetZeroCities gained deep insights into main challenges of financing the climate transition and ways to overcome them and was able to develop a hands-on, practical capacity building programme. Particularly important have been the learnings from the first window of CCC submissions in this regard – good examples as well as lessons on how to improve the communication around the requirements for the Investment Plan were gathered.

The design of the training programme on innovative finance has shown that sound financial planning on the city level for climate neutrality is a challenging task for cities that are facing limited capacity and capability as well as certain regulatory barriers. At the same time, cooperating with NetZeroCities partners and amongst each other, various Mission Cities have been drafting well-structured and sound financial strategies and Investment Plans as part of their Climate City Contracts. It will be the project's task to keep supporting cities in this objective by creating spaces for peer-to-peer learning and by providing specialised expertise where necessary. Most importantly, the Mission City Capital Hub will support cities in finding adequate sources of capital and funding and will provide tangible support in leveraging additional capital.

