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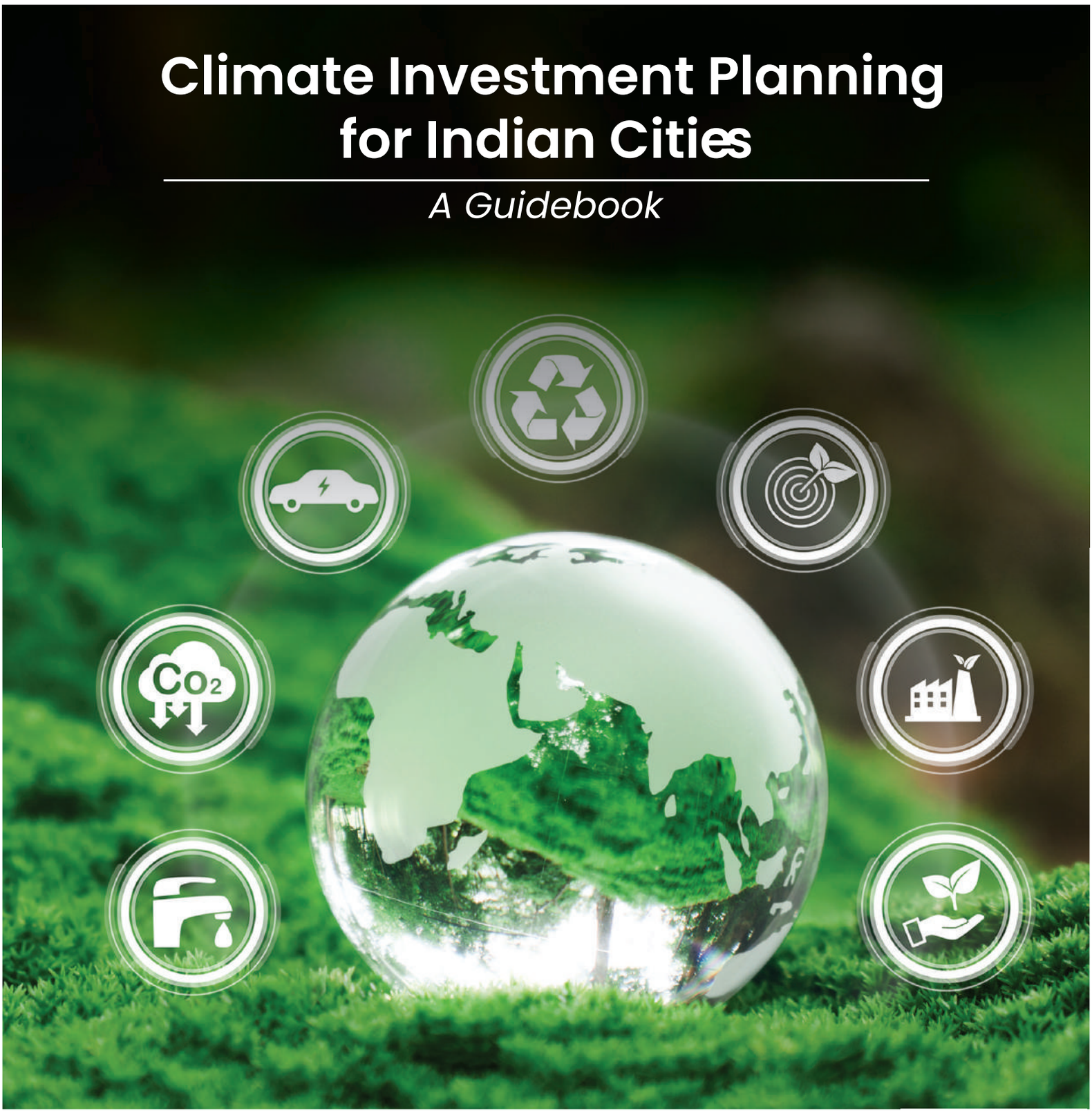
CapaCITIES
LOW CARBON • CLIMATE RESILIENT • CITY DEVELOPMENT

# Climate Investment Planning for Indian Cities

## *A Guidebook*

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# Glossary

**Apportionment Principle:** The financial framework used to distribute the costs of climate-related emissions reductions across multiple stakeholders (e.g., private citizens, central/state schemes, and the Urban Local Body) based on asset ownership and the specific source of emissions.

**BAU (Business-As-Usual):** The operational status quo wherein standard processes and routine activities proceed without deviation, notwithstanding potential disruptions or external environmental pressures. It serves as the baseline of conventional functionality, providing a comparative reference against transformative climate interventions or acute systemic shocks

**CAPEX (Capital Expenditure):** The funds allocated for the acquisition, development, or upgrading of physical infrastructure and long-term structural climate actions.

**DPR (Detailed Project Report):** A comprehensive planning document detailing a project's feasibility, design, and costing, submitted to state and central ministries for formal scheme integration and funding approval.

**GCC (Gross Cost Contract) Model:** A public-private procurement mechanism (used, for example, in E-bus rollouts) where the private operator is paid a specified fee to operate a service, mitigating private market risks and attracting private investment.

**M&R (Monitoring and Reporting) Framework:** An integrated system within municipal processes designed to systematically track financial flows, implementation timelines, greenhouse gas (GHG) emissions reductions, and resilience outcomes.

**OPEX (Operational Expenditure):** The ongoing, day-to-day financial resources required to manage, maintain, and operate completed climate projects or utilities.

**PPP (Public-Private Partnership):** A cooperative arrangement between a government agency (such as a ULB) and a private sector company to finance, build, and operate asset-heavy infrastructure projects like Waste-to-Energy or Bio-CNG plants.

*The **Climate Investment Plan** is a multi-year Strategic Plan that helps an Urban Local Body (ULB) to forecast the quantum of additional investment required for the execution and operation of a portfolio of sustainable infrastructure projects over the ULB's business-as-usual activities, along with a suitable funding strategy and policy measures.*

*It is a dynamic document that may be updated in accordance with changing ground realities at intervals of 2-3 of years.*

# 01 Introduction

## 1.1 | Background

India's transition to a Net Zero economy will require an estimated USD 22.7 trillion in cumulative investment by 2070, highlighting the need for substantial and sustained mobilisation of climate finance over the coming decades. The power sector accounts for nearly half of the total investment requirement, driven by the large-scale deployment of renewable energy, energy storage, and transmission infrastructure. The transport sector represents approximately one-fifth of the required investments, focusing on electric vehicles, charging infrastructure, and green hydrogen, while the industrial sector contributes around one-quarter of total needs through the decarbonization of hard-to-abate industries such as steel, cement, and chemicals. Compared to the Current Policy Scenario, achieving Net Zero will require an additional USD 8.1 trillion in incremental investments by 2070, with the largest financing gap arising in the power sector (USD 4.5 trillion), followed by industry (USD 2.7 trillion) and transport (USD 0.9 trillion). While financing requirements increase significantly after 2050, the immediate challenge lies in rapidly mobilising capital to accelerate clean infrastructure development, energy transition, and the deployment of emerging technologies such as carbon capture, long-duration storage, offshore wind, and green hydrogen.

Climate finance, which includes both domestic and international sources, is crucial for achieving climate goals. International climate finance comes from various sources, including multilateral climate funds, major development banks, bilateral donors, and private sector/philanthropy-driven investments.

Delaying climate investments will result in the need for significantly higher finances and more damage in the future. It is essential to build local government capacities to access climate finance, focusing on public-private partnerships and leveraging private sector investment to achieve climate goals and build resilient urban areas.

The CRCAPs developed in earlier CapaCITIES phases estimated capital investment requirements for different climate actions to reach net zero by 2070. To achieve their immediate climate goals, partner cities need to define an investment roadmap for the CRCAP targets up to 2030. Each partner city needs to develop a Climate Investment Plan (CIP) following its CRCAP targets up to 2030.

Each action within the CIPs needs to be tailored to be market-ready for attracting investment from public, private, or public-private partnership (PPP) sources. In the second phase of CapaCITIES, IAs developed a pipeline of climate actions and developed bankable project reports for financing based on the CRCAPs. As these projects mature or are scaled up, they will attract more investment and enhance the pipeline of financing for climate action projects.

City officials need to have strengthened skill sets to prepare CIPs independently and structure bankable projects to mobilise the required finances, thereby enhancing their climate investment pipeline. As part of the budgeting exercise, they should be able to identify surplus from existing

cash flows and funding available from various national and state-level funding programs. This will reduce the funding gap and de-risk the proposed initiatives. Therefore, this guidebook explores the know-how and a step-by-step methodology to develop a climate investment plan that shall help cities in achieving their climate action goals. But before diving into the step-by-step approach, let us understand what is climate investment planning and why do we need it?

## 1.2 | What is climate investment planning and why is it needed?

Climate investment planning is the assessment of existing capacities and the identification of gaps that need to be addressed to effectively implement climate action. This involves evaluating the institutional, technical, and financial capabilities of stakeholders and identifying areas where additional support or resources are required.

Based on this assessment, climate investment planning involves the identification and prioritisation of investment opportunities that offer the greatest potential for climate impact and align with national or regional climate priorities. This requires a thorough analysis of potential projects and initiatives, considering their environmental, social, and economic benefits and risks.

Once investment priorities have been established, climate investment planning involves the development of a roadmap that outlines the steps and actions required to mobilise and catalyse financial resources from both public and private sources. This includes identifying potential funding sources, developing investment proposals, and creating enabling environments that attract and facilitate climate-related investments.

The successful achievement of a nation's climate goals and the execution of its associated investment plans hinge on a multitude of interconnected factors. These include robust institutional frameworks, specialised expertise, efficient coordination mechanisms, broad stakeholder engagement, and the effective integration of climate considerations into overarching national development strategies. This is an iterative process that will evolve in tandem with other stages of climate action.

The primary objective of this stage is to ensure that the requisite institutional structures and capacities are firmly established. This will facilitate effective climate investment planning, the mobilisation of financial and human resources, the implementation of climate objectives, and the mainstreaming of climate priorities into all relevant sectors and policy areas.

Strong institutional capacity is essential for providing the necessary leadership, coordination, and oversight for climate action. This includes establishing clear roles and responsibilities, developing effective regulatory frameworks, and building the capacity of government agencies and other institutions to implement climate policies and programs.

Specialised knowledge is also crucial for understanding the complex scientific, economic, and social dimensions of climate change and for developing effective solutions. This includes expertise in climate science, climate modelling, climate finance, and climate policy.

Streamlined coordination is necessary to ensure that climate action is coherent and effective across different sectors and levels of government. This includes establishing mechanisms for information sharing, collaboration, and conflict resolution.

Stakeholder engagement is essential for building support for climate action and for ensuring that climate policies and programs are responsive to the needs of different groups. This includes engaging with civil society, the private sector, and other stakeholders in the development and implementation of climate policies. The integration of climate concerns into overarching development strategies is essential to ensure that climate action aligns with broader national priorities. This includes incorporating climate considerations into economic planning, infrastructure development, and social policy.

By strengthening institutional capacity, specialised knowledge, coordination, stakeholder engagement, and the integration of climate concerns into development strategies, countries can create an enabling environment for effective climate action and achieve their climate goals.

## 1.3 | Purpose of the Guidebook

The purpose of this toolkit is to establish a structured and periodic process for creating, reviewing and updating Climate Investment Plans. This ensures that plans remain dynamic, relevant, and responsive to evolving conditions. It is a medium-term visioning exercise that tries to map the total costs and potential capital resources specifically for Climate action & Sustainability in a city. One of its key aims is to leverage public funds and attract capital from the market and private sources for climate action.

This document provides step-by-step guidance for Urban Local Bodies (ULBs) to use the Climate Investment Plan template. The CIP translates a city's Climate Resilient City Action Plan (CRCAP) into a multi-year financial strategy. It bridges the gap between environmental ambition and financial reality by analysing municipal health, allocating costs across stakeholders, and mapping out capital solutions.

This guidance document is designed to accompany the Climate Investment Plan Template to support cities in understanding the template when developing their CIP. It is suggested to build this plan on the back of the actions outlined within the ULB's CRCAP. Keep in mind that CIP is a newly developed concept, and as this process will be iterative, we encourage you to communicate knowledge gaps with various stakeholders as discussed in this guidebook. The structure of the guidance is aligned with the process set out in the CRCAP and will follow the Investment Plan template.

## 1.4 | Alignment of CRCAP and CIP

The CIP and the CRCAP should be closely aligned. The CIP builds upon a portfolio of projects and actions identified in CRCAP and suggests the mechanism to quantify the capital needs and sources to deliver on these actions. The cities should iterate across both plans, linking actions to impact and then identifying the costs of these actions and sources of capital to implement the actions.

# 02 Institutional Framework for CIP Development

Effective preparation and implementation of a Climate Investment Plan (CIP) for achieving net-zero emissions at the city level requires clearly defined institutional roles and coordinated action across multiple stakeholders.

The following table suggests an institutional framework for institutionalising and developing CIPs:

| Net Zero Cell/Environment or climate change cell | Budget/Finance Department | Sector or Line Departments |
|---|---|---|
| Lead preparation of climate investment plans | Assess financial feasibility and funding options of overall plan. In case of absence of the net zero cell/climate change cell, the budget department may take the lead in preparation of CIP. | Propose and provide inputs in project planning, costing, thinking about finances including aligning with govt schemes while preparing the projects, phasing of implementation to define how much money will be required each year. |

The ULB plays the key anchor role in development of CIP. The Net Zero Cell should serve as the central coordinating body responsible for leading the overall process of climate investment planning. The cell is being implemented in a few cities (such as Ahmedabad) in India. Ideally, it should anchor the preparation of the Climate Investment Plan, ensuring alignment with the city's net-zero targets and broader climate strategies. The Cell should facilitate coordination across various departments, consolidate sectoral inputs into a coherent investment pipeline, and prioritise projects based on their emissions reduction potential, financial viability, and implementation readiness. The net-zero climate cell should also maintain:

- Updated project pipeline database
- Investment tracking system
- Climate impact monitoring framework

Together, these stakeholders form an integrated institutional framework that enables cities to systematically plan, finance, and implement investments required to transition towards a low carbon future. After the development of CIP, it should be approved by the competent authority of the ULB.

# 03 Development of CIP: The Process

The development of a Climate Investment Plan (CIP) is a structured, multi-stage process that enables cities to systematically identify, prioritise, and finance investments required to achieve their net-zero targets. The process is iterative in nature and requires close coordination across departments, as well as engagement with external stakeholders.

General Instructions Before Beginning:

- **Target Audience:** This document is cross-functional. It requires input from the Municipal Accounts/Finance department, Urban Planning, Engineering (Water, Waste, Transport, etc), and Environmental cells.
- **Formatting Clean-up:** Delete all instructional text in grey from the CIP template as you fill it out. The CIP template gives an overview of the text and instructions for the user that can help fill the template. The suggestion is to remove the instructions (highlighted in grey) in the template and add relevant sections.
- **Unit Consistency:** Choose a consistent financial unit (INR Millions, Crores, or Billions) and apply it uniformly across all tables.
- **Narrative Continuity:** Tables within the Climate Investment Plan (CIP) template should not be regarded as independent components. Given that these tables constitute the foundational elements of the template, it is mandatory that each table and figure be supported by a concise introductory or explanatory narrative. This narrative must detail the local context, provide relevant interpretations, and address any observed anomalies or trends.

The development process follows the following key steps. The steps are explained in more detail in the annexed template, but here is a glimpse of the information to be filled:

## Step 1: Historical & Current state of Climate Budgeting & Financing in the city

**Objective:** Assessment of the historical and current state of climate budgeting and financing within the city. This step establishes a financial baseline, enabling the city to understand its existing fiscal capacity, expenditure patterns, and constraints in mobilising resources for climate action.

Key parameters to be provided:

- Baseline of the budget trends: An appraisal of the current state of overall Municipal finances
- Overall Budget Surplus / Deficit
- How capital expenditure projects get financed
- Constraints or challenges faced by the city in mobilising finance, particularly for climate action

## How to
## Fill the Template?

Reference table to be filled in the CIP template: Table 1 to 6

**Section 1.1: Appraisal of Municipal Finances**

i. **The Context:** Write a 3–4 paragraph overview of your city. Include current population, municipal area, primary economic drivers, and an overview of the existing CRCAP. State the explicit goal of this CIP (e.g., "To develop a 5-year plan for low carbon pathways").
ii. **Expenditure & Income (Tables 1 & 2):** Populate using city budgets. Identify whether revenue or capital expenditures are growing faster.
iii. **Capital Income Analysis (Table 3 & Figure 1):** Break down how capital enters the city.
iv. **Debt & Borrowing Capacity:** Explicitly answer city's preparedness.
v. **Baseline Climate Budgeting (Table 5):** Review past budgets through a "climate lens." Endeavor to pinpoint expenditures allocated toward initiatives with a sustainability-focused justification or those mirroring actions previously detailed in the CRCAP.

**Section 1.2: Institutional, Policy, and Financial Constraints (Table 6)**

i. Customise the barriers based on your city's specific realities.

## Step 2: Investment Planning for 2030 CRCAP Actions in the city

**Objective:** Translating identified climate actions into a quantified investment plan up to 2030. It involves estimating future financial needs, assessing available resources under a business-as-usual scenario, and developing a structured financing strategy to bridge the investment gap.

Key analysis to be carried out:

- Business-as-usual budget projections
- Estimate of the Total Investment required for climate actions 2030
- Proposed Funding Plan to meet the Total Investment required
    i. **Apportionment:** an allocation of funds that can be brought in by or tapped from different sources or stakeholders, and identification of the Municipality's responsibility
    ii. **Adjustment of funding** already secured or tied up in existing municipal budget
    iii. **Finding the Balance amount** to be financed for the municipal share of CRCAP
    iv. **Strategy for financing that gap** through a mix of sources

## How to
## Fill the Template?

Reference table to be filled in the CIP template: Table 7 to 13

*This is the core execution matrix of the plan. It determines total costs, projects future revenue, and splits the financial burden equitably among city actors.*

## Section 2.1: Costing of Climate Actions (Table 7 & Figure 2)

i. Extract 5-year Capital Expenditure (Capex) and Operational Expenditure (Opex) estimates directly from your CRCAP. In instances where OPEX projections are absent from the CRCAP, it is imperative to develop these estimates to determine the comprehensive funding requirement for the city.

ii. Cross-Cutting Costs: Ensure you allocate budget for non-structural actions like citizen awareness campaigns, staff capacity building, and digital monitoring systems.

## Section 2.2: Proposed Funding Plan & Apportionment

i. BAU Budget Forecasting (Table 8 & Figure 3): Project your municipal finances 5 years into the future using alternate methods and decide the forecast that appears most reasonable in the context of the city.

### The Apportionment Principle (Table 9 & 10)

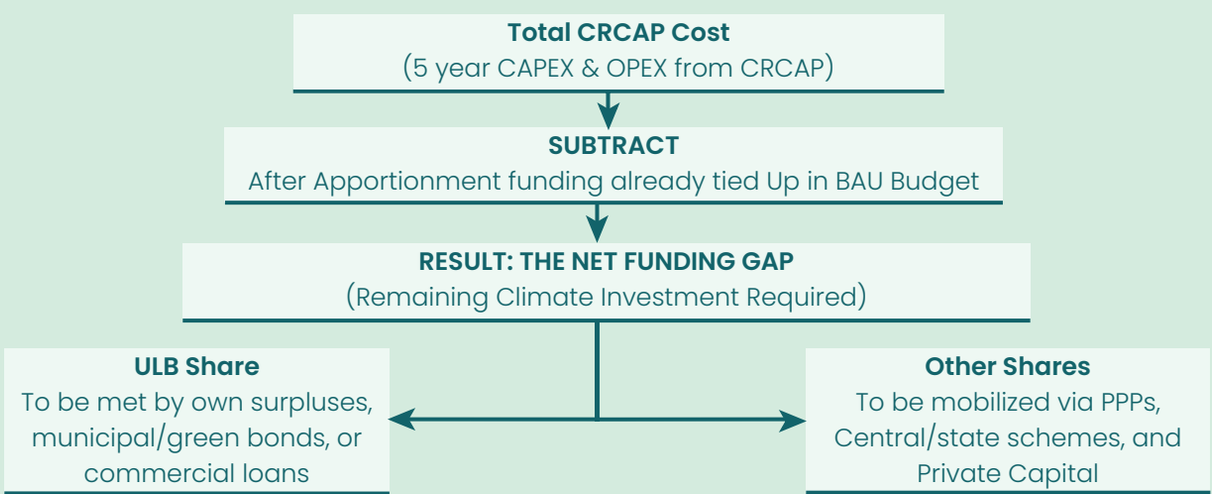
Principles of Financial Apportionment: It is established that the Urban Local Body (ULB) does not bear exclusive financial responsibility for the entirety of a city's climate-related emissions. Adhering to international best practices, expenditure must be distributed based on asset ownership and the specific source of emissions.

**Use the following framework to divide financial responsibility:**

i. **Built Environment:** Since ~95% of building stock is private, the cost of energy-efficient appliances or retrofits belongs to Private Citizens/Businesses. The ULB only covers municipal buildings.

ii. **Renewable Energy:** Use a leverage model. For instance, assume 50% is covered by Central Schemes (e.g., PM Surya Ghar Muft Bijli Yojana) and the remaining 50% by the private beneficiary or a developer via a RESCO (PPP) model.

iii. **Water, Waste, and Drainage:** These are primary public utilities. The ULB, State, and Central Government Schemes (e.g., AMRUT 2.0, Swachh Bharat Mission) must absorb 80–100% of these costs.




## Section 2.3: Strategies to Fund the ULB Gap (Tables 12 & 13)

i. Compare your projected BAU surpluses against the ULB's direct climate responsibilities

i. Should a funding deficit persist, define specific approaches to bridge the gap by:
   - Securing commercial loans through the leverage of revenue surpluses.
   - Employing Public-Private Partnerships (PPPs) for infrastructure-intensive initiatives, including Waste-to-Energy or Bio-CNG facilities.
   - Applying for competitive grant opportunities, such as the Urban Challenge Fund provided by the Union Government.

## Step 3: Climate Policies for Capital Formation and Deployment

**Objective:** Although the financing gap is addressed within **Module 2,** the city must align these solutions with the constraints identified in **Module 1.** It is imperative to establish an enabling framework of climate policies, robust stakeholder engagement, and risk mitigation strategies to effectively overcome barriers and catalyse sustainable capital deployment.

Key Parameters:

- Identifying Climate Policies and enabling framework for mobilising capital
- Risk assessment & Mitigation strategies, Stakeholder Engagement strategies
- Way forward and Next steps

## How to Fill the Template?

Reference table to be filled in the CIP template: Table 14 to 16

**Section 3.1: Enabling Policies (Table 14)**

i. Identify exact policy levers that can incentivise external capital formation.

**Section 3.2: Risk Management & Stakeholder Engagement (Tables 15 & 16)**

i. **Risk Framework:** Evaluate political, financial, and technical risks. For every high-cost sector, establish a clear mitigation pathway. For example, if a PPP-based E-bus rollout faces a risk of low private sector interest, your mitigation approach should involve restructuring the tender using a Gross Cost Contract (GCC) model to minimise investor risk.

ii. **Transition Team:** Explicitly state who will lead the execution of this plan. It is highly recommended to propose an empowered internal Transition Team that bridges the gap between finance and engineering cells.

**Section 3.3: Way Forward**

i. Conclude the document with a concise bulleted list outlining immediate next steps over the next 6 to 12 months. Focus on:
   - Securing formal Council approval for the CIP.
   - Submitting detailed project reports (DPRs) to State and Central ministries for scheme integration.
   - Initiating pre-feasibility studies for projects earmarked for the PPP route.

## Step 4: Approval and Integration

**Objective:** formal validation, approval, and institutional integration of the Climate Investment Plan into the city's governance and financial systems. It ensures that the CIP transitions from a planning document to an implementable and budget-linked framework. CIP must be:

- Approved by the city council
- Translated into annual budget
- Institutionalised and Monitoring Linkages

### Checklist for Final Review Before Submission

☑ Do the total numbers in Module 2 matching the cost requirements align precisely with the asset goals listed in the city's parent CRCAP document?

☑ Is there an introductory or explanatory narrative context block provided for every single data table?

# 04 Stakeholder Engagement

Stakeholder engagement is a critical component of the Climate Investment Plan (CIP), particularly during its update and revision phases. Effective engagement ensures that climate investments are technically robust, financially viable, and aligned with the priorities of key stakeholders involved in climate action and financing. Given that the CIP serves as a strategic framework for mobilising climate finance, stakeholder engagement should be designed not only to strengthen project design and implementation but also to facilitate capital flows from a diverse range of public, private, and development finance sources.

Cities should adopt a structured and continuous approach to stakeholder engagement, moving beyond one-time consultations to an ongoing process of dialogue, coordination, and partnership building. This is especially important during annual reviews and major revisions of the CIP, where investment priorities, financing opportunities, and implementation arrangements may evolve.

Stakeholders should include relevant government agencies at national, state, and city levels, development finance institutions, multilateral and bilateral agencies, commercial banks, institutional investors, private sector entities, industry associations, utilities, civil society organisations, academic institutions, and community representatives. Engaging these stakeholders throughout the CIP cycle can help identify investment opportunities, address barriers to implementation, and strengthen the enabling environment for climate finance.

## 4.1 | Objectives of Stakeholder Engagement

The primary objective of stakeholder engagement is to improve the quality, feasibility, and acceptability of climate investments. Through engagement, cities can:

- Align climate investment priorities with national, state, and local development objectives and policy frameworks.
- Identify opportunities for public, private, and blended finance and understand the requirements of different investor groups.
- Improve the bankability and investment readiness of climate projects through early engagement with potential financiers and implementing partners.
- Mobilize private sector participation, innovation, and co-investment in climate solutions.
- Identify policy, regulatory, and institutional barriers affecting investment flows and develop strategies to address them.
- Incorporate local knowledge and stakeholder perspectives into project design and implementation.

- Ensure that climate investments deliver equitable benefits and address the needs of vulnerable and underserved communities.
- 
- Build long-term partnerships and ownership among stakeholders to support implementation and scaling of climate action.

## 4.2 | Key Stakeholder Groups

During the CIP update process, cities should actively consult and engage with the following groups:

**1. Government and Public Sector Institutions**
These stakeholders play a critical role in policy development, planning, regulation, budgeting, and project implementation. They help align climate investments with broader development priorities and create an enabling environment for investment. This includes:

- Municipal departments and urban local bodies
- State government departments
- National ministries and agencies
- Urban development authorities
- Public utilities (water, energy, transport, waste management)
- State-owned enterprises and special purpose vehicles (SPVs)

**2. Financial Institutions and Investors**
These stakeholders are essential for mobilising capital and scaling climate investments. Early engagement helps cities understand financing requirements, investor expectations, and suitable financing instruments. This will include:

- Commercial banks
- Development finance institutions (DFIs)
- Multilateral and bilateral development agencies
- Climate funds and green finance facilities
- Institutional investors (pension funds, insurance funds, asset managers)
- Impact investors and venture capital funds
- Municipal bond investors and credit rating agencies

**3. Private Sector and Industry**
Private sector participation can provide investment, innovation, technical expertise, and operational capacity. Engagement can help identify opportunities for public-private partnerships (PPPs), blended finance, and co-investment models. This includes:

- Infrastructure developers
- Renewable energy companies
- Transport and mobility operators
- Real estate developers
- Industrial associations and chambers of commerce
- Technology and service providers
- Small and medium enterprises (SMEs)

**4. Development Partners and Technical Institutions**
These stakeholders support project preparation, capacity building, technical assistance, and knowledge sharing, helping improve project bankability and investment readiness. This includes:

- International development organizations
- Research institutions and universities
- Think tanks
- Technical advisory organizations
- Professional associations and sector experts

**5. Civil Society and Community Stakeholders**
These stakeholders provide local knowledge, help identify community needs, and ensure that climate investments are socially inclusive and equitable. This includes:

- Civil society organizations (CSOs)
- Community-based organizations (CBOs)
- Resident welfare associations
- Women's groups and youth organizations
- Organizations representing vulnerable and marginalized populations

## 4.3 | Integration of Stakeholder Inputs

For stakeholder engagement to be effective, cities must establish clear mechanisms to incorporate feedback into the CIP. This includes:

- Documenting inputs received during consultations
- Assessing their relevance and feasibility
- Reflecting validated inputs in project design, prioritisation, and financing strategies
- Communicating back to stakeholders on how their inputs have been considered

This feedback loop is essential for maintaining transparency and trust.

# 05 Capacity Building

Capacity building is a foundational element of effective Climate Investment Planning (CIP), ensuring that municipal institutions possess the technical, financial, and managerial capabilities required to design, finance, implement, and monitor climate investments. Given the evolving nature of climate finance, technologies, and regulatory frameworks, capacity development should be treated as a continuous and institutionalised process rather than a one-time activity.

Strengthening institutional capacity is particularly critical for enabling cities to transition from planning to implementation, improve the quality of project preparation, and enhance their ability to access and manage diverse sources of finance.

## 5.1 | Objectives of Capacity Building

The primary objective of capacity building is to equip municipal staff and relevant stakeholders with the knowledge and skills required to effectively manage climate investments. This includes:

- Enhancing understanding of climate finance mechanisms and funding opportunities
- Strengthening the ability to integrate climate considerations into budgeting processes
- Building technical expertise in project preparation and structuring
- Improving systems for monitoring, reporting, and evaluation
- Supporting informed decision-making and inter-departmental coordination

## 5.2 | Key Capacity Building Areas

Municipal staff should receive periodic and structured training across the following core areas:

**1. Climate Finance**
Training should focus on the landscape of climate finance, including domestic and international funding sources, concessional finance, blended finance, and private sector participation. Staff should also be trained in financial structuring, risk assessment, and the requirements of different funding instruments such as green bonds or climate funds.

**2. Climate Budgeting**
Capacity building in climate budgeting enables cities to integrate climate priorities into annual and medium-term budgets. This includes training on climate budget tagging, tracking climate-related expenditures, and aligning budget allocations with climate goals and the CIP.

**3. Project Preparation and Pipeline Development**
A key barrier to climate investment is the lack of bankable projects. Training in this area should focus on preparing concept notes and Detailed Project Reports (DPRs), conducting feasibility and cost-benefit analyses, and structuring projects to meet investor and lender requirements. Emphasis should be placed on creating a robust and continuously updated pipeline of investment-ready projects.

**4. Monitoring and Reporting Systems**
Municipal staff should be trained in the design and use of monitoring systems, including financial tracking tools and climate impact assessment methodologies. This includes understanding key indicators, data collection processes, and reporting formats required for internal management as well as external stakeholders and funders.

## 5.3 | Institutionalization of Capacity Building

To ensure long-term impact, capacity building should be institutionalised within municipal systems. This may include:

- Establishing dedicated training programs within the municipal administration
- Integrating climate-related competencies into job roles and performance frameworks
- Allocating budgetary resources for capacity development
- Embedding training modules within induction and continuous learning programs

# 06 Monitoring and Reporting

The Monitoring and Reporting (M&R) framework is a critical component of the Climate Investment Plan (CIP), ensuring that planned investments translate into measurable financial flows, emissions reductions, and resilience outcomes. It enables cities to systematically track progress, assess performance, and refine strategies over time. A robust M&R system also strengthens transparency and accountability, which is essential for maintaining stakeholder confidence and unlocking continued investment.

At its core, the framework should integrate financial monitoring, climate impact assessment, and implementation tracking into a unified system that is embedded within existing municipal processes. This requires clear institutional responsibilities, defined indicators, and regular reporting cycles.

## 6.1 | Monitoring Framework and System Establishment

Cities should establish a dedicated monitoring framework, typically anchored within the Net Zero or Climate Cell, with defined roles for sector departments and the Finance Department. The framework should outline data flows, reporting responsibilities, and timelines for submission and review. Wherever possible, the monitoring system should be integrated into existing municipal financial management and data systems to avoid duplication and ensure sustainability.

A key element of this framework is the development of an investment tracking system, which captures project-level data on financial commitments, disbursements, and implementation status. This system may be digital or spreadsheet-based, depending on the city's capacity, but should allow for regular updates and aggregation of data across sectors.

## 6.2 | Financial Monitoring and Evaluation

Financial monitoring focuses on tracking the mobilisation, allocation, and utilisation of funds for climate investments. Cities should monitor the total volume of funds mobilised annually, disaggregated by source, including municipal budgets, state or national transfers, private sector investments, and external or climate finance.

Attention should be given to the extent of public and private investment leveraged, as this reflects the effectiveness of the city's financing strategy in crowding in additional capital. Monitoring should also compare budgeted versus actual expenditures, helping identify delays, underspending, or cost overruns at the project level.

In addition, cities should track the progress of projects in reaching financial closure and the efficiency of fund disbursement mechanisms. These indicators collectively provide insights into the financial performance of the CIP and highlight areas requiring corrective action.

## 6.3 | Climate and Impact Monitoring

Alongside financial tracking, cities must assess the environmental and resilience impacts of their

investments. This includes monitoring greenhouse gas (GHG) emissions reductions achieved through implemented projects, using standardised methodologies where possible. Tracking energy savings—for example, reductions in electricity consumption or improvements in energy efficiency—provides an additional measure of impact.

Cities should also assess improvements in climate resilience, such as reduced vulnerability to flooding, heat stress, or water scarcity. While these indicators may be more qualitative or sector-specific, they are essential for capturing the broader benefits of climate investments.

Where feasible, cities should align their indicators with national or international reporting frameworks to ensure consistency and comparability.

## 6.4 | Mechanisms for Monitoring and Updating the CIP

To ensure that the Climate Investment Plan remains relevant and responsive, monitoring should be linked to two structured review mechanisms:

1. **Annual Review**

   An annual review process should be conducted to assess the progress of CIP implementation. This includes a review of physical and financial progress of projects, as well as alignment with planned timelines and targets.

   The annual review should also examine the municipal budget, assessing whether allocations for climate-related investments are consistent with the CIP and identifying any deviations. Based on implementation progress, the city should update the project pipeline, including adding new projects, revising timelines, or reprioritising interventions.

   Importantly, the annual review provides an opportunity to adjust the financing strategy, considering changes in funding availability, project readiness, or market conditions. The outputs of this process should be documented in an annual progress report and shared with key stakeholders.

2. **Major Revision (Every 3–5 Years)**

   In addition to annual reviews, cities should undertake a more comprehensive revision of the CIP every three to five years. This allows for a deeper reassessment of assumptions, data, and priorities in light of evolving circumstances.

   This process should include an update of climate risk assessments, incorporating new data on hazards and vulnerabilities. Based on these updates, the city should introduce new climate investment priorities and refine existing ones, ensuring continued alignment with net-zero targets and development objectives. The financing strategy may also be revisited to incorporate new instruments, funding sources, or partnerships.

2. **Learning and Continuous Improvement**

   Beyond tracking and reporting, the M&R framework should support a culture of learning and adaptive management. Insights from monitoring activities should be used to improve project design, strengthen institutional capacity, and refine financial strategies.

   Over time, this iterative process enables cities to enhance the effectiveness, efficiency, and impact of their climate investments, ensuring that the CIP remains a dynamic and results-oriented tool.

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# A Guidebook

**2026**

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