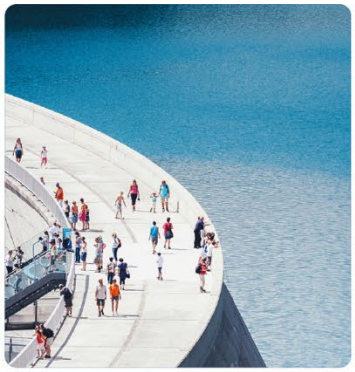
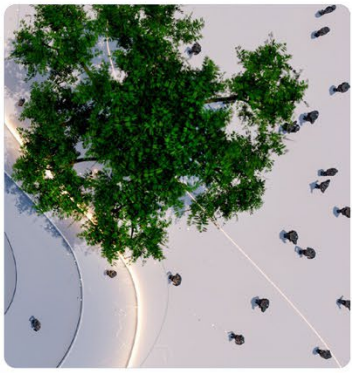




D4.3 Guidelines for PA on manual for leveraging finance





Ambiente Italia Srl



CLIMATEFIT

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Abbreviation list

EUNLRT: European Network of Local Resilience Taskforces

FIE: Financing and Investment Entity

IM: Incentive Mechanism

IC: Investment Concept

IP: Investment Plan

IS: Investment Strategy

LRT: Local Resilience Taskforce

PA: Public Authority

1. Introduction

1.1 Scope and background of the manual

The "PA's Manual for Leveraging Finance" is a **guidance document** for local policy and decisionmakers that aims to provide an overview of the structured methodology **for mobilising and attracting adaptation finance** developed throughout the CLIMATEFIT Project.

Innovative approaches to adaptation finance are an increasingly relevant topic for both the public sector, which seeks to increase the resources available to make territories more resilient, and financial institutions, which are looking for new opportunities aligned with sustainability-related investments. However, common interests between public and private actors often remain unidentified, creating a gap between the resource needs of Public Authorities and potential stakeholders who may be interested in supporting adaptation initiatives but are not effectively engaged.

Constraints to this matchmaking, from the public authorities' perspective, often relies in a series of **barriers** that the public sector face, such as:

- Establishing climate change risks and adaptation as a matter of concern.
- Establishing the funding need, which involves assessing and justifying adaptation expenditures.
- Proving the financial standing (capacity) of the funding seeker (demander).
- Identifying and accessing funding providers.
- Accessing different types of funding or financing.
- Navigating specific funding mechanisms.
- Having or creating the ability to use and administer funds.

CLIMATEFIT addresses these challenges by providing a structured and tested approach tailored to the needs of public authorities. Its methodologies support the public sector in **identifying and planning local climate adaptation priorities**, assessing and prioritizing adaptation measures based on their effectiveness and efficiency and developing a **pipeline of bankable projects** that are ready to attract investment and implementation.

The goal of these guidelines is to outline the pathway that a public authority can follow, identifying the **key resources** required to get started, the **expected outputs** and **outcomes**, and the activities needed to achieve the targeted results.

The manual itself does not intend to detail all the technical aspects of the structured methodology and research conducted. Whenever a topic is explored in greater depth in another CLIMATEFIT document, an **explicit reference or link** will be provided, allowing users of this manual to further investigate the aspects most relevant to their needs.

Accelerating climate resilience is an urgent priority, and climate adaptation investments need to be significantly scaled up to address the increasing impacts of climate change. This manual provides a practical framework to support this objective by **mobilizing private finance** and enabling public authorities to access the financial resources needed to implement adaptation measures.

1.2 Who are these guidelines for?

This manual is primarily intended for: **Policy and decisionmakers and Public Authority managers and leaders**.

The guide is particularly relevant for **local and regional authorities**, ranging from the municipal to the regional scale. While the overall methodology remains applicable across different governance levels, specific adjustments may be required depending on the territorial context, governance structure, institutional capacity, and local priorities.

The manual can also be used by local agencies and public bodies involved in climate adaptation that have the mandate and capacity to plan, implement, and monitor adaptation measures.

1.3 How this manual was produced

This manual provides an overview of the approach in a shorter and less technical format, with the aim of creating an **accessible entry point for local agencies and public authorities** interested in learning about the structured methodology proposed by CLIMATEFIT.

It is built upon a Monitoring, Evaluation and Learning (MEL) process that was carried out throughout the entire project implementation period. The MEL process was designed to capture the lessons learned from the application of the CLIMATEFIT investment approach, support territories in the development of project documents, and better understand their needs and challenges. The feedback collected was used to refine the methodological and theoretical frameworks. A summary of the main MEL findings is included at the end of Chapters 4, 5 and 6.

The territories involved in the CLIMATEFIT project were the first to test this approach and played a key role in shaping its final version. This was made possible through continuous dialogue with the technical partners, who provided support, regular feedback, and technical reviews of the outputs produced. **Peer-to-peer learning** was also encouraged throughout the process to foster the exchange of best practices and successful experiences.

The project consortium partners were further engaged in participatory activities aimed at designing and validating the final monitoring framework (see Chapter 7), building on the results and insights generated through the pilot implementations.

1.4 How to navigate the manual

This manual is a **compendium of the data, methodologies, and insights** collected throughout the CLIMATEFIT project.

Chapter 2 introduces the enabling approach that supports the structured methodology: a multi-stakeholder process based on the **Local Resilience Taskforce**, together with the key principles that guide its implementation.

Chapter 3 presents the **conceptual framework** upon which the Investment Strategy, the Investment Plan, and the Investment Concept methodologies are based. It highlights the relationships and interconnections among these three documents, showing how each one contributes to a broader coherent process.

Chapters 4, 5 and 6 provide a step-by-step **overview of the CLIMATEFIT approach to IS, IP and IC**, describing the Modules that make up the three documents and outlining their main objectives, expected outputs, and intended outcomes. Every chapter concludes with a collection of insights and lessons learned from the territories participating in the CLIMATEFIT consortium, which tested and refined the methodology through its practical application.

Chapter 7 presents a **Monitoring, Evaluation and Learning (MEL) framework** for the overall process, which can be used to assess implementation, monitor progress, capture lessons learned, and support the continuous improvement of future climate adaptation investment processes.

Finally, **Chapter 8** provides **additional learning resources** aimed at readers seeking more detailed guidance on the application of the methodologies, or technical documentation to further explore the topics covered in this manual. All CLIMATEFIT deliverables, supporting documents, and resources referenced throughout the document can be accessed through the platforms and websites listed in this chapter.

1.5 Getting started

The proposed methodologies presuppose the availability of **specific technical skills**, which should be assessed, as well as actions to address any skills gaps, before embarking on the planning process. These skills are described in the various modules summarized in Sections 5, 6 and 7. In addition to technical expertise, however, it is important to consider other **contextual factors** to determine whether the public administration has the organizational and institutional prerequisites necessary to undertake a climate change

adaptation investment planning and project development.

Failure to properly assess these preliminary factors may create obstacles in the more advanced stages of the process or lead to bottlenecks at key points in the development of activities.

In this regard, the **Pathways2Resilience project**, co-funded under the Horizon programme and with which CLIMATEFIT has established a strategic partnership, has developed a self-assessment questionnaire that "*helps identify gaps and enhance preparedness for a climate-resilient future*".

https://www.pathways2resilience.eu/The-P2RSelf-Assessment-Questionnaire

In order to get started with testing the CLIMATEFIT approach, it is recommended that the questionnaire be completed, with particular attention to the first section, Phase 1 – Prepare the Ground, and in accordance with the instructions provided by the tool. This preliminary assessment helps **identify** the strengths and potential weaknesses of the initial context, providing useful insights into the feasibility of applying the CLIMATEFIT approach.

If the self-assessment reveals significant and widespread gaps across the different dimensions assessed, the weaknesses should be acknowledged and addressed through targeted improvement actions implemented alongside the application of the CLIMATEFIT approach.

1.6 What is CLIMATEFIT

The CLIMATEFIT project aimed to support EU territories in their just and transformational journey toward climate resilience by **bridging the finance gap**, providing critical insight and building the capacities of (i) Public Authorities (PAs) to identify, orchestrate and attract various public and private financing sources and (ii) Financing & Investment Entities (FIEs) to identify and access resilient investment opportunities.

Co-financed by the Horizon 2020 EU programme, it delivered **seventeen innovative investment strategies**, **ten concrete and scalable investment plans, ten investment concepts** and **five bankable transformational investment cases**.



2. A multistakeholder approach: The LRT

2.1 What is a Local Resilience Taskforce

The complete definition, conceptualization and step-by-step guide to successfully launch your own LRT is available in the CLIMATEFIT Deliverables:

- **D4.5 - Informal establishment of Local Resilient Taskforce in four territories**
- **D5.1 – Guidelines to create and expand the LRT**

One of the underlying assumptions of the CLIMATEFIT project is that bridging the investment gap for climate adaptation requires not only increasing the availability of financial resources but also **strengthening the connection between public authorities and private investors.**

To address this challenge, the project developed, tested, and refined the **Local Resilience Taskforce (LRT)** as a dedicated mechanism to **foster dialogue, collaboration, and investment opportunities** between these stakeholders throughout the course of the project.

As part of the methodology developed through CLIMATEFIT, LRTs contribute to **overcome some of the barriers** that typically hinder the effective implementation of climate adaptation such as siloed governance across public authority departments.

It also helps creating the conditions for the funding and financing of local adaptation solutions across Europe, through stakeholder engagement.

A comprehensive overview of the barriers to adaptation planning, based on both interviews and literature review, from the perspectives of both PAs and FIEs is provided in Chapter 2 of the CLIMATEFIT Deliverables **D1.1. Adaptation Investment Landscape**

2.2 LRT's Characteristics

1. LRTs are local and context dependant. LRTs cover a defined local or regional area, enabling the identification and bundling of adaptation projects. Their structure (legal form and organization) should be adapted to the local adaptation, legislative, and financial context,

2. LRTs are multi-stakeholder groups with delimited membership. Participation in the LRT takes place through direct invitation by the Public Authority (PA), which identifies the stakeholders to be involved, defines the LRT's objectives, and coordinates its activities. A gradual development of the LRT can help ensure that stakeholders are involved progressively, according to their respective roles in adaptation planning, funding, and financing.

3. LRTs encourage a collaborative approach of innovation. LRTs bring together different stakeholders to strengthen capacities, support decision-making, and develop funding and financing solutions for adaptation projects. Collaboration allows to co-design innovative approaches to adaptation finance and to identify effective solutions for local resilience investment.

4. LRTs' implementation is flexible and evolutive. LRTs are not intended to be fixed working groups, but rather adaptive governance tools that evolve according to the needs and priorities of the PA and their members. This flexibility also applies to the activities carried out within the LRT that can space from meetings to workshops, to training and outreach campaigns.

2.3 Local Resilience Taskforce Model

Each PA should design an LRT based on the above set of four characteristics that ensure its effectiveness and long-term durability.

This requires a solid structure built around four dimensions covering the group's main components, operating mechanisms, resources, participation and objectives (Figure 1).

Governance and scale define how the LRT is coordinated and governed, including roles, decision-making processes, power distribution and the territorial scope covered by the initiative

Financial and technical requirements cover the financial, human, and logistical resources necessary to operate and sustain the LRT, including coordination, stakeholder engagement, events, technical expertise, and long-term funding mechanism

Membership focuses on stakeholder participation in the LRT, including member engagement and communication,

Scope and activities define the LRT's objectives, boundaries, and the format of activities, describing how stakeholder collaboration can support the development of local adaptation

Together, these elements support the LRT's long-term sustainability, foster shared ownership among its members and ensure clear and shared goals.

2.4 How to establish and launch a Local Resilience Taskforce

The structure of the LRT, illustrated in Figure 2, envisages a multi-layered composition that can **gradually expand** over time, ensuring the involvement and representation of different stakeholder categories through a gradual growth process. Stakeholder identification can be supported by a structured stakeholder mapping exercise, aimed at identifying the most relevant actors to involve from

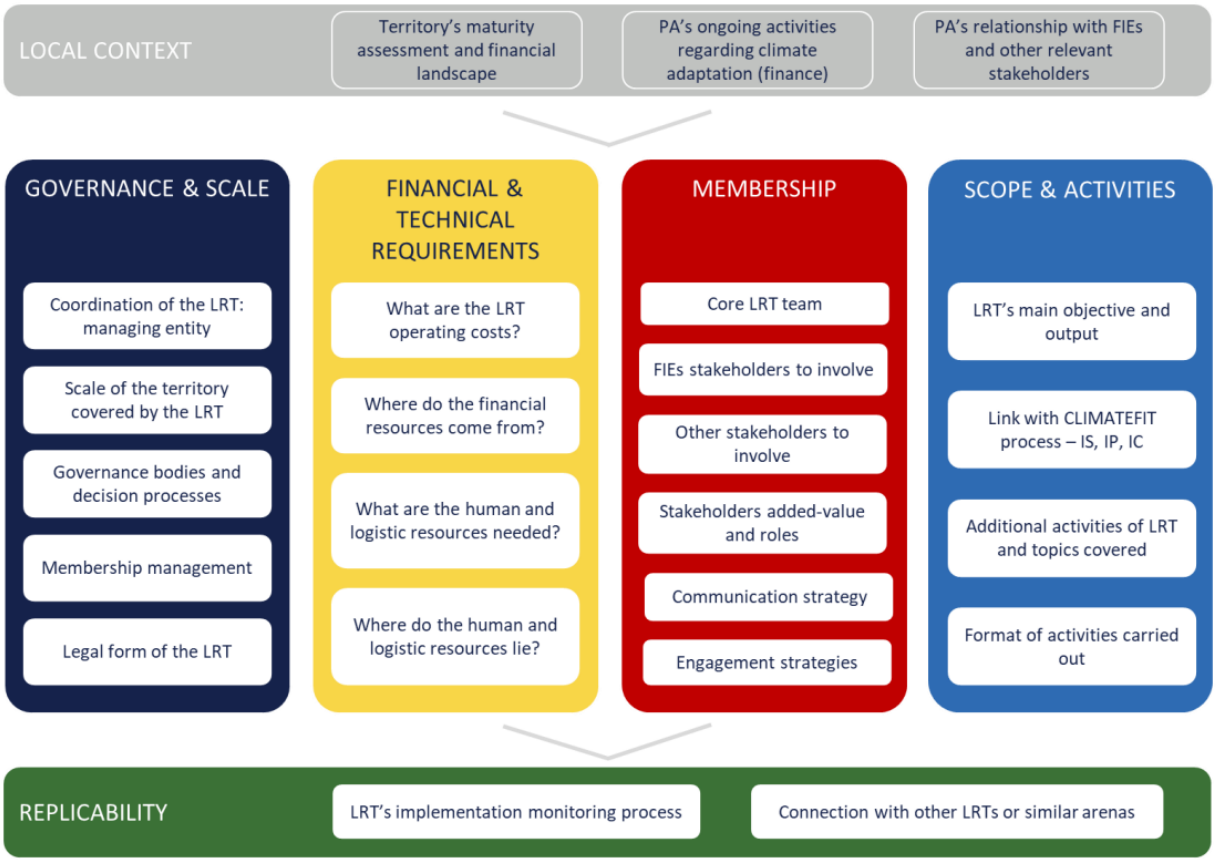


Figure 1 Components of the LRT, and interactions with the local context and monitoring process.

the outset, those to monitor, and those to engage at a later stage.

Key steps within this process include:

- Foundational engagement with core stakeholders (e.g., PAs key sectors and departments, FIEs).
- Strategic expansion to include utilities, businesses, and NGOs for investment structuring
- Long-term institutionalization to embed adaptation financing into local and regional governance

The core team, responsible for coordinating and animating LRT's activities, could be built upon existing working groups, progressively expanding their scope and objectives to incorporate issues related to adaptation finance. Ideally, it should include representatives from different sectors to ensure multidisciplinary, shared ownership of the activities and overcome siloed governance.

Finally, the **formal launch of the LRT** should clarify the **group's objectives** and the **level of commitment** expected from participants, highlighting the added value of collaboration and clearly defining the expected contributions in terms of resources, expertise, and operational capacity.

2.5. European Network of local resilience taskforces – EUNLRT

The European Network of Local Resilience Taskforces (EUNLRT) is a European peer-learning network launched by CLIMATEFIT in October 2025, bringing together leading public authorities, financial and investment entities, and regional actors involved in climate adaptation.

The network served as a **platform for exchanging experiences**, identifying solutions to common challenges, and promoting innovative governance approaches such as LRTs. By connecting territories at different stages of implementation, the EUNLRT supported the replication and scaling-up of successful practices, contributing to strengthening adaptation financing across Europe.

Full recordings of the webinars organized by the EUNLRT are available on the CLIMATEFIT YouTube channel and in the News & Events section of the project website.

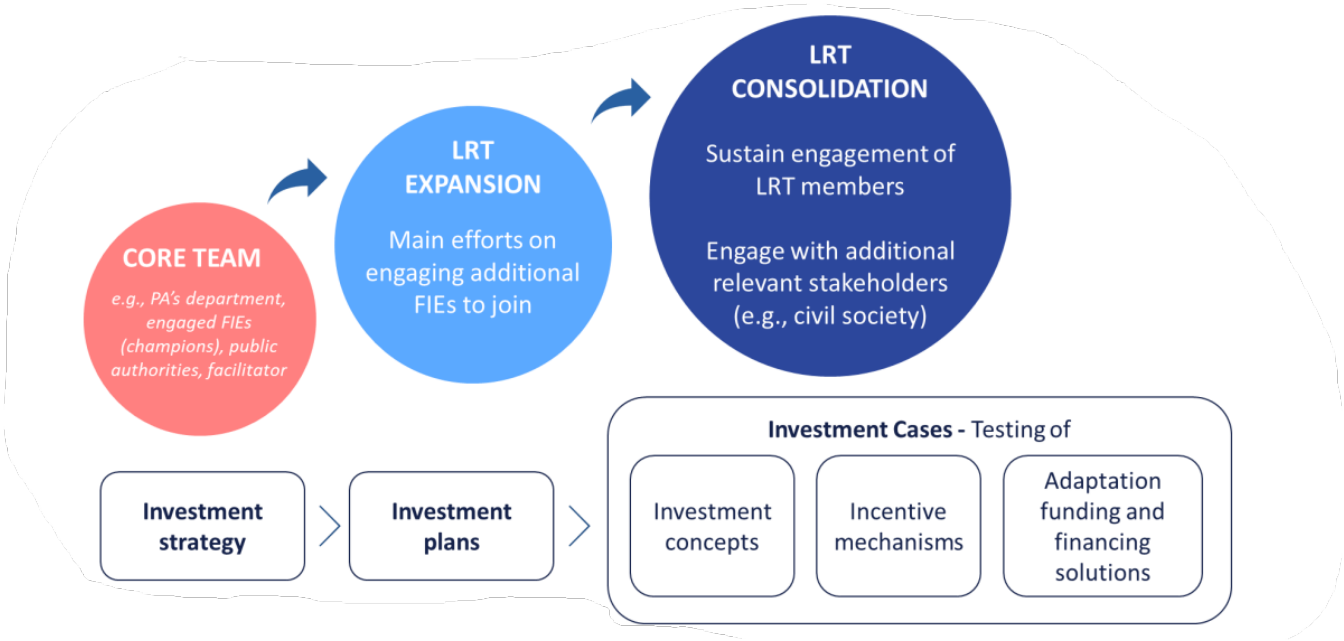


Figure 2 Gradual involvement of stakeholders within LRTs

3. From a Strategy to a Concept – The CLIMATEFIT investment approach

3.1 Three stages, one structured methodology

The CLIMATEFIT adaptation investment approach comprises three steps, which require the involvement of different actors engaged through the LRT. The **Investment Strategy** sets the macro-level direction to identify the most relevant risks and sectors, and a high-level estimation of costs and boundaries, the **Investment Plan** quantifies costs benefits and gap and builds a pipeline of bankable projects, whereas the **Investment Concept** further develops single adaptation projects towards bankability, including beneficiary mapping, project risk assessment, economic and financial appraisals and financial structuring.

The development of all these three documents ensures a better understanding of the financing and funding opportunities and enables the exploitation of new and innovative resources for adaptation.

Given its innovative characteristic and the challenges that this activity might pose to the PA who plan to replicate it, it is important to designate **one responsible** who:

- **Coordinates** the core team
- **Is accountable** for gathering data and following the agreed timeline,
- **Ensures** an ongoing engagement of the LRT members.

The responsible(s) may change across the various phases depending on the different competencies required.

During the development of the CLIMATEFIT approach, consideration may be given to involving external consultants specialized in the topics covered by the three documents, to support with specific analysis or methodological approaches.

3.2 Interconnections among IS, IP and IC

Although the Investment Strategy (IS), Investment Plan (IP) and Investment Concept (IC) are presented as separate documents, they are designed to function as interconnected components of of a single investment development process. The outputs generated at each stage provide key inputs for the following, ensuring continuity and consistency throughout the methodology:

- The **Investment Strategy (IS)** enables the design of a high-level framework to identify strategic priorities for funding and financing local and regional adaptation and map innovative funding opportunities.
- The **Investment Plan (IP)** includes adaptation objectives, a pipeline of potentially fundable projects, for which the territory is seeking private sector financing.
- Finally, the **Investment Concept (IC)** further develops pipeline projects that are not yet bankable with additional financial structuring and business model development to mobilize the financing required for its implementation. The IC includes a description of financing solutions and suitable Incentive Mechanisms (IMs) to attract private financing by de-risking investments.

As a result, strategic priorities identified in the IS inform project selection within the IP, while the project pipeline developed through the IP provides the basis for the preparation of one or more ICs.

Each document follows a **modular structure**, described in detail in Chapters 4, 5, and 6. The preparation of each step can be built on the analyses and findings produced in the previous stages, ensuring overall consistency and coherence throughout the process.

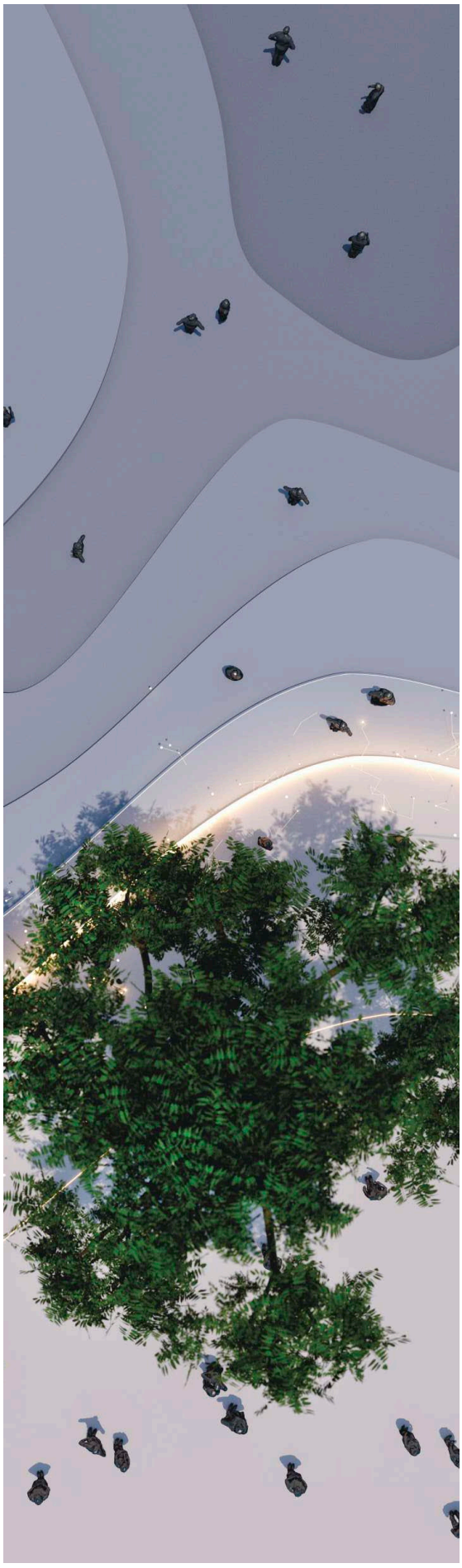
3.3 Incentive mechanisms

Incentive Mechanisms (IM) are measures or schemes used to **encourage, attract or reward investment** in climate adaptation projects. IMs range from changes or introduction of enabling laws and regulations, through grants, subsidies, or tariff support, to investment concepts, to new investment or financing schemes.

IM are proposed and offered by the public sector (EU, national, regional, or local) to the private sector to attract and mobilize private financing, de-risk innovative solutions, and overcome funding and financing barriers for climate adaptation projects. CLIMATEFIT' classification further distinguishes **direct IMs** (improving project financial viability or reducing risk at the immediate project level) from **indirect IMs** (soft policies, capacity building, and regulatory frameworks that create essential enabling conditions at the market level).

By providing economic benefits, reducing risks, or improving project attractiveness, they can help mobilise public and private capital and support the implementation of adaptation priorities. Their integration into broader policy and investment frameworks can contribute to creating favourable conditions for the development and scaling-up of adaptation investments.

A detailed taxonomy of Incentive mechanism and a step-by-step guide on how to select the most fit for an adaptation project can be found in CLIMATEFIT **Deliverable D3.2 Guidance document on suitable Incentive Mechanisms**



4. Investment Strategy

4.1 Overview of the IS Guidance

The complete Investment Strategy methodology, including step-by-step guidance, practical tools, and templates to support the development of the Investment Strategy, is available in the CLIMATEFIT **Deliverable D2.3 – *Report Containing the Methodology to Build an Investment Strategy***

The Adaptation Investment Strategy (IS) aims to lay the ground for the adaptation finance journey and pathway at local level, thus setting the strategic direction and framing the enabling environment to unlock financing opportunities and private investments on climate change adaptation. It is a high-level document to **identify adaptation options** related to prioritised risks and sectors and start **listing potential sources of financing**. The Investment Strategy should be developed in close alignment with existing adaptation-related plans, strategies, policies, projects, and initiatives. Rather than duplicating existing work, it should build on the information, evidence, and priorities already available, integrating them into a coherent framework that supports strategic decision-making and investment prioritizations.

The Investment Strategy structure, composed by ten modules, is to be intended as a flexible tool that PAs can personalize based on the local context and the level of advancement. The single modules can be developed with a certain degree of independency, allowing the PAs to move according to different paces, based on the availability of information. Figure 4 proposes a suggested working plan, showing the interconnections among the modules

4.2 IS: The role of the LRT

Table 1 provides an overview of how different stakeholders engaged within the Local Resilience Taskforce (LRT) can be involved in the development of the IS.

The list provides a non-exhaustive summary of how different types of expertise and knowledge can contribute to the process, supporting information gathering, the validation of assumptions and priorities, and the adoption of a multi-stakeholder approach. The broad categories presented in the table should be interpreted in light of the local context. For example, "Technical departments" may encompass a wide range of sectors within the Public Authority, depending on its internal organisational structure, the composition of the LRT Core Team (see Section 2.3), and the specific expertise and information required throughout the process.

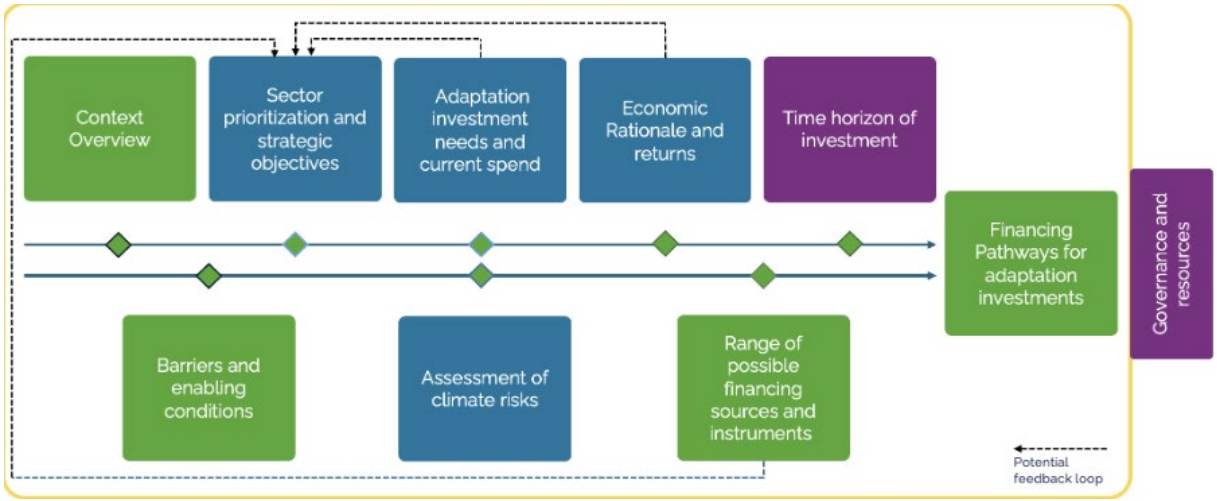


Figure 3 Indicative sequencing of the modules along two parallel tracks

Stakeholder engagement can take different forms, ranging from bilateral meetings and workshops to the establishment of a shared digital workspace for collecting and exchanging documents, data, and other relevant information.

Table 1 Investment Strategy: Stakeholder contributions across modules

Stakeholder involved	Contribution	Modules
Climate and Technical departments	• Policy expertise • Knowledge of existing strategies and plans • Assessment of adaptation priorities • Definition of Strategic objectives • Mapping climate risks across public and private assets	IS1, IS2, IS3, IS4, IS5, IS6, IS9, IS10
Financial department and budget units	• Financial expertise • Support in identifying PA's investment financing frameworks • Data on available resources • Expertise in financing timelines and regulatory deadlines • Review of implementation schedules and investment needs • Knowledge of the investment landscape • Mapping financial risks across public and private assets	IS1, IS2, IS5, IS6, IS7, IS8, IS9, IS10
City leadership	• Strategic oversight • Coordination across departments • Political mandate	IS1, IS2, IS3, IS4, IS6, IS7, IS8, IS9, IS10
Development agencies	• Supralocal expertise • Alignment with regional development priorities • Data and insights on climate risks and vulnerabilities • Investment planning expertise • Analysis of financing opportunities	IS1, IS2, IS4, IS5, IS7, IS9
NGOs, Local associations	• Local knowledge and community expertise • Identification of community-level barriers and needs	IS2, IS5
FIEs	• Identification of market and investment barriers • Assessment of financial risks and investment opportunities • Identification of incentive mechanisms • Financial expertise	IS2, IS8, IS9
Civil protection	• Knowledge of local hazard exposure and vulnerable areas	IS3
National environmental agency, Research institutes	• Data and insights on climate risks and vulnerabilities • Identification of exposed sectors and vulnerable areas	IS3
Think tanks, Universities	• Evaluation of Co-benefits and Synergies	IS4, IS8
External contractors FIEs, External Technical Assistance (TA) Providers / Economic Consultants	• Expertise in interpreting macro-economic adaptation data • Expertise in applying benchmark-based cost estimation tools • Validation of investment estimates and assumptions • Mapping the assessment of FIEs and financial instrument • Identification of financing opportunities	IS5, IS8

What is the added value of the Investment Strategy for the PA?

- Establishment of Policy legitimacy & territorial alignment
- Identification of Systemic barriers & Enabling conditions:
- Definition of the Macro "Economic Rationale": it answers why the PA needs adaptation and where public vs. private risk boundaries lie.
- Improved overview of what adaptation options should be prioritized
- Prevent premature & distorting financial "Matchmaking"
- Identification of potential financing sources and instruments, providing PAs with an overview of available funding opportunities and enabling them to leverage limited public resources to attract private financing.

How does developing an Investment Plan after the Investment Strategy can strengthen this added value for the PA?

- Strategic Prioritization before Capital allocation
- De-risking and Governance Alignment: Investors and funding institutions rarely finance isolated, ad-hoc projects without seeing how they fit into a stable, long-term policy vision and regulatory framework.
- Transition from a project-by-project to a portfolio approach
- Data & Capacity Staging: a nested flow prevents administrative burnout by organising data collection sequentially – first establishing high-level risk and sector scoping (IS), then conducting granular valuations (IP)

4.3 Structure of the Investment Strategy

IS1 Get Overview of context PAs are operating in

Objective

The first module examines the regulatory and strategic framework at EU, national, regional and local levels to **identify relevant objectives, policies and opportunities** for integrating climate adaptation into public investments. It supports alignment with existing priorities, the mainstreaming of resilience measures into planned investments, and an understanding of local decision-making and financing processes.

This module is inherently connected to all the others: the overall and local context is a cross-cutting factor that shapes, influences and constrains every subsequent choice in the strategy.

Particular attention is given to public investment and financial management, including budget cycles, project appraisal and prioritisation criteria, borrowing constraints and multi-annual capital planning, ensuring that the adaptation strategy is consistent with the institutional context and financially and operationally feasible.

Expected outputs	Expected Results
• An account of the regulatory and policy framework governing climate adaptation in the territory. • A map of climate strategies, ambitions and targets across different levels of governance, highlighting their implications for the authority's investment decisions. • An initial assessment of the mechanisms and resources used to finance capital investments in the territory	• Inclusion of the policy landscape and assessment of the strategic vision and climate ambition set at the EU, national, regional, and local levels • Improved understanding of obligations, required skills, and available opportunities • Enhanced translation of climate goals into concrete choices. • Accurate identification of available resources and funding opportunities

IS2 - Barriers and enabling conditions

Objective

This module identifies the **context-specific barriers and enabling conditions** affecting adaptation planning and finance within a territory, defining actions to address the former and leverage the latter. While remedial actions aim to remove or reduce barriers, enabling conditions can help counterbalance them without necessarily eliminating them. The module therefore supports a targeted approach that builds on existing local strengths to overcome constraints and facilitate adaptation investments.

Expected outputs	Expected Results
• Barrier mapping that identifies the obstacles limiting investment in climate change adaptation • Map of stakeholders responsible for, or able to contribute to, addressing the identified barriers. • List of incentive mechanisms that can foster remedial actions	• Improved understanding of the main barriers to investment in climate change adaptation • In-depth identification of the measures and enabling conditions needed to overcome these barriers. • Enhanced clarification of stakeholders' roles and responsibilities • Strengthened understanding of the most appropriate incentive mechanisms.

IS3 - Assessment of Climate Risks

Objective

This module establishes an evidence-based **climate risk baseline** for the territory by characterising hazards, exposure and vulnerability, in line with the IPCC framework. The assessment informs subsequent modules, particularly Module IS4, which uses the identified risks to prioritize sectors for intervention.

Expected outputs	Expected Results
Map of the key climate hazards impacting the territory, their severity, urgency, and affected sectors.	Accurate definition of an initial reference framework for climate risk in the territory.

IS4 - Sector prioritization and strategic objectives

Objective

This module translates the climate risk baseline established in IS3 into **prioritised sectors and strategic adaptation objectives**, defining the scope and direction of the PA's investment strategy. It identifies the risks and territorial areas requiring the most urgent intervention, ensuring that priorities reflect local needs, territorial characteristics and the PA's long-term vision for climate resilience. Strategic objectives should focus on measurable climate risk reduction, while co-benefits can inform the comparison and selection of adaptation options.

Expected outputs	Expected Results
• The set of priority sectors and definition of three to five strategic objectives for each sector. • An initial, broad list of potential climate adaptation measures to support the achievement of these objectives.	• Assessment of sector priorities based on their potential to deliver broader societal co-benefits and support mitigation goals • Enhanced definition of strategic adaptation objectives.

IS5 - Adaptation Investment needs and current spend

Objective

The objective of this module is to provide a macro-level **estimate of the investment needs for climate change adaptation in the priority sectors** and in relation to the strategic objectives identified in IS4. This module establishes the magnitude of what adaptation will cost the territory and what it is already spending. The analysis aims to quantify, at an overall level, the resources required to implement the measures, cover their ongoing operational costs, and understand their main economic benefits, with the goal of strengthening territorial resilience.

Expected outputs	Expected Results
A macro-level profile of territorial adaptation investment flows and needs, providing a financial reference framework.	Enhanced understanding of territorial investment needs and flows for climate change adaptation.

IS6 - Economic rationale and returns

Objective

The objective of this module is to outline **the main economic rationale for investing in the priority sectors for climate adaptation and achieving the identified strategic objectives.** The analysis aims to identify the expected benefits of the interventions, the types of economic, social and environmental value they can generate, and the stakeholders who will benefit from them. This module establishes how and for whom the investment creates value.

Expected outputs	Expected Results
A qualitative and conceptual assessment of the economic rationale underpinning the strategic objectives, identifying the expected benefits, the stakeholders who will benefit, and the nature of the returns generated by the interventions.	Improved understanding of whether an adaptation option or imitative yields direct financial revenue streams, indirect cost savings, or broad public economic benefits to determine how the intervention can later be packaged for public budgets, private investment, or blended finance instruments in the IP phase

IS7 - Define time horizon of investment

Objective

The purpose of this module is to **allocate the adaptation investment needs estimated in IS5 across short-, medium- and long-term horizons, establishing a general timeline for investment**. This allocation is based on the urgency of climate risks, the lead time required to implement adaptation measures, and existing infrastructure and investment schedules. Rather than prioritizing individual adaptation options, which will be assessed during the Investment Plan stage, this module provides a strategic overview of when investments should be planned to ensure timely and coordinated action.

Expected outputs	Expected Results
An investment time horizon by allocating actions across the short, medium, and long term.	In-depth identification of the timeframes within which investments should be planned (reconciling climate urgency with municipal political cycles, regulatory deadlines, and multi-annual capital expenditures planning)

IS8 - Identify the range of possible financial sources and instruments

Objective

This module aims to support PAs in **identifying potential funders for climate change adaptation projects by providing an overview of the different types of FIEs**, **their areas of intervention, and the financial instruments they use**. By combining this information with a mapping of the financial actors active in their territory, PAs can identify the most relevant entities to engage with, taking into account their recent financing activities and their potential commitment to climate change adaptation.

Expected outputs	Expected Results
• Map of relevant funding sources and financing instruments for the prioritised sectors and possible high-level adaptation measures • Moving from generic financial instruments to actionable local funding.	• In-depth identification of funding opportunities and financial resources available for climate change adaptation. • Enhanced readiness of adaptation measures to attract private finance

IS9- Financing Pathways for adaptation investments

Objective

This module aims to support PAs in identifying **the most appropriate financing strategies for each climate change adaptation priority** by assessing the role of public funding, private capital and blended finance. By analyzing risk allocation, expected returns, and available financing structures, PAs can define strategic financing pathways that reflect the characteristics and needs of their territories and identify the most effective ways to mobilize the investments required.

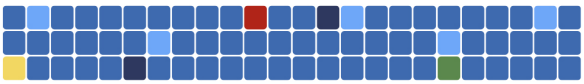
Expected outputs	Expected Results
A strategic framework outlining the most suitable financing pathways for priority sectors and adaptation measures, specifying risk-sharing arrangements and potential financing instruments.	Enhanced evaluation of how risk is shared, who captures economic/financial returns, and what financing structures are most suitable to unlock investment at scale.

IS10- Governance and resources

Objective

This module aims to support PAs in **defining a governance model for the development and implementation of the Investment Strategy** by identifying the internal and external stakeholders to be involved, their respective roles, and coordination mechanisms. The objective is to ensure clear institutional accountability, adequate resources, and long-term continuity, including through the establishment of a Local Resilience Taskforce (LRT) or the assignment of this mandate to an existing body, in order to ensure the effective implementation of the strategy.

Expected outputs	Expected Results
Map of key stakeholders, their roles, and contributions to each module of the Investment Strategy	Operational foundation to transition into the IP phase, where project pipelines, bankable structures, and precise project-level financing arrangements are developed.



4.4 IS's Learnings from pilot territories

The implementation of the CLIMATEFIT IS methodology across 17 pilot territories provided valuable evidence on the conditions that can smooth the development of Investment Strategies.
The experiences gathered by CLIMATEFIT pilot areas can provide practical recommendations that can support the readers in adapting the methodology to their local context.

Embedding the Investment Strategy within existing planning frameworks strengthens institutional ownership and increases implementation potential. The pilot territories demonstrated that the CLIMATEFIT methodology is most effective when integrated into existing planning processes rather than implemented as a standalone exercise. Investment Strategies should be conceived as dynamic planning tools that complement existing climate and development policies and can evolve as priorities, funding opportunities and institutional contexts change. Aligning the Investment Strategy with existing climate plans and regional strategies also helps gather data, avoid duplication of effort and facilitate implementation.

For example, Brescia developed the Investment Strategy in parallel with its Air and Climate Plan, allowing the two processes to mutually reinforce each other.

A well-defined governance model is one of the key success factors. Coordination mechanisms should be adapted to the institutional complexity of each territory while maintaining clear roles and responsibilities throughout the process. Starting with a small core group and progressively expanding stakeholder participation helps build trust, facilitates coordination and allows the methodology to mature before engaging a broader audience. Cross-departmental collaboration remains essential, although it often requires dedicated efforts to overcome organizational silos. Strong governance structures also help reduce the risks associated with political changes and departments coordination. For example, Porto successfully integrated CLIMATEFIT activities into its existing municipal Transition Team, avoiding the creation of parallel governance structures and reinforcing institutional ownership.

Stakeholder engagement is most effective when developed progressively and supported by participatory approaches. Successful Local Resilience Taskforces combined the strategic perspective of senior decisionmakers with the operational expertise of technical staff, ensuring both political ownership and practical implementation capacity. Rather than relying on one-off consultations, stakeholder engagement should evolve throughout the process, creating opportunities for continuous dialogue and collaboration. Interactive workshops and collaborative working sessions consistently proved more effective than traditional information-sharing meetings. In Flanders, engagement started with a small network of trusted public agencies and gradually expanded, allowing participants to contribute knowledge, datasets and technical expertise while strengthening the Local Resilience Taskforce over time.

Technical capacity can be strengthened by combining internal expertise with external knowledge. The pilot experience showed that the expertise required to develop robust Investment Strategies is often distributed across different municipal departments, external stakeholders and complementary initiatives.
This approach enhances analytical capacity, supports more robust cost-benefit assessments and strengthens the overall quality of the Investment Strategy. For instance, Strasbourg Metropolitan City leveraged the Technical Assistance provided through MIP4Adapt to improve its assessment of adaptation costs, benefits and financing needs.

5. Investment Plans

The complete Investment Plan methodology, including step-by-step guidance, practical tools, and templates to support the development of the Investment Plan, is available in the CLIMATEFIT **Deliverable D3.1 – *Develop your Investment Plan***

5.1 Overview of the IP guidance

An Adaptation Investment Plan (IP) translates the high-level ambitions developed in a territory's Adaptation Investment Strategy into **a pipeline of bankable projects**, that can further be developed in Investment Concepts (see Chapter 6), where private sector financing is needed.

A comprehensive Investment Plan addresses the lack of detailed information that often prevents the involvement of private finance by providing **a clear roadmap for financing and implementing adaptation projects.** It facilitates engagement with stakeholders and funders, ensuring that everyone involved understands the plan's objectives and methodologies.

The Investment Plan should operationalize the Investment Strategy and provide detailed analysis of the overall funding needs as well as of the individual actions and how each will be paid for. Since an important role for public finance is mobilizing private investment, the plan should consider financial analysis and financial structuring processes as well as business model development to help ensure that investments proposed are more likely to become bankable.

Figure 5 gives an overview of the main purpose of each of the five modules that compose the document and the main activities and methods involved.

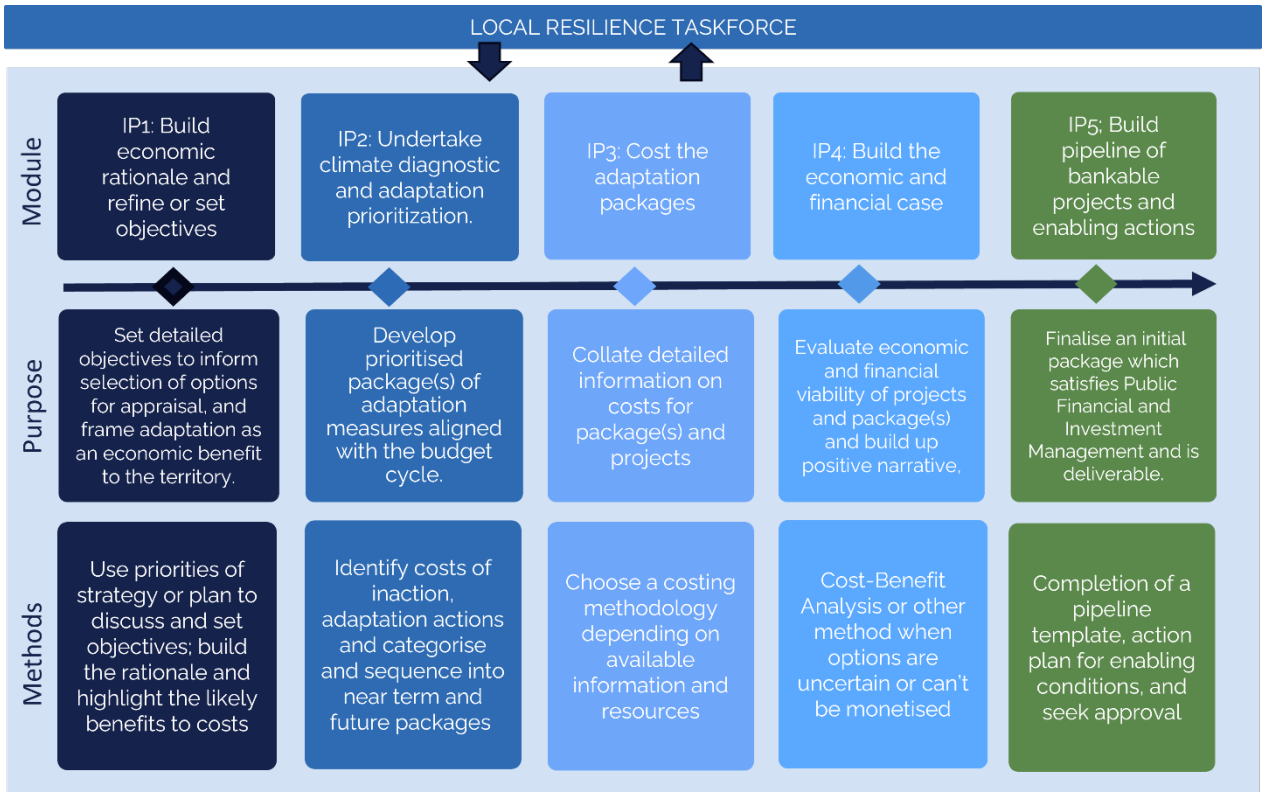


Figure 4 The CLIMATEFIT Investment Plan process, and its interactions with Local Resilience Taskforces

5.2 IP: The Role of the LRT

The Local Resilience Taskforce (LRT) plays a key role throughout the Investment Plan process, progressively increasing the number of stakeholders involved (see Chapter 4).

Across all pilot territories, effective progress was consistently associated with **small, stable LRT core working groups** composed of technically competent actors already involved in climate adaptation or strategic planning. Table 2 provides an overview of the possible stakeholders to be engaged throughout the development of the IP, that can be adapted according to the local context and needs.

The **extended LRT group's stakeholders** can be engaged throughout the different stages of IP development. During the initial stages, it can support with the review of the outputs of the IS, verifying that the draft objectives accurately reflect stakeholder views on adaptation ambition, and considers any initial longlist of adaptation options emerging from the IS process.

In the Module IP2, the LRT can contribute to defining the criteria used to evaluate the longlist of options and may also contribute directly to the evaluation itself. It also plays an important role in validating the initial packages of options and the investment pathway over time, helping to prioritise options alongside other stakeholders involved in the project's design and delivery, as well as those affected by it. In the later stages of the process, the LRT can provide relevant information and data, as well as validate key assumptions and assessment results.

PAs may adopt **different engagement approaches depending on the stakeholders** involved, including bilateral exchanges, targeted workshops, or broader multi-stakeholder meetings.

Actor involved	Contribution	Modules
Technical Departments	• Technical expertise • Alignment with local planning frameworks • Case studies on past projects • Refinement of project prioritization • Final feedback and validation	IP1, IP2, IP3, IP4, IP5
Finance department	• Data and insight to define economic rationale • Validation of cost estimates • Assessment of financial sustainability • Final feedback and validation	IP1, IP3, IP5
FIEs	• Contribute to and review the strategy and objectives • Support with economic appraisal and financial metrics • Final feedback and validation	IP1, IP4, IP5
Businesses	• Support to the identification and assessment of benefits	IP2
NGOs, Local associations	• Local knowledge • Consultation and engagement	IP2
City Leadership	• Validation of cost estimates • Final feedback and validation	IP3, IP5
Stakeholders involved in project delivery/project specialists/contractors	• Assessment of financial sustainability • Support with economic appraisal and financial metrics • Final feedback and validation	IP3, IP4, IP5

Table 2 Investment Plan: Stakeholder contributions across modules

What is the added value of the IP for the PA?

- Define and communicate public priorities for adaptation investment
- Collect feedback from financial actors on adaptation options and projects
- Sequence and separate options in short- and longer-term packages based on economic criteria
- Develop a pipeline of projects to discuss with investors
- Identify ways to improve enabling conditions for investment

How does developing an Investment Concept after the Investment Plan strengthen this added value for the PA?

- Improve the understanding of financing prospects and improve likelihood of financing by addressing bankability and private sector attractiveness.
- Increase mobilization and diversification of adaptation finance, engaging public and private actors and expanding funding and financing sources.
- Identify innovative financing opportunities and enabling measures to overcome barriers and engage FIEs.
- Pilot or demonstrate the projects in the territory, challenging existing assumptions and integrating wider socio-economic benefits.

5.3 Structure of the Investment Plan

IP1: Build economic rationale and refine or set objectives

Objective

The first Module aims to develop a **comprehensive set of adaptation and investment objectives** aligned with broader strategic priorities, providing clear direction for the development of the Investment Plan. It also seeks to establish a strong economic rationale for adaptation within the territory in order to strengthen the case for government intervention and build public support and stakeholder engagement. Adaptation objectives help to focus the IP activities while supporting the identification and assessment of a wide range of potential adaptation options capable of achieving the defined objectives.

Expected outputs	Expected Results
• A list of adaptation and investment SMART objectives for the Investment Plan • A defined economic rationale for adaptation measures	Agreement on the scope of the plan and understanding of how adaptation measures and options sit within broad clusters of work organised around key hazards, sectors and risks

Key interconnections with Investment Strategy

- Translate strategic objectives set in Module IS4 into specific investment targets at programme and project level.
- Refer to Module IS3 to ensure consistency with the assessed climate risks and vulnerable sectors. Aligning the objectives with the local, regional and national regulatory and policy frameworks identified in Module IS1 can also help secure political commitment and support.
- Draw information from Module IS6 description of benefits and returns generated

IP2: Undertake climate diagnostic and adaptation prioritisation

Objective

The objective of this module is to support the translation of the adaptation objectives defined in IP1 into a coherent and actionable portfolio of adaptation measures. It aims to **identify, assess and prioritise potential interventions based on their feasibility, effectiveness and contribution to climate resilience, leading to the selection of a shortlist of the most suitable options for implementation.** The module also seeks to establish a clear implementation pathway by sequencing adaptation measures across short-, medium- and long-term time horizons, thereby supporting strategic planning, informed decision-making and the mobilisation of investments required to enhance resilience to current and future climate risks.

Expected outputs	Expected Results
• A baseline diagnosis of the relevant climate risks, including observed trends and future climate impacts • A set of packages of adaptation measures, that are sequenced over time, with near-, medium- and long-term measures	• Shared prioritization between all PA's sectors and other stakeholders involved • Deepened understanding of the climate risk scenarios considered in the plan.

Key interconnections with Investment Strategy

- Start from Module IS3 to develop the climate diagnostic, building on the identified risks and vulnerable sectors, as well as pre-existing analytical and strategic work.
- Use Module IS3 to inform the prioritisation process by providing a better understanding of the local context.
- Refer to Module IS5 high-level economic benefit rationale as an element to include in the prioritization assessment

IP3: Cost the adaptation packages

Objective

The objective of this module is **to develop a comprehensive and robust cost assessment of the adaptation measures included in the selected investment package.** By providing detailed cost estimates for each measure or project, the module aims to support informed decision-making, strategic investment planning and the development of effective procurement and implementation strategies. It also seeks to ensure that all cost assessments are prepared in accordance with

relevant accounting, financial and regulatory standards, thereby enhancing the credibility, transparency and comparability of the proposed investments.

Expected outputs	Expected Results
A cost estimate report that translates the project from high level costs into the detailed information needed for decision making, development of a financial model, procurement and monitoring	Strengthened capacity on cost estimation to support evidence-based decision-making

Key interconnections with Investment Strategy

- Ensure continuity with Module IS6, where a first appraisal of cost and benefits is elaborated

IP4: Build the economic and financial case

Objective

The objective of this module is to conduct **economic and financial appraisal of the proposed adaptation** projects **by assessing their economic performance, including both costs and benefits** as well as their profitability where relevant. It introduces a range of metrics for evaluation and comparison of how effectively projects can contribute to the territory's needs and objectives.

By making explicit the trade-offs between different alternatives, the module helps stakeholders identify the most efficient and value-for-money solutions. This appraisal provides a critical evidence base for both public and private decision-makers to determine whether to proceed with investment, based on considerations of financial viability and broader economic and societal impacts.

Expected outputs	Expected Results
A set of economic and financial analyses for the near-term package(s) and/or the Investment Plan as a whole	• Enhanced comparability and prioritization of adaptation investment opportunities based on financial viability, economic performance and socio-economic impact • Improved capacity in tackling adaptation planning from an economic and financial perspective

Key interconnections with Investment Strategy

- Refer to Module IS6 and Module IS8 to build on and further develop the analyses carried out in those modules.

IP5: Build pipeline of bankable projects and enabling actions

Objective

The objective of this module **is to compile the pipeline of potentially bankable projects and develop an accompanying action plan to improve the enabling conditions in the region**. All projects in the near-term packages are reviewed and assessed to determine which are currently bankable/fundable and which instead require further development before reaching investment readiness.

It also aims to help stakeholders identify potential projects that could be further developed into **structured Investment Concepts**, thereby strengthening the pipeline of investable opportunities. In addition, the module seeks to define an action plan to improve the enabling conditions for finance within the territory, enhancing the overall capacity to mobilise public and private investment for climate adaptation.

Expected outputs	Expected Results
• A pipeline of bankable adaptation projects • An action plan for improving the enabling conditions and the general bankability of the projects. • A completed Investment Plan (containing the pipeline, action plan and workings of all IP modules) ready for relevant approvals	• Publication of the plan and raised awareness, among all stakeholders and wider public, of the objectives, priorities, costs and benefits • Identification of investment opportunities that are more likely to be suitable for financing

Key interconnections with Investment Strategy

- Key inputs are provided by the potential sources of finance identified in Module IS8.
- Module IS5 can provide the financial baseline for identifying funding gaps, supporting the design of the pipeline

5.4. IP's Learnings from pilot territories

The implementation of the CLIMATEFIT IP methodology across 10 pilot territories provided valuable evidence on conditions that can facilitate the development of Investment Plans.
The experiences gathered throughout the implementation provide practical recommendations that can support Public Authorities in adapting the methodology to their local context.

Data collection and preparation are key. Defining the scope, collecting and validating data and assembling the required technical evidence can be more time-consuming than drafting the Investment Plan modules themselves.
Experiences across pilot territories highlighted that data collection is particularly challenging, especially when information is fragmented across multiple sources or not readily available in formats that support decision-making. Investing sufficient time in these preparatory activities can significantly improve the following steps of the IP.
For instance, the Flanders Region and the Metropolitan City of Strasbourg benefited from extensive prior analytical work by environmental agencies and research institutions, which allowed them to populate early modules efficiently.

Involvement of finance experts (both internal and external) is essential but requires a specific effort. Engagement of municipal finance and budget departments can be difficult to achieve, often due to institutional silos or low familiarity with adaptation topics.
Similarly, FIEs can be challenging to involve, but timing plays a key role: engagement becomes meaningful, and effective, only once projects are concrete enough for stakeholders to react to real choices and trade-offs.

Flexibility improves outcomes. The Investment Plan is meant to be not only adjusted to the local context, but intrinsically adaptive where resources are limited. The IP Guidance includes recommendations for applying the methodology through a more limited or light-touch approach.
For instance, among the CLIMATEFIT pilot areas, LRT teams managed to overcome barriers such as gaps in the evidence base, or in skills and capacity by using proxy data when punctual information was missing, qualitative or semi-quantitative assessments if fully quantitative were not possible and estimates from previous projects to trigger discussion and validation. Waiting for highly detailed data can block progress without necessarily improving decision quality.



6. Investment Concepts

The complete Investment Concept methodology, including step-by-step guidance, practical tools, and templates to support the development of the Investment Concept, is available in the CLIMATEFIT Document "Developing an investment Concept – A Handbook for Public Authorities"

6.1 Overview of the IC guidance

An Investment Concept (IC) is a technical document that describes the project mechanics and arrangements that would successfully allow its funding and/or financing. It **translates a project plan into the financial language** to mobilise financing for its realisation. The purpose is to provide investors and financiers with the information necessary to assess an investment project in a simple and fast manner. A **clear business model** is a key component, outlining how the project will generate, deliver and capture value, resulting in revenue streams, and ensure financial sustainability. The owner of this document is the local or regional authority proposing the investment project, while being explicitly addressed to financial stakeholders.

In the ideal process, the creation of an IC is the final, tailored step for a specific project **drawn from a pre-established pipeline, compiled within the Investment Plan**. The pipeline lists and assesses near-term projects for their current bankability, highlighting those requiring further development, where the preparation of an IC could be helpful. This structured approach ensures that the **projects seeking private financing are strategically aligned**, properly assessed, and accompanied by an action plan to improve the overall investment environment, thereby maximising their chances of securing funding.

6.2 IC: The role of the LRT

At this stage, the LRT can serve as a valuable sounding board, bringing together stakeholders directly involved in or affected by the selected project to co-design innovative solutions. The core team should ensure strong commitment to the process, facilitating **inter-departmental data collection** and cross-sectoral collaboration.

The extended LRT can contribute with **technical and financial expertise**, challenging assumptions and validating design choices throughout the development of the Investment Concept (IC). It can also support the assessment of the value generated and captured by different options, while identifying potential partners whose involvement could strengthen the project's financial viability and strategic positioning.

What is the added value of the IC for the PA?

- Support the development a bankable, investable project, ready for delivery
- Provide a replicable framework for developing and presenting adaptation projects to potential investors and financing institutions.
- Structure a process that enables engagement of external stakeholders
- Streamlining the development of potentially bankable adaptation projects, reducing the costs and time associated to such process.

6.3 Structure of the Investment Concept

IC0 - Project selection

Objective

The module aims to **select a potential bankable project(s),** for which an IC is developed. This module guides the selection process to increase the chances that the chosen project is suitable for further financial structuring.

Key interconnections with Investment Plan

- The selection should start from the pipeline compiled in Module IP5
- Module IP4 contains financial and economic information that can guide the selection phase

IC1 - Project Overview

Objective

The first module outlines **the project's objectives, expected benefits, and key economic and financial indicators**, providing readers, particularly potential financiers, with a clear and immediate understanding of the initiative, its significance, and the value it aims to generate.

Expected outputs	Expected Results
• An overview that positions the project as a credible investment opportunity. • Identification of the tangible value for investors, such as potential returns, risk mitigation, or other financial incentives.	• Increased project credibility • Improved dialogue with investors • Enhanced capacity to mobilize funding

Key interconnections with Investment Plan

- Module IP2 can provide information on climate risks addressed by the selected project
- Basic economic and financial metrics can be extracted and deepened starting from Module IP4

IC2 - Project Execution Plan

Objective

The purpose of this module is to establish a **Project Execution Plan (PEP**) outlining the project's delivery pathway from preparation through operation to closure, integrating a Monitoring, Evaluation, Accountability and Learning (MEAL) framework. It aims to demonstrate **project feasibility** to investors and financiers, **ensure accountability** through periodic reporting and verification, and **support adaptive management** by enabling the project team to learn from monitoring data and adjust implementation as needed.

Expected outputs	Expected Results
The output is a phased **Project Execution Plan & MEAL framework** that: • Links actions, milestones, costs, and MEAL activities • Includes a clear reporting calendar and accountability framework for financiers • Defines KPIs, evaluation gates, learning loops, and adaptive management triggers • Specifies consequences for non-compliance with reporting or covenant obligations	• Improved planning of activities, timelines, costs, and responsibilities. • Enhanced monitoring of progress and results through key performance indicators (KPIs) • Thorough identification of potential issues, followed by the implementation of corrective measures.

IC3 - Risk & Barrier Analysis

Objective

The purpose of this module is to identify and assess the main **project development risks**, **barriers** and climate risks that could affect project delivery and long-term performance, defining appropriate mitigation measures and stakeholder responsibilities.
It aims to **strengthen the project's credibility** with investors and financiers by demonstrating that risks have been anticipated and can be effectively managed. Mitigation measures may include non-financial Incentive Mechanisms (see Section 3.3) adopted by the project proponent to address specific barriers, while financial incentives should be integrated into the business model, as outlined in Module IC7.

Expected outputs	Expected Results
A comprehensive risk register including mitigation actions that can be shared with financiers.	Strengthened credibility of the project's risk profile, including the identification of main risks and barriers, corresponding mitigation measures, and key stakeholders' responsibilities.

Key interconnections with Investment Plan

- Climate risks described in Module IP2 can inform the corresponding risks of this module
- Enabling conditions identified in Module IP5 action plan can contribute to the definition of risk mitigation measures.

IC4 - Legal Feasibility & Regulations

Objective

The objective of this module **is to verify in advance the project's compliance with applicable legal and regulatory requirements,** identifying any potential issues that could hinder its implementation. This helps reduce the risk of delays and additional costs, while providing investors and financiers with greater assurance regarding the soundness of the project with respect to the relevant legal and regulatory framework.

Expected outputs	Expected Results
• Legal feasibility note that demonstrates regulatory readiness and a clear path for compliance, thereby reducing legal and regulatory risks for investors and financiers. • Identified potential legal and regulatory barriers to project implementation.	Clarified applicable legal requirements and their implications for project feasibility.

IC5 - Partners, Stakeholders & Beneficiaries

Objective

The module aims to **identify and analyse all stakeholders involved in the different phases of the project, from planning to financing and implementation**, including those who will benefit from its outcomes. It seeks to clearly define roles and responsibilities, promote coordination among the parties involved, and ensure transparent and inclusive governance, thereby strengthening the confidence of potential financiers.
Analysing the contributions made by the different stakeholders and the benefits each will receive helps improve project transparency and bankability, while also providing the basis for developing the business model (IC7), particularly with regard to value creation and distribution.

Expected outputs	Expected Results
Comprehensive partner and stakeholder matrix that clarifies roles, including who contributes what and who benefits when.	• Enhanced stakeholder identification and coordination capacity within the LRT, enabling more effective coordination of the partners involved • Improved confidence of potential financiers in the proposed projects

Key interconnections with Investment Plan

- IP4 activity on mapping and categorising benefits and beneficiaries can serve as a starting point for the identification of the main benefits and beneficiaries of the project.
- The climate diagnostics conducted in Module IP2 should contain a list of exposed or vulnerable stakeholders.

IC6 - Economic Viability

Objective

The module aims to **assess the overall benefits that the project can bring to society, the territory, and the environment, considering not only financial aspects but also its broader economic and social impacts**. The analysis helps highlight the value generated by the intervention for the community and justify the need for potential public resources, grants, or concessional financing. The assessment is generally based on a cost-benefit analysis (CBA), which compares the costs incurred with the economic and social benefits generated by the project, using values that reflect the overall well-being of the community rather than solely the financial returns for investors.

Expected outputs	Expected Results
An economic appraisal, typically presenting a Benefit-Cost Ratio (BCR) and an economic Net Present Value (NPV), which demonstrate the project's value to society.	Improved information to support decision-making regarding the implementation, funding, and continuation of the intervention.

Key interconnections with Investment Plan

- Module IP4 may provide a preliminary cost-benefit or cash flow assessment that can be further developed using additional data and consistent calculation methodology.

IC7 - Business Model

Objective

The module aims to **define the model through which the project generates value and identifies ways to financially support its implementation and management over time**. Based on the expected benefits and the stakeholders involved, it identifies potential revenue sources, co-financing opportunities, and other financial solutions that can contribute to the project's sustainability. In this way, the module connects the benefits generated by the project with its ability to secure the necessary resources, defining an economic and management model that supports its long-term financial feasibility.

Expected outputs	Expected Results
The business model and key financial metrics such as NPV, IRR, ROI, payback period, and any funding gaps that require public or private financing.	Improved assessment of the project's financial feasibility and sustainability, including its business model, expected financial returns, funding sources, and any funding gaps requiring public or private financing.

IC8 - Financial Viability & Structure

Objective

This module assesses **the project's economic and financial sustainability and identifies the most suitable combination of financial resources to support its implementation and ensure its long-term viability.** It evaluates the project's ability to generate sufficient revenue to cover costs, repay financing, and meet its financial commitments.
In addition, it defines the financial structure needed to attract capital, identifies potential funding sources, and outlines how resources will be allocated and repaid, taking into account the main financial risks. In doing so, the module translates the business model into a concrete, credible, and potentially bankable financial plan.

Expected outputs	Expected Results
• A description of the financial structure, detailing revenue streams, funding sources and capital structure.	• Defined credible financial structure for project implementation, identifying potential funding sources, financial flows, capital requirements, and the roles of key stakeholders.

- A schematic diagram of financial flows, organisational structure, and stakeholders involved.

6.4. IC's Learnings from pilot territories

The implementation of the CLIMATEFIT Investment Concept methodology across the 10 territories highlighted key lessons on how to develop robust, context-specific IC for climate adaptation.

> Additional practical insights and lessons learned from the application of the methodology are available in the CLIMATEFIT Deliverable **D4.2 - Tested Investment Concepts**

The following recommendations aim to support other territories in navigating common challenges and adapting the process to their local circumstances.

Projects and frameworks can be adapted. Rather than starting with a very ambitious project idea, replicators should consider narrowing its scope or starting with a smaller pilot to test the approach or using a light-touch approach. In Flanders, initial options were discarded due to insufficient information, while Alba Iulia shifted towards a smaller pilot and Selnica ob Dravi reduced the planned building size by around 30% to improve the simplicity and speed of preparing the project's financing arrangement, business model and IC documentation.

The IC is built through cross-departmental and external cooperation. Involve technical, financial, legal and procurement expertise from the outset, ensuring clear responsibilities and senior-level validation of key assumptions, such as risk assessments and legal feasibility requirements. Broader stakeholder engagement can help identify potential financiers and strengthen the IC through co-design. The Flanders region, for instance, held interviews with financial institutions to gather additional insights into private-sector perspectives

Leverage on existing data and methodologies. Data gathering can be time-consuming, particularly when information is scattered across departments and organizations. Replicators should build on existing project plans, studies and public data, verify their relevance and distinguish confirmed information from estimates and assumptions. For instance, the Strasbourg Metropolitan City tested different methodologies, ranging from desk research to locally available frameworks, to achieve a comprehensive monetization of project co-benefits. Among these, it used Bénéfriches, a public digital tool developed by the French Ecological Transition Agency (ADEME), which helps quantify the socio-economic and environmental benefits generated by the regeneration of brownfield land.

Broad economic appraisal and purposeful business modelling. Economic appraisal should consider both monetizable and non-monetizable benefits, including social inclusion, pollution reduction and other social and environmental benefits. Where applicable, the value of these benefits should be captured through business modelling, taking into account relevant conditions such as legal constraints, transaction costs and administrative capacity. Engaging stakeholders can help identify relevant benefits, assess realistic revenue opportunities and explore suitable financing options. In Brescia, for example, an LRT public meeting provided an opportunity for stakeholders to share concrete suggestions on potential ways forward for the project.

7. Monitoring, Evaluation and Learning Framework

Monitoring, Evaluation, and Learning systems play a critical role in supporting social innovation processes by providing insights throughout the implementation of a new project, in this case the application of the CLIMATEFIT methodologies, and ensuring alignment with the overall desired impacts.

The purpose of this chapter is to provide a comprehensive framework for conducting **Monitoring, Evaluation, and Learning (MEL)** to support the PAs testing the design of an IS, IP an IC. The proposed framework is grounded in the Theory of Change, which describe impacts as the result of activities, outputs, and intermediate outcomes.

Monitoring is the collection and analysis of data about project progress and changes in the project environment.

Evaluation is the assessment of an ongoing or completed project task, activity, implementation step, or result.

Learning is the process of embedding internal reflection, starting from qualitative and quantitative data to make more effective decisions in the future and understand what works, in what contexts, for whom and why.

7.1 Purpose and intended use

The main objectives of adopting the MEL approach are the following:

1. **Continuous learning and improvement:** By supporting learning-by-doing, MEL enables to continuously track what is working and identify the areas that require attention in order to generate the greatest impact.

2. **Accountability:** Testing the CLIMATEFIT approach requires the commitment of time and resources. Having a monitoring system in place allows to collect information needed to assess a project's performance against the intended impact pathway, while also sharing the implementation process with all involved stakeholders. It also helps clarifying and distributing responsibilities and roles.

The MEL framework is designed to be applied according to two key principles:

1. **Participatory:** Involving various types of stakeholders, both internal and external to the PA can allow the collection of multiple visions as well as jointly defined objectives.

2. **Adaptive:** Impact generation is influenced by context-specific conditions that can evolve over time. For this reason, all components of the MEL framework should be adaptable at any point of the process to reflect the local implementation of the CLIMATEFIT approach.

7.2 CLIMATEFIT Theory of Change

The Theory of Change (ToC) is a way to **describe how an expected change can occur within a specific context**. It is an approach that starts from the definition of the desired impacts and then works backwards to **identify the preconditions required to achieve those impacts**, the outputs needed to generate those preconditions, and finally the activities and actions that can produce those outputs.

This backward reasoning ensures the existence of a logical chain that builds, step by step, the necessary conditions for change. Defining the ToC involves mapping all the necessary and sufficient conditions to achieve the intended impact, moving backwards from long-term results (final outcomes) to intermediate and short-term ones. In doing so, it outlines the "pathway to change," which represents the trajectory through which change is expected.

Together with the CLIMATEFIT project partners, the pilot territories and their facilitators, we developed a framework (Figure 6) based on the experience gained throughout the project. It outlines the Theory of Change (ToC), tracing a logical chain from project tasks and deliverables to the results and changes generated, ultimately leading to the desired impact.

This framework provides the basis for the monitoring system, with one or more indicators defined for each dimension to track progress and assess achievement.

The different elements of the ToC are connected through arrows highlighting their functional and content-related interactions.

The framework also includes **Context Enablers**, i.e. contextual factors that can influence the achievement of the desired impact, either by facilitating the process or by posing additional challenges. As these factors may affect the impact chain regardless of the successful completion of its individual stages, they should be carefully assessed before starting the project (see Section 1.4, *Getting Started*) and while analyzing the Financing Landscape (see Module IS8),

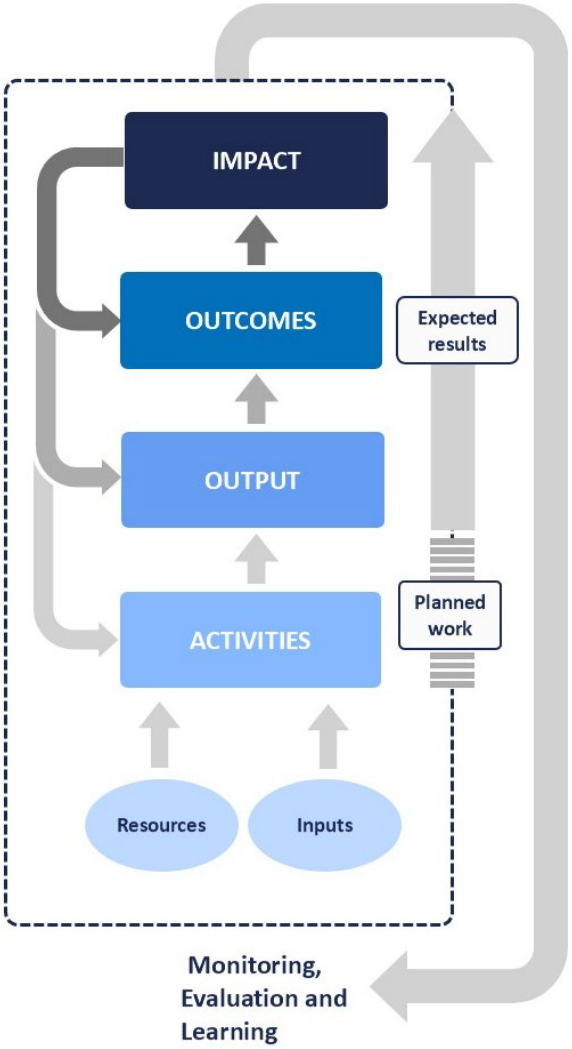


Figure 5 Theory of Change framework

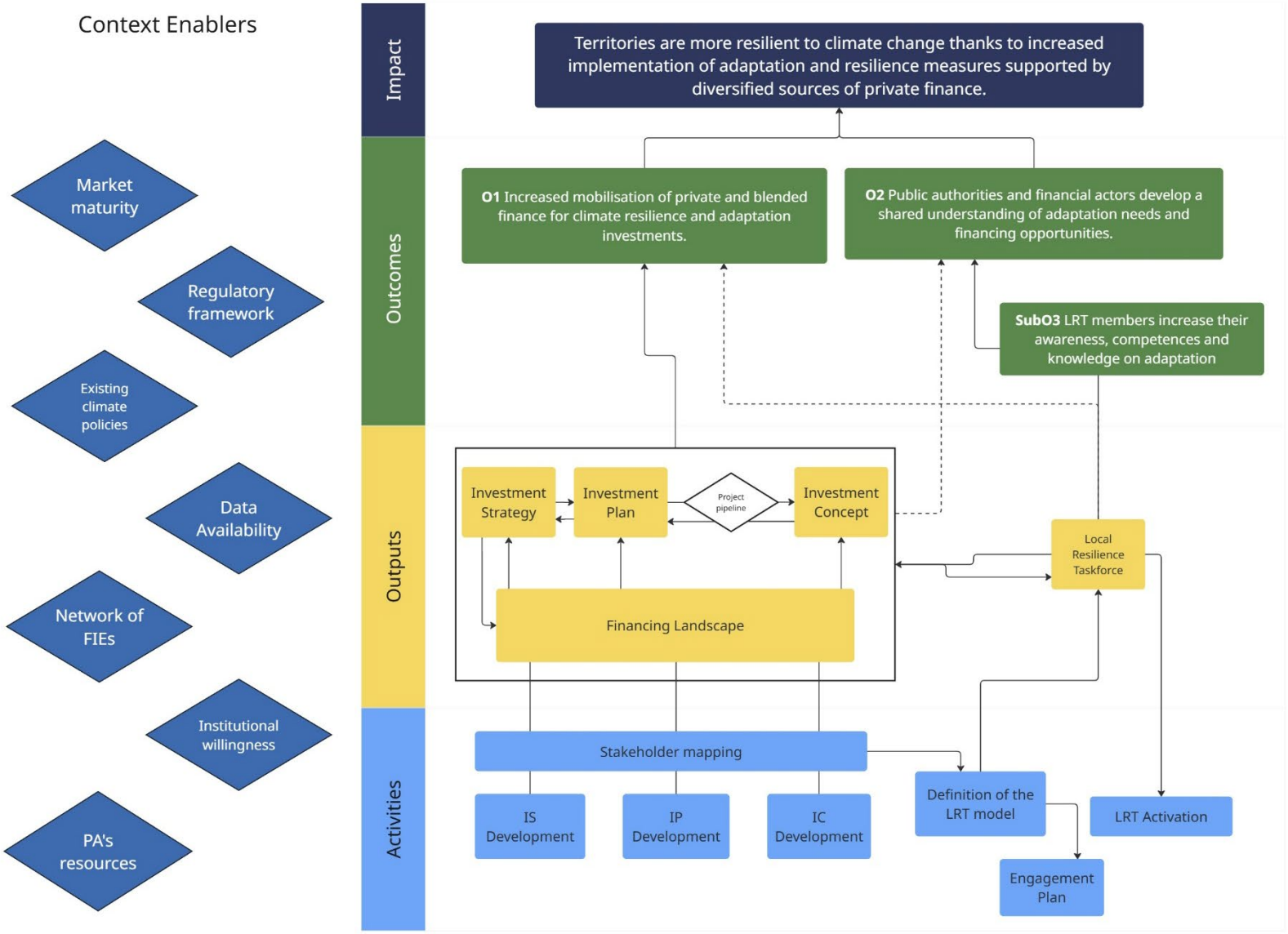


Figure 6 CLIMATEFIT Methodologies' Theory of Change

7.3 Monitoring Framework

The table below provides an indicative list of indicators for each of the elements that build the CLIMATEFIT ToC. All **indicators are measurable**, and the information required to calculate them can be collected and processed throughout the implementation period.

For each indicator, a clear indication should be provided of the source of information and the person, office, or role responsible for collecting the relevant data. The frequency of data collection, as well as a deadline for its achievement, should also be defined.

A recurring assessment of progress towards the targets is crucial to effectively embed the "learning" aspects of the framework and ensure that the information collected can inform and support the implementation process.

In synthesis, the elements to consider for each indicator are the following:

- **Baseline** (if quantifiable)
- **Target**
- **Responsible**
- **Source of information**
- **Reporting frequency**
- **Deadline**

Table 5 (see Annex) presents the complete framework, encompassing all its elements.

Indicators	
Impact	
I1 Territories are more resilient to climate change thanks to increased implementation of adaptation and resilience measures supported by diversified sources of private finance.	Total value of resilience investments mobilized in the territory (€)
	% Reduction in the financing gap
	Co-benefits generated by adaptation and resilience measures (€)
	Reduction in climate-related costs (€)
Outcomes	
O1 Increased mobilisation of private and blended finance for climate resilience and adaptation investments.	Numbers of Investment Concepts financed
	% increase in the ratio of municipal to private funding sources
	Number of Incentive Mechanism identified
O2 Public authorities and financial actors develop a shared understanding of adaptation needs and financing opportunities.	Number of FIEs members in the LRT
	Number of partnerships or collaboration agreements initiated
SubO3 LRT members increase their awareness, competences and knowledge on adaptation	Number of Incentive Mechanism identified
	Perceived cross-sectoral understanding among LRT members (self-assessment)
Outputs	
Investment Strategy	Strategy developed and validated (yes/no)
	Degree of achievement of Adaptation Strategic Objectives (IS4)
Investment Plan	Plan developed and validated (yes/no)

	Number of projects in the Investment Plan Pipeline
	Degree of achievement of IP Adaptation Objectives (IP1)
Investment Concept	Number of Investment Concepts developed
	Number of IC with a viable financial case
Local Resilience Taskforce	Number of PA sectors/departments represented
	Number of organisations represented
	Number of meetings held
	Level of engagement of LRT members (self-assessment)
	Number of LRT co-design sessions
Financing Landscape	Completion of the Financing Landscape (baseline)
	% Increase in Financing Landscape coverage
Activities	
Stakeholder mapping	Number of stakeholders identified
	Number of stakeholder categories represented (e.g. public authorities, FIEs, businesses, NGOs, public agencies etc.)
IS/IP/IC Development	Amount of resources involved in the IS/IP/IC development (e.g. human resources and/or budget)
LRT Model	Design of the LRT Model (Governance, Requirements, Membership, Scope)
LRT Activation	LRT Launch (yes/no)

Table 3 Monitoring Indicators' list

7.4 Evaluation and Learning process

Evaluation ensures the proper tracking of the performance and results of the CLIMATE-FIT methodologies and the actions implemented.

It supports Public Authorities in identifying challenges, gaps and critical nodes that need to be addressed through specific resources or skills. Therefore, the frequency of this process should reflect specific milestones (e.g. the completion of the IS, the IP and the first IC) or timeframes that can be managed by the people involved.

Mid-term and formative evaluations can inform management on the development of the process, assess progress towards the selected targets and highlight the adjustments needed.

End or summative evaluations, on the contrary, offer a retrospective analysis, assessing the impacts achieved and the results obtained. Both approaches provide critical insights that can be used to improve the process, and the team involved should find a way to balance them.
The LRT core team should engage with the relevant stakeholders involved in the different activities to ensure their participation in the evaluation process and provide a multi-stakeholder perspective. The validation of the

results by partners is also important to finalise the findings and avoid misinterpretations and biases.

The first step to initiate the evaluation process is to **fill in the monitoring table** (see. Section 7.3), to establish a quantitative baseline to build upon. This provides an initial overview of the progress achieved and the results recorded, supporting the subsequent evaluation and the assessment of progress against the selected targets.

The proposed methodology, however, is based on a **qualitative approach**, relying on a set of open questions.

The evaluation criteria proposed are adapted from the **OECD Development Assistance Committee (DAC) Evaluation Criteria** and tailored to the objectives and specific characteristics of CLIMATEFIT:

Lastly, all the insights collected through Monitoring and Evaluation activities should be translated into tangible **learning outputs** that can inform the team members responsible for the activities and support changes in the approach, adapting methodologies according to contextual strengths and weaknesses.

Learning is not automatically generated by monitoring and evaluation activities; therefore, it should be integrated with specific moments of internal communication to collect findings, share insights and disseminate results.

The guiding questions in this case should be:

- What lessons can be drawn from the implemented activities?
- How can learning inform ongoing implementation and further developments?

For each criterion of the Evaluation framework, it is therefore asked to identify:

- **Successful factors**, i.e. things that went well, approaches, stakeholders involved, tools and working approaches;
- **Challenges**, i.e. limits encountered during implementation that limited the full potential;
- **Enablers and remedial actions**, i.e. elements (existing or to be activated) that can overcome the barriers identified or smoothen the deployment of the activities.

Specific **learning-oriented activities**, such as workshops or dedicated documentation to be shared among the stakeholders involved, can further translate the lessons learned into concrete actions.

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Criterion	Broad Question	Specific Questions
Relevance	*Is CLIMATEFIT doing the right things?*	To what extent does CLIMATEFIT address the PA's needs in mobilizing public and private finance for climate adaptation?
		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:
Coherence	*How well does the CLIMATEFIT fit?*	To what extent is CLIMATEFIT aligned with existing climate adaptation strategies and policies?
		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:
Effectiveness	*Is CLIMATEFIT achieving its objectives?*	To what extent has CLIMATEFIT strengthens PAs' capacity on the topic of adaptation finance? How is the PA progressing towards mobilising public and private finance for climate adaptation?

		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:
Efficiency	*How well are resources being used?*	To what extent do the resources used (e.g. human resources, CLIMATEFIT's tools and methodologies) contribute to the PA's goals?
		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:
Impact	*What difference does CLIMATEFIT make?*	To what extent CLIMATEFIT helps the PA move towards more structured and diversified financing models for climate adaptation?
		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:
Sustainability	*Will the benefits last?*	To what extent are CLIMATEFIT's approaches and methodologies likely to be integrated into the practices of the PA in the future?
		Successful factors:
		Challenges and barriers:
		Enablers and remedial actions:

Table 4 Evaluation and Learning framework

8. Additional learning resources

CLIMATEFIT has developed a range of **training resources, tools, and platforms** to support capacity building on adaptation finance. These resources provide practical guidance, templates, examples, and training exercises that can further help Public Authorities strengthen their understanding of adaptation investment and apply the methodology presented in this Manual.

First**,** the **Adaptation Finance Platform** is a dedicated one-stop shop where public authorities, and financial entities can share and find insights. It makes adaptation finance knowledge more accessible, usable and actionable, bringing analytical insights, training materials, investment methodologies, tested financing solutions and policy recommendations together in one coherent structure.

Through its AI-screening and quality-checked submission features, adaptation projects, financier pledges and strategies can be shared with confidence. Users can also explore adaptation investment and project trends across regions.

https://adaptationfinance.org/

A second resource is the CLIMATEFIT's **e-learning platform**, which compiles materials and lessons learned from the capacity-building programme for Public Authorities (PAs) and Financial and Investment Entities (FIEs), offering tailored training courses for each.

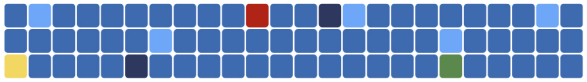
The e-learning course for PAs, built on the Moodle open-source system, enables participants to identify and develop climate adaptation projects through:

- Assessment of climate risks;
- Identification of suitable adaptation options;
- Development of a cost-benefit analysis and
- Creation of bankable projects through Investment Concepts.

https://climatefit-heu.eu/climatefit-launches-its-e-learning-platform-on-climate-adaptation-finance/

Lastly, the project has collected all the public documents produced by the consortium in the **Knowledge Centre**, the dedicated section of the official CLIMATEFIT project website, where all the project deliverables cited in this document are available for download.

https://climatefit-heu.eu/knowledge-center-2/



Annex

	Indicator	Baseline	Target	Responsible	Source of information	Reporting Frequency	Deadline
IMPACT	Total value of resilience investments mobilized in the territory (€)						
	% Reduction in the financing gap						
	Co-benefits generated by adaptation and resilience measures (€)						
	Reduction in climate-related costs (€)						
OUTCOMES	Numbers of Investment Concepts financed						
	% increase in the ratio of municipal to private funding sources						
	Number of Incentive Mechanism identified						
	Number of FIEs members in the LRT						
	Number of partnerships or collaboration agreements initiated						
	Number of Incentive Mechanism identified						
	Perceived cross-sectoral understanding among LRT members (self-assessment)						
OUTPUTS	Strategy developed and validated (yes/no)						
	Degree of achievement of Adaptation Strategic Objectives (IS4)						
	Plan developed and validated (yes/no)						

	Number of projects in the Investment Plan Pipeline						
	Degree of achievement of IP Adaptation Objectives (IP1)						
	Number of Investment Concepts developed						
	Number of IC with a viable financial case						
	Number of PA sectors/departments represented						
	Number of organisations represented						
	Number of meetings held						
	Level of engagement of LRT members (self-as-sessment)						
	Number of LRT co-design sessions						
	Completion of the Financing Landscape (baseline)						
	% Increase in Financing Landscape coverage						
ACTIVITIES	Number of stakeholders identified						
	Number of stakeholder categories represented (e.g. public authorities, FIEs, businesses, NGOs etc.)						
	Amount of resources involved in the IS/IP/IC de-velopment (e.g. human resources and/or budget)						
	Design of the LRT Model (Governance, Require-ments, Membership, Scope)						
	LRT Launch (yes/no)						

Table 5 Comprehensive Monitoring Framework

The CLIMATEFIT project aims to support EU territories in their just and transformational journey toward climate resilience by bridging the finance gap, providing critical insight and building the capacities of (i) Public Authorities (PAs) to identify, orchestrate and attract various public and private financing sources and (ii) Financing & Investment Entities (FIEs) to identify and access resilient investment opportunities. CLIMATFIT opens a significant opportunity to foster innovative resilience investments in vulnerable EU territories and to boost competitiveness and EU leadership in a growing market. The project will build on a deep understanding of existing initiatives to sustain systemic and catalytic resilience investments by engaging its Technical Partners, PAs and FIEs in the co-creation of twenty innovative investment strategies, ten concrete and scalable investment plans and four bankable transformational investment cases, increasing the bankability of resilient project pipelines across a diversity of scales, financing gaps, contexts, barriers to financing, climate risks and vulnerabilities, biogeographical regions, adaptive capacities and maturity regarding climate change represented from its twenty case studies grouped in three clusters: Northwestern, Eastern and Southern.

