

Accessing Financing for City Climate Leadership

The image shows the interior of the Teatro Colón in Buenos Aires, looking up at the ornate, gilded dome. The dome features a large, intricate chandelier in the center and various murals and decorative panels. A yellow rectangular box is overlaid on the right side of the image, containing text. The text is arranged in three paragraphs, each starting with a different opening word: 'The', 'It', and 'At'.

Acknowledgments

The Columbia University School of International and Public Affairs (SIPA) City of Buenos Aires Capstone team would like to extend our gratitude to our professors, interviewees, participants, and advisors who made our work possible.

It was a great learning journey filled with valuable connections. A special thanks to all the academic experts, from C40 to the World Bank, as well as all the professionals we had the opportunity to learn from. Their participation was key to understanding the challenges of accessing climate finance for a major city of Latin America like Buenos Aires.

At SIPA, we are particularly grateful to Daniel Zarrilli, Special Advisor for Climate and Sustainability at Columbia University, whose advising and close feedback guided us throughout this Capstone project. We are also grateful to the amazing Columbia SIPA Capstone Program team members.

Finally, we would also like to thank our client, the City of Buenos Aires Government, especially Ana Ciuti, Ana Lopetegui, and Federico Merico, for providing us with key information and contacts to understand the local context of Buenos Aires as a leader in climate action. We hope that the recommendations discussed in this report can support Buenos Aires' efforts in closing the urban climate finance gap to reach its goals.

Our team



Daniel Adam Zarrilli
Capstone Advisor



Ximena Bénard-Tertrais
Project Manager I



Israel Borba
Project Manager II



Alejandro Daly
Fieldwork Coordinator
Lead Interviewer



Zirui Li
SIPA Liaison



Bernardo Romo
Client Liaison



Tei Theerachai
Presentation Materials



Joanna Wang
Travel Liaison



Mingxuan (Shawn) Yuan
Written Report Editor I



Monica (Yi) Zhang
Written Report Editor II



Contents

■ Part 1.

Executive Summary P5

■ Part 3.

Findings P13-32

Decision-Making Framework	P14
Strategic Communication	P21
Green Bond Toolkit	P27

Part 2. ■

Background P6-12

Macroeconomic Landscape	P7
Climate Change Impacts	P7
Need for Climate Finance	P8
Buenos Aires' Current Barriers	P10
Methodology	P12

Part 4. ■

Recommendations P33





Executive Summary

The City of Buenos Aires Capstone aims to strategically enhance Buenos Aires' ability to access international and private climate finance.

Faced with the complex challenge of broad economic instability, including persistent high inflation and no access to international capital markets, Argentina's capital must navigate a dynamic financial landscape to work effectively towards its ambitious climate goals. The city also faces political and bureaucratic barriers both at the national and local levels, which further impede the mobilization of international capital. However, despite these current barriers, Buenos Aires stands out as a proactive city determined to transform its infrastructure and societal capabilities to withstand climate changes. The city has committed to becoming carbon-neutral by 2050, a vision articulated in its 2050 Climate Action Plan.

In an effort to support Buenos Aires' climate ambitions, **the Consultant team first recommends the city to focus on climate finance opportunities that are highly accessible and highly aligned with the city's priorities.** Through the Decision-Making Framework designed by the Consultant team, the city can strengthen its ability to evaluate existing climate finance opportunities, based on their level of accessibility and their alignment with the city's priority projects in the waste, energy, transport, and adaptation sectors.

By taxonomizing potential funding mechanisms and analyzing their suitability, this framework is a strategic tool that will optimize Buenos Aires' approach to securing international financing.

Second, **the Consultant team recommends Buenos Aires to showcase its unique position for accessing climate finance thanks to a tailored communication strategy.** The strategy crafted for the city aims to reinforce Buenos Aires' narrative when seeking financing from international investors. The one-pagers provided seek to enhance the government's storytelling by focusing on the city's strong record of governance and successful climate infrastructure projects.

Third, **the Consultant team recommends Buenos Aires to leverage its partnership with the local development bank, Banco Ciudad, to explore innovative financial instruments.** One feasible and beneficial opportunity is for Buenos Aires to issue green bonds with assistance from Banco Ciudad. The Consultant team outlined recommendations on how the city can that potential to mobilize more private capital based on best practices for issuance offered by discussing with the Argentinian cities of Mendoza and Córdoba.

By implementing the proposed tools and strategies, the Consultant team aims to support Buenos Aires in overcoming the barriers to climate finance it currently faces, while strengthening its position as a global leader in urban climate resilience.

The image features a vertical split background. The top half shows a light-colored, possibly white or light grey, surface covered in numerous small, clear raindrops. The bottom half shows a dark, blurred city street at night, with colorful lights (red, yellow, green, blue) reflecting off the wet pavement and creating a bokeh effect. A semi-transparent white horizontal band runs across the middle of the image, containing the text 'Background' in a bold, dark grey font. To the left of the text is a decorative graphic consisting of a vertical blue bar and a small yellow square above it.

Background

Background

1. Argentina's macroeconomic landscape

Argentina faces significant macroeconomic challenges characterized by fiscal imbalances, foreign exchange volatility, and soaring inflationary pressures. Last year's debt restructuring, including negotiations of the US\$44 billion rescue plan with the International Monetary Fund (IMF), has reflected the country's struggle to manage its debt burden effectively. In this regard, according to several international institutions and investors, national debt is at alarming levels being at roughly 89.5% of Gross Domestic Product (GDP) for 2023 and the budget deficit for the same year is higher than 5% of GDP. On the other hand, the constant depreciation of the Argentinian peso against other currencies has exacerbated inflationary pressures, while capital controls for dollars and multiple exchange rates have complicated international trade and domestic business operations, as well as creating hurdles for international companies operating in Argentina. Furthermore, annual inflation topped 288% in March 2024. High volatile price movements have created uncertainty and challenges for businesses and other economic actors in the country to accurately predict costs and revenues. This uncertainty affects long-term planning and investment decisions, creating struggles to forecast future cash flows and profitability. Moreover, high inflation has eroded purchasing power and diminished consumer confidence in Argentina.

Furthermore, uncertainty prevails due to the presidential elections held in November 2023, which saw the opposition candidate, Javier Milei, emerge victorious. Consequently, anticipations are high for a shift in paradigms and public policies under this new administration. An example of this shift is the new president's pledge to reduce the fiscal deficit over the forthcoming years, indicating budgetary adjustments across various sectors and projects within the country.

2. Climate change impacts

In December 2020, Argentina submitted its second Nationally Determined Contribution (NDC). It presented the country's revised targets for greenhouse gas (GHG) emissions reduction as part of the 2015 Paris Agreements. Additionally, in November 2022, Argentina submitted to the United Nations Framework Convention on Climate Change (UNFCCC) its long-term strategy to reach carbon neutrality by 2050 (Climate Action Tracker, 2024).

"The Argentine Republic is committed to an absolute, economy-wide, and unconditional goal of not exceeding the net emission of 359 million tons of carbon dioxide equivalent (MtCO₂e) in 2030 [equivalent to a total decrease in emissions of 19%]. In addition, it establishes that, by the same year, the Argentine population will be aware of the adverse effects of climate change and the corresponding adaptation measures and will have built capacities that allow them to respond in solidarity to the urgent challenge of protecting the planet" (Ministerio de Ambiente y Desarrollo Sostenible, 2020).

These pledges are taken as the country is already experiencing the impacts of climate change. As outlined in its NDC, Argentina has experienced an average temperature increase of +0.5°C between 1960 and 2010. Temperatures are expected to continue increasing across the country, with a projected +3°C increase in the northwest region under high emissions scenarios by the end of the century. From 1960 to 2010, annual average precipitation increased across most of the territory while it decreased in the Patagonian Andes, leading to significant changes in water balance. Under high emissions scenarios, Argentina is expected to experience a 65% increase in the frequency of agricultural droughts by 2050 (CMCC, 2021).



Background

Buenos Aires is also exposed to climate hazards and is projected to experience more frequent and more intense extreme weather effects in the decades to come. Buenos Aires' 2050 Climate Action Plan, published in 2020, provides a thorough climate vulnerability assessment of the city. There has been a noticeable increase in average temperatures over the years, with a rise of +1°C in average and maximum annual temperatures from 1960 to 2018, and a +1.7°C increase in minimum average temperatures. This rise coincided with a doubling in the number of heatwaves between 2010 and 2018 compared to the 1990s. This trend is expected to continue, with heatwaves expected to be longer-lasting and affecting disproportionately vulnerable populations. Records also show an increase in annual precipitation, averaging a 47mm increase per decade since 1960. Climate models forecast this trend to continue but with some variability (Government of the City of Buenos Aires, 2020).

The Consultant team experienced firsthand the precipitation patterns changes in Buenos Aires. During the field trip, the city went through unexpected heavy and long-lasting rainfall. "It is the first time in 15 years that it rains so much for so long", shared a taxi driver with us.

3. Buenos Aires' need for climate finance

In order to address this climate emergency and implement comprehensive solutions that support both **mitigation** (reducing GHG emissions) and **adaptation** (preparing for current and future climate change impacts) efforts, Buenos Aires needs to finance its climate action. This is crucial to reach Argentina's NDC targets, as the metropolitan area is home to almost 40% of Argentina's population (14 million inhabitants) and generates 50% of the country's GDP (Government of the City of Buenos Aires, 2020). In 2017, GHG emissions in Buenos Aires reached 11.9 million tons of carbon dioxide equivalent (MtCO₂e).

In fact, all Argentinian cities play a key role in collectively meeting the country's goals. This is reflected in the governance embedded in Argentina's NDC, which proposes a subnational articulation of climate action plans throughout the country (Ministerio de Ambiente y Desarrollo Sostenible, 2020).

(1) What is urban climate finance?

Climate finance refers to the financial resources and instruments that are used to support action on climate change (UNDP Climate Promise). In the urban context, it relates to **the deployment of finance for city-level climate action, particularly for the large-scale investments needed to transition to a low-carbon economy and help societies build climate resilience**. The Urban 20 (2023) identifies the five main sources through which cities typically can access climate finance for mitigation and adaptation projects:

- **Grants and subsidies** – including from national governments, international organizations (IOs), or philanthropies.
- **Funding from development banks** – including international financial institutions and regional development banks.
- **Issuance of sustainable debt instruments** – including green or sustainability bonds.
- **Public-private partnerships**.
- **Accessing carbon markets**.

Accessing climate finance at the city level is particularly relevant given that cities consume most of global energy (75%) and generate most energy-related GHG emissions (70%). This means that, besides being the best able to take the lead in climate action by collaborating with national and international counterparts, cities also hold the largest investment potential for mitigation. Finally, there is a lot at stake for cities to protect from climate change impacts given high population density levels and key social and economic infrastructures (Negreiros and Bagnera et.al., 2023).



Background

Nonetheless, there is currently an urban climate finance gap globally. Despite the appealing prospects for investing in urban climate action, there is a funding deficit. According to the Cities Climate Finance Leadership Alliance (2021), cities worldwide received only less than 1% (US\$384 billion) of the annual global climate finance flows between 2017 and 2018. This gap is larger in low- and middle-income countries like Argentina.

(2) What are Buenos Aires' climate action priorities?

In 2017, Buenos Aires committed to becoming a carbon-neutral, resilient, and inclusive city by 2050. In 2020, the city developed the new **Climate Action Plan 2050 of the City of Buenos Aires**. Building upon two previous climate action plans, this new plan decided to raise the city's climate ambition.

→ In the medium term, Buenos Aires commits to reducing its GHG emissions by over 50% by 2030.

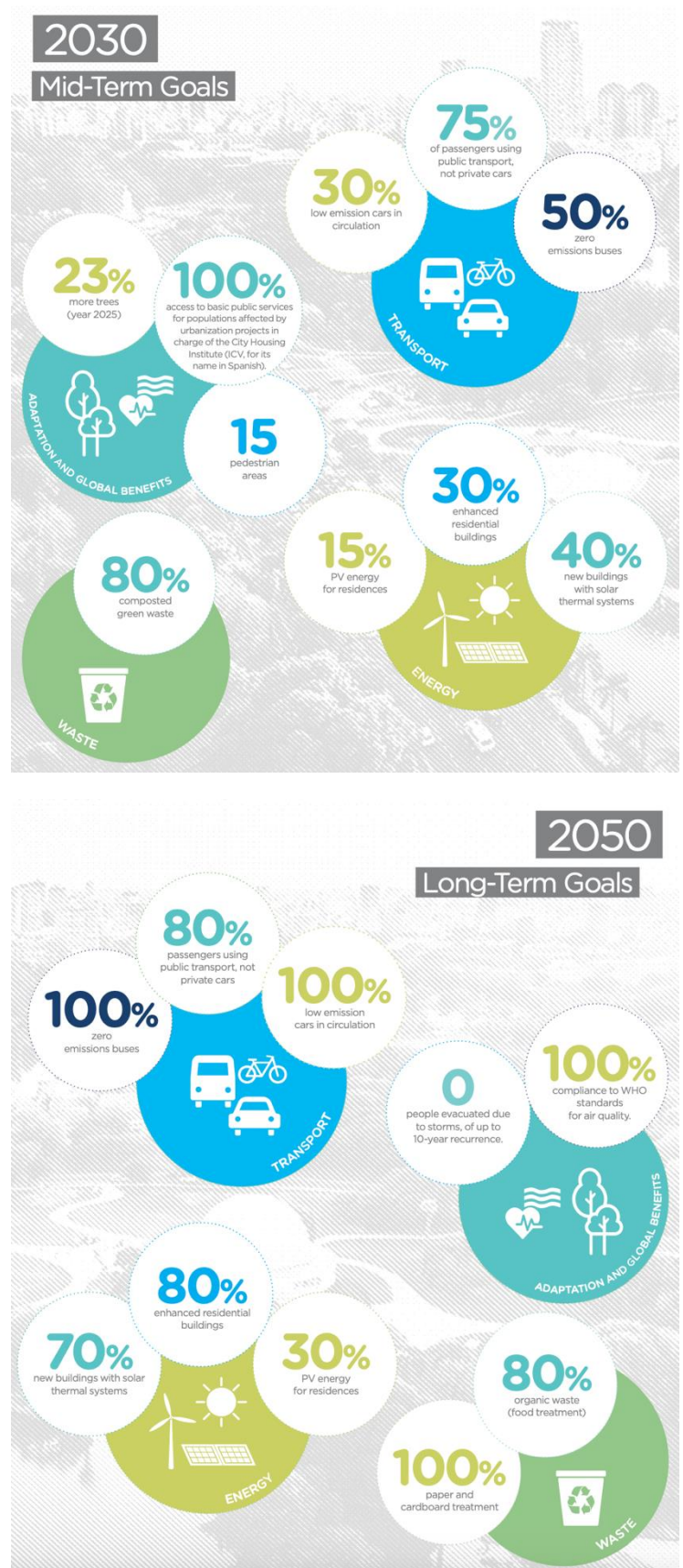
→ In the longer term, Buenos Aires commits to reduce them by over 80% by 2050, compared to 2015 levels.

These mid-term objectives place Buenos Aires among the most ambitious cities globally in terms of emission reductions by 2030.

Achieving these goals depends on emissions reduction targets based on 19 prioritized actions, spanning the following four key sectors:

- **Transport**
- **Energy**
- **Waste**
- **Adaptation**

Figure 1. Buenos Aires mitigation goals



Background

Additionally, the plan is based on 4 pillars that constitute the key spheres over which Buenos Aires seeks to generate an impact and generate value.

- **A prepared city:** To reduce climate change risks by building and maintaining public works, taking advantage of natural ecosystemic resources, and working to increase the number of trees and green public spaces.
- **A city that prioritizes proximity:** To plan a city with multiple city centers to cater to pedestrians, promote non-motorized vehicles, and an increasingly efficient public transport system.
- **An innovative and low-carbon city:** To reduce our carbon emissions by transitioning our public transport to more energy-efficient options, to foster a circular economy, to push for garbage segregation, and to strive for a more rational and efficient use and generation of energy.
- **An inclusive city:** To guarantee an even distribution of climate action benefits while encouraging environmental education, improvement in health and air quality, a more sustainable diet, and integrated neighborhoods.

Finally, Buenos Aires has been leveraging international networks and partnerships to implement its climate ambitions. As an active member of C40 since 2006, Buenos Aires has hosted in 2022 the annual C40 World Mayors Summit, in which the city presented a range of successful climate solutions focused on giving voice to different perspectives within Latin America and the Global South. Currently, there are opportunities for Buenos Aires, along with cities like Rio de Janeiro, to keep promoting green financing through the cities network as part of the U20 Climate Finance Working Group.

4. Current barriers to climate finance in Buenos Aires

Drawing from interviews with local authorities in Buenos Aires and insights from international experts, alongside comprehensive research, the Consultant team identified several obstacles at the national and at the city level, that are hindering Buenos Aires' ability to secure financial support for climate initiatives.

(1) Economic Barriers

Argentina's macroeconomic conditions

Argentina macroeconomic conditions stand as a vivid example of what Buenos Aires could have avoided by creating a clear market in the year 2000 that enabled funds to respond proactively to the government and urban areas in contributing to emissions mitigation projects. In 2024, Argentina still plagues its investors with macroeconomic trends that are volatile, characterized by massive currency inflations at a rate of more than 254 per cent in January 2024, frequent recessions and substantial jolts to the financial policy landscape. For potential investors, economic instability fosters a climate of caution with regards to their investments. This attitude is natural, as climate investments are typically long-term in nature, heavily dependent on an environment of stability and predictability.

National credit rating

Argentina's sovereign credit rating Ca (issued by Moody's Investors Service) informs lenders that it is relatively riskier to loan money to Argentina than countries with better credit ratings less likely to default on their loans. The same assessment can be made about the credit rating of Buenos Aires, a city with a sovereign credit rating of Caa3 (also Moody's). These poor credit ratings keep Buenos Aires from borrowing on international financial markets.



Background

Currency challenge (Argentine Peso x USD)

Volatility and depreciation of the Argentine Peso against the U.S. Dollar constitute a huge financial challenge. The volatility of the exchange rate during a period of six months was +139%. Loans in USD suddenly become more expensive to pay back in local currency terms. Therefore, the financial risk associated with climate initiatives financed by foreign sources increases.

Institutional guarantee

The need to provide guarantees to institutions before raising capital is a critical hurdle. Such guarantees are often hard to obtain, particularly for large-scale or innovative projects perceived to carry higher risks, making it more difficult to access vital financing. Buenos Aires City might have the Multilateral Investment Guarantee Agency (MIGA) as a guarantee, but it sets it as a barrier for the city.

(2) Political challenges

No objection letter (National – Local)

A no objection letter, certifying governmental approval or financing of a project, might imply long bureaucratic processes. Political instability, including polarization or changes in administrations can also delay a project's initiation. Finally, the evidence that the national government wants to achieve zero deficits makes this process even harder.

Heavy regulations

Argentina's complex regulatory environment makes access to climate finance even more time-consuming. In order to secure investment, navigating these restrictions requires considerable expertise and resources, often resulting in delays to project development.

Fiscal regulations

Harsh fiscal rules, especially those that regulate foreign debt and investment, preclude a major avenue of international climate finance from

entering Buenos Aires, by complicating project finance and making investment less appetizing. The fiscal laws cause delays in projects and the advancement of projects that would facilitate more climate-finance projects. The city faces challenges to utilize grants for climate projects because there is no specific legislation that makes grant implementation and receipt of non-repayable funding ('free money') easier.

(3) Fiduciary standards

Strict fiduciary standards

International financing sources frequently require high fiduciary standards. Meeting these criteria can be difficult, necessitating strong financial management and reporting capabilities that may surpass the city's current capacity.

(4) Local barriers

Coordination and knowledge gaps

The simultaneous execution of multiple projects and policy priorities places significant strain on Buenos Aires' project management and implementation. The objective of accessing climate finance is not coordinated amongst relevant teams, such as International Affairs and Finance departments, and knowledge on key elements needed to assess financing opportunities is not consistently shared.

Inadequate collaboration with Banco Ciudad

The City of Buenos Aires could experience more benefits by leveraging its partnership with Banco Ciudad, the city's local development bank. Their lack of communication makes it difficult to get advantage of this collaboration.

Challenges in attracting international and private investors

Buenos Aires requires additional funding to accomplish its climate ambitions successfully. Due to the current economic conditions of Argentina the city has encountered difficulties in obtaining private and international financing.



Background

From this assessment of current barriers to accessing climate finance in Buenos Aires, the Consultant team has developed a set of three practical tools:

1. **A Decision-Making Framework for Climate Finance**
2. **A Communication Strategy**
3. **A Green Bond Toolkit**

These tools can enable the city to apply our recommendations and successfully work towards closing the urban climate finance gap. We present each tool and its implementation in the following section.

5. Methodology

Our methodology to approach our research has been three-fold:

Desk research – The Consultant team conducted an initial literature review that included background information on the Buenos Aires Climate Action Plan 2050 and the barriers that cities are facing to access climate finance. This initial phase also covered identifying and aggregating the existing available opportunities for international climate finance for a city like Buenos Aires.

Interviewing key stakeholders – The Consultant team spoke with government officials from different departments of the City of Buenos Aires, officials from other Argentinian cities (Mendoza and Córdoba), academics, representatives from international organizations (World Bank, C40), academics and urban planners. We had a total of 12 interviews, both online and in person.

Field trip to Buenos Aires – The Consultant team spent a week in Buenos Aires visiting important sites and meeting different experts. This included the City Hall, the Ministry of Education, the Ministry of Sustainable Urban Development, the local development bank Banco Ciudad, as well as various visits to key successful urban projects already implemented.



A wide-angle, high-angle photograph of a modern, multi-level office building interior. The space is characterized by a large, central atrium with a prominent wooden staircase in the foreground. The ceiling is a complex, industrial-style structure with a large, arched glass skylight that allows natural light to flood the space. The walls are primarily glass, offering a view of the surrounding greenery. The office desks are arranged in a grid-like pattern, and several people are visible working at their stations. The overall atmosphere is bright, open, and professional.

Discussion Of Findings

1. Framework

Framework

1. Decision-Making Framework

(1) Description of the framework

The Consultant team developed a Decision-Making Framework for Climate Finance for Cities to facilitate Buenos Aires' strategic decision-making process regarding access to climate finance opportunities.

This Decision-Making Framework contributes to the ongoing debate across multilateral institutions and literature on the further need to clarify the complex processes and nuances around climate finance. Recently, at COP28 in Dubai, countries launched a Declaration on a Global Climate Finance Framework to make finance available, accessible, and affordable.

Multiple institutions have launched specific frameworks to conceptualize the essential components of climate finance while assessing the critical capacities required to consolidate global mechanisms and pathways. In this sense, the Consultant team found two key frameworks around climate finance: (1) Readiness for Climate Finance: A framework for understanding what it means to be ready to use climate finance by United Nations Development Programme (UNDP), and (2) A climate finance framework: decisive action to deliver on the Paris Agreement by the Independent High-Level Expert Group on Climate Finance (Bhattacharya A, et al., 2023). These frameworks delve into the importance of creating clear governance structures, policies, and regulations that support climate action and facilitate the mobilization of financial resources. They highlight the need to foster coordination among various stakeholders, including government agencies, local authorities, community organizations, and private sector entities.

Certain countries, including emerging markets in Latin America, such as Colombia and Brazil, have developed national-level regulations to structure a

climate information architecture to capture, manage, and disseminate climate finance-related knowledge and information (Climate Tracker, 2024). However, such frameworks are largely absent at the sub-national and city levels. Recent efforts evidence the need for a more localized effort around access to climate finance information (Urban 20, 2023). Last year, the Urban 20 released a White Paper on "Accelerating Climate Finance," and the Cities Climate Finance Leadership Alliance (CCFLA), in partnership with C40, launched a report called Accelerating Urban Climate Finance in Low and Middle-Income Countries. Both of these reports highlight the difficulties surrounding decision-making efforts around climate finance for cities (Negreiros and Bagnera et.al., 2023).

With so many options and variables to consider in order to access climate finance, how can cities ensure that their decision-making process is effective and leads to the best possible outcome? This is where a decision-making framework comes into play. This tool can provide a structured approach to problem-solving and greatly enhance cities' ability to make informed decisions. Based on the Consultant team's research and interviews with different stakeholders, the current literature does not provide a framework to facilitate cities' internal decision-making process to prepare and access climate finance.

The Decision-Making Framework for Climate Finance can support decision-making, project development, and climate action at the local level. This framework seeks to enhance knowledge capitalization to ensure informed decision-making and effective responses to climate change challenges at the local level.

The Decision-Making Framework consists of a matrix with two axes. The Y-axis represents Accessibility, and the X-axis represents Alignment.

Framework

Accessibility: It measures how easy it is for cities to access the respective funding mechanism.

Alignment: It measures how aligned the city priorities are with the priorities of the funding mechanisms. A higher alignment represents a good match, and a lower one represents a mismatch or no match between the funding mechanisms and the cities' priorities.

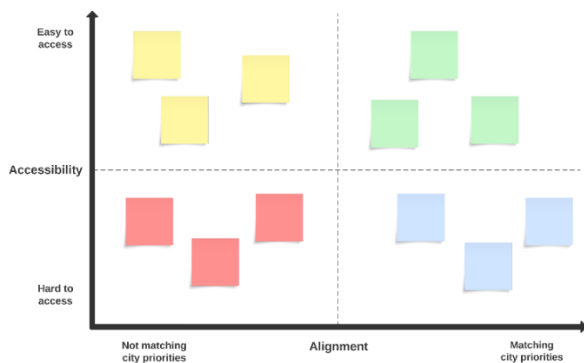


Figure 2. Decision-Making Framework

This capstone proposes a framework that conceptualizes the essential components of climate finance access and availability for cities. Rather than imposing a one-size-fits-all model, this framework involves mapping and categorizing local capacities and systems.

i) Y-Axis - Accessibility — Taxonomy of sources for climate finance

Taking into account existing climate change financial flows, the Consultant team developed a Taxonomy of sources of climate finance for cities. This Taxonomy comprises five sources: international and multilateral funding, debt-bond market, public-private partnerships, philanthropic sources, and local banks.

International and multilateral funding (loans/grants/concessional finance)

International and multilateral organizations play a crucial role in supporting climate projects through loans, grants, and concessional finance. These

entities often target specific climate-related objectives, such as emissions reduction, renewable energy development, and climate adaptation, offering favorable terms to facilitate these initiatives. The involvement of organizations like the World Bank, the Inter-American Development Bank (IDB), and the Green Climate Fund, among others, is instrumental in providing the financial resources needed for large-scale climate projects. Their support not only offers direct funding but also helps attract additional investment by mitigating risks and providing technical assistance. In the past years, the government of Buenos Aires has worked with the World Bank, the IDB, and CAF on multiple climate projects, including Paseo del Bajo (one of the biggest green infrastructure projects in the history of the city) and multiple sustainable mobility projects.

Debt/ bond market

The bond market, particularly through the issuance of green bonds, provides a significant opportunity for raising capital for climate projects. These bonds are specifically designed to fund projects with environmental benefits, including climate change mitigation and adaptation. The growing interest in sustainable investment has increased the issuance of green bonds, making them an attractive option for financing climate initiatives. Additionally, other debt instruments, such as those issued by development banks, offer alternative sources of funding with varying terms and conditions to suit different project needs.

Public-Private Partnerships

Public-Private Partnerships (PPPs) represent a collaborative approach to financing climate projects, combining public-sector support with private-sector expertise and capital. These partnerships can take various forms, from joint ventures to contractual agreements, and are particularly effective in leveraging private investment for projects that might otherwise be

Framework

deemed too risky or complex. By involving private companies, such as technology firms and industrial conglomerates, PPPs can tap into innovative solutions and substantial financial resources to drive climate action. Based on multiple interviews with the client, the Consultant team learned that the government of Buenos Aires is currently working with the private sector, such as Google and Microsoft, to implement climate actions.

Philanthropic sources

Philanthropic sources play a vital role in supporting climate initiatives, especially in areas such as innovation, research, and capacity-building. Foundations and philanthropic organizations often provide grants and other forms of financial support to pilot new approaches, scale successful models, and fill funding gaps that other sources may not cover. Their flexibility and willingness to fund high-risk, high-reward projects make them essential to the climate finance ecosystem.

Local banks

Local banks, such as Banco Ciudad (Buenos Aires's public-private local bank), play a pivotal role in financing climate initiatives at the municipal level. For example, Banco Ciudad has demonstrated a strong commitment to sustainable finance, supporting various projects that align with environmental, social, and governance (ESG) criteria. Based on the information gathered by the Consultant team during the field visit to Buenos Aires, the bank has actively funded renewable energy and energy efficiency projects, contributing to the city's efforts to reduce carbon emissions and transition to a low-carbon economy. Additionally, the bank has issued social bonds to support social initiatives and has been involved in financing green infrastructure projects that enhance urban sustainability. Through these efforts, local banks can play a role in advancing climate finance and supporting sustainable development within their communities.



Framework

ii) Weighting criteria for accessibility

The evaluation of funding sources is based on four Accessibility criteria. Based on desktop research and interviews with experts, the Consultant team established a set value for each criteria. To measure this, public officials need to rank each criteria on a scale of (1) low, (2) medium, and (3) high. The higher the ranking, the better it is.

- **Cost of funds (10%):** The interest rates, fees, and other costs associated with accessing the funds. Lower costs make the funding source more attractive. A higher interest rate will get a lower point in the scale.
- **Eligibility (40%):** The criteria that must be met to qualify for the funding. More inclusive eligibility criteria increase the accessibility of the funds. In this criteria, the local government must also ask itself if there is something they can do to be more eligible or if they are not eligible at all.
- **Requirements (30%):** The conditions and obligations of the funding, such as reporting requirements and project specifications. Fewer or more manageable requirements enhance accessibility. For this criteria, the point scale is 3 = requirements under Mayor's control, 2 = requirements that need national government approval, 1 = requirements that require Presidential approval.
- **Duration (20%):** The application process's complexity, and length. A simpler and shorter process improves accessibility.

iii) X-Axis - Alignment

Alignment happens when there is a match between the city's priority project and its sources of finance. To understand Buenos Aires's climate action priorities, the Consultant team reviewed Buenos Aires' 2050 Climate Action Plan and divided their priority projects between climate mitigation (green) and climate adaptation (yellow), as visible in Figure 3. Then, matching projects and sources is necessary

based on the weighting criteria. A bolder line means a higher level of alignment.

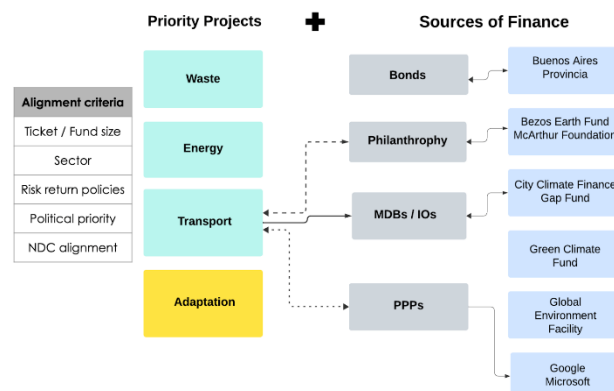


Figure 3. The Decision-Making Framework in action

iv) Weighting criteria for alignment

The evaluation of funding sources is based on four Alignment criteria. The values for the Alignment criteria need to be established by Buenos Aires' team using the Decision-Making Framework, as they are subjective to the city's reality. To measure this, public officials need to rank each criteria on a scale of (1) low, (2) medium, and (3) high.

- **Ticket/ fund size:** Is the fund sufficient to cover the project's needs? Based on interviews with experts and public officials for Buenos Aires, the Consultant team divided this criteria between small (less than US\$10 million), medium (between US\$10 and US\$100 million), and large fund sizes (over US\$100 million).
- **Sector:** Climate action projects can be related to different sectors, including energy, transport, waste, water, disaster risk management, etc. This criteria showcases if the sector prioritized by the city's project is the same as the sector prioritized by the source of funding. If sectors are aligned the point scale is 3, if sectors are not aligned it is 1.
- **Societal consensus and political alignment:** This criteria measures whether there is political alignment between the national and the local government, as well as the private and civil society on the relevance of the project for the city. Higher political alignments mean



Framework

there is societal consensus, and the project will receive the necessary approvals from the national government more easily. For this criteria, the point scale is 3 = society supports it and national and local parties are aligned, 2 = society supports it but national and local parties are not aligned, or vice versa, society does not support it but national and local parties are aligned, 1 = society does not support it and parties are not aligned.

- **NDC alignment:** Certain funds strongly encourage projects that are aligned with the country's NDC. The local government needs to find out if the funds care about NDC alignment or not. If they do not, assign a 3 in the point scale, and if they do, rank the alignment of the project with the NDC.

v) Implementation of the Decision-Making Framework

Workshop outcome

To test this framework, the Consultant team did a workshop with public officials from the government of Buenos Aires. In this workshop, the following public officials were present:

- *Carolina Theler*, General Director of Environmental Policy and Strategy
- *Ana Lopetegui*, Foreign Affairs and International Liaison
- *Federico Merino*, Manager of Urban Innovation and New Global Trends

The Consultant team presented the Decision-Making Framework, including each axis and its weighting criteria, and proceeded to facilitate a workshop.

Handbook for the Decision-Making Framework

1. The first step is to choose a specific project to test the Decision-Making Framework. In this case, the team chose the *electrification of the bus system*. This project is part of the *transport sector*.

2. The second step is to evaluate the Accessibility of the funding sources (X-axis) based on the Taxonomy of climate finance sources and the sources known by the public officials present in the exercise.

In this case, this evaluation concluded that the most accessible sources of funding were: CAF (the development bank of Latin America), City Climate Gap Fund (World Bank) and Global Environment Facility (GEF).

Accessibility		Points given (3 - 1)		
		World Bank	CAF	GEF
Weighting criteria (%)		World Bank	CAF	GEF
Cost of funds	10%	1	1	3
Eligibility	40%	2	3	2
Requirements	30%	2	2	1
Duration	20%	2	2	1
Percentage score		63%	77%	53%

Table 1. Accessibility

3. The third step is to assign specific values to the Alignment weighting criteria (see below).
4. The fourth step is to analyze the Alignment between the funding sources and the prioritized city project based on the weighting criteria.

Alignment		Points given (3 - 1)		
		World Bank	CAF	GEF
Weighting criteria (%)		World Bank	CAF	GEF
Ticket/ fund size	45%	1	3	1
Sector	25%	3	3	3
Societal consensus & political alignment	20%	2	2	3
NDC alignment	10%	3	3	3
Percentage score		63%	93%	70%

Table 2. Alignment



Framework

In this case, according to this evaluation, the most aligned and accessible source of funding for the electrification of the bus system was CAF, relative to the World Bank and the GEF.

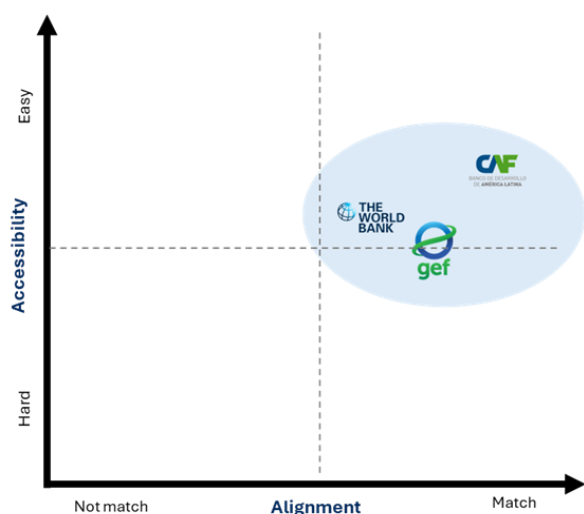


Figure 4. Example use of Decision-Making Framework

2. Recommendations on future uses

For Buenos Aires

Strategic decision-making: Buenos Aires can integrate the framework into its climate planning processes at an early stage to avoid mismatches between project priorities and funding sources. By assessing accessibility and alignment, the city can streamline decision-making to allocate resources for maximum impact.

Capacity building: Buenos Aires can use the framework to identify capacity gaps in accessing climate finance and develop targeted capacity-building initiatives to address these gaps. For example, by using this framework, Buenos Aires can identify its current bottlenecks, such as lack of coordination or lack of human capital.

Stakeholder engagement: The city should involve key stakeholders, including different government agencies in the decision-making process using this framework. Buenos Aires can foster consensus-building among teams through this collaborative

approach, enhancing the likelihood of successful project application and implementation.

Adaptation for Global South Cities

Customization for local contexts: Other cities in the Global South can adapt the framework to their specific contexts, tailoring accessibility and alignment criteria to suit their unique needs and priorities. This customization ensures that the framework remains relevant and applicable across diverse urban settings and supports Buenos Aires' effort to lead a global conversation around cities' access to climate finance.

Knowledge sharing: Cities can benefit from sharing experiences and best practices in using the framework, enabling mutual learning and capacity-building. Platforms like the Urban 20 and Cities Climate Finance Leadership Alliance can facilitate this exchange, enabling cities to enhance their climate finance capabilities.

Dynamic review and updates: Regular review and updates of the framework across cities can help identify trends in climate finance, including funding availability, common barriers, and city priorities, among others. This information benefits actors seeking to ensure continued effectiveness in accessing and utilizing climate finance for cities.

3. Recommendations on unexplored finance opportunities

Loss and damage fund

The UNFCCC has introduced a new fund aimed at providing financial support to countries facing severe impacts of climate change that go beyond their capacities for mitigation and adaptation. This initiative is crucial in addressing both economic and non-economic losses, offering a lifeline to developing nations grappling with the adverse effects of climate crises. While the ticket size is not

Framework

specified, it is expected to vary based on the assessed needs and specific cases of loss and damage. The fund's geographical coverage includes developing countries susceptible to the adverse effects of climate change.

Buenos Aires could potentially benefit from the Loss and Damage Fund by seeking financial assistance for recovery, rehabilitation, and resilience-building efforts in response to climate-induced loss and damage. This fund could play a crucial role in supporting the city's initiatives to address the adverse effects of climate change, particularly in vulnerable areas.

Debt for climate swaps

Debt-for-climate swaps is a financial mechanism where a portion of a country's or city's debt is forgiven or restructured in exchange for commitments to invest in climate change mitigation or adaptation projects. This approach allows for the conversion of debt obligations into funding for environmental initiatives, providing a dual benefit of reducing the debt burden while addressing climate challenges. By linking debt relief to specific climate actions, debt-for-climate swaps can mobilize additional resources for sustainable development and enhance resilience to climate impacts.

Buenos Aires can leverage debt-for-climate swaps to finance its transition towards a more sustainable and resilient urban environment. For example, the city could negotiate with its creditors to restructure existing debt under the condition that the funds freed up through debt relief are invested in projects such as expanding green spaces, enhancing public transportation systems, or improving energy efficiency in buildings. This innovative financing approach can help Buenos Aires reach its climate ambitions and reduce its vulnerability to climate risks.





Discussion Of Findings

2. Strategic Communication

Even though the city of Buenos Aires is limited in its access to international capital markets, the city has shown strong examples of governance and successful climate infrastructure projects. By engaging with the community and partnering with local private companies, Buenos Aires has delivered high-level public policies that stand out in the region. In order to showcase that to the international community, the Consultant team prepared a strategic communication package addressed to international investors and focusing on climate finance. The strategy outlines how it can promote Buenos Aires' financial implementation of green bonds. Finally, the Consultant team provides an example of a one-pager to be adopted by the city to promote its storytelling on the international stage.

1. International investors

(1) Presenting Buenos Aires as an investment hub

In 2023, Argentina is navigating an economic landscape marked by challenges and opportunities. Despite high inflation rates, Argentina's economic policies have begun to yield fruit, with improved trade balances and gradual strengthening of reserve coverage. The country's engagement with the IMF under a US\$44 billion deal emphasizes fiscal discipline, underscoring the government's commitment to stabilizing the economy. These measures, coupled with a vibrant tech sector and rich natural resources, position Buenos Aires as a promising destination for forward-thinking investors looking for growth opportunities in a dynamic market environment.

In engaging with international investors, prioritizing profitability and market influence is crucial. Therefore, our communication strategy seeks to showcase Buenos Aires as a vibrant, forward-thinking, and welcoming city. We aim to position Buenos Aires as an exemplary city that is not only ahead of its time in terms of innovation and development but also as a welcoming hub that invites investment and growth. This approach ensures that Buenos Aires stands out in the eyes of investors, and highlights its potential as a lucrative and influential market leader.

(2) Challenges and strategic measures

Facing challenges both macroeconomic and environmental challenges, Argentina is navigating these issues with strategic fiscal and monetary measures. Traditionally, the country has offered tax benefits, grants, and financing options to attract investments in technology, renewable energy, and agribusiness sectors.

To motivate investors, Buenos Aires should highlight itself as a burgeoning tech hub, particularly in fintech, biotech, and green tech, supported by a vibrant startup ecosystem and government support for innovation. There are many opportunities in renewable energy sectors, including wind, solar, and bioenergy, underpinned by Argentina's rich natural resources like gas and lithium. For agribusiness, the potential for sustainable agriculture and food technology innovations is present in Argentina's status as a leading food producer. Also, concentrating on the legal framework and business environment, we can see recent improvements or ongoing efforts to enhance the business environment in Argentina, focusing on the ease of starting a business, regulatory reforms, and government initiatives to support foreign investment.



Strategic Communication

In 2023, Technisys, a digital banking platform from Buenos Aires was acquired by SoFi Technologies in a deal worth \$1.1 billion. This acquisition is a testament to Buenos Aires' entrepreneurs' innovative and resilient spirit even in the face of economic challenges. Technisys' success story highlights the potential for startups in the city to achieve international success.

To protect private investors, the Consultant team suggests the city to provide advisory services to assist investors, including consultancy services, business registration assistance, and platforms for business-government dialogue.

2. Focus on climate finance

The concept of climate finance gained prominence through international agreements like the UNFCCC, the Kyoto Protocol, and the Paris Agreement. These frameworks recognize the need for financial assistance to help developing countries deal with climate change. Mechanisms for distributing climate funds include the GEF, the Green Climate Fund (GCF), and bilateral aid.

Despite these mechanisms, funding levels often fall short of what is needed. Allocation inefficiency, lack of transparency, and difficulty in accessing funds are significant challenges. Additionally, there is a debate over what constitutes "new and additional" financing versus repurposed aid.

Buenos Aires is faced with many critical climate vulnerabilities, which underscore the indispensable role of climate finance in bolstering the city's resilience. Acknowledging these pressing issues, the city has embarked on comprehensive climate strategies, as outlined in its 2050 Climate Action Plan.

To optimize Buenos Aires' receipt of international climate finance, it is imperative to refine project proposals to ensure they meet the global standards



Strategic Communication

for climate finance. Incentivizing private sector investment into sustainable infrastructure via regulatory and financial incentives is essential for magnifying the effects of public expenditures. Given the city's particular vulnerabilities, a focused allocation of climate finance towards adaptation and resilience projects is needed. Establishing transparent and accountable mechanisms for monitoring and reporting climate finance will help verify the effective utilization of funds and entice further investments.

Finally, nurturing local startups and projects concentrating on climate solutions can catalyze innovation and offer replicable blueprints for broader climate initiatives. Cultivating public engagement in these climate action efforts can significantly elevate their impact and durability, encompassing educational outreach and creating avenues for the community to financially participate in green ventures.

3. Green bonds

(1) Why Buenos Aires needs green bonds?

Buenos Aires stands at a critical juncture, facing the dual challenges of climate change and urban expansion. To effectively counteract these challenges, green bonds emerge as a vital financial tool offering the essential capital to modernize and upgrade pivotal systems, such as mitigating flooding and enhancing water management. These bonds play a crucial role in catalyzing the transition towards sustainable urban development.

Green bonds can become a key financing mechanism to reach the scale of funds needed for the city's large-scale projects. Energy-efficient structures and sustainable transit networks are instrumental initiatives for curbing the city's carbon emissions. Green bonds can also provide the financial backing necessary to spearhead the adoption of solar, wind, and other clean energy projects.

(2) How can green bonds help Buenos Aires' climate financing

Green bonds serve as a gateway to many international and local investors keen on supporting environmental initiatives. This accessibility to a wider investment pool is instrumental in channeling substantial capital into Buenos Aires' climate projects. By earmarking funds expressly for green projects, green bonds ensure a targeted investment flow towards endeavors that directly mitigate the city's emissions and adapt it to climate change.

Offering potentially more advantageous terms than traditional financing avenues, green bonds stand out for their ability to reduce the financial burden on green projects. This edge is largely attributed to the escalating investor appetite for opportunities that promise sustainability and returns. Green bonds foster a synergistic relationship between the public and private sectors, catalyzing a collaborative atmosphere ripe for the birth of innovative solutions and the more streamlined execution of climate-related projects.

Furthermore, the stringent reporting mandates tied to green bonds enhance the transparency around how the funds are utilized and their environmental impacts. Such clarity and accountability are key to cultivating trust among the population and investors alike, bolstering confidence in Buenos Aires' climate initiatives.

By stepping into the green bonds market, Buenos Aires can not only secure the financial means for its environmental projects, but also solidify its standing as a pioneer in climate action. This elevated reputation is crucial in drawing additional investment and support, further empowering the city to pursue its vision for a greener, more resilient future. Buenos Aires lays down the financial groundwork essential for realizing its ambitious climate goals through green bonds.



The one-pager communication strategy presents four arguments that can help Buenos Aires officials deliver a strategic message while attending critical forums and meetings with the financial sector and international organizations. City representatives should use this tool to consistently share the key arguments and spread the message that besides its macroeconomic challenges, Buenos Aires is making progress on its climate action and is willing to do more.

POINT 1: Resilient infrastructure and green spaces

- The city is setting a benchmark in regional development
- Significant investment in the Barrio Mugica US\$342 million (2016-2020 total budget): 30.5% from local government funds/ 49.5% from credit by the World Bank/ 20% from credit by the IDB
- The Barrio Mugica integration project addresses all aspects of human development by implementing policies that address infrastructure needs while fostering an inclusive and green urban environment

POINT 2: Innovative financing mechanisms

- The city introduced a groundbreaking PPPs framework in 2018 designed to bolster infrastructure development without imposing immediate fiscal burdens
- It facilitates the spread of capital spending
- It leverages private sector investment to benefit public infrastructure projects early on

POINT 3: Strategic partnerships for sustainability

- Buenos Aires and Bogota hold the Regional Presidency of the C40 Cities Climate Leadership group
- The city has a role in spearheading climate policy development among major cities globally

POINT 4: Commitment to good governance

- The city has prioritized open data and e-government as fundamental components of its administrative ethos
- In 2016, the city was accepted into an initial cohort of local governments participating in the global Open Government Partnership (OGP)
- The OGP calls on governments and civil society to co-create action plans that make government more inclusive, responsive, and accountable

Key elements for consideration

1. **Build confidence:** present a clear narrative.
2. **Showcase success stories:** present examples of projects that Buenos Aires has delivered successfully, including numbers of how much the city has raised and metrics to measure the project's impacts.
3. **Promote investment opportunities:** Buenos Aires should promote immersive experiences to engage investors and build trust.
4. **Foster long-term relationships:** Buenos Aires should identify strategic stakeholders to maintain a long-term relationship with, and periodically engage with them.
5. **Leverage international recognition:** Buenos Aires should highlight its leadership roles and collaborative efforts within international frameworks like the C40 Cities Climate Leadership Group.
6. **Innovate in public engagement:** Buenos Aires should highlight its use of digital platforms to engage both the local community and international audience.
7. **Enhance data transparency and accessibility:** Buenos Aires should commit to openness in data related to projects' impacts, budget allocations, and return on investments to enhance stakeholder trust by creating a public online dashboard that tracks key metrics. This can help showcase the city's operational efficiency.

Strategic Communication

5. Transitioning from strategic communication to financial implementation

Building on this robust framework of strategic communication and public engagement, Buenos Aires can now prepare to channel these successes into tangible financial mechanisms that further drive sustainable development. The narrative crafted through this communication strategy sets the stage for impactful financial actions, such as the issuance of green bonds. By seamlessly transitioning from effective communication to strategic financial operations, Buenos Aires ensures that the groundwork laid by its public relations efforts is capitalized through innovative financing options that support the city's sustainability goals.

This strategic shift from narrative to action underscores the city's ability to not only advocate for environmental and infrastructural advancements but to also implement them financially. The introduction of green bonds represents a key financial strategy that aligns with the city's previously communicated commitments to climate mitigation and adaptation. Thanks to the trust and credibility established through public relations efforts, Buenos Aires can demonstrate a holistic approach to urban development that encompasses both compelling storytelling and solid financial solutions.





Discussion Of Findings

3. Green Bond Toolkit

During the field trip, the Consultant team observed that Buenos Aires could experience substantial benefits by leveraging its partnership with Banco Ciudad, the local development bank, to access climate finance. While the City has expressed interest in having the Consultant team delve into the topic of green bonds and their feasibility, the Consultant team assessed that a highly beneficial collaboration opportunity is for Buenos Aires to issue green bonds with assistance from Banco Ciudad. Based on interviews with the cities of Mendoza and Córdoba, who have successfully issued green bonds, the Consultant team outlined a set of best practices for Buenos Aires to incorporate when pursuing the issuance of its own green bonds. Finally, the research also highlights that Buenos Aires can make benefit from using the Government of Argentina's Sovereign Sustainable Finance Framework, that guides the issuance of green, social and/or sustainable bonds and/or loans.

1. The green bond concept

A green bond is a type of thematic bond in which the 'Use of Proceeds' has to be specifically utilized for eligible green projects with clear environmental benefits. The proceeds from green bonds are meant to be specifically utilized for eligible green projects with clear environmental benefits, including climate change mitigation and adaptation, nature and biodiversity conservation, and pollution control (ICMA, 2021).

Key concepts:

- **Thematic Bonds:** Thematic bonds also called labeled bonds, are a recent financial innovation. The asset class originated in 2007 when the European Investment Bank issued a climate awareness bond.
- **Green Bond Principles (GBP):** The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a green bond.
- **"Use of Proceeds" (UoP) Bonds:** "Use of Proceeds" bonds differ from other fixed-income instruments in that the issuer of such bonds needs to specify how the capital being raised will be spent. The proceeds are thus ring-fenced or earmarked for projects that meet the specified purpose, such as climate sustainability or social issues.



The GBP recommends a clear process and disclosure for issuers, which investors, banks, underwriters, arrangers, placement agents, and others may use to understand the characteristics of any given green bond. The GBP emphasizes the required transparency, accuracy, and integrity of the information that issuers will disclose and report to stakeholders through core components and key recommendations. The four core components for alignment with the GBP are the following.

Use of Proceeds

Green, Social, Sustainability Bonds
("GSS" or "UoP")

Core Components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Key Recommendations:

1. Bond Frameworks
2. External Reviews

Figure 4. Green bond guidance

(1) Use of proceeds

Proceeds from these bonds are strictly allocated to green projects, which deliver tangible environmental benefits. For those projects that involve refinancing, issuers are expected to provide transparent details regarding the proportions of new financing versus refinancing and the specifics of the projects or portfolios to be refinanced, including a look-back period where relevant.

The GBP recognizes a range of project categories contributing to key environmental goals, such as mitigating climate change, conserving natural resources, and preventing pollution. Green Projects encompass a variety of assets and expenses, including research and development. They are designed to serve overarching environmental objectives, some of which also define specific project categories.

Green bonds offer a pathway for investments that directly support environmental sustainability, spanning a diverse array of projects each serving to foster a more sustainable future. They start with renewable energy projects, which are pivotal in transitioning from fossil fuel reliance to cleaner, more sustainable energy sources like wind and solar, and also support the production of energy-efficient appliances. Transitioning seamlessly into energy efficiency, these bonds finance enhancements in buildings and the implementation of smart grids, promoting the prudent use of energy. Tackling pollution is another crucial aspect, and green bond-funded initiatives focus on emission reduction and soil remediation to cleanse the environment of pollutants.

Furthermore, the sustainable management of natural resources is a cornerstone of these investments, nurturing eco-friendly practices in agriculture, forestry, and fisheries that are essential for long-term ecological balance. Similarly, protecting diverse ecosystems through biodiversity conservation is paramount to maintaining the

integrity of our planet's habitats. Meanwhile, the development of clean transportation options under green bonds leads to infrastructure changes that reduce emissions and contribute to cleaner air.

In line with these efforts, sustainable water management projects ensure the resilience and responsible use of water resources, which are increasingly vital in the face of global water challenges. In parallel, climate adaptation initiatives funded by these bonds bolster infrastructure to better withstand the adverse effects of climate change, ensuring communities are more resilient. The circular economy is another beneficiary, with investments fueling the transition to sustainable production and product life cycles, emphasizing reuse and recycling. Lastly, green buildings rise on the agenda, with funding channeled toward constructions that meet stringent environmental performance standards, completing the suite of sustainable investments that green bonds facilitate.

(2) Process for project evaluation and selection

In the field of sustainable finance, the issuance of green bonds is committed to environmental action but also to the principles of transparency and accountability. Issuers have a responsibility to clearly communicate to investors the specific environmental objectives that the funded projects aim to achieve, ensuring that these initiatives align with established green criteria. To simply select projects that appear eco-friendly could fall short, and issuers must apply rigorous criteria to verify that each project fits within recognized green categories.

Moreover, it is imperative to articulate the strategies in place for evaluating and managing potential social and environmental risks associated with these projects. Such strategies ensure that the projects not only contribute positively to the environment but also do not inadvertently cause social harm. Going beyond the basics, issuers are



also advised to weave this detailed project information into their overall environmental sustainability framework, thus providing a holistic view of their commitments.

Transparency extends to how these projects conform to environmental taxonomies and standards. By disclosing this alignment, and noting any areas where a project may not fully comply, issuers provide investors with a clear picture of the project's scope and its environmental credentials. This transparency is crucial, especially when it comes to potential exclusions that might affect an investor's decision.

Lastly, mitigating significant risks is key, and this is where robust risk assessments and ongoing monitoring come into play. By implementing measures to address identified risks, and by regularly monitoring these risks, issuers can manage and mitigate potential negative outcomes. This proactive approach to risk management not only protects the investment but also reinforces the bond's integrity as a truly green financial instrument.

(3) Management of proceeds

The management of proceeds from Green Bonds is a process that involves a structured and transparent approach. Issuers of these bonds make several commitments to ensure the integrity and clarity of the process.

Firstly, there is the segregation of funds. Issuers pledge to separate the finances acquired through green bonds into a dedicated account or to utilize a tracking system, which serves to ensure that the funds are exclusively used for their intended purpose, that is supporting eligible green projects. Secondly, the aspect of transparency is emphasized through the promise of providing periodic updates. Issuers agree to inform investors about how the funds are being utilized towards eligible green

projects, allowing stakeholders to track the progress and impact of their investments.

Thirdly, there is a commitment to disclose the interim use of unallocated funds. If there are proceeds from the green bonds that have yet to be allocated to specific projects, issuers agree to inform investors about how these funds are being temporarily held or used, maintaining investor confidence in the interim management of their investments.

Furthermore, issuers have the option to manage the funds using different approaches: either a bond-by-bond or a collective portfolio approach. This allows for flexibility in fund management, accommodating various issuer preferences and project needs.

Lastly, enhancing credibility is a crucial part of the process. Issuers do this by engaging in audits or by obtaining third-party verification of the use and allocation of the proceeds. Such measures not only reinforce trust among investors but also strengthen the market's overall confidence in the Green Bond as a tool for environmental and sustainable financing. These commitments form the backbone of green bond management, underscoring the importance of responsibility and transparency in the growing market for environmentally-focused investments.

(4) Reporting

Green bond issuers are held to stringent reporting standards to maintain transparency and accountability. They are tasked with providing annual updates on the allocation of funds until these funds are completely expended. If there are any significant developments, they are required to report these promptly, ensuring investors are kept up-to-date.

In their reports, issuers need to include comprehensive details on the projects that have

been funded. This encompasses descriptions of each project, the allocation of funds, and the environmental impact that these projects have or are expected to have. If providing detailed information on each individual project is not feasible—either due to confidentiality concerns or simply because there are too many projects—issuers may provide generic or aggregated information. This still allows investors to gauge the overall impact without compromising sensitive information or overwhelming them with data.

Moreover, issuers are expected to define clear impact metrics. This involves adopting both qualitative and quantitative measures that accurately reflect the projects' contributions to environmental sustainability. The methodologies for how these metrics are calculated or determined must be transparent, so stakeholders can understand and trust the reported outcomes.

Finally, issuers are to prepare a summary document that is in line with the GBP. This document, which should be readily accessible online, serves as an easy reference for both current and potential investors, as well as for the broader market. It not only ensures market transparency but also reinforces the credibility of the issuer by demonstrating a firm commitment to the Green Bond Principles and sustainable practices.

2. Lessons learned from the cities of Córdoba and Mendoza

The Consultant team has discovered that both the cities of Córdoba and Mendoza have effectively issued green bonds in recent years.

Consequently, we conducted interviews with a high level official who previously served in Argentina's Ministry of Economy. Our findings suggest that it is highly feasible for the city of Buenos Aires to issue green bonds denominated in Argentine pesos,

under the current economic situation, going forward. Legal issues are less likely to arise as long as the city incorporates the plan into its annual budget.

We also conducted interviews with representatives from the cities of Córdoba and Mendoza and gained deeper insights into the process green bonds issuance. Initially, the City Government compiles a list of prioritized projects, which may be funded through a green bond, alternative financing sources, or the city's own budget. They then meticulously select projects deemed suitable for green bond financing and determine the issuance amount required. Following this, they seek a credit rating for the bond from credit agencies like Moody's, S&P, or Fitch and commission a consulting firm for a second opinion report assessing the project's environmental impact.

Upon securing these qualifications, the City Government instructs the Ministry of Finance to proceed with the issuance of the green bond. Once the issuance is completed and the City Government has accessed the funds, they allocate them to the relevant Ministries responsible for project execution. Following a year of project implementation, the City Government is mandated to issue a report detailing various specifications, including project progress, expenditure breakdowns, and utilization of funds. This necessitates collaboration between the Ministry overseeing the project and the City Government, which highlights the interdisciplinary nature of the green bond issuance and monitoring processes involving multiple institutions.

Why issue a green bond and not a normal bond?

According to our insights, the current city administration places a high emphasis on environmental policy, aligning the issuance of green bonds with this mindset. Furthermore, the adoption of financial innovation is seen as advantageous in diversifying funding options.



Green Bond Toolkit

Additionally, they argue that there exists a high demand for green bonds from different investors since, in Argentina, there are not so many assets that have environmentally friendly characteristics, and investors want to have this “green stamp” on their portfolio. It is noteworthy that the city of Córdoba utilized the proceeds from the green bonds to facilitate initiatives such as the transition to LED lighting and enhancements to the sewer network infrastructure within the city.

Finally, both cities were really vocal about the importance of bolstering marketing efforts to promote green bonds and fostering dialogue between different City Governments to improve and increase the issue of green bonds in the country.

3. Recommendations for the green bond issuance by the city of Buenos Aires

The Consultant team concludes that issuing green bonds to finance its climate ambitions is highly

feasible, drawing from a diverse set of insights gained through our interviews. Raising funds through green bonds offers numerous advantages, such as reducing reliance on the government budget, attracting ESG investors, and promoting a green dialogue for Buenos Aires, thereby emphasizing the city’s leading position as a global leader in urban climate resilience.

By taking this approach, Buenos Aires can make the most of its relationship with Banco Ciudad, its development bank, through close collaboration. Banco Ciudad has proven its proficiency in issuing social bonds during the COVID-19 outbreak, indicating its ability to offer assistance in this regard.

Nonetheless, the issuance must be accompanied by macroprudential measures and policies for the medium to long term to ensure the resilience of the economy.





 **Recommendations**



Key recommendations

Focus on the sources of climate finance that exhibit high accessibility and high alignment with city priorities



With a variety of financing opportunities, instruments, and institutions to consider in order to access climate finance, Buenos Aires needs to strengthen and speed up its internal decision-making process. By targeting the most relevant sources that stand out from the implementation of the Decision-Making Framework, the city can facilitate coordination across departments and better allocate its efforts. It can also contribute to global knowledge around accelerating cities' access to climate finance by transmitting this framework to other cities in Argentina and the Global South.

Showcase Buenos Aires' unique efforts in access climate finance with a communication strategy



Buenos Aires has clearly demonstrated its commitment to climate action. To leverage that position on the international investment stage, Buenos Aires should emphasize its successful implementation of sustainable urban development projects in a well narrated communication strategy. The city should deepen its engagement with global financial networks focused on climate finance and actively participate in international climate discussions to attract potential investors. The narrative should highlight Buenos Aires' effective capability to implement climate projects and their alignment with broader environmental goals.

Leverage the partnership between the city government and Banco Ciudad



Banco Ciudad has played a significant role in supporting individuals, businesses, and Buenos Aires. As the city presents numerous potential projects but lacks climate financing, Banco Ciudad can offer assistance in various capacities, but this requires the city to cultivate a stronger partnership with the bank. For instance, Buenos Aires could issue a green bond and invite Banco Ciudad to serve as either an underwriter or guarantor. The city should also consider adopting green marketing (or green signaling) strategies to enhance its appeal to ESG-focused investors. It is worth noting that this issuance must be accompanied by macroprudential measures and policies for the medium and long terms.

References

- Bhattacharya A, *et al.*, 2023. A climate finance framework: decisive action to deliver on the Paris Agreement – Summary. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. Available at: <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2023/11/A-Climate-Finance-Framework-IHLEG-Report-2-SUMMARY.pdf>
- Climate Action Tracker. 2013. Governance Report Colombia. Available at: https://climateactiontracker.org/documents/1127/202303_CAT_Governance_Report_Colombia.pdf
- Climate Action Tracker. 2024. Argentina. Available at: <https://climateactiontracker.org/countries/argentina>
- Fondazione Centro Euro-Mediterraneo sui Cambiamenti Climatici (CMCC). 2021. G20 Climate Risk Atlas – Impacts, policy, economics: Argentina. Available at: <https://www.g20climaterisks.org/argentina/>
- Government of the City of Buenos Aires. 2020. Climate Action Plan 2050 – City of Buenos Aires. Available at: https://buenosaires.gob.ar/sites/default/files/2023-02/pac_2050_buenos_aires_eng_0.pdf
- International Capital Market Association (ICMA). 2021. The Green Bond Principles. Available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>
- International Monetary Fund (IMF). Argentina: Profile. Available at: <https://www.imf.org/external/datamapper/profile/ARG>
- Ministerio de Ambiente y Desarrollo Sostenible. 2020. Segunda Contribución Determinada a Nivel Nacional de la República Argentina. Available at: https://unfccc.int/sites/default/files/NDC/2022-06/Argentina_Segunda%20Contribución%20Nacional.pdf
- Ministry of Economy, Argentina. 2023. Sustainable Finance Framework 2023. Available at: <https://www.argentina.gob.ar/sites/default/files/argentinas-sustainable-finance-framework-2023.pdf>
- Negreiros and Bagnera *et al.* 2023. Accelerating Urban Climate Finance in Low- and Middle-Income Countries: An important strategic dimension of MDB reform. Available at: https://citiesclimatefinance.org/wp-content/uploads/2023/11/Full-Report_Accelerating-Urban-Climate-Finance-in-Low-and-Middle-Income-Economies.pdf
- UNDP. 2024. Climate Finance. Available at: <https://climatepromise.undp.org/what-we-do/areas-of-work/climate-finance>
- Urban 20. 2023. White Paper on “Accelerating Climate Finance”. Available at: https://www.urban20.org/wp-content/uploads/2023/11/ACF_White-Paper-1.pdf
- Vandeweerd *et al.*, 2012. Readiness for Climate Finance. A framework for understanding what it means to be ready to use climate finance. UNDP. Available at: https://www.undp.org/sites/g/files/zskgke326/files/publications/Readiness%20for%20Climate%20Finance_12April2012.pdf

