



A Collection of Primary Tools



Municipal Finance

Tool MF 1 – Green investment resources plan

What this tool does:

A green investment resources plan (GIRP) – developed by GIZ - analyses past revenue performance and demonstrates which financial resources are needed in the coming three years and how the city, utility or service unit will generate this amount. This means that a clear strategy should be presented, detailing from which sources urban administrations can generate their own revenues to cover their expenses. The particular focus of this tool is on greening of investments. All capital investments in a city should be “green” in that all should be assessed for their potential to include low carbon or pollution abating elements in design (see other Tools contained in Position Papers) and should be resilient against the impact of climate and other risks.

The responsibilities and timelines for the implementation of a GIRP should also be clearly defined. All main revenue sources include taxes, service charges and fees should be included in the analysis. At the same time, when preparing GIRPs, city administrations should pay attention to expenditure requirements, financial balance at hand and revenue enhancement options. This approach will help city administrations to identify the resource gap for green investments. The definition of planned expenditure needs (what do I need to spend) when set against investment plans, sets a precise target for the revenue amount to be generated.

How does this tool work?

The tool is structured by the main steps in the preparation of a GIRP:

- Step One sets out key issues relating to the policy and legal framework which need to be considered before beginning detailed planning.
- Step Two studies past revenue performance and emphasises past difficulties. The trend analysis gives important inputs for further planning and is the basis for the coming gap analysis.
- Step Three critically examines past expenditures. The aim of revenue enhancement is to cover the cost of essential services for citizens. Therefore, revenue generation and expenditure are directly linked.
- Step Four provides recommendations on areas for improvement of revenue administration. Based on the previous step, lessons learnt that need to be transformed into strategies should be developed.
- Step Five presents a way to allocate costs among city services.

- Step Six offers an assessment of potential additional means increasing municipal revenue.
- Step Seven critically analyses the space for financing to cover running and future costs.



Source: Asseline, F. 2010. *Green Infrastructure Finance in China: Foundations for Low-carbon Growth*. MBA thesis. School of Economics and Management, Tsinghua University. Beijing. Powerpoint presentation.

Further information: Municipal Finance – EC-Link Position Paper.

http://eclink.org/media/filer_public/fe/2c/fe2cd19a-764e-41f4-a54b-66d7e563f24a/8mfml-fs-yz-final.pdf