UP2030 Green Finance Guide

Glossary

Co-funded by the European Union

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Climate, Infrastructure and Environment Executive Agency (CINEA). Neither the European Union nor the granting authority can be held responsible for them. This project has received funding from the Horizon Innovation Actions under the grant agreement n° 101096405.

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1. General Terms

- Financial instruments: In this Guide we financial instruments refer to a broad set of mechanisms and tools used to mobilize, allocate, or manage capital for investment. In the context of climate and urban development finance, these may include grants, loans, guarantees, equity, de-risking tools, results-based financing, or blended finance approaches - thus they may be repayable or non-repayable forms of finance. They can be provided by public, private, or philanthropic actors and are often tailored to specific project types, risk profiles, or investment readiness levels. Financial instruments may serve to leverage additional funding, reduce financial risks, or incentivize sustainable outcomes, depending on their structure and use.

- Blended finance: Blended finance is a financing approach that strategically combines public or philanthropic funds (such as grants or development assistance) with private capital to mobilize additional investment for development goals, such as the SDGs or climate action. By using public funds to de-risk projects, blended finance makes investments more attractive to private actors while enabling larger-scale impact.
  Source: Net Zero Cities https://netzerocities.app/resource-2349

- Innovative finance: Innovative finance includes mechanisms and solutions, which increase the volume, efficiency, and effectiveness of financial flows, that mobilise, govern, or distribute funds beyond official development assistance (ODA) (DESA- UNEN, 2021). Innovate finance solutions create scalable and effective ways of channelling both private money from the global and local financial markets and public resources towards sustainable investments.
  Source: UN https://www.un.org/sites/un2.un.org/files/innovative_fincancing_14_march.pdf

Sectors:

- Transportation and mobility: Systems and infrastructure enabling the movement of people and goods, including public transit, roads, cycling, and electric mobility.

- Buildings and energy efficiency: Design, construction, and retrofitting of buildings to reduce energy consumption and improve performance.

- Energy generation and systems: Production and distribution of energy from renewable and conventional sources, including grid infrastructure and storage.

- Water, waste and wastewater: Management of water supply, sewage, stormwater, and solid waste (including recycling) to ensure sustainability and public health.

- Urban development and management: Planning and governance of urban areas, focusing on infrastructure, services, housing, and livability.

- Green spaces and nature-based solutions: Use of natural systems (e.g., parks, wetlands) to address urban challenges like heat, flooding, and air quality.

- Disaster risk management: Strategies and actions to reduce the impact of natural and human-made hazards, including preparedness, mitigation, and response systems.

2. Financial Instruments

Maturity:

- Mature*:* Evidence for implementation is high

- Emerging: Moderate evidence for implementation, instrument and mechanism is tried and tested

- Pilot: Low implementation status, limited evidence is available

Source: Adapted from CCFLA's Financial Instrument Toolkit taxonomy and NAP Global Network Inventory of Innovative Financial Instruments where applicable:
Mature: https://napglobalnetwork.org/innovative-financing/,
Emerging: https://citiesclimatefinance.org/financial-instruments

Instrument Type:

- Debt*:* Debt instruments are agreements between a lender and a borrower in which the agreement lender receives fixed payment(s), usually with interest. Borrowing can be done through bonds or bank loans, or other sources. These borrowed funds can come either from a private or public source.
  Source: Investopedia https://www.investopedia.com/terms/d/debtinstrument.asp

- Public*:* Public finance instruments refer to financial instruments directly issued or managed by public institutions (e.g., national governments, local governments, development banks, climate funds).
  Source: OECD https://www.oecd.org/en/topics/policy-issues/public-finance-and-budgets.html

- Equity*:* Equity finance is a type of financing that is the purchase of a share in the ownership of a company or project. It is often called shareholders' equity or owners' equity on a balance sheet, represents the amount of money that belongs to the owners of a business after all assets and liabilities have been accounted for.
  Source: Investopedia https://www.investopedia.com/terms/e/equityfinancing.asp

- Grant*:* Grants are non-repayable funds disbursed by the government or international financing institutions. The eligibility criteria are always defined by the donors.
  Source: ICLEI's Climate Finance Glossary https://e-lib.iclei.org/wp-content/uploads/2019/12/Climate%20finance%20glossary.pdf

- Risk transfer or mitigation*:* Risk transfer or mitigation financing instruments are financial tools designed to reduce, share, or manage the financial risks associated with climate and green investments—especially those related to revenue uncertainty, project failure, or extreme events.
  Source: ACT Alliance https://actalliance.org/wp-content/uploads/2020/10/Climate-Risk-Insurance-Manual_English.pdf

- Market based: Market-based instruments (MBIs) are financial or policy tools that use market signals and price mechanisms to encourage behavior that supports environmental and climate goals.
  Source: Climate Policy Info Hub https://climatepolicyinfohub.eu/market-based-climate-policy-instruments.html

Modality:

- Non-repayable: Instruments, such as grants, provided without the obligation to repay, typically used for public goods or to support early-stage initiatives.

- Repayable: Instruments, such as loans investments, that must be paid back, often with interest or returns, depending on the structure, terms and conditions set by the finance provider.

- De-risking: Financial instruments like guarantees or insurance that reduce the risk for private investors, encouraging investment in high-risk or new markets.

- Results-based: Financing tied to the achievement of specific outcomes or performance indicators, with disbursement made after pre-agreed results of climate activity are achieved and verified.

Source of Finance:

- Public [Domestic]: Direct funding from national, regional or local government budgets (within the country), including ministries, state agencies and municipalities.

- Public [International]: Finance from foreign governments or international public institutions, multilateral organizations, such as development banks or climate funds.

- Public [Municipal own source revenue (OSR)]: Funds provided directly by a city or local government's budget, generated by own revenues, such as taxes, fees, or service charges.

- Private: Funding from the private sector, including businesses, investors, or financial institutions or households. Type of instruments mobilising private finance include loans, equity, and direct investments made by corporations and households.

- Mixed (public and private): Blended finance combining public and private resources.

Category of Blending:

- Structured funds and facilities: Collective investment vehicles pool financial resources from different investors in financial or nonfinancial assets or both.
  Source: OECD
  https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/08/blended-finance-funds-and-facilities_14900999/806991a2-en.pdf

- Insurance: Risk-transfer mechanisms that protect investors or projects from specific risks (e.g., weather events, political instability), making investments more attractive and bankable.

Source: InsuResilience https://www.insuresilience.org/wp-content/uploads/2022/10/factsheet_understanding-climate-risk-1-1.pdf

- Grants: Grants are non-repayable funds disbursed by the government or international financing institutions. The eligibility criteria are always defined by the donors.
  Source: ICLEI's Climate Finance Glossary https://e-lib.iclei.org/wp-content/uploads/2019/12/Climate%20finance%20glossary.pdf

- Loans and debt financing instruments: Money lent with the expectation of repayment, often with concessional (below-market) terms.
  Source: WRI https://pdf.wri.org/glossary_of_financing_instruments.pdf

- Guarantees: Risk-mitigation tools in which a public or development finance institution commits to cover losses if a borrower defaults, encouraging private lenders to finance riskier projects.
  Source: NAP Global Network https://napglobalnetwork.org/innovative-financing/credit-guarantees/

- Outcome funding/Results-based financing: Financing models where payment is made only upon delivery of agreed results or outcomes, aligning incentives and attracting private investment in social or environmental goals.
  Source: World Bank https://www.gprba.org/who-we-are/results-based-financing

- Equity financing: Equity finance is a type of financing that is the purchase of a share in the ownership of a company or project. It is often called shareholders' equity or owners' equity on a balance sheet, represents the amount of money that belongs to the owners of a business after all assets and liabilities have been accounted for.
  Source: Investopedia https://www.investopedia.com/terms/e/equityfinancing.asp

- Not blending instrument: Financing instruments or mechanisms that cannot be blended.

Investment readiness and risk:

- Low risk, high readiness: The project is mature, well-structured, and highly bankable, with minimal risks across technical, financial, environmental, and social dimensions. Best suited for commercial financing instruments such as loans and equity investments, typically with low risk appetite investors like commercial banks, institutional investors, and infrastructure funds.

- Medium risk and readiness: The project shows moderate preparation and viability, but some uncertainties or barriers remain that may require targeted support. Best suited for blended finance solutions combining concessional loans, guarantees, or risk-sharing instruments with commercial capital, different types of bonds and public-private partnerships.

- High risk, low readiness: The project is in an early or untested stage, with significant risks and limited readiness, requiring substantial development and risk mitigation. Best suited for grant funding, technical assistance, or early-stage concessional capital and loans, typically from philanthropic donors, climate finance facilities, or international funds.

3. Case Studies

Case study type:

- Blending instruments*:* Includes case studies where multiple financing instruments were blended (mixed) to finance the project.

- Innovative financial instruments*:* Includes case studies where innovative financial instruments were used (identified as innovative by GGGI).

- Private finance*:* Includes case studies where private finance was utilized.

4. International Financing and Technical Assistance (TA) Programmes

Type of assistance:

- Finance provision*:* Type of programme that provides capital and financing for different project stages (e.g. planning, implementation, maintenance).

- Capacity building & technical assistance*:* Type of programme that provides technical assistance in a form of knowledge or assistance, or capital that can be utilised for capacity building.