WORKSHOP BRIEF · GROUP 4

The Green Cities Guarantee Fund: De-Risking Urban Climate Finance

A specialized guarantee instrument — sitting between lenders and cities — designed to multiply capital flows into subnational climate-responsive projects.

CONTEXT

Cities are where roughly 70% of global greenhouse-gas emissions are generated, yet they sit at the margins of the global financial architecture — most of which was built by and for nation states. Only about 5% of the 500 largest cities in developing countries hold internationally recognized credit ratings, and the investment gap for urban infrastructure is estimated at roughly USD 350 billion per year. Grants and concessional loans alone cannot close it; the scale of the need demands an instrument that mobilizes private capital at multiples of its cost.

Research by the Climate Policy Initiative shows that guarantees mobilize capital at a ratio 6 to 25 times higher than loans — making them one of the most efficient public-finance tools for crowding in private investment. Building on this evidence, the SDSN Global Commission for Urban SDG Finance — co-chaired by the mayors of Paris and Rio de Janeiro alongside Jeffrey Sachs, with the Penn Institute for Urban Research serving as Secretariat — has proposed the Green Cities Guarantee Fund (GCGF): a specialized, cities-focused guarantee instrument designed to sit between lenders and local governments.

BY THE NUMBERS

6–25×	5%	~$350B	7
Mobilization ratio of guarantees vs. loans	Developing-country cities with int'l credit ratings	Estimated annual urban infrastructure gap	LatAm countries profiled for pilot

HOW THE GCGF WOULD WORK

- **De-risk lending to cities.** The GCGF would issue guarantees that sit between lenders (MDBs, DFIs, commercial banks, bond investors) and local governments or affiliated entities — absorbing a defined share of credit risk to make loans and bonds viable for cities that lack a history of creditworthiness.
- **Improve terms for cities.** For local governments, a guarantee can translate into better credit ratings, lower borrowing costs, longer tenors, and access to a broader investor base — expanding what is bankable at the municipal level.
- **Designed as flexible and instrument-agnostic.** The fund is designed to support a range of green projects through multiple debt instruments — loans, bonds, and PPP structures — available to cities, associated entities, and private partners delivering climate-responsive infrastructure.
- **Latin America as the first pilot region.** A second Commission paper, developed with CAF, assesses seven candidate countries against four readiness criteria: level and quality of decentralization; regulatory and PPP-enabling environment; maturity of local financial markets; and subnational risk profile.

WHY IT MATTERS TO SUMIT

The GCGF proposal sits at the exact intersection of SUMIT's three workstreams: strengthening MDB and IFI engagement, unlocking private-sector investment, and driving strategic advocacy for subnational access to climate finance. Multiple SUMIT members — including Mauricio Rodas (SUMIT Co-Chair, SDSN Commissioner), Eugenie Birch (Penn IUR), and Ángel Cárdenas (CAF) — are directly involved in the fund's design and the Latin American pilot analysis, giving SUMIT a natural platform to help advance the proposal from concept to implementation.

Guarantees complement rather than compete with the other instruments on today's workshop agenda. They can anchor municipal green-bond issuances like Bogotá's for cities without Bogotá's fiscal profile, and they can de-risk lease receivables for asset-ownership vehicles like VGMobility's. A layered finance stack — guarantees, green bonds, ROSCOs — is how the USD 70 billion Latin American electrification gap and the broader urban-infrastructure gap actually get closed.

DISCUSSION THEMES FOR THE WORKSHOP

- How can guarantee mechanisms multiply capital mobilization for urban climate infrastructure, and what does the 6–25× leverage figure mean in practice?
- What is the proposed GCGF design — governance, structure, and operational principles for a cities-focused guarantee fund?
- What enabling conditions are needed for the Latin American pilot: regulatory frameworks, municipal creditworthiness, and institutional capacity?
- How does the GCGF complement other financing instruments (green bonds, PPPs, asset-ownership models) in a layered finance approach?
- What are the concrete next steps — and what roles can SUMIT members (city leaders, MDBs, investors) play to advance the GCGF from proposal to implementation?

FURTHER READING

› *SDSN / Penn IUR — The Green Cities Guarantee Fund: Unlocking Access to Urban Climate Finance (Nov 2024)* — https://urbansdgfinance.org/static/documents/20241101-gcgf-paper.pdf

› *SDSN / Penn IUR / CAF — Enabling Environment: Subnational Access to International Finance in Latin America (Oct 2025)* — https://penniur.upenn.edu/publications/enabling-environment-current-conditions-for-subnational-access-to-international

› *SDSN Global Commission for Urban SDG Finance* — https://urbansdgfinance.org/