

Business Improvement Districts



Blended
(Public/Private)



Complexity:
Low-Medium



New Ring-Fenced
Revenue



Development



Maintenance



Street Trees, Pocket
parks, rain gardens &
small scale SuDS

WHAT IS IT?

Business Improvement Districts (BIDs) are area-based levies on local businesses used to fund improvements and maintenance of public space, including green infrastructure.

GOOD FIT WHEN

- You need funding for visible local greening and upkeep, beyond traditional municipal budgets
- You have strong business districts

HOW THE MONEY WORKS

- Does this bring new money? Yes – additional, ring-fenced revenue
- Who pays? Local businesses within the defined BID area (mandatory levy)
- Is it new or existing public money? New levy revenue (cannot replace core municipal services)

ADVANTAGES

- Predictable, ring-fenced revenue for visible local improvements
- High local accountability and business ownership
- Well suited to long-term maintenance of GI assets
- Can leverage additional voluntary contributions or sponsorship

LIMITATIONS

- Risk of business opposition if benefits are unclear or uneven
- Limited redistribution potential (can reinforce spatial inequalities)
- Dependency on economic health of the district
- Renewal risk at end of BID term
- Typically funds neighbourhood scale GI not large capital intensive GI

ENABLING CONDITIONS

- Municipal ability to provide a clear legal framework for mandatory levies
- Municipal capacity to designate, approve and oversee BIDs
- BID management body with financial and project management skills
- Ability to contract and supervise maintenance providers
- Strong local business association or anchor institutions
- Support from the business community

CONSIDERATIONS

- Requires formal approval and periodic renewal by levy payers (e.g. 5 years)
- Political risk if perceived as “extra tax” without visible returns
- Risk that BID-funded services substitute for, rather than add to, municipal service provision if roles are not clearly defined.
- Transparency essential to avoid capture by large property owners
- Typical levies range from 0.5–2% of rateable value (s)

Business Improvement Districts



1 The city provides the legal framework and oversight



2 Businesses within a defined area vote to establish a BID & pay a mandatory levy



3 Funds are pooled into a dedicated BID budget.

4 The BID organisation commissions & finances local improvements and upkeep



- Start with visible greening to build support
- Be explicit about “additionality”
- Use BIDs mainly for maintenance and quality uplift



Typical overall timeline from initial scoping to operational BID: 12–24 months

RELATED INSTRUMENTS

- Place based revenue and delivery models
- Flood defence / resilience BIDs
- Business levies to fund local public realm + greening
- Voluntary public–private place management partnerships
- Property owner/community benefit districts

KEY RESPONSIBILITIES

- Municipality (legal framework, oversight)
- Local businesses (levy payers)
- BID management body (budget management, commissioning, reporting)
- Local service providers (landscaping, maintenance)

EXAMPLES

- BID Waitzstraße, Hamburg: Levy collected from local retailers funded street trees, planting beds and ongoing maintenance of public space. Focused on highly visible greening to increase footfall and business support, with services contracted annually by the BID management body. Demonstrates how BIDs can finance long-term streetscape greening beyond municipal baseline services.
- New West End Company, London: A business-led BID covering Oxford Street, Regent Street and Bond Street, funded by a levy on local retailers and property owners. Supports high-visibility public realm improvements, including tree planting, greening of streets and ongoing maintenance, alongside cleaning and place management to sustain footfall and commercial attractiveness. Illustrates BID use in high-value commercial districts to sustain quality public realm and commercial attractiveness.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Identify a suitable district (2–4 months)

The municipality, often together with local business associations, identifies a commercial area where improved green infrastructure and public realm quality would deliver clear economic and social benefits.

Key outputs: draft boundary, initial GI priorities

Step 2 – Establish legal and governance framework (3–6 months)

The city defines the legal basis, governance model, eligible activities (including GI and maintenance), levy calculation method and duration of the BID. Legal feasibility should be confirmed early, particularly where national legislation governs business levies.

Key outputs: draft BID proposal, governance structure

Step 3 – Build business support and co-design actions (3–6 months)

A business plan is prepared setting out proposed green investments, budgets, expected benefits and delivery arrangements. Engagement and consultation are critical at this stage.

Key outputs: business plan, list of GI actions, stakeholder buy-in

Step 4 – Approve levy and formalise the BID (2–3 months)

Eligible businesses vote on the BID proposal. Once approved, the levy becomes mandatory for the defined term, and the BID entity is formally established.

Key outputs: approved levy, BID entity in place

Step 5 – Deliver green infrastructure and maintenance (ongoing; 3–5 years)

The BID commissions GI interventions (e.g. street trees, green streets, SuDS) and funds enhanced maintenance, complementing municipal baseline services.

Key outputs: implemented GI, improved public realm

Step 6 – Monitor, report and renew (annual; renewal after 3–5 years)

The BID reports annually on spending and outcomes. At the end of the term, businesses decide whether to renew the BID based on demonstrated benefits.

Key outputs: annual reports, renewal decision

Performance-Based Maintenance Contracts



Public
(Contractual)



Complexity:
Medium



Existing Public Budget



Maintenance



Rain gardens, SUDs,
public realm planting



Street trees, urban parks,
green roofs, climate
adaptation

WHAT IS IT?

They link payment to the achievement of defined maintenance and service performance **standards** rather than simply carrying out specified tasks. For GI, contractors are paid based on measurable **performance standards** (e.g. plant survival rates, canopy coverage, stormwater retention performance) over a defined period.

GOOD FIT WHEN

- You already have GI assets requiring long-term upkeep
- Maintenance quality varies under traditional task-based contracts
- You want stronger accountability and outcome tracking
- You aim to improve lifecycle value of GI investments

HOW THE MONEY WORKS

- Does this bring new money? No, it uses existing maintenance budgets.
- Who pays? The municipality (through operational expenditure).
- Is it new or existing public money? Existing public maintenance budgets, linked to measurable performance outcomes.
- Can it improve value for money? Yes – by aligning payments with delivered outcomes rather than tasks.

ADVANTAGES

- Incentivises higher-quality maintenance
- Encourages contractor innovation
- Aligns payment with measurable outcomes
- Reduces risk of asset deterioration
- Supports long-term resilience of GI assets

LIMITATIONS

- Requires clear, and measurable performance indicators
- Monitoring and verification systems must be robust
- May increase contract design complexity
- Risk of disputes over performance metrics
- Not suitable for very small/informal projects

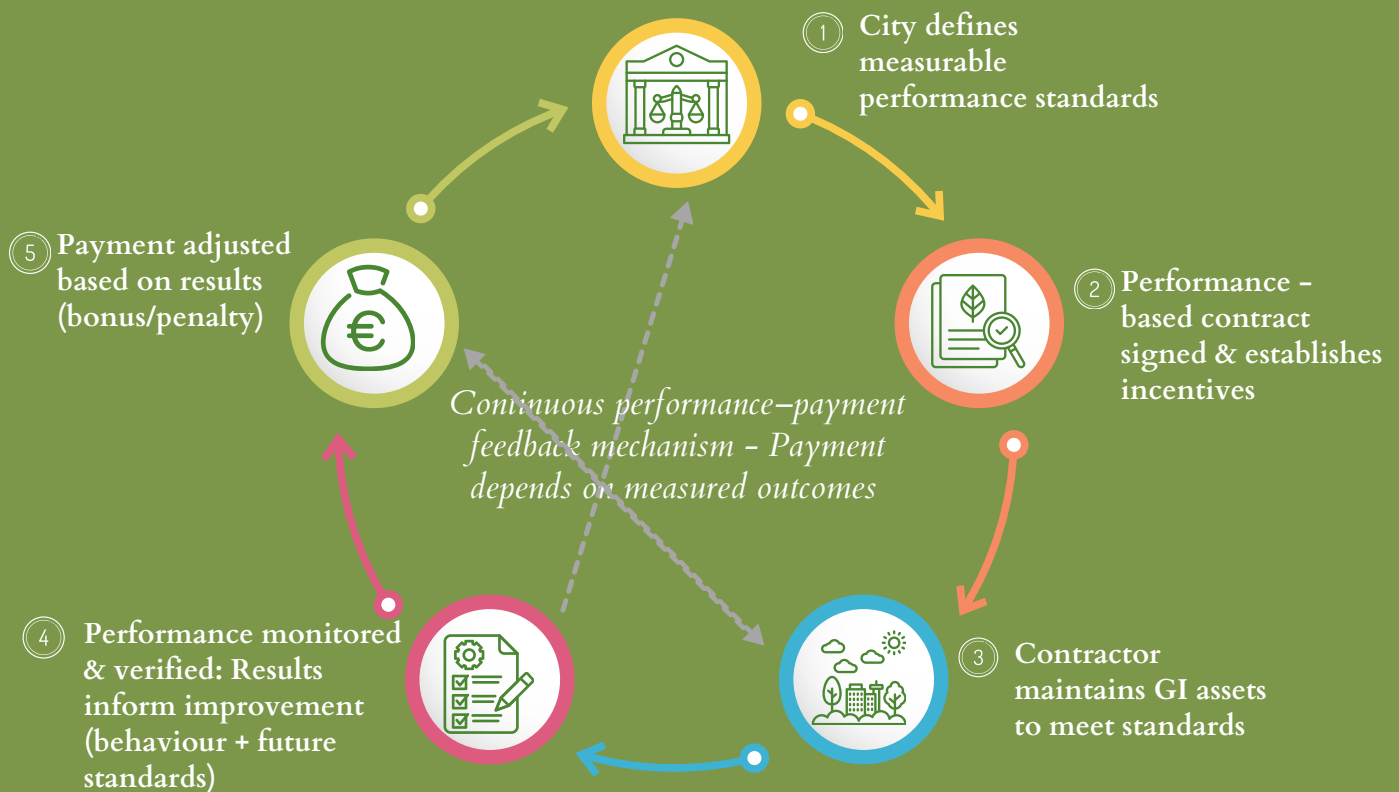
ENABLING CONDITIONS

- Clearly defined performance standards
- Reliable baseline data and monitoring systems
- Procurement teams capable of drafting outcome-based contracts
- Political support for longer-term contract structures
- Ability to enforce penalties or bonuses

CONSIDERATIONS

- Define measurable GI performance indicators (e.g. survival rates, infiltration rates)
- Clarify risk allocation between city and contractor
- Include transparent monitoring and reporting requirements
- Ensure contract duration allows performance improvement
- Avoid over-complex performance metrics

Performance-Based Maintenance Contracts



Typical overall timeline from contract redesign to operational implementation:
6–12 months

KEY RESPONSIBILITIES

- Municipality (contracting authority) – Define performance criteria, oversee compliance
- Contractor – Deliver and maintain GI to agreed standards
- Monitoring body / city department – Measure and verify outcomes
- Financial oversight – Manage payment linked to performance

RELATED INSTRUMENTS

- Innovative Procurement & Performance Contracts
- Outcome-based contracts
- Green/Circular Procurement



- Start with one asset type (e.g. trees or rain gardens) before citywide rollout
- Keep performance metrics simple, measurable and enforceable
- Ensure monitoring capacity before linking payments to outcomes

EXAMPLE

Sheffield City Council's long-term highways maintenance contract includes street trees and green infrastructure assets. Contractor payments are linked to performance standards and asset condition KPIs, with financial deductions applied for underperformance. This demonstrates a performance-based maintenance approach for urban green infrastructure.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Define performance objectives and indicators (1–3 months)

Identify the specific environmental and service outcomes that the GI assets should achieve, e.g. tree survival rates, stormwater infiltration capacity or biodiversity indicators. Ensure these outcomes are measurable, realistic and aligned with broader municipal climate, biodiversity and maintenance strategies.

Key outputs: defined performance indicators, baseline data, documented objectives.

Step 2 – Review legal and procurement framework (1–3 months)

Confirm that national procurement rules allow payment structures linked to performance, including incentives, penalties or bonus mechanisms. Clarify risk allocation between the municipality and contractor, particularly for factors such as extreme weather or vandalism.

Key outputs: legally compliant contract model, clarified risk-sharing structure.

Step 3 – Develop monitoring and verification system (2–4 months)

Establish procedures for measuring and verifying performance outcomes, including inspection frequency, reporting requirements and data collection methods. Determine who is responsible for monitoring (internal staff or external auditors) and ensure adequate technical capacity.

Key outputs: monitoring framework, reporting templates, defined verification roles.

Step 4 – Design and tender the performance-based contract (3–6 months)

Draft tender documents linking payment to defined performance indicators, specifying minimum standards, bonus thresholds and penalty conditions. Launch a transparent procurement process and evaluate bids on price and ability to deliver performance outcomes.

Key outputs: published tender, awarded performance-based contract.

Step 5 – Implement and manage the contract (ongoing; 3–5 years typically)

The contractor maintains GI assets in line with agreed performance standards, applying adaptive management where needed to meet targets. The municipality regularly monitors outcomes and adjusts payments according to verified performance results.

Key outputs: periodic performance reports, adjusted payments based on results.

Step 6 – Review results and refine future contracts (annual; renewal at end)

Assess whether performance-based contracting has improved asset quality, resilience and value for money compared to traditional task-based maintenance. Use lessons learned to refine indicators, contract duration and risk allocation in future procurement cycles.

Key outputs: evaluation report, improved contract templates for future tenders.

Green Public Procurement & Contractual GI Requirements



Blended
(Public/Private)



Complexity:
Medium



Existing Public Investment



Development



Maintenance
(lifecycle contracts)



Parks & public realm
upgrades, green roofs &
SUDs

WHAT IS IT?

Integrates explicit GI & NBS criteria into municipal tender documents and public contracts using existing investment budgets to require and deliver measurable environmental and lifecycle performance outcomes.

GOOD FIT WHEN

- Planning major capital works or regeneration projects
- Wish to mainstream GI across departments
- Aim to embed long-term performance and maintenance into contracts
- Aim to influence market practice at scale

HOW THE MONEY WORKS

- Does this bring new money? No, it uses existing public investment budgets more strategically.
- Who pays? The municipality (through capital or operational budgets).
- Is it new or existing public money? Existing public procurement budgets, redirected to require GI and lifecycle performance.

ADVANTAGES

- Integrates GI into large-scale public investment
- Scalable across multiple projects and departments
- Encourages innovation and higher-quality design
- Can embed long-term maintenance obligations
- Drives systemic market transformation

LIMITATIONS

- Requires strong procurement capacity
- Risk of superficial “green clauses” without measurable outcomes
- Higher upfront costs may face political resistance
- Monitoring and contract management must be robust
- Legal complexity in some jurisdictions

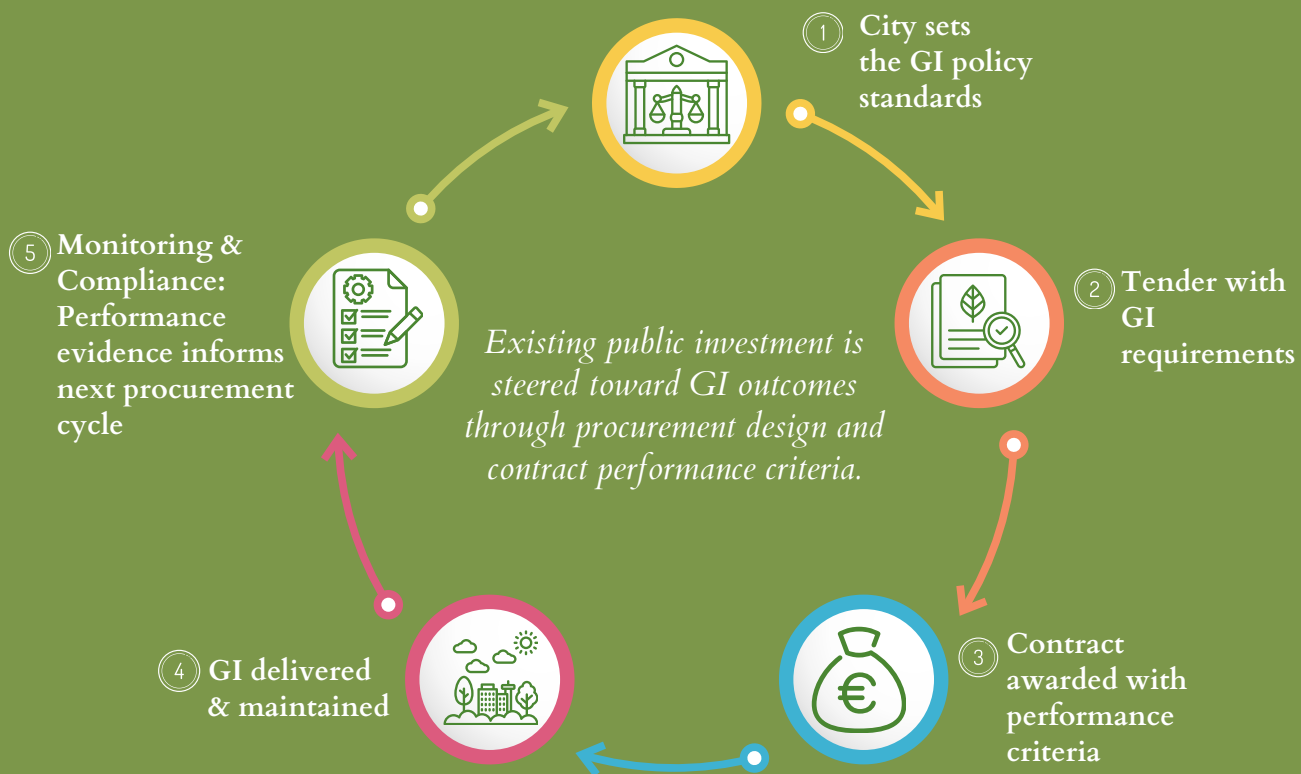
ENABLING CONDITIONS

- Clear political commitment to GI integration
- Procurement teams trained in environmental criteria
- Standardised GI specifications and scoring methods
- Ability to use quality-based evaluation (not lowest price only)
- Cross-department coordination (planning, environment, finance)

CONSIDERATIONS

- Define measurable, outcome-based GI criteria
- Apply lifecycle costing where possible
- Clarify maintenance responsibilities in contracts
- Avoid “greenwashing” clauses without monitoring
- Align procurement reform with climate and biodiversity strategies

Green Public Procurement & Contractual GI Requirements



Typical overall timeline from policy decision to operational procurement reform: 6–18 months (depending on procurement reform depth). Subsequent cycles integrate incremental improvements

KEY RESPONSIBILITIES

- Municipality (contracting authority) – Define GI criteria, structure tenders, oversee compliance
- Design teams – Translate requirements into specifications
- Contractors – Deliver GI and meet performance standards
- Monitoring bodies – Verify delivery and outcomes

RELATED INSTRUMENTS

- Innovative Procurement & Performance Contracts
- Outcome-based contracts
- Performance-based maintenance contracts
- Green/Circular Procurement



- Start with visible, high-impact pilot tenders before scaling city-wide
- Make GI requirements specific and measurable
- Use lifecycle costing, not lowest upfront price

EXAMPLE

Copenhagen (Denmark), Cloudburst Programme: Copenhagen integrates defined green and blue infrastructure requirements into public infrastructure procurement under its Cloudburst Management Plan. Contracts specify stormwater retention capacity and multifunctional GI delivery, embedding climate adaptation performance directly into municipal procurement processes.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Establish political mandate (1–3 months)

Adopt a formal policy or council decision requiring the systematic integration of GI into relevant public tenders and capital projects. This mandate should clarify strategic objectives (e.g. climate adaptation, biodiversity, urban cooling) and assign internal responsibility for implementation.

Key outputs: policy decision, internal mandate

Step 2 – Review legal and procurement framework (2–4 months)

Assess how environmental and lifecycle performance criteria can be incorporated under procurement rules, including award criteria, technical specifications and contract performance clauses. Identify any legal constraints and develop standardised wording to ensure compliance and consistency across departments.

Key outputs: legal review, draft standard clauses, procurement guidance note.

Step 3 – Develop GI procurement standards (3–6 months)

Define measurable criteria (e.g. % permeable surface, tree canopy targets, SuDS integration, biodiversity metrics, lifecycle maintenance requirements) and how these criteria will be evaluated in tender scoring, including weighting between price and quality.

Key outputs: standardised GI specifications, scoring matrix, lifecycle costing templates.

Step 4 – Train procurement teams (2–4 months)

Provide training to procurement officers and project managers to ensure consistent application of GI criteria and understanding of lifecycle costing principles. Establish internal coordination mechanisms between procurement, planning, environment and finance departments

Key outputs: guidance documents, training sessions

Step 5 – Launch pilot projects (6–24 months depending on project scale)

Integrate GI requirements into selected pilot tenders (e.g. street redesign, school refurbishment, regeneration sites) to test feasibility and market response. Monitor bidder feedback, cost implications and implementation challenges during early projects.

Key outputs: awarded contracts with embedded GI criteria, lessons learned report.

Step 6 – Monitor, evaluate and institutionalise (ongoing)

Assess performance outcomes, adjust templates, mainstream across departments.

Key outputs: evaluation report, institutionalised practice

Endowment Funds for Green Infrastructure



Public/Blended



Complexity:
Medium - High



New Ring-fenced Capital



Maintenance



Public realm assets,
regeneration sites, multi
phase GI developments



Urban forests, green
corridors, large urban
parks

WHAT IS IT?

A dedicated capital fund established to finance the long-term maintenance and renewal of parks and GI. The capital is either invested to generate annual returns (endowment model) or set aside progressively to meet predictable future replacement costs (sinking fund model).

GOOD FIT WHEN

- You are creating new parks or major GI assets
- Long-term maintenance funding is uncertain
- You want to avoid future budget shortfalls
- You can secure upfront capital contributions

HOW THE MONEY WORKS

- Does this bring new money? Yes – capital is set aside or raised upfront.
- Who pays? Typically the municipality, developers, philanthropic donors or a mix.
- Is it new or existing public money? New capital contributions, invested (endowment fund) or reserved (sinking fund) for long-term maintenance and renewal.

ADVANTAGES

- Secures predictable long-term maintenance funding
- Reduces pressure on future municipal budgets
- Enhances investor and developer confidence
- Encourages lifecycle planning
- Protects asset quality over time

LIMITATIONS

- Requires significant upfront capital
- Investment returns may fluctuate
- Governance and fund management capacity required
- Political reluctance to ring-fence funds
- Not suitable for small or temporary projects

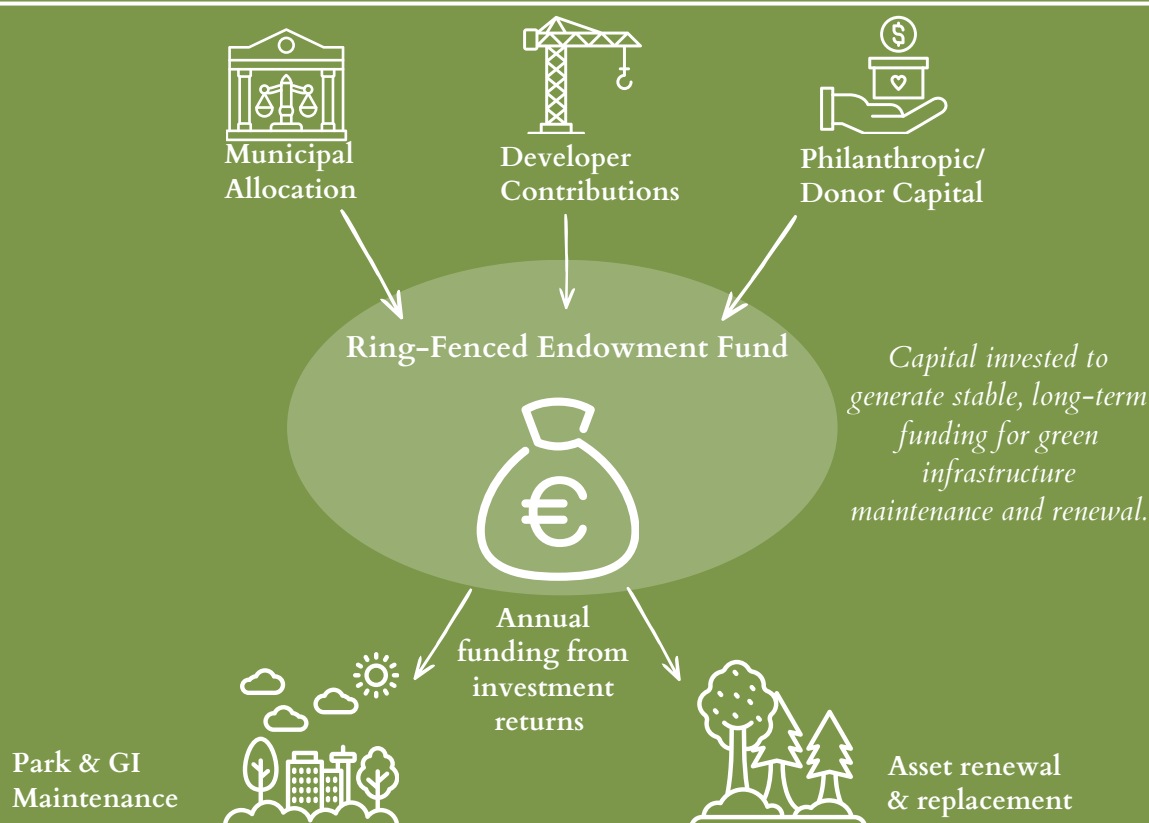
ENABLING CONDITIONS

- Clear asset lifecycle cost assessment
- Transparent governance structure for fund management
- Legal ability to ring-fence and invest funds
- Financial oversight and reporting systems
- Long-term political commitment

CONSIDERATIONS

- Determine whether endowment (returns-based) or sinking model fits best
- Define eligible expenditures clearly
- Protect the capital from diversion
- Align fund size with realistic lifecycle costs
- Consider combining with developer contributions

Endowment Funds for Green Infrastructure



Typical overall timeline from fund design to operational launch: 6–18 months

KEY RESPONSIBILITIES

- Municipality – Establish fund structure, governance and oversight
- Financial manager / trustee – Invest and manage capital responsibly
- Developers / donors (where applicable) – Provide capital contributions
- Parks or environment department – Plan and deliver maintenance

RELATED INSTRUMENTS

- Maintenance sinking funds
- Revolving maintenance funds



- Secure contributions upfront (developers, city or donors)
- Align fund size with long-term maintenance and renewal costs
- Establish independent governance and transparent reporting

EXAMPLE

Milton Keynes (UK), The Parks Trust: Milton Keynes established an independent charitable trust to manage the city's parks and green infrastructure, funded through an endowment-style model. The Trust was granted a diversified property portfolio and financial assets, generating recurring income through rents and investments. This income finances the long-term maintenance, enhancement and stewardship of over 6,000 acres of parks, woodlands and green corridors without relying on annual municipal budget allocations.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Assess lifecycle costs (2–4 months)

Conduct a comprehensive lifecycle cost analysis of the park or GI assets, including routine maintenance, renewal and major replacement needs over time. This assessment forms the financial basis for determining the required fund size.

Key outputs: lifecycle cost model, estimated capital requirement.

Step 2 – Choose fund model and governance structure (2–4 months)

Decide whether to establish an endowment (capital invested, returns used annually) or a sinking fund (capital reserved to meet future liabilities). Define governance arrangements, oversight mechanisms and legal structure.

Key outputs: fund model decision, governance framework.

Step 3 – Secure capital contributions (3–12 months)

Identify and secure funding sources, which may include municipal allocations, developer contributions, philanthropic donations or blended finance arrangements. Ring-fence funds to protect long-term purpose.

Key outputs: capital commitments secured, fund legally established.

Step 4 – Establish investment and management arrangements (2–4 months)

Appoint financial managers or trustees to invest and manage the capital prudently according to agreed risk and return parameters. Develop transparent reporting systems.

Key outputs: investment policy, management contract.

Step 5 – Implement maintenance funding mechanism (ongoing)

Allocate annual returns (endowment) or planned disbursements (sinking fund) to finance maintenance and asset renewal activities. Ensure alignment with asset management plans.

Key outputs: annual maintenance funding allocations.

Step 6 – Monitor and adjust fund performance (annual)

Review fund performance against projected returns and lifecycle needs, adjusting contribution levels or investment strategy if necessary. Maintain transparency to ensure continued political and stakeholder support.

Key outputs: annual financial report, adjusted projections.

Revolving Maintenance Fund



Public/Blended



Complexity:
Medium



Recycled/replenished
funding



Maintenance
(primarily)



SuDS & stormwater
systems, regeneration
sites



Parks, street trees, urban
forests, green corridors

WHAT IS IT?

A revolving maintenance fund is a dedicated pool of money used to finance ongoing maintenance and renewal of green infrastructure (GI), where funds are regularly replenished through defined revenue streams, cost savings or recurring contributions.

GOOD FIT WHEN

- You need predictable maintenance funding
- There is an identifiable revenue or savings stream
- Assets generate cost reductions (e.g. stormwater savings)
- Long-term OPEX stability is a priority

HOW THE MONEY WORKS

- Does this bring new money? It may use new or redirected revenue streams.
- Who pays? Municipal budgets, user fees, developer contributions, savings reinvestment or blended sources.
- Is it new or existing public money? Often a mix. Can recycle savings or ring-fence recurring contributions.
- How does it sustain funding? Maintenance costs are paid from the fund, which is then replenished annually through agreed income or savings mechanisms.

ADVANTAGES

- Provides ongoing maintenance certainty
- Encourages lifecycle budgeting
- Can recycle efficiency savings
- Flexible and adaptable
- Easier to establish than endowment funds

LIMITATIONS

- Requires reliable replenishment source
- Vulnerable to budget cuts if not protected
- Needs strong governance and oversight
- May not cover major long-term renewal needs

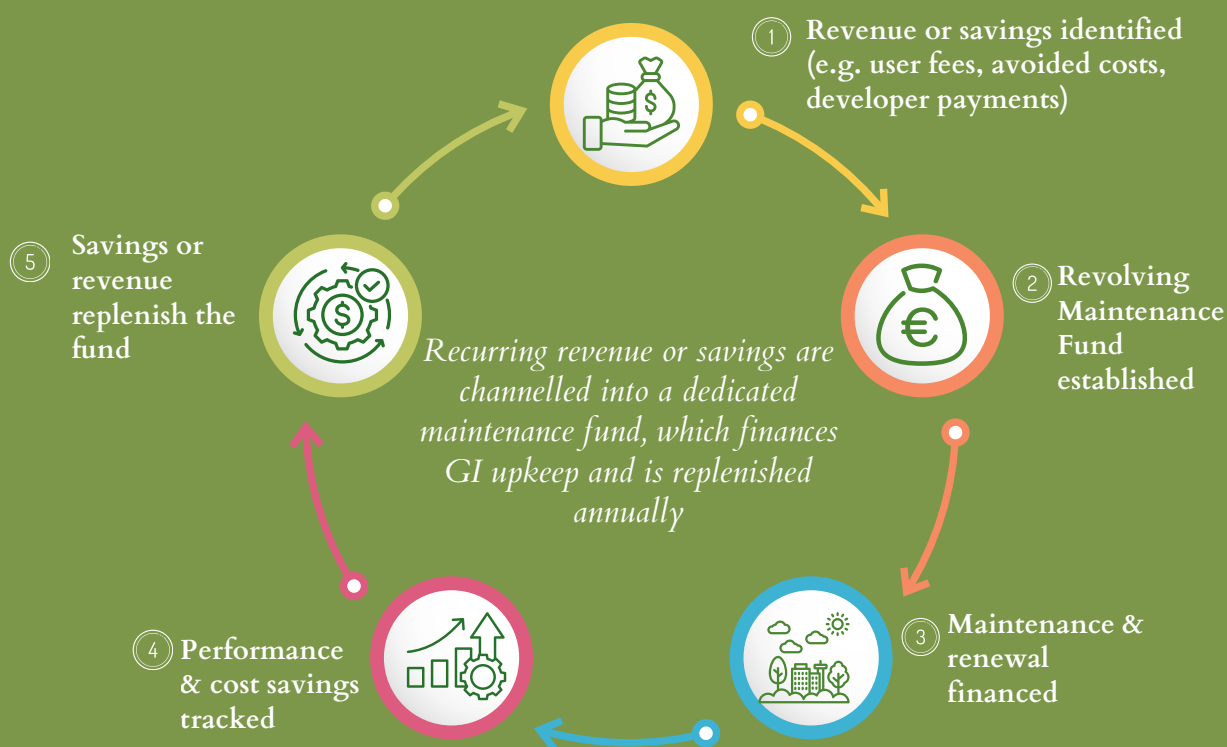
ENABLING CONDITIONS

- Clearly identified revenue or savings stream
- Transparent accounting and reporting
- Defined rules for replenishment
- Political commitment to ring-fencing
- Asset management planning

CONSIDERATIONS

- Define what qualifies as eligible expenditure
- Ensure replenishment mechanisms are enforceable
- Monitor cost savings carefully
- Avoid over-committing the fund
- Consider combining with performance-based contracts

Revolving Maintenance Fund



Typical overall timeline from fund design to operational launch: 6–12 months

KEY RESPONSIBILITIES

- Municipality – Establish fund structure and replenishment rules
- Finance department – Manage and track fund flows
- Environment / parks department – Plan maintenance activities
- External partners (where relevant) – Contribute or co-finance

RELATED INSTRUMENTS

- Endowment funds for parks and urban green space
- Maintenance sinking funds



- Identify a stable revenue or savings stream before launch
- Protect the fund through clear rules and transparent reporting
- Review replenishment levels annually against lifecycle costs

EXAMPLE

France, Taxe d'Aménagement (Development Tax): French municipalities levy a development tax on new construction, with revenues allocated to the municipal capital investment budget for public infrastructure. Eligible uses include parks, green spaces and other urban facilities, depending on local planning priorities. The tax is collected each time development occurs, creating a continuously replenished municipal funding stream. This model links urban growth to the financing of public infrastructure, including green infrastructure where municipalities choose to prioritise it.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Identify sustainable revenue or savings source (2–4 months)

Determine which recurring revenue streams or cost savings can replenish the fund, such as dedicated fees, budget reallocations, developer payments or avoided infrastructure costs. Assess the stability and predictability of these inflows.

Key outputs: identified replenishment source, financial feasibility analysis.

Step 2 – Define governance and fund rules (2–4 months)

Establish clear rules for how funds are allocated, replenished and reported, including eligibility criteria for maintenance activities. Ensure the fund is ring-fenced to prevent diversion to unrelated expenditures.

Key outputs: governance framework, replenishment policy.

Step 3 – Launch fund and allocate initial capital (1–3 months)

Create the dedicated fund within municipal accounting structures and allocate initial seed capital if required. Communicate the purpose and rules internally to relevant departments.

Key outputs: operational fund established, initial allocation made.

Step 4 – Implement maintenance financing (ongoing)

Use the fund to finance planned maintenance and renewal activities in accordance with asset management plans. Track expenditures against performance and maintenance standards.

Key outputs: funded maintenance activities, periodic reporting.

Step 5 – Replenish and adjust (annual)

Replenish the fund according to predefined mechanisms and review adequacy against projected maintenance needs. Adjust contributions or funding sources if shortfalls emerge.

Key outputs: annual financial report, updated projections.

Revolving Funds/Repayable Grants



Public/Blended



Complexity:
Medium-High



New capital, recycled
through repayments



Development
(primarily)



SuDS & stormwater
systems, large-scale
regeneration projects



Urban retrofits, energy
efficient public buildings
with GI elements

WHAT IS IT?

It provides upfront financing for green infrastructure (GI) projects, which beneficiaries repay over time, allowing the capital to be reused for future projects. Unlike a traditional grant, the money is not spent once — it is recycled to support multiple GI investments.

GOOD FIT WHEN

- Projects generate cost savings or revenue
- Municipal budgets are constrained
- You want to scale GI investment over time
- There is capacity to manage repayments

HOW THE MONEY WORKS

- Does this bring new money? Yes – initial capital is mobilised to finance GI projects.
- Who pays? A public authority, development bank, EU programme or blended finance structure provides initial capital.
- Is it new or existing public money? Often seeded with public or EU funds, then recycled through repayments.
- How does it sustain funding? Beneficiaries repay the financing (in full or partially), allowing the capital to fund new GI projects.

ADVANTAGES

- Multiplies impact of initial capital
- Encourages financial discipline
- Scalable over time
- Attracts blended finance
- Supports larger investment pipelines

LIMITATIONS

- Requires repayment capacity
- Not suitable for non-revenue projects
- Administrative complexity
- Risk of default
- Needs strong fund management

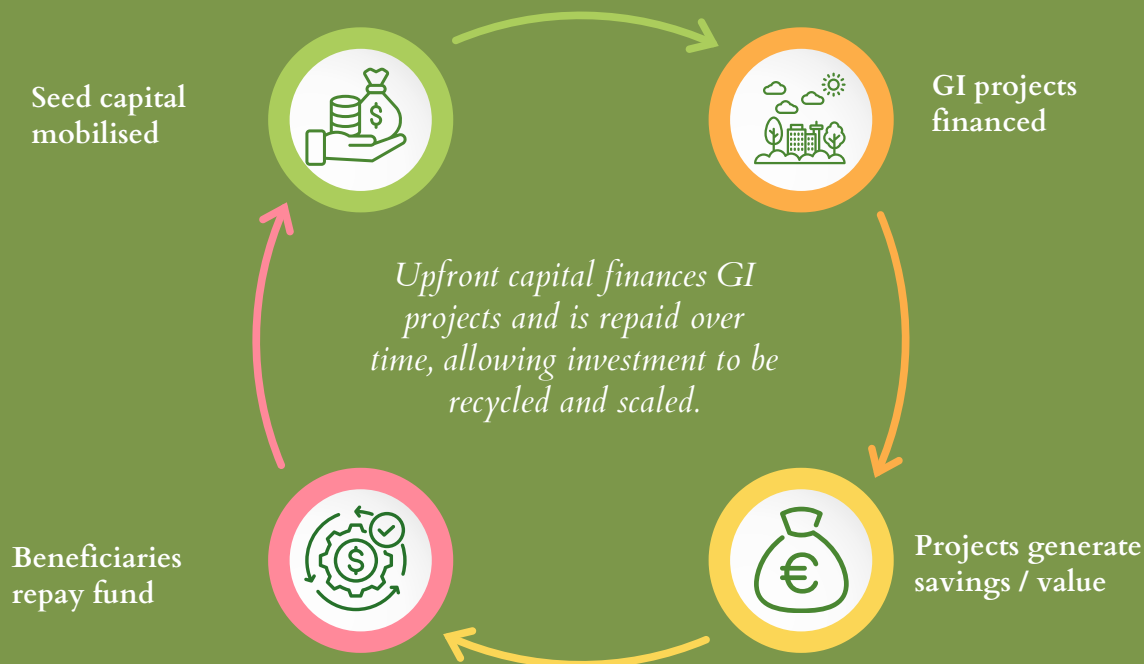
ENABLING CONDITIONS

- Clear eligibility criteria
- Defined repayment terms
- Financial management capacity
- Monitoring and risk assessment
- Stable governance structure

CONSIDERATIONS

- Define repayment structure (full or partial)
- Align repayment schedule with savings generated
- Ensure fund sustainability modelling
- Provide technical assistance where needed
- Combine with guarantees if risk is high

Revolving Funds/Repayable Grants



Typical overall timeline from fund design to operational launch: 9–18 months

KEY RESPONSIBILITIES

- Municipality (contracting authority) – Define GI criteria, structure tenders, oversee compliance
- Design teams – Translate requirements into specifications
- Contractors – Deliver GI and meet performance standards
- Monitoring bodies – Verify delivery and outcomes

RELATED INSTRUMENTS

- Private market-based loans
- Concessional loans (public development banks)
- Sustainability-linked loans



- Start with a strong, realistic project pipeline
- Align repayment terms with actual savings generated
- Combine with guarantees to reduce default risk

EXAMPLE

The Bulgarian Sustainable Cities Fund: Under the JESSICA framework, ERDF resources in Bulgaria were channelled into Urban Development Funds providing repayable loans to municipalities and urban projects.

The Bulgarian Sustainable Cities Fund finances urban infrastructure and regeneration through long-term loans rather than grants. Repaid capital is reinvested into new projects including greening, creating a revolving urban investment mechanism that sustains financing beyond a single funding cycle.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Assess project pipeline and repayment potential (2–4 months)

Identify GI projects capable of generating savings, revenue or long-term value that can support repayment. Assess financial viability and potential scale.

Key outputs: project pipeline, financial feasibility assessment.

Step 2 – Design fund structure and governance (3–6 months)

Define capital source, eligibility criteria, repayment terms and risk-sharing mechanisms. Establish governance, oversight and reporting systems.

Key outputs: fund structure, operational guidelines.

Step 3 – Secure seed capital (3–9 months)

Mobilise initial capital from municipal budgets, EU funds, development banks or blended finance partners. Ensure legal structure supports recycling of funds.

Key outputs: capital commitments secured, fund legally established.

Step 4 – Launch financing rounds (ongoing)

Provide financing to eligible GI projects under agreed repayment terms. Monitor project implementation and financial performance.

Key outputs: signed financing agreements, funded projects.

Step 5 – Recycle repayments (ongoing)

Receive repayments and redeploy capital to new projects, ensuring the fund maintains liquidity and long-term sustainability.

Key outputs: repayments received, new investments financed.

Outcome based contracts for GI delivery



Public/Blended



Complexity:
High



Existing Public budget
paid on verified results



Development
(primarily)



Flood resilience,
stormwater systems,
biodiversity enhancement



Urban heat mitigation,
river restoration, large
scale NbS

WHAT IS IT?

It links payment for GI projects to the achievement of predefined environmental or social outcomes, e.g. stormwater reduction, biodiversity gains or temperature mitigation. Rather than paying solely for development, the municipality pays based on verified performance results. Typically used when commissioning new GI projects where environmental results are the primary objective.

GOOD FIT WHEN

- Clear and measurable outcomes can be defined
- Risk-sharing with delivery partners is desirable
- Innovation and performance are priorities
- Long-term environmental results matter more than inputs

HOW THE MONEY WORKS

- Does this bring new money? No – typically funded from existing public budgets.
- Who pays? The municipality or public authority pays upon verification of agreed outcomes.
- Is it new or existing public money? Usually existing public investment, structured differently.
- How does it create value? Payment is conditional on verified outcomes, shifting delivery risk and incentivising performance.

ADVANTAGES

- Encourages innovation and performance
- Aligns incentives with environmental outcomes
- Reduces risk of underperformance
- Can attract private co-financing
- Strengthens accountability

LIMITATIONS

- Requires measurable outcomes
- Monitoring and verification can be complex
- Higher transaction costs
- Legal and procurement complexity
- Risk of poorly defined indicators

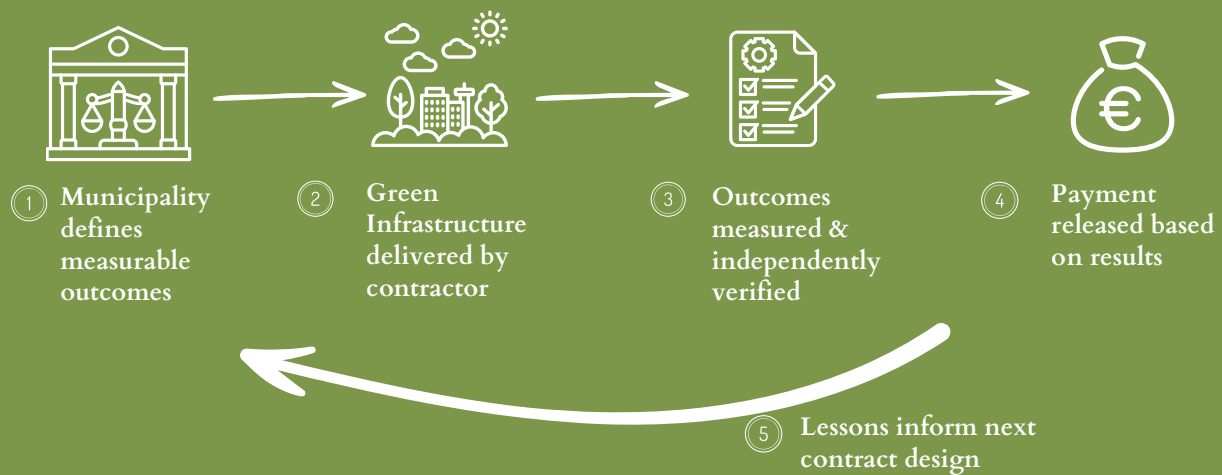
ENABLING CONDITIONS

- Clearly defined, measurable outcomes
- Robust monitoring and verification framework
- Legal ability to structure performance-based payments
- Cross-departmental coordination
- Financial risk assessment

CONSIDERATIONS

- Define baseline conditions carefully
- Avoid over-complex outcome metrics
- Align payment schedule with measurable milestones
- Ensure transparency in verification
- Consider combining with guarantees or blended finance

Outcome based contracts for GI delivery



Existing public investment is steered toward GI outcomes through procurement design and contract performance criteria.



Typical overall timeline from contract design to award: 9–18 months

KEY RESPONSIBILITIES

- Municipality – Define outcomes, structure payment mechanism
- Delivery partner (private contractor, consortium, social enterprise) – Deliver Green Infrastructure and achieve agreed outcomes
- Independent verifier (where applicable) – Confirm performance

RELATED INSTRUMENTS

- Performance-based maintenance contracts (focuses on asset upkeep rather than new delivery)
- Green/circular procurement



- Start with simple, measurable outcomes
- Align payment milestones with realistic delivery timelines
- Invest early in robust monitoring and baseline data

EXAMPLE

Washington DC (USA), Outcome-Based Green Infrastructure Contract: Washington DC Water implemented a performance-linked financing structure to deliver green stormwater infrastructure. Investor returns were partially dependent on whether the infrastructure achieved predefined stormwater runoff reduction targets, independently verified after implementation. If performance exceeded targets, investors received an outcome payment; if performance fell short, they absorbed part of the risk.

While published examples are rare in Europe, this example demonstrates the clearest form of outcome-based environmental contracting. The structure was implemented through an Environmental Impact Bond.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Define measurable outcomes (2–4 months)

Identify clear, quantifiable GI outcomes (e.g. reduced runoff volume, biodiversity indicators, temperature reduction) and establish baseline data to enable future verification.

Key outputs: outcome framework, baseline assessment.

Step 2 – Design payment structure (3–6 months)

Define how payments will be linked to outcome achievement, including performance thresholds, risk allocation and potential bonus or penalty mechanisms.

Key outputs: payment model, risk-sharing structure.

Step 3 – Establish monitoring and verification framework (3–6 months)

Develop transparent measurement protocols and determine whether independent verification is required. Ensure monitoring costs are proportionate.

Key outputs: monitoring framework, verification process.

Step 4 – Launch procurement and award contract (6–12 months)

Tender the contract clearly specifying outcome requirements and evaluation criteria. Select delivery partners based on capacity to achieve defined results.

Key outputs: awarded outcome-based contract.

Step 5 – Monitor outcomes and trigger payments (ongoing)

Verify performance against predefined indicators and release payments accordingly. Adjust lessons learned for future contracting cycles.

Key outputs: verified performance reports, outcome-based payments.

Sustainability Linked Loans



Private/Blended



Complexity:
Medium-High



Repayable capital with
performance-linked pricing



Development
(and scaling)



District greening,
climate adaptation
projects



Parks, large-scale tree
programmes

WHAT IS IT?

Loans where the interest rate (or other financial terms) is linked to the borrower achieving predefined sustainability performance targets. Unlike green loans, which require funds to be used for specific eligible projects, SLLs link financing conditions to measurable environmental or climate indicators e.g. canopy coverage targets, emissions reduction, water retention, or biodiversity indicators. If performance targets are met, borrowing costs may decrease; if not, costs may increase.

GOOD FIT WHEN

- The municipality or city-owned company has borrowing capacity
- GI objectives are embedded in broader climate or sustainability strategies
- Measurable sustainability KPIs can be defined
- You want to incentivise institutional performance improvement
- Scaling or refinancing of larger GI programmes is required

HOW THE MONEY WORKS

- Does this bring new money? Yes - it mobilises loan capital.
- Who pays? The municipality or city-owned utility repays the loan.
- Is it new or existing public money? New repayable finance (debt), with pricing linked to sustainability performance.
- How does it create value? Borrowing costs improve if sustainability targets are achieved, creating a financial incentive for GI performance.

ADVANTAGES

- Mobilises private capital at scale
- Incentivises measurable sustainability performance
- Aligns financial strategy with climate and biodiversity goals
- Enhances credibility with financial markets

LIMITATIONS

- Requires strong KPI design and monitoring
- Not suitable for very small projects
- Need borrowing capacity & creditworthiness
- Risk of weak or poorly defined performance indicators
- May require external verification

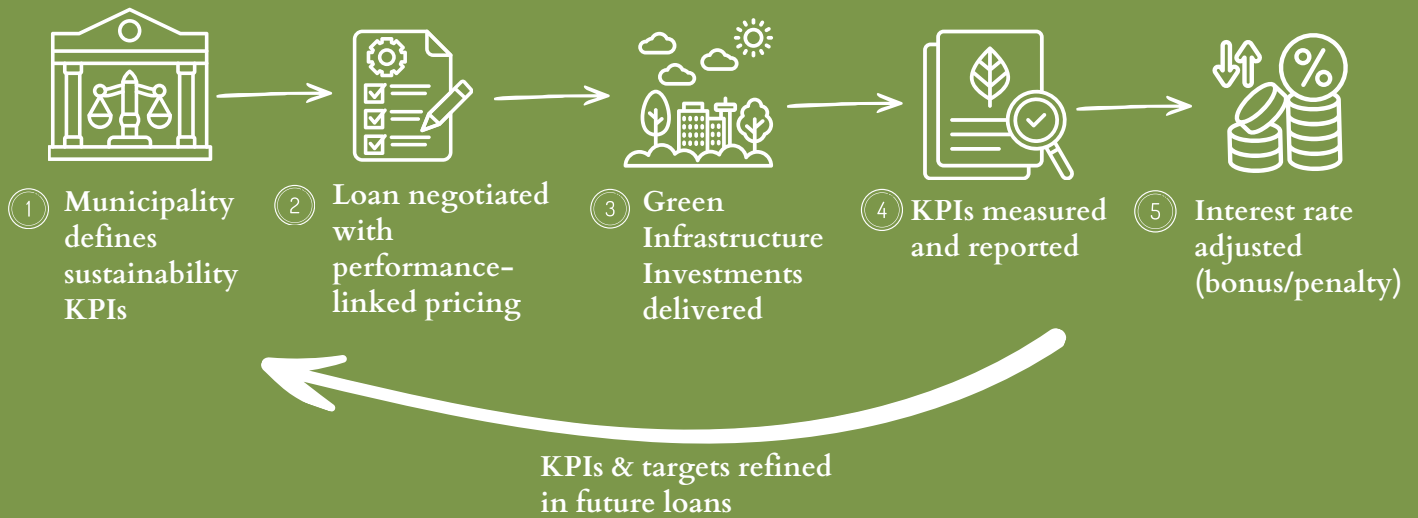
ENABLING CONDITIONS

- Clear, measurable sustainability KPIs
- Reliable monitoring and reporting systems
- Strong treasury and financial management capacity
- Legal authority to borrow
- Transparent governance framework

CONSIDERATIONS

- Align KPIs with existing municipal climate plans
- Avoid overly complex or unrealistic targets
- Keep monitoring costs proportionate
- Clarify consequences of non-performance
- Consider combining with guarantees for risk mitigation

Sustainability Linked Loans



Borrowing costs are linked to sustainability performance, incentivising measurable GI outcomes.



Typical overall timeline from KPI design to loan signature: 9–18 months

KEY RESPONSIBILITIES

- Municipality / Finance Department – Define KPIs, manage borrowing
- Lender – Provide capital and assess KPI compliance
- Monitoring body – Measure and verify performance
- Political leadership – Ensure alignment with sustainability strategy

RELATED INSTRUMENTS

- Private market-based loans
- Concessional loans (public development banks)
- Sustainability-linked loans
- Revolving funds/repayable grants (where applicable)



- Start with a limited number of robust, measurable KPIs
- Align targets with existing climate or biodiversity commitments
- Ensure internal monitoring capacity before signing
- Use SLLs to scale mature GI programmes, not pilot projects

EXAMPLE

MuniFin (Finland) – Municipal Sustainability-Linked Loan

MuniFin introduced a sustainability-linked loan product for Finnish municipalities, where the interest rate on municipal borrowing is linked to achieving agreed climate performance targets, incentivising emission reductions and broader sustainability action at city level.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Define sustainability performance targets (2–4 months)

Identify measurable sustainability indicators linked to GI strategy (e.g. canopy increase %, permeable surface %, carbon reduction, water retention). Ensure baseline data exists and targets are credible and achievable.

Key outputs: Defined KPIs, baseline data, performance framework.

Step 2 – Assess borrowing capacity and financial structure (2–3 months)

Review municipal borrowing limits, debt capacity and financial ratios. Determine appropriate loan size, tenor and repayment structure.

Key outputs: Financial feasibility assessment, proposed loan structure.

Step 3 – Engage lenders and negotiate terms (3–6 months)

Approach commercial banks or public development banks to structure a sustainability-linked facility. Agree on KPI thresholds, reporting frequency and pricing adjustment mechanisms.

Key outputs: Draft loan agreement, agreed performance-linked pricing terms.

Step 4 – Formal approval and loan execution (2–4 months)

Secure internal political and financial approvals. Finalise contractual documentation and draw down loan funds.

Key outputs: Signed SLL agreement, capital mobilised.

Step 5 – Implement GI programme and monitor performance (ongoing)

Deliver GI investments and track performance against agreed KPIs. Provide periodic reporting to lenders.

Key outputs: Monitoring reports, adjusted loan pricing if targets achieved.

Planning Standards Requiring GI



Public (mobilising private capital)



Complexity: Medium



Private investment mobilised via regulation



Development



SuDS, permeable paving, green roofs



Urban trees, biodiversity features

WHAT IS IT?

Planning standards requiring GI are regulatory requirements embedded in development plans, zoning codes or building regulations that oblige developers to integrate green infrastructure into new projects.

Rather than funding GI directly from public budgets, the municipality sets binding requirements (e.g. green roof coverage, permeable surface ratios, biodiversity factors) so that private developers finance and deliver GI as part of their projects.

GOOD FIT WHEN

- The city is experiencing new development or regeneration
- Planning authority is strong and enforceable
- Clear Green Infrastructure standards can be defined
- Political mandate exists for climate and biodiversity action
- The objective is large-scale mainstreaming of Green Infrastructure

HOW THE MONEY WORKS

- Does this bring new money? Yes – mobilises private investment.
- Who pays? Developers (and ultimately property owners).
- Is it new or existing public money? No public spending required; GI costs are integrated into private development budgets.
- How does it create value? GI becomes a standard component of development, scaling delivery without direct municipal expenditure.

ADVANTAGES

- Scales GI delivery citywide
- Requires no direct municipal capital
- Embeds GI as standard practice
- Creates predictable delivery pipeline
- Supports long-term resilience and compliance

LIMITATIONS

- Depends on development activity levels
- May increase development costs
- Risk of pushback from developers
- Requires strong enforcement capacity
- Not suitable where development is limited

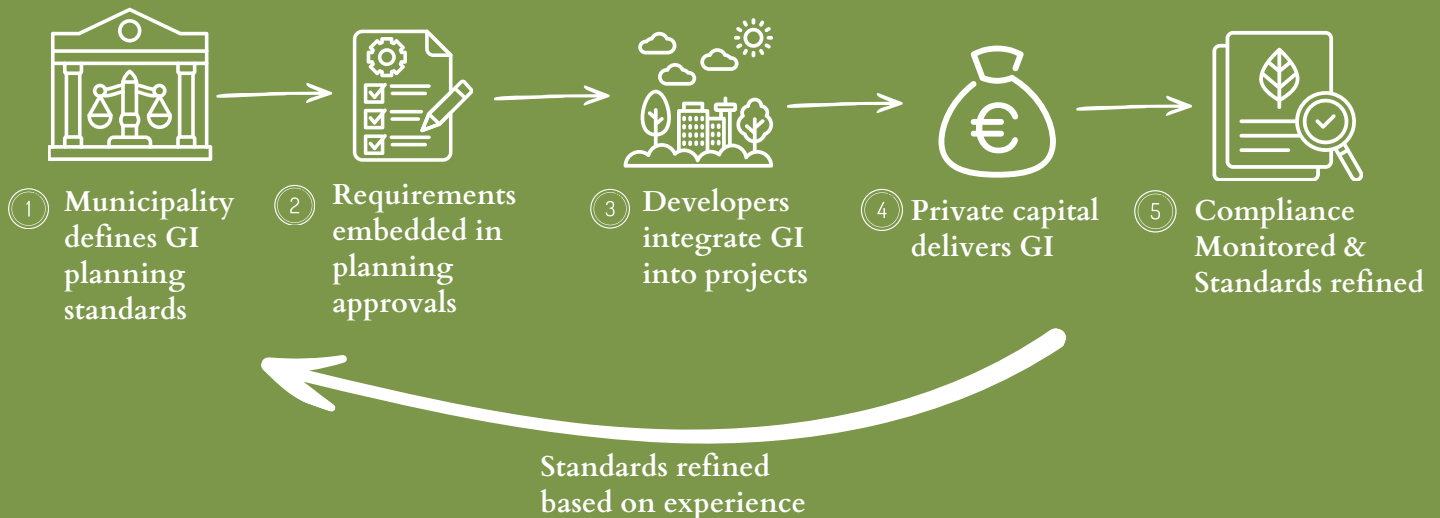
ENABLING CONDITIONS

- Clear legal authority within planning framework
- Defined GI standards & technical guidance
- Strong inspection & enforcement
- Cross-departmental coordination (planning, environment, infrastructure)
- Transparent compliance procedures

CONSIDERATIONS

- Define measurable and enforceable GI standards
- Avoid overly complex technical requirements
- Provide clear design guidance to developers
- Define maintenance responsibilities clearly
- Monitor cumulative impact across the city

Planning Standards Requiring GI



Private development capital is steered toward GI delivery through enforceable planning standards.



Typical overall timeline from mandate to enforceable standards: 12–24 months

KEY RESPONSIBILITIES

- Municipality (planning authority) – Define and enforce standards
- Developers – Finance and deliver GI
- Inspectors – Monitor compliance
- Design professionals – Integrate GI into project design

RELATED INSTRUMENTS

- Green roof/SuDS requirements in building codes
- Minimum green space or permeability standards in planning
- Biotope Area Factor-style planning requirements (e.g. Berlin)



- Measurable & verifiable standards
- Phase in requirements to allow market adaptation
- Provide clear technical guidance to reduce resistance
- Ensure long-term maintenance responsibility is defined
- Monitor cumulative citywide GI performance

EXAMPLE

Berlin Biotope Area Factor (Germany): Planning regulation requiring developers to meet minimum ecological surface standards (e.g. green roofs, permeable surfaces) as a condition of development approval. Demonstrates how cities can systematically mobilise private investment in GI through enforceable planning standards.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Establish political mandate (2–4 months)

Adopt a formal policy objective embedding GI within spatial planning and development strategies. Secure political backing for integrating GI standards into planning instruments.

Key outputs: Political decision, planning mandate.

Step 2 – Define GI standards and metrics (3–6 months)

Develop measurable requirements (e.g. green roof %, Biotope Area Factor, permeable surface ratio, canopy targets) aligned with climate and biodiversity strategies.

Key outputs: Technical standards, planning guidance.

Step 3 – Amend planning regulations (6–12 months)

Incorporate GI requirements into zoning codes, building regulations or development control policies, ensuring legal enforceability.

Key outputs: Updated planning instruments, compliance framework.

Step 4 – Engage developers and provide guidance (3–6 months, overlapping)

Consult with developers, architects and engineers to clarify requirements and provide technical support to ensure smooth implementation.

Key outputs: Stakeholder guidance, FAQs, technical manuals.

Step 5 – Enforce and monitor compliance (ongoing)

Review development applications for GI compliance and inspect delivery during construction. Track cumulative GI performance across projects.

Key outputs: Approved projects with GI requirements, monitoring reports.

Credit Guarantees & Risk Sharing for GI



Blended



Complexity:
High



Public capital used to
reduce investment risk.



Development
(& scaling)



Large-scale NbS,
urban regeneration,
flood resilience



Landscape restoration,
district-level GI.

WHAT ARE THEY?

These mechanisms use public or blended capital to reduce the financial risk of GI investments, enabling private finance to participate. Rather than funding projects directly, public capital absorbs part of potential losses, improving bankability. Public exposure is typically capped at a predefined percentage of total portfolio value

Municipalities typically partner with a national promotional bank or EU facility to structure & manage the guarantee. Can be structured for a single large project or a portfolio of smaller projects. There are two main ways risk can be reduced:

1. Through guarantees (single or portfolio)
2. Through first-loss structures (public capital absorbs initial/highest risk losses)

GOOD FIT WHEN

- Projects are perceived as high-risk
- Private finance is reluctant to engage due to high risk perception
- The city seeks to scale GI investment
- City is willing to partner with a development bank or specialised financial intermediary
- Blended finance is politically feasible
- There is a pipeline of revenue generating or cost-saving GI projects
- This instrument is most suitable for cities with a pipeline of projects totalling several million euros.

HOW THE MONEY WORKS

- Does this bring new money? Yes – it mobilises private capital.
- Who pays? Public authority or development bank provides risk coverage; private lenders provide capital. By reducing risk exposure, private lenders are more willing to invest in GI projects.
- Is it new or existing public money? Public funds are used strategically to absorb risk, not to finance the full project cost.

ADVANTAGES

- Mobilises significantly more private capital than direct grants
- Reduces financing costs
- Supports larger-scale GI portfolios
- Shares risk between public & private actors
- Enables innovation

LIMITATIONS

- Structurally complex
- Requires financial expertise
- Public capital remains exposed to loss
- Not suitable for very small projects
- Needs credible project pipeline

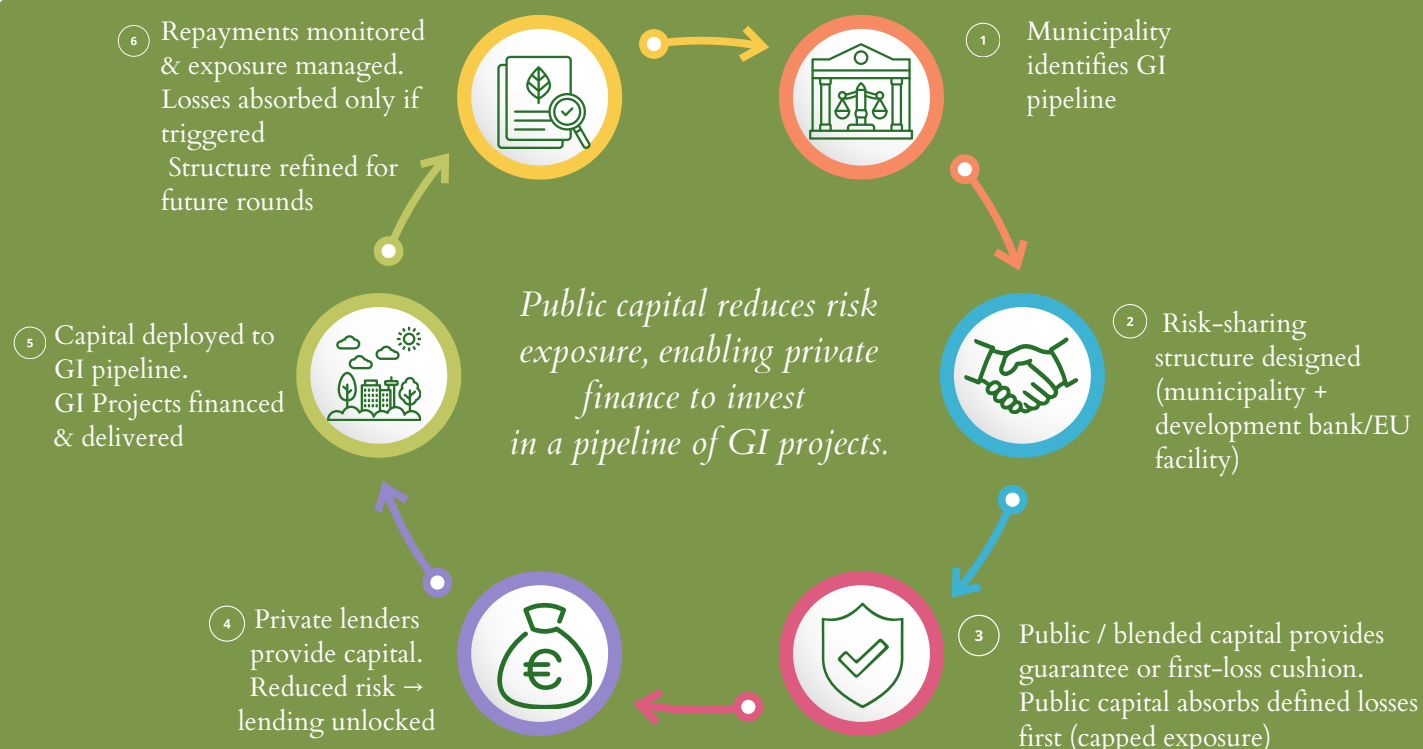
ENABLING CONDITIONS

- Clearly defined risk-sharing structure
- Clear rules on when guarantees are triggered.
- Strong financial modelling
- Institutional capacity to manage guarantees
- Transparent governance
- Pipeline of investable GI projects

CONSIDERATIONS

- Define clearly what risks are covered
- Avoid excessive public exposure
- Align guarantee size with project risk profile
- Monitor default rates carefully
- Combine with technical assistance where needed

Credit Guarantees & Risk Sharing for GI



Typical overall timeline from concept to operational facility: 12–24 months

KEY RESPONSIBILITIES

- Public authority / development bank – Provide risk coverage
- Private lenders – Provide capital
- Project developers – Deliver GI projects
- Monitoring body – Tracks financial performance

RELATED INSTRUMENTS

- Credit guarantee: covers a single project
- Portfolio guarantee: multiple projects
- First-loss structure: absorbs initial (highest risk) losses to attract/crowd in private capital
- Contingent loans/risk sharing instruments



- Start with a clear project pipeline before structuring guarantees
- Limit public risk exposure through defined coverage caps
- Combine guarantees with technical assistance
- Ensure transparent governance and monitoring

EXAMPLE

Athens Resilient City and Natural Capital (Greece): A blended finance operation under the NCFF, where the European Commission and the EIB provided risk-sharing support to mobilise capital for nature-based adaptation in Athens. This facilitated investment in parks, green corridors, roofs and other urban GI aligned with the city's resilience strategy.



STEP BY STEP GUIDE FOR CITIES

Step 1 – Identify an investable GI pipeline (3–6 months)

Assess which GI projects have potential revenue streams, cost savings, or repayment capacity and could be suitable for private financing. Conduct preliminary screening to identify projects that are financially viable but perceived as high risk by lenders.

Key outputs: Prioritised project pipeline, pre-feasibility screening.

Step 2 – Identify financing barriers (2–4 months)

Analyse why private lenders are reluctant to finance these projects (e.g. performance risk, revenue uncertainty, long payback periods). Quantify risk perception gaps.

Key outputs: Risk assessment, financing gap analysis.

Step 3 – Design the risk-sharing structure (3–6 months)

Determine whether a single-project guarantee, portfolio guarantee or first-loss mechanism is most appropriate. Define coverage levels, caps, and loss-sharing arrangements in partnership with a development bank or financial intermediary.

Key outputs: Agreed risk-sharing model, defined coverage terms.

Step 4 – Secure public or blended capital backing (3–9 months)

Mobilise public funds, national promotional bank capital, or EU facilities to capitalise the guarantee or first-loss layer. Clarify governance, trigger conditions and exposure limits. Use technical assistance as necessary.

Key outputs: Capital commitments secured, governance framework.

Step 5 – Engage private lenders and investors (3–6 months)

Present the structured risk-sharing mechanism to financial institutions and negotiate lending terms enabled by the guarantee.

Key outputs: Lending agreements supported by guarantee.

Step 6 – Monitor and adjust fund performance (annual)

Track project repayment performance, manage guarantee exposure, and refine the model over time. Ensure transparent reporting and defined coverage caps.

Key outputs: Monitoring reports, updated risk modelling.