

Financing NbS: Overview of relevant finance options

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Nature-Based Solutions

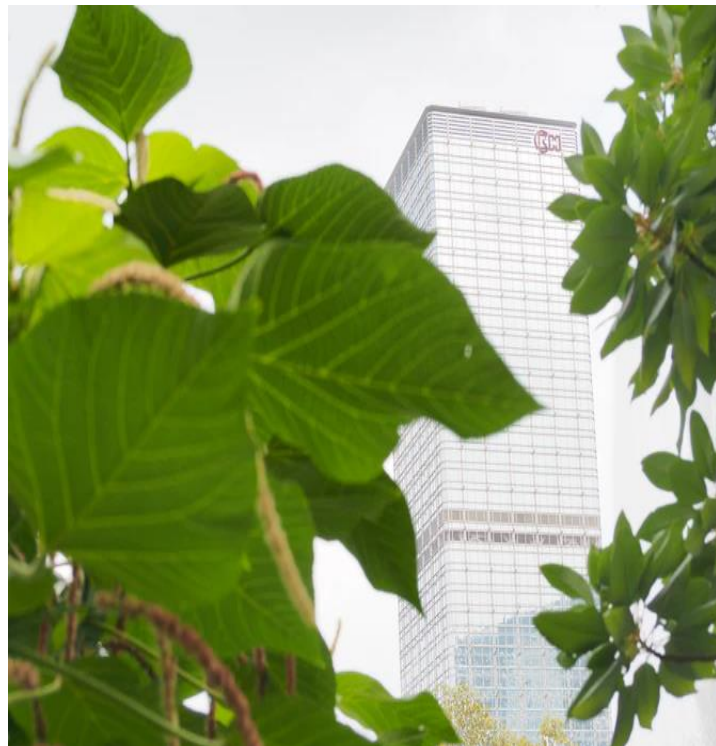
From planning to successful governance and implementation



Financing NbS status quo and potential



- While there is great demand for NbS, so far NbS are not applied at a larger scale
- NbS financing mostly from the **public sector**, **mostly smaller scale projects...**
- NbS are considered **more cost-effective** than alternative interventions
- NbS are expected to be particularly cost-effective when addressing multiple objectives at the same time



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Examples of the economic effects of ecosystem degradation



Pollinators

- global annual market value of animal pollinated crops: 235–577 billion USD
- Population of insects have declined by 40%.
- 75% of critical food crops depend on animal pollination.

Disaster risk

- coral reef mining in Sri Lanka has caused severe coastal erosion
- increased onshore destruction and loss of life from storms and tsunamis (e.g. the earthquake and tsunami event in 2004).

Nutrient run-off

- nutrient run-off (nitrogen and phosphorous) in the Gulf of Mexico creates “dead zones”
- collapse of shrimp and oyster fisheries, estimated at 300 million USD per year.

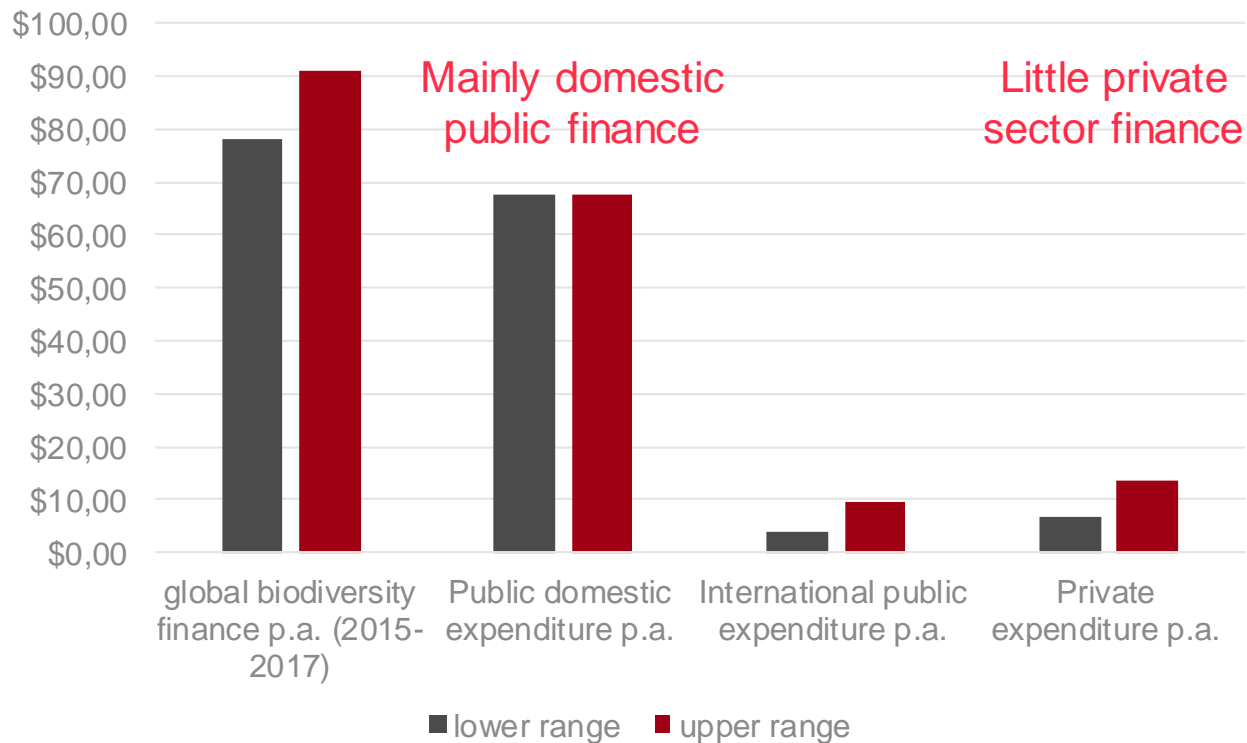


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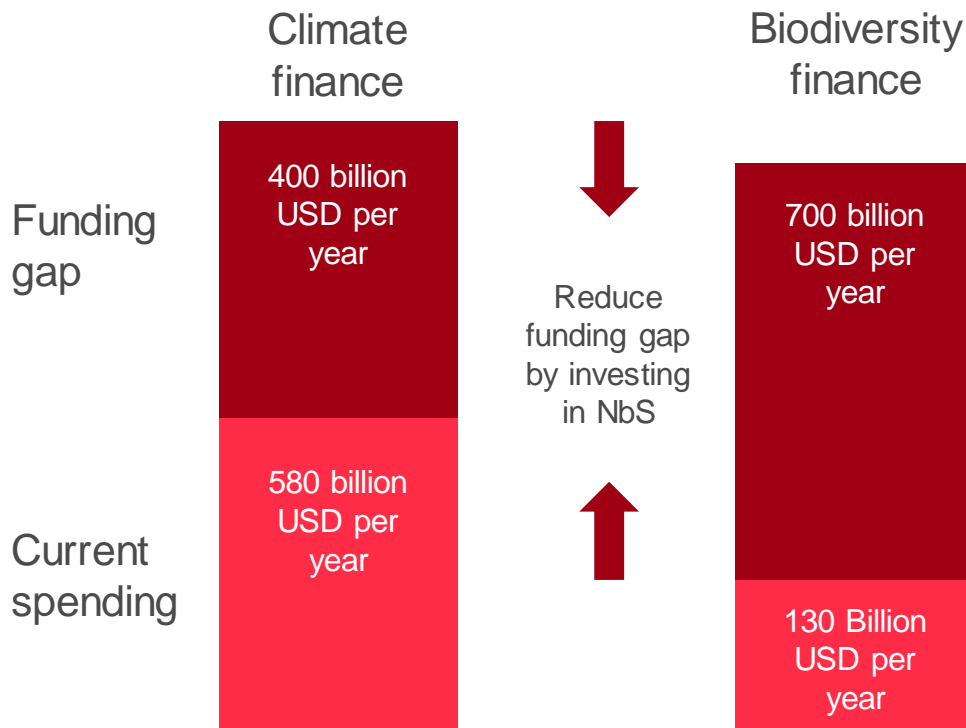
Biodiversity finance and needs



Biodiversity finance flows in Billion USD

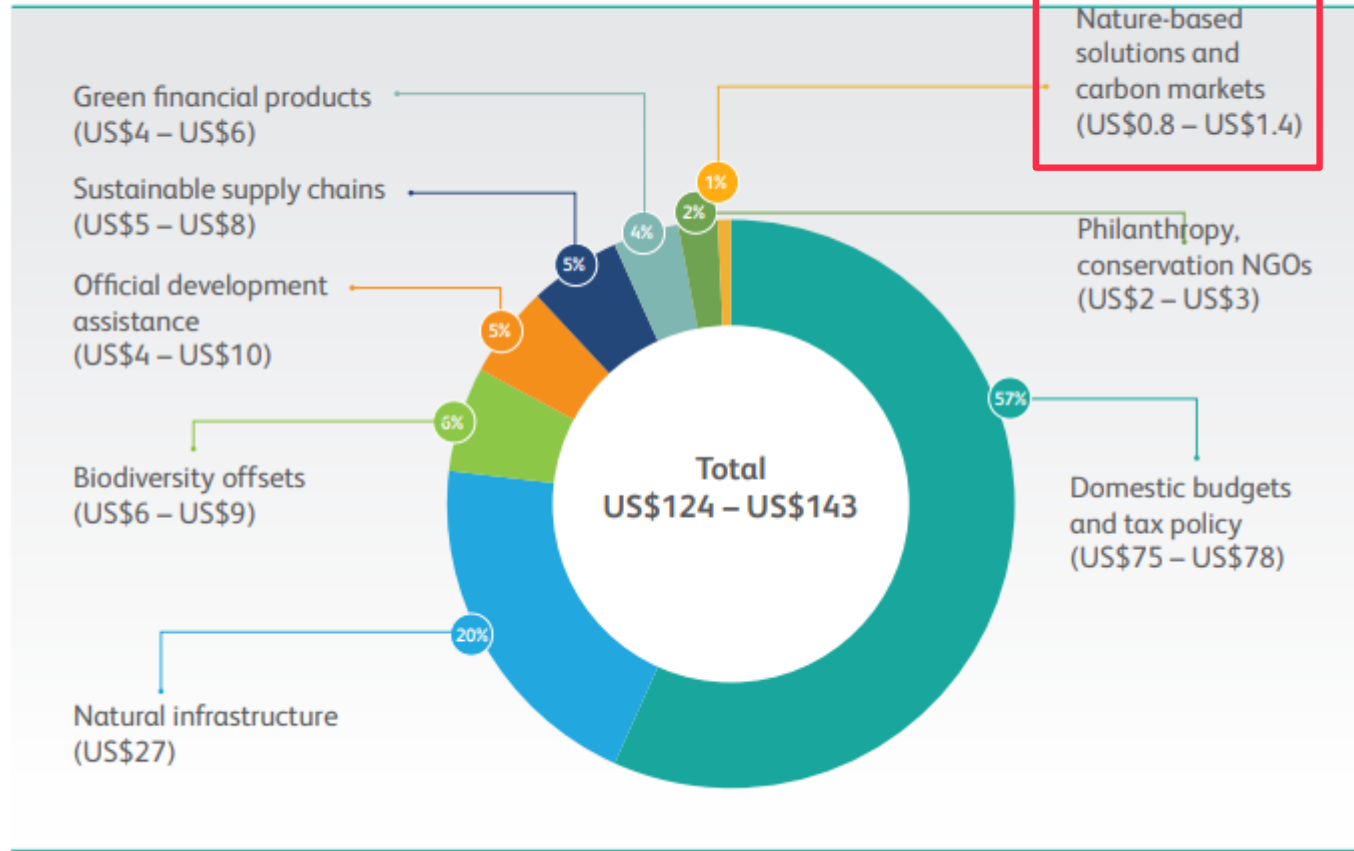


Estimated climate and biodiversity finance expenditures & needs



- NbS can help **reduce costs of climate impacts**, while generating other co-benefits.
- NbS could provide around **30% of climate mitigation needed by 2030**
- At present, NbS only receive a **small share of climate & biodiversity finance**.

FIGURE 1. Global biodiversity conservation financing in 2019: Summary of financial flows into biodiversity conservation. (in 2019 US\$ billions per year)



Challenges and needs to scale up NbS finance



- Lack of awareness and/or understanding of NbS
- Limited availability of knowledge and evidence to help make the case for NbS
- Policy and regulatory environments and governance challenges
- Access to finance for applying and scaling up NbS
- Technical challenges and gaps in capacity that impede design and wider implementation.



NbS financing sources



- Financing sources can come from domestic or international, from public or private funds.

- **International public sources:**

- multilateral funds (e.g. GCF, Adaptation Fund),
- multilateral development banks (e.g. ADB)
- bilateral technical and financial cooperation
- debt-for-nature swaps



- **Domestic public sources:**

- national development banks, and budgets
- national funds, e.g. People's Survival Fund in the Philippines



- **Domestic and international private sources:**

- certification schemes, market debt, Corporate Social Responsibility
- philanthropy



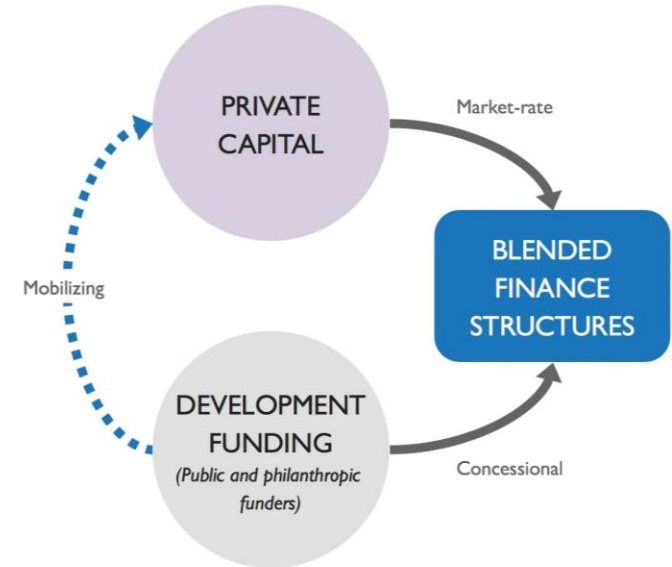
- grants
- debt financing: e.g. green bonds or bank loans
- payment for ecosystem services
- risk insurance
- taxes and subsidies
- access to green markets
- guarantees

no one-size-fits-all solution → NbS are highly context specific, e.g. regarding climate risks, ecosystems, geographical scale and level of implementation.

Blended finance



- NbS investments involve entering in unfamiliar settings reducing the risk can help to attract private capital.
- **Blended finance** combines public- and private-sector finance to help offset risks and distribute benefits of the NbS.



Blended finance: The Meloy Fund – Indonesia and Phillipines



- Meloy Fund is the first fund for sustainable small-scale fisheries in Southeast Asia.
- **Investors:** development cooperation (e.g. GEF), family offices, investment managers, and foundations
- **Aim:** provide debt and equity finance for commercially viable agribusinesses that directly work with local fishery enterprises to rebuild fish stocks and conserve coral reef ecosystems in the Philippines and Indonesia
- Managed by Deliberate Capital LCC



Credit: PexelsImages.



Blended finance: ASEAN Catalytic Green Finance Facility (ACGF) - 2019



- Green infrastructure financing facility under ASEAN Infrastructure Fund (AIF)
- **Investors:** e.g. ADB, AFD, KfW and EU
- **Aim:** accelerate development of green infrastructure projects across Southeast Asia in support of ASEAN members' climate change and environmental sustainability goals.
- **Means:** de-risking approach (\$1.4 billion funding commitments) to create bankable green infrastructure projects that can catalyze private capital, technologies, and management efficiencies.



Project Eligibility: Projects supported must

- **Be “Green”** - per the ACGF Green Framework
- **Be “Bankable”** - the ACGF team will help structure
- **Have a roadmap for private capital flow** - the ACGF will help structure
- **Have a sovereign guarantee** for ACGF Funds.

ACGF Funds aim to leverage each \$1 of public funds to attract at least \$3 of commercial funds to projects

A new market strategy for nature-based solutions

Nature+ Accelerator Fund

Conservation finance webinar
4 November – 16:00 CET



Nature+ Accelerator Fund (2021)



- New private sector focused conservation fund intended to create a scalable pipeline of investments rooted in NbS.
- **Focus:** Marine conservation and coastal resilience; smallholder production systems and sustainable agriculture; ecosystem conservation and restoration; and innovation in services, finance, and technology
- **Aim:** develop a 200 Million USD project portfolio
- Develops pipeline of NbS projects:
 - identify investable NbS projects
 - accelerate growth of mature and near-mature investment plans in NbS
 - help prepare NbS projects to access commercial financing
- Experts from private and public sector:
 - Global Environment Facility (GEF) - anchor investor (8Mio USD concessional finance)
 - Mirova - structures and operates the fund.
 - IUCN - technical expertise
 - Coalition for Private Investment in Conservation (CPIC) - investment blueprints.

NbS and the insurance sector



- NbS can play a role to help manage risks, by improving disaster risk reduction and loss prevention.
- However: insurance sector is still new to this.
- → only few fully integrated products



Credit: Unsplash Images

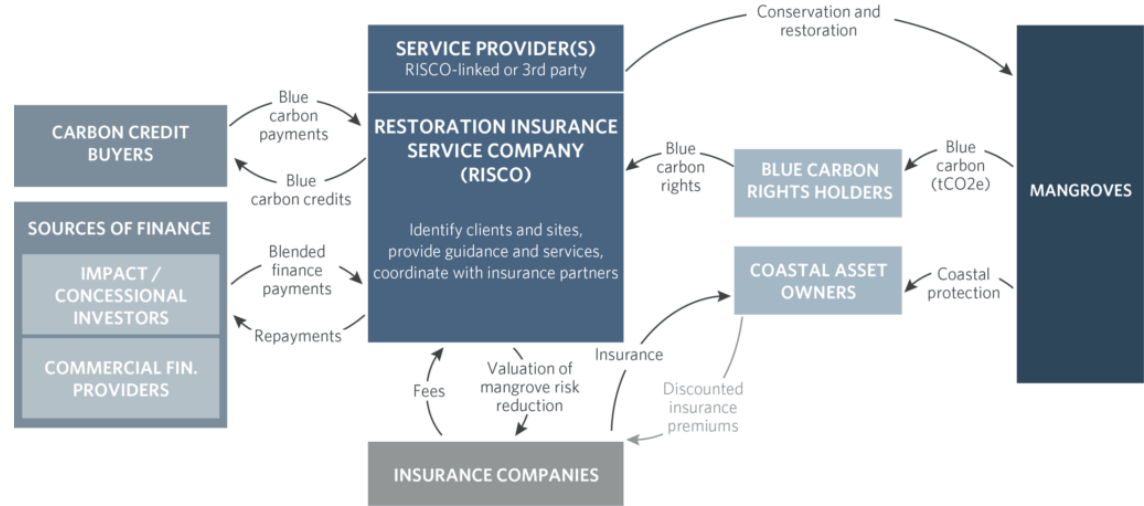
NbS can build resilience to multiple hazards



Insurance sector example: The Restoration Insurance Service Company (RISCO)



- RISCO invests in mangrove conservation and restoration
- Approach:
 - 1) coastal asset owners or insurers would pay RISCO to reduce their risk exposure,
 - 2) carbon credit buyers (companies or governments) purchase blue carbon credit produced by RISCO.
- First pilot in the Philippines, replications planned in Asia and LAC





Transparency of investments

- Provide transparency of investments associated with the funding, to allow stakeholders to trace the utilization of their investment and participation.

Scalability of measures

- Allow for and plan the scalability of measures to increase the impact and attract new commitments from investors.

Measuring and reporting achievement of financed activities

- showcase finance providers that the objectives are being met. This helps to establish a trustworthy relationship with investors.

Tap into climate finance

- Obtain access to additional financial sources and realize synergies

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