



Overview

The Global Commission on Adaptation's Action Track on Nature-Based Solutions (NBS) hosted a virtual workshop on **Innovative Financing Models for Private Investment in Nature-Based Solutions for Adaptation** on **14 October 2020**. This event identified and profiled a selection of innovative financing models that are mobilising private finance for investing in NBS to adapt to climate change. It included a discussion of what needs to be done to catalyse further private-sector investment.

The workshop featured participation from thought leaders, investors, private sector solutions providers, and **200 attendees** representing the government, the private sector, multilateral development banks, international organizations, academia, and the non-profit/NGO sector.

The outcomes of the workshop will be presented at the **Climate Adaptation Summit**, hosted by the Netherlands, on 25 January 2021, to help inform efforts to increase financing for NBS for adaptation at **COP26** and through the coming Decade of Action.

Background

Private sector finance will be a **key enabling factor for implementing NBS at scale**. However, there are certain barriers that are limiting economic returns on NBS for adaptation and are therefore preventing large-scale investment from the private sector. Innovative financing approaches can help overcome these barriers and unlock the economic value of resilience. As a result, this workshop was convened to:

- Strengthen understanding of the main **barriers to increasing scale of private finance** for nature-based adaptation solutions;
- Identify and profile **innovative financing approaches** with strong potential for scale; and,
- Explore **next steps for scaling-up** private finance for adaptation.

Event

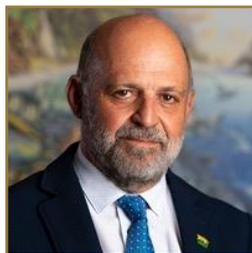
Opening Speakers



Hon. Jonathan Wilkinson
Minister of Environment and
Climate Change, Government
of Canada



Emma Howard Boyd
Chair, UK Environment
Agency



Carlos Manuel Rodriguez
CEO, Global Environment
Facility



Patrick Verkooijen
CEO, Global Center on
Adaptation



Patricia Fuller
Ambassador for Climate
Change, Government of
Canada

Moderator

Nature provides a wealth of value for climate resilience. A key challenge is to translate this value into revenue streams that drive investment in the provision of NBS. The opening speakers emphasised the historic urgency and opportunity at hand to address the climate crises as well as the root causes of the current and future pandemics by better aligning

economic and natural systems. As economies are starting to rebuild from the current pandemic, the speakers laid out a vision for “building back better” by **scaling up investment in NBS through partnership and innovation**.

Selected innovative financing models and discussion

Landscape Resilience Fund
South Pole

Digital NBS Solutions 4ALL
YAPU

Water Fund
Aquafondo

Insurance to Protect and Enable NBS
Swiss Re

Long Term Blue Bond with Impact credit marketplace
Finance for Impact



Urs Dieterich
Land Use Fund
Manager



Christoph Jungfleisch
Founder and CEO



Gianella Vasquez
Project Assistant



Philippe Brahin
Head of Americas,
Public Sector
Solutions



Hervé Solignac
Director

Reflections by:



Jay Koh
Co-Founder & Managing
Director, Lightsmith Group



Radha Kuppalli
Managing Director, Investor
Services, New Forests

Representatives of this set of innovative financing models outlined **how the financing solutions** they have pioneered successfully **overcome barriers to catalysing private sector investment in adaptation**. A set of barriers for catalysing private sector investment in climate adaptation have been identified by the Global Commission on Adaptation publication *Driving Finance for Today for the Climate Resilience of Tomorrow*, which if addressed, will **transform economies for climate resilience and catalyse substantial investment in NBS**.

Barrier Categories	Barriers
Inadequate support for action on adaptation/ resilient investment	<ul style="list-style-type: none"> • Insufficient public financial support • Insufficient incentives for private finance to act • Moral hazard surrounding physical climate risks
Policy and practice in the financial industry	<ul style="list-style-type: none"> • Weak legal/regulatory frameworks and guidance • Lack of meaningful disclosure of climate risks • Absence of harmonized and robust metrics and standards
Market barriers	<ul style="list-style-type: none"> • Perceived lack of profitable investments • Perceived low commercial readiness and resilient solutions
Nascent application of climate risk management practices	<ul style="list-style-type: none"> • Weak management of physical climate risks • Insufficient availability and adoption of climate risks data and tools
Low capacity for climate risk management	<ul style="list-style-type: none"> • Low capacity within Financial System Governance Bodies • Low capacity within financial actors

Those barriers also informed the design of the workshop, the invitation for financing models and the selection criteria. A **total of 21 submissions** were received and assessed by criteria including the ability to overcome key barriers, potential for scale, and resilience benefit. The 5 models presented were selected on a competitive basis:

- **Landscape Resilience Fund (South Pole):** supports the most vulnerable people in land-use space by providing knowledge and investing in SMEs and other small local organizations that target adaptation and resilience through sustainable agriculture and forestry, as well as other NBS. It has secured \$25 million from private investors that will be invested over the course of 5 years.
- **Digital NBS Solutions 4ALL (YAPU):** provides a SaaS platform for the digitalization of lending processes of financial institutions), which includes an automated NBS validation that combines climate exposure data, agricultural practices' sensitivities and measurement of NBS adaptive capacity. It will support over 1 million smallholder farmers and provide \$2 billion of investment in NBS in the next 3 years.
- **Water Fund (Aquafondo):** promotes conservation action in the 3 basins that supply the city of Lima, Peru, which are affected by extreme droughts, floods and soil erosion. With partners, it developed a strategy to attract private sector and international cooperation by issuing certificates of donations that allow for tax deduction. Over \$3 million were invested in 22 projects directly contributing to more water in Lima.
- **Nature Based Insurance Solutions (Swiss Re):** helps Canadian municipalities to optimize limited public funds and incentivize the conservation of natural assets. This approach involves a campaign to educate public and private sector leaders about insurance to de-risk investment in climate adaptation and NBS. It also explores how investments in Canada's rich source of natural assets can be an effective climate adaptation tool and how insurance solutions can incentivize conservation. This work builds upon the world's first nature-based insurance solution for the Quintana Roo coral reef in Mexico and the Texel island project in the Netherlands.
- **Long Term Blue Bond with Impact and Credit Marketplace (Finance for Impact):** combines existing financial instruments with an impact offsetting scheme. It consists of a blue bond, issued by a public authority to access inexpensive funding from capital markets. This blue bond is reimbursed partially through budgetary funds from the public issuer and partially from the proceeds of sale of 'impact credit', which would be done through a dedicated digital marketplace.

Below are links to the 5 selected innovative financing models as well as other submitted models that generously agreed to share their information.

Organization	Name of the Innovative Financing Model	Link
Aquafondo	Water Fund	here
Blue Finance	Blended Blue Finance Facility	here
Conservation International	Green-grey infrastructure models	here
Convergence Finance	Asia Natural Capital Design Funding Window	here
Fasset	Tokenization to scale private investment for the integration of NBS into sustainable infrastructure	here
Finance for Impact	Long Term Blue Bond with Impact Credit Market Place	here
Forest Trends	Natural Infrastructure for Water Security (NIWS)	here
MOSS	Marketplace for Carbon Credit	here
South Pole	Landscape Resilience Fund	here
Swiss Re	Nature Based Insurance Solutions	here
UNEP	Tropical Landscape Finance Facility	here
UNEP	Land Use Finance Programme	here
UNEP and Rabobank	Agri3 Fund	here
Viridis Terra International	Integrated Forest and Agroforest Landscape Restoration (IFLR®)	here
YAPU	Digital NBS Solutions 4ALL	here

Way Forward

Consistent with the barriers to financing adaptation identified in the Global Commission on Adaptation publication on Driving Finance for Today for the Climate Resilience of Tomorrow referenced above and key messages from the workshop, three key steps are recommended to scale up private investment in NBS:

- Increase **understanding of the business case** for investing in NBS for adaptation to climate change, including through the quantification of costs and benefits, as well as identifying and highlighting high potential investment models;
- Promote **access to and use of climate information**, and **the development of shared metrics for measuring outcomes**, to motivate and focus private investment for adaptation impact; and,
- Strengthen **enabling conditions for private investment** in NBS for adaptation, including through incentives and blended finance mechanisms that share risks among investors.

Workshop Convening Partners



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