Developing blended finance capacity for nature on a national level

April 2023

Commissioned and developed in collaboration with the *Dutch Ministry of Agriculture, Nature and Food Quality (LNV)*:

Caroline van Leenders – Senior Policy Advisor Biodiversity and Finance (Ministry of LNV / Netherlands Enterprise Agency)

Jan-Willem den Besten – Senior Expert Conservation Finance (IUCN-NL)

Prepared by *Wolfs Company – Part of Grant Thornton*:

Joris van Pul – Consultant

Amílcar Guzmán Valladares – Senior Manager/Director

Esther Wolfs – Partner

Key points

1. Blended finance is one of the most impactful ways to mobilize private investments while using limited amounts of public funding, thereby representing an opportunity to **raise additional finance** for funding the goals and targets of the Kunming-Montreal Global Biodiversity Framework (GBF). Blended finance is currently used for biodiversity in practice, as the variety of **23 cases** mentioned in this paper illustrate.
2. The context-specific nature of biodiversity related projects makes the **development of domestic markets for blended finance** necessary to structurally mobilize private financing for biodiversity. Given the challenges facing the development of such markets - in particular in developing countries - many non-state and state actors acknowledge **the need to explore solutions** that can potentially be deployed in the near future.
3. Domestic **blended finance vehicles and facilities** that answer to the needs of specific biomes and local opportunities for biodiversity investments can facilitate **transactions that are in line with a country's priorities and commitments, such as those that are specified in their National Biodiversity Strategy and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs)**.
4. New solutions to catalyze the development of domestic blended finance can **build on the existing vehicles, facilities and financial infrastructure** relevant for a specific country to avoid duplication of efforts, minimize transaction costs and create opportunities for synergies with development banks, impact investors and others.
5. A **whole-of-society approach** should be applied to ensure inclusion of **Indigenous Peoples and Local Communities (IPLCs), youth, women, Non-Governmental Organizations (NGOs)** and local business hubs when designing the governance structure of new solutions for blended finance development.
6. Support for **capacity building** and **technical assistance** will be needed in countries that do not have direct access to capacity and expertise required to structurally set up blended finance transactions. Solutions for blended finance for biodiversity can be developed in line with the approaches of **BIOFIN** and could be part of the BIOFIN program in developing countries.
7. For countries that are constrained in availability of domestic resources**, additional public or philanthropic resources** will have to be made available.

Contents of this paper

Introduction

Following the discussions held during the Convention on Biological Diversity (CBD) Conference of Parties (COP-15) in Montreal, this document represents an effort initiated by the Dutch Ministry of *Agriculture, Nature and Food Quality* to outline an idea for mobilizing more private financing for biodiversity. The idea aims to capture potential ways in which (international) development finance (e.g. through ODA) can support the domestic creation of blended finance transactions – in particular in developing countries. This exploration is a next step following the work done by the *Interface Dialogue Finance an Biodiversity*[1] and part of the Dutch effort to align private financial flows for the *UK's 10 Point Plan for financing biodiversity*[2].

The new *Kunming-Montreal Global Biodiversity Framework*[3] (GBF) has adopted the target of mobilizing 200 billion USD per year towards biodiversity (articulated in target 19) - a target that can most likely be reached only by leveraging private financial flows that complement public finance. Through blended finance transactions, publicly mobilized development finance can be strategically used to mitigate investment risks (i.e. de-risking investments) and/or enhance the expected returns of investment, thereby mobilizing additional private (i.e. commercial) finance for sustainable development.

The structural implementation of such transactions can be facilitated by the development of a domestic market for blended finance. The development of vehicles and facilities that can operate for specifically assigned (sets of) countries may be an important solution for stimulating more domestic private sector financing. This document aims to outline the main challenges related to developing domestic blended finance for biodiversity, what is needed to address these challenges, and what type of vehicles and facilities may represent solutions that answer to these needs.

Even though domestic blended finance transactions could become instrumental in mobilizing more private finance for biodiversity, it should also be noted that these will not be the only solutions for financing the targets of the GBF, but rather solutions that should be developed in concert with ongoing efforts to mainstream biodiversity in both public and private domains (e.g. through the removal of harmful subsidies, adoption of metrics and reporting frameworks for the private sector, among others). It should also be noted that setting up blended finance transactions requires opportunities to have a revenue line that produces financial returns – meaning that not all type of conservation efforts needed to realize the GBF can be financed through such transactions.

---

[1] www.IDFB-dialogue.org
[2] https://www.gov.uk/government/publications/political-vision-the-10-point-plan-for-financing-biodiversity/the-10-point-plan-for-financing-biodiversity
[3] https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222

Challenges facing the development of blended finance for biodiversity

The development of blended finance for biodiversity comes with a range of challenges, including those that are currently facing blended finance development in general[4], as well as challenges that are unique in the context of biodiversity. The following main challenges have been repeated throughout available literature as well as through interviews conducted for this explorative study:

- Private investors often perceive blended finance opportunities as having a **high-risk profile with low expected returns**. This perceived risk is often higher than the actual risk, but a **lack of data on blended finance operations** means there is little evidence to demonstrate commercial viability before an investment decision takes place. This in turn contributes to the currently observed **lack of project pipelines** and bankable/sizeable investment opportunities for blended finance in general.
- The **ticket size** of investment opportunities for biodiversity are often considered too small for commercial investors.
- Impacts of blended finance transactions are often **not adequately monitored** and evaluated through the use of recognized, best practice environmental, social and governance standards.
- Opportunities to develop blended finance transactions for biodiversity are highly **context-specific**, as is the case for other biodiversity finance solutions (e.g. Payment for Ecosystem Services schemes, ecotourism or agroforestry models, etc.). Each country has **unique opportunities to develop domestic financing solutions** to meet their commitments, which need to be articulated in an NBFP. Relevant international programs, such as the Biodiversity Finance Initiative (BIOFIN)[5] of the United Nations Development Program (UNDP)have been created to facilitate a domestic identification of financing solutions that can be adopted in NBFPs. However, many countries have not created NBFPs to this date, and among those that have created them, their identified financing solutions have often **not yet resulted in the structural implementation** of blended finance transactions.
- Current sources of public funding (e.g. Global Environmental Facility or European Investment Bank) in blended finance transactions for biodiversity are often **difficult to access due to their complex administrative procedures**, are not necessarily in line with the specific contexts of NBSAPs, and are **not focused on developing a domestic market** for blended finance.
- Implementation of blended finance transactions for biodiversity requires **knowledge and expertise within the national context**. This type of capacity is often not available or effectively reached for the structural development of blended finance solutions.
- There is a **lack of standardized financial products** for biodiversity. As opposed to existing investment models for climate mitigation (e.g. through the trade of carbon credits), it is more **complex to create a standardized metric** to measure biodiversity that can be incorporated into financial products.
- Biodiversity is **typically not mainstreamed in national policies**. In most countries, there are policy-related barriers such as harmful subsidies and/or trade policies, **lack of regulations that can incentivize the private sector** to become nature positive (e.g. through mandatory disclosures on biodiversity impact), lack of green public procurement processes, or lack of inter-ministerial collaboration on nature related topics, among others.

---

[4] General challenges for blended finance are observed and documented by the OECD and Convergence, among others, and are mainly based on experiences of blended finance related to climate. Resources such as the following provide more information on these type of challenges:
https://www.oecd.org/dac/2023-private-finance-odfi.pdf
https://www.convergence.finance/resource/state-of-blended-finance-2022/view

[5] The BIOFIN Initiative has created a catalogue of financing solutions for biodiversity:
https://www.biofin.org/finance-solutions

Main needs for the development of domestic blended finance for biodiversity

Given the range of challenges facing the development of blended finance for biodiversity, this section explores the main needs that (potential) solutions would have to address to stimulate private investments in biodiversity. To propose possible models for such solutions, this section reflects on three main components (sourcing, management, and deployment) that are considered to cover main elements of resource mobilization for biodiversity[6], as displayed in Figure 1. The needs that are identified under each of these components were selected based on the review of literature, discussions held during COP-15, and interviews with experts on the topic of blended finance for biodiversity.

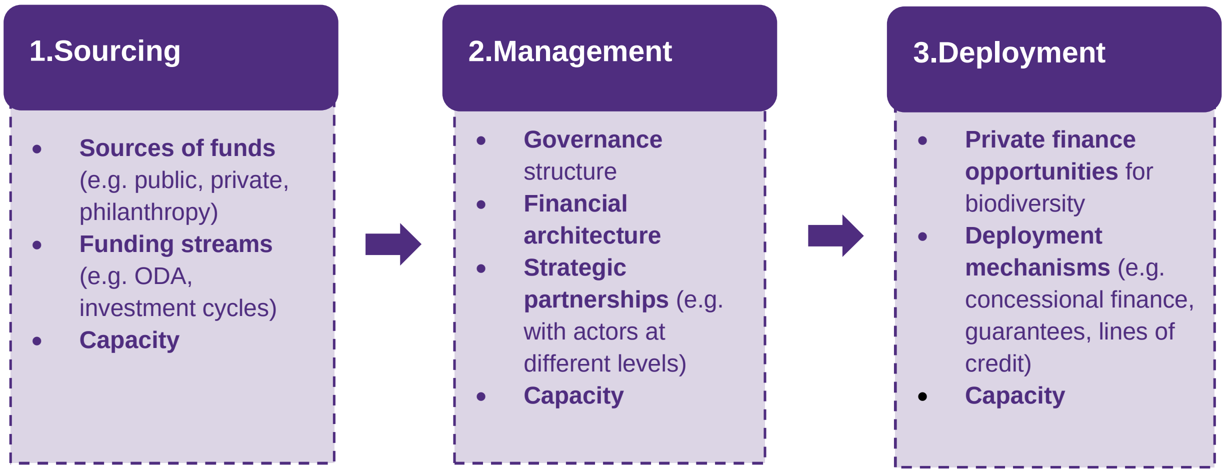


Figure 1: An illustration of the three main components of resource mobilization for biodiversity (as derived from literature and interviews)

Sourcing

For the sourcing of domestic blended finance for biodiversity, the following needs would have to be covered:

- **Sources of funds**: As is currently the case for the GEF, the sources of funds to be mobilized would need to consist of mainly public finance from developed CBD countries (e.g. through ODA, commitments, or investments), complemented with philanthropic funds where needed and possible. If return-based mechanisms are used by a (new or existing) investment vehicle, any return on investment can be re-used as a source. The commercial financing component is ideally sourced domestically to advance the development of a local market for blended finance.
- **Funding streams:** Public funds need to flow (e.g. through ODA or repeated investment cycles) into either the currently assigned mechanism under the CBD (i.e. the GEF) or to other existing funds, facilities or financial infrastructures that can channel funds for biodiversity to developing countries. Ideally the existing network of funds, facilities and local financial infrastructures should allow donor countries to channel a portion of their yearly ODA to support blended finance transactions specifically for the GBF.
- **Capacity:** Capacity and expertise is required to identify and access the different sources of international (development) finance, as well as the country-specific domestic sources of private finance. Ideally, this type of capacity is capable of matching these different sources of finance for particular blended finance opportunities that meet with specific goals of NBSAPs and NBFPs.

---

[6] More detailed elements could contain for example aspects that CTFs or other funds consider for their design. The 2020 Practice Standards for CTFs is an example that proposes core areas of fund design – however some of these may be specific to CTFs and not applicable for a blended finance facility

Management

For the management of domestic blended finance for biodiversity, the following needs would have to be covered:

- **Governance structure:** A potential new vehicle, facility and/or the existing domestic financial infrastructures in place need a governance structure that allows decision making to be aligned with national and international biodiversity (and climate) strategies – and would therefore likely include civil society representatives. Interviews suggest that these representatives should be able to represent all relevant landscapes, sectors, provinces, (indigenous) communities, and youth, women or gender groups of a country. Depending on the type of solution, an advisory body can be considered in which different private sector actors, financial experts, NGOs, indigenous communities, and other relevant stakeholders can provide input when necessary.
- **Financial architecture:** For a given country, it needs to be investigated whether the type of blended finance outlined in this document can be achieved through existing funds, facilities, and the domestic financial infrastructure in place. In some cases, a dedicated new vehicle or facility may be required to guarantee sufficient transparency and autonomy (e.g., from national political cycles) in its financial management, and to mitigate context-specific financial risks.
    - **Using existing vehicles and facilities:** Different types of blended finance vehicles and facilities that are regionally or thematically active may be able to provide some (but most likely not all) of the blended finance solutions in a particular country. Their financial structure, governance, legal status and track record are among some key aspects to consider when assessing their suitability to enable blended finance transactions.
    - **Establishment of a new vehicle or facility:** A facility that is dedicated to one specific country or a set of countries can be created to implement context specific blended finance opportunities at various levels (e.g. national, landscape, or local) and address contextual barriers. The most appropriate and feasible avenue for creating a vehicle or facility may vary depending on economic and political factors. Through interviews it was observed that international donors prefer to channel funding through organizations that are not directly tied to a single country or government, which is an important factor that needs to be considered. In certain cases, the most suitable structure that can provide adequate transparency and resilience to national political shifts may not yet be in place, and will have to be designed based on the national, regional, or thematic context in which a new vehicle or facility intends to operate. Several factors may affect the feasibility to establish a vehicle or facility that operates on a national level or alternatively for a set of countries. These can include cost effectiveness, availability of capacity, the scale of a country, or the similarities and relations between countries that could potentially be clustered (e.g. culture, language, ecosystems, stage of economic development, governance systems, currency).
- **Strategic partnerships:** As with the BIOFIN process, a multidimensional 'whole of society' approach is necessary, where a fund, facility or the existing domestic financial infrastructure collaborate with governments at different levels, local communities, national or regional development finance banks, relevant private sectors, the national BIOFIN teams, other blended finance funds, vehicles and facilities, locally active impact investors, etc. It is key that landscape partnerships can be formed and maintained that are capable of developing financing opportunities and which can connect initiatives and project pipelines with suitable local banking partners. Integrated landscape approaches are needed that allow for harmonization between ambitions and targets related to themes such as climate, sustainable livelihoods, poverty alleviation, economic development and clean water and sanitation - and that synergies and knowledge exchanges are structured between different (national or international) actors on these topics.
- **Capacity:** A source of capacity and expertise required to advance implementation of mechanisms needs to be identified. Interviews suggest that the type of capacity and expertise required varies greatly with the type of mechanism to be implemented, location, stage of economic development, etc. It needs to be investigated on a case-by-case basis whether capacity of international development organizations (e.g. GEF, BIOFIN, or multilateral and public development banks) can be flexibly used, and if particular solutions can be designed to fill the financial absorption capacity needs in developing countries.

Deployment

For the deployment of domestic blended finance for biodiversity, the following needs would have to be covered:

- **Private finance opportunities for biodiversity:** The most feasible opportunities for private sector financing to help cover biodiversity-related needs have to be clearly integrated into NBFPs that respond to the national biodiversity goals and targets that are set up in NBSAPs. A dedicated vehicle, facility or existing domestic financial infrastructure should focus on further exploring those opportunities where there is a need and potential to structure blended finance transactions. These opportunities must always have a potential revenue line that can yield a financial return to the respective investor. Given the currently limited availability of replicable and scalable biodiversity-related opportunities (as compared to carbon-related ones, for example), specialized technical and financial assistance (e.g., through facilities) seems necessary to refine and standardize (new) approaches to create these opportunities where possible.
- **Deployment mechanisms:** The development of markets for blended finance for biodiversity requires deployment mechanisms that provide long-term incentives for the private sector and adequately respond to the local conditions (e.g., regulatory framework, currency, risk profiles, etc.) in which the investments take place. Examples of mechanisms that can be deployed include: concessional loans, design-stage grants, grant-funded technical assistance, guarantees, lines of credit, micro-loan facilities, private equity, seed financing, incubation, innovation funds, green financial products, matchmaking platforms, among others. Examples of vehicles, funds and facilities that have applied these mechanisms in practice are displayed in the final section of this paper.
- **Capacity:** The Global Environmental Facility (GEF), Land Degradation Neutrality Fund (LDNF) and other funds have created various types of assistance facilities that aim to provide the expertise and capacity required for implementation. Given the strong need for mechanism-specific expertise and capacity during implementation, the creation of a similar assistance facility can be considered. Depending on the context, there may be demand for technical assistance during stages of pre-investment (e.g. for lead identification, assistance or training to improve project preparedness in a specific context, deal structuring or designing projects to maximize impact), implementation, post-investment (e.g. creating capacity for monitoring or adaptive project management), or to improve the local market for blended finance (e.g. improving the legal or policy environment).

Possible solutions for developing domestic blended finance for biodiversity

New solutions that operate complementary to current financing mechanisms such as the GEF, GCF or LDNF, can allow funds from such sources to be effectively channeled and allocated to create, enable and scale-up blended finance opportunities to advance NBSAPs' implementation and, ultimately achieve the international biodiversity goals that are set in the GBF.

As previously mentioned, it is important that blended finance solutions for biodiversity build on existing financial architectures (including DFIs, MDBs, PDBs, commercial banks, pension funds, among others) to avoid the duplication of efforts, minimize implementation and transaction costs, capitalize on opportunities for synergies and develop context specific blended finance transactions. Depending on the country, it may be possible that this existing architecture can already address some of the needs that are outlined in the section above. The creation of new solutions should therefore focus on those needs that remain unaddressed in each case of interest.

This section presents three types of solutions that, depending on the context-specific needs of a country, can stimulate the development of domestic blended finance for biodiversity. These solutions can be implemented for a particular set of countries, region, type of ecosystem (e.g. tropical rainforests, coral reefs, etc.), or investment theme (e.g. sustainable agriculture, eco-tourism, protected areas, etc.), as relevant and feasible:

- *Specialized aggregation vehicle*
- *Project preparation facility*
- *Technical assistance facility*

This section also outlines a number of cross-cutting elements of support that can stimulate the broader development of blended finance for biodiversity in developing countries.

Specialized aggregation vehicle

A vehicle whose main objective would be to aggregate financing from the different international sources of development finance and philanthropic organizations, and to deploy this financing to structure blended finance transactions. Activities of such a vehicle can include:

- Attracting and aggregating international development and philanthropic finance that can be deployed for blended finance in a particular set of countries, region, type of ecosystem or investment theme related to biodiversity.
- Assigning finance from multiple sources to meet the specific goals of NBSAPs and NBFPs of particular countries, and matching it with opportunities for blended finance. This can be done through mechanisms such as design stage grants, grants for technical assistance, guarantees, credit lines or concessional loans
- Coordinating ongoing information exchange between relevant development agencies, government agencies, NGOs, and private sectors to identify opportunities, understand investment requirements, and share best practices and blueprints on blended finance structures for biodiversity

Project preparation facility

A facility whose main objective would be to prepare projects for blended finance investments. Such a facility would work with a wide range of stakeholders, including project developers, government agencies, and investors, to ensure that projects are prepared to meet the (financial and non-financial) requirements of investors and other stakeholders. Activities of such a facility can include:

- Improving the bankability of projects so they become eligible to receive commercial investments (e.g. by developing business plans with clearly defined revenue models and financial needs, aggregating multiple small scale projects, or by identifying, assessing, and managing project risks).
- Identifying domestic/local commercial banking partners and aligning their objectives and investment requirements (e.g. related to risk-return expectations and ticket size) with those of international donors. Identifying leads of projects for which these sources of financing could potentially blend.
- Structuring blended finance deals by determining how different sources of capital will be blended together to finance a project, defining the terms and conditions that apply to each source of capital, assisting with due diligence, and finalizing legal agreements.

- Stimulating the uptake of blended finance for biodiversity by building a transparent track record of blended finance transactions, collecting data on their (financial) performance, and by actively creating and sharing replicable investment models.

Technical assistance facility

A facility whose main objective would be to provide technical assistance and support to ensure that biodiversity related projects are properly designed and implemented and achieve their intended outcomes. This type of assistance requires expertise and knowledge within the specific context (e.g., country or landscape) of projects, and an approach that involves a variety of local stakeholders. A facility could potentially access such expertise through locally active NGO's, development banks or government agencies. Activities of such a facility can include:

- Providing training and capacity building to project teams, transferring knowledge and experience on integrated landscape approaches as well as on relevant financing mechanisms that could potentially be developed.
- Assisting project teams in designing projects or pilots in a specific context, conducting feasibility studies or technical assessments to identify areas for improvement, and helping to develop monitoring and evaluation frameworks to track project performance and enable their adaptive management.
- Assisting in the formation of partnerships that can implement an integrated approach to financing, defining a framework in which all relevant stakeholders (e.g. national or local government, NGOs and private sector) in a particular context can collaborate to develop financing solutions.

Cross cutting elements of support

Interviews and literature suggest that general know-how, adequate enabling environments and supportive capacities are essential cross-cutting elements to create blended finance transactions across most countries. These three elements are outlined below:

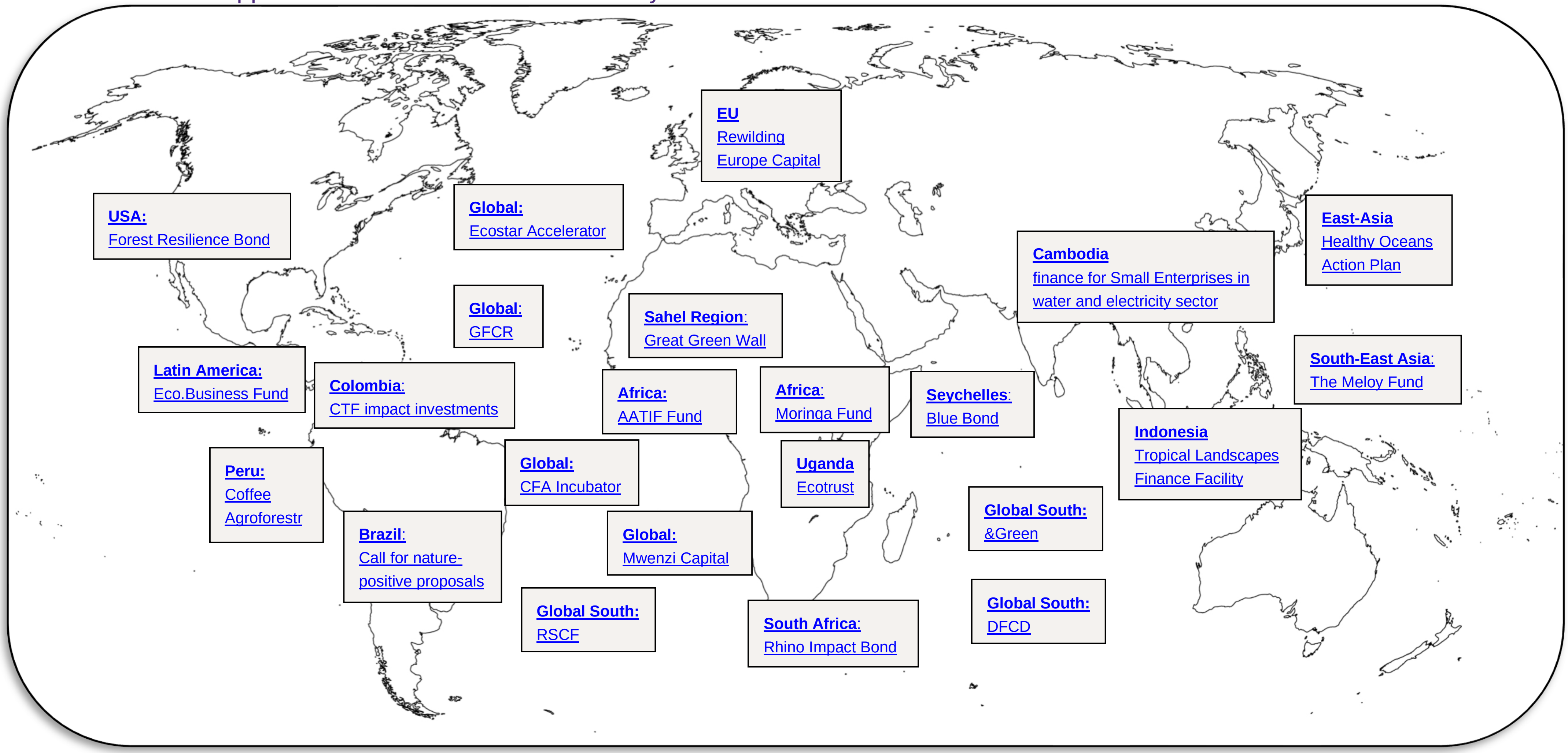
1) **Developing general guidelines:** A set of general guidelines that describe the main conditions that have to be in place to access or develop blended finance on a national level – and that contains a step-wise structural approach that countries can follow. These guidelines should provide key learnings and success factors from a wide variety of existing best practices in the world (such as displayed in the final section of this document) that are implemented on international, national, landscape or local level. These guidelines can incorporate learnings from blended finance transactions in other sustainability related fields (e.g. carbon, sustainable energy) where this is relevant. It is important that these guidelines provide the right tools for countries to undertake a situational analysis and determine which type of solution(s) need to be developed.
2) **Improving national enabling conditions**: There is room to envision an approach that – similar to the BIOFIN process – can be initiated and realized for one or a cluster of countries to create favorable conditions for blended finance development. On a national level, specialized working groups could be created that are focused on identifying and addressing national barriers to blended finance, for example related to environmental, administrative, socio-economic, legal, political, and political factors. Barriers may be addressed by promoting the adoption of sectoral- and inter-ministerial collaboration, shared learning, integrated landscape management, the creation of public-private partnerships, or other approaches to mainstream biodiversity and blended finance in the national policy context. These working groups should consist of national representatives and can use external support from technical assistance teams, such as local BIOFIN teams that are have worked with national governments to develop plans for financing biodiversity.
3) **Building capacity**: Funding may be needed to build the required capacities for the assessment and design of blended finance transactions through existing financial architectures or new, country-oriented blended finance facilities. Based on the context specific opportunities that a blended finance facility identifies, additional types of capacity and expertise that are not available in the respective countries, might have to be built or externally sourced.

Final remarks

This document has outlined a set of challenges, needs and potential solutions related to the domestic development of blended finance for biodiversity. It is important to emphasize that developing this type of blended finance comes with a unique set of challenges and characteristics; as compared to other investment themes (e.g. green energy), investments in nature will always be strongly embedded into a unique physical context with distinct types of (relations between) ecosystems, species, landscapes, and people. Communities are often custodians of natural areas and rely in unique ways on the different types of services that ecosystems can provide to them, while these communities can also play a key role in their successful conservation. These unique forms of local embeddedness make investments in biodiversity different from investments in other themes, and demand solutions to be developed that can recognize and answer to the specific needs and opportunities that each particular context brings. Going forward, this means there is room – along with a sense of urgency – to explore and develop solutions such as outlined in this paper that can be tailored to specific contexts, and which will require a shared vision and coordinated efforts among key international stakeholders.

Cases of applied blended finance for biodiversity

Ctrl + Click on a box to see a more detailed description



List of BIOFIN countries:

Mexico
Cuba
Belize
Guatemala
Costa Rica
Panama
Colombia
Ecuador
Peru
Chile
Argentina
Brazil

Ireland
Sweden
Belarus
Georgia

Niger
Egypt
Gabon
Uganda
Rwanda
Tanzania
Zambia
Malawi
Mozambique
Namibia
Botswana
South Africa
Madagascar

Kazakhstan
Kyrgyzstan
Mongolia
China
Nepal
Bhutan
India
Sri Lanka
Seychelles

Vietnam
Cambodia
Malaysia
Philippines
Indonesia
Fiji

The examples and best practices of applied blended finance for biodiversity that are displayed below vary greatly in terms of their size, deployment mechanisms used, thematic scope, types of projects financed, geographic focus, and stage of development. As such, the listing of these cases does not intend to stimulate a direct comparison between them, for example between the different leverage factors that could be derived from their track record (i.e. the ratio between public and private financing mobilized to finance a particular project). However, it is exactly this diversity and incomparability that underlines how context specific implementation of blended finance for biodiversity can be.

Rhino Bond

Main characteristics: The world's first "Wildlife Conservation Bond". A five-year $150 million Sustainable Development Bond that includes a potential performance payment from the GEF, which will contribute to protecting and increasing black rhino populations in two protected areas in South Africa. Investors in the WCB will not receive coupon payments on the bond. Instead, the issuer will make conservation investment payments to finance rhino conservation activities at the two parks. If successful, as measured by the rhino growth rate independently calculated by Conservation Alpha and verified by the Zoological Society of London, investors will receive a success payment at maturity, paid by the IBRD with funds provided by a performance-based grant from the GEF, in addition to principal redemption of the bond.

Type of blended finance: Concessional debt or equity, Design stage grants, Grant-funded technical assistance

Key actors: Credit Suisse and Citibank (as structurers), GEF (funding), IBRD, WCS, private investors

Type of conservation targeted: species conservation

Links for information:

https://www.worldbank.org/en/news/press-release/2022/03/23/wildlife-conservation-bond-boosts-south-africa-s-efforts-to-protect-black-rhinos-and-support-local-communities

Seychelles Blue Bond

Main characteristics: The bond, which raised US$15 million from international investors, demonstrates the potential for countries to harness capital markets for financing the sustainable use of marine resources. Proceeds from the bond will include support for the expansion of marine protected areas, improved governance of priority fisheries and the development of the Seychelles' blue economy. Grants and loans will be provided through the Blue Grants Fund and Blue Investment Fund, managed respectively by the Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT) and the Development Bank of Seychelles (DBS). The Seychelles blue bond is partially guaranteed by a US$5 million guarantee from the World Bank (IBRD) and further supported by a US$5 million concessional loan from the GEF which will partially cover interest payments for the bond.

Type of blended finance: grant-funded technical assistance, concessional debt, guarantees

Key actors: World Bank (technical assistance), SeyCCAT (deployment), DBS, private investors

Type of conservation targeted: sustainable use, restoration

Links for information:

https://www.worldbank.org/en/news/press-release/2018/10/29/seychelles-launches-worlds-first-sovereign-blue-bond

Yuba II Forest Resilience Bond

Main characteristics: Developed by Blue Forest, the World Resources Institute (WRI), and the U.S. Forest Service, the Forest Resilience Bond (FRB) is an investment vehicle that finances forest restoration projects across public lands. The FRB provides the catalytic capital needed to fund public forest land management in a timely and effective way. Private forest/watershed beneficiaries can invest in the vehicle. For example, a $6M commitment from Yuba Water Agency will enable $25M of projects in the North Yuba footprint.

Type of blended finance: Design stage grants, concessional debt

Key actors: Blue Forest, WRI, US Forest Service

Type of conservation targeted: prevented deforestation, protecting watersheds

Links for information:
https://blueforest.maps.arcgis.com/apps/Cascade/index.html?appid=c034415b1d69410c9df5d69e172260a8

Eco. Business Fund

Main characteristics: Eco.Business Fund seeks to address the lack of financing for local sustainable businesses in developing regions that contribute to biodiversity conservation, the sustainable use of natural resources, and climate change mitigation and adaptation. The fund financing is channeled mainly to local financial institutions – who then lend to their clients – the ultimate target of the fund. It also make direct investments in businesses (e.g., commodity buyers). Bilateral donors such as BMZ and the EU invested in concessional equity and debt, assuming the greatest risk of losses. DFIs such as FMO and Oesterreichische Entwicklungsbank AG (OeEB), as well as impact investors such as Calvert Impact Capital made less- risky debt and equity investments. These investments catalyzed private investment from commercial banks (e.g., RBI, ASN Bank) in the form of debt, which bore the least amount of risk.

An example is the $25M loan to Banco del Pacifico to extend financing to forestry and agroforestry producers in Ecuador that are certified by the fund's sustainability labels (e.g., Aglomerados Cotopaxi).

Type of blended finance: Concessional debt and equity, grant-funded technical assistance

Key actors: Eco.Business, Bilateral aid (e.g. KfW), DFI's, impact investors, commercial banks

Type of conservation targeted: sustainable use

Links for information:
https://www.ecobusiness.fund/en/the-fund
https://chemonics.com/wp-content/uploads/2021/07/Blended-Finance-for-Sustainable-Landscapes_Final.pdf

Rewilding Europe Capital

Main characteristics: Rewilding Europe Capital (REC) is an investment tool with the goal to scale up rewilding impact, develop a nature-based economies and pilot new business models around rewilding landscapes. Rewilding Europe hopes to demonstrate that the restoration of ecosystems in rural regions can be a viable way for economic development, able to generate new business opportunities, jobs and income for local communities. REC provides commercial loans for small businesses that are part of the ERN or located around rewilding landscapes to expand or launch their activities. Businesses that have received funding in the past include a wide range of initiatives from ecotourism companies, to pioneering business models to recover landscapes. REC bridges funding gaps between restoration actions and finance availability.

Type of blended finance: Concessional debt

Key actors: REC, EIB (funder)

Type of conservation targeted: sustainable use, restoration

Links for information:
https://rewildingeurope.com/rewilding-europe-capital/

Global Fund for Coral Reefs (GFCR)

Main characteristics: GFCR is designed as a 10-year blended finance vehicle with two windows working under a common Theory of Change and Investment Plan. The Fund facilitates incubation and de-risking of impact investments by leveraging grants and catalytic funding to scale up solutions. Grant activities include feasibility studies, technical assistance, capacity building, monitoring and evaluation, as well as fostering policy development and de-risking instruments.

Type of blended finance: Concessional debt and equity, Guarantees, Design stage grants

Key actors: GFCR, Local NGOs, UN Agencies, CFA, GCF

Type of conservation targeted: restoration, sustainable use

Links for information:
https://globalfundcoralreefs.org/how-we-work/
http://globalfundcoralreefs.org/wp-content/uploads/2021/07/UPDATED-GFCR-BROCHURE-JULY-2021.pdf

Ecotrust

Main characteristics: Ecotrust delivers conservation finance through innovative community structures and solutions that attract additional capital from private sector to invest in the green opportunities represented by landscape restoration as a business. Ecotrust makes innovative restoration investments that promote climate resilient solutions on a commercial basis and crowd-in private sector finance by playing an intermediary role and by undertaking leadership in marketing environmental services. Ecotrust has developed a niche in conservation finance drawing lessons from its flagship Trees for Global Benefit (TGB) program – a carbon-offsetting scheme under the Plan Vivo System.

Type of blended finance: Concessional debt, grant -funded technical assistance

Key actors: Ecotrust, locally active NGOs, private investors

Type of conservation targeted: Reforestation, sustainable use

Links for information:
https://ecotrust.or.ug/programmes/

Access to finance for Small Enterprises in water and electricity sector

Main characteristics: AFD contributed to the improvement of the access to water and electricity in Cambodia by facilitating the access to finance for small enterprises, which supply areas excluded from the national network. AFD's project aimed at expanding the access to safe drinking water and electricity coverage in small towns and rural areas by responding to the sectorial challenges through: (a)The development of adequate financing for Small Water Enterprises (SWEs) and Rural Electricity Enterprises (REEs) thanks to a credit line granted and through ARIZ portfolio guarantee (a risk-sharing tool) to a local bank, the Foreign Trade Bank (FTB); (b)Technical assistance provided to the bank to accompany the development of an attractive financial offer for SWEs and the due diligences processes in order to ensure the sustainability of this new business line. An investment grant mechanism which encouraged the connection of poor households to the water network. Training provided to SWEs and REEs to help them designing, monitoring and operating efficiently their infrastructures.

Type of blended finance: concessional debt, guarantees, grant-funded technical assistance, design stage grants

Key actors: AFD, EU, local bank, Foreign Trade Bank

Type of conservation targeted: Sustainable use

Links for information:
https://www.afd.fr/en/carte-des-projets/access-finance-small-enterprises-water-and-electricity-sector

The Meloy Fund

Main characteristics: The GEF is an anchor investor of the Meloy Fund, and as such was critical in attracting additional investment from the private sector for its creation. The Meloy Fund will be the first impact fund focused entirely on community small scale fishers in the developing tropics and will have a long-lasting impact by financing unbanked enterprises to acquire those fixed assets that will enable financial growth, job creation, and resilience to economic shocks. Estimated global environmental benefits are improved management of 1.2 million hectares of seascapes. Co-financing of $35 million comes from the technical assistance provided by executing partners; foundations; investment and impact funds; and other private sector investors. Under the non-grant pilot, investments will be targeted to small and medium enterprises.

Type of blended finance: design stage grants

Key actors: GEF, private investors

Type of conservation targeted: Sustainable use

Links for information:
https://www.meloyfund.com/
https://www.thegef.org/sites/default/files/publications/gef_advances_blended_finance_201911_0.pdf

Call for nature-positive proposals

Main characteristics: the Brazilian Development Bank (BNDES) successfully created a public call for proposals to select projects related to sustainable forestry, bio-economy, circular economy and urban development. Submitted proposals had to meet a set of social and environmental selection criteria. Selected projects receive project design grants that should help to attract private financing for their further development.

Type of blended finance: design stage grant

Key actors: BNDES, private sector

Type of conservation targeted: sustainable use

Links for information:
https://www.bndes.gov.br/wps/portal/site/home/desenvolvimento-sustentavel/parcerias/blended-finance

Tropical Landscapes Finance Facility

Main characteristics: An Indonesian lending facility that focusses on improved management of forests, biodiversity and ecosystem restoration services. The TLFF is to be capitalized by multilateral, bilateral and philanthropic donors before attracting private investors. It focuses on enhancing capacities on the ground to generate more green livelihood opportunities, strengthen wildlife conservation, protect forest cover, create resilience to climate change and improve the availability of renewable energy for rural communities.

Type of blended finance: design stage grant, guarantees, grant-funded technical assistance

Key actors: Convergence (design stage grant), Michelin (off-take guarantor), USAID (guarantor), WWF (technical advisor)

Type of conservation targeted: sustainable use

Links for information:
https://www.tlffindonesia.org/about-us/#section1
https://chemonics.com/wp-content/uploads/2021/07/Blended-Finance-for-Sustainable-Landscapes_Final.pdf

The Moringa Agro-forestry Fund

Main characteristics: The Moringa Agro-forestry Fund for Africa will promote sustainable land management in production landscapes in Burkina Faso, Cote d'Ivoire, Kenya, Mali, Tanzania, Zambia, and Congo DR. The Fund will invest in 5-6 scalable, replicable agroforestry projects that combine plantation forestry with agricultural elements to capture most of the value chain. The GEF has taken a junior equity position in the fund with an expected return of 6 percent. GEF's position helps lower risks for private sector investors who may be reluctant to consider land management projects on purely commercial terms due to for example long payback periods, lack no track record and uncertainty over product prices.

Type of blended finance: Concessional equity

Key actors: GEF (funding), AFDB (implementation)

Type of conservation targeted: sustainable use

Links for information:
https://www.thegef.org/sites/default/files/publications/gef_advances_blended_finance_201911_0.pdf
https://www.moringapartnership.com/

CTF impact investments

Main characteristics: Since its establishment, Fondo Acción – a Conservation Trust Fund (CTF) in Colombia - has implemented innovative financing mechanisms to generate income alternatives for rural producers and support sustainable landscape management. Fondo has expanded its role from second-tier financing, to provide technical support, organizational strengthening, and capacity building. It has implemented a program where Fondo Acción connects producers with target and segmented markets. The program provides financial resources and technical assistance to enable small-scale producers to scale up to a level at which they can access investment or credit from the private or financial sector. Business round tables have been organized within the program, and Fondo Acción has partnered with reputed impact investors, such as Acumen, and consumer guilds (such as gourmet restaurants) to support specific value chains.

Type of blended finance: Grant-funded technical assistance, concessional debt or equity.

Key actors: Fondo Acción, Acuman, small—scale producers

Type of conservation targeted: sustainable use

Links for information:
https://www.wolfscompany.com/wp-content/uploads/2021/03/CTFs-2020-Global-Vision-Local-Action.pdf

CFA Incubator

Main characteristics: The Conservation Finance Alliance Incubator seeks to identify, support and promote innovative ideas and solutions to conservation finance challenges that have significant positive conservation impacts. Selected ideas receive a grant of USD 20,000 to support their initiatives, and receive mentorship from the CFA Incubator co-leads, Dr. David Meyers and Ben Guillon, as well as mentorship and targeted expertise from CFA members and partners. This support aims to scale the innovations to a level where they can receive private financing.

Type of blended finance: Grant-funded technical assistance, design stage grants

Key actors: CFA, MAVA, sponsors and technical partners, start-ups that seek seed financing

Type of conservation targeted: sustainable use, restoration

Links for information:
https://www.conservationfinancealliance.org/incubator

Healthy Oceans Action Plan

Main characteristics: As a part of the Healthy Oceans Action Plan, ADB will launch the Oceans Financing Initiative to create opportunities for the private sector to invest in bankable projects that will help improve ocean health. The initiative will provide technical assistance grants and funding from ADB and other donors to reduce the technical and financial risks of projects. This will be done through instruments such as credit risk guarantees and capital market “blue bonds”. The Oceans Financing Initiative will be piloted in Southeast Asia in collaboration with the ASEAN Infrastructure Fund and the Republic of Korea. The World Wide Fund for Nature, a longtime partner of ADB, will support the design and implementation of the financing initiative.

Type of blended finance: Grant-funded technical assistance, concessional debt, guarantees

Key actors: ADB, Asian Infrastructure Fund, WWF

Type of conservation targeted: sustainable use

Links for information:
https://www.adb.org/news/adb-launches-5-billion-healthy-oceans-action-plan#:~:text=Life%20Below%20Water.-,The%20Action%20Plan%20for%20Healthy%20Oceans%20and%20Sustainable%20Blue%20Economies,2024%2C%20including%20cofinancing%20from%20partners.

Ecostar Accelerator

Main characteristics: The Nature-Accelerator, developed by Ecostar, accelerates impactful startups through an intense program of entrepreneurial, technical and scientific mentorship. This program is the first “nature-based” accelerator of its kind and it is designed to guide entrepreneurs along the complex path to improved revenues and financial sustainability. The accelerator selects early-stage impactful startups that are creating sustainable solutions to innovate the agriculture, forestry, natural resource and ecotourism sectors. Selected startups receive mentoring along with seed financing.

Type of blended finance: Grant-funded technical assistance, concessional debt

Key actors: Ecostar, Fledge, EU (co-funder)

Type of conservation targeted: sustainable use

Links for information:
https://www.ecostarhub.com/nature-accelerator/

Great Green Wall Accelerator

Main characteristics: The Great Green Wall Initiative has evolved from its initial focus on tree planting towards a comprehensive rural development initiative that aims to transform the lives of those living in the Sahel by creating a mosaic of green and productive landscapes across 11 countries. To address these challenges and funding gaps, the GGW Accelerator will consolidate the progress made to date and support and scale the ongoing efforts of the Great Green Wall and its 2030 ambitions. The Accelerator will monitor and promote investments towards five pillars:
Pillar 1: Investment in small and medium-sized farms and strengthening of value chains, local markets, organization of exports
Pillar 2: Land restoration and sustainable management of ecosystems
Pillar 3: Climate-resilient infrastructures and access to renewable energy
Pillar 4: Favorable economic and institutional framework for effective governance, sustainability, stability, and security
Pillar 5: Capacity building

Type of blended finance: Concessional debt or equity, Design stage grants, Grant funded technical assistance

Key actors: UN, World Bank, Pan African Agency of the Great Green Wall

Type of conservation targeted: Restoration, sustainable use

Links for information:
https://www.unccd.int/our-work/ggwi/great-green-wall-accelerator

&Green

Main characteristics: Launched in July 2017 with USD 100 million of capital from the Norwegian government via Norway's International Climate and Forest Initiative (NICFI), and aims to reach USD 1 billion of committed capital in the medium term. &Green's mission is to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable - thus strengthening the case for a new rural development paradigm that protects valuable forest and peatlands and promotes high-productivity. The Fund focuses on the tropical forests and peatlands most in need of protection and invests in the commodity sectors most active in those valuable ecosystems, i.e., beef (livestock), palm oil, soy and forestry (including rubber).

Type of blended finance: Concessional debt or equity, guarantees, grant funded technical assistance

Key actors: NICFI (As main funder), Sail Venture (as facility/fund manager)

Type of conservation targeted: Restoration, sustainable use

Links for information:
https://www.andgreen.fund/

Coffee Agroforestry

Main characteristics: The Land Degradation Neutrality Fund (LDNF), a fund that blends private and public finance, supported the development of shade coffee agroforestry production systems and supply-chains for 4 smallholder cooperatives in Peru. Implemented by local LDNF partner Ecotierra, micro-loans will be channeled to producers via their cooperatives to help finance the transition towards agroforestry systems. Investments will also be made in infrastructure in the form of tree nurseries and a US$ 3.3 million coffee-mill. Funds will also be allocated to capacity building activities, such as agronomic training for coffee producers. Supplementary income is expected to be generated through a climate finance component.

Type of blended finance: Concessional debt, grant funded technical assistance

Key actors: LDNF, Ecotierra, Coffee cooperatives

Type of conservation targeted: reforestation, sustainable use

Links for information:
https://www.bothends.org/uploaded_files/document/1The_LDNF_Guide.pdf

Mwenzi Capital

Main characteristics: Mwenzi Capital aims to democratize the ownership of high-value conservation enterprises through a blended finance mechanism. The Mwenzi team will do this by building and using a grant-capitalized fund to make structured investments in existing, nature-based businesses on behalf of local communities and/or conservation entities, creating an immediate and perpetual financial yield. These Nature Stewardship Bonds will link returns to revenue – creating a direct link for the beneficiary between the health of the natural assets upon which these businesses are based. Mwenzi will initially target nature-based companies in the tourism sector, the most direct and intuitive links to protected area conservation. Mwenzi will select geographic areas based on the presence of nature-based business; biological significance; existing relationships with the private sector; and the presence of local organizations with whom Mwenzi can partner.

Type of blended finance: design stage grants

Key actors: Conservation Capital (project design), Mwenzi Capital, CFA, local stewards,

Type of conservation targeted: sustainable use

Links for information:
https://conservation-capital-cms.temp-dns.com/mwenzi-democratising-ownership/
https://conservation-capital.com/case-studies/mwenzi-capital

Dutch Fund for Climate and Development (DFCD)

Main characteristics: The Dutch Fund for Climate and Development (DFCD) enables private sector investment in projects aimed at climate adaptation and mitigation in developing countries. The Dutch Ministry of Foreign Affairs has made available €160 million to increase the resilience of communities and ecosystems most vulnerable to climate change. The DFCD provides finance and Technical Assistance to projects with a focus on climate change adaptation, to mobilize external private sector funding at scale. DFCD funding is divided amongst three operating windows, each with a specific focus: the origination facility, the land use facility and the water facility.

Type of blended finance: design stage grants, concessional debt and equity, grant funded technical assistance

Key actors: FMO, WWF, SNV, Climate fund Managers

Type of conservation targeted: restoration, sustainable use

Links for information:
https://thedfcd.com/our-approach/

African Agriculture and Trade Investment Fund (AATIF)

Main characteristics: The Africa Agriculture and Trade Investment Fund (AATIF) is an innovative public-private partnership dedicated to uplift Africa's agricultural potential for the benefit of the poor. The Fund aims at improving food security and providing additional employment and income to farmers, entrepreneurs and laborers alike by investing patiently and responsibly in efficient and sustainable local value chains. It targets small, medium and large scale agricultural farms as well as agricultural businesses along the entire agricultural value chain which will be financed directly or indirectly. Direct Investments comprise among others cooperatives, commercial farms, processing companies while Indirect Investments relate to investments into local financial institutions or other intermediaries (such as large agribusinesses) which on-lend to the agricultural sector, to fund e.g. smallholders or small and medium enterprises.

Type of blended finance: Concessional debt and equity, guarantees, grant funded technical assistance

Key actors: KfW, EU, Deutsche bank (Funders), CFC (Technical assistance)

Type of conservation targeted: sustainable use

Links for information:
https://www.aatif.lu/eligible-investments.html

Restoration Seed Capital Facility

Main characteristics: The Restoration Seed Capital Facility supports early-stage development of forest restoration projects in developing countries, contributing to climate adaptation and mitigation, biodiversity, and sustainable livelihoods. It was launched in October 2020 and is open to applications from any fund manager or investment adviser developing or running an investment vehicle targeting restoration-aligned activities. The Facility will promote private investment in forest restoration by making it easier for fund managers and investment advisors to set up funds dedicated to such activities and to bring projects to implementation faster. As a result, more projects will get funded, project developers and financial actors will enter the market in greater numbers, and the field will mature and scale up.

Type of blended finance: concessional debt or equity, design stage grants, grant funded technical assistance

Key actors: KfW, government of Luxemburg, UNEP, Frankfurt School

Type of conservation targeted: sustainable use, restoration

Links for information:
https://www.restorationfacility.org/sites/rscf/files/images/scaf/RSCF_Brochure_202010.pdf