

Private Sector Mobilization for Climate and Biodiversity Finance

Side Event at Global Environment Facility (GEF) Assembly

August 23, 2023, Vancouver

This Community of Practice (CoP) event was preceded by a session organized by Global Affairs Canada at GEF Assembly. The session focused on mobilizing private investment and private sector participation in climate and biodiversity programming in developing countries. The CoP discussion built on insights from the session and explored how to engage with and mobilize private sector investment and expertise alongside Canadian-led nature-based solutions and biodiversity programming. Key highlights from the discussion are summarized below.

Enhancing investments in nature-based solutions (NbS)

Key challenges:

- Investors find it challenging to work with many of these projects, as there is a perceived risk due to the lack of a track record.
- Land acquisition can be risky; it needs safeguards to avoid competition with agricultural land and infringing on the rights of local communities.
- There are transaction costs associated with fund managers having to work with investees, both ahead of investments and after.
- Nature is complicated to understand—for example, how to assess, quantify, and monetize, balanced against emerging market challenges, such as the rule of law, policy stability, etc.

Opportunities:

- There is huge range of business models for NbS.
- Agroforestry initiatives can help address multiple Rio Convention objectives regarding biodiversity, adaptation, mitigation, and reversing land degradation.
- Entrepreneurs are used to risks, and as such should be trusted for investments in NbS.
- Technical assistance or market studies can be used to create business plans and recognizing roles for intermediaries to contribute to these projects and reduce the risk levels.
- There is a huge need for blended finance, but the vast majority is going to mitigation rather than adaptation. Blended finance is a bridge to viability, but we need to be rigorous and judicious in its use.

Decoding concepts and terminology

- It is important to decode terminology and simplify messages about the importance of nature: The private sector needs less confusion about what it means to be nature and climate positive.
- The public sector needs to support people in understanding commercially viable opportunities for nature/climate initiatives. The problem is not a lack of capital but people's understanding of capital.
- People writing the loans need to understand that environment/nature is an important component (or key component) of the project; in fact, it is the fundamental piece. Knowledge and understanding of the value of nature beyond dollar signs is key. Decision-makers do not yet have this knowledge.

Decolonization

- Project proposals need to include anti-colonial values. Safeguards should be built into project design and the stakeholder engagement plan.
- Funders also have a responsibility to ensure that equal participation is encouraged. Donors should build safeguards into funding and should start following global standards.

- NbS need to be adaptive and anchored in local participation and local engagement. Opportunity costs can be high when participating as a stakeholder, as outcomes may change.

The importance of trust

- The irony is that to build trust, you need time—but we are running out of time for NbS projects to be effective for nature.
- We need to be flexible about outcomes and, ideally, co-design project outcomes with local participants. This will build trust from the beginning of the project.
- Funders and the public service have a responsibility to understand the tensions between time and trust and build that into timelines.
- We need to start sharing information at an accelerated rate—no more gatekeeping because we are running out of time.
- We need to try different approaches, be less afraid of failure, take more risks to learn faster, and share those wins.