



Report

Mapping finance sources for nature-based solutions in Africa

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Photo front cover: Gazi Bay mangrove restoration site, Kenya. Photo credit: Rob Barnes

Key messages

Nature-based solutions (NBS) have become a finance priority in the last few years thanks to increased visibility in international climate and biodiversity negotiations. However, funding remains inadequate.

Most sources of finance for NBS have come from domestic, bilateral and international public sources. These involve an array of actors and processes that requires time and resources to engage for African countries that may have limited capacities to do so.

Blended finance solutions are emerging for NBS but are mainly from international climate funds and delivered by multilateral development banks. Private finance actors are increasingly interested in NBS but the limited financial revenue streams and longer timeframes of NBS can constrain large-scale investments.

To date, most financial instruments used for NBS have been grants, but as the private sector and export credit agencies move towards this agenda, equity and guarantees may be increasingly used.

Acknowledgements

About this publication

The present study was commissioned by FCDO's Pan-Africa Department, through the Climate Mainstreaming Facility (CMF) managed by SouthSouthNorth, which seeks to better understand the sources of finance for nature-based solutions and green infrastructure in Africa.

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Acronyms

AF	Adaptation Fund
CBD	Convention on Biological Diversity
CIF	Climate Investment Fund
COP	Conference of the Parties
ECA	export credit agency
FCDO	Foreign, Commonwealth and Development Office
GCF	Green Climate Fund
GEF	Global Environment Facility
GI	green infrastructure
LDC	least developed countries
LDCF	Least Developed Countries Fund
MDB	multilateral development bank
NBS	nature-based solutions
NDA	National Designated Authority
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
PBCRG	performance-based climate resilience grants
REDD+	Reduced Emissions from Deforestation and Forest Degradation
SCCF	Special Climate Change Fund
SDG	Sustainable Development Goals
SIDS	Small Island Developing States
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCDF	United Nations Capital Development Fund
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
WAVES	Wealth Accounting and Valuation of Ecosystem Services

Executive summary

‘Nature-based solutions’ (NBS) is an umbrella term for a range of interventions that the World Conservation Union defines as:

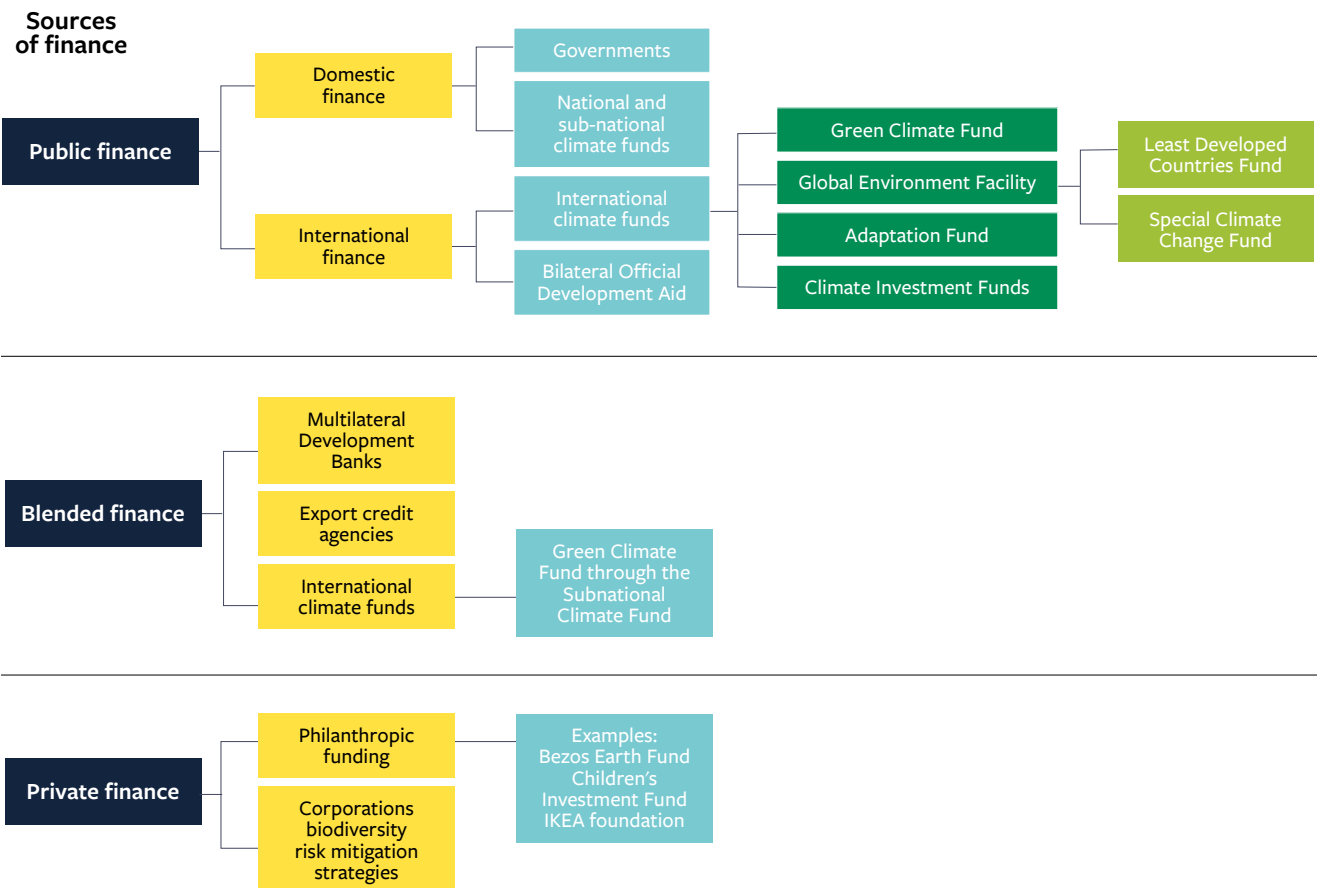
‘actions to protect, sustainably manage, and restore natural or modified ecosystems to address societal challenges, simultaneously providing human well-being and biodiversity benefits’.¹

This includes green infrastructure, defined as infrastructure that uses ecosystem functions for societal and environmental benefits. Whatever form these solutions take, they all harness natural capital and provide ecosystem services to deliver benefits for human well-being. Natural capital is

an economic framing, considering ecosystems as assets (a stock), while ecosystem services are its flows of benefits and potential disservices.² Estimates of the funding gap range from \$403 billion per year by 2050³ to \$967 billion between now and 2030.⁴

The current finance landscape for NBS is fragmented under different names and terms, which adds complexity for countries seeking to identify sources of finance flows. Further, it involves a wide array of public and private finance actors. Figure 1 presents the different sources at a glance.

Figure 1 Sources of finance for nature-based solutions in Africa



Such fragmentation has practical implications: African countries face multiple simultaneous access processes, demanding capacity to engage that is time- and resource-consuming (i.e. carries a high transaction cost).

Public sources of finance include domestic fiscal allocation, grants from bilateral donors and multilateral institutions, including from Global Environmental Facility, the Green Climate Fund and the Adaptation Fund, and grants/loans from multilateral and national financial institutions such as development banks. Globally, 83% of finance for NBS is estimated to come from the domestic public sector, particularly from direct government contributions.⁵

Blended sources of finance – which combine public and private financing – have so far been limited to international climate funds and multilateral development banks (MDBs). MDBs are likely to take a larger role after their recent announcement in support of greater funding to NBS and their commitment to leveraging greater private finance.⁶ In 2021, MDBs finance to climate action – which includes NBS – reached \$51 billion and mobilised a further \$12 billion in blended private finance.⁷

Private sources of finance that publicly profile NBS as an investment item remain largely limited to philanthropic investment. Over 2017–2021, Africa received \$32 million for food, agriculture and forests, which includes NBS, corresponding to about 11% of global philanthropic funding for such themes over that period.⁸ Some corporations are potentially investing more in NBS down their value chains, where they have control over or can influence the use of the investment, to future proof their operations. However, this source of finance would not be accessible to sovereign governments.

While there is greater recognition of the economic and societal benefits of NBS, via on-going quantification and valuation efforts, some NBS benefits cannot be converted to financial revenue streams. Some benefits, such as carbon capture and sequestration, or tourism, can more easily generate financial revenue streams, while others that support adaptation and resilience (e.g. cooling services or coastal flooding) do not have easily identifiable revenue streams. Some NBS benefits, such as shade from trees and the aesthetic values of urban planting, will never generate revenues but emerge in consultative processes as some of the most highly valued by local people. As a result of this revenue generating challenge, most NBS finance currently comes from public or philanthropic sources, rather than private sources; at times of fiscal tightening, this poses a problem given the scale of the finance gap for NBS.

Key recommendations emerging for development partners to support African countries on financing NBS include:

- Provide technical assistance in the form of capacity-building for African governments to (1) mainstream NBS in country policies, strategies and action plans, thus creating a clear agenda and business case for NBS financing and domestic and international budget allocation; (2) engage in multilateral programmes and aid-funded projects supporting an enabling environment conducive to NBS investment; (3) further engage in and share internal learning related to current initiatives promoting finance for NBS, such as BIOFIN or the Climate Finance Lab.
- Identify where there can be (1) improved conditions for access of African countries to public funds, and the pace of disbursement, in coordination with recipient countries,

leveraging the UK's role as donor to multilateral funds such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF); (2) national processes where donors could act as knowledge brokers on NBS and the business case for its inclusion in projects.

- Assess internally what (1) financing opportunities and financial instruments donors currently offer for NBS, learning what the Department for Environment, Food and Rural Affairs is doing domestically in the UK; (2) current cross-donor collaboration on the topic per country; (3) current knowledge in country offices on NBS and networks in place.



Fisherman resting on his boat near the mangrove forest, Gazi Bay, Kenya. Photo credit: Rob Barnes

1 Introduction

‘Nature-based solutions’ (NBS), including green infrastructure, is an umbrella term for a range of interventions using ecosystems to deliver infrastructure-like services (Box 1 clarifies the terms used in this brief). There are competing definitions⁹ due to the complexity of such intervention, but NBS are defined by the World Conservation Union as:

‘actions to protect, sustainably manage, and restore natural or modified ecosystems to address societal challenges, simultaneously providing human well-being and biodiversity benefits’.

As such, NBS are central to achieving the Sustainable Development Goals.¹⁰

Whatever form these solutions take, they all harness ecosystem services to deliver benefits for human well-being. An NBS can include mangroves in a city flood defence management plan, managing forest and upstream watersheds for downstream water quality or flow regulation, or preserving floodplains and wetlands for their flood protection capacity. For detailed sectoral case studies refer to the accompanying piece to this brief by Dupar et al. (2023).

Box 1 Terms used in this brief

Biodiversity – The 1992 Convention on Biological Diversity (CBD) defines biodiversity as the ‘variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part’,¹¹ acts as the processes that maintain ecological functions that form ecosystems.¹²

Natural capital – Using an economic framing, ecosystems are nature’s asset or capital, and ecosystem services are its flows, which support human well-being.

Ecosystem services – Ecosystems deliver flows of services which contribute actively or passively, currently or in the future, to aspects of human well-being.¹³

Global understanding of ecosystem services and their value to humanity, led by scientists and various United Nations (UN) bodies and processes, has advanced since the early 2000s.¹⁴ However, funding for this agenda is still low, despite recurring pledges made at the Conferences of the Parties (COPs) of the United Nations Framework Convention on Climate Change (UNFCCC) and CBD (see Appendix). The funding gap has several estimates due to different accounting methodologies, but they range from \$403 billion per year by 2050¹⁵ to \$967 billion between now and 2030.¹⁶

The issue of accounting for current finance delivered for NBS is compounded by the fact that definitional issues have resulted in inconsistent or aggregated tagging practices, and hence difficult tracking (with projects tagged as ‘climate finance’ and/or ‘conservation finance’).¹⁷

The current finance landscape for NBS is fragmented across different umbrella terms. Often, different funding institutions will identify such investment under multiple categories: biodiversity finance, nature finance, conservation finance, green infrastructure finance, carbon finance, climate finance and ecosystem-based adaptation finance. Projects financed under these diverse categories will include NBS elements, even if not branded as such. Hence, we map out NBS finance sources and, where available, we highlight those specifically mentioning green infrastructure (GI), but isolating NBS-GI finance remains a

difficult exercise due to the different tagging used. Similarly, the report uses the generic term finance to encompass all financial instruments from grants (sometimes referred to as funding rather than finance when coming from public sources) to debt, equity and guarantees.

The present mapping brief lays out funding sources for NBS to date and potential greater opportunities to channel funds towards this agenda.¹⁸ The brief focuses on sources of funding rather than instruments or enabling environments for greater finance towards this agenda. Figure 1 presents the different sources at a glance. The next section (2) covers current finance available from public sources (2.1) delving into domestic and international public finance. Section 2.2 covers blended finance stakeholders and 2.3 private sources, before concluding (section 3).



Vanga Bay, Kenya. Photo credit: Rob Barnes

2 Finance sources for nature-based solutions

2.1 Public finance

2.1.1 Domestic public finance

Country governments

Country governments are essential actors in not only funding NBS but also creating, developing and maintaining the enabling environment for further NBS investments. Currently, 83% of finance for NBS is estimated to come from the domestic public sector, particularly from direct government contributions – a staggering \$126 billion per year.¹⁹

National and subnational governments, including national development finance institutions, can provide direct budgetary allocation to NBS activities, especially in line with respective development priorities. They usually receive revenue from taxes or service charges, subsidies or guarantees, budget allocation transfers, borrowing, bond, equity, and direct transfers from international public finance. They then use this revenue to pay (1) debts, (2) recurrent payments across sectors, and (3) investment projects for development. It is therefore important to understand country governments' development priorities for NBS.

Even though there are many other factors that drive decision-making across government, a key determinant includes ambitions set by policies and strategies. This usually includes the country's Nationally Determined Contributions (NDCs), National Adaptation Plans, National Adaptation Programs of Action, Nationally Appropriate Mitigation Actions, National Biodiversity Strategies and Action Plans and sector-specific policies

(infrastructure, forestry, agriculture, land use and water). In particular, 81% of a total of 168 NDCs submitted broadly referred and proposed actions for a 'nature-based' vision for climate adaptation. NBS is clearly a priority to African countries. NDCs submitted by African countries refer to NBS for their adaptation actions twice as much as NDCs from Asia and Pacific and three times as much as those submitted by Latin America.²⁰

However, most NDCs that include NBS as a priority have made it conditional to external financing and support.²¹ Indeed, country governments funding to NBS can be limited due to:

- Lack of consistency across the various policies, strategies and actions plans.
- Country governments in developing countries face responding to multiple and simultaneous threats causing priorities to change to meet short-term demands. Climate and biodiversity threats may not be prioritised, even though ambitions have been set within longer term policies and strategies.
- Limited inclusion of NBS accounting and value in decision-making. This has cascading consequences to other actors investing in the economy, where nature's positive contributions will continuously be misrepresented and possibly dismissed from decision-making.

Nonetheless, there have been some positive strides to support government capacities to finance NBS. Three approaches have been shown to have had significant success: (1) established

national and subnational climate funds; (2) fiscal transfer mechanisms; and (3) wealth accounting and valuation of ecosystem services.

- National and subnational climate funds have already been established in Africa. They can access and coordinate co-financing opportunities from various financial providers (including international climate funds, MDBs, donors and companies) for NBS projects. These are established financial mechanisms to enable more efficient disbursement of finance for climate related activities, including that of NBS. These funds are present in Rwanda, Kenya, Tanzania, Mali, Senegal and Ethiopia. They are embedded within the government, and therefore finance priorities would align to national and subnational climate and biodiversity objectives.

Box 2 Example of NBS in national and subnational climate funds

Rwanda's Green Climate Fund FONERWA has already funded various NBS projects, including (1) rehabilitating river Nyabarongo and (2) ecosystem rehabilitation and green village promotion in Nyamasheke District.

Decentralised climate funds in Mali, Senegal, Tanzania and Kenya have also funded smaller scale projects responding to and addressing local definitions of adaptation and resilience, which accounts for the preservation, rehabilitation and restoration of nature to address the adverse effects of climate change.²²

- These funds not only receive government budgetary allocations (usually in kind for management of fund), but can also receive earmarked funding from donors for particular objectives/sectors, grant finance for the fund pool for competitive tendering of projects in the country (demand-led), and, if accredited to a relevant international climate fund, they can receive grants and/or concessional loans for the proposed project. Box 2 highlights examples of the project and institutional approaches to NBS.
- Fiscal transfer mechanisms with the support of UNCDF LoCAL Facility have provided least developed countries (LDCs) with performance-based climate resilience grants (PBCRGs), and technical and capacity-building support. The PBCRGs ensure programming and verification of climate change expenditures at the local level. The facility channels funds through local governments to finance NBS. In particular, it provides a top up of 10–20% of existing fiscal transfer mechanisms with grants to cover the additional costs of making investments climate-resilient.
- The Wealth Accounting and Valuation of Ecosystem Services (WAVES),²³ from the World Bank's Global Program on Sustainability, is a global partnership that helps countries include natural capital and ecosystems services in their national accounts.²⁴ Natural capital accounting can provide detailed statistics to better manage natural resources and ensure sustainable growth of the economy. According to a World Bank WAVES evaluation report, there has been successful use of WAVES results in Uganda, Zambia, Egypt and Morocco for 'policy applications and the governments concerned have shown marked interest in further development of the accounts'.²⁵ This is instrumental to ensure government decision-making considers the value of nature and the wider benefits potential actions have on society

with the provision of relevant information and analysis. However, even though demand for the programme's support has increased, it takes time for governments to make systemic changes; awareness-raising of the programme's importance is required, and the ethical issue of placing a monetary value on nature must be considered.

Policies and processes can promote the uptake of NBS and subsequently drive-up demand for financing. Mainstreaming the value of nature and

corresponding solutions into policies and strategies is critical, and across a government's financial landscape (as shown in the WAVES programme) as it indicates country priority over investment decisions. Other factors that influence the enabling environment for government's financial allocation towards NBS include the country's government arrangements, regulatory environment, availability of relevant technical assistance and capacity-building, and their ability to leverage further finance for NBS.

Box 3 Potential entry points for donors

There are opportunities for donors to support African countries to leverage finance for NBS in the public sector domain. These include:

- Explore value added in providing financial and technical support to already established national and subnational climate finance mechanisms, especially around capacities in accessing other types of finance for NBS.
- Support mainstreaming nature and NBS into country policies, strategies and action plans.
- Seek partnership opportunities with relevant organisations or programmes actively supporting the development of the enabling environment (space that facilitates the acquisition of finance from different sources) for NBS investing.
- Support country efforts to allocate a percentage of annual budgets toward protection, preservation and maintenance of nature.
- Support development of agreements to repurpose harmful subsidies into more sustainable practices. The 'savings' from this, for example harmful agricultural subsidies, could be allocated toward public goods and services,²⁶ including for NBS. This demonstrates the importance of the quality and relevance of country priorities toward investing in NBS.

2.1.2 International public finance

International climate funds

International climate funds are key sources and catalysts of public and blended finance for NBS for developing countries. The three main UNFCCC-linked funds are the Green Climate Fund (GCF), the Global Environment Facility (GEF) and the

Adaptation Fund (AF). The funds use a range of financial instruments such as grants, concessional debt and blended (public-private) finance in the form of guarantees and patient capital to leverage private finance (for blended finance, see section 2.2). The Climate Investment Funds (CIFs), managed by the World Bank, are also instrumental sources of finance.

In order to understand the successes and challenges around accessing finance for NBS from the international climate funds, it is important to understand their differing conditions and operational processes.

Firstly, the receiver of funds must establish a formal connection with the funds in order to develop and submit project and/or programme proposals:

- For the GCF, the receiver of funding must become an Accredited Entity, which can be a public (though governments' Direct Access Entity), private, international, regional, national or subnational organisation.
- For the GEF, the receiver of funding is a Partner Agency, which can be international, regional or national.
- For the AF, the receiver of funding must become an Accredited Institution, which can be a national, regional or multilateral public institution.

Secondly, any project from these international climate funds implemented in the country will be responsible for strategic oversight of activities and ensuring alignment to country climate priorities from the National Designated Authority (NDA), which is placed within government.

Thirdly, each receiver of funding must comply with the relevant fiduciary and reporting requirements of the fund. Overall, the availability and ability to leverage finance for such proposed projects or programmes can determine successful approval.

However, given the differing characteristics of the funds, there is a need to understand the specific requirements of each fund, including how it is financing NBS.

The GCF is an operating entity of the financial mechanism of the UNFCCC and Paris Agreement and receives guidance via the yearly Conference of Parties (COP). Operational since 2015, it is the primary channel of international public financial flows, with the goal of an equal funding split between mitigation and adaptation. The GCF recognises that NBS falls under both climate mitigation and adaptation projects and across GCF-wide eight focus areas: (1) buildings, cities, industries and appliances; (2) ecosystems and ecosystem services; (3) energy generation and access; (4) health, food and water security; (5) infrastructure and built environment; (6) livelihoods of people and communities; (7) transport; and (8) forest and land use.

In terms of NBS funding, the GCF has a long-standing record of funding for Reduced Emissions from Deforestation and Forest Degradation (REDD+; see Box 4). GCF supports the three REDD+ phases through the GCF Readiness Programme, the Project Preparation Facility and regular project cycle funding. More specifically, countries that have completed the first two phases of REDD+ (readiness and implementation) for results generated from the end of 2013 to the end of 2018 are eligible to apply for phase 3 of funding, results-based payments (RbP) through the GCF's REDD+ RbP pilot programme.

Box 4 Spotlight on Reduce Emissions from Deforestation and Forest Degradation framework (REDD+)

REDD+ is a framework under the UNFCCC to Reduce Emissions from Deforestation and Forest Degradation in developing countries, and to promote the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. As of January 2020, 50 developing countries had submitted a REDD+ forest reference emission level to the UNFCCC for technical assessment, covering more than 70% of the total forest area of developing countries.

Many developing countries have built their capacity to meet the requirements of the Warsaw Framework through the GCF Readiness Programme and the Forest Carbon Partnership Facility. This has made countries eligible for further funding from REDD+ results-based payments, with the ability to access up to \$110 million per country. These preparations have improved the enabling environments for accessing climate finance at scale for NBS in the forest sector, where this established financial mechanism can then be used by future public funding facilities to incentivise climate action.

The GEF is an operating entity of the financial mechanism of the UNFCCC and the CBD and supports eligible countries in the implementation of the UN Convention to Combat Desertification to support developing countries in meeting global biodiversity ambitions and desertification reduction goals.

In 2022, the GEF-8 replenishment (contributions from 29 countries) announced a total of \$5.33 billion in pledges in the form of grants²⁷ (as at June 2022, a 30% increase from the GEF-7 replenishment). This is to be spent on 11 Integrated Programs with pre-agreed focus areas that could all potentially include NBS-GI interventions. The focus-areas are: (1) Amazon, Congo and critical forest biomes; (2) blue and green islands; (3) circular solutions to plastic pollution; (4) clean and healthy ocean; (5) ecosystem restoration; (6) eliminating hazardous chemicals from supply chains; (7) food systems; (8) green transportation infrastructure development; (9) net-zero nature-positive accelerator; (10) sustainable cities; and (11) wildlife conservation for development.²⁸ In addition, the last GEF evaluation recommends as a key priority a greater focus on NBS.²⁹

In order to access such funding, the entity needs to meet GEF's selection and eligibility criteria,³⁰ develop a proposal in alignment with GEF's thematic areas and the developing country's development priorities and proceed with the application process through the GEF call-for-proposal window. Each entity can access up to \$15 million for a project or programme with a maximum maturity of 20 years.

GEF continuously seeks ways to improve access to finance for recipient countries, where the GEF-8 policy guidance has proposed additional reforms to achieve systemic changes. Reforms include promoting natural capital accounting, green procurement practices, NBS as a requirement in government tenders, and financial tools such as Conservation Trust Funds, Payment for Ecosystem Services, and blended finance. Other reforms include accounting for the additional financial pressures that Covid-19 presents to developing countries, where GEF will consider greening upcoming sovereign-debt relief packages.³¹

The Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) are both administered by the GEF and are under the guidance of the UNFCCC COP. The LDCF funds projects that develop and implement the country's National Adaptation Programmes of Action and the National Adaptation Plans, while the SCCF finances activities, programmes and measures related to climate change adaptation and technology transfer. In the 2022–2026 period, NBS is a key theme in programming directions and

strategy on adaptation to climate change for both LDCF and SCCF.³² This complements the GEF-8 programming directions of the 11 Integrated Programs.

More specifically, these funds seek to support: (1) net-zero nature-positive targets; (2) valuing and monetising of NBS; (3) addressing socio-economic priorities of LDCs and Small Island Developing States (SIDs) through NBS; (4) policies and financial incentives that can help



scale up NBS; and (5) provision of analytical tools and methodologies that can demonstrate the case for nature-based infrastructure over grey infrastructure. As of June 2022, LDCF and SCCF have provided over \$2 billion of grants since their inception for 448 climate change adaptation projects and programmes in 120 countries.³³ Through the GEF-8, the LDCF and SCCF can provide a maximum of \$20 million per year.³⁴ To add, each fund has differing financial needs from the GEF-8 to meet respective objectives: LDCF requires \$1 billion to \$1.3 billion and the SCCF requires \$200 billion to \$400 million.³⁵

Established in 2010 under the UNFCCC, the AF provides finance for adaptation projects and programmes to developing countries. The World Bank is a trustee of the AF and the GEF acts as the secretariat. The AF acquires its funding through two means: (1) receives 2% of the value of certified emission reduction issued every year under the Clean Development Mechanism, where credits are traded and sold by industrialised countries to meet part of their emission targets under the Kyoto Protocol; and (2) receives contributions from developed country donors, the private sector and individuals. Where carbon prices have been low the AF has been dependent on financial contributions; however, overall, bilateral contributions have dominated, representing 84.3% of the received \$1,440 million as of February 2023.³⁶

To add, priority sectors for the AF include: (1) agriculture; (2) coastal zone management; (3) disaster risk reduction; (4) disaster risk reduction and early warning systems; (5) ecosystem based adaptation; (6) food security; (7) forests; (8) rural development; (9) urban development; (10) water management; and (11) multisector projects.

Specific to NBS, 20% of AF disbursements have funded ecosystem-based adaptation approaches that aim to address adverse effects of climate change, benefit vulnerable communities and improve livelihoods by protecting, restoring and sustainably managing ecosystem services and in turn by other measures such as infrastructure-based solutions.³⁷ Activities have focused on reforestation, forest protection, sustainable forest management, avoidance of fuel harvest, plantation improvement, conservation agriculture, cropland management, agroforestry, avoidance of grassland conversion, rangeland management, improved livestock management practices, rehabilitation/restoration of coastal wetlands, sustainable groundwater management, aquifer recharge measures and others.

In collaboration with GCF, the AF adheres to provision of finance through accredited agencies (national, regional and multilateral implementing entities), where the AF are promoting Direct Access to developing country governments. AF provides demand-led finance to projects and programmes, where the scale of finance is smaller than other multilateral climate funds. An eligible entity can access up to \$20 million after the country has accessed funding of at least \$8 million for a project or programme.

Box 5 Accessing finance from GCF, AF and GEF (including SCCF and LDCF)

Challenges in accessing finance include:

- The process of accreditation takes a long time – in some cases, up to 2 years. This poses high transaction costs to the organisation, which is a particular challenge given the limited capacity of developing countries and the worsening climate emergency. Delays include, for example, the time taken for the GCF Secretariat and Accreditation Panel to make decisions in GCF Board meetings, which only happen three times a year. As a result, only 10 entities based in Africa are accredited, of which only 5 are developing country governments (Ethiopia, Kenya, Morocco, Namibia and Rwanda).³⁸ In some cases, country government ministries compete with one another to get accreditation and direct access to these funds.
- International climate funds and developing country NDAs lack the ability to coordinate multiple efforts in accessing finance. This is linked to the high level of competition across accredited entities within countries, mostly from non-government accredited entities, which compete to access finance for similar projects from the international climate funds.³⁹ This has contributed to wasted time and duplication of efforts into proposals. This is inefficient in a time where finance is limited and needed urgently.
- The lack of fiduciary capacities within government poses challenges in meeting the GCF's fiduciary standards, environmental and social safeguards and gender considerations. Therefore, many countries often depend on accredited MDBs or UN agencies to be able to access these funds. This further constrains country governments' ability to prioritise measures (which could include NBS), as MDBs and UN agencies have their own agendas.
- Co-financing requirements from GEF pose significant barriers to access funding. The policy states that for every \$1 that the GEF contributes, the project should demonstrate \$5 or \$7 of co-financing (depending on country group – LDCs, MICs or SIDs), which adds pressure to seek finance from other financial providers willing to invest in NBS. This is usually in the form of technical assistance and staffing for UN agencies, monetary contributions from MDBs, and in-kind contributions from governments. In contrast, GCF does not require co-financing but encourages it to support long-term investments beyond the GCF project cycle.
- The process of project design and getting approval is also time-intensive; often, local priorities may have changed by the time of project approval (again, this can take years and further time may be needed for dissemination of finance). This is also affected by frequent institutional and leadership changes within the recipient country, contributing to insufficient oversight and prolonged delays in submission of proposals.
- Allocation of finance is demand-led, which therefore heavily depends on the capacities of accredited agencies (developing country governments, MDBs, NGOs, etc.) and capacities of institutions aiming to become accredited to develop relevant and high-quality proposals for NBS. Developing country governments often have limited technical capacities to meet the climate funds' extensive requirements. This includes capacities to build the business case for NBS, where specific expertise is required to measure and determine monetary values of the multitude of positive externalities.

The CIFs, managed by the World Bank, have a new Nature, People and Climate Program that deploys concessional funding to low- and middle-income countries to pilot and scale NBS to address the climate crisis. In particular, it addresses issues of land use, climate change mitigation and adaptation, and livelihoods, with specific focus on rural communities and indigenous peoples. Bilateral funders supporting this programme include Italy, Spain, Sweden and the UK.⁴⁰ This programme allows developing country governments to adopt a three-phase approach to financing NBS relevant to country priorities. The phases include: '(i) conducting a rapid landscape diagnostic, which entails working with all stakeholders to identify and assess risks, requirements and priorities; (ii) a strategy and project pipeline development phase, which involves defining the strategy and the types of

projects required to meet local climate objectives, and; (iii) the implementation phase, which focuses on financing and delivering the strategy, as well as the identified NBS and related projects.⁴¹

The CIFs announced at COP27 that the Nature, People and Climate Program will extend \$350 million to nine countries, including Egypt, Kenya and Africa's Zambezi River Basin Region (Zambia, Malawi, Mozambique, Namibia and Tanzania).⁴² Overall, there are opportunities in leveraging funding from this new programme in Africa, especially in countries that have benefitted from the previous funding of the CIFs and particularly those under the umbrella fund of the Pilot Programme for Climate Resilience. Efforts can piggyback on successes from previous institutional capacity-strengthening.



Coastal Madagascar. Photo credit: UNEP

Box 6 Potential entry points for donors

Most development partners provide finance to GEF, GCF and CIFs as evidenced by biennial reports to the UNFCCC.⁴³ However, it is difficult to disaggregate the figures to determine how much is being allocated to NBS.

There are other relevant funding contributions, for example Foreign, Commonwealth and Development Office in the UK funds the Global Green Growth Institute, the UN Convention to Combat Desertification General Fund, World Bank, African Development Bank, United Nations Development Programme (UNDP) and United Nations Environment Programme.

Further opportunities to support African countries to leverage finance for NBS from the international climate funds include:

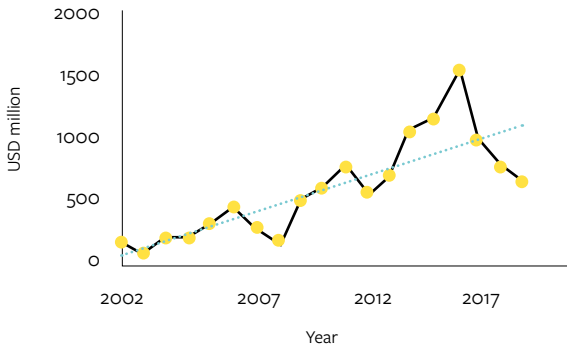
- With buy-in from the relevant country NDA, encourage donor country offices to identify entry points for better coordination across development partners involved in climate and biodiversity work and in turn how this directly benefits and aligns to country government policies and plans. This can ensure efficient efforts toward accessing funds from international climate funds and in turn spur potential to increase the pool of co-financing efforts.
- Increase awareness across relevant climate and biodiversity stakeholders on the importance of NBS according to local context. This could be supported by taking the role of knowledge broker at regional and national levels.
- Provide technical support for relevant project design processes, especially regarding making the business case to finance NBS.
- Be proactive in urging international climate funds to make accreditation and project approval processes more efficient to disburse finance quicker.
- Identify capacity-building needs of NDAs to facilitate the process of acquiring relevant support (financial and technical).

Bilateral funding

Bilateral funding from developed country governments to meet climate and biodiversity ambitions steadily increased until 2017 but has since declined (Figure 2).⁴⁴ This is worrying in a time where nature needs to be preserved and rehabilitated to reverse adverse effects to nature

degradation. Recently, donors' agendas have been increasingly focusing on the importance of nature to address the threat of climate change and biodiversity loss and to overall support to developing countries to do this, but real impact is yet to be seen.

Figure 2 Global ODA finance tagged as principally going toward biodiversity targets from 2002 to 2020.

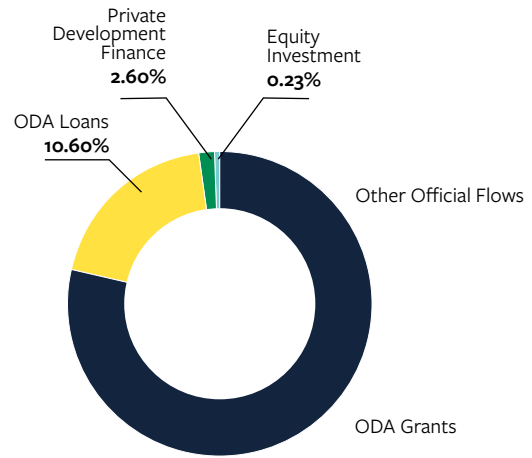


Source: OECD DAC data compiled by the SEI Aid Atlas

Given that NBS cuts across various sectors, identifying financial sources (see Figure 3) for NBS in this study has included those from current levels of Official Development Assistance (ODA), nature-relevant announcements in the climate space, and announcements toward biodiversity finance. There is a need for careful interpretation of the numbers stated below due to the high likelihood of double counting, different timeframes of finance disbursements/targets, and different interpretations of what constitutes NBS across different sectors. Further analysis, which is beyond the scope of this study, is needed to correct for these measurement obstacles.

According to ODA finance flows (finance from both bilateral and multilateral funding), the total volume of finance principally allocated toward biodiversity objectives was \$22.8 billion for 2015–2020, of which \$6.14 billion was allocated to Africa.⁴⁵ In particular, USAID (\$1.42 billion), Germany (\$1.28 billion), EU (\$733 million), France, UK, Japan, Sweden, Italy and Netherlands have been the main bilateral funders for biodiversity

Figure 3 Sources of NBS funding



Source: OECD DAC data compiled by the SEI Aid Atlas

in Africa (OECD database from 2015 to 2020 in order of ODA volumes). The main recipient of this finance is the region of sub-Saharan Africa (\$1.1 billion), with the Democratic Republic of the Congo the largest recipient country (\$521 million). Finance has primarily been directed toward ‘General Environmental Protection’ with 53% of total finance share, and agriculture, forestry and fishing, with 23.3% of the total share. This has been disbursed through ODA grants (84.8%), ODA loans (10.2%) and other financial instruments by other actors, including private development finance (4.3%) and equity investments (0.43%).⁴⁶ Therefore, this study focuses on the top three bilateral donors to gauge NBS-focused investments and reference to GI.

Firstly, under USAID’s focus area of environment, energy and infrastructure, NBS support cuts across their sub-pillars of biodiversity, climate change, energy, natural climate solutions, infrastructure, land and resource governance, pollution and green cities, and environmental and natural resource management framework. They

provide such support through bilateral, regional and global programmes and projects, which means accessing USAID finance for NBS comes in many forms with different perspectives.

- Climate change – USAID’s climate strategy 2022 to 2030 includes NBS as one of their five key foundational principles that is incorporated into all planning and activities.⁴⁷ Specifically, they state they would be supporting NBS to conserve, manage and restore ecosystems in alignment to climate adaptation and mitigation goals.
- Infrastructure – USAID has developed a Green Infrastructure Resource Guide that supports USAID practitioners involved in the planning and development of sustainable infrastructure projects with a better understanding of green infrastructure and identifying GI interventions⁴⁸ that can be integrated into USAID projects.
- Natural Climate Solutions – USAID helps partner countries conserve, manage, and restore forests, mangroves, wetlands, peatlands and agricultural lands: (1) Global programmes have included SilvaCarbon and SERVIR, both of which have helped developing countries increase capacities in forest and landscape monitoring and management. SilvaCarbon, for example, has already directly supported the Democratic Republic of the Congo, Republic of Congo and Cameroon in alignment with the Central Africa Regional Program for the Environment, and Zambia and Ethiopia in alignment with the BioCarbon Fund Initiative for Sustainable Forest Landscape; (2) USAID directly supports developing country governments to create favourable policies and help them access markets that value carbon sequestration, watershed protection and other ecosystem services that forests provide; (3) USAID partners with public and private sector actors to build producer capacity for green

supply chains. For example, in Madagascar they helped ‘create an alternative to low-yield, high deforestation agriculture and to help farmer cooperatives produce independently certified and sustainable vanilla’.⁴⁹

Secondly, Germany, through their international development entity BMZ, helps developing countries address climate change and biodiversity loss, where NBS and GI have been highlighted as key entry points to support developing countries meet the Paris Agreement.

- Specifically, where NBS can decrease vulnerability to the threats of climate change and biodiversity loss, safeguard the provision of ecosystem services and sustain livelihoods and well-being of poor and vulnerable people. In Africa, BMZ has provided finance to NBS projects aimed at the Congo. BMZ also provides finance to multilateral organisations that support NBS. This has included the Legacy Landscapes Fund, the Blue Action Fund, the African Forest Landscape Restoration Initiative (AFR100) and the Foundation Development and Climate Alliance.
- In addition, green infrastructure has been referred to in their climate adaptation strategy in efforts to conserve biodiversity as a life sustaining resource through ecosystem services, and more specifically in the context of urban biodiversity. In collaboration with the European Commission, they are supporting the global initiative called The Economics of Ecosystems and Biodiversity, which provides decision-makers with scientific analyses to help better understand the value of ecosystem services.⁵⁰

Thirdly, the EU Commission provides various types of support to developing countries for NBS and GI under its Global Europe strategy (NDICI 2021–2027), which aims to contribute to eradicating

poverty and promoting sustainable development, prosperity, peace and stability. This includes direct budgetary support, access to the European Fund for Sustainable Development Plus, guarantees and blending.

- Budgetary support to developing country governments is subject to the country meeting a set of criteria. They must have '(i) relevant and credible national or sector strategies, policies and or reforms, (ii) stability-focused economic policies, (iii) a relevant and credible plan to improve public financial management and domestic revenue mobilisation, and (iv) budget oversight and publicly available budget information'.⁵¹ The budgetary support is conditional to performance and provided via three different types of contracts: SDG contracts, sector reform performance contracts or state and resilience building contracts. Given this is highly variable depending on country government demands and priorities, it is difficult to ascertain specific NBS and GI budgetary support to African countries.
- The EU External Investment Plan offers blending and guarantees to businesses and private investors in order to de-risk investments and therefore leverage more finance in particular sectors and with a specific focus in Africa. These sectors include renewable energy, urban infrastructure, access to digital services and agriculture. Overall, investments are to be aligned with the SDGs and the country's development needs. The External Investment Plan provides support in three ways: (1) financial support from the European Fund for Sustainable Development, where the €4.6 billion of EU public finance should generate new investments of up to €47 billion, and more specifically the EU provides €26.7 billion of guarantees for financing investments in sectors such as GI; (2) technical assistance

to develop new projects to attract investors, enable local businesses to become more competitive and grow more effectively; and (3) support government to enact reforms to attract investors and make doing business easier. Facilities in Africa that support this are the Africa Investment Facility and the EU-Africa Infrastructure Trust Fund.

There are limitations to bilateral funding sources which apply in general and some are specific to NBS. These include:

- Lack of coordination across donors in developing countries for specialised support, which leads to duplication of efforts (aka 'wasted finance') burdening country government, where they already have limited capacities.⁵² See, for example, the funding announcements made at COP27 and COP15 in 2020 (Appendix).
- Given the multitude of and complexities behind accessing each funding source, it is difficult for relevant country stakeholders, including country governments, to be made aware of, and ultimately access, the corresponding funding. In addition, as NBS GI is multi-sectoral it offers wider funding possibilities.
- Even though donor agendas are increasingly focusing on nature and NBS to address negative impacts of climate change, it is difficult to hold these donors accountable to their commitments.

Box 7 Potential entry points for donors

- Ensure efficient coordination of donors' regional and country development programmes in Africa and: (1) ensure nature and NBS is mainstreamed across policies and strategies; (2) seek potential opportunities to develop business cases for NBS, including for International Climate Finance (this to also help lobby the need for Africa to receive International Climate Finance funding for NBS); and (3) continuously build a network of different actors interested in financing NBS, along with those in need of financing.
- Assess financing opportunities that donors offer for NBS: are financial instruments appropriate for local contexts and different actors?
- Coordinate and collaborate with relevant donors working in the corresponding African country of interest to co-finance and leverage finance for NBS and GI.

2.2 Blended finance

Blended finance is not a type of financial instrument but a financial structure in which different investors with different investment priorities can participate. The OECD Development Assistance Committee defines it as the strategic use of development finance for the mobilisation of additional finance towards sustainable development.⁵³

Blended finance is widely used for developmental outcomes. It combines public and private finance so that public money is used to de-risk a given investment for the private sector by assuming the position of an anchor investor providing debt, equity or guarantee to bring the risk/return profile of the investment to a level that can attract private financiers. For an explainer on the different types of blended finance approaches and instruments, see IDFC (2019).⁵⁴

Blended finance is a promising source of funding given the limited data record on NBS' return profiles,⁵⁵ which affects the 'bankability' of NBS. Indeed, improved risk data and transaction records would support greater information

availability and transparency on commercially viable NBS investments. In addition, the long-term return profiles of NBS require patient capital (i.e. investment with a longer time horizon for return of capital), which public finance is better able to provide given that some NBS do not have 'ready' revenue streams but their benefits can accrue after years of management.⁵⁶ However, while blended finance can be a promising source for NBS funding, it is to be noted that not all NBS may be suited to this type of funding. Some public goods (e.g. food security in Darfur) supported by NBS (e.g. soil fertility and reversal of land degradation) are mainly for subsistence use and have limited commercialisation potential.⁵⁷

Key actors for this type of finance are multilateral and national development banks and international climate funds. They provide demand-led support to stimulate NBS investments in developing countries and are hence well-positioned to play this bridging role between public and private finance. However, blended finance can be difficult to track and report at the aggregate level under the 'co-financing' umbrella terms, which encompass concessional public and private financing.

Multilateral development banks

MDBs can catalyse private investment after the provision of official development finance. Data on MDB blended finance to NBS in Africa is difficult to track due to definitional and methodological divergences between MDBs reporting.⁵⁸ In 2021, MDBs finance to climate action – which includes NBS – reached \$51 billion and mobilised a further \$12 billion in private finance.⁵⁹ But these figures are actually showing a decline: while in 2021, for every dollar spent MDBs mobilised 25 cents of private finance, in 2020 they mobilised 26 cents.⁶⁰

At COP26, 10 MDBs released a joint statement on nature and the planet, and pledged to keep driving efforts to incorporate NBS throughout their investment cycles and transform investment portfolios by mainstreaming nature in their operations by 2025.⁶¹ A year after this statement, change is not yet perceptible. However, this announcement, coupled with the MDBs' drive to scale up private sector mobilisation, may indicate greater consideration of the use of blended finance for NBS in the future.

Box 8 Spotlight on export credit agencies' role in funding NBS in Africa

Export credit agencies (ECAs) can be public, or private with a public mandate to support national exporters in accessing international markets. ECAs can offer export/import credits or loans on more favourable terms than private commercial banks, guarantees covering political and sovereign risks (but not commercial risks) and insurance (similar to guarantees but the insured pays a premium) to help companies limit their risks of not being repaid due to political instability, expropriation or unexpected currency fluctuations.

In line with the Paris Agreement, there is an urgent need for ECAs to increase funding for climate-consistent investments and reduce underwriting for fossil fuel investments, which still form a large share of ECA operations.⁶² In 2020, the share of sustainable transactions in ECA portfolios amounted to 20% (equivalent to \$28 billion).⁶³ The umbrella term of 'sustainable transactions' used in the industry covers a wide range of investment – small and medium enterprise support, education, affordable housing, wind power, healthcare, transport, etc. – so it is difficult to find disaggregated information about the extent to which NBS are covered by ECAs' export guarantees and insurance policies.

The use of ECAs offers potential in the provision of finance for NBS given the context shift currently taking place. In 2021, the OECD Export Credit Group included 'Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects' as a new sectoral area (but did not remove 'Coal-fired Electricity Generation Projects'), with the aim of strengthening ECAs' contribution to the goals of the Paris Agreement. Similarly, in 2022, the European Council recognised the role of 'export credits in promoting and supporting a shift in investment patterns towards climate-neutral, climate-resilient projects' adopting an EU strategy for export credits.⁶⁴ The drive to encourage ECAs to shift away from fossil fuel and towards climate consistency may eventually mean that NBS could become part of ECAs' agendas.

International climate funds

Currently, and as highlighted in section 2.1.2, international climate funds' financing strategies and objectives encompass NBS, but do not specifically track or tag it as a focus area. Thus, figures below on blended finance are at the aggregate level and cover a range of project types, some of which may use NBS, some of which may be grey infrastructure-focused, and some of which may not address 'infrastructure' per se.

GEF can provide credit guarantee, performance risk guarantee, contingent and concessional loans and equity, in order to leverage co-financing. Co-financing ratio requirements are 5:1 for middle-income countries and 7:1 for SIDs and LDCs. To date, the GEF has disbursed \$21.1 billion in grants, generating an additional \$114 billion in co-financing for more than 5,000 projects in 170 countries.⁶⁵ Furthermore, private sector engagement is listed as a key priority in the 2022–2026 strategy of the GEF-managed LDCF and SCCF.⁶⁶

The GCF offers blended finance options such as low-interest and long-tenor project loans, lines of credit to banks and other financial institutions, equity investments and risk mitigators, such as guarantees, first-loss protection,⁶⁷ and grant-based capacity-building programmes. Unlike the GEF, there is no minimum amount or ratio for leveraged private finance. The fund encourages co-financing, meaning the raising of further finance from private and non-GCF public sources. By 2020, GCF had raised \$6.7 billion in co-financing for climate, of which \$4 billion was raised for Africa alone.⁶⁸ Its largest programme dedicated to blended finance for NBS is the Subnational Climate Fund, created in 2020, where the GCF is the anchor investor for \$150 million. The programme enables investments in mid-sized, subnational, climate-resilient and low-carbon

infrastructure, regenerative agriculture and NBS in developing countries, including some least developed countries and small island economies.⁶⁹ The anchoring investment is managed by Pegasus Capital advisors. An additional grant by GCF and managed by the International Union for Conservation of Nature provides technical assistance to identify projects to be funded.

The CIF provides concessional loans and works with MDBs to leverage private finance. By 2018, CIF was expecting \$62.6 billion in co-financing (i.e. private as well as public funding), of which \$20 billion was from the private sector.⁷⁰

The Adaptation Fund does not currently provide blended or co-financing, but its Board has requested an 'exploration of the issue of co-financing and blended finance approaches and how it can inform the Board to further define the scope of application of the full cost of adaptation reasoning'.⁷¹

There remains, though, a gap between the possibility of blended finance for NBS intervention and the initial assessment for a country or a stakeholder to set up an NBS intervention with adequate funding over time. The Biodiversity Finance Initiative at the UNDP (BIOFIN) addresses this difficulty. While not funding NBS per se, it supports countries to develop comprehensive 'Biodiversity Finance Plans' that can draw on public and private finance. It is a publicly funded initiative aimed at brokering private finance where appropriate, by supporting design and preparation of a project, increasing its financial viability over time.

The initiative provides country technical assistance through a biodiversity finance policy and institutional review, a biodiversity expenditure

review, a financial needs assessment, and a biodiversity finance plan to tailor a context-specific finance plan that blends different streams and instruments of finance. So far 41 countries are supported, of which 13 are in Africa, predominantly located in Southern and East Africa.⁷² Support to the design of NBS intervention funded by blended finance has started with plans for biodiversity management through water user contributions in Uganda.⁷³

Box 9 Potential entry points for donors

Donors could provide technical assistance to countries wishing to access support from BIOFIN to develop a Biodiversity Finance Plan. Countries need to express their interest to the BIOFIN global team. Details are not available online on the exact process but, for example, in Niger the National Environment Council for sustainable development led the official request, with support from Belgian Aid.

Recommendation – Donors could encourage BIOFIN to clarify the process for African governments to access BIOFIN support, and thereafter, donors could actively promote access to BIOFIN as a useful resource for African country partners.

2.3 Private finance

Private finance comes from equity, venture capital, commercial loans, reinvested firms' revenues and philanthropic funding. In the case of NBS, most finance to date has come from philanthropic funds. This is because NBS need patient capital and yield returns on long, ecologically constrained

timelines that can be unattractive for private stakeholders, who work on shorter return profile timelines.

Further, the limited monetisation and associated financial revenue of some NBS benefits that are not currently traded on the market (e.g. clean air, cooling effect, soil health) also makes for return profiles that are less attractive to private investors than more conventional investments. Typical NBS benefits with revenue streams would include revenue from tourism (e.g. healthy coral reefs, bird nesting wetlands attracting tourism) or carbon capture and sequestration in forests, wetlands, mangroves and oceans.⁷⁴ As a result, when mobilising private sector funding, there is a need for either philanthropic finance or blended finance (Section 2.2).

Philanthropies act as public investors by taking on the de-risking role to bring in private investors. Africa continues to receive much less philanthropic funding than other regions. Over 2017–2021, Africa received \$32 million for food, agriculture and forests, corresponding to about 11% of global philanthropic funding for such themes over that period.⁷⁵

No disaggregated estimates exist to ascertain how much funding has been allocated to NBS over the years, suggesting perhaps that such intervention has only been on the agenda of some philanthropies in the last few years. Indeed, philanthropic institutions follow their own strategies, which are not necessarily made public and/or can be tendered before funding projects, so it can be difficult to track how much has been allocated and how to access the funding. Such limited transparency can also affect accountability around impact and outcome and create uncertainty around the effectiveness of this type of funding.

Nonetheless, NBS are poised to be a greater funding agenda for philanthropies, with the announcement at Davos in 2023 of a new coalition of 45 philanthropies and key international stakeholders,⁷⁶ such as the UN Environment Programme World Conservation Monitoring Centre, called Giving to Amplify Earth Action, which will aim at leveraging \$3 trillion a year to address climate change and nature loss.⁷⁷

Currently, however, philanthropic funding that donors could potentially support stakeholders to access remains limited and most philanthropies do not run open calls for projects. Nevertheless, a notable initiative is the philanthropy collective called the Climate Finance Lab. It is not specialised in NBS funding but has a track record of providing design-stage grants of in-kind support equivalent to \$200,000 to develop the NBS funding model, playing a similar role to the BIOFIN initiative. The lab holds calls open to entrepreneurs, public institutions and civil society for innovative sustainable investment solutions. The Lab supports development of selected proposals, before another screening, ahead of a piloting phase. During the pilot the project is screened

against its actionability, financial and catalytic potential. If successful, the Lab supports fundraising for implementation. The call is once a year in December and selected ideas are announced in March of the following year.⁷⁸ Since its inception in 2014, the Lab has mobilised \$3 billion, of which \$2 billion were investment catalysed from other investors and \$80 million from private investors, making it one of the largest private financiers.

The Climate Finance Lab call can be very competitive as it is open to all segments of society in developed and developing countries. The proposal must be a financial instrument that targets developing countries (but the proponent can be located in a developed country). The financial instruments offered can be bonds, insurance, structured equity vehicles, pay per service, or others. There are priority sectors and geographic areas every year. For example, the call for year 2023 was on climate adaptation and gender equality with a regional focus on India, Brazil and East and Southern Africa, plus one open idea that can target any topic and country. So far, a third of proposals that came to be implemented are located on the African continent, mostly in Southern Africa.

Box 10 Potential entry point for donors

For the Climate Finance Lab, development partners could be well placed to provide technical assistance to national agencies that would be interested in developing such proposals. For the Lab it means receiving proposals that are nationally driven (by public or private actors) and that are competitive.

Recommendation – As a first step, the Lab could be contacted to kick-start a dialogue so that donors may position themselves in this chain of support. In a second stage, the donors’ country office could hold a call for ideas to be selected for technical assistance before submission to the Lab.

More generally, donors could undertake a dissemination role to support information sharing regarding philanthropic funds and their access modalities.

There is other philanthropic funding to finance nature and biodiversity, which includes NBS, through grants rather than blended finance. Long-standing charity organisations such as the Nature Conservancy and Conservation International, as well as WWF, BirdLife International, Flora and Fauna International, have been receiving philanthropic funding (corporate and private donations) for decades. While they are all biodiversity- and conservation-focused entities, these charities recognise NBS as key to ensuring that conservation actions benefit local communities and thus bolster local support for sustainable natural resources management. The UK government is likely to already be routing financing to such charities via MDBs’ dedicated funds, where, for example, these charities, as accredited entities, have arranged projects in partnership with the GEF or GCF.⁷⁹

The philanthropies that have committed the largest funds in the coming years include the Bezos Earth Fund, the Protecting our Planet Challenge and the ‘Forests, People, Climate’ collaborative. Since its creation in 2020, the Bezos Earth Fund has committed \$3 billion to nature solutions, of which \$578 million has already been pledged across 41 grants.⁸⁰ The grant amounts

cover projects at landscape scale, relying on local capacity to disburse funds at pace. The fund does not accept unsolicited project proposals.⁸¹

The other two initiatives were announced at COP27. Protecting our Planet Challenge brings together nine organisations⁸² pledged \$5 billion over the 2020 decade and the Forests, People, Climate collaborative of 13 philanthropies⁸³ pledged to mobilise \$1.2 billion in philanthropic finance by 2027.⁸⁴ Limited information is publicly available regarding progress made since the announcements of the funds’ creation.

Further, eight corporations and investors⁸⁵ have announced commitments totalling \$2 billion. Such funding is not philanthropic but is either a strategy used by corporations to mitigate biodiversity risks to their operations or represents corporations’ impact funds. Hence, these are not open calls for NBS finance but companies’ own financing decisions in view of continued business operations (for details see Campaign for Nature et al., 2022).⁸⁶ The purchase of sustainability impact tokens by private companies in bulk or by their employees is one channel for private funding to NBS in Africa. Sale of impact tokens is, for instance, being pursued in by Freetown City Council in Sierra Leone as a means of supplementing finance for their urban tree planting campaign.

Box 11 Spotlight on sovereign and commercial green bonds' role in funding NBS in Africa

Developing countries can have limited market access to issue debt where they would want to create sovereign green bonds. Access to markets determines the ability of a country to issue bonds, including green bonds. For countries to contract debt as green bonds, they need to have access to markets (i.e. be rated as creditworthy).

Notably, low income, least developed and heavily indebted countries in Africa struggle to borrow through standard – and let alone, green – bonds due to their poor or even absent ratings by private credit rating companies such as Moody's, Fitch or Standard and Poor's. This is affecting countries' ability to raise investment through these instruments.

For example, the global green bond market grew to \$522.7 billion in 2021 but only 0.84% (\$4.4 billion) originated from a few banks and a private company located in Africa.⁸⁷ The continent is responsible for a fraction of green bonds globally and over the last decade only 7% of the proceeds went to land use and water management goals (the rest going to energy, buildings, transport, etc.).⁸⁸

Green bonds are still far from financing NBS for the African region whether from public or private sources. The Taskforce on Nature-related Financial Disclosure is trying to change the regulatory environment to better reflect nature-related risks and is leading work on including biodiversity in credit rating scores. Such change could potentially improve or damage the credit rating of African countries.⁸⁹

Conclusion

This study has explored the international and domestic public and private sources of finance for NBS in Africa and, where possible, the subsequent sources of finance for NBS-GI, that aim to address both the threats of climate change and biodiversity loss. Even though it is complex to map finance allocated to NBS, it is evident that finance needs for NBS in Africa are being unmet.

Public, blended and private sources of finance for NBS can all play a role through different actors (donors, MDBs, dedicated funds, philanthropies) and through different instruments (grants, loans, guarantees, bonds).

Donors can support African countries to access finance for NBS. Key overarching entry points include: (1) support to country institutions to acquire direct funding (including capacity-building and technical assistance to access other sources of finance); and (2) via influence and advocacy to other donors, international organisations and the private sector.

This is timely given that the post-2020 biodiversity targets (i.e. the Global Biodiversity Framework) that resulted from COP15 in December 2022 include NBS in Target 11, highlighting it as one approach to ‘restore, maintain and enhance

nature’s contribution to people’. Most importantly, the conference specifically invites governments to fund biodiversity, including NBS, through a dedicated fund:

‘Recognizes the urgency to increase international biodiversity finance, and to establish a dedicated and accessible GBF Fund in 2023 that can quickly mobilize and disburse new and additional resources from all sources, commensurate with the ambition of the global biodiversity framework.’

And through mainstreaming the issue in their portfolio:

‘in particular through mainstreaming of biodiversity and increasing direct funding to biodiversity in their portfolios, as well as through instruments for the mobilization of private investment for biodiversity.’⁹⁰

The UK is well positioned to spearhead this approach, as it has already committed to being a leader on this objective and launched a Nature Facility to support donors’ realignment of bilateral development activity to nature-positive outcomes.

Appendix

In light of recent key climate and biodiversity global conferences, COP27 and COP15 respectively, donors have made commitments to close climate and biodiversity funding gaps for developing countries. Further ‘deep dives’ are needed to understand how to access this ‘new’ finance respective to each announcement/commitment. These include:

- Netherlands increased its total biodiversity-related development finance by 50% to \$150 million in 2025
- Spain: €550 million of ODA for biodiversity over 2021–2025
- Canada: \$350 million to advance conservation efforts, supporting implementation of the future Global Biodiversity Framework
- UK to meet its committed £3 billion of finance for climate solutions that protect, restore and sustainably manage nature from 2021 to 2026
- France: double international finance for biodiversity to reach €1 billion per year by 2025
- Germany: to increase to €1.5 billion by 2025 as part of its climate budget
- EU Commission pledged €7 billion for biodiversity over 2021 to 2027 for the most vulnerable countries
- The 10 Point Plan for Financing Biodiversity has been a landmark framework to provide additional international aid to better protect nature. This plan pushes for just transition, removal of subsidies that are harmful to biodiversity and the use of public and private investment to mobilise domestic resources, including GI and NBS.

Other relevant donor announcements to finance biodiversity since 2021 include (NatureFinance, 2022):⁹¹

- US at COP26 pledged \$9 billion for tropical forests and other critical ecosystems by 2030
- China committed \$232 million for biodiversity protection for developing countries through the Kunming Biodiversity Fund
- Japan announced it is increasing its Biodiversity Fund by \$17 million (from an original \$60 million) since 2011
- Denmark has targets of allocating 30% of its ODA to green initiatives, of which 25% is earmarked for climate objectives and 5% to biodiversity. In addition, of the climate allocation, at least 60% is prioritised for adaptation efforts (OECD).

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