

## MOBILIZING FINANCE FOR DEVELOPMENT **WEBINAR SERIES**



### **UNLEASHING FINANCING FOR NATURAL CLIMATE SOLUTIONS: AN OPPORTUNITY FOR IMPACT AND FINANCIAL RETURNS**

#### **KEY EVENT HIGHLIGHTS**

##### *Opening Remarks*

[USAID's Draft Climate Strategy 2022-2030](#) was released for public review, highlighting bold new goals and targets, including (but not limited to):

- Mobilizing US\$150 billion in public and private finance for climate by 2030.
- Supporting structural changes that improve participation and leadership for Indigenous Peoples, local communities, women and youth in climate action in at least 40 partner countries by 2030.

**Natural climate solutions** will play a key role in achieving the goals set out in the strategy.

**Given the scale of the climate challenge, there is a need to leverage all resources** and recognize these challenges go well beyond what public funding alone can provide.

**Blended finance can serve as a catalytic tool** to work with the private sector to reduce risk and attract financing that might otherwise not be focused on the climate.

##### *Panel Discussion*

#### **Natural Climate Solutions, Revenue Models, and Market Trends:**

- The majority of natural climate solutions financing is in sustainable commodity production; as of 2020, the market size has reached US\$228 billion for certified forest products and US\$190 billion for certified agricultural goods.
- While the gaps in financing are wide, they represent a significant market opportunity. For example, estimates reach as high as US\$2.3 trillion for the market opportunity for food and agriculture systems by 2030.
- Lack of investible pipeline is often cited as a significant challenge. There is a role for USAID and other donors to help design and pilot new solutions to strengthen the pipeline. This could be through creating a track record, capacity building, technical assistance, etc.

#### **WEBINAR OVERVIEW**

**When:** Tuesday, November 9, 2021, 9:00 - 10:00 AM Eastern Time

**Where:** Virtual WebEx Event

**Hosts:** USAID Private Sector Engagement Hub & Chemonics International's Center for Private Sector Engagement

**Opening Remarks:** Olaf Zerbock, Forestry and Biodiversity Advisor, USAID

**Panel Moderator:** Claire B. Zuazo, Director, Environment and Natural Resources, Chemonics International

#### **Panelists:**

- Serena Guarnaschelli, Partner, KOIS
- Greg Snyders, Partner, Dalberg
- Anna Toness, Sustainable Economic Growth Office Director, USAID/Malawi (Previously USAID/Brazil Environment Office Director)

## Relevance of Blended Finance Solutions:

- Blended finance is a structuring approach that leverages public or philanthropic capital to mobilize private investment into sustainable development.
- The “blending” of capital is not a panacea, but an approach with many pathways to achieving objectives.
- There is a strong role for USAID and other donors to help design/pilot new solutions to build out a strong pipeline.
- We must prioritize confronting challenges and risks associated with deploying blended finance effectively, particularly given that such concerns are compounded in sustainable forestry and land use settings.
- Natural capital solutions often require a market systems lens to address these underlying challenges. Blended finance approaches can address one aspect of a complex system.

## Case: [Amazon Biodiversity Fund \(ABF\)](#):

- Launched in 2019, ABF is a private equity and impact investment fund with Mirova Natural Capital, intending to raise approximately \$65 million in private capital. The fund seeks to conserve biodiversity in the Amazon by investing in sustainable production supply chains and related conservation enterprises.
- ABF is the first of its kind in the Amazon and USAID played a critical role to support the fund's establishment from start to finish, particularly through the co-design process.
- ABF Objective: Provide venture and growth finance for businesses that have a transformational, positive impact on biodiversity and communities in the Legal Amazon.
- Focused on mitigating risk to attract investments, support strong pipeline development, and to ensure social and environmental safeguards, and impact.
- The private-sector led Partnership Platform for the Amazon (PPA) harnesses market-led solutions to conservation and is supporting pipeline development (incubation and acceleration), networking, and technical expertise.
- By partnering with private sector companies, PPA helps to develop and identify innovative solutions for sustainable development and biodiversity conservation of the Amazon.
- Current Status: 2 investments made, 1 expected soon, 2 more by December (5 by end of 2021), with a large pipeline of >20 investments.

## MODERATED Q&A

### Project Development

*Q: How do we establish projects to ensure a positive impact on the ground? What impact metrics need to be established so that the right kind of data is collected to measure this impact?*

**A:** For ABF, a robust co-design process focused on selecting indicators and how to measure them, incorporating them into the bylaws of the fund itself, and a parallel MEL approach and instruments to measure long-term biodiversity.

**A:** Consider design, strategy, documentation, governance structures that ensure technical and expert feedback, and processes for good practices in management.

*Q: What considerations should be given related to ensuring an enabling environment suitable for mobilizing private capital?*

**A:** It's important to understand what ingredients are needed for structuring blended finance vehicles. More broadly, blended finance is a transitioning tool that can lead to policy change.

## Community Adoption

**Q:** *How did you encourage landowners to adopt practices that improved biodiversity since it is often not something that generates financial returns? Was there a community inclusiveness layer of impact?*

**A:** In Brazil, a community-based approach was needed to demonstrate the effectiveness of investible pipeline and generate investment interest.

**A:** We provided technical assistance to educate multiple generations of farmers to better understand and access investment opportunities.

## Sustainability and ABF

**Q:** *To what extent is the Mission team certain of the self-sustainability of the ABF equity fund?*

**A:** We looked at different options on the probability of success, but ultimately had to accept a high degree of risk. Since ABF was created, it certainly has grown; another investment fund has been created, and we've seen success in attracting companies and working effectively with the private sector.

## WEBINAR RESOURCES

### Event Resources

- [Webinar Recording](#)
- [Webinar Slide Deck](#)

### Mobilizing Finance for Development (MF4D) Webinar Series Resources

- [Mobilizing Finance for Development – A Comprehensive Introduction](#)
- [Mobilizing Finance for Development \(MF4D\) Self-Paced Online Course](#)
- [Vignettes Handbook – Mobilizing Finance for Development](#)
- [Finance Wiki](#) on Marketlinks

### Further Reading

- [Blended Finance for Sustainable Landscapes - Chemonics, Dalberg, KOIS Technical Brief](#)
  - [Full Series of Blended Finance Technical Briefs](#)
- [Chemonics Center for Private Sector Engagement](#)
- Chemonics Blog Series:
  - [From Billions to Trillions: Using Blended Finance for Scaling Impact in Climate and Health](#)
  - [How Chemonics is Mobilizing Finance for Development](#)
- [Catalyzing Private Finance for Climate Action: Learning Brief](#)
- [Unlocking Private Capital for Nature-Based Solutions in Emerging and Frontier Markets](#)