Recommendations to advance finance for nature under the Baku to Belém Roadmap to 1.3T

Aligned with the call for submissions on the Baku to Belém Roadmap to 1.3T (henceforth "the 1.3T Roadmap"), **Conservation International recommends that finance for nature-based solutions to climate change and associated thematic issues be included as a key topic explored under the 1.3T Roadmap's mandate.** The submission aims to answer the four questions within the call, which can enable the 1.3T Roadmap to respond to the urgent need for more finance from all actors to keep the Paris Agreement's goals within reach and close the significant funding gap for nature-based solutions by scaling up investments and incentives for nature and phasing down and repurposing, as appropriate, those that harm nature.

1. Overall expectations for the Baku to Belém Roadmap to 1.3T

Conservation International expects the 1.3T Roadmap should be:

- **Informed by and cover all relevant outcomes COP 28 Global Stocktake (GST) decision**, which would enable it to respond to and align with already agreed actions by Parties, including the need to halt and reverse deforestation and forest degradation by 2030, scale up ocean-based climate action, and promote integrated, multi-sectoral solutions to the interlinked climate and biodiversity crises. This includes coverage of finance needs for:
    - All thematic issues: mitigation, adaptation, loss and damage.
    - All major sectors: energy, agriculture, forestry, other land use, industry, transport, and waste as well as cross-cutting finance needs related to efforts for human and environmental well-being, sustainable development, and tackling the interlinked crises of biodiversity loss, land degradation and desertification and climate change.
    - All thematic targets for the Global Goal on Adaptation (GGA): water and sanitation, food, health, ecosystems and biodiversity, human settlements, poverty eradication and livelihoods, and cultural heritage, as well as crosscutting finance needs related to the people and ecosystems most affected and vulnerable to the impacts of climate change.
    - Building capacity, developing enabling conditions, and increasing technology development and transfer, as well as helping address knowledge gaps including the quantification of needs, priorities, and mobilization of climate finance by sector.
- In addition to the GST decision, it should **incorporate actions and inputs by non-Party stakeholders** to ensure that it is relevant for "all actors" involved in meeting the $1.3T goal.
- Build on the New Collective Quantified Goal on climate finance (NCQG) decision to **set standards for high-quality, new, and additional climate finance that is essential for greater speed, long-term predictability, access, and gender-responsiveness, as well as ensuring effective safeguards.** This could include consideration of how to maximize the cost-effectiveness of climate finance and direct financial pathways, including non-market approaches, to climate solutions that have multiple climate, social, and ecological benefits, including nature-based solutions (NbS) and ecosystem-based adaptation (EbA).

- **Develop clear pillars and/or pathways that support the organization and confluence of all actors that need to work on issues together**, while also recognizing the interlinkages between them. The 1.3T Roadmap pathways should emphasize and prioritize structures that bring decision makers together across sectors and themes, facilitating synergies between action on climate, biodiversity, and desertification, as no crisis can be tackled individually.
- **Develop clear and actionable milestones for Party and non-Party stakeholders, particularly the private sector, which should include indicative annual targets** for progressively scaling climate finance and aligning global financial flows toward the target. Each pillar or pathway should also have sub-goals to detail specific actions needed, in addition to financial targets.
- Consider how to **guarantee a balanced delivery of funding across thematic pillars and sectors, closing disproportionate funding gaps** for adaptation, the AFOLU sector, and NbS, among others. This could include consideration of thematic sub-targets, such as an aim to allocate 30% of climate change mitigation finance to NbS given they supply 1/3 of the solution to climate change mitigation needed.
- **Strengthen and expand multilateral initiatives**, such as the Forest Climate Leaders Platform**,** to regularly convene all relevant actors needed to take action on each pillar or pathway and ensure greater predictability and timeliness in achieving targets.
- **Create a follow-up and regular stocktaking processes for implementation**, leaning on processes within and outside of formal UNFCCC processes to ensure that it can effectively engage Parties and non-Party stakeholders. This could involve recommending a decision at COP 30 to operationalize any formal processes needed under the Paris Agreement.

2. Topics and thematic issues that should be explored to inform the 1.3T Roadmap

The fate of our planet's climate is deeply connected to the health of its forests and nature, which the 1.3T Roadmap cannot overlook. Currently, agriculture, forestry, and other land-use (AFOLU) changes contribute to 25% of global emissions, with deforestation alone accounting for half of these emissions. In fact, tropical deforestation and forest degradation make up 11% of total global greenhouse gas emissions—surpassing emissions from all global transportation. We are losing nature at an unprecedented rate, and that loss is propelling us into ever deeper climate, biodiversity, and social crises. Scientists warn that the Amazon is approaching a tipping point beyond which it would begin to transition from a tropical rainforest into a dry, degraded savanna - putting our world climate system at risk.[1] To address this, **Parties agreed at COP 28 that NbS and EbA approaches are critical elements of climate action, including the need to halt deforestation and forest degradation by 2030, scale-up ocean-based climate action, and promote integrated, multi-sectoral solutions to the interlinked climate and biodiversity crises.** Evidence shows that preserving forests, including mangroves, is among the most cost-efficient strategies to combat climate change, especially in tropical forest nations. Safeguarding and restoring the Amazon rainforest alone can contribute up to 18% of the emissions reductions required by 2030 to avert catastrophic climate change.

Yet, climate finance and economic incentives are not yet aligned with climate action in the AFOLU sector, and it's clear we're still off track: the global deforestation rate increased again in 2024[2]. NbS are particularly underfunded relative to their potential to contribute one-third of global mitigation needs: **the AFOLU sector received only 3% of mitigation and dual mitigation/adaptation finance and 11% of**

[1] Flores et al: Critical transitions in the Amazon forest system.
[2] Forest Declaration Assessment Partners: Forests under fire: Tracking progress on 2030 forest goals.

adaptation finance in 2021 – 2022.[3] **Annual financial flows to NbS need to more than double by 2025 (from US$200 billion to US$436 billion) and nearly triple to US$542 billion by 2030 to reach climate, biodiversity and land degradation targets.**[4]. Filling this investment gap can only happen if the sources of that finance shift. Private sector actors (like commercial financial institutions, investors, corporations, and philanthropies) provide just 14% of current global finance for nature-based solutions. This is a much lower proportion than for climate overall, where 56% of investment comes from private capital.[5] While the costs of these solutions are significant, they are vastly outweighed by the climate *and* non-climate benefits: more than half of world's GDP ($44 trillion) is moderately or highly dependent on nature.[6]

Nature-based climate action is not only underfunded, but most of finance currently contradicts climate and biodiversity objectives: **every year, approximately USD $7 trillion in public and private capital flows into nature-negative activities** – in sectors including fossil fuels, agriculture and construction, which drive greenhouse gas emissions and make communities less resilient to climate change. This is 35 times more finance than the $200 billion flowing to NbS. About USD $2 trillion is public funding to environmentally harmful subsidies, while USD $5 trillion is private finance flows with a direct negative impact on nature. [7]

Moreover, much of the finance flowing to the AFOLU sector – and climate action overall – is not high quality nor deployed at the needed speed and scale for the AFOLU sector to reach net-zero by 2030.[8] **Financial commitments under the NCQG and the $1.3T goal need to be deployed largely within the next two years to ensure progress towards 2030 targets.** But existing financial mechanisms are fragmented, and significant portions of available funding fail to reach on-the-ground initiatives that deliver measurable impact. Less than 10% of climate finance reached local levels between 2003 and 2016[9], despite Indigenous Peoples and local communities stewarding over 1/3 of the world's most important places for climate and biodiversity, which store a quarter of the world's climate-warming carbon.[10]

The 1.3T Roadmap is a crucial space to detail practical solutions for how the equitable mobilization of $1.3T can be achieved as soon as possible to close the nature-finance gap – along with aligning finance to phase out fossil fuels and scale renewable energy. **Therefore, the 1.3T Roadmap should include pathways to:**

- **Support government to renew and repurpose public investment in nature,** spurring donor governments to do more and support all governments to align public funding with reaching the Paris Agreement. Public funding is particularly essential for ecosystem protection, where domestic governments provide about 57% of financing[11] – including investments in integrated land-use planning and research and development.
- **Phase out and/or repurpose climate-harmful subsidies**, which can redirect significant funds to support NbS and sustainable initiatives, incentivize industries to adopt sustainable practices, enhance financial support for Indigenous peoples and local communities and correct market distortions for a more efficient, sustainable economy aligned with meeting global climate goals. The 1.3T Roadmap should develop time-based targets for the identification and analysis of the

[3] Climate Policy Initiative: Global Landscape of Climate Finance 2023
[4] UNEP: State of Finance for Nature 2023
[5] Climate Policy Initiative: Global landscape of climate finance 2021
[6] World Economic Forum: Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy
[7] UNEP: State of Finance for Nature 2023
[8] Conservation International. Exponential Roadmap for Natural Climate Solutions
[9] International Institute for Environment and Development: Delivering real change: getting international climate finance to the local level
[10] Conservation International: Irrecoverable carbon: The places we must protect to avert climate catastrophe
[11] Deutz et al: Financing nature: Closing the global biodiversity financing gap

most harmful subsidies, that promote emissions-intensive activities and non-resilient development, including those related to fossil fuels and harmful activities within the AFOLU sector that drive nature loss, as well as establish when and by how much these business-as-usual scenarios should be reformed. This should be aligned with Target 18 of the GBF where possible.[12]

- **Support policymakers to change economic incentives and facilitate more private funding.** One of the most effective economic policy tools is to establish a carbon price, either through a carbon tax or an emissions trading scheme that reflects the social cost of carbon. By 2050, the estimated size of the global carbon market will be one trillion dollars per year[13] .To drive funding to NbS, markets must allow for trading credits from the land sector and blue carbon. Additionally, policies are needed to support the generation and trading of high-integrity carbon credits from nature. Countries also need support in developing and implementing jurisdictional and nested REDD+ programs to comply with evolving market requirements for nature credits. Public funding can also be used to unlock private investment by directly providing early finance to climate-smart business models that may not yet be deemed investible by the private sector or by de-risking these investments.
- **Galvanize momentum to strengthen mechanisms for good governance and enforcement t**o make legal and regulatory approaches more effective. Fully enforcing existing land-use laws in tropical countries could eliminate more than 40% of illegal commercial deforestation[14] and save forest countries more than $17 billion per year of losses.[15]
- **Support efforts to regularize land tenure policies and rapidly expanding the legal recognition of the lands and rights of Indigenous Peoples and local communities**.
- **Facilitate collaboration among stakeholders to mainstream climate action to deliver a just transition for workers and businesses**, ensuring all citizens can enjoy a life with dignity in a new nature-positive economy, and creating conditions where all parts of society can be partners in implementing NbS.
- **Enhance initiatives and collaboration to spur innovation and development of novel financial instruments for private investment in nature and those that reduce debt stress of developing countries**, including grants, equity investments, debt-for-nature swaps, results-based payments, ecosystems value-based payments, and compensation-based payments.
- **Enhance the ability for Indigenous peoples, local communities, women, and other climate vulnerable groups to directly access climate finance** to ensure equitable distribution and effective local action. Direct access to climate finance and decision-making for Indigenous Peoples and Local Communities remains a significant challenge that must be urgently addressed to support their vital contributions to biodiversity, climate resilience, and sustainable land stewardship.
- **Set milestones for the finance sector and businesses to stop funding deforestation and ecosystem destruction and, in turn, significantly increase in investments and sourcing from deforestation-free producers, as well as projects, programs, innovation, and technology involving natural climate solutions. This includes:**

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[12] Target 18 of the GBF: *Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least 500 billion United States dollars per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity.*

[13] International Emissions Trading Association: The potential role of Article 6 compatible carbon markets in reaching net-zero

[14] Forest Trends: Illicit harvest, complicit goods: The state of illegal deforestation for agriculture

[15] Forest Trends: A new framework supports national and global cost estimates

- Setting timelines for all major international financial institutions and businesses to have commitments and policies to ensure their portfolios and supply chains are free from deforestation, ecosystem conversion, and associated human rights and other social violations. This should align with actions recommended in guidance, such as the Finance Sector Roadmap for Eliminating Commodity-Driven Deforestation.
- Supporting initiatives to improve supply chain traceability and transparency needed to invest and direct sourcing practices, such as the guidance of the Accountability Framework initiative.
- Supporting businesses to implement preferential purchasing at the scale of entire regions to invest in their sourcing regions more broadly to drive landscape-scale transformations, which requires financing for small- and medium-sized producers.

- **Develop a plan to finance needed actions for protection and sustainable production in the Amazon biome, as well as the protection of the rights of its peoples**. Without this funding, it will be impossible to avoid the Amazon tipping point and achieve a just and sustainable transition and ensure the necessary level of adaptation to climate change. US $5.81 billion has been invested in the Amazon since 2013[16], but estimates needed to protect and restore the Amazon's forests are at least 10 times more than the current flows.

3. CI experiences, best practices and lessons learned related to barriers and enabling environments; innovative sources of finance; grants, concessional debt and non-debt creating instruments, and measures to create fiscal space

As a global organization active in over 30 countries, Conservation International (CI) has a range of experiences, best practices, and lessons learned on nature-finance for the 1.3T Roadmap to incorporate.

Developing effective policy options for Nature-positive Economies

CI works with partners and governments to design and implement policy solutions to address the basic economic problem that current incentive structures encourage the destruction of nature by understanding the effective instruments and tools to create positive incentives for a shift towards economies based on conservation, restoration and sustainable management, bringing with it a significant mobilization of private sector resources. CI has identified eight economic policy instruments and incentive related tools to influence people, businesses, and government bodies to use resources sustainably and address climate change by making these actions more economically attractive or profitable, and/or making unsustainable behavior less economically attractive. Which incentives will be most likely to achieve conservation or climate change objectives will depend on social, political, legal, institutional and economic factors in any given place. Below is a summary of these instruments and where they are currently working. Full details can be found in this report.[17]

1. **Ecological Fiscal Transfers:** A type of intergovernmental fiscal transfer that financially rewards subnational governments for conservation by integrating ecological indicators (e.g., protected areas, watershed management) into funding allocation formulas. Enabling factors include: Pre-existing intergovernmental fiscal transfer systems; Strong government finance institutions; Policies supporting conservation (e.g., national forestry policy); Stakeholder dialogue for policy design. Examples include: **India's** Ecological Fiscal Transfer system that incorporates forest cover

[16] World Bank: International Funding for Amazon Conservation and Sustainable Management: An analysis of grant funding from 2013 to 2022
[17] Conservation International: Incentives for Nature: Policy Options for Nature-Positive Economies

into revenue distribution, and **Peru's** Works for Taxes program that allows companies to finance public projects in exchange for tax obligations.

2. **Environmental Taxes:** Taxes on pollution or harmful activities to reflect environmental costs and influence behavior. Enabling factors include: A well-calibrated tax rate; Government capacity for enforcement; A clear regulatory framework; Public awareness and transparency in tax revenue use. Examples include: **Colombia's** carbon tax on fossil fuels partly allocates revenue to environmental conservation, and **Singapore's** carbon tax allows for use of high quality international carbon credits for offsets, which can channel funding to nature.
3. **Emissions Trading Systems (ETS):** A cap-and-trade system where polluters must buy permits to emit greenhouse gases. Enabling factors include: Clear policy objectives; A strong regulatory framework; Monitoring, reporting, and verification systems; Adequate pricing of emissions permits; Joint action to prevent leakage. As an example, **Colombia's** national ETS is under development, which is linked to its Climate Action Law.
4. **Tradeable Resource Use Rights:** Systems to allocate rights (e.g., fishing quotas) to resource users, which can be bought or sold to encourage sustainable use. Enabling factors include: A clear legal framework; Transparent quota allocation; Strong enforcement and monitoring. As an example, **Argentina**'s Individual Transferable Quota (ITQ) system for fisheries ensures that vessels do not exceed a total allowable catch, while allowing management of areas for sustainable use.
5. **Land-Based Payments for Ecosystem Services (PES):** Direct financial payments to landowners for conserving and restoring natural ecosystems. Enabling factors include: Legal, technical, and administrative capacity; Government recognition of PES as a public investment that generates social benefits; Alignment with poverty alleviation programs; Stakeholder consultations with landowners, forestry/agriculture sectors, and NGOs to ensure buy-in; Clear eligibility requirements; Well-defined property rights to allow participation of Indigenous Peoples and local communities; Stable government commitment through successive administrations. Examples include: **Costa Rica's** PES program to incentivize forest conservation, and **Ecuador's** Quito's Water Fund to support watershed conservation.
6. **Labor-Based Payments for Ecosystem Services:** Wages paid to individuals for conservation-related labor, such as removing invasive species or restoring ecosystems. Enabling factors include: Political and institutional stability; Stable, long-term funding streams; Multi-agency collaboration across government departments; Technical expertise and research support; Capacity to scale job creation for environmental restoration projects. As an example, **South Africa's** Working for Water program employs people to clear invasive species.
7. **Property Rights:** Secure property rights encourage sustainable land use by individuals, companies, or communities. Enabling factors include: Clear legal ownership frameworks; Support for community-based governance. As an example, **Indonesia's** Territorial Use Rights in Fisheries (TURFs) in Raja Ampat grant local communities and/or individuals exclusive fishing rights to more effectively incentivize conservation and sustainable management.
8. **Import Restrictions:** Regulations limiting imports of environmentally harmful products (e.g., illegal fishing, deforestation-linked goods). Enabling factors include: Strong political commitment; Effective verification and enforcement; Industry consultation. Examples include: The **EU, USA, Japan** each have import restrictions on catch from illegal, unreported, and unregulated (IUU) fishing.

Channeling finance to NbS through high-integrity carbon markets and jurisdictional, nested REDD+ initiatives

CI has advanced best practice and innovation supporting countries to develop national carbon pricing frameworks, advancing high-integrity global carbon markets including under Article 6, and developing REDD+ initiatives to mobilize new resources towards nature. We work with partners and governments to provide the technical support and policy recommendations needed to establish robust frameworks, develop projects and jurisdictional programs, and expand the use of REDD+ and carbon pricing. To maintain best practice around the generation and sale of high-quality emissions reductions and removals, CI is guided by its own principles and contributes to several initiatives related to high-integrity markets (e.g., The Integrity Council for the Voluntary Carbon Market). CI's efforts have proven that **well-developed carbon projects deliver benefits for sustainable development, food and jobs, wildlife and water, providing revenue for local communities as an incentive to keep forests standing or restore them.** For example:

- **The Chyulu Hills project** in Kenya with the Maasai Wilderness Conservation Trust has sold over 2 million carbon credits, preserved over 1 million acres of land, and benefited over 70,000 Indigenous community-members,[18] including helping them withstand climate shocks and continue to have income during the COVID-19 pandemic. Over its 30-year lifetime, the project is expected to prevent at least 18 million metric tons of carbon from entering the atmosphere.
- CI launched **Vida Manglar the first "blue carbon" project** to fully measure and place a monetary value on the carbon that coastal mangroves store in their soil in Cispatá, Colombia.[19] Over 30-years, the project expects to protect a total of 11,000 hectares and sequester close to 1 million metric tons of carbon, while returning 92% of proceeds from credit sales to local people who decide how revenues are allocated.

CI is supporting countries to build the frameworks needed to effectively capitalize on the funding opportunities for NbS through carbon markets, including under Article 6 market. In particular, **countries need support to comply with evolving requirements from carbon markets and buyers – with the development of jurisdictional REDD+ programs and REDD+ nesting remaining a key challenge**. While market platforms and buyers may not explicitly require REDD+ nesting, many of the decisions in the nesting process help to ensure conditions of a robust REDD+ system that buyers are seeking, such as transparency, reliability, additionality, adequate and equitable sharing of benefits across stakeholders. This includes both voluntary and regulated markets for carbon, such as, the voluntary carbon market (VCM), Article 6.2 of the Paris Agreement, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and sources of results-based payments (RBP). Indeed, to fully participate in the emerging regulated market, such as under Article 6.2, countries must move from the site-scale project model to a national model. Moreover, increasingly, buyers on the voluntary market will also require REDD+ carbon credits embedded within a national – or jurisdictional – model as this becomes the de facto standard for high integrity credits**. CI has developed various resources to support countries understand how Article 6 approaches function, how nature is eligible, and how to develop jurisdictional and nested REDD+ systems, such as CI's Overview of Carbon Markets Under the Paris Agreement[20] and Policy Recommendations for REDD+ Nesting**[21]

[18] Maasai Wilderness Conservation Trust: Chyulu Hills REDD+ Carbon Project
[19] Conservation International: Vida Manglar
[20] Conservation International: Overview of Carbon Markets Under Article 6 of the Paris Agreement
[21] Conservation International: Incentives for nature: Policy Options for Nature-Positive Economies

Enhancing direct access to finance for Indigenous Peoples and local communities (IPs and LCs), frontline communities and Small and Medium Enterprises (SMEs)

Traditional funding structures often impose complex bureaucratic barriers that limit access to finance, particularly for IPs and LCs and small-scale sustainable enterprises. **CI is working with IPs and LCs to increase direct access to financial resources through the Climate Investment Program's Dedicated Grant Mechanism[22] and the Inclusive Conservation Initiative[23].** Directing finance to the people that steward the land is essential to scale up NbS, and CI's work on irrecoverable carbon with IPs and LCs has already begun to show how direct financial access for these communities can flip the script towards conservation.[24] It is imperative the 1.3T Roadmap incorporates best practices and lessons learned, including to:

- Establish more dedicated financing windows for IPs and LCs, ensuring that resources directly support community-led conservation, adaptation and sustainable management initiatives.
- Simplify access to international climate finance mechanisms by reducing administrative barriers and ensuring culturally appropriate capacity-building support.

Unlocking market access for nature-positive products and green job creation through ecosystem-based approaches

CI has been leading in implementing best practice and innovation to develop markets for environmentally sustainable products, create jobs based in conservation and restoration, and build self-sustaining nature-positive economies with local partners. For example:

- **CI, in partnership with Peace Parks Foundation, is implementing the Herding for Health (H4H) model in East and Southern Africa** as a mechanism for rangeland restoration, biodiversity conservation and increased climate resilience for pastoralists. The **H4H model's core principles are strategic herding, capacity building, collective governance and unlocking market access**, and Meat Naturally, a private sector partner to the Herding for Health Programme, provides market access support.[25] By leveraging grant-based finance, H4H has in turn improved market access for over 5,000 farmers, increasing revenues by over $6.2 million USD, and created over 2,000 green jobs, i.e., skilled professional herders and seasonal jobs for small-scale women enterprises who collect seed for reseeding bare land that has been treated by the movement of the combined herds.[26] Implementing the H4H model also enables ecosystem-based adaptation and mitigation for farmers. Night corralling of livestock in predator-proof mobile bomas and increased growth of perennial grasses improves soil stability, resulting in better nutrient and water cycles and ultimately enhanced ecosystem function in the landscape. For sustainability, the programme works with farmers to support collective governance through voluntary biodiversity stewardship agreements to enable communities to implement the H4H model beyond the lifespan of current project cycles.
- Conservation International and Kering, the global luxury group, launched **the Regenerative Fund for Nature to help finance the transition towards practices that benefit nature, climate, and people,** transforming one million hectares of farms and landscapes to regenerative agriculture over five years. The fund provides grants to farmers, non-governmental organizations, and other stakeholders testing and scaling regenerative practices focused on cashmere, cotton, leather,

[22] Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM): Program's Dedicated Grant Mechanism
[23] Inclusive Conservation Initiative: about ICI
[24] Conservation International: Irrecoverable carbon: The places we must protect to avert climate catastrophe
[25] Birdlife, CI, Plantlife, TNC and WWF: Valuing grasslands: critical ecosystems for nature, climate and people
[26] Peace Parks Foundation: Herding for Health

and wool – core raw materials for the luxury sector – and is actively seeking to support new projects. Grantees across South America, Central Asia, India, Europe, and Africa have received financing to work with over 60,000 producers to improve agricultural practices on over 840,000 hectares, and delivering measurable outcomes for nature, climate, and livelihoods.[27]

Advancing debt-for-nature swaps

CI has almost 40 years of experience in debt-for-nature swaps as a powerful mechanism to both reduce debt burden and fund NbS. Debt-for-nature swaps are financial transactions in which debt owed by a developing country is either 1) forgiven or 2) converted into new debt with better terms in exchange for the government investing all or part of savings resulting from the reduced debt burden in conservation measures. There are two types of swaps: bilateral and sovereign. In a bilateral swap, a creditor government cancels the bilateral debt owed by a debtor government. In a sovereign swap, privately held sovereign debt issued by a debtor government is bought at a discount on the secondary market. The sovereign debt is then cancelled or replaced by new debt on better terms.

In 1987, Conservation International brokered the first debt-for-nature swap in Bolivia. Backed with a US $100,000 grant, Conservation International acquired Bolivia's debt with a face value of US $650,000 on the secondary market. This swap simultaneously relieved a portion of Bolivia's debt burden and resulted in a promise from Bolivia to expand protection of 1.6 million hectares of tropical rainforest in the Amazon Basin. CI went on to participate in two more similar debt-for-nature swaps: one in Costa Rica in 1987 resulting in US $5.4 million invested in conservation, and one in Madagascar in 1994 resulting in US $1.7 million invested in conservation. In 2015, a new model of sovereign debt-for-nature swap was introduced in the Seychelles with an important innovation where a grant of US $5 million was combined with a new loan from The Nature Conservancy of US $15.2 million to purchase US $21.6 million of discounted sovereign debt. In exchange for the retirement of its US $21.6 million sovereign debt, the government agreed to repay the US $15.2 million loan under better terms and invest US $6.4 million in marine conservation. This new model has since replicated and further enhanced, enabling new debt to be raised at a far greater scale on the capital markets by having a development finance institution, such as the U.S. International Development Finance Corporation, insure the government's new debt obligation. By raising new debt to buy out the old, discounted debt, rather than buying it straight out using grant funds, as in the Bolivia example, far larger amounts of distressed sovereign debt can be retired that in turn makes more money available for conservation.

Although other donor countries have conducted bilateral debt-for-nature swaps, most such swaps have been executed under the U.S. Tropical Forest and Coral Reef Conservation Act (TFCCA). The program has supported 22 swaps in 14 countries, generating more than US$ 380 million for conservation, while helping to protect more than 28 million hectares (68 million acres) of tropical forest. CI has participated in seven such swaps in 5 countries, generating more than US$ 130 million for conservation, most recently a swap in Peru with proceeds allocated toward tropical forest ecosystems within three Amazonian landscapes.[28] Under current donor country programs, there is limited opportunity for bilateral swaps; however, donor countries should consider developing and/or renewing debt-for-nature swap programs as part of the 1.3T Roadmap.

The greatest opportunity today is increasing the use of sovereign debt-for-nature swaps. There are currently at least 20-30 countries with a total of ~ US$20 billion of sovereign debt eligible for such swaps that could be re-financed over the next 12-18 months, producing as much as ~ US$6 billion for conservation. The main challenges with achieving the full potential of sovereign swaps are:

[27] Kering: Regenerative Fund for Nature
[28] U.S. Department of the Treasury: United States Signs $20 Million Debt Swap Agreement with Peru to Support Amazon Conservation

- Lack of in-country political enabling conditions: Despite the economic upside and environmental benefits of swaps, some countries need technical capacity support and campaigns to elevate swap outcome visibility and political importance. For example, Ecuador had the economic conditions prior to the Galapagos swap, but it was only after the Pew Bertarelli Ocean Legacy project invested $1 million to make the science case and developed the Mas Galapagos coalition that sufficient political will was created for the transaction.
- Insufficient options for credit enhancement from development finance institutions: The U.S. International Development Finance Corp. has provided almost all the risk insurance in recent swaps, with the Inter-American Development Bank also participating in some swaps. More development finance institution participation and better coordination is needed.
- Lack of coordination among NGOs: A lack of coordination within the NGO community runs the risks of competition for swap opportunities, resulting in potentially lower quality deals where swap proceeds are prioritized to support the NGO participant's priorities that may not be best aligned with national and global priorities or the best implementation capacity.
- Lack of sufficient in-country implementation capacity: Some countries with debt eligible for a swap lack sufficient government and NGO capacity to implement a large, long-term conservation program.
- Competition with sectors other than conservation: Debt swaps could also be structured to support other important social goals such as public health and infrastructure, creating competition that could dilute the amount of money available for conservation.
- Poor communications: Negative press along with a lack of understanding of debt transactions by the media and government officials who are interviewed could dissuade countries and investors from engaging in future transactions.

The 1.3T Roadmap can help address some of these challenges identified by facilitating effective collective action and collaboration with among NGOs and key stakeholders, such as:

- **Government leaders from countries where swaps have been concluded could be encouraged to advise governments in countries which otherwise have strong potential for a swap**. Such engagement could occur through intergovernmental convenings which could be facilitated by other governments or multi-lateral developments banks.
- **More development finance institutions could be encouraged to develop and deploy required risk insurance products to enhance the credit of new debt raised for swaps**. They could benefit from advice from current risk insurance providers such as the U.S. International Development Finance Corporation. Frequent coordination among NGOs and development finance institutions would allow for more efficient allocation of risk insurance to swap opportunities.
- **Stakeholders can collaborate on a communications strategy,** including increased dissemination of clear and accurate information on how swaps work. A proactive communications campaign could also spotlight the climate, biodiversity and social benefits of successful swaps.

Developing parametric insurance solutions for NbS and disaster risk resilience

CI is developing innovative financing for NbS through blending parametric insurance solutions alongside facilities to conserve and restore ecosystems. Parametric insurance is an insurance product that offers pre-specified payouts based upon a trigger event, which can be tiered to match the varying intensity of the trigger event. It offers rapid fund release without need for quantification of damage (vs traditional indemnity insurance) and is valuable in NbS as natural infrastructure suffers from limited risk

information and no loss adjustment protocols or experience. It also facilitates proactive approach to disaster management, mitigating environmental damage, whilst enabling efficient capital budgeting. **CI is currently implementing two initiatives based on this concept, with plans to expand as well as support replication.**

Conservation International developed the Restoration Insurance and Financial Services Co. (RISCO) as a social enterprise that combines parametric insurance with ecosystem restoration investments.[29] It is currently licensed in the Philippines, with plans to expand to India, Thailand, and the Caribbean. By combining climate risk financing with nature-based solutions, RISCO creates a self-sustaining system where conservation and financial resilience go hand in hand. Communities that purchase RISCO insurance not only receive financial protection but also gain access to resources that enable sustainable livelihoods, such as eco-friendly aquaculture or reforestation projects. Over time, this model helps reduce disaster vulnerability, improve ecosystem health, and promote economic stability in coastal regions.[30]

RISCO operates through two complementary mechanisms: RISCO Insurance and the RISCO Fund. These two components work together to provide financial protection against climate disasters while funding mangrove restoration and sustainable businesses. RISCO sells parametric insurance to coastal communities and businesses, ensuring rapid payouts after extreme weather events like typhoons. Unlike traditional insurance, which requires lengthy damage assessments, RISCO's parametric model triggers automatic payments based on pre-set weather thresholds (e.g., wind speeds). The profits from insurance premiums are then reinvested into the RISCO Fund, which provides low-interest loans and grants to support mangrove-positive businesses that protect and restore ecosystems while strengthening local economies.

Through work in the Philippines, CI identified several key lessons and best practices for the RISCO model. Parametric insurance for entire jurisdictions was more effective than traditional indemnity insurance, ensuring rapid payouts after extreme weather events. Governments and local cooperatives were better suited insurance buyers, as they prioritized storm protection and conservation, as opposed to business that profit from removing mangroves. By bundling insurance with low-interest loans and livelihood programs, RISCO increased participation and engagement in areas with limited awareness of insurance. International reinsurers were more open to innovative product designs, which could then be adapted for local markets than local insurers, which highlights the importance of global partnerships in scaling insurance solutions.

CI has also developed a parametric insurance policy for mangroves in Mozambique to address threats from cyclone activity that are destroying mangroves, reducing the climate resilience of ecosystems, and posing economic risks to coastal assets, businesses, and households deriving value from these natural assets. Traditional conservation initiatives have suffered from underinvestment due to challenges in monetizing indirect contributions of mangrove forests, such as coastal protection that accounts for ~70% their total economic benefit. Parametric insurance offers an emergency funding mechanism to mitigate mangrove damage post cyclone, while providing income for people most vulnerable to the impacts of physical risk. Severe weather events automatically trigger payouts aligned to forecast restoration costs and a sufficient insurance capacity to cover action to avert expected direct losses. Importantly, the payout timeframe aligns with that of the main hydrological restoration activity – mangrove channel clearing – enabling effective climate action. Distribution of funds to community members via wages also relieves economic vulnerability post disaster.[31]

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[29] Climate Finance Lab: Restoration Insurance and Financial Services Co.
[30] Conservation International: Restoration Insurance and financial services CO. (RISCO) Overview
[31] Climate Policy Initiative & Conservation International: Parametric insurance for mangroves in Mozambique

As it scales, this insurance policy can be supplemented by a grant facility to cover activity after less severe storms, enabling efficient use of insurance within a package of disaster climate finance measures. There is an existing fund through the Biodiversity Conservation Foundation that is well positioned to manage a mangrove facility for Mozambique, working with key stakeholders including local government, mangrove experts, and communities to deliver interventions, with potential to attract grants from insurance bodies like InsuResilience to scale up the facility. Over time, it is expected that costs can be shared with local enterprise, incl. carbon developers, fisheries, or tourism operators.

Importantly, both the RISCO model and the parametric insurance policy for Mozambique can be scaled and replicated in other countries. For example, potential to develop parametric insurance for mangroves at risk of cyclone damage exists in at least 9 other countries: Australia, Mexico, Cuba, Philippines, the United States, Madagascar, the Bahamas, China, and Japan. The 1.3T Roadmap should facilitate collaborative action on advancing these innovative models.

Innovating pay-for-success programs to finance conservation within hydropower systems

CI developed a Blue Energy Mechanism with The Nature Conservancy, initiating two pilot projects in Colombia to work with hydropower companies and attract private sector financing for upstream conservation and restoration activities to enhance ecosystem services, such as water regulation and sedimentation control, with significant commercial value. **This approach creates a financial incentive for the private sector to positively impact biodiversity, human well-being and energy security, while decreasing the need to build additional hydroelectric plants.** There are four main benefits provided by conservation or restoration of natural ecosystems: (1) reduction in dredging costs; (2) savings on equipment and maintenance costs; (3) extension of reservoir lifespans; and (4) increase in electricity sales and/or sales optimization during the dry season. The NbS activities also generate additional benefits for climate mitigation and adaptation, biodiversity conservation, human health, livelihoods, and water security, which also involve beneficiaries across the landscape. Here we summarize the main takeaways – for the full analysis, see this report.[32]

The Blue Energy Mechanism was designed with the following steps:

1. Special Purpose Vehicle (SPV) is created to undertake the project
2. Investors finance environmental conservation/restoration programs in the watershed where the hydro powerplant is located. The debt is assumed by the SPV
3. Conservation/restoration programs are implemented by local communities and/or specialized companies
4. Actual services provided by ecosystems are measured by independent third party
5. Once measured and priced, the hydropower company pays for part of the ecosystem services, which allows for debt repayment and financing of the project expenses.

For these types of pay-for-success projects, challenges include: accurately modeling ecosystem services to generate trust and commitment from partners; structuring a project with multiple beneficiaries; ensuring benefits materialize within the expected timeframe and at a sufficient level to match the project's financial needs; and scaling implementation so that the SPV and local partners can reasonably commit to deliver the expected portfolio of NbS.

In setting up the pilots and navigating these challenges, CI learned a few key lessons. Projects must select hydropower companies with the right assets and challenges, ensuring to understand how NbS fits within their proposed action plan and their willingness to commit resources and share data. To foment

[32] Agence Française de Développement: Nature-based solutions for hydropower companies

trust in the investment, biophysical criteria for project screening must accurately capture both the potential benefits provided by NbS, and the project's feasibility: sedimentation reduction was the safest bet to generate benefits. Similarly, land-cover land-use projections have important implications for financial viability and using both baseline and BAU methods is necessary. To guarantee financial viability, the hydropower company must be willing to engage in the pay-for-success scheme over other investments and a high cost/benefit ratio does not necessarily guarantee a bankable project. Ultimately, engagement with other potential beneficiaries – such as water utilities, agriculture companies, and governments – may be necessary to widen the project's financial basis and generate sufficient cash flows. Overall, a step-by-step approach to build confidence may be preferable to structuring a large transaction straight away.

4. Multilateral initiatives most relevant to take into account in the 1.3T Roadmap and why

- **The Kunming-Montreal Global Biodiversity Framework (GBF):** Aligning the 1.3T Roadmap with the GBF is important to enhance synergies between climate and biodiversity actions and streamline implementation and reporting. Notably, 81% of biodiversity-related finance also targets climate change, but only 21% of climate finance specifically targets biodiversity. Better integration can support biodiversity conservation, climate mitigation, and adaptation efforts simultaneously, making financial investments more efficient and impactful.
    - The GBF has two finance targets on reform of harmful subsidies and on mobilization of new resources; finance under the 1.3 T Roadmap should be additional, supporting climate and biodiversity efforts without overlapping with existing commitments.
    - Recently, under the GBF, countries agreed to continue and enhance collaboration with other conventions, which is a positive step towards maximizing resources to achieve collective goals across conventions and multilateral environmental agreements, including the UNFCCC.[33] The 1.3T Roadmap should explore how to build on the momentum to enhance synergies between the Rio Conventions and other agreements.
- **The Forest Climate Leaders Platform:** Over 140 governments have signed the Glasgow Leaders Declaration on Forests and Land Use, committing to halt and reverse forest loss and land degradation by 2030 while promoting sustainable development. To support this, the UK helped establish the Forest and Climate Leaders' Partnership (FCLP), a coalition focused on achieving the goals of the declaration. The FCLP provides a platform for political action and targeted 'Action Areas' to address barriers to forest protection.[34] Integrating this initiative can support a key part of reaching the 1.3T Roadmap goals overall, bringing government and civil society organizations together to accelerate finance for forests.
- **The Amazon Cooperation Treaty (OCTA)** and related initiatives, including the Belem Declaration and the Sustainable Productive Amazon program with the goal of financing 80% of the Amazon while avoiding deforestation-driven funding. The 1.3T Roadmap can support several areas where these initiatives can be strengthened by:
    - Developing a regionally coordinated financial strategy that integrates existing funding initiatives while ensuring effective allocation and monitoring of resources.
    - Creating a high-level Amazon Finance Task Force, in collaboration with OCTA and financial institutions such as the IDB and the World Bank, to align investments with sustainability targets and safeguards.

[33] Convention on Biological Diversity: Decision adopted on Biodiversity and Climate Change
[34] Foreign, Commonwealth & Development Office: Forest Climate Leaders Platform

- Establish a monitoring mechanism to assess the implementation of commitments under the Belem Declaration.
- Leverage OTCA's role in coordinating transnational efforts and advocating for increased climate finance tailored to Amazonian realities.
- Support transparency to addressing Illegality and governance concerns. The 1.3T Roadmap can build on the Belem Declaration roadmaps for financial transparency under and the creation of a regional enforcement agency in Manaus.

- **The** Coalition of Finance Ministers for Climate Action can be built upon to bring together key decision-makers and facilitate the role of finance policy in achieving the 1.3T Roadmap goals.
- Friends of Ecosystem-based Adaptation **(FEBA**) has deep expertise in financing adaptation,[35] particularly efforts to leverage adaptation-mitigation dual-wins, can add nuance to the 1.3T Roadmap efforts to ensure finance for climate achieves mitigation and adaptation sub-goals
- **The** Mangrove Breakthrough is a successful example of how multilateral, government, and civil society cooperation can significantly increase the scale of funding for critical ecosystems. The 1.3T Roadmap can incorporate this initiative and lessons learned to achieve sectoral goals.
- **The** Taskforce on Nature-Related Financial Disclosures (TNFD) provides recommended standards and methodologies for companies to transparently report on their risk exposures, allowing financial markets and investors to price nature-related risks appropriately.[36] Governments and dozens of central banks and regulators have formally expressed support for these recommendations, and the 1.3T Roadmap can help convert support and endorsement into action to incorporate the TNFD recommendations into ISSB Standards (as happened with the recommendations developed by the Task Force on Climate-related Financial Disclosures).

For more information, please contact:

Florence Laloë
Senior Director, Climate Policy
flaloe@conservation.org

Kiryssa Kasprzyk
Director, Climate Policy
kkasprzyk@conservation.org

CONSERVATION INTERNATIONAL

[35] Friends of ecosystem-based adaptation: Collaborating for Ecosystem-based Adaptation
[36] Taskforce on Nature-Related Financial Disclosures: Disclosure Pillars

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