



## Mobilising climate finance

experiences and lessons learned from IKI projects  
in Central America and the Caribbean

**Published by:**

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Registered offices  
Bonn y Eschborn, Alemania

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Cover: © Adobe Stock  
4, 9, 14, 17, 19, 20-22, 23 & back cover: Paula Cruz

ACCIÓN Clima is implemented by GIZ on behalf of the  
Federal Ministry of Environment, Nature Conservation  
and Nuclear Safety within the framework of its International  
Climate Initiative (IKI).

San José, Costa Rica, April 2021.



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# CONTENTS

<b>GLOSSARY</b>	<b>5</b>
<b>ABOUT THIS PUBLICATION</b>	<b>6</b>
<b>INTRODUCTION:</b> Why deal with climate finance?	<b>7</b>
<b>EXPERIENCES IN MOBILISING CLIMATE FINANCE</b>	<b>8</b>
<b>I. Public environment: financing climate actions through [improved] public policies, legislation, and public funds</b>	<b>9</b>
I.1 A fee that promotes co-responsibility in the protection of water resources	<b>10</b>
I.2 Fiscal measures enable climate actions	<b>12</b>
<b>II. Private environment: turning the private sector into a key player in achieving the countries' climate goals</b>	<b>14</b>
II.1 Decarbonisation with identity	<b>14</b>
II.2 Secondary forests host sustainable ventures	<b>16</b>
II.3 To build the bridges that bring together impact investments and landscape restoration	<b>18</b>
II.4 Good ideas become profitable land restoration businesses	<b>20</b>
II.5 Micro-insurances for climate risk adaptation in the Caribbean	<b>22</b>
II.6 The capital within the territories	<b>24</b>
<b>LESSONS LEARNED</b>	<b>26</b>
I. Positioning climate initiatives: how does one win allies?	<b>28</b>
II. Financing climate actions: a world of capabilities yet to be developed	<b>32</b>
III. Governance: moving from limiting to enabling conditions	<b>34</b>
<b>CONCLUSIONS</b>	<b>36</b>

# GLOSSARY

ARESEP	Public Services Regulating Authority (Costa Rica)
ASADAS	Community Associations for Aqueduct and Sewage Systems Management (Costa Rica)
A.S.I.	Advisors for Social Investment (Mexico)
AyA	Costa Rican Institute of Aqueducts and Sewers
BMU	German Federal Ministry of Environment, Nature Protection and Nuclear Safety
CATIE	Tropical Agronomic Research and Teaching Center (Costa Rica)
CRAIC	Caribbean Climate Risk Insurance and Adaptation Project
CCRIF SPC	Caribbean Disaster Risk Insurance Fund
CEDARENA	Center for Environmental and Natural Resources Law (Costa Rica)
CMNUCC	United Nations Framework Convention on Climate Change
CPI	Climate Policy Initiative
DCC	Climate Change Directorate (Costa Rica)
EbA	Ecosystem-based Adaptation
ECA	Costa Rican Accreditation Body (Ente Costarricense de Acreditación)
ESPH	Public Services Company of the Municipality of Heredia (Costa Rica)
FIAS	Environmental Investment Fund of El Salvador
FONAFIFO	National Forest Finance Fund (Costa Rica)
GHG	Greenhouse Gases
GIZ	German Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GIZ GmbH)
IKI	International Climate Initiative
IPCC	Intergovernmental Panel on Climate Change
MCII	Munich Climate Insurance Initiative
MINAE	Ministry of Environment and Energy (Costa Rica)
NDC	Nationally Determined Contributions
PNCB	National Biological Corridors Program (Costa Rica)
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RPB	Rural Prosperity Bond
SINAC	National System for Conservation Areas (Costa Rica)
TPRH	Water resource protection fee (Costa Rica)
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme



## ABOUT THIS PUBLICATION

The ACCIÓN Clima project, funded by the Germany Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU for its German acronym) and implemented jointly by the German Development Cooperation (GIZ) and Costa Rica's Climate Change Directorate (DCC), presents this publication to contribute to horizontal learning among projects funded by the BMU's International Climate Initiative (IKI) in Central America and the Caribbean on the subject of climate finances.

This collection of experiences, practices, and lessons learned by the implementing teams in devising additional fund mobilisation mechanisms seeks to demonstrate how international climate funds (such as IKI's) can leverage new resources and, therefore, increase investment for climate change mitigation and adaptation actions.

The mechanisms presented herein show that the approaches that can be adopted to increase the resources invested in achieving climate goals in the region are varied.

Strengthening regulatory frameworks in countries, improving the technical capabilities of strategic partners, articulating all relevant actors -i.e., public, private, and international cooperation agencies- and aligning climate goals with the priorities of these actors are some of the strategies used by these initiatives to materialise more significant and robust climate finance flows.

The design, implementation, and sustainability challenges these initiatives face are presented as well, as they are deemed helpful to reflect and develop solutions.

Promoting knowledge exchange and dissemination, and identifying challenges that the BMU can contribute to addressing through potential lines of cooperation, are objectives of the interface function for Central America and the Caribbean that ACCIÓN Clima project has been implementing since January 2020 under the mandate of the BMU, and within which this collection of practices and experiences has taken place.

ACCIÓN Clima gratefully acknowledges the implementing staff of the IKI projects who generously shared their experiences and learnings for this publication.

## INTRODUCTION:

### Why deal with climate finance?

Currently, climate finance is understood as any flow of capital aimed at financing climate change mitigation and adaptation actions, the sources of which may be international public finances (channeled through multilateral mechanisms such as the climate funds of the United Nations Framework Convention on Climate Change (UNFCCC) or the financial mechanisms of the multilateral development and bilateral banks such as, for example, the IKI); national public finances (aligning public spending with the countries' climate goals and mechanisms, such as tax incentives, carbon taxes, emissions charges, and payments for environmental services); or private finances (businesses investments, such as green credit lines, green bonds, and climate insurances, among others)<sup>1</sup>.

According to the Climate Policy Initiative, total climate financial flows averaged \$579 billion in the 2017/2018 biennium, an increase of 25% over the 2015/2016 biennium<sup>2</sup>. However, the Intergovernmental Panel on Climate Change (IPCC) estimates the investments needed only to transition to low-carbon energy systems<sup>3</sup> between \$1.6 billion and \$3.8 trillion per year between 2016 and 2050. Meanwhile, the World Adaptation Commission estimates that adaptation will cost around \$180 billion annually between 2020 and 2030. It is clear that while climate finance flows have shown an upward trend, they remain insufficient to meet the challenges of climate change regarding the investments needed to transition to a decarbonised global economy and limit global average temperature rise to 1.5 degrees Celsius from pre-industrial levels.

The size of the challenge requires not only a significant increase in annual investment, but also unprecedented articulation efforts between international organisations, development banks, governments, financial system regulators, and other private actors to align the global financial flows with the climate objectives of the 2030 agenda.

The practices contained in this publication exemplify the efforts made in this regard by some IKI-funded projects in the Central American and Caribbean region in generating new fundraising mechanisms or supporting and strengthening existing mechanisms.

1. Poser, C. (2020). *What is climate finance? An introduction [PPT]* <https://www.youtube.com/watch?v=nihnewTAejM&t=1322s>

2. CPI, 2019. Global Landscape of Climate Finance 2019. Climate Policy Initiative, London. Available at: <https://www.climatepolicyinitiative.org/wp-content/uploads/2019/11/2019-Global-Landscape-of-Climate-Finance.pdf>

3. Ibid, Pg.3



1.

# EXPERIENCES IN MOBILISING CLIMATE FINANCE

I. Public environment:  
financing climate  
actions through  
[improved]  
public policies,  
legislation,  
and public  
funds

## I.1 A fee that promotes co-responsibility in the protection of water resources

**FUND MOBILISATION MECHANISM:** The Water Resource Protection Fee (TPRH for its Spanish acronym) is an additional charge that water service providers regulated by the Public Service Regulatory Authority (ARESEP) of Costa Rica can voluntarily incorporate in the service bill. The proceeds of such a charge must finance projects to protect water source sites. These providers are the Costa Rican Institute of Aqueducts and Sewers (AyA), the Heredia Public Services Company (ESPH), and the Associations of Aqueduct Systems and Communal Sewers (ASADA).

**OPERATION:** Public aqueduct service operators wishing to apply this fee adjustment must request ARESEP a study. The request must be submitted through the AyA and accompanied by a five-year strategy detailing the projects to be financed with the resources collected through the requested fee.

These projects should establish objectives to protect and recover aquifer recharge areas, adapt to climate change, and improve the quantity and quality of water offered to users. Some of the actions include land purchasing and reforestation, payment for environmental services in aquifer recharge and productive restriction areas, promoting good agricultural practices, and environmental education to promote a water culture. Projects should also define monitoring mechanisms to enable the regulatory authority to monitor and evaluate results and impacts.

Service providers may use the "Guide to evaluating projects included in the five-year strategy proposals to be financed with the TPRH," and the "Guide to developing five-year strategies for water suppliers," two methodological tools developed through an inter-agency and multisectoral collaboration process

between ARESEP, other public institutions (the AyA, the Directorate of Climate Change (DCC) of the Ministry of Environment and Energy (MINAE)), the civil society (Centre for Environmental and Natural Resources Law (CEDARENA), The Nature Conservancy (TNC)) and international cooperation agencies such as the GIZ through the Biological Corridors project, and the United Nations Development Programme (UNDP).

A [methodology to establish the water protection fee](#) was also developed, which considers the costs of the proposed water protection projects, the suppliers' total revenue, and the total water volume to be billed. The fee is calculated such that the revenue corresponding to it allows for financing all projects approved. In turn, the scope of investments is adapted to a principle of collection feasibility, being mindful not to over-charge users' ability to pay.

A fee per cubic meter of water is then determined per consumption block (from less than 16m<sup>3</sup> to more than 121m<sup>3</sup>) and user category (home, business, preferential, and government). The fee has a five-year validity and includes an annual or biannual review, depending on the projects and their costs.

Once approved by ARESEP, service providers apply the fee and invest the resources collected in the accepted projects, which will be subjected to periodic monitoring.

**RESULTS:** As of December 2019, ARESEP approved the first [Water Resource Protection Fee](#) proposed by the AyA for the 2020 – 2024 period. Regarding the home category, the approved adjustment accounts for \$0.005 to \$0.02 per cubic meter consumed, depending on the consumption level, namely less than 1% of an average bill.

The fee's application began in January 2020 and, by August 2020, it had already raised approximately \$760,000. Implementers expect to generate around \$1 million per year over the next five years.

The resources collected will finance projects at the Barranca River basin and sub-basin of the La Paz River in Costa Rica's Central Pacific. Actions include a hydrogeological study to determine the risks and threats faced by the aquifer, the installation of water measurement and monitoring equipment, and payment of environmental services in collaboration with the National Forest Financing Fund (FONAFIFO).

**SUSTAINABILITY STRATEGY:** The methodology to establish the water protection fee was approved by ARESEP (Resolution RE-0213-JD-2018), thus becoming a permanent fee regulation instrument.

### Project:

[Corredores Biológicos](#)

<http://biocorredores.org/corredoresbiologicos/>

### Implementer:

German Development Cooperation - GIZ

### Geographical scope:

Costa Rica

Objective: To strengthen capacities for the sustainable use of biodiversity and thus ensure the provision of ecosystem services in the Biological Corridors of Costa Rica.

### Implementation logic:

The project aims to strengthen capabilities for the management of biological corridors, both of the National System of Conservation Areas (SINAC) -the implementing institution of the National Biological Corridors Program (PNCB) and counterpart of the Biocorridor project-, as well as local governments, civil society organisations, and the private sector. To this end, it generates participatory processes and social concertation spaces that promote joint strategic planning for the conservation and sustainable use of biodiversity in the Biological Corridors from an ecosystem perspective. It also develops incentive systems and financial mechanisms (such as fees, compensations, payments for ecosystem services) to ensure the financing of measures and the implementation of the strategic plans.

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## I.2 Fiscal measures enable climate actions

**FUND MOBILISATION MECHANISM:** Public incentives to promote the private sector's involvement in landscape and ecosystem restoration.

**OPERATION:** The project found that El Salvador has no unified mechanism for financing climate actions (specifically the restoration of landscapes and ecosystems). Therefore, the first step was to determine the functioning of the applicable policies and instruments and the institutions' competencies.

Subsequently, ensuring that no regulatory or institutional conflicts arise, the project will design incentive packages conducive to landscape and ecosystem restoration.

**RESULTS:** Although still at an early implementation stage, to date the project has been able to bring together actors with different agendas to work for the common objective of landscape and ecosystem restoration. Partners include the ministries of environment, agriculture, and finance and the Environmental Investment Fund of El Salvador (FIAES). Three territories have already been selected for pilot implementation with FIAES as the implementer.

Consultations in the territories have also been conducted, and exchange of experiences events have taken place with Costa Rica, Guatemala, and the Dominican Republic and organisations such as the World Resources Institute (WRI) and GIZ.

**CHALLENGES:** Implementing actions related to public sector policies, regulations, and institutional competencies face numerous challenges, such as the rigidity of the regulatory frameworks, government changes, priorities that differ from one competent ministry to the other, and limited resources directed to actions considered most pressing.

Based on the analysis of this landscape, the project opted for various strategies, one of them being to

align the project's objectives with the authorities' institutional priorities. In this way, a great effort has been made to demonstrate the positive effects that landscape and ecosystem restoration has on the water resources or the conservation of livelihoods, both issues that require urgent attention in El Salvador.

Moreover, El Salvador is a signatory to the Bonn Challenge under which it committed in 2012 to restore one million hectares by 2030. The project has positioned its actions as measures that can help achieve this goal.

Likewise, it has involved its strategic partners from the earliest stages of implementation, fostering a collaborative environment from the very design of the solutions and, with it, a sense of ownership and identity with the initiative.

However, determining the origin of funds to finance the incentives will not be an easy task, and it is still early to predict the feasibility of one or another course of action. Some options that are being considered to increase the incentives scheme's feasibility include: linking it to the country's existing environmental compensation mechanism (by law since 1996, in operation since 2014), addressing it from the issue of water resource management, or designing, jointly with the banking sector -through the Green Protocol of El Salvador's Financial System-, an incentive program aimed at productive activities that incorporate the restoration of landscapes and ecosystems.

**SUSTAINABILITY STRATEGY:** Since the project works at the political-regulatory level, it is expecting to generate the enabling conditions within the public sector to impact private land management and nudge it towards landscape and ecosystem restoration. As long as the project manages to materialise these ideas into valid, legitimate, and viable public instruments, this will be a lasting initiative.

### **Project:**

Tax incentives reform for a green economy and the implementation of Nationally Determined Contributions (NDCs): Restoration and landscape management in El Salvador.

### **Implementer:**

United Nations Environment Programme (UNEP)  
Geographic scope: El Salvador

### **Objective:**

To support the government of El Salvador in aligning existing public policies and incentives in land use with the national objectives of the Ecosystem and Landscape Restoration and Reducing emissions from deforestation and forest degradation (REDD+), and in designing an incentives program for a green economy.

### **Implementation logic:**

The project is based on the need to review and determine the complementarity of public policies and incentives in the realm of land use, specifically for landscape restoration. On this basis, a pilot package of public incentives will be designed and implemented to promote the conservation and expansion of agroforestry systems. A proposal for incentive schemes aimed at ecosystem restoration will be presented with its funding strategy as well.

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## II. Private environment: turning the private sector into a key player in achieving the countries' climate goals

### II.1 Decarbonisation with identity

**FUND MOBILISATION MECHANISM:** The NDC Action project supports the strengthening of the [Carbon Neutrality Country Programme \(PPCN\)](#), a voluntary mechanism developed by the Climate Change Directorate (DCC) of Costa Rica's Ministry of Environment and Energy (MINA) that encourages the private sector, local governments, and other organisations to engage in climate action. It does so by acknowledging and rewarding these actors' efforts and investments in reducing and mitigating their Greenhouse Gas (GHG) emissions.

**OPERATION:** Currently, the PPCN has five categories: organisations, schools, communities, products, and events. Programme participants in any of these categories (called implementing parties) are responsible for generating their GHG inventories and taking appropriate emission reduction and offset actions to move towards carbon neutrality.

The participants' inventories and actions are assessed by a verification body that must be accredited by the Costa Rican Accreditation Entity (ECA). Once the official verification declaration has been made, the DCC grants recognition to the implementing parties according to a five-level system: Carbon Inventory; Carbon Reduction; Carbon Reduction +, Carbon Neutrality; Carbon Neutrality +.

While the PPCN has existed since 2012, it has strengthened and expanded, increasing its scope both in terms of the number and diversity of implementing party categories and the complexity of the recognition system. Within this framework of continuous improvement, the NDC Action Costa Rica project supports the PPCN, specifically in the following areas: 1) updating the program's regulations and requirements to improve its existing categories, align it with international trends, and include new categories; 2) implementing the new products category which includes identifying and communicating the benefits of participating in the program, thus increasing its scope and mobilising more private sector resources towards climate action.

**RESULTS:** The PPCN has achieved significant results in mobilising private and public (local) resources towards climate action. Between 2017 and 2020, more than USD 15 million were accounted for in emission reduction and mitigation actions undertaken by 161 implementing parties. These investments have been aimed mainly at production processes optimisation, purchasing carbon offsets, and forest conservation.

The PPCN's success is partially attributable to the confidence generated within the private sector and other implementing parties. It enables framing their mitigation actions in a formal and official mechanism with precise participation requirements and a rigorous monitoring and verification mechanism that allows to measure and make concrete results visible.

**CHALLENGES:** The PPCN incentive system is still limited to the granting of recognition. In this sense, the economic benefits that the implementing parties, especially the private sector, may derive from their participation in the programme are indirect. They relate to branding and marketing elements that may improve their positioning in the market and public procurement processes (obtaining higher scores) and to savings derived from the optimisation of production processes (especially energy efficiency.)

While many companies that have been actively involved in the program value these benefits positively, additional incentives (such as reductions in electricity fees) need to be put in place to achieve more extensive private sector participation and increase the programme's scope. The NDC Action project works to identify the barriers that might hold back this transformation and propose innovative solutions.

**SUSTAINABILITY:** The PPCN mechanism was made official through [Decree 41122-MINA](#), which ensures its continuity.

**Project:**  
NDC Action

**Implementer:**  
United Nations Environment Programme (UNEP)

**Geographical scope:**  
Argentina, Bangladesh, Colombia, Costa Rica, Ghana, Jordan, Mongolia, Morocco, Uganda, and Vietnam

**Objective:**  
To increase the transformative potential of the Nationally Determined Contributions (NDCs) in 10 partner countries by translating them into specific sectoral strategies and actions ready for financing and implementation, simultaneously increasing their goals' ambitions.

**Implementation logic:**  
The NDC Action project is based on three basic principles: country ownership, a balanced approach to adaptation and mitigation, and integration of national development and climate change priorities. The project provides technical assistance specific to each country's needs and strengthens governments, national financial institutions, and private project developers to improve efficiency in the implementation of the NDCs. At the same time, it promotes and facilitates the exchange of experiences and lessons learned between sectors, countries, and regions.

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## II.2 Secondary forests host sustainable ventures

**FUND MOBILISATION MECHANISM:** [CATIE ACTIVA](#) is a forestry and rural entrepreneurship incubator that operates through a virtual platform. It seeks to connect institutional strategic partners in the countries with angel investors to support new rural ventures that sustainably use secondary forests' resources.

These are projects or project ideas that otherwise would not have much chance to be subject to formal funding.

**OPERATION:** In Costa Rica, the support for companies participating in the call includes mentorship for the proposal's improvement even before entering the selection process and advice for the correct preparation and presentation of requirements. While projects must provide a counterpart contribution, it is returned to them at the end of the implementation period (six months for prototyping and one year for start-ups.)

**RESULTS:** To date, the project signed a contract for circa USD 180,000 with the [Development Banking System of Costa Rica](#) (Banca para el Desarrollo) to provide non-reimbursable financing to forestry and rural ventures. Banca para el Desarrollo became a natural partner given Costa Rica's political-institutional framework (for example, its [Decarbonisation Plan](#)) to decarbonise the economy.

Following the first call for submission of projects, agreements were closed to support four prototyping-stage ventures (10,000 USD each) and four start-ups (12,000 USD each).

The project will launch an additional call in the early second quarter of 2021.

The results achieved to date correspond to mobilised funds from the Costa Rican public banking system, but the project also aims to spark interest between private investors and other countries in the region.

**CHALLENGES:** Replicating the experience in other contexts where a political-regulatory framework for decarbonisation has not yet been developed, and therefore sustainability criteria are not integrated into the business field could be a challenge for CATIE ACTIVA. The expectation is that the initiative's comprehensive approach (through the components mentioned below) and the generation of success stories will contribute to interest more and more key actors.

**SUSTAINABILITY STRATEGY:** In addition to boosting productive projects that are expected to continue to develop themselves (either by achieving a sufficient level of profitability or by becoming bankable projects to complete their launching), the results achieved by these ventures will also provide CATIE ACTIVA with a portfolio of success stories to demonstrate that it is a robust and reliable platform.

Not only will this help to generate more traction for the issue of investing in forestry and rural entrepreneurship, but also for acknowledging secondary forests in their role as rural livelihoods vital in the communities and as crucial spaces for GHG mitigation and climate change adaptation.

Simultaneously, the project executes other components to provide countries with an architecture that can be seized even by other initiatives (be it state, internationally, or privately funded) to promote this type of businesses and thereby, the additional leverage of funds.

The other components are:

- 1. Strengthening forest governance:** Research of the regulatory frameworks (legal and administrative) of forest resource management. Having clarity on the applicable regulations allows for identifying barriers to be then able to propose improvements.
- 2. Demonstration plots:** Selected forest areas to demonstrate that the sustainable management and use of the forest resources are feasible and desirable activities from the economic, environmental, and social perspectives.
- 3. Training:** Improved technical capabilities among strategic partners are critical to the continuity of country initiatives. Topics prioritised: forest management, business, and entrepreneurship in the forestry sector.
- 4. Technology:** a tool for the generation and dissemination of information for evidence-based decision-making.

The CATIE ACTIVA platform will be assumed as part of CATIE's institutional work as a portion of its counterpart for this project.



### Project:

Sustainable management models of secondary forests and their link to private financing

### Implementer:

Tropical Agronomic Research and Teaching Center (CATIE)

Geographical scope: Costa Rica, El Salvador, Honduras and Guatemala

Objective: To promote the conservation of secondary forests through the development of business models that turn their sustainable management into a profitable activity.

**Implementation logic:** Despite their large presence in Central America and their importance in greenhouse gas mitigation and climate change adaptation strategies, secondary forests tend to receive little political-institutional attention. As a result, owners do not have incentives for the conservation of these areas.

The development of profitable business models based on the sustainable management of this resource allows the maintenance of livelihoods that are environmentally, economically and socially sustainable.

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## II.3 To build the bridges that bring together impact investments and landscape restoration

**FUND MOBILISATION MECHANISM:** through the 20x20 initiative network, the project supports “match-making” between impact investors and investment opportunities in productive land restoration projects in the region.

**OPERATION:** Impact investments offer an opportunity to achieve social and environmental goals through sustainable business models. The project seeks to draw the attention of impact investors to productive landscape restoration projects. Ultimately, it acts as a broker of sorts and facilitates dialogue between actors who otherwise would not have an opportunity of connecting.

**RESULTS:** The project has ensured that impact investors manifest their ambition to invest USD 2.4 billion in productive projects consistent with degraded land restoration.

**CHALLENGES:** Implementation made evident that several barriers prevent these available funds from making it to the projects. Some of the challenges identified include difficulties in generating bankable restoration projects attractive for investors, bringing investors to discover these projects, and ensuring that the environment (political-legal, social and economic) is conducive to investment.

Through a project that resulted precisely from these findings, WRI was able to single out the two most decisive bottlenecks. First, the projects’ high-risk levels: given the specificities of land restoration (which includes reforestation, agroforestry, natural regeneration, silvopastoral or conservation activities), projects are comprised by a greater diversity of productive models, many of which are not based on a specific commodity. In turn, the payback period is too long, especially in reforestation and natural regeneration projects (greater than 12 years), thus increasing risk and vulnerability to the effects of political and social instability. A second important factor is the size of the projects: for Central America, the relationship between the transaction cost

and the projects’ size results in lower returns due to the costs of adding numerous smallholders to invest in large areas. While possible, it is not easy to find a single project in the region of, for example, 1,000 hectares that justifies the transaction costs for impact investing.

Having clarity regarding these barriers is a fundamental first step in addressing them and devising solutions according to the region’s characteristics.

**SUSTAINABILITY STRATEGY:** Based on the premise that private investments for the restoration of degraded land require first a favorable political-regulatory environment (e.g., incentives), WRI has focused part of its efforts within the 20 x 20 Initiative on the ‘Restoration Policy Accelerator’.

This action focuses on improving public incentive programs for restoration to leverage private sector resources. It consists of a three-phase program that seeks to enable a space for interinstitutional dialogues between ministries of agriculture, environment, and finance. The objective is to reach the necessary agreements to design and implement incentives that encourage landowners to dedicate their land to restoration. As a program involving several countries in the region, learning exchange experiences are conducted, so that progress achieved in one context serves to accelerate change in another.

Relying on scientific knowledge and monitoring methods is a critical element: solid arguments that demonstrate the positive impacts of landscape restoration for both the companies and the countries’ environmental goals further drive this line of action.

Examples of this are the findings that determine the positive impacts of riverside forest restoration on flood mitigation. Landscape restoration also increases connectivity in highly fragmented agricultural areas and soil recovery, potentially resulting in increased agricultural productivity.

### Project:

[20 x 20 Initiative](#), a country-led effort seeking to change the dynamics of land degradation in Latin America and the Caribbean by beginning to protect and restore 20 million hectares of forests, farms, pasture, and other landscapes by 2020.

### Implementer:

World Resources Institute (WRI) as secretariat of the initiative

Geographical scope: Argentina, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Peru, Uruguay

### Objective:

To change the dynamics of land degradation through the acceleration of landscape restoration by supporting the following areas: 1) Accelerate policies and political dialogue; 2) Strengthen countries’ capacities and scale analytical efforts around restoration; 3) Accelerate private sector investments, impact investors and companies in landscape restoration.

### Implementation logic:

The restoration of degraded lands is a sustainable development alternative and a mitigation and adaptation mechanism to climate change. It enables the conservation of livelihoods - especially rural ones - due to the promotion of sustainable productive activities around the conservation and restoration of key ecosystem services.

### To learn more

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## II.4 Good ideas become profitable land restoration businesses

**FUND MOBILISATION MECHANISM:** Productive restoration businesses accelerator, a six-month “boot camp” for companies that restore degraded land.

It comprises training, mentoring, counseling, and eventual matching with investors (e.g., business match-making). It also encourages exchange and networking to promote horizontal and collaborative learning as well.

This line of action arose after identifying that numerous small and medium-sized restoration businesses needed their capabilities improved if they were to scale their business models and access investments. Also, countless projects or project ideas exist that, although valuable for restoration, cannot be launched or scaled as they are neither bankable yet nor eligible within the scope of microcredit initiatives.

Additionally, the project found that linking entrepreneurial initiatives with potential investors was insufficient to materialise businesses, because the former did not have the tools to formally prepare a project proposal and develop the narrative necessary to position it among investors or credit institutions.

**OPERATION:** Companies and projects entering the accelerator must undergo a preselection process to determine the extent to which the activity is conducive to landscape restoration, the project’s potential and feasibility to produce goods or services, and its specific needs.

**RESULTS:** Currently, 15 entrepreneurial projects are being supported in Latin America, three of them in Central America: in Nicaragua for sustainable timber harvesting, in Costa Rica for sustainable rubber exploitation, and in Guatemala for sustainable grass-fed meat production and marketing.

The program’s “demo-day” will take place on April 20 – 21, 2021, to present the ventures to potential investors. The purpose is for the businesses and entrepreneurs to gain experience, improve their presentation capabilities, and receive feedback to improving their projects.

A database will be published showcasing the projects to improve their chances of connecting with investors, based on the understanding that being part of the database is evidence of the projects’ potential to generate social and environmental benefits and their track record of improvement in critical aspects for their success.

Companies started this process in November 2020, so it is still early to conduct evaluations. However, WRI perceives a positive response and enthusiasm from the projects and has identified investors’ first expressions of interest.

**CHALLENGES:** WRI has concluded that each project requires support specific to its level of maturity, context, and staff’s capabilities, among others. As a result, it is not easy to conceptualise the accelerator for a mass audience if they are to maintain the same degree of differentiation in the attention given to each project.

However, the accelerator has capacity-building spaces open to all audiences on specific topics relevant to landscape restoration investments.

Another challenge is evident when thinking about passing the program on to a third party since WRI has the advantage of being a multidisciplinary organisation that can solve “in-house” the various training needs and has a solid network of go-to experts.

**SUSTAINABILITY STRATEGY:** WRI has joined forces with the Climate Policy Initiative’s (CPI) Rural Prosperity Fund (RPB) so that once companies “graduate” from the accelerator, they may be eligible to apply to RPB credits with more favorable interest fees than those in the domestic financial market.

This way, the support in technical training and improvement of projects is complemented with the possibility of receiving funding, turning these initiatives into sustainable and independent businesses.

### Project:

[20 x 20 Initiative](#), a country-led effort seeking to change the dynamics of land degradation in Latin America and the Caribbean by beginning to protect and restore 20 million hectares of forests, farms, pasture, and other landscapes by 2020.

### Implementer:

World Resources Institute (WRI) as secretariat of the initiative

### Geographical scope:

Argentina, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Peru, Uruguay

### Objective:

To change the dynamics of land degradation through the acceleration of landscape restoration by supporting the following areas: 1) Accelerate policies and political dialogue;

2) Strengthen countries’ capacities and scale analytical efforts around restoration; 3) Accelerate private sector investments, impact investors and companies in landscape restoration.

### Implementation logic:

The restoration of degraded lands is a sustainable development alternative and a mitigation and adaptation mechanism to climate change. It enables the conservation of livelihoods - especially rural ones - due to the promotion of sustainable productive activities around the conservation and the restoration of key ecosystem services.

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## II.5 Micro-insurances for climate risk adaptation in the Caribbean

**FUND MOBILISATION MECHANISM:** Design and implementation of the Livelihood Protection Policy (LPP), a parametric micro-insurance product that provides financial support after extreme weather events.

The LPP helps prevent people who depend on activities vulnerable to climate events, such as farming, fishing, and tourism, from having to use harmful coping activities after extreme weather events, including selling off assets, taking children out of school, and not paying back credit.

**OPERATION:** In parametric insurance, the payout amount is calculated based on the given intensity of a weather event, for example, wind speed, earthquakes' intensity, or rain volume.

Regarding its advantages, this type of insurance differs from traditional products in that the burden of proof does not rest on the policyholder. Parameters (both the occurrence of the event and its intensity as well as the estimation of damage) have been previously defined and consist of objectively verifiable aspects (satellite reports, modeling). The certainty of the policy compensation is thus increased, and the need for field damage assessments eliminated, speeding up payment time as a result (between three and fifteen days) and making this type of insurance more affordable as the cost required for loss adjustors has been eliminated.

As for the disadvantages, the issue of basis risk cannot be overlooked. A policyholder may be affected collaterally by an event in another region that is not covered, flash flooding being a clear example of this. Damage from events whose indexes did not reach the policy's trigger levels may also occur, for example, a farm that suffered losses due to wind of an intensity that does not correspond to that required in the policy.

**RESULTS:** The LPP has been made available to people in Jamaica and St. Lucia and has sold both individual and group policies (e.g., cooperatives). The project is currently developing an insurance product for Trinidad and Tobago.

To be able to place a new insurance product on the market, the project had to first coordinate with the countries' regulatory entities to develop the normative aspects and with the insurance companies to design a product both profitable for the company and suitable for the target consumers. In the meantime, the LPP has been "stress tested" for approval by the re-insurance industry.

**CHALLENGES:** When basis risk arises as mentioned above, the policy does not pay out and, if its operating mechanism has not been sufficiently explained and understood by the policyholders, it can cause frustration, disappointment, and ultimately the decision not to re-purchase the policy for the following periods.

Also, since the policy covers extreme events exclusively, relatively long periods may elapse without them occurring. When assessing the cost-benefit ratio, takers may be inclined not to purchase the policy anymore and dedicate those resources to other purposes currently perceived as more pressing.

It is also necessary to understand that parametric insurance does not cover the entire losses faced by a policyholder, but it provides quick payouts for the limited coverage purchased by the policyholder. It is therefore essential for policyholders to understand their liquidity requirements after an extreme event and purchase the appropriate coverage amounts.

In any case, the unpreparedness of a person vulnerable to extreme climate events and losing their productive activity is an undesirable scenario for both the communities and the governments.

**SUSTAINABILITY STRATEGY:** The CRAIC project carried out an evaluation and learning process aimed at improving its actions. From 2020 on, implementing the lessons learned will further develop the parametric climate insurance market in the Caribbean countries.

Areas of particular interest include a) working with governments to strengthen the political-institutional conditions to enable the development of this market and to position the characteristics, advantages, and functioning of parametric insurances; b) design - in conjunction with local insurance companies - of specific products according to the needs of the different target groups, incorporating modeling actions; and c) development of the market for this type of insurance through financial literacy among the public with the support of local organisations thus increasing awareness about the advantages of preparedness versus the risk of living in a state of unprotectedness and vulnerability.

### Project:

Climate Risk Adaptation and Insurance in the Caribbean Project (CRAIC)

### Implementer:

Munich Climate Insurance Initiative hosted at the United Nations University | Institute for Environmental and Human Security (UNU-EHS)

The CRAIC project has been implemented in partnership with the [CCRIF SPC](#) (formerly the Caribbean Catastrophe Risk Insurance Facility), a regional risk pooling mechanism in the Caribbean pioneering in developing parametric insurance market in the region. Other project partners are Munich Re, DHI and ILO.

### Geographical scope:

Belize, Grenada, Jamaica, Saint Lucia and Trinidad and Tobago

### Objective:

To develop the market for climate risk insurance so that people dependent on activities vulnerable to climate events for their livelihoods receive financial support after extreme weather events.

### Implementation logic:

Climate risk insurance is an ex-ante risk financing tool in a comprehensive disaster risk management approach for effective naturally induced disaster preparedness. Ideally, parametric climate risk insurance should be implemented in conjunction with disaster mitigation measures, ecosystem management, social protection strategies and if required other risk financing measures.

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## II.6 The capital within the territories

**FUND MOBILISATION MECHANISM:** Strengthening local organisations' capabilities to strategically mobilise private capital for investment in ecosystem-based adaptation (EbA) measures within their territories.

**OPERATION:** Local civil society organisations play a crucial role in implementing measures to adapt territories to climate change. These organisations often cannot access public or international cooperation climate funds to finance these actions. However, they own an essential capital that consists of them being rooted in their territory and having close connections with the relevant actors.

Based on these premises, and within the project's framework of organisational capacity building, the local organisations with which Cuencas Verdes partners receive advice from Advisors for Social Investment (Asesores para la Inversión Social A.S.I., Mexico) to develop and implement mechanisms for mobilising local private resources for the financing of EbA measures.

In some cases, organisations have devised or are creating new mechanisms, while in other cases, already existing mechanisms have been leveraged to integrate an EbA approach.

Pronatura México implemented two novel actions: 1) the Resilience Challenge, through which it awarded the best EbA measures proposed by local organisations in the Watersheds of the Mexico Valley; and 2) the Wildland Firefighters Heroes Campaign (Héroes Brigadistas), for the collection of individual and corporate donations aimed at equipping the wildland fire control brigades around the watershed.

Centro Naturaleza in República Dominicana is developing a governance mechanism (CONORYAQUE) for the sustainable management and equitable distribution of the natural resources in the Mao River basin and a seed fund to finance EbA measures in the basin. The fund would be backed with voluntary contributions by water users in the basin, especially agricultural producers.

In Guatemala, Defensores de la Naturaleza used an investment platform in use since 2003, the Water Fund, to channel corporate resources to fund EbA measures in the San Jerónimo river watersheds, Sierra de las Minas.

In all cases, private fund mobilisation was made possible by factors such as the recognition enjoyed by organizations in their respective territories; a thorough work of mapping of actors and personalised approach with each of them; and a strategic effort to align the needs of the territory in terms of EbA measures with the interests of each actor (e.g., based on their corporate social responsibility agendas or their water use needs).

**RESULTS:** Pronatura (Mexico) raised USD 9,000 in individual and business donations for the equipment of fire control brigades, and Avina Foundation donated USD 25,000 for the financing of the Resilience Challenge award, the winner being Yolcan, an organisation that will implement productive alternatives to deal with drought in the 'chinampas.'

Defensores de la Naturaleza (Guatemala) mobilised USD 13,900 provided by the company CEMACO of Guatemala to produce plants for restoration processes.

Centro Naturaleza (Dominican Republic) established collaboration agreements with actors from the territory operating in the watershed such as the Valverde Local Economic Development Agency (Agencia de Desarrollo Económico Local de Valverde ADELVA), Institute for the Development of the Northwest (Instituto para el Desarrollo del Noroeste INDENOR), Autonomous University of Santo Domingo (Universidad Autónoma de Santo Domingo UASD-MAO), Technological University of Santiago (Universidad Tecnológica de Santiago UTESA-MAO), Valverde Ecological Society (Sociedad Ecológica de Valverde SOEVA), and Environment (Medio Ambiente), as well as several banana production associations such as Organic Banana of the Northwest Line (Bananos Ecológicos de la Línea Noroeste BANELINO), United

Banana Association (Asociación de Bananeros Unidos ASOBANU) and the Mount Zion Farmers Association (Asociación de Agricultores Monte de Sion ASAMSI). All of these producers have expressed an interest in contributing to the CONORYAQUE fund by donating part of the fair-trade premium they receive from their buyers.

**CHALLENGES:** The main challenge these initiatives face for mobilising private capital is to achieve continuity and scaling of funding for EbA measures supported by lasting, officialised commitments. To date, organisations acknowledge that contributions have not been formalised through legal instruments. In failing to do so, they face severe difficulties in endowing initiatives with certainty, which ultimately limits their permanence and potential for scalability.

**SUSTAINABILITY STRATEGY:** The Green Watersheds project continues to work on strengthening their partners with the capabilities that will allow them to develop formalised and long-term financing mechanisms.

### Project:

Green Watersheds: adapting to the future

### Implementer:

OroVerde - The Tropical Forest Foundation (Germany) and local partners: Pronatura A.C. (Mexico); Defensores de la Naturaleza (Guatemala); Centro Naturaleza (The Dominican Republic); Environmental Services Budget Unit (Cuba)

### Geographical scope:

Cuba, Guatemala, Mexico and the Dominican Republic

Objective: To promote the implementation of EbA measures to increase forest resilience and ecosystem services in prioritized watershed basins of the four partner countries.

### Implementation logic:

The project seeks to strengthen the capacities of local communities to implement identified and prioritized EbA measures, seeking to sustain them through the creation of innovative governance and financing mechanisms and the impact on public policies in each country.

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2.

## LESSONS LEARNED

By its very nature, climate finance mobilisation is an action that requires funding. The practices subject to this document have been developed within IKI projects in the region. A cross-cutting reflection concerns the need for obtaining support (i.e., funds) that first enables the search and mobilisation of additional funds. As will be seen from the lessons learned below, activities undertaken to mobilise additional climate funds require themselves specialised financial and technical resources.

Several of the projects' technical teams consulted look favourably upon the shift of approach shown by the international cooperation in recent years, which gravitates toward the leveraging of resources to guarantee the continuity of the actions and gradually abandoning former logics of intervention where the initiative's effects would end together with its completion.

Nevertheless, the need to strengthen implementing teams with technical capabilities specific to additional funds' mobilisation cannot be overlooked.

# I. Positioning climate initiatives: how does one win allies?

Climate change mitigation and adaptation encompass a vast number of situations that originate from highly complex issues that cannot -and should not- be the responsibility of a single actor, whether it be from the public, private, civil, or international cooperation sector.

For it to be successful, climate finance mobilisation requires that responsible and co-responsible actors act in an articulated and consistent manner. Strategies for positioning initiatives aimed at effectively recruiting such actors must be devised and implemented.

The IKI projects referenced in this publication identified valuable lessons to convey key messages and gain allies for their initiatives.

**I.1 WORK WITH NATURAL ALLIES FIRST AND GAIN TRACTION.** It is essential to have a clear map of those actors that can serve as an initiative's potential partners and classify their disposition level. Instead of "swimming against the current" and convincing less enthusiastic actors, it is advisable to start with those whose goals, interests, and needs are naturally aligned to the initiative. It is more likely to turn reluctant actors into allies once a portfolio of concrete achievements has been developed.

*In its first phase, CATIE ACTIVA supports eight projects to use forest resources within secondary forests in a sustainable manner. CATIE is implementing this first phase in Costa Rica with the support of the Development Banking System (SBD), an alliance that occurred organically, given the Costa Rican political-legal framework for decarbonizing the economy and the sustainability criteria that SBD already has as part of its selection processes. These first projects will be a 'demonstrative plot' of sorts for the platform, as they will serve to demonstrate (through real success stories) the initiative's feasibility and draw the attention of potential partners in other countries where it might have been more challenging to position it.*

**I.2 SEEK THE SUPPORT OF SCIENCE (AND ECONOMICS).** Supporting initiatives with hard data and scientific evidence contributes to the credibility of actions. It leverages support effectively, especially when there is a need to demonstrate the benefits (economic, social, environmental) of climate action and the negative impacts (economic, human, and environmental losses) of inaction.

*WRI uses its scientific studies to demonstrate - with figures, measurements, and scenarios - the economic benefits of forests' presence to win the support of institutions and private owners. Supporting our narrative with scientific evidence is a powerful strategy for addressing actors who need to see a proposal's rationality.*

**I.3 HUMANISE SCIENCE WITH EVERYDAY EXPERIENCES.** While science is an essential resource for substantiating actions, linking the scientific aspect to real people's everyday experiences turns the abstract of "hard data" into a human experience easier to identify with. This approach is especially effective in garnering the support of populations suffering from the effects of climate change in their daily lives or enterprises with economic activities that depend on natural resources whose availability is affected by inadequate management.

*In its search for allies for creating and financing a governance mechanism for the Mao River Watershed, the organisation Centro Naturaleza in the Dominican Republic (a partner to the project Green Watersheds | Adapting to the future) emphasizes in its message the effects of watershed degradation on water availability for human consumption and productive activities. In this way, it raises awareness among the actors that depend on the watershed on the impact of their decisions and promotes a sense of co-responsibility to devise solutions for a shared problem.*



#### **I.4 ALIGN CLIMATE ACTIONS WITH TARGET SECTOR PRIORITIES AND SPEAK THEIR “LANGUAGE.”**

For climate finance mobilisation to be sustainable, it is essential for the mechanisms implemented to respond to the actors’ needs whose involvement is expected. If both their agendas and their expected return of investment are considered, the continuity of the mechanism will then entirely be based on their own voluntary participation instead of external pressure.

*The CRAIC project for developing the parametric micro-insurance market in the Caribbean does not promote the initiative among governments and insurance companies by focusing on philanthropy, social responsibility, or love of nature. Its approach and language are that of the insurance business. It focuses on promoting the economic benefits that all parties will obtain: companies, by massively placing insurance specifically designed for each target audience; policy-takers, by seeing their losses compensated; and states, by drastically reducing the impacts on the public finances when addressing the consequences of a natural disaster.*

#### **I.5 POSITION THE CONCEPT OF CO-RESPONSIBILITY VERSUS THE NOTION OF NATURAL RESOURCES BEING FREE.**

The belief that natural resources “are there” to be used for free, whereas their protection and conservation is the governments’ responsibility is firmly rooted and requires complex cultural change. To achieve this, demonstrating the “double scenarios” of action versus inaction and relate them to the correspondent positive versus negative consequences can be an effective strategy. The effects of climate change are no longer hypothetical scenarios based on modeling, and it will suffice to “take a look around” and, as in section 1.3, point towards the causal relationships in real life.

*By charging the water service bill for an amount assigned to water conservation purposes, the Water Resource Protection Fee (TPRH) in Costa Rica applies the concept of co-responsibility to manage a resource that all people enjoy, and on which all depend. The fee acts as a solidary payment under which each person assumes a fraction of the responsibility for giving adequate management to the water resource.*

**I.6 PROMOTE THE OWNERSHIP OF MECHANISMS.** Whether public or private, all stakeholders’ involvement during all stages of an initiative (from its design to its implementation and monitoring) favours their sense of ownership and permanence.

*Involving the government authorities at a juncture of economic, social, and health crises was not easy for the Green Economy Incentive Policy Reform Project for the Implementation of the Nationally Determined Contribution: Restoration and Sustainable Landscape Management in El Salvador. However, early and constant rapprochement and efforts to engage them at all stages of the project have reinforced high decision-making staff’s commitment to the project’s objectives.*

## II. Financing climate actions: a world of capabilities yet to be developed

The IKI projects' climate finance mobilisation experiences referenced herein show that staff, whether from public institutions, implementing organisations, or the private sector, while being technically sound in each of their action fields, can face significant challenges in navigating the world of climate finance.

Capacity building is a critical aspect that remains to be resolved if the international cooperation aims to translate its support into initiatives that materialise additional funds and actions.

Questions such as: Where is financing to be found; what mobilisation channels exist and how do they work; what are the applicable regulations and how do they affect our efforts; what are the technical aspects of a mechanism, and how can they be adopted or adapted to a given context; what are the appropriate narratives? are a mere outline of the broadness of the knowledge that needs to be developed and disseminated among actors expected to actively contribute to the leverage of funds for climate actions.

**II.1 FUND MOBILISATION CAPABILITIES ARE TECHNICAL AND SPECIFIC.** In order to develop any mechanism, it is essential to know its specificities, the actors and their interests, and the contexts with their limitations and potential. Also, complex mechanisms require a multisectoral and multidisciplinary support network that provides the process with fluidity and technical rigorousness. Some organisations express possessing insufficient financial capabilities for developing viable mechanisms for mobilising funds; they perceive having little access to funding sources and little knowledge of the channels through which these flow.

**II.2 GOOD IDEAS, LOW FEASIBILITY.** Many private-sector ventures have valuable ideas and high potential to generate profitable projects that at the same time contribute to the achievement of climate goals. However, the number of ideas that can materialise in sustainable ventures is small because implementers do not necessarily have the financial capabilities to navigate the business world successfully. Providing these people with the knowledge and skills to develop and materialise their ideas into sustainable enterprises is an excellent strategy to turn the private sector into a crucial player that brings innovation and resources to the realm of climate actions.

*Capacity building within the framework of CATIE ACTIVA covers the aspects necessary to turn an interesting idea into a viable project that sustainably taps into the forest resources and, at the same time, becomes an activity that generates prosperity for the individuals and their communities. CATIE ACTIVA seeks to set up independent businesses that are both capable of generating or satisfying a market and attractive to banking or investors if they need financing to scale.*

**II.3 THE RESOURCES EXIST, BUT HOW TO ACCESS THEM?** In the investment world, resource availability is not the problem but finding attractive projects to invest in is. Improving the capabilities of productive projects to attract investment is critical, as the connection with investors alone is ineffective and can result in frustrating experiences for all parties. Transforming a business idea into a viable and profitable productive project must be complemented by providing entrepreneurs with the tools to improve their narrative, understand what investors want, know where to look for them, and how to address them.

*One of the thematic axes of the entrepreneurship accelerator implemented by WRI aims to develop the entrepreneurs' narrative and presentation capabilities. Such skills improve their positioning possibilities among potential investors and financial institutions. This action is complemented with business roundtables, where entrepreneurs receive practical feedback to improve their projects and devise more compelling presentations.*

### III. Governance: moving from limiting to enabling conditions

For the purposes of this document, governance is understood as those systems (both public and private) that ensure the achievement of the proposed objectives with adherence to the principles of efficiency and ethics.

Several of the IKI projects that shared their climate finance mobilisation experiences include, in addition to the development of the mechanism, a governance axis that provides certainty and greater chances of permanence of the mechanism.

This is not to say that all initiatives must necessarily deal with governance, but that there must be clarity about the context and how it might affect implementation. If determined that the existing framework is not conducive to the mechanism's success, the necessary course of action must be decided, either through the project's own activities or through the coordination with related third-party initiatives.

**III.1 NO MECHANISM CAN BE DEVELOPED IN A VACUUM.** The political-regulatory context may either enhance or hinder a mechanism's operation so that even promising initiatives can end up dying if placed in an unsuitable environment. Hence, the IKI projects showcased here, parallel to resolving the mechanisms' technical aspects, also put a great deal of effort in coordinating with the institutions.

*Part of the objectives of the Reform to Tax Incentives for a Green Economy and Implementation of NDCs project: sustainable landscape restoration and management in El Salvador is to design an incentives package for landscape restoration and conservation and thus draw the attention of the private sector. However, the project has had to first carry out in-depth diagnostic work on the political-regulatory framework to understand potential conflict areas and then be able to devise adjustments. Neglecting this aspect might lead to designing entirely inapplicable instruments or even generating legal and institutional conflicts.*

**III.2 FORMALISATION CAN BE RIGID, BUT IT PROVIDES CERTAINTY AND PERMANENCE.** Many actions of different complexity are implemented with no formalisation scheme of any kind. While informal initiatives have an undeniable impact on the achievement of goals, it cannot be overlooked that formalisation confers greater certainty and protection against vicissitudes of various kinds, which in turn results in greater chances of permanence (i.e., certainty). The greater the certainty, the greater the external confidence and support, thus creating a virtuous cycle for strengthening the mechanisms. The positive results of formalisations – which often involve arduous processes – tend to outweigh the effort and cost to reach them.

*Costa Rica's Carbon Neutrality Programme (PCCN) frames the private sector's mitigation and adaptation actions within a formal and official mechanism, with precise participation requirements and a rigorous monitoring and verification mechanism that allows the measuring and reporting of concrete emission reduction results.*

**III.3 DEVELOPING ALLIANCES IS IMPORTANT. SO IS CHOOSING WHOM TO ALLY WITH.** Strategic alliances are instrumental in the development and implementation of any strategy. The financial issue is one particular in which it is necessary to foster the potential collaborators' trust before they decide to direct their funds to our cause. Hence the importance of choosing local allies that can demonstrate a solid technical and ethical trajectory and a culture of transparency and accountability.

*As a strategy for mobilising funds from the private sector, the project Green Watersheds | Adapting to the future has partnered with renowned local organisations. Working through entities that know -and are known in- their respective communities has made it easier to garner public interest in supporting their initiatives. These organisations are characterised by working under robust monitoring, evaluation, and accountability systems that result in transparency and ultimately trust among potential supporters.*





## CONCLUSIONS

The Central American and Caribbean region needs to move quickly towards optimising its climate action financing models. The experiences of the IKI projects presented here demonstrate that there is potential in the region to design, implement and consolidate climate financing mechanisms.

While the public institutions are making efforts in updating their policy-regulatory frameworks so that they enable rather than limit climate finance flows, much remains to be done in areas such as incentives, subsidies, soft loans, and other differentiated benefits for climate action.

The private sector, for its part, has not yet gotten involved and taken on the decisive role it might. In a way, this can be explained by the lack of regulatory frameworks that allow and guarantee investments in climate actions, but also because its attention has not been captured. The promotion and raising awareness around these topics is an area that climate initiatives need to improve and be more effective at. It is especially critical that they optimise aligning climate action objectives with the private sector's interests through specific and tailor-made narratives.

If this is to be achieved, improving the capacities of institutional teams, project implementers, and the private sector in topics such as climate finance, climate change, and sustainable business is a task that ought no longer to be put off.

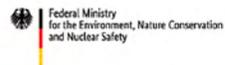


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