

Prosperous Land, Prosperous People: Scaling finance for Nature-based Solutions in Colombia

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Key messages

Introduction and overview

This report presents a case study focused on Colombia which highlights the considerable climate change mitigation potential of Nature-based Solutions (NbS), alongside their co-benefits for biodiversity, food security, resilience, livelihoods and health outcomes. It develops a possible investment pathway for public and private financiers to unlock the benefits of NbS in Colombia.

The study finds that a wide range of investors are required to finance the transition and suggests how **Colombian policymakers can create the right environment to overcome key barriers to investment and attract private capital. Beyond Colombia, this analysis could be applied to other countries and a global analysis.**

NbS are getting increasing attention and recent evidence suggests that the implementation of **20 different land-based NbS can provide around 30% of global mitigation needed to limit global warming to 1.5°C.**

NbS are actions to protect, sustainably manage and restore ecosystems that address societal challenges effectively and adaptively, benefitting human health and promoting biodiversity. They are a critical part of the transformation agenda for food and land use systems.

Protecting and restoring nature is key to delivering the 1.5°C target. Yet less than 2% of global climate finance is currently flowing to NbS. This finance gap is because private and public investors often lack the information to assess the economic opportunities provided by a sustainable, nature- and climate-positive economy.

The Colombian opportunity

- Colombia comprises over 50% forest area and 40% agricultural land (90% of which is pastureland) and is home to 10% of the planet's biodiversity.
- The forestry and agriculture sector is important for the economy, making up 7% of GDP and employing 16% of the working population.
- With an estimated 54% of the Colombian population being food insecure in 2015, a more resilient, prosperous, food- and nutrition-secure economy in Colombia is more important than ever. Recent events have exacerbated this issue, such as the COVID-19 pandemic, cost of living crisis and global supply chain disruptions caused by international conflict and climate-related disasters.
- By increasing the biodiversity on farmland, NbS in agriculture can help drive productivity in both crop and livestock-based systems, alongside producing more nutritionally diverse food.
- Given that food and land use systems account for around 55% of the country's annual greenhouse gas emissions (GHG), it is essential that mitigation solutions in this sector are funded and implemented. A range of land-based NbS could deliver significant benefits for climate, biodiversity protection, local livelihoods, food and nutrition security by 2050:
 - NbS could provide climate mitigation of approximately 340 million tCO₂e per year by 2050, which is four times to Colombia's annual emissions from 2019.
 - 36% of this total climate mitigation potential comes from protecting Colombia's forests, but reducing and sequestering emissions in agriculture and demand-side interventions should also be prioritized. Colombia has committed to a 51% reduction in GHG emissions by 2030 through its Nationally Determined Contributions (NDCs) and has pledged to reduce deforestation by 68.5% between 2019 and 2030.

The Colombian Government has made significant commitments to support NbS but despite their importance, such solutions receive limited funding. **Less than USD 300 million per year is currently spent on land-based NbS, or 0.1% of Colombian GDP in 2019.**

Colombia would require USD 13.5 billion of investment per year by 2050 to unlock the full potential of NbS

- This represents an almost 50-fold increase in total annual finance for NbS by 2050 compared to 2019 finance flows or just over 1% of projected GDP in Colombia in 2050.
- Agricultural solutions make up 15% of the investment requirement, but most of this investment does not require “new” investment. Over 30% of the finance needed for these solutions could be delivered by re-directing investment that is already going into Colombia’s agricultural sector.

Recommendations

Delivering USD 13.5 billion investment by 2050 requires a variety of financial instruments – from grant and direct supply chain-finance to equity and debt-instruments.

A range of investors have an important role to play in financing NbS in Colombia:

- **The Government of Colombia** can be an important financier, supplying up to USD 3.3 billion per year by 2050, or less than 1% of GDP as well as an enabler, attracting other investors.
 - By investing in a supportive enabling environment for international investors, and engaging with businesses around net zero commitments, the Government could crowd in USD 10 billion of private sector investment.
 - Colombian policymakers can and should address barriers to private sector investment, to attract a greater pool of potential investors and ultimately, lower the burden on the public sector. These barriers include, for example, the lack of a diverse and stable supply of high quality NbS initiatives and limited investor knowledge on how to structure investments in nature and landscapes. Specific recommendations include:
 - Increase the incentives to land managers to implement NbS by creating markets for climate positive products, such as non-timber forest products (NTFPs), encouraging international responsibility for degradation within Colombian supply chains, tightening net-zero regulation and extending the current carbon tax.
 - Increase the attractiveness of NbS investment opportunities to institutional investors, including by promoting profitable business models, de-risking investments using blended finance mechanisms, aggregation of small initiatives into single investments, technical assistance funds and investment into technology to reduce the cost and improve the quality of NbS.
- **Development finance institutions** and philanthropy could provide 10% of the total investment in 2025 and 2050. These investors could also play a key role in creating the pipeline of initiatives necessary to attract private investors.
- **Domestic and international corporates** could make up nearly 30% of the investment needed over the course of the transition.
 - Companies in the Agriculture, Forestry and other Land use (AFOLU) sector with operations and supply chains in Colombia, could invest USD 3.6 billion per year by 2050. This could reach USD 4.2 billion if the sector pays the full cost of aligning their land value chains with a net zero future. This represents 16% and 18% respectively of the value add of the AFOLU sector in Colombia today.
 - Over 30% could be financed by 2040 through corporates investing in mitigation beyond their value chain, including through the voluntary carbon market.
- **Institutional investors** could finance nearly 45% of the total investment needed by 2050, as NbS business models mature and become more financially viable over time. These actors include pension and sovereign wealth funds, insurance companies, retail and commercial banks, credit unions, trading houses and brokers, private equity funds, venture capital funds and angel investors, and impact investors.

In Colombia and globally, private sector finance can be deployed through a great variety of finance mechanisms to unlock the full potential of NbS in climate change mitigation. Critically, this report demonstrates how the investment burden of the public sector can be lowered in the long term, by securing private sector finance for NbS.