

# It's a Jungle Out There, Let's Keep It That Way!

*The Role of Public Development Banks in Mainstreaming Finance  
Towards Nature*

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# Agenda

1. Multilateral Development Bank Case Study:

**The World Bank**



2. Bilateral Development Bank Case Study:

**Agence française de développement (AFD)**



3. Domestic Development Bank: **China**

**Development Bank (CDB)**



4. Synergies and Comparative Analysis

5. Conclusion



**Multilateral Development  
Bank Case Study**

**The World Bank**

# Nature Finance is Systemically Misallocated

## The scale of the gap (and why it's understated)

- \$700B/year biodiversity finance gap (Kunming–Montreal Global Biodiversity Framework)
- \$942B gap. (BloombergNEF): \$1.15T needed vs \$208B flows

## The real problem: where capital flows

- \$313B total biodiversity finance > 80% public (BNEF 2024)
- \$7T/year financing nature loss (United Nations Environment Programme)
- Harmful subsidies increased by \$930B BNEF

## Private capital remains marginal

- Nature-based solutions (NbS): \$200B total
  - \$165B public vs \$35B private (18%) (UNEP)



The challenge is not mobilizing more capital, it is redirecting trillions flowing in the wrong direction

# WBG Architecture: Sovereign Reform Meets Private Capital



- World Bank (IBRD + IDA) International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- Role: sovereign lending → policy, institutions, public goods

- International Finance Corporation (IFC) Private sector arm (est. 1956)
- Direct investment + capital mobilization
- Operates without sovereign guarantees

## Scale and relevance

- WBG commitments: \$117.5B (FY24) — WBG FY24 Results
- IFC: \$31.7B own account investments
- Africa: \$38.0B financing

## How finance flows

- IBRD/IDA → de-risk systems (policy, regulation, tenure, governance)
- IFC → deploy and mobilize capital into bankable opportunities

**Nature finance is unlocked sequentially: sovereign reform creates bankability, IFC scales capital**

# Blended Finance in Practice: The ACCT Fund (Africa)

## What blended finance actually does

- Targets specific market failures (risk, currency, missing revenues).

### Uses:

- concessional capital
- first-loss junior tranches
- guarantees and risk-sharing

## IFC track record

- \$5.9B concessional → \$32.6B additional financing (5.5x) IFC
  - \$4 mobilized per \$1 concessional
  - \$1.10 truly private OECD

## Africa case study: ACCT Fund

- IFC anchor: \$13M → scaled to \$70M fund
- Structured capital stack:
  - grant layer → absorbs early losses
  - junior equity → takes subordinated risk
  - senior equity → attracts investors

## Real economy impact

- \$530M economic contribution
- 21,200 jobs supported (IFC)



**Blended finance works but only as precision risk engineering, not a scaling shortcut**



# Debt-for-Nature at Scale: Gabon's Blue Bond Transformation

## How the instrument works

- Debt restructuring + credit enhancement
- Redirect debt service savings → conservation finance
- Sovereign debt obligations crowd out conservation spending
- Precedent: Seychelles Blue Bond (\$15M, World Bank-supported)

## Africa case study: Gabon Blue Bond (2023/24)

- \$500M debt conversion
- Backed by U.S. International Development Finance Corporation (DFC) insurance
- \$163M committed to marine conservation (15 years)

## Financial logic

- Lower-cost refinancing
- Legally binding conservation commitments
- Converts fiscal savings → long-term nature funding

## Constraints

- High transaction complexity
- Governance dependence
- Limited scalability



Debt-for-nature swaps reprice sovereign risk for conservation—but remain high-impact, low-scale tools



# WBG Advantage: Reallocating Capital at System Scale

## Scale across institutions

- WBG: \$117.5B commitments (FY24) — WBG
- IFC: \$56B private sector commitments — IFC
- European Investment Bank (EIB): €76.6B
- IDB Invest (Inter-American Development Bank Group): \$9.8B
- Mobilization capacity: IFC: \$22.5B mobilized (FY24)

## Nature footprint (beyond commitments)

- ~\$4B direct nature finance
- ~45M hectares under management — WBG
- ~\$600M private capital mobilized (FY22–24)

## The structural imbalance

- Private NbS finance: ~\$35B — UNEP
- Nature-negative finance: ~\$5T — UNEP

## What makes WBG unique

- sovereign policy reform
- public finance
- private capital mobilization
- capital markets structuring



The WBG's advantage is its ability to reshape the system that determines where capital flows

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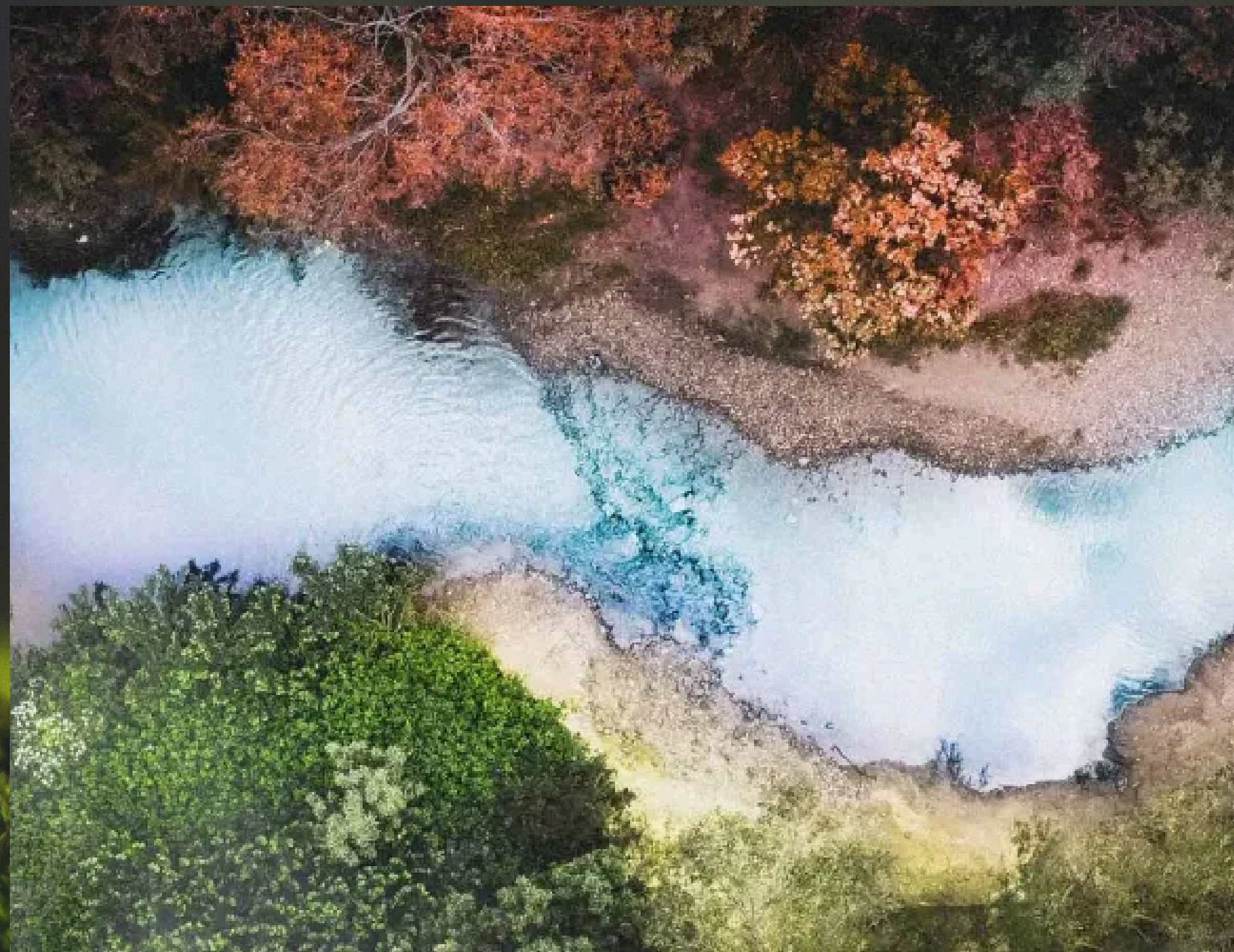
# **Bilateral Development Bank Case Study**

## **Agence française de développement (AFD)**



# Approach to Nature

- AFD aims to mainstream nature and biodiversity into all aspects of finance through promoting a **“pro-nature economy”**
- Committed to allocate **30% of its climate finance to biodiversity by 2025**
- Has committed to having all operations align with the goals of the **Kunming–Montreal Global Biodiversity Framework** and the **Paris Agreement**





# Approach to Nature



Financing mechanisms for nature:

## 1. **Direct financing**

- a. for projects protecting and/or restoring nature, reducing the biodiversity finance gap

## 2. **Blended Finance to mobilize private capital**

- a. Through grants, concessional loans, and technical assistance
- b. 1:1 leverage target to mobilize €1 of private finance for every €1 inv

## 3. **Norm and standard setting**

- a. Ex. establishing the Finance in Common Summit; strategic partnerships



# SUNREF

## Key features:

- A green finance label from AFD, which has combined financial and technical support for over 50 green projects since 2006 in over 30 countries
- Provides support to companies in developing countries to develop programs in energy efficiency, renewable energy, natural resource management, and environmental protection.

## Financial Approach

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**Green credit lines:** provide long-term loans to local partner banks to then lend to companies

## Technical Approach

Provide technical assistance to de-risk the project through Expertise France



# SUNREF Tunisia (2020–2023)

Green Credit Line of **€60 million to 43 projects** by Tunisian companies

Investment grants for firms of **€11 million**

**€2.2 million** of technical assistance



**68,421 MW** of renewable energy produced

**133 645 tons of CO<sub>2</sub>** emissions avoided

## Key Actors

**Funding:** AFD and the European Union

**Partner Organisations:** Agence nationale de protection de l'environnement;  
L'Agence Nationale pour la Maîtrise de l'Energie

**Banks:** Amen, BH, UBCI, UIB

**Technical Assistance:** Expertise France, a subsidiary of the AFD group



# SUNREF Tunisia (2020–2023)

## Example: VTL (textile sector)

- Installation of a treatment and recycling plant to reduce pollution from industrial wastewater
- Loan of €1,074,000/ investment of €1,202,000 →
  - 600 m<sup>3</sup> of recycled water reused in the industrial process each day



The background of the image is a close-up photograph of vibrant green moss growing on a dark, textured tree branch. The lighting is soft, highlighting the intricate details of the moss's texture. The overall color palette is dominated by various shades of green, from deep forest greens to bright, almost neon-like greens.

**Domestic Development Bank**

**China Development Bank**

**(CDB)**



# Intro to CDB

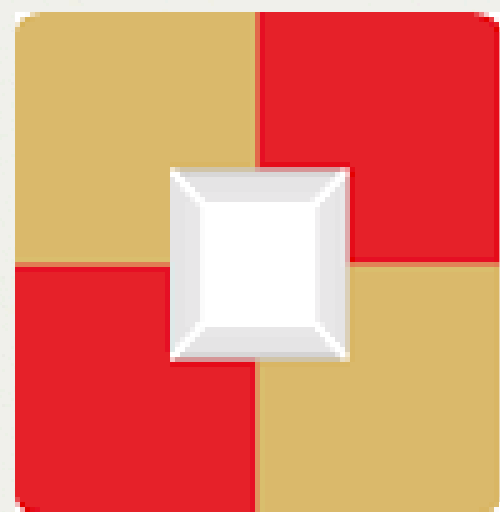
## HISTORY

- 1994: **policy bank** focused on national strategic projects
- 2015: **modern development finance institution**
- 2020: systematic **nature-related financing institution** and employed national environmental goals.
  - By 2025: raise the share of green loans in total credit assets by >5%
  - By 2030: reach 30% green loan penetration

## KEY FIELDS

1. Infrastructure and basic/pillar industries
2. New-type urbanization and regional coordination
3. Industrial upgrading and high-end manufacturing
4. Energy conservation and environmental protection
5. Public welfare programs including rural vitalization and inclusive finance
6. Science and technology
7. Green international cooperation under the Belt and Road Initiative (BRI)

# MACRO MISSION: INTEGRATING NATURAL CAPITAL INTO THE CORE OF DEVELOPMENT FINANCE



# 国家开发银行

## CHINA DEVELOPMENT BANK

**“Dual  
Carbon”  
Goals**

As the financial main force of China’s “Ecological Civilization” strategy, China Development Bank is aligning its US\$2.55 trillion asset scale deeply with national natural ecological goals.

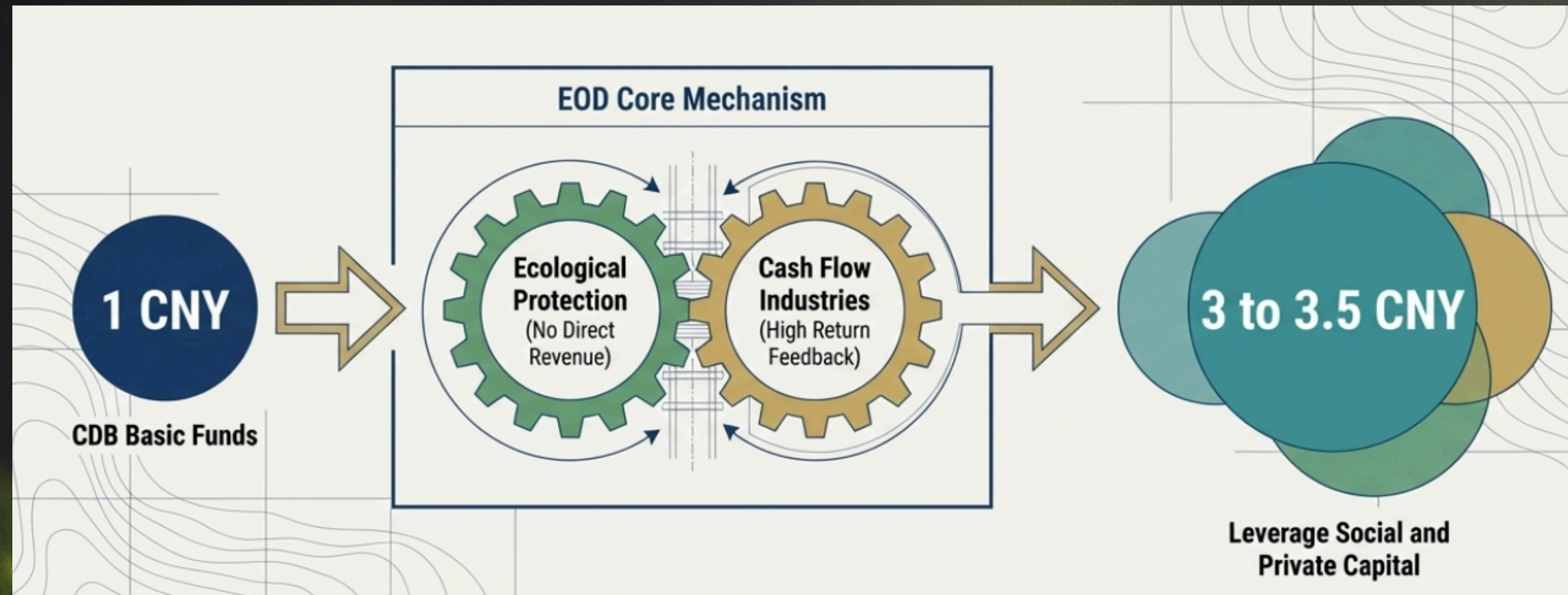
**Ecological  
Civilization  
Strategy**

## **DIRECT CONSERVATION**

Focusing on large-scale ecological barrier construction (e.g., Chongqing National Reserve Forest Project).

## **INTEGRATED DEVELOPMENT**

Adopting the EOD mode to transform ecological protection into bankable and investable assets (e.g., Rizhao Reservoir Project).



## CREDIT ENHANCEMENT

- "Anchor investor"
- Its involvement signals state backing.

## STRUCTURED TRANCHING

- CDB contributes the majority (70%–80%)

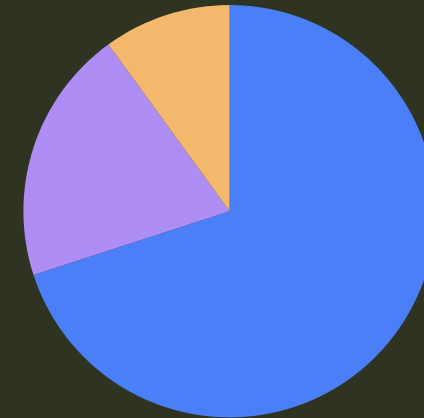
## PROJECT DESIGN

- Offering super-long grace periods (e.g. 3 years) and super long terms (up to 30 years) to hedge early cash flow risks.

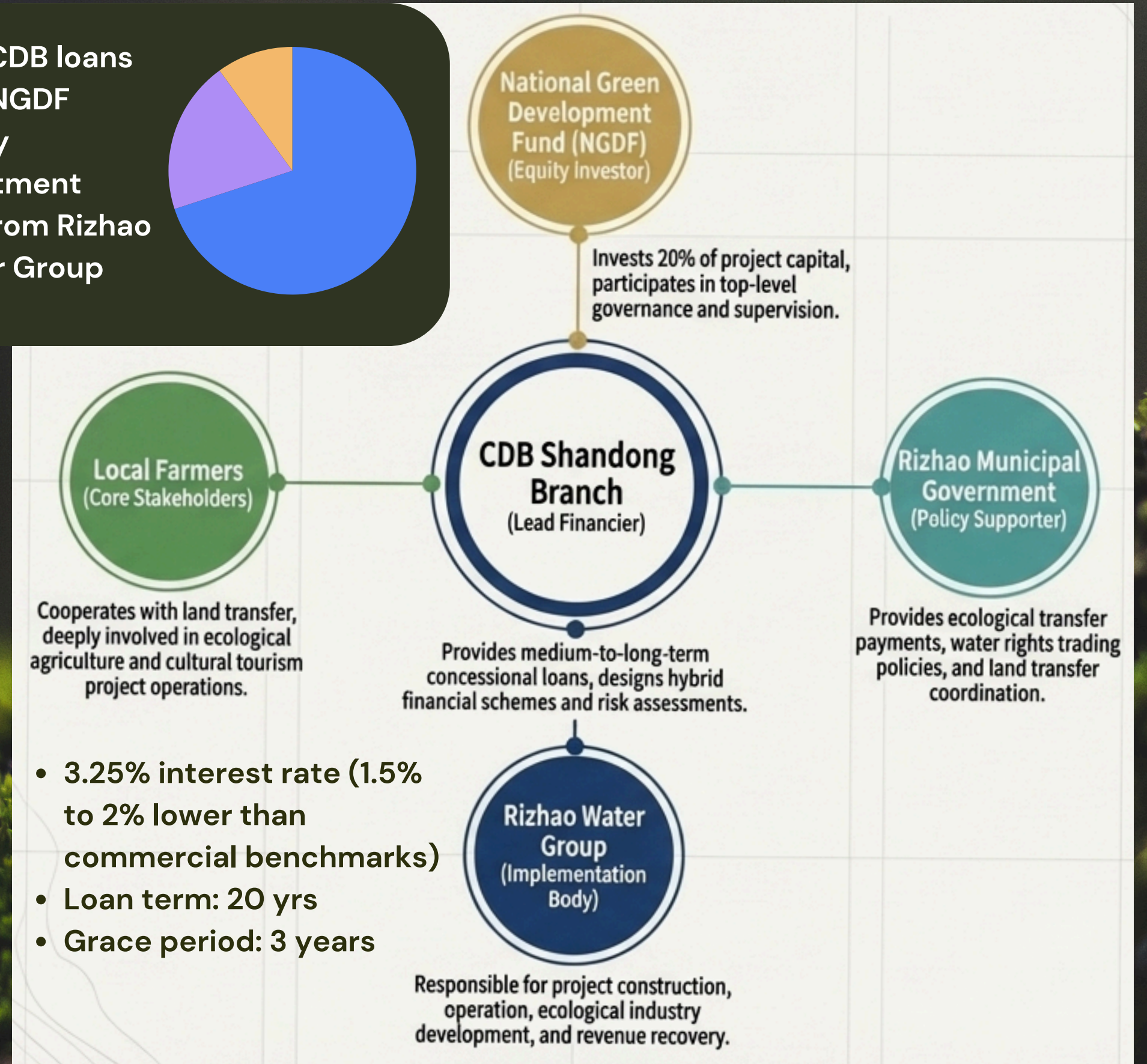
## BACKGROUND

- Agriculture non-point source pollution threatened water quality
- Limited ecological investment

- 70% CDB loans
- 20% NGDF equity investment
- 10% from Rizhao Water Group

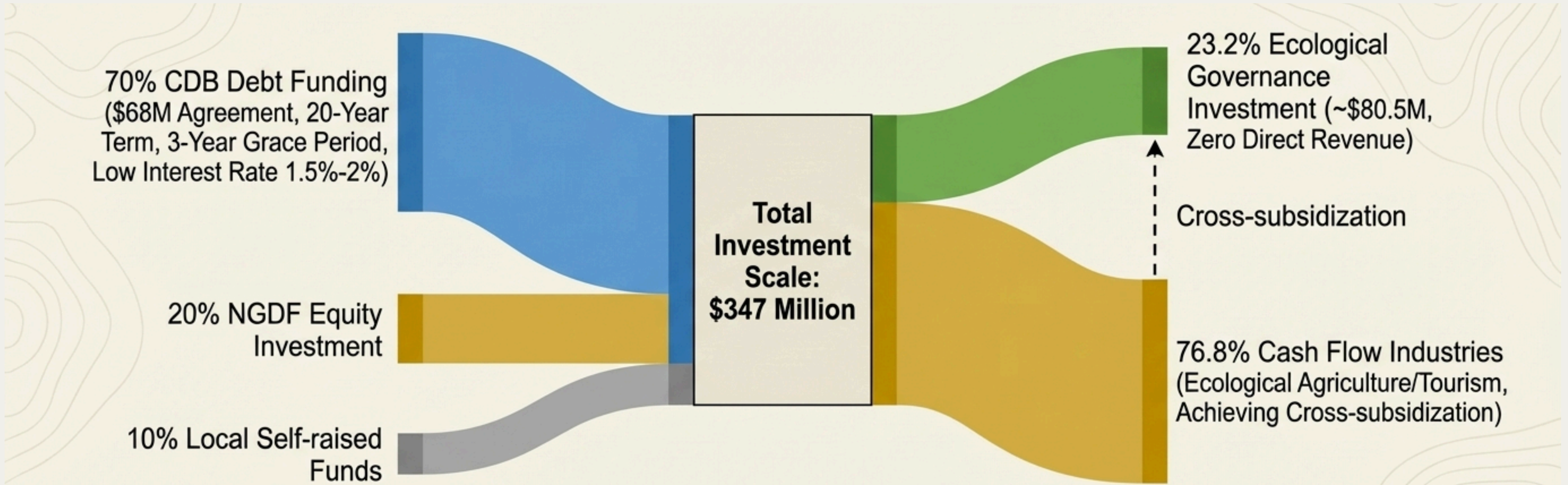


# Case #1 Rizhao Reservoir EOD Project





# Transaction Structure



**“Five Priorities” Green Channel**  
Prioritize due diligence, approval, issuance, favorable interest rates, and extended terms, significantly lowering the threshold for natural capital financing.

**Overall Project IRR: 6.8%**

# Outcomes

## Ecological Benefits



**Water Quality Improvement** | Stably reached **Class II**  
(up from Class III-IV)



**Pollution Reduction** | Pesticidies **-34 tons/year**,  
Fertilizers **-8,500 tons/year**



**Core Indicators** | Ammonia Nitrogen **-34.8%**, COD **-14.7%**



**Ecological Restoration** | Forest coverage **+30%**,  
Soil erosion **-180,000 tons/year**,  
Watershed carbon sink **+20%**



**Biodiversity** | Return of Chinese Merganser, Restoration of  
indigenous fish populations

## Economic and Social Benefits



**Investment Return** |  
Overall project IRR **6.8%**



**Premium Effect** |  
Organic green tea **2x**  
premium, Bighead carp **3x**  
premium



**Livelihood & Employment** |  
Driven **3,000** households  
employment, Per capita income  
increase **+\$1,736/year**



**Fiscal Burden Reduction** |  
Saved government direct  
investment **\$72.3 Million**

**Fund-reflow-seeking model**



## Case #2

# Chongqing National Reserve Forest

The project aims to build an ecological security barrier in the upper Yangtze River, achieving the dual goals of "National Timber Strategic Reserve" and "Regional Ecological Protection".

**\$1.45  
Billion**

Total Investment

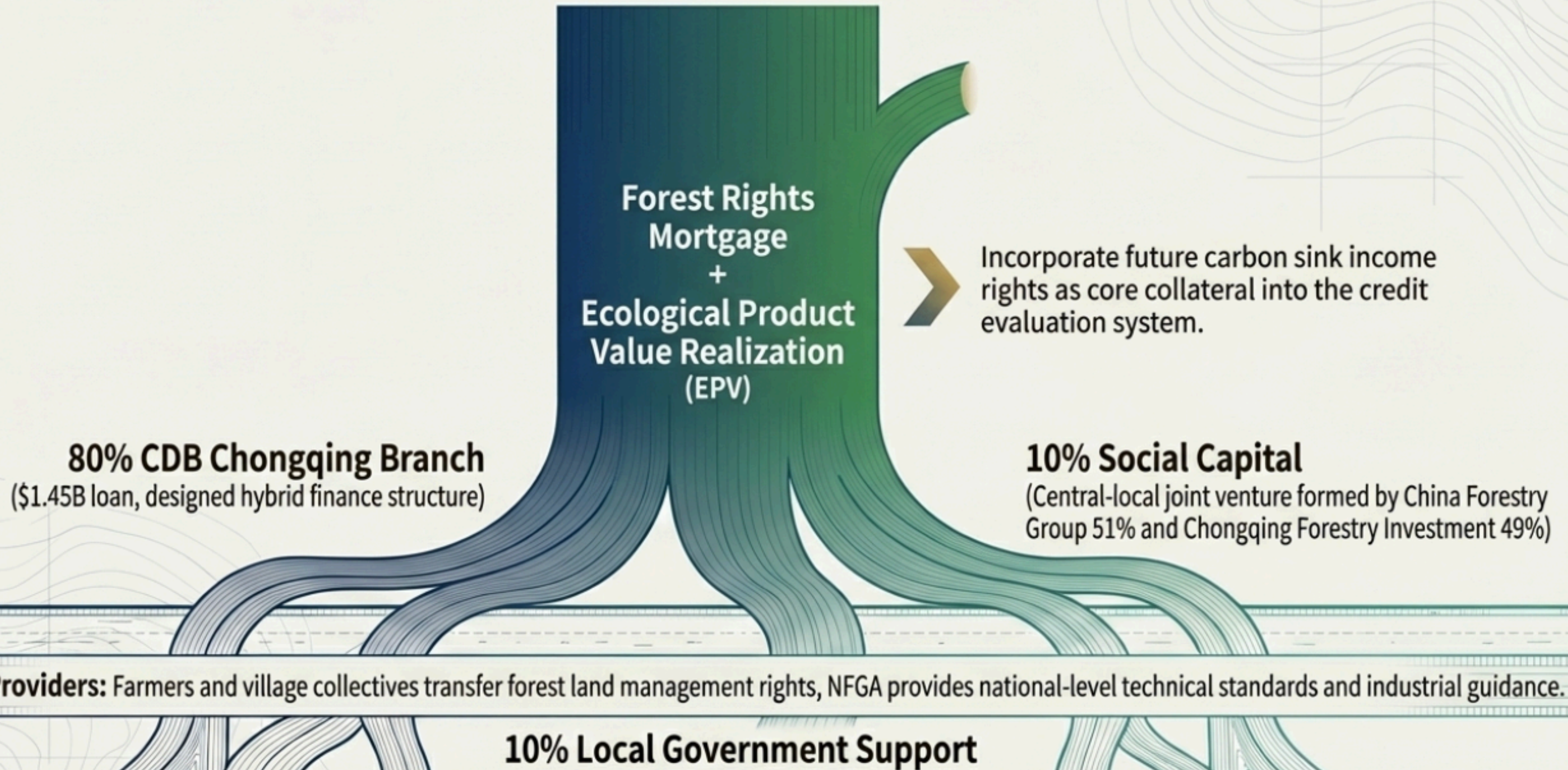
**30-Year  
Tenor**

Longest-Term Forestry  
Loan in the Nation

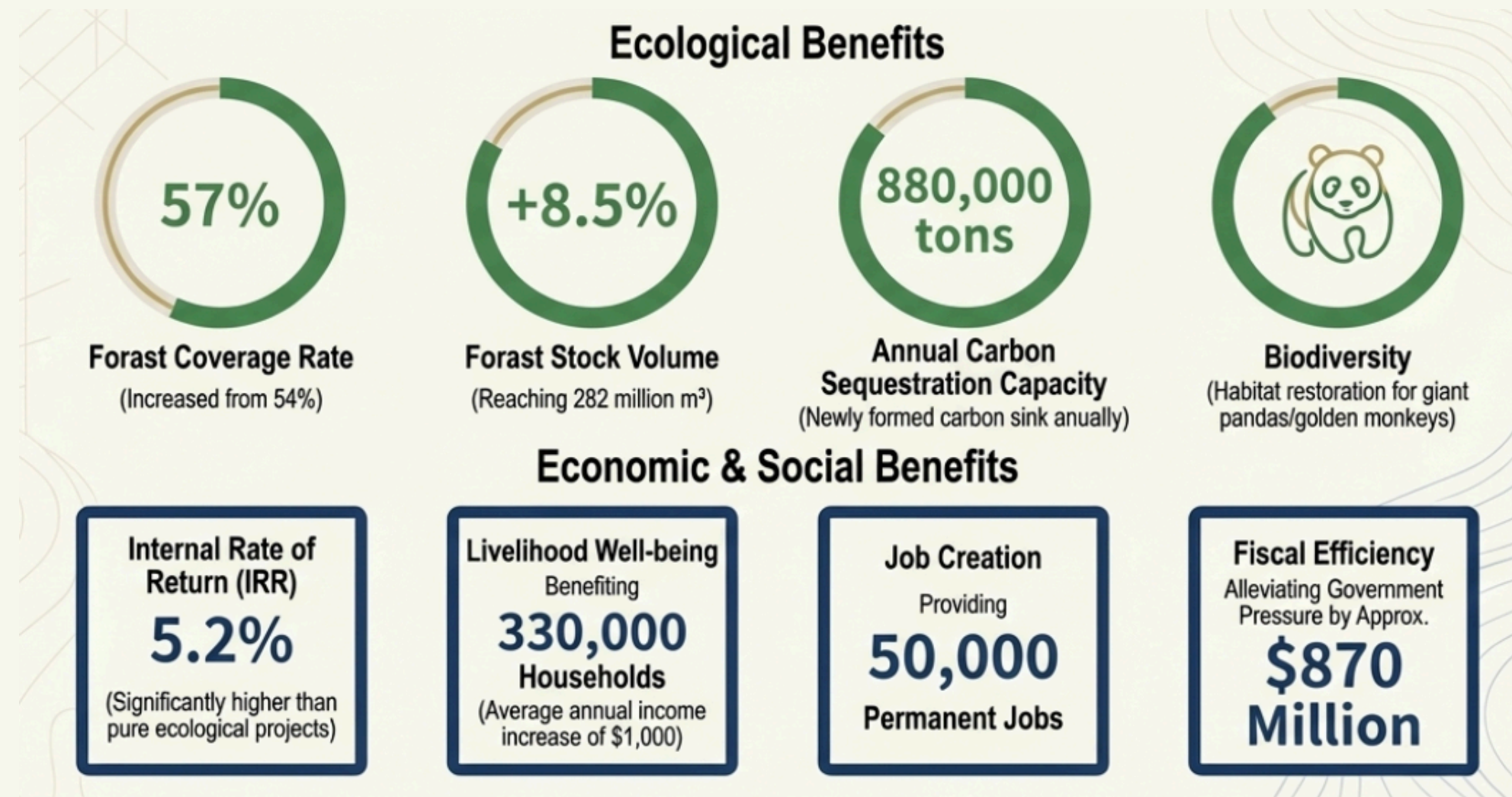
**3.1%**

Highly Competitive  
Preferential Interest Rate

# Transaction structure



# Outcome



## DIVERSIFIED REPAYMENT MECHANISM

- Primary: Sustainable timber harvesting (long-term).
- Intermediate: Under-forest economy (medicinal herbs, tea) and eco-tourism.
- Emerging: Carbon credit trading (estimated 880,000 tons of CO2/year).
- Supplementary: Government subsidies and central fiscal interest-rate discounts.

Model Output: the "Central-Local + Forest Right + Blended Income" model has been replicated to other provinces like Sichuan and Yunnan

# Comparison of PDBs Mandates

## WORLD BANK

- Public policy instrument of **member states**, financed through periodic replenishments by **donor governments**.
- Explicit mandate to: **reduce extreme poverty**; promote **shared prosperity**; finance **global public goods**
- Strong focus on:
  - **Least Developed Countries (LDCs)**
  - **Fragile and conflict-affected states**
- Increasing integration of: **climate finance; global crises** (pandemics, conflict, food security)

## AFD

- **Fully aligned** with French foreign policy
- Dual agenda of **combating poverty and inequality**, and to **safeguard global public goods**.
- Investments in **160+ countries**, with focus on the least developed and middle-income countries, and in France's overseas territories.
- Attempts to **move beyond previous forms of top-down ODA towards partnerships**

## CDB

- “State-funded, state-owned development finance institution under the State Council”
- Align with **national medium/long-term strategies**

### Key mandates

- 1....
2. **New-type urbanization and regional coordination**
- 3....
4. **Energy conservation and environmental protection**
5. **Public welfare programs**
- 6....
7. **Green international cooperation under BRI**

# Comparison of PDBs Leverage

## WORLD BANK

- Core funding:
  - **Donor contributions** (every 3 years)
- These contributions are:
  - Used as **equity**
  - Leveraged via **capital markets borrowing**
- **Instruments:**
  - **Loans:** 0% or near-zero interest
    - 30–40 year maturities
    - Grace periods up to 10 years
  - **Grants:**
    - Up to 100% grant financing for poorest or high-risk countries

## AFD

- **90% of financial activity** through loans; 10% through grants
- AFD borrows on financial markets from private investors, pension funds, and central banks.
  - benefits from favourable borrowing rates
- Loans are distributed through
  - Direct sovereign lending
  - Direct non-sovereign lending
  - Intermediated lending
- **Mix of concessional and non-concessional loans**
  - Typical maturity of 5 to 20 years

## CDB

- Funding: **>90%** from **domestic bond markets** (sovereign credit → ultra-low cost)
- Lending model: **Fund-reflow-seeking developmental loans**
  - For nature/ecological projects: targeted concessional terms
- Typical loan terms:
  - Loans: ~3%
  - Long maturities: 20–30 years
  - Grace periods: ~3 years
  - Repayment required to reinvest in new sustainable projects

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