



**BLOG POST**

H P L

# **UNLOCKING GREEN INVESTMENT IN EMERGING MARKETS THROUGH BLENDED FINANCE AND NATURE- BASED SOLUTIONS**

**By Fernanda Benítez, Analyst at HPL**  
December 4th, 2024

Emerging markets in Latin America and the Caribbean (LAC) offer vast potential for green investment, with the region holding 40% of global biodiversity, 50% of tropical forests, and over 30% of the planet's freshwater.[1] These natural resources support critical ecosystems and provide essential services to communities and economies. However, LAC is facing growing threats, including an 89% decline in key species populations in recent decades and some of the highest rates of tropical deforestation globally.[2] To address these challenges, innovative financial mechanisms, like blended finance and Nature-Based Solutions (NbS), are crucial for mobilizing funding, protecting biodiversity, and promoting sustainable development.

## BLENDING FINANCE: A KEY ENABLER

---

Blended finance plays a critical role in emerging markets by merging public and private financial resources to attract investment in sectors that offer high social and environmental returns, such as renewable energy, sustainable agriculture, and biodiversity conservation.[3] These markets often face barriers to private investment due to political instability, regulatory uncertainty, and underdeveloped infrastructure.[5] Traditional investment models are typically deterred by these high risks and lower returns, which makes many projects financially unappealing.

Blended finance addresses these issues by combining public and private investments, often using concessional funds from donors or development agencies to de-risk projects.[6] By combining grants, loans, and equity from diverse sources – such as development finance institutions, philanthropic funds, and commercial investors – blended finance makes previously unattractive projects viable.[7] Unlike traditional financing models, blended finance uniquely seeks to expand the financing base for sustainable development by attracting non-development capital. The [OECD DAC Blended Finance Principles](#) emphasize the importance of aligning blended finance with development outcomes, ensuring that public or concessional resources mobilize, rather than replace, commercial capital.[8]



For example, in May 2022, Brazilian Development bank BNDES adopted a blended finance approach to bolster forest bioeconomy, circular economy, and urban development in Brazil, targeting small cooperatives, waste recyclers, and projects in low-income areas. This model integrates a mix of financing tools—loans, guarantees, equity, and grants—to mobilize resources for projects with high socio-environmental impact that meet environmental, social, and governance (ESG) criteria. Each project must secure at least R\$3 in third-party funding for every R\$1 invested by BNDES, tripling the resource pool and multiplying BNDES's impact through a mix of commercial and philanthropic capitals. Selected projects will reduce waste, enhance urban infrastructure, and support sustainability in the rainforest, with results from the latest public call to be announced soon.[9]

## **NATURE-BASED SOLUTIONS (NBS): DRIVING SUSTAINABLE IMPACT**

---

NbS involves actions that protect, manage, or restore natural ecosystems to address societal challenges while promoting biodiversity and human well-being.[10] These solutions are particularly relevant in emerging markets, where natural ecosystems are critical for both livelihoods and climate resilience. They can be applied in sectors like agriculture, forestry, water management, and disaster risk reduction.[11]

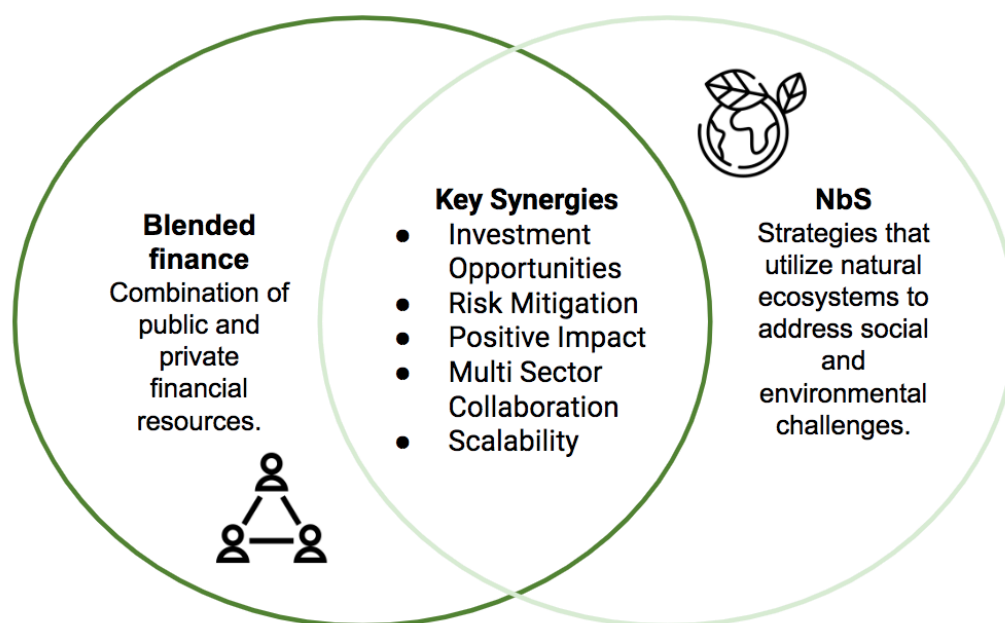
In agriculture, NbS can help farmers in emerging markets adapt to the changing climate by promoting sustainable farming practices that improve soil health, conserve water, and increase crop resilience.[12] For example, Costa Rica's Tropical Agricultural Research and Higher Education Center (CATIE) is an international organization dedicated to promoting sustainable development in Latin America and the Caribbean. With a focus on education, research, and outreach, CATIE supports the sustainable management of agriculture and the conservation of natural resources. In the context of Nature-Based Solutions (NbS), CATIE is pioneering climate-smart dairy farming by developing low-carbon-footprint livestock breeds and implementing silvopastoral systems that enhance soil fertility and improve resilience to climate change.[13]

Similarly, agroforestry systems in Central America, such as those implemented under the Central American Program for Integrated Coffee Rust Management (PROCAGICA), integrate coffee with fruit trees like bananas and citrus. These systems provide shade to coffee plants, enhancing their heat tolerance while supporting biodiversity and increasing food security for producers.[14]

In coastal areas prone to flooding, traditional infrastructure like seawalls can be costly and damaging. In contrast, mangrove restoration offers a natural barrier, reducing storm impacts and enhancing biodiversity. Properly implemented NbS can contribute up to 37% of the climate mitigation needed by 2030, making them essential for tackling climate change. [15]

## BLENDING FINANCE AND NBS SYNERGIES

As shown in Figure 1, the intersection of blended finance and NbS offers significant potential for collaboration between the public and private sectors. In emerging markets, the combination of these two approaches can unlock the capital needed to fund large-scale environmental projects that would otherwise struggle to attract investment. Partnerships that bring together public funds, philanthropic resources, and private investors can support scalable projects that restore ecosystems, enhance biodiversity, and improve community resilience.



**Figure 1. Key synergies between blended finance and NbS**

Public-private partnerships (PPPs) also play a vital role in fostering collaboration between governments, development banks, and private investors. Involving stakeholders from multiple sectors ensures that projects meet both financial and environmental objectives. The Green Climate Fund (GCF) is an example of an entity that actively fosters such collaborations. It partners with various stakeholders, from development banks to local communities, to fund NbS initiatives that deliver both climate and biodiversity benefits.[16] This integrated approach ensures that financial resources are not only directed toward climate resilience but also protect critical ecosystems.

## CONCLUSION

---

Emerging markets offer immense opportunities for sustainable investment, with the potential to transform economies while protecting the environment. Blended finance and NbS are vital tools for overcoming the unique challenges in these markets, from de-risking investments to leveraging natural ecosystems for climate resilience. Together, these approaches can unlock significant investment flows, catalyzing sustainable growth and contributing to global efforts to combat climate change. By fostering collaboration between public and private sectors, emerging markets can become key drivers in the global transition to a low-carbon, resilient future.

H P L

**HPL.LLC** | [hplllc.com](https://hplllc.com) | **Our Services**

## REFERENCES

- [1] UNEP. (2016). The State of Biodiversity in Latin America and the Caribbean: A Mid-Term Review of Progress towards the Aichi Biodiversity Targets. Available [online](#).
- [2] UNEP. (2016). The State of Biodiversity in Latin America and the Caribbean: A Mid-Term Review of Progress towards the Aichi Biodiversity Targets. Available [online](#).
- [3] OECD. (2018). Blended Finance Definitions and Concepts. Available [online](#).
- [4] World Bank. (2022). What You Need to Know About Nature-Based Solutions to Climate Change. Available [online](#).
- [5] Moody's. (2024). Exploring diverse opportunities and risks in global emerging markets. Available [online](#).
- [6] IFC. (2019). Using Blended Concessional Finance to Invest in Challenging Markets. Available [online](#).
- [7] Development Initiatives. (2016). The role of blended finance in the 2030 Agenda. Available [online](#).
- [8] OECD. (2018). Blended Finance Definitions and Concepts. Available [online](#).
- [11] BNDES. (2022). Partnerships for sustainable development. Available [online](#).
- [12] World Bank. (2022). What You Need to Know About Nature-Based Solutions to Climate Change. Available [online](#).
- [13] CATIE. Nature-based solutions: Experiences and opportunities in agricultural landscapes in Latin America and the Caribbean. Available [online](#).
- [14] CATIE. Nature-based solutions: Experiences and opportunities in agricultural landscapes in Latin America and the Caribbean. Available [online](#).
- [15] ipbes. (2019). The global assessment report on BIODIVERSITY AND ECOSYSTEM SERVICES. Available [online](#).
- [16] OECD. (2018). Making Blended Finance Work for the Sustainable Development Goals. Available [online](#).

## AUTHOR

**Fernanda Benítez**, recently graduated with a Bachelor's Degree in Actuarial Science from the Instituto Tecnológico Autónomo de México (ITAM), has experience at Citigroup as a ICG Operations Summer Analyst, where she conducted comparative analysis of KPIs and collaborated in implementing improvements in tracking processes. Prior to this, she was an intern at Samsung Electronics Mexico, where she generated detailed reports on training-related KPIs and contributed to the creation of innovative materials. Her focus is on finance, sustainable finance, consulting, and corporate banking.

## ABOUT HPL

HPL is a dedicated consulting firm that strongly recognizes the significance of sustainable financing in mobilizing resources for the betterment of society and the environment. Our specialized services are designed to accelerate capital flows towards sustainable initiatives.

If you're looking to elevate your organization to the next level in sustainable finance, or if you're interested in issuing a green, social, or sustainability-linked bond, our expert team is here to provide you with guidance and assistance every step of the way. You can reach out to us through LinkedIn, email, or our website to explore the comprehensive services we offer. Together, we can embark on a path towards making a meaningful contribution to the global sustainability agenda.

## DISCLAIMER

*This blog post was prepared by HPL.LLC. The content of this blog post is based on research conducted through desktop studies by HPL. The information provided herein should be used for informational purposes only and should not be considered as professional advice.*