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# UNBLOCKING CLIMATE & BIODIVERSITY FINANCE

## **GLOBAL PUBLIC INVESTMENT FOR GLOBAL MISSIONS**

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# Unblocking Climate & Biodiversity Finance: Global Public Investment for Global Missions

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**The Institute for Innovation and Public Purpose (IIPP) at University College London (UCL)** combines cutting-edge academic theory with teaching and policy practice, rethinking the role of the state in tackling the world's biggest societal challenges.

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*“A vigorous drive is needed to mobilize global public investment for conserving biodiversity and ecosystem services.”*

**Saleemul Huq, Climate & Biodiversity Campaigner  
1953-2023**

## **ABSTRACT**

As global climate and biodiversity challenges intensify, the need for innovative, sustainable, and equitable financing solutions has never been greater. This paper presents two major new approaches with a view to unblocking sustainable finance for climate & biodiversity objectives – namely the Mission-oriented approach being developed by the Institute for Innovation and Public Purpose (IIPP) and the Global Public Investment (GPI) approach being developed by several experts and organizations as part of the GPI Network. Global Public Investment for Global Missions offers a compelling vision for a future where collective efforts and shared resources drive progress on common goals.

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## FOREWORD

The world is facing immense challenges, from global heating to biodiversity loss and a growing water crisis. The question of our time is how to transform these challenges into opportunities for the public and private sectors to invest, innovate, and collaborate in an outcomes-oriented way like they have never done before.

The 17 Sustainable Development Goals (SDGs) represent the most comprehensive set of challenges faced by countries globally – and underlying them are 169 targets. But the SDGs and their targets have remained at the periphery, not at the centre of industrial, innovation, and financial policies. At the midpoint to 2030, with only about 15 per cent of targets on track and with only 30 per cent of all countries on track to achieve SDG 1 on poverty by 2030, now is the moment to accelerate action.

What has been missing are pathways for cross-sectoral and economy-wide investment. We are stuck in a siloed and sectoral mindset. The climate and biodiversity crises are not just the remit of ministries of environment – they require strategic coordination between ministries of energy, agriculture, transportation, economy, and finance (to name a few). At the same time, the solutions we need to tackle these environmental challenges will not just come from one sector alone – we must change how we eat, sleep, build, and travel. We must change how we produce and consume across the economy.

Mission-oriented policies can help us refocus our attention from sectors to challenges. Missions transform the emphasis on innovation and industrial strategies away from sectors, technologies, or types of firms, towards the completion of ambitious goals that require all sectors, all types of firms, and a strong guidance from the public sector, with conditions attached to make sure that the growth that results is both sustainable and inclusive.

This paper examines this required shift in the context of the huge amounts of global investment required to tackle the climate and biodiversity crises in particular – not just in terms of the quantity of finance but the quality of finance. We need to move from thinking only of financial gaps to thinking of the structure of the finance that allows us to not only fix markets but shape them to deliver the kind of investment led growth we need: more inclusive and sustainable and with global justice and equity at the center. Countries need patient long-term finance that is directed at innovations, and solutions that can help us decarbonize and protect our ecosystems. Underpinning this much needed finance is a new economic framing, which sees markets not as static or pre-determined but as outcomes that governments and other economic actors can shape and co-create.

Despite the pledges made in global forums, finance for climate and biodiversity remains blocked by fragmented approaches, high debt burdens, and Northern-centric funding mechanisms. We publish this paper at the 16th Biodiversity COP in Cali as officials meet to navigate the complexities of public policy and international cooperation. Our proposed approach aligns directly with the objectives of COP16 and the Kunming-Montreal Global Biodiversity Framework, specifically targeting goals 13, 14, and 19 (UNEP, 2022), as well as

the UN Framework Convention on Climate Change (UNFCCC). It also connects with the idea of a route From Cali to Belem, highlighting the leadership from key countries in the Global South to drive this approach forward.

Our report presents clear, actionable steps for leaders, including the creation of a Marshall Plan for Climate & Biodiversity and clarifying the role of debt swaps in mobilizing finance. It advocates for an innovative financial to implement concrete actions such as the Tropical Forest Forever Facility (TFFF) and a mission-oriented approach specifically designed for the Amazon.

The "Global Public Investment for Global Missions" framework offers a new architecture for international cooperation – one that ensures that all countries contribute, all benefit, and all decide on how funds are deployed. This approach moves beyond the limitations of traditional aid systems, encouraging a globally coordinated response to the most pressing challenges of our time. It can help the global community effectively pool resources, coordinate actions, and achieve significant progress where it has struggled to date on climate and biodiversity.

If we are serious about achieving the SDGs, then we need a new approach to our global financing structures. This paper will hopefully play a role in helping to set out an approach that can make a difference.

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## SUMMARY

This paper explores the growing global crises related to climate change and biodiversity loss and presents a groundbreaking strategy to address these challenges by integrating two complementary approaches: the Missions-oriented approach, championed by the Institute for Innovation and Public Purpose (IIPP), and the Global Public Investment (GPI) approach, developed by various experts and organisations within the GPI Network. The goal is to unblock sustainable finance flows, particularly for the Global South, in order to drive forward ambitious global climate and biodiversity objectives.

### **A Climate and Biodiversity Crisis**

The world faces intensifying environmental crises that pose existential threats to ecosystems, economies, and societies. The degradation of biodiversity, alongside accelerating climate change, has destabilized ecosystems globally. These issues have a particularly devastating impact on low- and middle-income countries, where communities often lack the resources to respond effectively.

The financial needs to address these crises are immense. For instance, the High-Level Independent Expert Group on Climate Finance estimates that \$2.4 trillion is needed annually by 2030 to meet global climate goals. However, current financial structures are fragmented, unreliable, and insufficiently aligned with the needs of developing countries, leaving critical funding gaps.

### **Linking Two Approaches: Mission-Oriented Framework and Global Public Investment**

Linking the mission-oriented approach with Global Public Investment would create a powerful framework for addressing both environmental and financial challenges in a coordinated manner. These two approaches share common objectives: leveraging public investment, promoting innovation, and achieving systemic change in how global challenges are financed and governed.

1. Mission-Oriented Approach: This approach, developed by the IIPP, advocates for framing public policy around bold, targeted missions that address societal challenges. Missions focus on clear, time-bound goals that can mobilize cross-sectoral collaboration, innovation, and investment. By defining ambitious objectives, the Missions framework encourages the public sector to play a proactive role in shaping markets and guiding innovation, fostering a transformative approach to achieving sustainability.

The Missions approach applies to global challenges like reducing plastic pollution in oceans or protecting biodiversity hotspots. It requires collective action across governments, industries, and sectors, ensuring that innovation is directed toward the common good, rather than short-term private gain.

2. Global Public Investment: GPI is a transformative financing model that challenges the donor-recipient narrative, envisioning international cooperation not as charity but as a



system of shared responsibility, where all countries—regardless of income level—contribute and benefit. This approach is built on three principles:

- All Benefit: Investments in global challenges benefit all countries, not just the immediate recipients.
- All Contribute: All countries contribute to financing global missions according to their capacities, reflecting shared responsibility.
- All Decide: Decision-making is democratized, ensuring that Global South countries play an equitable role in determining how resources are allocated.

### **Unblocking Finance: Merging the Approaches**

The integration of the Missions approach with the GPI model offers a novel solution to overcoming the barriers in financing climate and biodiversity goals. By combining the strategic vision of mission-oriented investment with the inclusive and equitable framework of GPI, the document outlines five strategies to unlock sustainable finance:

1. **Mobilizing More Funds for National and Global Objectives:** A mission-oriented approach helps prioritize strategic investments for global challenges. By aligning public investments with defined global missions, countries can mobilize additional resources—through statutory contributions or innovative financial instruments—specifically targeted at high-impact areas such as climate resilience and biodiversity conservation.
2. **Inclusive Decision-Making:** The GPI model’s principle of “All Decide” calls for decision-making processes about the allocation of funds to be democratized, with the Global South having a more significant voice in determining where and how resources are deployed. This inclusive framework overcomes historical imbalances where wealthy nations dominated climate finance decisions.
3. **Stable and Predictable Public Finance:** The need for long-term, predictable funding is crucial for addressing climate and biodiversity challenges, which require multi-decade commitments. The Missions approach, by setting clear and time-bound objectives, aligns well with GPI’s goal of creating a reliable system of international public investment, helping to reduce the volatility of funding flows.
4. **Catalyzing Private Sector Finance:** Public investment can act as a catalyst for private finance, particularly in areas where private actors may be reluctant to invest due to perceived risks. By shaping markets and creating long-term public value, the mission-oriented approach can attract private investment into sectors such as green technology or nature-based solutions. GPI further ensures that public finance serves the common good, protecting public interests and ensuring equitable outcomes from private sector partnerships.
5. **Increased International Solidarity:** Both the Missions approach and GPI emphasize the need for collective international action, underpinned by solidarity and mutual benefit.

Framing global environmental goals as shared missions means a more coordinated international effort to tackle climate change and biodiversity loss, with public finance playing a central role in fostering cooperation and commitment.

### **Key Recommendations for Implementation**

To operationalize this integrated approach, we propose three concrete steps:

1. Promoting a ‘Marshall Plan for Climate and Biodiversity’: Drawing inspiration from post-World War II reconstruction efforts, the world needs a comprehensive, long-term financial plan where all countries commit to financing global climate and biodiversity goals. This plan would ensure sustained and equitable financial contributions from all nations.

2. Applying GPI Principles to Biodiversity and Climate Funds: Climate and biodiversity financing mechanisms should be reformed to align with GPI’s principles, ensuring inclusive governance, transparency, and equitable access to funds. The goal is to democratize decision-making in international financial institutions and funds, empowering Global South nations and local communities.

3. Clarifying the Role of Debt-for-Nature Swaps: We also proposes reforms to debt-for-nature swaps, which allow indebted countries to exchange part of their debt for environmental conservation commitments. A reformed, mission-oriented approach to these swaps would ensure they are more transparent and effective in achieving both fiscal relief and environmental sustainability.

### **The Galápagos Debt-for-Nature Swap**

This paper also provides a detailed case study of Ecuador’s 2023 debt-for-nature swap, which aimed to finance marine conservation around the Galápagos Islands. While the swap reduced the fiscal burden of Ecuador’s debt, it provides insufficient funding to address Galapagos’ conservation needs and faces criticism for its governance structure, lack of community engagement, and contractual conditionalities. International actors controlled most of the decision-making, raising concerns about Ecuador’s sovereignty over its resources and policy making. The case study recommends new principles for future debt swaps based on a GPI for Global Missions approach, focusing on governance, transparency, accountability, finance, social justice and environmental impact.

### **Conclusion: A Path to Sustainable Financing**

The integration of the Missions approach and Global Public Investment represents a significant shift in how the world can finance and govern climate and biodiversity efforts. By aligning global public financing with strategic global missions, and ensuring that all countries contribute to and benefit from these investments, this approach offers a more effective, equitable, and sustainable solution to one of the greatest challenges of our time.

# 1. INTRODUCTION: Blockages in climate & biodiversity financing

## **Climate & biodiversity present our greatest global public challenge**

A Covid-19 pandemic that paralyzed the global economy and wreaked fiscal havoc, leaving behind unpayable debts. An environmental crisis more evident every passing day. Irregular migration on the rise. Surging inflation affecting countries across the world. Lost ground in the fight against poverty and inequality. The rapid rise of artificial intelligence and other technologies bringing both positive and negative possibilities.

Multiple crises over the last few years have limited the public resources available for social development in most countries and demonstrated yet again how much the world needs to work together to confront common challenges.

With increasing tensions between the great powers, there is now a widespread questioning of the effectiveness of our current multilateral system to respond to this reality, particularly by the countries of the Global South. 2023's Sustainable Development Progress Report announced that only 12% of the Sustainable Development Goals were on track (United Nations, 2023). Global Nation's annual Global Solidarity Report finds in 2024 that the world is still in the "danger zone" (Global Nation, 2024).

Biodiversity and climate are top of the list of concerns. The planet's biodiversity—the variety and depth that makes up life on Earth—is intrinsically valuable. A stable climate—the context within which life can flourish—is equally so. They also play a pivotal role in driving productive activity and growth across the world. According to one estimate, over \$44 trillion of economic value generation—more than half of the world's total GDP—is moderately or highly reliant on nature and its services (World Economic Forum, 2020).

As economic growth has increased humanity's ecological footprint, ecosystems have been destabilized, leading to existential environmental challenges. Climate change has altered marine, terrestrial and freshwater ecosystems all over the world. Native species in most major land-based habitats have decreased by at least 20% since 1900, according to the UN's Intergovernmental Panel on Climate Change (2019).

This loss of biodiverse ecosystems is a development concern that disproportionately affects the world's poorest countries. For instance, rising temperatures cause more carbon dioxide to dissolve into the oceans, making seas more acidic, hurting coastal ecosystems, and depleting fish stocks, which can be devastating for the livelihoods of millions in low-income countries. The share of people affected by natural disasters every year is far higher in low-income countries.

What is more, the climate, biodiversity, and water crises are deeply interconnected and exacerbate each other, creating a vicious cycle (Global Commission on the Economics of

Water, 2024). Wetlands and forests are the world's largest carbon stores, and they depend on a stable water cycle and thriving biodiversity. Terrestrial carbon sinks absorb about 25% of our carbon dioxide emissions (World Economic Forum, 2023). Without them, atmospheric CO<sub>2</sub> would be much higher than it already is. Inaction in one area invariably ripples across the others, meaning countries need a systemic, collective, and economy-wide response to the triple environmental crisis.

### **Yet, the quantity and quality of global public finance we need is missing**

As we formulate initiatives to tackle these challenges, exemplified by frameworks such as the SDGs, the Paris Climate Agreement, and the Convention on Biological Diversity (CBD), a persistent shortfall in financial resources creates a constant barrier:

- The High-Level Independent Expert Group on Climate Finance concluded in 2023 that an **additional \$2.4 trillion per year is needed by 2030** to meet the planet's climate finance needs (Global Infrastructure Facility, 2023).
- A report from UN Environment Programme and partners has found that global investment in nature needs to increase four-fold by 2050, equating to an annual investment of **over \$536 billion a year**, to address the climate, biodiversity, and land degradation crises (UNEP, 2021).
- 
- Another estimate suggests that around **\$5 trillion** will be required each year to meet the goals of addressing climate change and biodiversity conservation (World Resources Institute, 2022).
- The scale of nature-negative finance is concerning, with **nearly \$7 trillion per year in destructive public and private investments** undermining efforts to protect biodiversity and tackle climate change<sup>1</sup> (UNEP, 2023).

Fifteen years ago, developed countries committed to increase their financial support for climate action in developing countries, setting a goal of reaching \$100 billion per year by 2020, later extended through to 2025. Yet, even by developed countries' own reporting, the goal was missed in 2020 and 2021, at \$83.3 billion and \$89.6 billion, respectively. It was finally met in 2022 with an overall reported volume of \$115.9 billion (Oxfam, 2024). However, this achievement is contested. Oxfam argues that the "true value" of the 2022 climate finance was far lower—between \$28 billion and \$35 billion—after adjusting for the fact that nearly 70% of the reported amount consisted of loans, many of which were provided at market rates, adding to the debt burdens of developing countries. This significant discrepancy underscores the ongoing challenges in ensuring that climate finance commitments are both transparent and effective in addressing the needs of the Global South.

Further, only about 3% of international aid is targeted at biodiversity conservation (IUCN,

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<sup>1</sup> Private finance alone contributes \$5 trillion annually to nature-negative activities, while harmful public subsidies, such as those supporting fossil fuel consumption, have surged by 55% to \$1.7 trillion.

2022). Meanwhile, activities harmful to biodiversity conservation, such as fossil fuel production, agriculture subsidies and the use of chemical fertilizer and pesticides, command many times more international support (SEEA, 2020).

The Group of Experts to the G20 Taskforce on a Global Mobilization Against Climate Change (2024), co-chaired by Mariana Mazzucato and Songwe, call on all G20 members states to put the NDCs at the heart of their national transition plans by adopting 1.5 °C-aligned green industrial strategies and green financial policies. The G20 as a whole is responsible for about 80% of both current and historic greenhouse gas emissions and should therefore be responsible for at least 80% of the required finance to tackle the climate crisis. Countries are falling short of their commitments. It is time for a new approach. <sup>[OB]</sup>

## 2. CURRENT APPROACHES TO FINANCING ARE NOT WORKING

Current approaches to financing for global public goods like biodiversity and climate resilience suffer from critical flaws. They are failing to find the money required, and the money that is provided is often not as effective as it could be. This is well summarised by the late **Saleemul Huq**:

*“Biodiversity and ecosystem services are primarily a national and global public good, their conservation is not properly valued in conventional economic modelling, and funding for conservation at the global level is extremely poor.” (Time for GPI Report, 2023)*

### **From market fixing to market shaping**

Funding for climate and biodiversity initiatives is often fragmented and unreliable. Countries are not legally liable to commit to spending targets and can provide climate finance in whatever way they choose to interpret agreements. Where funds *are* committed or allocated, they are intermittent, undermining the patient, long-term investment and market directives required for a just green transition. This requires a market shaping approach not a market fixing one.

Much of the discussion surrounding the economics of climate and biodiversity focuses on the role of externalities, with sustainability concerns explained as market failures. Goods and services with positive externalities might not draw enough private investment, as not enough of the returns can be captured in the returns. In this view, governments intervene in the economy if the market fails to allocate resources efficiently, meaning they are not supposed to steer the economy, but only enable, regulate, and facilitate it. Governments are also required to fill a financing gap left by other economic actors.

Tackling our biggest climate and biodiversity challenges requires a shift in our underlying economics. Instead of waiting for externalities to arise and markets to fail, then intervening after the fact (ex-post), the market system can be shaped differently from the start (ex-ante) to minimise externalities and failures (Mazzucato, 2016; 2021). In other words, rather than filling a financing gap, the state should make strategic financing decisions to shape and co-

create the markets required to tackle those challenges. Governments and public financial institutions can act as lead investors – or investors of first resort as opposed to investors of last resort.

To steer finance towards climate and biodiversity challenges, it is useful to think about the role that missions oriented policies can play at the center of development policies. Missions are a policy framework that can shape economic policy management in an outcomes-oriented way, in the service of the common planetary goal. Missions require market shaping and creating, not just market fixing – and they require patient, long-term, and directed finance (Mazzucato 2023a). Guided by a goal-oriented approach, missions are useful for catalyzing investments in solutions to challenges that require deep coordination across all economic sectors, as well as many different industrial sectors.

### **Not enough urgency**

The root problem is so obvious we sometimes fail to name it: there is simply not enough focus and urgency in the wealthier countries. Without a mood of urgency, almost a “war footing”, it is hard to see how political will can be mustered within governments and parliaments and by the citizens they represent. Despite ever more stories of climate-related devastation, raising the status of this issue to emergency levels is getting harder, with competing crises drawing the attention of global leaders and budget holders.

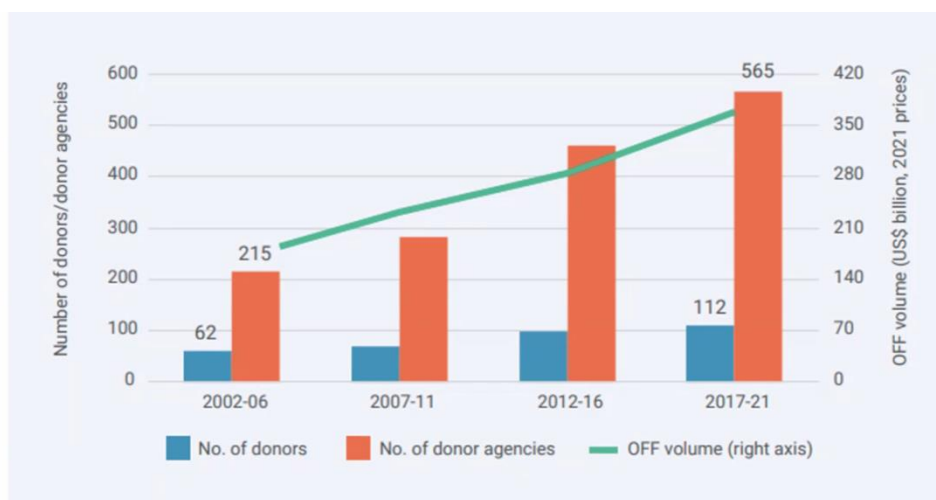
Certainly, the most obvious indicator of action – the quantity of climate finance being committed by wealthy countries – shows very weak progress. Despite the long-standing \$100 billion annual target, wealthy nations have repeatedly fallen short (see Global Citizen, 2021).

There have been clear calls in the various COP processes to double (and more) finance for climate and biodiversity but continued (and probably deliberate) ambiguities around what constitutes climate finance make it hard to get to grips with the issue. Meanwhile the cost of adaptation continues to grow (see Adaptation Gap Report from UNEP, 2023b), making these climate finance targets less and less reflective of the true costs in developing countries.

### **Fragmentation of funding sources**

Currently there are too many agencies, which compromises efficiency and effectiveness and leads to high transaction costs (see Figure 1 below). At the national level, the implementation of nationally determined contributions (NDCs) relies on domestic capabilities and resources, also leading to an inefficient patchwork of efforts. Countries with weak institutions lack the capacity to write funding proposals to access funds, and because transaction costs are considered high at the sub-national/local community level where there is an absence of international networks, climate finance contributors don't deliver money where it is needed most. This inefficiency is a direct consequence of not treating climate finance as a coherent, globally coordinated public investment strategy.

**Figure 1. Rising Aid flows have led to rapid proliferation of donors and donor agencies (World Bank, 2024)**



Efforts to expand international cooperation at the required scale are running into political barriers presented as inevitable. Replenishments of major global funds follow a traditional model of requesting funding every few years, but without any kind of statutory formula, meaning low levels of responsibility or predictability. Contributions fluctuate according to the circumstances of the ‘donors’, and there is a gradual decline in support for international cooperation, especially among politicians and the public in the Global North, where few benefits are perceived. This means that Global South countries are struggling to access the funding required to overcome major challenges, especially middle-income countries that have significant needs but are not prioritised for international cooperation relative to poorer countries.

### **Private sector reliance and misalignment**

Private sector involvement is often viewed as a panacea for closing the funding gap. However, private financing prioritizes returns on investment and often disregards non-market benefits, such as ecosystem services. The reliance on private sector funding has led to inadequate capital allocations toward critical, long-term environmental projects. For example, investments in nature-based solutions are only a third of the level needed to meet 2030 targets (World Resources Institute, 2022).

Public and private climate finance have very different characteristics and play different roles, but governments have typically shied away from public budget commitments in the hope that private finance will fill the gap. Much of the investment required for the green transition is in market-shaping and high-risk innovation, to which public finance is better suited, and will seed and leverage private finance in the form of bonds and venture capital. Governments must take a more proactive role in shaping markets rather than waiting for private finance to fill the gaps. Public investment, particularly in high-risk and innovative areas like biodiversity and green technologies, is crucial for steering the economy in a new direction.

*“Today unfortunately, we have an economy whose pillars systematically destroy nature, and not an economy that systematically doesn’t just conserve it but reproduces it in a vital way... This requires substantial private and public investments. And the world’s response today is that private investment will close the gap. Colombia’s position is that that will neither be sufficient nor sustainable. Not everything we need to do is bankable. Not everything has a rate of return on investment. So how are we going to finance this? Because without this basis of public finance, we will not see the common public goods that permit the development of sustainable private investment... How can we avoid the traps of financial speculation on these things, and how can we generate, in a reasonable timeframe, a process of stable and predictable financial flows for investing in change?”*

**María Susana Muhamad González**, Minister of Environment and Sustainable Development, Government of Colombia (2024), Remarks at the Summit on Biodiversity Financing.

### **Severe debt burdens**

Almost two-thirds of low-income countries are either in, or at a high risk of, debt distress – a number that has doubled since 2015, and interest rate increases and a strong dollar makes debts harder to service (UN, 2023). Despite this, 80% of climate finance is estimated to be in the form of loans, and half of those loans are not even concessional (Casado, I. and Botts, J. 2024). This creates a "climate debt trap" from which it is hard to escape.

It is not just low-income countries facing debt problems. Most middle-income countries are also finding it hard to manage debt burdens given the financial pressures exacerbated by the Covid=19 pandemic. In 2021, debt service in Latin America and the Caribbean (LAC) equaled 91% of total social spending (education, health, and social protection) (Latindadd, 2023). Prioritizing debt service pressures countries in the Global South to continue investing in extractive sectors, delaying the energy transition towards low-carbon models, and generating conflicts on the ground alongside negative socio-environmental impacts.

Many argue that climate finance needs to be distributed as grants or highly concessional loans in reflection of historical emissions and the inflicted losses and damage that these investments seek to ameliorate.

Asking middle-income countries, with so many other priorities to attend to (such as significant growth in extreme poverty since the pandemic), to further indebt themselves in order to pay for adaptation expenditures, when they are not the ones at fault for climate change, is unfair and unsustainable.

The issuance of Special Drawing Rights (SDRs) by the IMF has been beneficial in many countries, especially middle-income countries, and a further issuance would be welcome. The IMF’s new Resilience and Sustainability Trust (RST) allows governments to seek support for adaptation as well as debt forgiveness – another step forward in a just green transition (IMF, 2024).



## **ODA eligibility barrier**

A significant issue faced by developing countries is the restrictive eligibility criteria for accessing ODA. Middle-income countries, which house a majority of the world's poor and face severe climate vulnerabilities, are often excluded from receiving ODA due to their economic classification. The current system underestimates the economic and environmental challenges these countries face. The lack of access to ODA prevents these countries from receiving grant-based or low-interest financing options, which could otherwise help them address pressing environmental issues, build climate resilience, and support biodiversity conservation.

For instance, many middle-income countries in Latin America find themselves trapped between needing substantial climate finance and being ineligible for ODA. This leaves them more reliant on market-based financial mechanisms, like debt-for-nature swaps, which may offer limited relief but increase long-term debt obligations (OECD, 2023). Furthermore, development cooperation should not only support MICs in overcoming internal constraints but also enhance their participation in regional and global development agendas (Alonso, J. A., et al., 2014).

The principle of universalism, as introduced in the SDG era, supports the idea that challenges like inequality and unsustainability are global. Universality implies that all countries, regardless of their income level, are "developing" and must contribute to and benefit from global progress. If we extend this vision to ODA eligibility, we could argue that financing for global welfare should not be limited by arbitrary economic classifications but instead recognize that all countries—rich or poor—face challenges and should contribute to the solution (Glennie, J., 2021).

## **High cost of capital**

Another challenge is the prohibitively high cost of capital for developing countries, particularly when accessing international financial markets for climate-related investments. These nations are subject to significantly higher interest rates due to perceptions of political risk, economic instability, and currency fluctuations, making borrowing extremely expensive and unsustainable in the long term.

In 2021, the average cost of capital for climate finance in developing countries was estimated to be more than twice that of developed countries; while developed economies can secure financing at rates as low as 2-3%, developing nations face interest rates ranging from 8-15% or higher. This disparity increases the financial strain on these nations and reduces the affordability of necessary climate mitigation and adaptation investments (Climate Policy Initiative, 2021).

Moreover, the high cost of capital exacerbates the 'climate debt trap'. As more developing countries are forced to borrow on unfavourable terms to meet their climate and biodiversity obligations, they risk becoming mired in unsustainable debt. The reliance on high-cost loans further erodes fiscal space, making it difficult for these countries to pursue sustainable development without risking financial collapse.

These twin issues—limited access to ODA and the high cost of capital—create a vicious cycle that severely hampers the ability of middle-income countries to finance climate and biodiversity initiatives. Without concessional financing or low-cost loans, these countries must increasingly depend on market-driven solutions or external debt, which often come with restrictive terms and conditions.

### **Competition with development priorities**

Climate and biodiversity finance exist in a competitive relationship with development finance (i.e. ODA) and other forms of public spending. This is a result of the difficulty in reconciling traditional development pathways, that are typically fossil fuel based, with climate-sensitive pathways that typically require novel approaches and capital-intensive initiation. In recent years, more ODA is being directed toward climate-related initiatives, which, while crucial, can detract from traditional human development goals such as health and education. For instance, the share of bilateral ODA with a climate and environmental focus rose from 29.3% to 35.9% between 2010 and 2021 (OECD, 2023). Meanwhile, country-programmable aid (CPA), which is the portion of ODA that recipient countries can use directly for development purposes, has stagnated and even decreased, falling from 54.3% to 47.5% over the same period (OECD, 2023).

The tension is also a result of political resistance in developed countries to providing additional international finance; they prefer to repurpose ODA allocations as climate finance. Some have argued that all sustainable development finance should be climate sensitive, and that climate targets require significant increases in international transfers (Glennie, J. and Huq, S., 2023).

Adaptation is typically conceptualised as a national or regional public good and is therefore deprioritised in comparison to mitigation which is seen as a pure global public good. However, failure to adapt poses many spillover effects in the form of *global public bads* such as food shortages, migration and conflict. Similarly, the need to adapt is a response to the loss and damage caused by the emissions of wealthier countries.

At the conceptual level, the big idea of bringing environmental issues into the same analytical spectrum as economic and social ones – the heart of what we call “sustainable development” – has made progress in some ways. Notably, climate change and associated challenges are central to at least six of the 17 Sustainable Development Goals, if not more. But this conceptual evolution has seldom been followed by an evolution in the actual policies and practices of development cooperation. Fragmentation in projects and programmes is commonplace as different entities seek to carry out climate adaptation work separate from core ‘development’ (Glennie, J., and Huq, S., 2023). For example, the Green Climate Fund explicitly rejects adaptation projects that have a significant development additionality on the grounds that adaptation is not development. The reality for countries and communities is not one or the other, but both.

Even the idea of having a pot of money described as ‘climate finance’ separate from other

pots of 'development finance' has caused lack of synergy, confusion and double counting (almost all concessional climate finance can, after all, be tagged as ODA). Whatever the name-tag, the reality is that commitments on ODA and climate finance remain unmet by most countries.

### **Northern-centric perspectives dominate**

Common to many of the above barriers is a perennial problem in global affairs – the interests of the powerful countries dominate. Decisions about how we evolve our economies to respond to climate and biodiversity challenges will need to be made at the local and national level, with support and ideas from international experts and partners. However, too often the perspectives and preferences of a particular part of the globe dominate decision making and planning.

There is still a tendency among donors to assume that capacity building needs to come from the Global North, meaning crucial experience from the Global South is being underused. Adaptation to our new global situation is essentially a learning-by-doing process of generating new knowledge, so it requires the cogeneration of new knowledge by practitioners with researchers. As most of the climate and biodiversity impacts are happening in the Global South and poor communities, they are the ones who are acquiring the experiential knowledge in adaptation, and this needs to be respected.

Furthermore, developing countries find it hard to fully reflect their climate and biodiversity needs to development partners because lines of communication have proven weak. Most global financial institutions are dominated by high income countries, and the voices and views of the poorer countries are under-represented. Hence much of the emphasis of these financial institutions is on fiduciary fund management instead of effectiveness of the funds being deployed on the ground. One of the main reasons why some investments have been shown to be maladaptive in practice has been a lack of consultation in their design and implementation with the local communities who are actually bearing the brunt of the impacts and know how best to tackle them.

Climate finance often follows historic relationships and foreign policy goals, rather than prioritising vulnerability-induced needs and the most expedient investments based on marginal cost. Spending decisions are not based on the most efficient mitigation or adaptation strategies for the protection of a global public good, but instead reflect national interests.

### **Collective action problems**

Most fundamentally there is the question of burden sharing in recognition of differentiated responsibilities and abilities to finance conservation and transition. The US, EU and China collectively account for the vast majority of global emissions while 72 low-income countries contribute almost nothing to emissions. Understandably, then, many countries are resistant to shoulder the burden of financing a global public good – the non-rivalrous, non-excludable nature of climate bakes in the collective action problem.

Carbon taxes, markets and levies represent the most flexible finance tools available, but are hindered by a lack of international alignment, as such returning to the problem of collective action and first mover disadvantages. Done right, however, these tools can increase public budgets whilst shaping markets.

### 3. GLOBAL PUBLIC INVESTMENT FOR GLOBAL MISSIONS

#### **International financial cooperation is stuck**

The 20<sup>th</sup> century 'foreign aid' paradigm has struggled to adapt to the challenges of the 21st century and is proving ineffective in addressing global crises. It has been understood as time-limited, somewhat *ad hoc*, support to help lift countries out of exceptional hardship related to poverty and poor governance while other financial options, such as taxes and private investments, are not available. It is expected to come to an end when these countries graduate above a certain income per capita threshold (determined by the World Bank). Aid is presented as a charitable enterprise, with self-proclaimed 'donors' making the decisions about how and where it is spent, perpetuating power asymmetries between the countries of the Global North and those of the Global South, between so-called "developed" and "developing".

While ODA (official development assistance) has historically played a key role in supporting critical efforts, it is increasingly inadequate to meet the growing and complex demands of today's interconnected world of common global challenges and a fundamentally different pattern of global power. We need a permanent and robust multilateral system of international cooperation, and to move away from a temporary one dependent on national political and economic circumstances. It must include all countries of the world as protagonists, not just the Global North.

The process of building the Sustainable Development Goals (SDGs) seemed to break with this narrative by setting universal aspirations for all countries, not just the so-called 'developing' countries. However, international cooperation has lagged behind, still largely adhering to a top-down, linear approach, which is not really cooperation in the sense of mutual assistance, but rather transactional, with 'donors' offering support to 'recipients'.

Many countries in the Global South, and particularly in Latin America, have long resisted these binary notions, but the international cooperation ecosystem as a whole remains trapped by conceptual limitations and postcolonial paradigms. Some of the proposed reforms to the ODA system, such as "localisation", are welcome but are not enough to embed true ownership in the global finance ecosystem.

As we emerge from the neoliberal era, it is still challenging for national governments to implement progressive policies (including green industrial policy) without an enabling international environment. Along with a number of other components (including progress on global taxation, debt restructuring, private sector incentives), this enabling environment needs to have sufficient and efficient public money at its core. Crucially, there needs to be transformation in voice, governance and accountability in international financial institutions.

We need a new approach - one that goes from market fixing to market shaping.

### **Unprecedented geopolitical challenges require Strategic Mutuality**

The scale of investment needed for global common objectives is unprecedented. It is increasingly recognised by policy makers that these kinds of grand challenges cannot be dealt with via market solutions alone, or reduced to 'externalities' or 'public goods'. They are complex design problems that require radical innovations and multiple areas of the economy to alter their trajectory.

The geopolitical context, while complex, offers the opportunity for significant shifts in the international financial architecture with a growing momentum for change coming from the Global South, which wants more power and voice. Important meetings and processes in 2024-25 provide an institutional context for progress. Countries are more interconnected than ever, expanding opportunities for states and societies to work together on issues of shared interest. As historically poorer countries gradually catch up economically, all countries will increasingly contribute to solving the world's problems. The fact that some wealthy countries are currently experiencing a new form of isolationism does not change these fundamentals.

It is time for a broader, better organized and long-term system of international cooperation in which all countries are protagonists. This new system should be based on a simple concept: **Strategic Mutuality**.<sup>2</sup> Mutuality because all parties in a relationship need to contribute and benefit. Strategic because cooperation must respond to the interests of the countries involved as well as their values. Rich countries used to being in power will need to see national as well as global benefits, while less wealthy countries will want their voice and influence to increase, as well as guarantees of direct benefits from an evolved global financial system.

A modern approach to cooperation must emphasize the strategic mutuality of taking care of our planet, our own well-being and that of our neighbours at the same time. It would break down the divide between donors and recipients and treat all countries as co-contributors and co-beneficiaries of ideas, expertise, resources and support. Where a country has more material resources it would contribute more money, but that would not give it leadership status.

We propose a new approach to public finance for common global objectives that is both fairer and more effective, building momentum for more public money at the *global* level for climate and biodiversity progress at the national level. It brings together two major new approaches, namely the mission-oriented approach led by Mariana Mazzucato at the UCL Institute for Innovation and Public Purpose (IIPP), and the Global Public Investment approach for a better-governed system of global allocations and a new way of financing global objectives.

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<sup>2</sup> This section draws on original analysis by Andres Ceballos Osorio, Senior Advisor for APC Colombia.

## Applying a mission-oriented approach to global challenges

Mazzucato (2018a, 2021) sets out a mission-oriented framework where public and private sectors collaborate towards bold, inspirational objectives that address significant societal challenges. Missions are ambitious, clear, and time-bound objectives that mobilise cross-sectoral solutions to challenges. They focus on outcomes, as opposed to outputs. By doing so, missions can target challenges that do not necessarily have pre-defined, technological fixes. Solving these requires a bottom-up approach, exploring many possible solutions and mobilising economy-wide innovation, investment, and partnerships.

### Box 1: Elements of a mission-oriented approach

A mission-oriented approach, as detailed in Mazzucato (2018a, 2018b, 2021), has five criteria:

1. **Be bold and inspirational with wide societal relevance.** Engage the public by demonstrating that ambitious actions and solutions will have an impact on people's daily lives.
2. **Set a clear, targeted, measurable, and time-bound direction.** Provide a framework and specific targets, whether binary or quantified.
3. **Be ambitious yet realistic.** Set mission objectives that are centred on innovation, considering the feedback effects between basic and applied research.
4. **Encourage cross-disciplinary, cross-sectoral, and cross-actor innovation.** Frame missions to stimulate activity across and between scientific disciplines, industrial sectors, and actors, incorporating epistemic justice.
5. **Involve multiple, bottom-up solutions.** Allow for diverse approaches, avoiding reliance on a single development path or technology.

The mission-oriented approach seeks to transform public policy and create a public sector that is as dynamic as the private sector in performing tasks in the public interest. This approach encourages a systemic change in how public investments are perceived and managed, seeing them as *creating* and *shaping* markets rather than just *fixing* them.

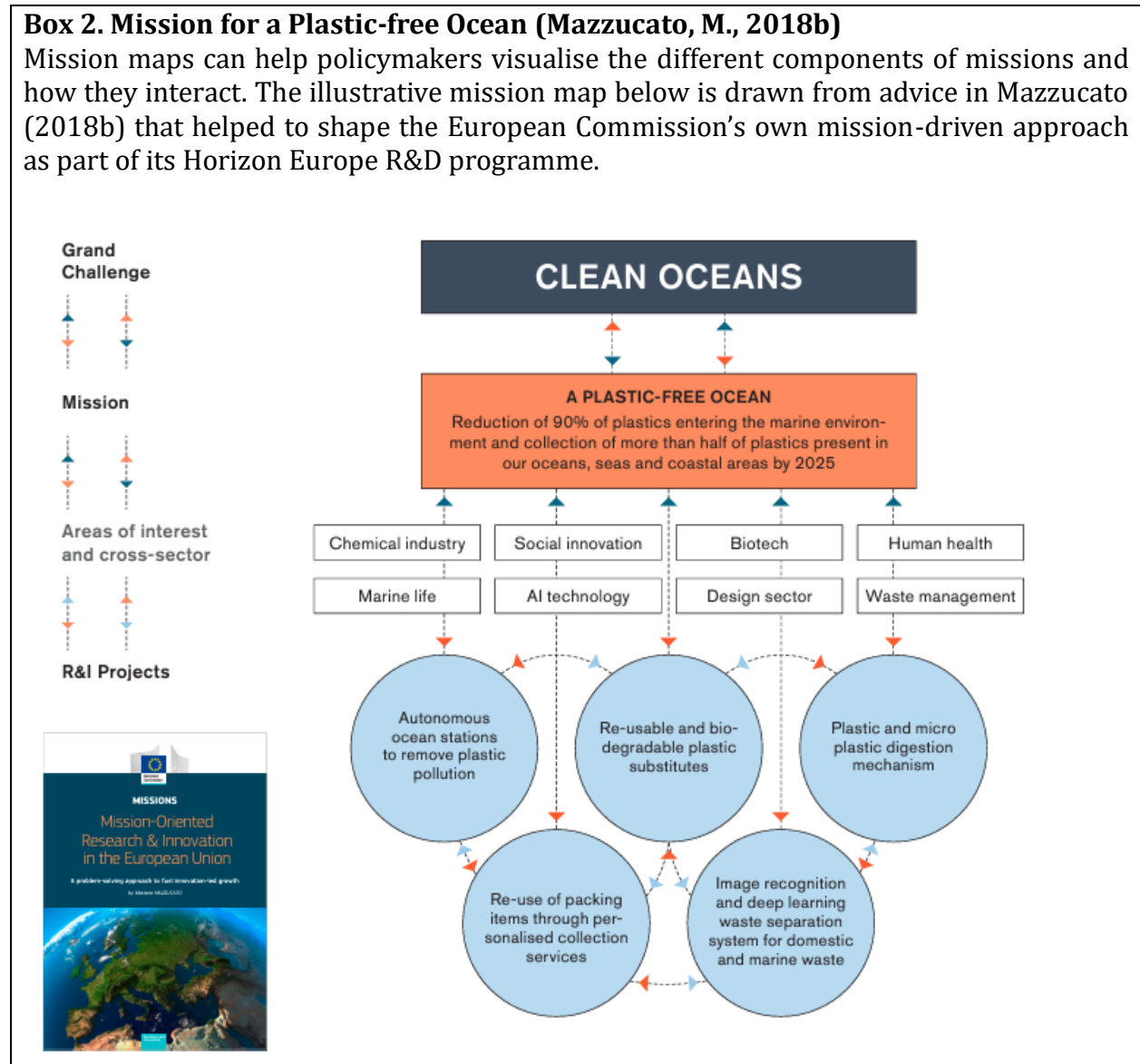
The mission-oriented approach frames a goal that is then used to catalyse investment and innovation in many different sectors and inspire new collaborations at the project level. This can lead to spillovers with a potential multiplier effect and foster economic growth that is sustainable, inclusive and resilient. Well-designed missions result in economic outcomes such as growth, job creation and productivity – even if those economic outcomes are not themselves the aim of the mission (Mazzucato, M., 2021, 2023a). A mission-oriented approach could be helpful for organising the delivery of major global objectives, and by catalysing private sector investments, also increase productivity and growth, and hence the multiplier effect (Deleidi, M. and Mazzucato, M., 2021). Mazzucato's framework emphasizes that effective missions require cross-sectoral collaborations, where various stakeholders work towards a common goal, guided by innovation-led growth and strategic public leadership that promotes risk-sharing and dynamic thinking.

The concept of mission-oriented investment involves setting ambitious, clear goals that

inspire collaboration and innovation across various sectors. For the mission of reducing plastics in our oceans, for example, we aim to achieve a 90% reduction of plastics entering the marine environment and collect more than half of the plastics present in our oceans, seas, and coastal areas by 2040. This mission would guide investments and innovations in multiple areas, such as waste management, recycling technologies, alternative materials, and public awareness campaigns. (Mazzucato, M., 2018b, p. 34). See Box 2 below.

**Box 2. Mission for a Plastic-free Ocean (Mazzucato, M., 2018b)**

Mission maps can help policymakers visualise the different components of missions and how they interact. The illustrative mission map below is drawn from advice in Mazzucato (2018b) that helped to shape the European Commission’s own mission-driven approach as part of its Horizon Europe R&D programme.



A mission-oriented approach can help tackle the most pressing global environmental challenges, including the climate, biodiversity, and water crises. The Global Commission on the Economics of Water (2024) identifies five critical mission areas to tackle the global water crisis: Launch a new revolution in food systems; Conserve and restore natural habitats critical to protecting green water; Establish a circular water economy; Enable a clean-energy and AI-rich era with much lower water intensity; and Ensure no child need die from usage of

water by 2030. By focusing on critical water mission areas, a mission-oriented approach can help policymakers replace sectoral and siloed policies with all-of-government and economy-wide responses to water challenges (Mazzucato, M. and Kuehn von Burgsdorff, 2024c).

Missions can also help tackle regional challenges. For example, there is window of opportunity for countries in Latin America to take advantage of their natural resources at a time when the demand for these resources is increasing (Mazzucato, M., 2023d). Missions have the potential to help countries disentangle the role that natural resource sectors could play in national development strategies (Mazzucato, M. 2023c). In particular, missions can reshape the incentive system beyond the exploitation of natural resources, promoting the reinvestment of rents in more innovative and more rewarding activities. If natural resource sectors are at the heart of a mission, they must transform for the better.

Missions help shape economies, as well as the relationships between economic actors, to serve common objectives. But this does not happen on its own. A new framing for the Common Good, as outlined in Mazzucato, M. (2023b), is integral to a mission-oriented public policy framework, particularly in a global context. It makes sure that how different actors relate to each other (global and local, capital and labour, public and private, and developing and developed countries) matters as much as what is being achieved. When designing missions at a global scale, the goal is to achieve the missions, and if done well, it will achieve equitable and ecological growth - rather than growth for growth's sake. This requires addressing structural inequities, providing universal access to public goods (such as health, education, and clean energy), and fostering environmental sustainability. It also means making sure that all 5 pillars below are adhered to.

**Figure 2. Five pillars of the common good framework (Mazzucato, M., 2023b)**



First, purpose and directionality can promote outcomes-oriented policies that are driven by public purpose and shared goals. Second, co-creation and participation allows citizens and stakeholders to participate in debate, discussion and consensus-building that bring different



voices to the table. Third, collective learning and knowledge sharing can help design true purpose-oriented partnerships that drive collective intelligence and sharing of knowledge. Fourth, access for all and reward sharing can be a way to distribute the benefits of innovation and investment with all risk takers – whether through, conditionalities, equity schemes, royalties, pricing or collective funds. Fifth, transparency and accountability can ensure public legitimacy and engagement by enforcing commitments amongst all actors and by aligning on evaluation mechanisms. And all of this requires investment in the capacity and capabilities for all actors to work together. Outsourcing government capacity to consultants or philanthropies only deepens our problems (see the five pillars of the common good framing in Mazzucato, M. 2023b).

In a global mission, the Common Good (**Mazzucato, M., 2023b; Mazzucato, M. and Zaqout, M. 2024e**) must be seen as a dynamic concept - something that evolves through collective action and shared prosperity.

*“For too long we have talked about common goals but have not made progress. This is because without a clear framing, we have inertia. A missions approach focuses on investment and innovation strategies that align towards goals, so the sum is greater than the parts. And a common good approach makes sure the how is as important as the what. My 5 pillars try to provide a dashboard to hold the system accountable.”*

## **Global Public Investment**

The GPI approach is a solution to the need for more international public money, much of it in the form of grants/concessions, not just loans, but which cannot come from the ‘aid’ system. It follows three principles which draw on the common good framing above and turns it into a clear ABCD of modern development finance: All Benefit, Contribute, Decide.

**All Benefit:** The delivery of global public goods, such as climate stability and pandemic prevention, strategically benefit all countries. The GPI model is in the interests of everyone, replacing a transactional donor-recipient ODA model.

**All Contribute:** Building on the principle of universality of the Sustainable Development Goals (SDGs) and challenging the idea that only some countries (the “developed” ones) have something of value to offer, GPI insists that all countries, even the poorest, contribute to international cooperation, both financially, technically and politically, according to a fair-share calculation.

**All Decide:** Becoming partners rather than simply passive recipients strengthens the Global South's demands for a stronger voice in decision-making. A more representative structure, both globally and in specific projects, will lead to greater accountability and effectiveness.

The Global Public Investment approach would lead to a better-governed system of global allocations and a new way of financing global objectives. In doing so, it lays the groundwork for establishing a robust financial infrastructure capable of achieving biodiversity targets on a global scale, while taking into consideration the support and voice of countries in the Global

South. As we emerge from the neoliberal over-emphasis on the private sector, GPI seeks to catalyze innovative and accountable public leadership.

*“Rather than rely on ad hoc, voluntary offers of financial support, couched in the language of generosity but subject to the whims of presidents and bilateral (read geopolitical) preferences, Global Public Investment would represent a statutory, contributory system which could be relied upon in normal times (...), and in extraordinary emergencies to coordinate and finance an adequate global response.”*

### **Jonathan Glennie (2021)**

Effective cooperation in the twenty-first century is not possible without mutuality. Shifts in global wealth and power have shaken up the practice of international development for the better, with emerging economies contributing now more than ever to global goals. GPI promotes respect, power, and dignity to countries and communities with fewer financial resources, because it recognizes them as internationally relevant co-contributors.

A GPI approach could be the key to unblocking and sustaining large-scale multilateral cooperation. Lower-income countries will see this new approach as a platform to build their voice and power. Meanwhile, richer countries will see it as a way to share responsibility and make much-needed changes to a safer, fairer and more sustainable world. Countries at all income levels must be involved in creating a new global financing arrangement that reflects their interests and modernizes accountability processes.

The fundamental shift proposed under a GPI approach is that all countries proactively engage as contributors on global priorities. By engaging as contributors as well as beneficiaries, they will open up influence for themselves, increase benefits at home, and help solve major global challenges better and faster. Entry into global leadership may come at a cost – but the return on investment is worth it in the long run. Clearly, financial resources are unevenly distributed around the world, and different countries have different historical responsibilities. Much more money should always come from the richest parts of the world.

The administration of international public money cannot follow the same limited top-down approach to which we are accustomed. It must be based on contemporary strategic mutuality. So, for example, spending on global goods and services is not a matter of charity, but of sensible investment in mutually beneficial goals (just like public sector spending at the national level). It should be an obligation, not a voluntary gift, and while it should expect a return, that return is not financial, but rather social and environmental impact for the national or global common good.

It is important to note that GPI is not the only approach to financing global priorities. ODA may be safeguarded as a special flow of money from wealthy countries with a focus on traditional development goals; there is a strong case for reparations by former colonial powers and major polluting countries; and there will be an ongoing need for humanitarian support in crises that, by their nature, are localized to a specific geography of the Global South.

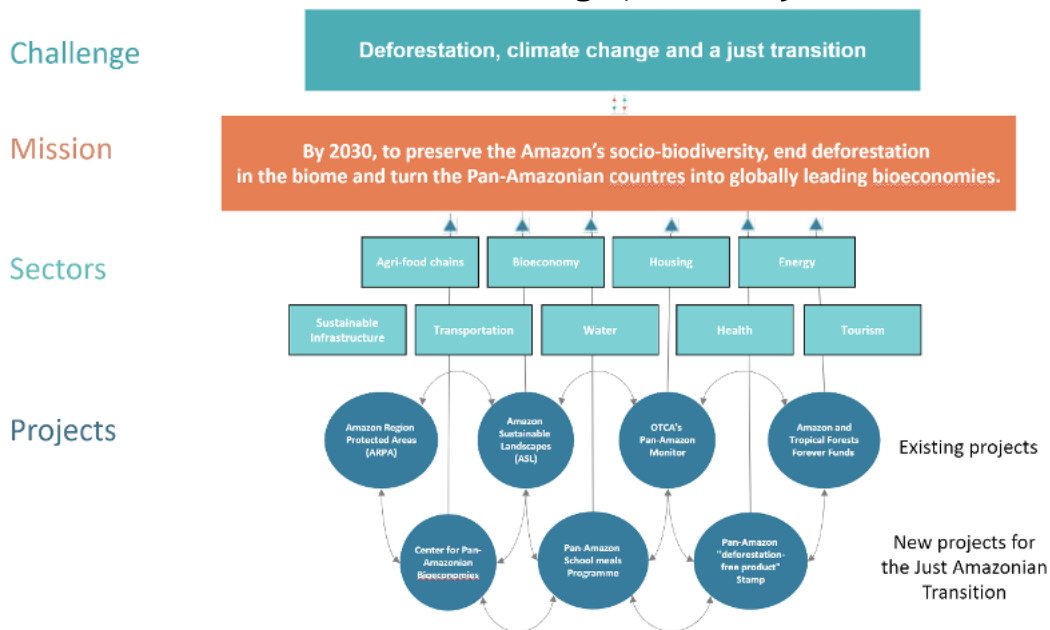


## 4. UNBLOCKING FINANCE FOR CLIMATE & BIODIVERSITY

By setting clear goals, fostering collaboration, and ensuring equitable investment, we propose that a mission-oriented approach, underpinned by Global Public Investment, can create sustainable and resilient solutions that benefit all life on the planet. In governing for the common good, a publicly-funded mission-oriented approach can take a long-term view and invest in climate and biodiversity actions to achieve objectives that cannot be delivered by the profit-optimising private sector (Zu Ermgassen et al., 2024). This requires collaborative efforts that transcend national boundaries, ensuring that climate and biodiversity finance and governance is inclusive and equitable.

The Amazon region offers one example of how to mobilise cross-boundary efforts. Mazzucato, M. and Braga, J. P. (2024d) set out a mission-oriented approach for the Just Amazonian Transition. The mission roadmap in Figure 3 below outlines how different industries and government departments should work together, guided by an overarching mission. Inter-ministerial coordination and international cooperation will also be essential (Mazzucato, M., 2024a; Mazzucato, M. et al., 2024b), involving different national ministries such as Environment, Industry, Agriculture, Economy, and Health, both within a country and between countries. At the national level, financial instruments like the Amazon Fund, managed by BNDES in Brazil, could support large-scale conservation projects and the establishment of a bioeconomy research hub. Meanwhile, sustainable procurement, such as sourcing local, agroecologically produced ingredients for school meal programs, can stimulate demand for environmentally conscious products and mitigate deforestation associated with conventional agriculture.

**Figure 3. Mission map for a Just Amazonian Transition (Mazzucato, M. 2023c; Mazzucato, M. and Braga, J. P., 2024d)**



A sustainable global funding system cannot rely on a donor-recipient model. Nor should it result in indebting countries, especially those not primarily responsible for the problem. It cannot rely only or mainly on private money, as this approach may prioritise profit over sustainability and equity, and may not ensure long-term, stable funding (Kedward et al., 2023). Instead, we need a fair-share funding pool, where all countries contribute equitably and participate in the decision-making process.

A coordinated, mission-oriented and outcome-driven approach to financing climate and biodiversity - rooted in the three guiding principles set out in section 3 – all countries *contribute* according to their capacity, *benefit* according to their needs, and *participate fairly* in the decision-making process – ensures that resources are mobilized effectively while justly, promoting collective ownership and responsibility for achieving climate and biodiversity objectives.

**All benefit.** With a *GPI for Global Missions* approach, global redistribution would be hardwired into the system. The collective governance of funds would ensure that mitigation and adaptation spending is targeted at the most cost effective and equitable interventions, aligned to human development needs and striving for equity of outcomes based on the national industrial advantages gained from each investment. Investments could, for example, target early-stage innovation (R&D), scaling up and technology transfer. Climate and biodiversity finance would be distributed predominantly as grants in recognition of historical responsibilities as well as the non-rivalrous and non-excludable benefits/harms of investments in a global public good which should not be *paid back* by any one nation. Climate and biodiversity finance could be used to leverage various forms of private finance including bonds and underwrite insurance and capital markets.

**All contribute.** With a *GPI for Global Missions* approach, all countries contribute public money based upon a fair share model that recognises common but differentiated responsibilities. Contributions would be mandatory and long term. The nature of this compact, which recognises the common responsibility to resolve problems, transforms the mentality of finance partnerships and consequently unlocks **more and higher quality** climate and biodiversity finance. Climate and biodiversity finance could be supplemented as well as leverage other sources such as climate bonds, carbon taxation and markets and SDR allocations. Spent well, this increased public finance will seed innovation and stimulate new markets, into which significantly larger proportions of private finance will follow. A *GPI for Global Missions* approach would increase the ambition of climate and biodiversity finance, mandating it as additional and complementary to ODA.

**All decide.** With a *GPI for Global Missions* approach, countries at all income levels will be at the table as decision-makers. The concept has recipient *ownership* and *power-sharing* embedded in it. Its representative governance structure emphasises the importance of regional and sub-national entities, as well as civil society, in decision-making and accountability processes. It will give a voice to those most affected, both countries and communities. With *GPI for Global Missions*, targets would be set jointly and would be enforceable via statutes as well as peer pressure. Greater coordination of funds will ensure

agencies work more closely to deliver coordinated interventions, and would be able to resource a pool of common capabilities to support capacity building and the efficient implementation of NDCs.

## **A strategic approach to climate and biodiversity objectives**

The implementation of a *GPI for Global Missions* approach could usher in a transformation in how climate and biodiversity challenges are funded across five main areas:<sup>3</sup>

### *1. More funds for national and global objectives*

A *GPI for Global Missions* approach could mobilise additional concessional resources, via statutory contributions from countries at all income levels, according to ability to pay, strategically channelled towards high-impact areas, to address the pressing needs of climate and biodiversity in pursuit of the common good.

There are two ways Global South countries could increase receipts of international public money. First, as major provider of global common goods like biodiversity, they would receive money to deliver global priorities, while at the same time having greater control over them. Second, they would benefit from more traditional development funding as new funds free up more traditional sources. *GPI for Global Missions* would allow for greater investment in areas requiring ongoing commitments, such as infrastructure and public services, and it would strengthen the ability of countries to deliver public goods and services through a public interest mechanism, rebalancing a growing concentration of private economic power.

They would also benefit from the delivery of global public goods, along with all the other countries in the world i.e. a better climate, global health security etc. There is copious evidence that public spending is most effective when all stakeholders are fully involved in managing and monitoring it. The GPI concept has recipient ownership and power-sharing hardwired into it. A shift towards a statutory rather than *ad hoc* approach would be a more effective and equitable way of structuring how we prioritise international public needs and would help avoid a boom-and-bust approach to global crises.

### *2. Inclusive decision-making on how and where resources are deployed*

A *GPI for Global Missions* approach would ensure **fair and transparent allocation across countries**, a radical departure from the current approach where aid donors decide where to deploy funds. The governance of international cooperation is stagnant, with a handful of countries making the important decisions. This is an ineffective way of managing cooperation, as research evidence shows that more participation and ownership lead to better investments of resources and time. It also makes a reversion to the kind of harmful conditionality typical of the 1980s and 1990s less likely, especially as debt burdens weaken the negotiating power of borrower countries.

A stakeholder (rather than shareholder) model means a rebalancing of decision-making power globally. It offers an opportunity to break a cycle of mistrust and replace it with an

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<sup>3</sup> This section draws on article by Gail Hurley in Time for GPI Report, 2023.

orderly, burden-sharing framework delivering higher levels of finance, cooperation and security. It has the potential to revitalise multilateralism, revolutionising outdated governance arrangements, and overcoming some of the existing gridlocks in international affairs, with national scale approaches linked to SDGs and nationally determined biodiversity and climate priorities. Fostering a more comprehensive understanding of the challenges at hand could lead to a higher chance of successful interventions. This approach ensures that global missions are not driven exclusively by wealthier nations but are co-designed and co-led in equal partnership with the Global South.

Many Global South countries are seeking to exert more influence in the world to further their interests and values. The charisma of particular leaders will only take this so far – institutional reform to allow them greater weight at the UN and other international bodies must also be a part of it. Meanwhile, the continuing developed-developing narrative means sustainable solutions developed in the Global South often lack visibility and recognition. Until Global South countries are fully involved in overseeing global cooperation, this imbalance and ineffectiveness will continue. A *GPI for Global Missions* approach would also respond to the demand from general publics to deliver progress on global issues *while also* delivering benefits at home.

### *3. Reduced volatility in available public finance*

The increased availability of more stable and predictable resources over time could enable longer-term initiatives to be funded. This predictable funding environment allows for longer-term planning and execution of climate and biodiversity projects, rather than relying on *ad hoc* or reactive funding mechanisms. As a result, countries, particularly those in the Global South, could make sustained investments in critical areas for biodiversity initiatives. This long-term security would also enhance the confidence of stakeholders and help solidify commitment to ambitious climate and biodiversity goals.

### *4. A catalytic effect for private finance*

Increased and reliable transfers open up new opportunities to blend public funds with capital from other sources, including the private sector, crowding-in finance from all sources.

Rather than viewing public finance as merely “fixing” market failures, a *GPI for Global Missions* approach actively creates new markets and public value, stimulating and guiding private investment toward long-term public purpose. Public funding directed towards climate missions enables early-stage innovations and infrastructure projects that the private sector might find too risky. This not only incentivizes private capital but also aligns it with broader societal and environmental goals. For biodiversity missions, strategic public investment can enable nature conservation strategies for long-term societal benefit, rather than relying on profit-optimizing private ‘nature markets’ to deliver complex public goods (Kedward et al., 2023; zu Ermgassen et al., 2024). This imbalance of risk and reward is precisely what a *GPI for Global Missions* approach seeks to avoid.

*“While the State often undertakes the riskiest investment and research, it is Big Pharma and other private companies that cash in the major rewards. A missions and common*

*good framing makes sure we not only have common objectives but also govern the system so that both risks and rewards are socialised."*

### **Mariana Mazzucato**

In traditional finance, there is a biased reality where "the costs of developing these innovations are socialized, while the profits are privatized" (Mazzucato, M., 2013). The mission-oriented approach rejects this model. Public investment should not merely de-risk ventures for private investors to profit from. Instead, it must retain a stake in the rewards of these innovations, ensuring that profits generated from breakthroughs - whether in green technology or ecosystem restoration - are reinvested for the Common Good, rather than only enriching private entities.

This is what Mazzucato calls a "realignment of risk and reward" (Mazzucato, M., 2013), meaning that if the public sector is expected to shoulder the high risks involved in financing breakthrough innovations, it must also participate in the financial returns. *GPI for Global Missions* would follow this principle, ensuring that public investments in climate and biodiversity missions are not just a financial buffer for the private sector but part of a long-term strategy to capture value for the public. This would include innovative financing mechanisms, such as retaining equity in successful projects or leveraging royalties from publicly funded innovations.

Additionally, *GPI for Global Missions* emphasizes strategic leadership from the public sector in guiding public-private collaborations towards achieving societal goals. This approach reframes private sector investment as part of a broader public purpose - one that prioritizes the Common Good and helps drive the world toward more equitable and sustainable outcomes. By ensuring the returns from successful innovations are recycled into future public investments, *GPI for Global Missions* provides a framework for sustained, long-term growth that serves society as a whole.

### ***5. Increased international solidarity and commitment***

A common framework will feed the virtuous circle international solidarity and commitment, creating long-term public value through the protection and enhancement of Earth's most precious resources. The international cooperation sector, based out of Washington, London and Paris, often adopts a condescending narrative even if sometimes unknowingly, and can be disrespectful in its interactions. Excluding the majority of the world from meaningful oversight of global common challenges is a failure to recognise how geopolitics has changed in the past 50 years. Global South governments and their citizens are increasingly demanding to be treated with respect in international fora. As the old 20<sup>th</sup> century narratives and structures make way for a new way of thinking, this new approach combines effective policies with inspiring visions of dignity and respect.



## 5. RECOMMENDATIONS

How can the compelling vision of *GPI for Global Missions* be implemented in practice? What actions do the various parts of the ecosystem need to take, with particular regard to climate and biodiversity? How can we take advantage of key moments and processes in 2024 and 2025 and enhance leadership on climate and biodiversity?

### **Balancing values and interests**

Any foreign policy must balance a country's values and interests. The *GPI for Global Missions* approach to international cooperation on climate and biodiversity is pragmatic; it moves away from a market-based ethos that focuses on the bureaucratic balance of public and private national interests, towards a more inclusive and comprehensive approach to solving multiple crises facing humanity. In addition, a mutual approach gives respect, power, and dignity to the poorest countries and communities, because it recognizes them as globally relevant peers at the international level. The challenge is to build genuine mutuality while not pretending that they are on equal terms, nor allowing wealthier countries to evade their responsibility as the primary funders of global common benefit.

The *GPI for Global Missions* approach offers a more compelling and ethical rationale for contributions from all types of donors, as sustained financing for development may increasingly be conditional on the demonstration of benefits at the local level. There are benefits, direct and indirect, for the populations of all types of countries, both North and South.

Today's geopolitical context offers the opportunity for significant shifts in the international financial architecture, with a growing momentum for change coming from the Global South. Events such as the G20s in Brazil and South Africa, and the Biodiversity and Climate COPs in Brazil and Colombia, highlight this trend.

Building upon the need for a coordinated global response, we propose three steps towards sustainable and effective international public financing for climate and biodiversity.

#### **1. Promote a "Marshall Plan for Climate & Biodiversity"**

A number of governments have already supported the idea of a "Marshall Plan for Climate" (Deese, B., 2024). It now needs further elaboration to become a clear proposal to rally around. It should incorporate biodiversity not just climate. *All* countries should commit a certain % of GNI to global issues. While this may sound like a big commitment for countries in the Global South, in fact, when their current contributions are monetised and measured, it may not be much more than they are currently spending. The spend could include some in-country costs (such as refugee costs, as allowed by the OECD DAC for ODA) and contributions could also be in-kind, suitably monetised.

## *2. Biodiversity & Climate funds should follow GPI principles*

It is understandable that many traditional development institutions have governance systems that reflect the power structures and global relations of the middle of the last century when they were created. However, as calls to "decolonize aid" continue, it is imperative not only to *listen* to the voices of the Global South in debates on climate and biodiversity, but also to invest decision-making power in governments in the Global South and give civil society an appropriate level of influence. Only when decisions are taken jointly with the people most affected will the quality of cooperation improve.

Strategically designed *regional* spaces should be established to foster the convergence of diverse efforts and resources. They should promote the active participation of civil society, the private sector, and grassroots communities. Countries should advocate for the integration of a *GPI for Global Missions* approach into the operational framework of existing regional funds, such as the Amazon Fund.

## *3. Clarify what debt swaps should look like*

More work needs to be done to elaborate debt-for-climate/biodiversity swaps. Many governments have repeatedly argued for the need for grants and concessional loans rather than loans that increase the country's debt burden. Debt-for-climate swaps operate as grants and are therefore an important part of a potential portfolio. The international responsibility implicit in such exchanges must be complemented and balanced with national and local responsibility to ensure that citizens maintain control over how these funds are spent. Further proposals for debt-to-nature swaps are elaborated in the Annex of this report, which focuses on the Galapagos debt swap.

## ANNEX: How to make an effective Debt Swap – lessons from the Galápagos

Debt-for-nature swaps have become a widely recognized mechanism for addressing both fiscal distress and environmental conservation, particularly in nations rich in biodiversity but burdened by high levels of debt. Countries like Seychelles, Belize, Barbados, and Ecuador (Galápagos) have all used debt-for-nature swaps to exchange portions of their sovereign debt for commitments to fund conservation projects. Despite the innovative potential of these swaps, the various cases highlight significant weaknesses that undermine their effectiveness, from governance and transparency issues to concerns over sovereignty and long-term sustainability (Nedopil, Yue, & Hughes, 2023; (Standing and Ortega-Pacheco, 2023).

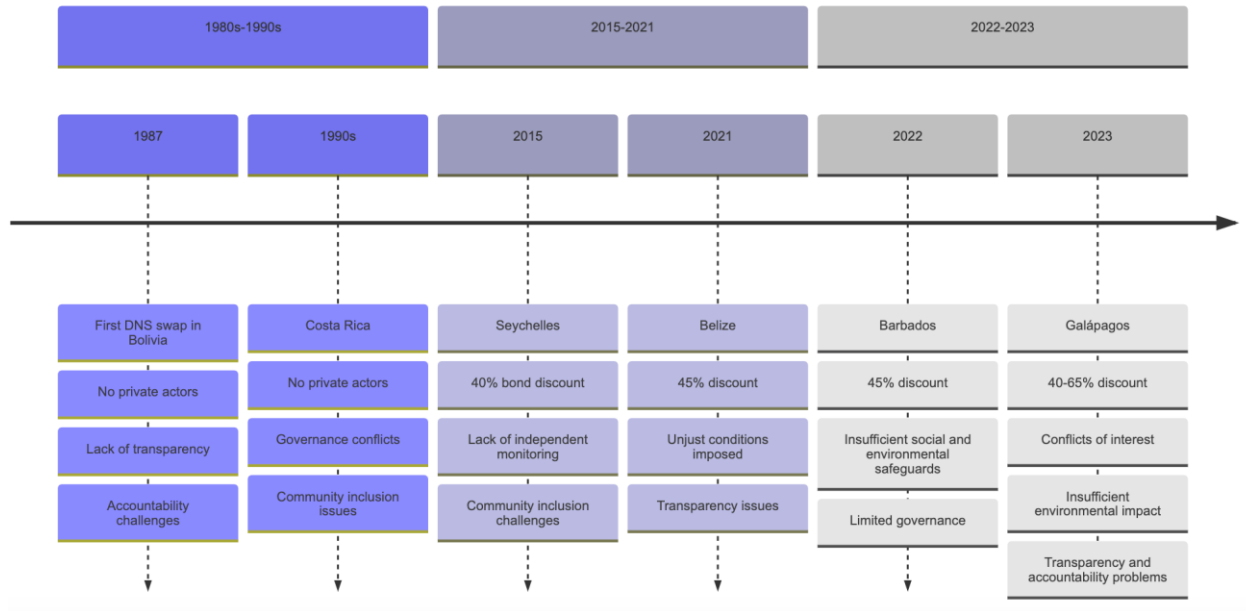
### Comparative Overview of Debt-for-Nature Swaps

Debt-for-nature swaps in Seychelles, Belize, Barbados, and Ecuador provide important case studies that reveal both the benefits and shortcomings of debt-for-nature swaps mechanisms. While these swaps offer immediate fiscal relief and generate commitments to protect crucial ecosystems, the governance structures, transparency levels, and financial mechanics of these deals vary significantly, often revealing critical limitations.

- **Seychelles (2015):** The Seychelles swap, valued at \$21.6 million, provided the country with an extended repayment period and a 40% haircut on its bonds. Managed through a Special Purpose Vehicle (SPV) located in Mauritius, the deal created a transparent governance structure involving both the government and an independent trust. The environmental benefits included the protection of 400,000 square kilometers of marine area. However, critics noted the high transaction costs involved in setting up the financial mechanisms and reliance on international financial actors (Booth, M. S., & Brooks, C., 2023).
- **Belize (2021):** Belize's swap, structured as a Blue Bond, reduced \$553 million in debt to \$364 million, offering a 45% haircut. The deal, designed to protect 30% of Belize's marine territory, involved significant participation from private creditors, including Credit Suisse and The Nature Conservancy. While the conservation outcomes were clearly defined, concerns arose over the strong influence of private actors in structuring the deal and the limited role of local government in decision-making (Standing, 2023).
- **Barbados (2022):** Similar to Belize, Barbados negotiated a 45% haircut in exchange for funds directed toward marine ecosystem conservation. Although the governance structure included third-party evaluations and oversight, the swap still relied heavily on external financial actors, raising questions about the sustainability of the arrangement in the long term (Kozul-Wright, 2024).
- **Galápagos (Ecuador, 2023):** Ecuador's debt swap, valued at \$1.1 billion, resulted in a range from 46.75% to 65% haircut, providing immediate fiscal relief and funding for marine conservation around the Galápagos Islands. However, despite the large discount

and conservation commitments, the deal faced significant governance and transparency concerns. The Galápagos Life Fund, created to manage the proceeds, saw international actors controlling the majority of the board, with only 5 out of 11 seats occupied by Ecuadorian representatives. This governance structure raised alarms about the erosion of Ecuador's sovereignty and control over its natural resources, highlighting a broader issue of local exclusion in debt-for-nature swaps mechanisms (Ortega-Pacheco et al., 2023).

**Figure 4. Evolution of Debt-for-Nature Swaps with Negative Implications**



Source: Authors' elaboration.

### Critical Assessment of the Galápagos Swap

The Galápagos debt-for-nature swap in May 2023 was heralded as a success in leveraging international finance for conservation. However, its execution has raised several concerns, particularly with respect to local sovereignty, debt relief efficacy, and long-term impact on Ecuador's fiscal stability.

Despite its innovative approach to addressing both fiscal sustainability and environmental conservation, the Galapagos Debt Swap has faced significant criticism. Critics argue that it lacks sufficient local stakeholder engagement and prioritizes external financial and environmental agendas over local economic and sovereign needs. This critique points to a misalignment of goals, where the perceived benefits to international players overshadow the immediate and long-term impacts on Ecuadorian communities and their governance structures.

The Galapagos Debt Swap, announced in 2023, involved the restructuring of approximately \$1.628 billion of Ecuador's external debt through the issuance of \$656 million in allegedly

“blue bonds” (IDB, 2023). This financial manoeuvre was structured to foster marine conservation efforts in the Galapagos Islands, engaging a myriad of actors including international NGOs, financial institutions, and Ecuadorian governmental bodies. Key actors such as the U.S. Development Finance Corporation and the Inter-American Development Bank provided critical support with guarantees and political risk insurance, facilitating this complex transaction.

The transaction incurred high costs, including a 1.33% spread between the bond issuance and the loan to Ecuador. This difference is attributed to private financial intermediaries and insurance premiums. The deal's total contribution to conservation is \$450 million, but the arrangement leaves a \$11.5 million annual funding gap for effective marine reserve management (Ortega-Pacheco, et al. 2023).

### **Weaknesses and Limitations**

The Galápagos debt-for-nature swap showcases the strengths and opportunities of debt-for-nature swaps but also serves as a case study in highlighting the critical weaknesses and limitations that must be addressed for future improvement.

### **Governance and sovereignty**

The governance model used in the Galápagos swap, where international NGOs and financial actors dominate decision-making processes, has drawn significant criticism (see Kozul-Wright, 2024 and Ortega-Pacheco et al., 2023). Of the 11 seats on the Galápagos Life Fund board, 6 are occupied by representatives of international conservation and financial organizations, leaving only 5 for Ecuadorian government officials. This imbalance raises concerns about Ecuador's sovereignty and control over its strategic biodiversity resources. In previous debt-for-nature swaps like those in Seychelles and Belize, similar reliance on external actors has resulted in local governments being sidelined in important decision-making processes (see Linsley-Parrish, 2023; Standing, 2023). For future swaps, it is crucial to establish more equitable governance frameworks that prioritize local ownership and include broader participation from national governments and civil society.

### **Transparency Issues**

Transparency has been a recurring challenge in DNS mechanisms, and the Galápagos case is no exception. The opaque financial structures, such as the use of Special Purpose Vehicles (SPVs) located in offshore jurisdictions, have made it difficult to track the flow of funds and scrutinize the terms of the deal (Booth & Brooks, 2023; Standing, 2023). This mirrors the experiences in Belize and Barbados, where private creditors played a dominant role in shaping the financial mechanics of the swaps, leaving local stakeholders with limited insight into the financial transactions. A more transparent process, involving early disclosure of deal terms and financial flows, would improve accountability and public trust in debt-for-nature swaps.

### **High transaction costs and financial sustainability**

While debt-for-nature swaps can provide immediate fiscal relief, the high transaction costs associated with setting up these complex financial mechanisms often erode the long-term fiscal benefits. The Galápagos swap, with its large haircut, provided short-term savings but involved substantial costs related to guarantees and risk insurance from international financial institutions like the IDB and DFC. This challenge is not unique to Ecuador—similar high costs were reported in the Seychelles and Barbados cases (Booth, M. S., & Brooks, C., 2023). Ensuring that future DNS deals are structured with lower transaction costs and that they prioritize sustainable long-term financing will be critical for improving their efficacy.

### **Social and environmental justice**

One of the most pressing concerns with debt-for-nature swaps, as seen in the Galápagos swap, is the potential impact on local communities. The conservation projects funded by the swap may restrict access to marine resources for indigenous and local populations, without providing adequate compensation or alternative livelihood options. This issue has been raised in many DNS cases, including Belize and Seychelles, where local communities have had limited input in decision-making processes but have been disproportionately affected by the environmental restrictions imposed (see Kozul-Wright, 2024). Future DNS agreements must include provisions for social equity, ensuring that affected communities are fully involved in the design and implementation of conservation projects, with protections in place to avoid unintended social harms.

### **Environmental impact and long-term sustainability**

Despite the commitments to protect marine ecosystems, concerns have been raised about the long-term sustainability of conservation efforts funded by debt-for-nature swaps (Nedopil et al., 2023). In the Galápagos swap, as in other debt-for-nature swaps cases, there is a risk that the protected areas could become "paper parks"—regions that are officially protected but lack the necessary enforcement and resources to be effectively managed. To address this, future debt-for-nature deals should establish stronger links between fiscal savings and long-term environmental outcomes, ensuring that adequate funding is in place for enforcement, monitoring, and sustainable management of protected areas.

### **Private sector participation**

While international guarantees provided Ecuador with critical fiscal relief, the governance structure of the Galápagos Life Fund has raised concerns about local sovereignty and equitable representation. With 6 out of 11 board seats occupied by international conservation and financial organizations, critics argue that the dominance of private actors and international NGOs in decision-making undermines Ecuador's control over its biodiversity resources. The deal, promoted as a model for debt-for-nature swaps, has also been criticized for its lack of transparency, including the involvement of legal entities linked to tax havens, which further exacerbates fears of eroding Ecuador's sovereignty over its natural resources and fiscal autonomy.

### **Comparative Haircut Analysis**

The Galápagos swap involved significant debt haircuts ranging from 46.75% to 64.5%. These haircuts were secured through international guarantees and insurance provided by the Inter-

American Development Bank (IDB) and U.S. Development Finance Corporation (DFC), respectively. These terms reflect the unique political and economic risks faced by Ecuador.

**Table 1. Comparative Debt Restructuring and Haircut**

Debt Restructuring	Year	Haircut (%)	Private Sector Involvement	Implications
Argentina	2005	70%	Yes	Litigation risks and long-term market exclusion.
Greece	2012	53.5%	Yes	Austerity measures, reduced fiscal flexibility.
Ecuador (2009)	2009	65%	Limited	Moderate reputational risks.
Ecuador (Galapagos Swap)	2023	46.75% - 64.5%	No	Lack of transparency and accountability. High reputational risks.
Honduras	2013	45%	No	Multilateral-led with reduced risk.

Source: Authors' elaboration.

### **A new approach: Mission-oriented debt swaps**

Debt-for-nature swaps offer innovative pathways to align fiscal relief with environmental conservation, yet the mechanisms used have often highlighted governance and transparency issues that undermine their full potential. A mission-oriented approach to debt-for-nature swaps seeks to rectify these shortcomings by focusing on inclusive, long-term strategies that integrate environmental, social, and financial objectives while enhancing local ownership and accountability.

The current analysis of debt-for-nature swaps, including cases from Seychelles, Belize, Barbados, and the Galápagos, demonstrates significant variation in governance structures, transparency, fiscal impact, and environmental outcomes. Despite the clear benefits, many debt-for-nature swap mechanisms suffer from an over-reliance on external financial actors, opaque transaction details, and limited public participation. These weaknesses call for a new blueprint that integrates *GPI for Global Missions* principles to ensure that debt-for-nature swaps are truly aligned with the developmental and environmental needs of debtor nations.

**Table 2. GPI for Global Missions Principles and Recommendations**

<b>Principle</b>	<b>Pre-Buyback Phase</b>	<b>During Buyback Phase</b>	<b>Post-Buyback Phase</b>
<b>Governance</b>	Ensure inclusive decision-making by involving local governments, NGOs, and community stakeholders in negotiations from the outset.	Structure buybacks with a clear governance framework that balances external and local control, ensuring equal representation in decision-making.	Establish co-managed institutions with balanced roles for governments, NGOs, and local stakeholders to maintain long-term oversight.
<b>Transparency</b>	Disclose full details of the deal's structuring, including the creation of Special Purpose Vehicles (SPVs) and offshore entities.	Mandate transparent reporting of buyback processes, ensuring financial mechanisms are fully explained and publicly accessible.	Implement ongoing transparency measures, with public disclosure of conservation funding and progress reports.
<b>Accountability</b>	Set clear terms for local governments and international actors, ensuring that all parties are accountable for negotiated outcomes.	Foster public participation through consultations and democratic engagement to ensure the terms of the buyback reflect the needs of affected communities.	Conduct independent third-party evaluations of environmental and fiscal outcomes, ensuring that all actors are accountable for results.
<b>Finance</b>	Tie financial arrangements to outcome-based budgeting, linking debt relief to measurable conservation goals.	Structure finance to minimize transaction costs and prioritize grant-based or low-interest mechanisms rather than relying on market-driven debt swaps.	Ensure ongoing financial sustainability by establishing dedicated funds for environmental conservation, tied to long-term public and private investment.
<b>Social Justice</b>	Engage local communities to ensure DNS mechanisms do not adversely affect access to land or marine resources, providing alternative livelihood options when necessary.	Incorporate social equity considerations in the financial structure, ensuring that the terms of the deal benefit vulnerable populations.	Monitor long-term impacts on social equity, ensuring that DNS does not exacerbate inequalities or marginalize local communities.
<b>Environmental Impact</b>	Conduct robust environmental assessments during the negotiation phase to establish baseline conservation needs and objectives.	Link financial disbursements to clear, enforceable environmental outcomes, ensuring that conservation goals are prioritized.	Ensure adequate funding for enforcement and monitoring to avoid "paper parks" and guarantee the long-term sustainability of protected areas.

Source: Authors' elaboration.

*GPI for Global Missions* principles to guide debt-for-nature swaps before, during, and after the



buyback process, ensure that both fiscal relief and environmental goals are met in a balanced, sustainable, and inclusive manner. By focusing on improved governance, transparency, accountability, and social justice, debt-for-nature swaps can become a transformative tool for environmental conservation while safeguarding the sovereignty and interests of debtor nations.

The mission-oriented debt swap proposal emphasizes a holistic approach that aligns economic and environmental objectives with the sovereign interests of nations in the Global South. By advocating for more substantial debt cancellation and stricter limitations and accountability on the influence of private actors, this approach promotes greater equity in risk-sharing and enhances the developmental impacts of debt swaps. It stresses the importance of co-managed institutional arrangements and outcome-based budgeting, aiming to build local capacities and ensure long-term sustainability.

Furthermore, the proposed approach insists on a partnership model where governments and communities are viewed as equal stakeholders, fostering stronger governance frameworks that align with national development goals. It underscores the necessity for transparent and inclusive participation from the design phase, ensuring that all stakeholders, especially local and indigenous communities, are actively involved in the decision-making processes. This participatory approach helps ensure that debt swaps do more than just alleviate fiscal burdens; they also contribute to strategic, long-term environmental and social objectives.

The proposed debt swap model offers a strategic framework to leverage public funding to attract and guide private finance in a manner that supports comprehensive debt resolution strategies while empowering countries in the Global South. By focusing on equitable risk-sharing and ensuring that financial benefits are widely distributed, this approach can catalyze substantial private investment in sustainability projects without sacrificing sovereign policy goals or financial integrity.

Moreover, by strengthening local capacities and ensuring broad-based participation in project design and implementation, the mission-oriented approach helps prepare communities in the Global South to better manage and respond to future climate crises. This proactive and inclusive approach to financial management and project governance ensures that debt swaps serve not only as financial instruments but also as tools for sustainable development, reinforcing the capabilities of nations to meet their environmental, social, and economic challenges head-on.

These new approaches are summarised in the table below:

**Table 3. Differences Between the Galápagos Debt Swap and *GPI for Global Missions* Debt Swap Approach**

	Galapagos Debt Swap	Future debt swaps based on <i>GPI for Global Missions</i> approach
<b>Value</b>	Value originated by large international NGOs with limited consultation with other small organizations in Galapagos and continental Ecuador	Inclusive local and international stakeholder engagement.
<b>Markets</b>	Debt swap provides only limited debt reduction, limit access to policy making and investment to private actors and international NGOs	Substantial debt relief with reduced private actor control.
<b>Organizations</b>	Creation of a privately managed NGO may limit government capacity towards democratic consolidation and create resource dependency, detracting from long-term sustainability of policy making and political stability	Co-managed institutions involving governments and communities.
<b>Finance</b>	Debt swap finance is focused on monitoring and surveillance, creating unmet expectations in other social and environmental interest groups	Outcome-based budgeting with a balance of private and public funds.
<b>Distribution</b>	Uneven distribution of risks and rewards. Private actors gain rewards, while governments and society bear risks. NGOs are not held accountable in the long run for national sovereign unmet obligations	Fair risk-reward distribution between public, private, and community stakeholders.
<b>Partnership</b>	Public-private partnership prioritizes environmental outcomes over sovereign ones, with government and communities as beneficiaries, not partners	
<b>Participation</b>	Participation is limited to informative sessions	Full consultation and shared decision-making from the start.

Source: Authors' elaboration.

### **Recommendations for future debt-for-nature swaps**

Drawing on the comparative analysis of debt-for-nature swaps in Seychelles, Belize, Barbados, and the Galápagos, the following six recommendations are proposed to address the identified weaknesses and limitations.

1. **Governance.** Ensure local governments and communities have a majority voice in debt-for-nature swap governance structures, with equitable representation for national and international stakeholders.
2. **Transparency.** Mandate full public disclosure of deal structures, including SPVs and

financial flows, from the pre-buyback phase through to the post-buyback management of conservation funds.

3. **Accountability.** Incorporate third-party audits and evaluations to ensure that all actors, including private creditors, are held accountable for delivering on both fiscal and conservation goals.
4. **Finance.** Minimize transaction costs by using grant-based mechanisms or concessional loans rather than relying solely on market-driven solutions.
5. **Social justice.** Engage local communities early in the planning process and ensure that their livelihoods are protected through compensation or alternative income-generating opportunities.
6. **Environmental impact.** Link financial disbursements to measurable environmental outcomes, with adequate enforcement mechanisms and long-term sustainability plans for protected areas

In conclusion, while debt-for-nature swaps like the Galápagos case offer a promising approach to address fiscal and environmental challenges, they must be reformed to ensure that governance, transparency, accountability, and social justice are prioritized. By adopting a mission-oriented approach grounded in the principles of *Global Public Investment for Global Missions*, future debt-for-nature swaps mechanisms can deliver more equitable and sustainable outcomes for debtor nations and global biodiversity conservation efforts.

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