





# Subnational Governments Collaboration with the Private Sector for Accelerated Climate and Nature Action

This guidance document is based on CDP States and Regions data disclosed by subnational governments in 2023 and 2024, providing a picture of the current landscape of subnational climate action and private sector collaboration. It is intended to assist regional governments and SMEs seeking to work together in driving climate and nature action through public-private collaboration.

Additionally, RegionsAdapt is a partner of the UN Climate Change High-Level Champions Climate-Proofing SME Campaign, which works to amplify the role of small and medium-sized enterprises (SMEs) in advancing climate action. This partnership underscores the importance of engaging SMEs in subnational climate efforts, making this brief particularly relevant for highlighting how regional governments can foster collaboration with the private sector to accelerate climate and nature resilience at the subnational level.

## Recommendations for strengthening Private Sector Engagement

- Strengthen Regulations and Standards: Use regulatory powers to channel private capital away from harmful practices and towards sustainable activities.
- Develop Investment Plans Alongside Adaptation or Biodiversity Plans: Align investment strategies with adaptation priorities to attract private capital.
- Build Bankable Project: Use financial engineering techniques to structure projects that are attractive to private investors.
- Enhance Capacity for Project Development: Strengthen internal expertise and governance and provide technical assistance to project developers and SMEs to design and deliver viable climate projects.
- **Implement Financial Taxonomies:** Establish clear definitions of climate and sustainable investments to increase transparency and build investor confidence.
- Leverage Public Finance for De-risking: Use public resources to share risk, test innovative business models and make adaptation projects more attractive to private investors.
- Collaborate with Higher Levels of Government:
   Advocate for improved enabling environments,
   including regulatory reforms and blended finance
   mechanisms.





#### **BACKGROUND**

The impacts of climate change are increasingly evident across the globe, underscoring the urgent need for effective adaptation and nature preservation strategies. Despite notable progress in climate finance for adaptation, the gap between the financial resources required and those available for adaptation, nature, and resilience continues to widen.

The <u>United Nations Environment Programme</u> (UNEP) Adaptation Gap Report 2024 highlights that global adaptation finance needs, range between US\$215 billion and US\$387 billion annually, while international public finance flows in 2022 remain significantly below this threshold. This alarming disparity emphasizes the necessity of leveraging private sector participation to close the adaptation finance gap.

Subnational governments play a critical role in facilitating private sector engagement, given their proximity to local communities, regulatory powers, and capacity to integrate climate resilience into development plans. By fostering collaboration with the private sector, regional governments (states, provinces, devolved governments, regions) can catalyse investments in climate adaptation and nature-based solutions, driving transformative action to build more resilient societies.

## THE ROLE - AND LIMITS - OF THE PRIVATE SECTOR IN CLIMATE ADAPTATION

The private sector holds substantial potential to contribute to climate adaptation and resilience efforts, particularly in areas with clear investment opportunities such as sustainable agriculture, water infrastructure, and urban development. According to the UNEP Adaptation Gap report, approximately one-third of adaptation financing needs align with sectors that can yield financial returns alongside environmental benefits.

However, public sector interventions are often necessary to unlock private investments. particularly in high-risk, low-return projects or those with broader societal benefits. Adaptation and resilience projects, particularly those involving anticipatory and transformational measures, often face challenges in attracting private investment due to their long-term, systemic nature and limited financial returns. This is especially true in sectors such as health, education, and public infrastructure, where market incentives alone are insufficient. Strategic public-private collaboration innovative financing mechanisms are essential to ensure these investments contribute to inclusive and effective climate adaptation.

## THE ENABLING ROLE OF SUBNATIONAL GOVERNMENTS IN ACCELERATING PRIVATE SECTOR ACTION

Subnational governments play a central role in reducing these barriers. In areas where the private sector is already active, they can help scale impact by building project pipelines, convening stakeholders, and creating opportunities for coordination and partnerships across sectors.

A core function is to shape the enabling environment for private investment. This includes developing supportive legal and regulatory frameworks, promoting innovation in business models, and ensuring that public investment complements rather than crowds out private action. These measures, alongside to Early engagement with investors and consistent policy signals, provide clarity, reduce regulatory uncertainty, and build investor confidence.

Public finance plays a vital role in de-risking investments and attracting private capital through blended finance approaches. Subnational governments can provide concessional finance, early-stage support, or risk-sharing mechanisms that reduce uncertainty and incentivize private capital in harder-to-finance sectors. They can also





provide technical assistance and capacity-building to improve project quality and bankability.

By shaping the financial landscape, regional governments can make adaptation projects more attractive to investors while ensuring that the most vulnerable communities benefit from these investments.

## OPPORTUNITIES FOR GROWTH IN PRIVATE SECTOR ENGAGEMENT IN SUBNATIONAL CLIMATE ACTION

While subnational governments are increasingly engaging in partnerships to address climate challenges, collaboration with the private sector remains limited, especially on adaptation. According to CDP 2024 data\*, of 242 reported climate collaborations by 77 states and regions, only 29 involved businesses as primary partners — significantly fewer than those with civil society (124) or other public entities (85).

Moreover, nearly two-thirds of these business partnerships (62%) focus on mitigation, particularly emissions reduction. Although 31% of business-linked actions mention adaptation, these are often tied to low-carbon transitions or agriculture, highlighting a gap in dedicated private sector engagement for broader climate resilience efforts.

This pattern is echoed in reported actions: of 261 adaptation actions, only 48 involved private financing or public-private partnerships. These efforts span key sectors like nature-based solutions, resilient agriculture, urban infrastructure, and climate finance mechanisms, highlighting the need and opportunity to scale private sector contributions.

\* **CDP** is a global non-profit that runs an environmental disclosure system used by companies, cities, states, and regions to report on their climate actions. The States and Regions Questionnaire is CDP's annual voluntary survey that gathers data on climate risks, emissions, adaptation, and mitigation efforts at the subnational level. https://cdp.net/

## REGIONAL GOVERNMENTS ENGAGING THE PRIVATE SECTOR IN CLIMATE RESILIENCE

Below are leading examples where regional governments are working with businesses to build climate resilience.

## 1. Engaging Private Actors in Land-Based Climate Solutions and Nature Conservation

Subnational governments are supporting a range of private actors—rural landowners, producers, businesses, and investors—in delivering land-based climate solutions. Through payment schemes, technical assistance, certification, and investment-readiness support, these initiatives promote forest stewardship, sustainable agriculture, and natural capital restoration.

- Catalonia, Spain: The <u>Life Climark</u> project introduces a voluntary climate credit market, incentivising sustainable forest management by allowing private companies to offset emissions through the purchase of "climate credits" generated by forest owners.
- Cross River State, Nigeria: In partnership with Kereksuk Rice Farm, the state is piloting a methane abatement model for rice farming using sustainable irrigation, farmer training, and rice husk biochar. The initiative combines land-based emission reductions with carbon finance opportunities linking private innovation with climate-smart land management.
- Mata Atlântica, Brazil: Implemented by São Paulo, Rio de Janeiro, and Minas Gerais, the <u>Conexão Mata Atlântica project</u> supports private rural landowners through a payment for environmental services (PES) scheme. Publicly funded, it provides financial and technical assistance to farmers and rural producers who conserve or restore forests,





generating benefits for carbon capture, water, and biodiversity.

- Goiás, Brazil Juntos pelo Araguaia is one of the largest river basin restoration initiatives worldwide, led by the states of Goiás and Mato Grosso in close partnership with the private sector. The project aims to restore tens of thousands of hectares of degraded land by reforesting native vegetation, protecting springs, and improving water and soil quality across the Araguaia River Basin. Thanks to significant contributions from private companies, the initiative brings large-scale ecological restoration to life public-private through strong collaboration.
- Minas Gerais, Brazil: The <u>AGRO + VERDE</u> project provides materials and training for landowners to restore degraded land. Meanwhile, a partnership with the regional mining industry federation (FIEMG) has <u>helped mapped</u> 500,000+ hectares of preserved rural areas, identifying massive carbon storage potential.
- Scotland, United Kingdom: The Facility for Investment Ready Nature in Scotland Fund (FIRNS) is a joint initiative by the Scottish Government, NatureScot, and the National Lottery Heritage Fund. It supports the development of environmental projects that attract responsible private investment in natural capital, addressing two key barriers: limited revenue streams and limited project pipeline. Eligible organisations can access funding of up to £240,000.

## 2. Driving Green Innovation for a Climate-Smart and Bioeconomy

Through investment and collaboration with the private sector, subnational governments are scaling innovations that help businesses and industries reduce environmental impacts and drive a low-carbon, resilient economy.

- Basque Country, Spain: Through the
   Basque Ecodesign Center, the region
   promotes public-private collaboration on
   circular economy and ecodesign. A key
   milestone is the launch of an online tool to
   measure carbon, environmental, and
   circularity impacts across organisations,
   products and services using a unified data
   approach.
- Lombardy, Italy: The RI.CIRCO.LO.STEP initiative supports SMEs in identifying circular economy opportunities, particularly in reducing dependence on critical raw materials. At the same time, the region provides grants for hiring "energy managers" in small businesses to improve efficiency, optimise electricity use, and cut energy-related costs.
- South Australia: Regenerative and climateresilient aquaculture systems are being scaled through partnerships with farmers, Aboriginal communities, and industry including innovative approaches like methane-reducing seaweed cultivation.





## 3. Mainstreaming Climate Resilience into Business Standards and Sectoral Practices

Regions are using voluntary programmes, certification schemes, and cross-sector platforms to integrate climate goals into private sector planning. These efforts promote accountability, enable sustainable supply chains, and support the resilience of key regional industries.

- Paraná, Brazil: <u>Selo Clima</u>, a voluntary programme that incentivises private companies to reduce carbon emissions and adopt sustainable practices, promoting transparency, accountability, and alignment with global climate goals.
- Jalisco, Mexico: The Business Alliance for Climate, launched in 2021 by the national government, brings together academia, the and local/regional private sector, governments drive sustainable to investments. The government of Jalisco collaborates with the tequila industry to promote responsible agave production, protect biodiversity, and halt deforestation by 2027 through certification protocols and technological innovations.
- Scotland, United Kingdom: The Adaptation Scotland Programme offers free advice on how to build businesses resilience to climate impacts. The newly published **SME** Resilience Checklist Tool provides practical advice on preparing their Products & Services, Premises, Processes, and Place for extreme weather events. Targeted training and resources have been co-developed to support climate-vulnerable sectors (whisky, wholesale, horticulture), and Enterprise Agency businesses advisors are now 1-1 embedding adaptation into sustainability and net zero support.
- In South Australia, climate-resilient coastal and flood planning is being designed in

consultation with the private sector. From risk mapping to building codes, the region is creating conditions for private actors to invest confidently in future-proof infrastructure

### 4. Enabling SME Access to Climate Finance

Mobilising private sector investment in adaptation requires removing financial barriers. Regions are using public instruments to de-risk investments and scale business-led action.

- Catalonia, Spain: The <u>Acció Nuclis RD</u>
   <u>Green programmes</u> provide grants to
   companies engaged in climate-related
   research and development, stimulating
   private sector innovation through public
   investment.
- Lombardy, Italy: In 2024, Lombardy and Finlombarda S.p.A. piloted a financial assessment programme with seven SMEs, using ESG criteria and the IMP³rove Corporate Sustainability Navigator. The Sustainable Finance Initiative mapped financing needs and co-designed 26 actions to improve SME access to sustainable finance. It also served as a dialogue platform with business associations to shape future support.
- Québec, Canada: Through programmes like Technoclimat and Origo, Québec supports early-stage clean tech companies developing solutions for emissions reduction and energy efficiency. Public funding helps de-risk innovation and attract private investment — with Origo's CA\$ 1.1 million unlocking over CA\$ 5 million from partner investors in 2024.





- Basque Country, Spain: The Basque Clean Technology List is a pioneering fiscal tool that incentivises private sector investment in low-emission, high-efficiency technologies by offering a 35% corporate tax deduction on the investment cost of eligible equipment.
- Cross River State, Nigeria: In partnership with Nigeria's Nigerian Small and Medium **Enterprises** Development Agency (SMEDAN), Cross River launched a N1 billion Matching Fund to to support micro, small, and medium-sized enterprises through (MSMEs) training, business development, and affordable financing. The fund specifically targets entrepreneurs and young people, who are often active in agriculture and other climate-vulnerable sectors, with the aim of fostering more inclusive and resilient local economies.







### **CONCLUSION**

Regional governments are at the forefront of the fight against climate change, acting as both policymakers and enablers of climate solutions. By fostering partnerships with the private sector, they can unlock additional resources, drive innovation, and scale up climate adaptation efforts. The experiences shared in this brief highlight the transformative potential of public-private collaboration.

To strengthen private sector engagement and bridge the adaptation and biodiversity finance gap, subnational governments can align investment strategies with their adaptation or biodiversity plans, improve internal capacity and project preparation, establish clear definitions of sustainable investments, and advocate for enabling national frameworks and blended finance mechanisms. At the same time, they must guide private investment toward solutions that are environmentally sound, anticipatory, and truly transformational — ensuring that funding reaches the most vulnerable. These recommendations are presented in detail on the first page of this document.

Regions4 remains committed to supporting these efforts, showcasing best practices, and facilitating dialogue between regional governments and the private sector. With stronger collaboration and innovative financial solutions, regional governments can accelerate climate and nature action and build a more resilient future for all.

#### REFERENCES AND SUGGESTED READING

- UNEP Adaptation Gap report 2024: <a href="https://www.unep.org/resources/adaptation-gap-report-2024">https://www.unep.org/resources/adaptation-gap-report-2024</a>: <a href="https://www.unep.org/resources/adaptation-gap-report-2024">https://www.unep.org/resources/adaptation-gap-report-2024</a>:
- OECD Subnational Government Climate Finance Hub: <a href="https://www.oecd.org/en/topics/sub-national-finance-for-climate.html">https://www.oecd.org/en/topics/sub-national-finance-for-climate.html</a>
- Subnational governments and private businesses crucial drivers of climate action, report : <a href="https://www.uu.nl/en/news/subnational-governments-and-private-businesses-crucial-drivers-of-climate-action-says-new-report">https://www.uu.nl/en/news/subnational-governments-and-private-businesses-crucial-drivers-of-climate-action-says-new-report</a>
- How cities can attract private finance for climate action
  https://www.c40knowledgehub.org/s/article/How-cities-can-attract-private-finance-for-climate-action?language=en\_US

#### ABOUT THIS BRIEF FOR ACTION

This brief is part of a series aiming to inform RegionsAdapt members on key results and recommendations based on RegionsAdapt research and discussion with members.

**RegionsAdapt** is a Regions4 climate initiative gathering more than 80 regional governments. It mobilizes ambition and action on climate adaptation by facilitating access to the latest innovations, tools, and best practices at the regional level.

**RegionsAdapt Community of Practice** offers a space for regional governments to present their expertise and to learn from each other, discuss and engage, on a series of learning sessions on focused topics on adaptation, so as to help them gain capacity and improve their own policies and activities on adaptation.

For more information on the initiative, please visit: <a href="https://regions4.org/regionsadapt/">https://regions4.org/regionsadapt/</a>

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