

PÁRAMO WILDFIRE RESILIENCE FACILITY

SECTORS: CLIMATE RESILIENCE, LAND USE/AFOLU

REGION: LATIN AMERICA

INVESTMENT TYPE: COMMERCIAL CAPITAL, CONCESSIONAL CAPITAL, GRANTS

ATTRIBUTE: NATURE-BASED SOLUTIONS

SDGs:



PROPONENT: STRATA ADVISORS

OTHER IMPLEMENTATION PARTNERS: BOGOTÁ'S WATER FUND AGUA SOMOS, HUMBOLDT INSTITUTE

Páramos are high-altitude ecosystems that provide essential ecosystem services, such as water capture, storage and regulation across the Andean region. While they cover 2% of Colombia's territory, they supply over 70% of the country's drinking water. Despite their significance, páramos face chronic threats like land degradation and acute threats like catastrophic wildfires. Rising temperatures, reduced rainfall, and stronger winds during prolonged El Niño events have intensified wildfires, which are further exacerbated by under-resourced emergency response and fragmented governance of land in páramos. To ensure the long-term resilience of páramo ecosystems, dedicated

The Páramo Wildfire Resilience Facility unlocks capital for emergency response to catastrophic wildfires, and for the conservation and restoration of páramos, aiming to enhance the ecosystem's resilience and safeguard regional water security.

efforts are needed to reduce wildfire risks, deploy timely fire suppression efforts when they occur, and restore degraded ecosystems afterwards. Yet, the country faces an annual USD 500 million gap for disaster response.

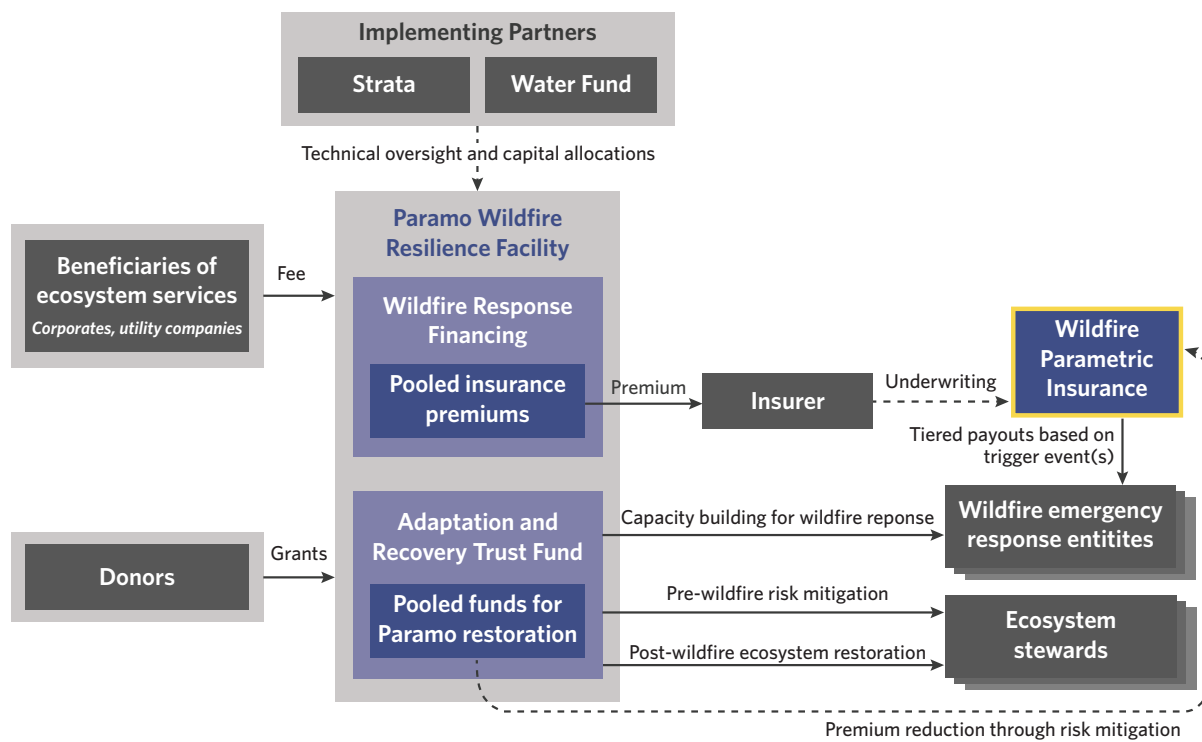
INNOVATION

A first-of-its-kind, the Páramo Wildfire Resilience Facility bundles risk transfer and risk reduction instruments under a unified governance structure to close financing gaps and enhance the long-term resilience of páramos and communities. The parametric insurance provides rapid, pre-arranged funding to transfer risk of wildfire damaging critical ecosystems for water provision from ecosystem service beneficiaries to insurers. The adaptation and recovery trust fund invests in wildfire risk mitigation and ecosystem restoration to reduce the risk of catastrophic wildfires over time, contributing to long-term water security and the financial sustainability of the parametric insurance. The Facility also coordinates targeted resilience building activities across different actors, bridging critical governance gaps.

IMPACT

Between November 2023 and January 2024, more than 340 fires destroyed over 17,000 hectares of forest in Colombia, overwhelming government funds and forcing the repurposing of equipment like crop-spraying planes for wildfire suppression.

Against this backdrop, the Páramo Wildfire Resilience Facility offers a timely solution through its pilot in Bogotá, where páramos cover 24% of the surrounding watershed and provide all the city's drinking water. Between 1985 and 2022, wildfires affected nearly a third of this area. The pilot will mobilize USD 1.3 million, with more than half of it from companies dependent on páramos for water. It will strengthen water security for over 12 million people and offer a critical proof-of-concept for conserving natural ecosystems through insurance innovation.



DESIGN

The instrument introduces a novel financial structure to deploy capital before, during and after a catastrophic wildfire. The Facility has two components:

1. A **Wildfire Parametric Insurance** that will unlock liquidity for emergency response and fire suppression during a wildfire. Payouts will be disbursed within 24 hours when parameters indicative of high-intensity, high burn severity fires are met. Premiums are paid by ecosystem service beneficiaries, including utilities and large corporates dependent on water from páramos. Payouts will be directed to fire brigades and ecosystem stewards to cover required equipment and personnel to minimize wildfire impact.

2. An **Adaptation and Recovery Trust Fund** that will finance wildfire risk reduction and resilience-building strategies. It will fund pre-emptive activities to mitigate fire risk, like dry vegetation removal and capacity-building for local communities; as well as post-fire ecosystem rehabilitation. After the pilot, the trust fund will incorporate revenue-generating alternatives like habitat banks and result-based financing for sustainable productive activities in páramos.

The Facility will be managed jointly by Strata Advisors and Bogotá's Water Fund, with technical advisory from leading scientists and fire brigades.

TEAM



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LONG-TERM CAPITAL RAISING PLAN

TYPE	ROLE OF CAPITAL	AMOUNT
WILDFIRE PARAMETRIC INSURANCE		
PRIVATE CAPITAL	Payment for insurance premiums	USD 8.6 million
GRANTS	Partial temporary subsidy of insurance premiums to support proof-of-concept of a wildfire insurance for páramos	USD 1.4 million
ADAPTATION AND RECOVERY TRUST FUND		
CONCESSIONAL CAPITAL	Capitalize adaptation and recovery trust fund	USD 3 million

The Lab identifies, develops, and launches sustainable finance vehicles that can drive billions to a low-carbon economy. The 2025 Lab cycle targets three thematic areas (mitigation, adaptation, and sustainable agriculture and food systems) and five geographic regions (Brazil, East & Southern Africa, India, Latin America & the Caribbean, and the Philippines). Bloomberg Philanthropies, the United Nations Development Programme, and the governments of Canada, Germany, and the United Kingdom have funded the Lab's 2025 programs. Climate Policy Initiative (CPI) serves as the Secretariat and analytical provider.