

Financing nature: a transformative action agenda

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Foreword



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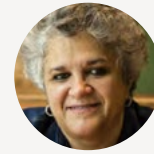
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Nature is vital to the health of our communities and the wealth of our economies. There is no life on earth without nature, and no functioning economy without it either.

A resilient, thriving natural world is also our best chance of meeting climate and sustainable development goals. Peatlands, wetlands, soils, forests and oceans absorb half of the world's emissions. A productive and inclusive food system strengthens food security and enhances livelihoods. Protecting nature and supporting equitable access to, and use of, our natural capital is an essential tool for peacebuilding.

Yet our current economic system fails to account for and properly value nature with catastrophic effect. Almost three years after its publication, we have not heeded the dire warnings of the Dasgupta Review – which called for a radical change in how we think, act and measure economic success to protect and enhance our prosperity and the natural world. Humanity has crossed six of nine 'safe and just' Earth System Boundaries, and wildlife populations are declining faster than any time in human history.

It does not have to be this way. The agreement of the Global Biodiversity Framework, alongside the Paris Agreement, has catalysed significant public and private sector attention on nature. Around the world, we also see examples of locally-driven, bankable solutions. From regenerative cocoa production in west Africa to forest restoration in the Amazon and wildlife tourism that conserves and protects endangered species in Botswana, nature-positive models that deliver for people, planet and prosperity are flourishing.

The question in front of us now is "*why do these nature-based solutions remain fragmented pilots?*". The simple answer is that nature is not only undervalued, but it is largely seen as "uninvestable". Nature is location-specific, meaning the metrics of financing nature-based solutions are inherently more complex. A common approach for measuring and valuing nature has yet to be mainstreamed, leading to both systemic underinvestment and misdirected investments in nature. Nature-based solutions attract only 15% of the money which goes to traditional climate solutions like clean energy and low carbon transport. Harmful subsidies receive three to four times more financing than nature-positive investments.

Making nature-based solutions become mainstream investable opportunities requires a radically different approach. We call on leaders to support an ambitious action-agenda to: (1) Set science-based targets and account for nature to fully embed nature into economic decision making; (2) Strengthen domestic and global policy processes for nature finance; (3) Ensure investments and policies are just, inclusive, and accountable; (4) Scale up project finance for nature (eg. through creating regenerative value chains); and (5) Deepen capital markets, mobilize private capital and use public finance catalytically.

At COP27, the Independent High Level Expert Group on Climate Finance laid out a transformative agenda to unlock investment for climate action in emerging markets and developing economies. This paper aims to deepen the action agenda for nature finance, to inspire collective action across public, private and philanthropic finance in how nature is financed globally. We hope that COP28 is a watershed moment, where nature becomes firmly embedded in economic decision making.

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The authors welcome feedback and engagement on this paper and your collaboration to accelerate this critical agenda.



Key Messages

Nature is vital for protecting the health of our communities and the wealth of our economies. Yet the current economic system continues to incentivize destructive activities, leading to nature breakdown. When nature fails, it disproportionately harms Emerging Markets and Developing Economies (EMDEs)

US\$140tr

the value of ecosystem services from nature, 1.5 times global GDP

US\$530bn

paid in subsidies harmful to nature annually – 3.3x the total amount of nature finance

47%

of wealth creation in low-income countries depends on nature

Conserving, restoring, and sustainably using nature is critical to achieving climate and sustainable development targets

Around
11.3 GtCo₂e

nature's **carbon mitigation** potential – equivalent to stopping burning oil globally

Around
50%

climate-resilience infrastructure needs by 2050 could be met with nature-based infrastructure

Close to
80%

of humanity relies on nature for **medicine** and treatment

Around
US\$10tr

economic opportunities in a nature-positive economy

Over
980

million people are **employed** by nature (farming, fishing), or **27%** of the global workforce

Yet nature is chronically underfunded. Climate finance is insufficient, inefficient, and unfair – nature finance is worse. We urgently need to scale investment in nature-positive solutions

1/6

nature receives the equivalent of one sixth of flows going to better energy systems

Only
18%

of total nature finance comes from private capital

70%

of finance targets conservation and restoration – more is needed for sustainable agriculture

2%

of finance goes to Indigenous peoples and local communities – the guardians of 80% of intact nature

Urgent, systemic action is needed to mobilize capital for nature by transforming the enabling policy environment, proving business models, and harnessing financial innovation

1

Set targets and account for nature

Science-based targets, disclosure frameworks
Natural capital accounting
Data generation and management

2

Harmonize policies for effective nature financing

Integrated strategies and spatial planning
Country platforms, implementation vehicles, enforcement
Trade, tax and subsidy reform

3

Ensure investments are just, accountable, and inclusive

Multistakeholder decision making and design
Community-led approaches to engaging IPLCs

4

Scale up project finance for nature

Regenerative value chains
Carbon and biodiversity markets

5

Deepen capital markets, mobilise private capital, use public finance catalytically

Unlock domestic capital markets
Ramp up development finance
Comprehensive sovereign debt approach to nature

Executive Summary



1

The case for nature – delivering for people and planet

Natureⁱ is the foundation of the global economy. It is critical to the health of our communities, the wealth of our economies, and delivery of the Paris Agreement and Sustainable Development Goals. Yet our economic systems fail to adequately value nature. The impacts are stark – we are experiencing nature breakdown, the impacts of which are most acutely felt by rural populations in developing economies.

We lack a harmonized approach to dealing with the complexities of measuring and accounting for nature, leading to systemic underinvestment in nature-positiveⁱⁱ solutions and misdirection of existing investments towards harmful activities. Nature financeⁱⁱⁱ receives just one-sixth of the capital invested in low-carbon energy.

An approach that systematically embeds nature in decision-making is needed. Growing political momentum, financial and business model innovation, and community and country leadership create an unprecedented opportunity to ramp up ambition and action.

- i Nature: the natural world, with emphasis on the diversity of living organisms and interactions among themselves and with their natural environment. This includes categories such as biodiversity, ecosystems, ecosystem functioning, the biosphere, humankind's shared evolutionary heritage, and biocultural diversity (adapted from Diaz, S. et al. [2015])
- ii Nature-positive: a high-level goal and concept describing a future state of nature (e.g., biodiversity, nature's contributions to people) that is greater than the current state. (SBTN 2020, Abridged Glossary for Initial Guidance)
- iii Nature finance: finance that contributes to activities that conserve, restore or sustainably use nature, and that aligns financial flows with the goals of the Global Biodiversity Framework and Paris Agreement (adapted from OECD and Convention on Biological Diversity)

The current economic system fails to adequately account for and value nature’s contribution. It incentivizes harmful activities that disproportionately affect the most vulnerable countries and communities. Our failure to adequately account for nature has led to nature breakdown – humanity has crossed six of nine Earth system boundaries, and wildlife populations have declined by 69% on average. Impacts are most severe in emerging markets and developing economies (EMDEs), whose rural populations rely heavily on nature for their economic well-being and are most vulnerable to its depletion.

The financial system is inefficient, insufficient and unfair¹ – it creates disincentives to deploy capital in EMDEs and creates barriers to investing in climate action. These barriers are even higher when investing in nature:

- **The metrics of financing nature are inherently complex.** Compared to climate (where reducing greenhouse gas emissions is typically the sole indicator of progress), tracking nature impact requires location-specific data across multiple variables, such as freshwater availability, soil health and biodiversity intactness. Defining and monitoring location-specific metrics and solutions is essential to global, regional and local action on nature, alongside ensuring this data can be integrated into financial and policy decision-making in an efficient and actionable way.
- **Harmonized approaches for measuring and valuing nature have yet to be mainstreamed.** Shifting towards nature-positive activities at scale requires a harmonized approach in the way we understand, measure and account for our relationship with nature. Without this, it is more difficult to integrate nature in decision-making processes (e.g., investment, tariff regimes, government accounts, insurance policies, risk management).
- **Nature-positive project financing faces added challenges compared to investments in energy, mobility or industry.** Investors perceive high risks to investing in nature, due to upfront costs, long payback periods, lack of training for farmers, fishers and loggers, and the often small or disaggregated nature of projects. Moreover, some of the priority solutions in nature do not have underlying business models, whereas in the rest of the climate finance agenda, the majority does.
- **Environmental crime, such as logging, illegal mining and the trade and trafficking of wildlife threatens the survival of biodiversity^{iv}.** It exacerbates climate change, damages ecosystems^v, and harms Indigenous Peoples and Local Communities (IPLCs)^{vi}.

iv Biodiversity: the variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems. (Convention on Biological Diversity)

v Ecosystem: “all the living things in an area and the way they affect each other and the environment” (Cambridge Dictionary). Ecosystem functions are “the physical, biogeochemical, and ecological components, processes, and outputs of ecosystems that are driven by multiple controls, such as abiotic and climatic factors, ecosystem structure, biodiversity, human disturbance, and land management” (Duncan et al., 2015). These functions largely depend on ecosystem condition and quality (adapted from NGFS)

vi IPLCs: typically, ethnic groups who are descended from and identify with the original inhabitants of a given region, in contrast to groups that have settled, occupied or colonized the area more recently (IPBES)

As a result, the conservation, restoration, and sustainable use of nature is chronically underfunded, resulting in a significant need for additional investment. Finance for nature is skewed towards conservation, although production systems – such as agriculture – drive the majority of nature loss. Private finance is insufficiently mobilized, and not enough public and private finance goes to EMDEs, where it is most urgently needed.

- **Nature finance is skewed to support conservation and restoration activities, which receive 70% of current financing.** Supporting these activities is critical and they remain deeply under-funded. Scaling nature finance overall should combine conservation and restoration with investment in a systematic transformation of commodity production and infrastructure development.
- **Only 18% of nature finance is private capital.** International commitments such as the Global Biodiversity Framework emphasize that we cannot achieve goals without mobilizing financial resources from all sources, public and private, and scaling the use of more effective blended and innovative finance solutions. In 2022 alone, at least US\$5 trillion of private capital was deployed on activities with direct negative impacts on nature, across sectors.²
- **Most nature finance comes from, and stays in, advanced economies.** Close to 80% of global nature finance flows originate from and are directed to advanced economies. Yet 60% of EMDEs are in debt distress, which restricts the ability of sovereigns to invest in nature.
- **Harmful subsidies receive three to four times more** (US\$530 billion) financing than nature-positive public investments in agriculture, fisheries and forestry³, driving 14% of global deforestation and dwindling fish stocks.⁴
- **A lack of integrated regulation and enforcement of environmental crime costs the global economy almost \$300 billion a year.** This is punishing people living in poverty, 70% of whom depend on wild species for food and income.

Yet nature is the foundation of our economies and our wellbeing. Humanity relies on a stable and resilient Earth system: our air, food and the water we drink ultimately depend on the stable provision of nature's services. Put simply, without nature life ceases to exist.

Nature also fosters human health and wealth beyond economic value. IPLCs have built varied ways of understanding and relating to nature. Incorporating these diverse values, views, and solutions into decision-making not only embraces critical principles of justice and inclusion, but also ensures that the global community benefits from knowledge, traditions, and innovations that have historically delivered a safe and just approach to sustainable development.

Nature is critical for delivering on the Paris Agreement and the UN Sustainable Development Goals (SDGs):

- **Safeguarding nature is essential to mitigating climate change.** Peatlands, wetlands, soils, forests and oceans absorb half of total anthropogenic emissions and store twice as much carbon as the atmosphere. Nature's mitigation potential of 11.3 gigatonnes CO₂e by 2030 is the equivalent of stopping burning oil globally.
- **Safeguarding nature is the most cost-efficient way of adapting to climate change.** Replacing or complementing built infrastructure with plants, trees or other alternatives could provide 50% of climate-resilient infrastructure needs by 2050 and save EMDEs at least US\$100 billion in costs of climate change annually.
- **Safeguarding nature guarantees millions of jobs.** An estimated 980 million jobs in farming, fisheries, forestry and tourism – one-quarter of the global workforce – depend on the effective management and sustainability of healthy ecosystems. Meanwhile, an estimated 400 million additional jobs could be unlocked in sustainable agriculture and new markets for conservation and restoration.
- **Safeguarding nature means fighting poverty, enhancing food security, and peace-building.** Nature loss enhances inequalities between and within countries; the world's poorest lose access to their means of subsistence and countries become trapped in poverty. Unsustainable land and sea use makes it harder to feed a growing population. Nature loss amplifies threats leading to social destabilisation and violence. Four main factors of insecurity – access to water, food, natural disasters, and migration – can be addressed by transformative action on nature.
- **Safeguarding nature guarantees human health.** Ecosystem services purify water, regulate air quality, and enable soil formation. The entire population relies on biodiversity either for traditional medicines or for pharmaceutical discoveries. 200 health journals have called on the United Nations to treat the environmental crisis as a global health emergency.

The good news is that political momentum, financial innovation, and technological solutions are converging to turn the tide on nature loss. We must seize this momentum to build a systemic transformation agenda for nature.

- **Targets and policy objectives:** As the Paris Agreement did for climate, the Global Biodiversity Framework has focused attention on nature. Nature was central to the G7 Communique for Action, the recent G20 New Delhi Leaders' Declaration called for better measurement of nature data, and it is prominent in the COP28 agenda.
- **Financing innovation:** increasing recognition of the risks from nature loss has led to the development and implementation of innovative financial instruments, such as debt

conversions for nature (e.g., Belize, Ecuador, Gabon), blended finance vehicles (e.g., Vumbuzi Impact Multiplier, Global Fund for Coral Reefs, IDH Farmfit), and innovative tax schemes (e.g., Limpopo Biodiversity Management Agreements).

- **Voluntary initiatives and corporate commitments:** the Science-based Targets for Nature and the Taskforce on Nature-related Financial Disclosures are building bridges between nature, business and finance, accelerated by a recognition of the approximately US\$10 trillion in business opportunities across nature.
- **Technological breakthroughs:** a revolution in nature data – enabled by remote sensing, sensors, artificial intelligence, environmental DNA, and drones – is expanding our understanding of nature and our ability to measure, track and account for nature.

2

A systemic transformation agenda for nature

Rebuilding our economy's relationship with nature will require coordinated public and private sector action across five interventions: 1) Setting targets and accounting for nature; 2) Harmonizing policies for effective nature financing; 3) Ensuring investments and policies are just, inclusive and equitable, 4) Expanding project finance for nature; and 5) Deepening capital markets, mobilizing private capital and using public finance catalytically. Through these actions in tandem, we can firmly embed nature in decision-making and support the acceleration and scale of nature-positive action to deliver on the Global Biodiversity Framework, Paris Agreement, and Sustainable Development Goals.

1. Set targets and account for nature

Building a sustainable economic system requires adopting harmonised frameworks of measuring and valuing different types of capital (eg. economic, natural, social). The mainstreaming of a natural capital^{vii} accounting framework, supported by science-based targets and high-quality nature data to accurately measure and value nature outcomes can ensure that nature is fully embedded in decision-making processes. This should be applied to policymaking, business strategies, investment decisions and procurement standards.

- **Science-based target setting:** The releases of the Science Based Targets for Nature (SBTN) and Taskforce on Nature-Related Financial Disclosures (TNFD) framework are operationalizing nature-related targets, disclosure and investor engagement. These frameworks have catalysed action among corporates and financial institutions, with several organizations now piloting interim SBTN and TNFD guidance. Such initiatives are increasingly supported by regulation: Article 29 of the French law on Energy and Climate requires financial institutions to disclose information about portfolio impacts on biodiversity. These initiatives should be widely adopted and mainstreamed.

vii Natural capital: the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people. (Capitals Coalition [2016], Natural Capital Protocol)

- **Natural capital accounting:** Shifting towards nature-positive activities at scale requires a transformation in the way we understand, measure, and account for our relationship with nature. The lack of a harmonized approach to accounting for nature has hampered the mainstreaming of nature-positive practices but frameworks like the United Nations System of Environmental-Economic Accounting (UN SEEA) and the Capitals Coalition's Transparent Methodology now make it easier to factor nature into decisions.
- **Data access and management standards:** 70% of investors believe a lack of data is a key barrier to investments that support nature and biodiversity. Whilst the quality of nature data is improving, and enough to drive initial action, current stocks of publicly available data is not comprehensive, updated or accurate enough to baseline the 'state of nature' and thus to track changes to natural capital over time. This prevents financial institutions from developing nature-positive products. More collection and disclosure of data can accelerate the use of decision-quality data for nature and support the direction of capital towards nature.

2. Harmonize policies for effective nature financing

Political momentum is growing, globally, and regionally. Aligned policy processes – often delivered at national level through international platforms – can improve planning, incentives, monitoring, governance, and implementation for climate, nature and development.

- **Better planning (e.g. through spatial planning processes):** Governments need to manage trade-offs between optimizing for different climate, nature and development outcomes, for example when deciding where to award concessions for industry against designating Protected Areas. National spatial planning processes - such as those pioneered by Costa Rica, Paraguay, South Africa and others - could identify high-risk areas off-limits to development, seek out opportunities for nature-based solutions within production systems, support rigorous management of development impacts, guide the restoration of degraded areas, and codify these priorities in national maps of land use.
- **Better incentives (e.g. through nature-positive subsidies):** Governments should incorporate nature-related risk management into fiscal recovery packages and budgetary planning, revise tariff and subsidy regimes – including the progressive repurposing of \$530 billion in annual harmful subsidies⁵ – to support sustainable agriculture and fishery models, and align their own procurement with nature-positive outcomes.
- **Better governance and implementation (e.g. through country platforms):** Political agreements are needed to support transformative change for specific long-term objectives. Country platforms – such as those Brazil's Ecological Transformation Plan, and Country Packages under the Forest and Climate Leaders' Partnership - can provide a country-led institutional co-ordination mechanism to identify climate, nature and development priorities, structure financing instruments to deliver them, build an enabling policy environment, and mobilize bilateral, multilateral and philanthropic donors, as well as private sector actors.

- **Better monitoring (e.g. through better monitoring, reporting and verification systems):** ensure that commitments are being enforced (e.g. protected areas, prevention of environmental crime) and that action for nature is accurately tracked (e.g. to enable payment for ecosystem services) through robust MRV systems and enforcement mechanisms.

3. Ensure investments are just, accountable, and inclusive

Including women, marginalized communities and IPLCs in the design of a nature-positive economy is essential because they are crucial managers of landscapes and seascapes.

Ensuring the inclusion of these communities in the design, governance and implementation of policies and investments, and the codification and respect of their land rights, is not only a just imperative but a key enabler of nature's survival.

- **Secure IPLC rights over assets and enhance their resource management:** ensuring communities conserve or reclaim land tenure rights should be the foundation of any approach engaging IPLCs.
- **Ensure IPLC inclusion in the creation and governance of PAs and MPAs:** for example, in September 2023, at the UN General Assembly, Maori leaders called on the world to confer legal personhood to the whale and pledged to work together to implement Indigenous customary protections across whale migration routes between critical feeding and breeding grounds. This has created the world's largest indigenous MPA network, of over a 2,200,000km² area.
- **Design place-based financing mechanism with, and for, IPLCs and smallholder communities:** encouraging the creation, strengthening and broadening of financing tools led by or designed for IPLCs and rural or marginalized communities, with a focus on reliability of access to long-term funding.

4. Expand project finance for nature

One of the biggest challenges to mobilizing private sector investment is identifying a strong pipeline of bankable projects. Despite pledges seeking investments with measurable environmental benefits and financial returns, the perceived lack of clearly investible projects still limits capital flows. This is because the scale-up of nature-positive pipeline – at the supply level – faces constraints related to the structure of projects and value chains, and the need for project preparation and technical assistance throughout.

- **Scaling regenerative value chains for soft commodity production and ecosystem restoration requires pairing financial support with technical assistance and high-integrity value chain standards. This can help draw in necessary commercial supply chain finance, carbon finance, and other market-based solutions.**

Transparent reporting standards for inseting can help push incumbents such as massive international traders towards regenerative value chains. Pipeline acceleration and value chain incubation, as demonstrated by Regeneration, can benefit from public-private collaboration and engagement at country or landscape level. Incubators need the involvement of: corporates (as product off-takers), governments (through their policies), financial institutions and technical assistance providers, including the support philanthropic funding and impact investing.

- **Carbon and biodiversity markets will be critical to value nature and fix market failures.**

An increasing range of private-sector business models are rewarding nature protection. As biodiversity markets grow alongside carbon markets, ensuring the integrity of design, governance and implementation will be critical. Interest is growing in creating connected or fully integrated global carbon and nature markets, including through supervised carbon stock exchanges, jurisdictional credit markets and national credit frameworks.

5. Deepen capital markets, mobilize private capital and use public finance catalytically

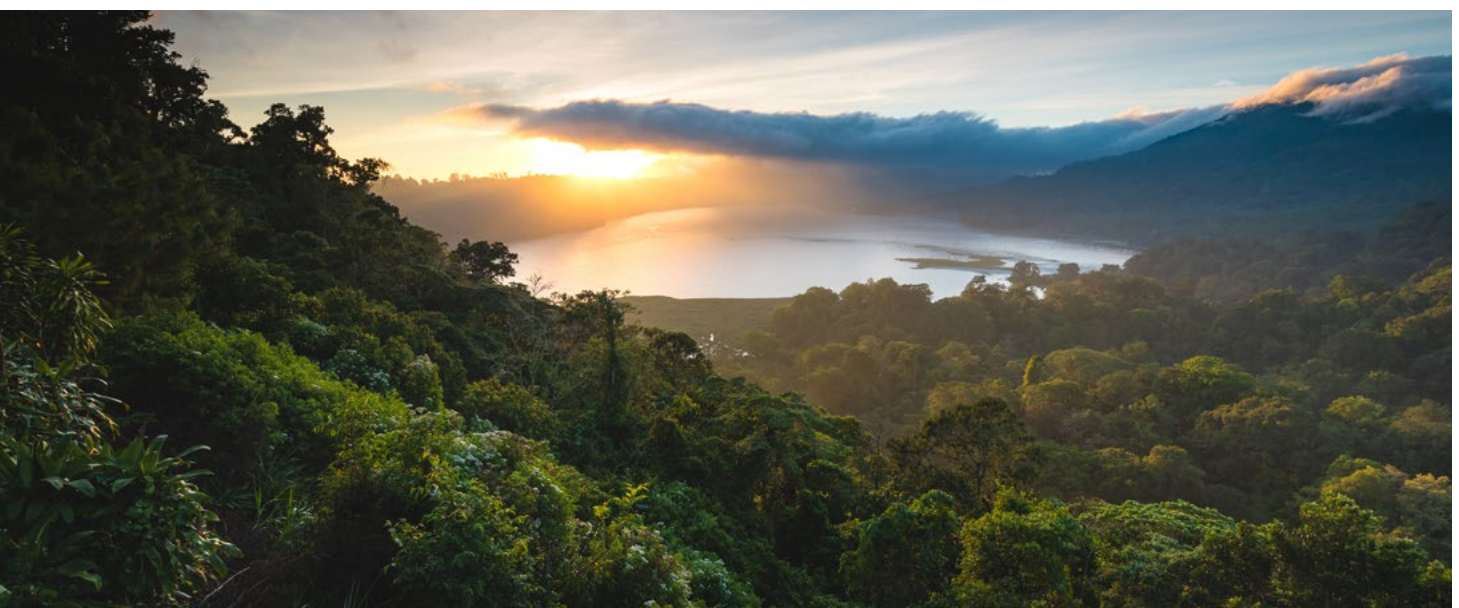
At the demand level, neither domestic nor international capital is moving fast enough or at the scale required. Capital markets have traditionally viewed the risk-reward ratio of investing “into” (e.g., conservation) and “for” nature (e.g., sustainable agriculture) as prohibitive. An end-to-end de-risking infrastructure and strategic use of concessional capital to de-risk private investment are needed to mobilize more and better nature finance. Investment is constrained by: the time-value gap of investments, the need for recurring interventions (conservation and restoration), the relatively small size of investments, the geographical aggregation of risks in a landscape (agriculture, fisheries, forestry, infrastructure), and the increased vulnerability of habitats and frequency of natural hazards (all assets).

- **Unlock domestic capital:** domestic resource mobilisation for nature should focus on bringing liquidity to nature stewards and SMEs, through affordable, accessible financing in all forms: debt, equity, and blended finance.
 - **Domestic capital markets are uniquely placed to engage the local private sector and consumers.** They have the footprint and capacity to deliver finance at retail level (local banks, asset managers, corporates, informal financiers and national DFIs). Shifting agricultural value chains and markets in EMDEs requires providing better access to financing for smallholder farmers and small and medium enterprises (SMEs).
 - **Farmers and fishers (nature stewards) require better access to working capital.** Liquidity shortages create a huge food security risk in Asia and Sub-Saharan Africa where smallholders produce 80% of the population's food. It also prevents multi-year agricultural transitions. Liquidity shortages can be addressed

through: secured long-term commercial contracts, the creation of bank accounts, supplier financing solutions including cash management and working capital, debt to early or mid-stage companies with limited or flexible collateral requirements; access to small loans and credit (local currency) for working capital and long-term finance, and technical assistance to borrowers for documentation and reporting.

- **More mechanisms to enhance domestic bank capacity are needed.** Priorities include: building awareness and capacity, creating incentives for banks to lend through guarantees, mechanisms for international commercial banks to increase local banks' capacity, and facilitating the distribution of nature-positive finance (e.g., debt, insurance, equity) portfolios.
- **Corporates with outsized impact on value chains (e.g., coffee, cocoa, palm oil) should commit to reducing deforestation in their supply chains and help build consumer demand for more sustainable products.** These companies need to communicate to shareholders that long-term activities which may impact short-term value are critical and should be rewarded.
- **Ramp up development finance: development banks must be central to creating an effective response and bringing diverse actors to support a shared agenda of transformative development.** As detailed in the Triple Agenda Roadmap, MDBs must be bigger, better, and bolder. Their capacity to address market failures and act as a source of pipeline, makes them essential to mobilize private capital through risk mitigation and risk pooling, address nature-related risks, and provide transition signals to the wider system.
- **Development banks could further strengthen the impact of their US\$18.7 trillion assets through mandates and targets for nature finance.** This includes: scaling MDB adaptation finance allocations, building ambitious climate and nature transition action plans, creating explicit targets for nature within financing for climate, and capacity building – at the interface of agricultural intermediaries, market access players, microfinance institutions and other value chain actors – to increase financial inclusion and access to finance for smallholders and communities.
- **Development banks can build bridges between sovereigns and private actors.** Natural Capital Labs could be structured as incubators for innovative financing for nature and solutions addressing barriers.
- **Development banks, in particular MDBs, should further develop and promote catalytic and concessional instruments.** Concessional capital used for technical assistance and project preparation can help unlock private investment by developing a stronger project pipeline. Risk transfer – hedging on currency risk, political risk or commodity price insurance – can be provided by DFIs and MDBs to address a host of risks in EMDEs. Guarantees and 'first loss' tranches – are highly catalytic but under-utilized – can target many risk types and attract private capital players both domestically and internationally.

- **Build a comprehensive approach to integrating nature into sovereign debt markets:** targeted mechanisms – debt-free financing, debt buybacks, and refinancing tied to nature-positive outcomes – could contribute to rebalancing sovereigns’ financial stability and enhancing stewardship to future generations.
- **EMDEs face mounting economic pressure as debt burdens rise** – 60% of EMDEs are either in or close to debt distress, placing severe limits on public investment in nature. This is reinforced by the unequal architecture that makes EMDEs access to financing inadequate and expensive.
- **There is growing momentum around debt conversions for nature, which provide a blueprint for scaling and replication.** In 2023, debt-for-nature transactions were approved in Ecuador, Gabon and Peru – with a total value of US\$2.1 billion, or 20 times more than over the past decade. While recognizing the limitations of these instruments, transactions over the last year provide a model for co-investment platforms, in which grantors, guarantee providers, insurers and technical assistance providers coordinate to provide streamlined services across different instruments and transactions, using shared impact principles, aligned objectives, and operating as “deal teams”. (case study: Galapagos Blue Bond)
- **To address a larger share of the total debt stock, nature covenants should be systematically included in debt restructuring processes.** Given the deadlock of the Common Framework Initiative over reforming the sovereign debt architecture, complementary ad-hoc approaches will be necessary. Nature and climate KPIs could also be built into debt service relief, such as the Debt Service Suspension Initiative (DSSI), to complement and reinforce policy-based conditionality.



Four investment priorities to value intact nature, restore degraded nature, and address the drivers of nature loss

If implemented, the systemic transformation agenda set out in Section 2 above would create an enabling environment supporting nature-positive solutions to rapidly replicate and scale. We urgently need to accelerate investments that address the drivers of nature loss, going beyond conservation and restoration towards a shift in critical sectors, e.g. agriculture, infrastructure and extractives. Many nascent success stories show that we have the tools and knowledge to deliver additional investment needs – valued at around US\$400 billion annually by 2030 – and re-orient existing capital away from harmful activities. The increasing range of solutions across these investment priorities differ in risk-return profile and commercial viability. Scaling them requires mobilizing the full spectrum of public and private capital. In some cases, and unlike for energy systems, public capital only, combined with regulation and standardisation, will be the critical unlock, while other opportunities will be suited to commercial capital only.

Nature finance should drive more capital “into” nature – conservation and restoration – but also “for” nature – shifting agriculture, fisheries, forestry, mining, infrastructure – towards nature-positive outcomes. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) highlights five key drivers of nature loss: land use change, climate change, pollution, invasive alien species, and natural resource use and exploitation. Nature finance should focus on agriculture, forestry and fishing, which is responsible for 85% of species loss, 80% of deforestation, 70% freshwater use, and drive US\$12 trillion in “hidden costs”.

The good news is that a range of bankable nature-positive solutions are flourishing, delivering positive nature, climate and social impact as well as financial returns for communities, countries, companies and investors. These can be broken down into four priorities:

- **Investments into ecosystem conservation and restoration:** the Global Biodiversity Framework calls for the conservation of 30% of terrestrial, freshwater and marine ecosystems, and the restoration of 30% of degraded areas, by 2030. This should lead to the restoration of 150 million hectares of degraded agricultural land – an area larger than Europe.
- **Investments in nature-positive food, forestry and fishing:** upfront financing to nature stewards will be essential to implement agroforestry, no-tillage farming, multi-trophic aquaculture, improved nutrient management, and rotational grazing, for example. Finance will be needed for technical assistance, machinery, or cost amortisation to nature stewards in the start of the transition period.

- **Investments to shift diets:** Global diets need to converge towards local variations of the “human and planetary health diet”, predominantly plant-based diets which include protective foods (fruits, vegetables and whole grains), a diverse protein supply, and reduced consumption of sugar, salt and highly processed foods.
- **Investments to reduce nature impact of infrastructure and extractive sectors and develop better production practices:** This includes mining, metals, and urban infrastructure, which should include a shift towards less harmful practices across the project lifecycle. It also includes water, waste and wastewater utilities, which prevent pollution of critical ecosystems.

Nature-positive solutions offer different risk-return profiles and call for different types of financial capital. In some cases, public capital only, combined with regulation and standardisation, will be the critical unlock, while other opportunities will be suited to commercial capital only. Scaling the most successful solutions requires mobilizing the full spectrum of public and private investment, deployed alone or in combination. Catalytic capital to kick-off first-of-a-kind projects (grants, concessional) will be critical for many sectors, but de-risked and pure commercial capital become more relevant as projects mature. Risk mitigation and technical assistance will be needed across investment priorities, especially before nature reaches commercial viability.

4

An action agenda

In the face of nature breakdown, urgent action is needed to transition to a development model that adequately values nature’s contribution to people and planet. This paper is a call to action for delivering a transformative agenda to rapidly accelerate flows of private and public capital “into” and “for” nature, and embed nature firmly into decision-making. To accelerate action, we propose the following key actions, to be launched at or around COP28, and to be developed in the next two years, until COP30 in Belém, Brazil, which will represent an opportunity to take stock of progress:

1. Set targets and account for nature
 - **Adopt natural capital accounting standards** in public and private investment and strategic planning decisions, building on frameworks like UN SEEA and the Capitals Coalition’s Transparent Methodology, and on early examples of national accounting initiatives (eg. as seen in Rwanda).
 - **Set science-based targets for climate and nature** in line with SBTi and SBTN guidance, and require commitment to science-based targets as a criteria for public and private investment.

- **Invest in the collection and sharing of high-quality nature data**, promote and invest in national data standards and data sharing facilities and adhere to CARE and FAIR principles to ensure ethical governance of nature data collection and use.
- **Set regulation for the disclosure of nature risks, impacts and dependencies**, as piloted through France's Article 29, and commit to 'radical transparency' disclosing climate and nature risks, impacts and dependencies under TCFD and TNFD.

2. Harmonize policies for effective nature financing

- **Develop and support comprehensive and up-to-date National Biodiversity Strategies and Action Plans (NBSAPs) and fully integrate nature into Nationally Determined Contributions (NDCs)**, leveraging recommendations and cross-country collaboration initiatives on from the NBSAP Accelerator Partnership, and its knowledge portal
- **Conduct and support integrated, inclusive spatial planning processes** in line with target 1 of the Global Biodiversity Framework, to develop a national land use plan that delivers on climate, nature and development targets, ensuring IPLC engagement, and whole-of-government approach for implementation
- **Promote ambitious national standards and champion multilateral initiatives for nature**, such as due diligence and disclosure legislation, bilateral and global agreements on ending wildlife crime, nature-positive trade provisions and subsidy regimes
- **Develop, deliver, and advocate for the mainstreaming of integrated policy processes and build private and public sector collaboration to accelerate finance for nature-positive outcomes**, for example through country packages (e.g., Brazil Ecological Transformation Plan, Forest Climate Leaders' Partnership)

3. Ensure investments are just, accountable, and inclusive

- **Integrate IPLCs into the design, governance and implementation of investments, policies and strategies** whenever these have direct or indirect contact with IPLC lands
- **Secure IPLC land tenure rights** as the foundation of engagement with IPLCs
- **Commit to principles of justice and equity**, including around country ownership and equitable pathways (requiring access, affordability and additionality)

4. Expand project finance for nature

- **Scale up regenerative value chains** through guaranteed off-take agreements for regenerative commodities, and innovative financing facilities that aggregate investment, provide technical assistance, and strengthen value chain linkages
- **Build high-integrity carbon and biodiversity markets** with robust design, governance and implementation structures, powered by innovative financing mechanisms

5. Deepen capital markets, mobilize private capital, and use public finance catalytically

- **Unlock domestic capital markets**, including banks, asset managers, and DFIs in EMDEs, by building supplier financing solutions to close liquidity gaps, and stimulating domestic corporates' and private markets' commitments towards regenerative value chains
- **Ramp up development finance** by increasing DFI and MDB mandates and targets for nature finance, strengthening MDB collaboration with the private sector through Natural Capital Labs, and supporting MDBs in pioneering guarantee mechanisms, novel forms of risk insurance (including sovereign risk), and public finance support for innovation
- **Build a comprehensive sovereign debt approach to nature** by building co-investment platforms to replicate debt conversions for nature, and integrating nature covenants in debt restructuring and sovereign credit ratings

