Mobilizing Private Finance for Nature

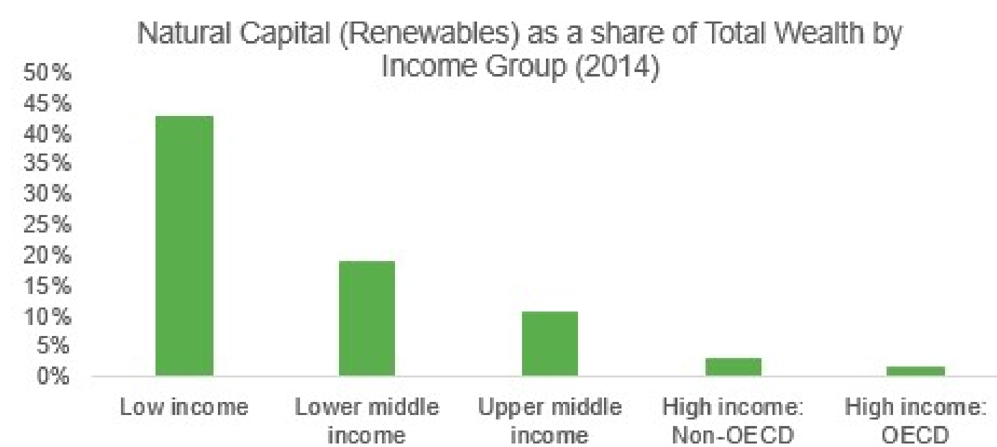
A World Bank Group issues paper on private finance for biodiversity and ecosystem services

Why is Nature important? The economic evidence

Gianni Ruta

Biodiversity and Ecosystem Services (BES) underpin much economic activity and their collapse will deeply affect countries that are least equipped to cope

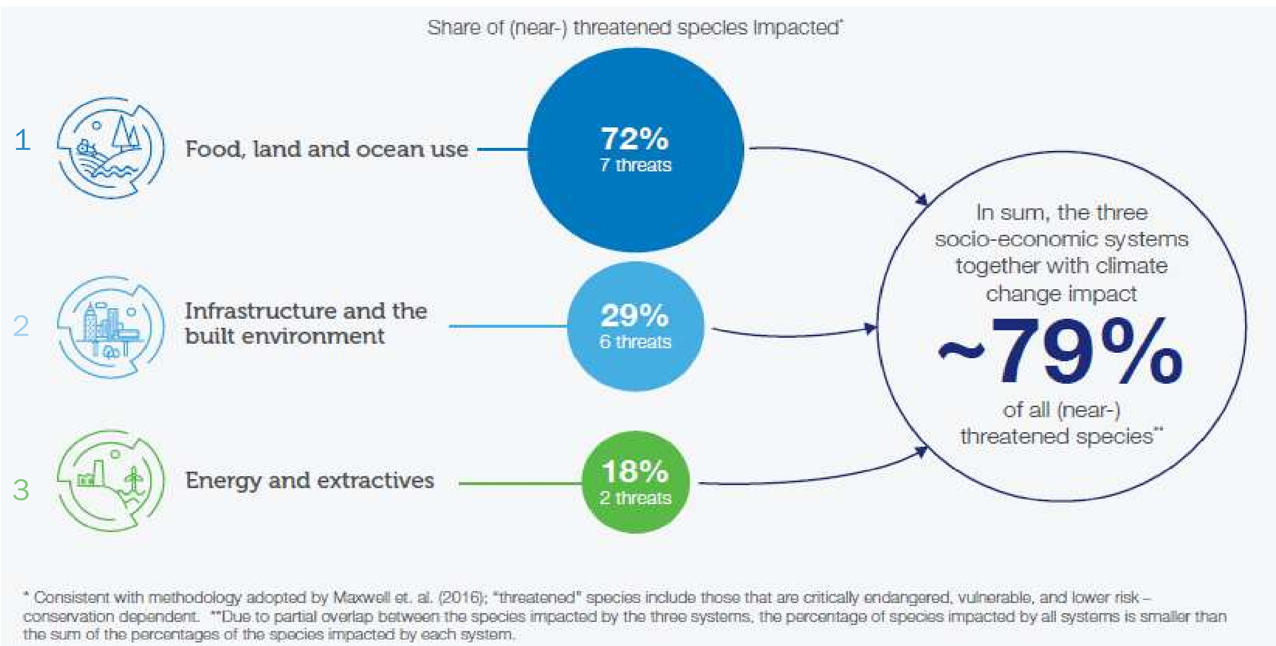
- **Comprehensive wealth** supports future consumption possibilities
- The World Bank **Wealth of Nations** dataset shows that **renewable natural capital**, including forests, land and protected areas, **accounts for 43 percent of total wealth in low-income countries**



Source: Changing Wealth of Nations 2018

Key sector threats to BES

Much of the pressure on nature originates from three key socio-economic systems, and any solutions to reverse nature loss inevitably involve these systems



Source: World Economic Forum, 2020

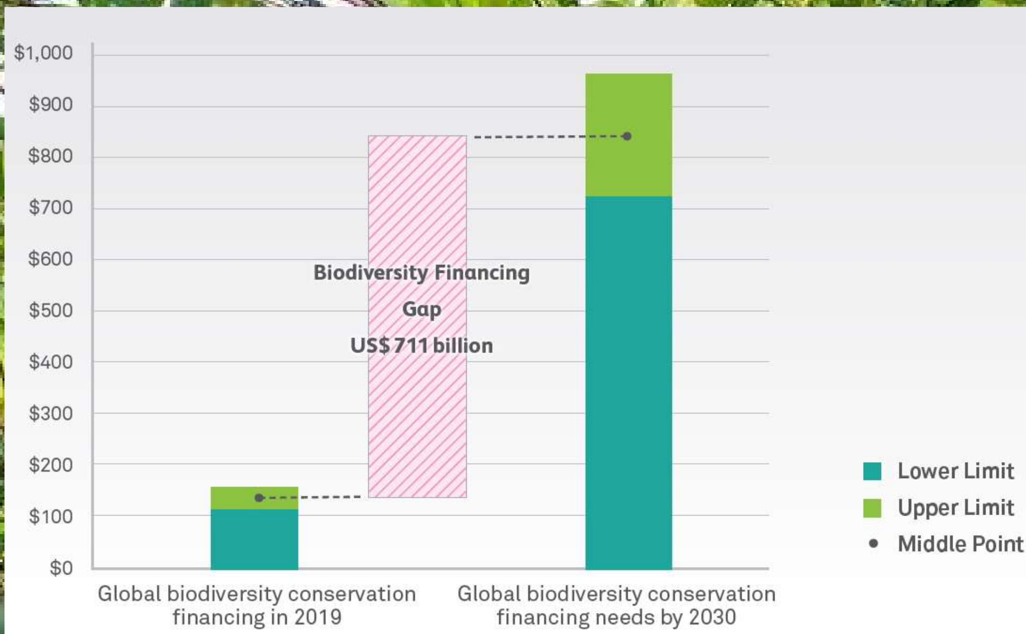
70% of biodiversity loss

80% of tropical deforestation

70% of water withdrawals

30% of global GHG emissions

The financing gap and the barriers to mobilizing private finance



Barriers

- Perverse incentives
- Lack of data, measurement, and standards
- Scale and localized nature of biodiversity projects

Moving forward: Greening Finance and Financing Green

Fiona Stewart

FINANCIAL SECTOR IS HUNGRY FOR DATA…..

LESSONS FROM CLIMATE FINANCE…

Financing Green
Increase return by better monetizing cashflows

Impact on biodiversity and ecosystem services			
Positive impact on BES	Conservation project without cashflow which requires grant funding or public support; Development project with biodiversity component	Conservation project using program-related investment or blended finance	Project where BES are monetized, or co-benefits are created through business activities
No impact on BES	Development project with negative cashflow, which does not affect BES with proper risk mitigation practices	Development project using program-related investment or blended finance with proper risk mitigation practices	Project with proper risk mitigation practices or biodiversity offset*
Negative impact on BES	Development project without proper risk mitigation practices**	Development project using program-related investment or blended finance without proper risk mitigation practices**	Traditional investment without proper risk mitigation practices
	Negative	Below Market Rate Concessional	Market Rate Commercial

Risk-Adjusted Return

Greening Finance

Increase positive impact by better internalizing environmental and social risks and benefits

Five Big Ideas to Mobilize Private Finance for Biodiversity

1. Environmental Fiscal Reforms (EFR)
2. National Data Provision
3. Establishment of TNFD
4. Establishment of a 'Nature Action 100'
5. Aggregation of Projects

Integrating Innovative Instruments…

- $ Labeled - including transition bonds
- Sustainable linked bonds – sector KPIs key
- Sustainable sovereigns – link to NDC/ NBSAP / satellite data

Helping businesses guide their investments into the Nature space

Irina Likhachova

TYPES OF INVESTMENTS

1. Investment activities that generate **biodiversity co-benefits**, while supporting established business operations:
   (i) financing sustainable production and operation practices that rely on natural ecosystems and generate biodiversity conservation co-benefits; and

   (ii) financing waste prevention and recycling activities, pollution prevention and control, and manufacturing of products that reduce pollution harmful to biodiversity.

2. Investments in **biodiversity conservation** as the primary objective, directly financing conservation or conservation-related services.

3. Investments in **nature-based solutions** where biodiversity and ecosystem services are used to enhance ecosystem services to address a number of challenges.

Thank you