IFC Day: Introduction to Nature Finance

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IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

SPEAKER

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WHICH OF THESE ARE NATURE FINANCE PROJECTS?

Reforestation and establishment of sustainable timber production on degraded land

Installation of **ballast water treatment facilities** to prevent spread of invasive species

Expansion of **PET recycling capacity**

Production of **sustainable aviation fuel** from postconsumer waste oil

WHAT IS NATURE FINANCE?

Extractive Practices that increase business risk

NATURE FINANCE

Transformation **of production and consumption business models to nature-smart practices**

Regenerative Practices that support business growth

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Not Nature Finance

- **Corporate Social Responsibility activities**
- **Compliance IFC Performance Standards**
- **Biodiversity offsets**

Nature finance is finance that contributes to halting and reversing nature loss through:

a) Restoration and conservation of biodiversity or ecosystem services
b) Reduction of the direct drivers of biodiversity or ecosystem services loss
c) Integration of nature-based solutions across economic sectors
d) Policy, tools, or other sectoral instruments that enable a-c

NATURE FINANCE QUALIFYING ACTIVITIES: LOOKING BEYOND THE OBVIOUS

90% of human pressure on nature comes from these drivers in four economic systems: food, energy, infrastructure, fashion

NATURE FINANCE = WHOLE OF ECONOMY TRANSFORMATION to nature-smart, regenerative models to stop and reverse nature loss.

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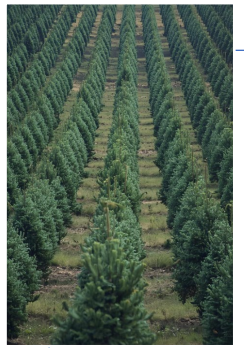
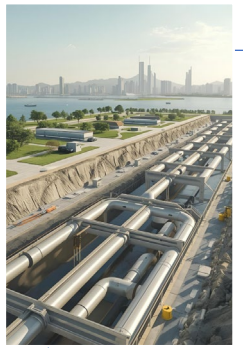
DIRECT DRIVERS OF NATURE LOSS AND ACTIVITIES THAT ADDRESS THEM



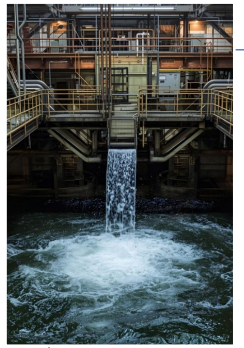
Land Use Change

- **Example:** Agroforestry on degraded land with zero deforestation



Pollution

- **Example:** Installation of centralized sewage in coastal areas

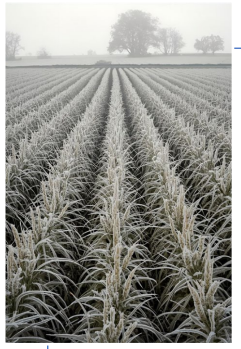


Resource Overexploitation

- **Example:** Using municipal grey water for industrial use

Invasive Species

- **Example:** Filters on ballast water tanks on ships



Climate Change

*[*localized impacts only]*

- **Example:** Frost resistant seed varieties

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NATURE BASED SOLUTIONS ACROSS SECTORS AND ENABLING ACTIVITIES

Nature-based Solutions Across Sectors

Example: Removal of invasive species in watershed to increase water supply

Example: Urban rain gardens to address stormwater run off

Example: Mangrove restoration to prevent flooding

Enabling Activities

Example: MRV technologies for reforestation projects

Example: Manufacturing of pheromones to displace chemical pesticides

Example: Manufacturing of water recirculation technologies

Images are AI generated.

EXAMPLES OF SECTORS WITH HIGH POTENTIAL FOR NATURE FINANCE

Food and Agriculture

Nespresso suppliers: reforesting coffee plantations with native trees to improve productivity, quality, soil, protect forests

Forestry, Paper, Pulp, Wood Products

BTG Pactual in Brazil: restoration of degraded land via 50% reforestation and 50% commercial timber

Textiles and Wear & Manufacturing

Sanko in Türkiye: expansion of recycled yarn capacity addresses overexploitation of natural resources

Water and Wastewater Utilities

Sabesp: improving sewage system and water supply to clean up the Pinheiros River and Tiête River in São Paulo

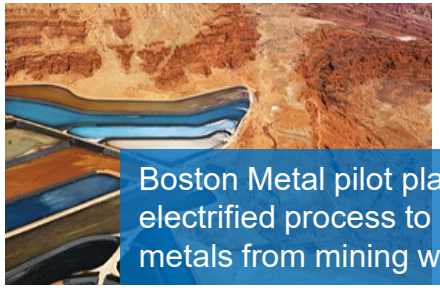
Municipalities

Zagreb Bond: financing for biowaste treatment plant for composting and waste sorting plant for plastics and paper

Chemicals

Indorama Ventures (Asia) Blue Loan: PET recycling to manage and reduce plastic waste

Mining



Boston Metal pilot plant in Brazil: RE electrified process to extract valuable metals from mining waste

Transport

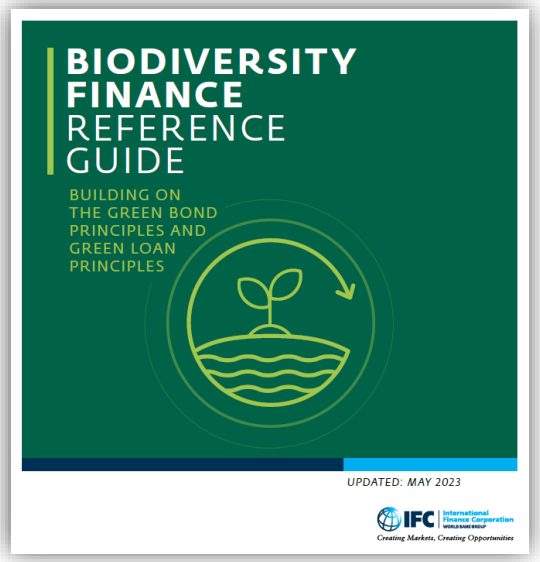
MSC Shipping: installation of filters on ballast water tanks to prevent spread of alien invasive species

Renewable energy

Nature-based solutions such as Agrivoltaics

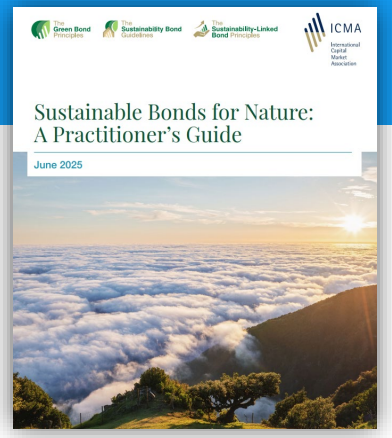
IFC'S PIONEERING BIODIVERSITY FINANCE REFERENCE GUIDE (2022)

- Builds on **Green Bond and Green Loan Principles** and meets the **Global Biodiversity Framework** targets
- Lists eligible project activities that contribute to **conservation, restoration and sustainable management of biodiversity and ecosystem services.**
- Organizes eligible activities into three broad categories:
  a) **Biodiversity co-benefits/ addressing the direct drivers** of biodiversity loss in economic activity
  b) **Conservation/restoration** as a primary objective
  c) **Nature-based solutions** for infrastructure



Biodiversity Finance Eligible Activities	GREEN BOND/GREEN LOAN PRINCIPLES' ENVIRONMENTAL OBJECTIVES: Biodiversity	Pollution Prevention and Control	Natural Resource Conservation	Climate Change: Mitigation	Climate Change: Adaptation	GLOBAL BIODIVERSITY FRAMEWORK: Contributions to Targets
I. Investment activities that seek to generate biodiversity co-benefits	✓	✓	✓	✓	✓	**Direct** Indirect
A. PRODUCTIVE LAND USE/AGRICULTURE						
1. Climate-smart agriculture:						
a. Rehabilitation of degraded lands with native and/or naturalized species.	✓	✓	✓	✓	✓	**T2, T10** T8, T11
b. Reduction in synthetic fertilizer use by at least 20% on project implementation to reduce downstream eutrophication, and to promote use of biofertilizer and other organic solutions (for example, composting).	✓	✓	✓	✓		**T7, T10** T2, T11
c. Reduction in pesticide use by at least 20% on project implementation and promotion of biosolutions.	✓	✓	✓			T7, T10
d. Switching from monocropping to diversified cropping systems, including intercropping and use of cover crops to improve resilience and soil quality.	✓		✓	✓	✓	**T10** T4, T7, T8
e. Significant reduction of tillage or implementation of no-till practices.	✓		✓	✓	✓	**T7, T8, T10**

NEW ICMA GUIDE ON NATURE-THEMED BONDS: "Sustainable Bonds for Nature – Practitioner's Guide“ (2025)



Link to the Guide

- IFC was a core contributor to the taskforce that developed the guide, aligned with IFC, WBG and MDBs approach
- Based on the Green / Social / Sustainability-Linked Bond Principles
- Defines a credible nature-themed bond or loan
- Guidance for nature thematic use of proceeds:
  - **Indicative nature projects for each of the 10 eligible categories of the Green Bond Principles**
  - Contribution to Global Biodiversity Framework targets
  - Impact reporting indicators for each category
- Recommendations on nature-related sustainability bond structures, including recommendations on KPIs

Nature-themed projects contribute to:

a) **Restoration and conservation**
b) **Addressing the direct drivers of nature loss**
c) **Nature-based solutions across sectors**
d) **Initiatives that support projects under (a) to (c) above**

- **Renewable Energy**
- **Energy Efficiency**
- **Pollution Prevention and Control**
- **Environmentally Sustainable Management of Living Natural Resources and Land Use**
- **Terrestrial and Aquatic Biodiversity Conservation**
- **Clean Transportation**
- **Sustainable Water and Wastewater Management**
- **Climate Change Adaptation**
- **Circular Economy Adapted Products, Production Technologies and Processes**
- **Green Buildings**

FINANCING INSTRUMENTS FOR NATURE:

Green, social, and sustainable finance market has the largest potential to meet $700bn annual financing gap for nature

Voluntary Biodiversity Credit Market

>$10 million

Cumulative
(as of Oct 2024)

Debt for Nature Swaps

($ for conservation activities)

$1.37 billion

Cumulative
(as of Dec 2024)

Biodiversity Equity Funds

$1.56 billion

Cumulative
(as of Dec 2024)

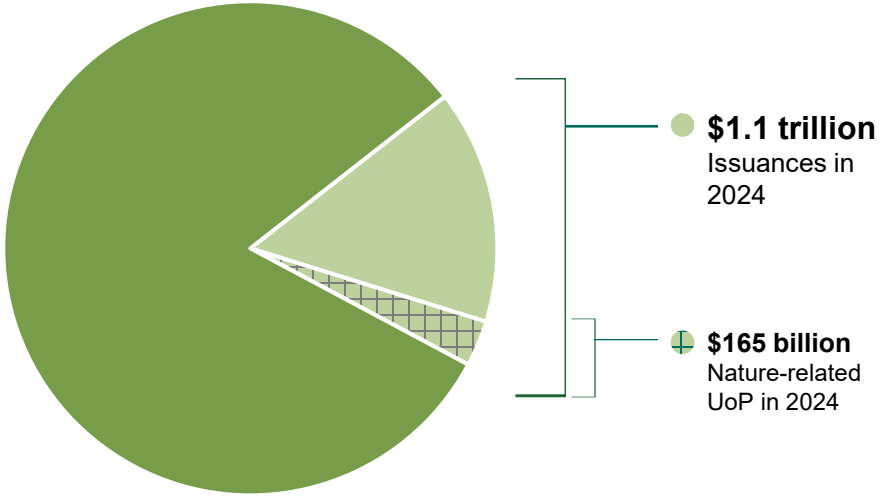
Voluntary Carbon Credit Market

$11.3 billion

(~$3.9 billion for NBS)

Cumulative
(as of Dec 2024)

Green, Social, and Sustainable Bond Market



$5.5 trillion

Cumulative
(as of Dec 2024)

Nature-related UoP is valued as $165 billion, or 16.5% of issuances, in 2024. Nature-related categories include "terrestrial and aquatic biodiversity conservation," "pollution prevention and control," "sustainable water management," and "sustainable management of living natural resources".

*Due to data constraints, figures displayed are drawn from different timeframes and refer to different datasets.

MDB COMMON NATURE FINANCE TAXONOMY

- Developed by MDBs to identify nature finance in their portfolios.
- Provides a standardized non-exhaustive reference list of activities that qualify as nature finance.
- Covers a range of sectors, different ecosystem types, and is adapted to the development context in which MDBs operate.
- Aligned with ICMA guidance and a practical resource for its implementation
- To be launched at COP30

Sector	Sub-sector	Table number
1. FORESTRY, AGRICULTURE, FISHERIES, AND AQUACULTURE	Forestry	1A
	Crops	1B
	Livestock	1C
	Fisheries and Aquaculture	1D
2. EXTRACTIVES AND ENERGY	Mining	2A
	Renewable Energy – Geothermal, Biomass, Hydro, Solar, Wind	2B
3. TRANSPORTATION	Ports, Waterways, and Maritime Shipping	3A
	Linear Infrastructure	3B
4. WATER, SANITATION, AND WASTE MANAGEMENT	Waste Mana	
	Water Suppl	
	Irrigation an	
	Sanitation	
5. INDUSTRY, TRADE, AND SERVICES	Tourism	
	Manufacturi	
6. FINANCIAL SECTOR	Financial Sec	
7. CROSS-CUTTING THEMES	Renewable N	
	Urban Devel	
	Green Buildi	

Activity Group	Qualifying Activities
	CROPS
(a) Restoration and conservation of biodiversity or ecosystem services	**Restoration** 31. **Restoring soil** to improve its physical, chemical, and biological properties (e.g., structure; organic matter content; moisture retention). . 32. Rehabilitating **degraded agricultural lands** with native species, naturalized species or threatened species[xiii], or implementing **regenerative agriculture or sustainable land or water management practices** to enhance biodiversity or ecosystem services. 33. Restoring **natural habitat** in productive landscapes (prioritizing restoration with native species, and with naturalized or non-invasive alien species being less preferred options), or restoring soil and vegetation in areas under desertification processes.[xiv,xv] 34. Implementing **agroforestry practices** that help restore structure or composition of natural habitats, particularly if using native species. *(See also additional consideration d)).* **Conservation** 35. **Conserving plant genetic resources for food and agriculture,** including crops, neglected and under-utilized crops, native species and crop wild relatives, through ex-situ conservation (e.g., gene banks; digital sequenced information) and in-situ conservation (e.g., by conserving or producing seeds and seedling variety; farmer seed systems). 36. Protecting remaining **natural habitat** features or fragments within agricultural land (e.g., ecological corridors; live fences; riparian forest). 37. Increasing natural **pollinators** or seed dispersers. 38. Strengthening the management effectiveness of **protected and conserved areas** (e.g., by creating buffer zones through tree crops or agroforestry in agricultural land in proximity to protected and conserved areas).[xvi] 39. Allocating a portion of farmland as **conservation area** (e.g., by establishing ecological corridors)[xvii] based on land use planning and farmer input. *(See also additional consideration a)).*
(b) Reduction of the direct drivers of biodiversity or ecosystem services loss	**Land use** 40. Shifting to or production and trade of **certified crops or commodities** in line with robust sustainability certifications which follow audit protocols that confirm biodiversity benefits. *(See also additional consideration a)).* 41. Implementing **sustainable agricultural practices** (e.g., conservation agriculture; agroecology; regenerative production models) that recover or maintain native or heritage crops or agrobiodiversity. 42. Adopting **diversified cropping systems** (e.g., intercropping; use of cover crops to improve resilience and soil quality; agroforestry; silvo-pastoral systems) 43. **Intensifying production on existing agricultural lands** by improving practices, varieties, technology, or infrastructure to increase crop yields or quality. *(See also additional considerations a) to c)).*[xviii,xix]

IFC PROJECT EXAMPLE: BBVA COLOMBIA BIODIVERSITY BOND

World's 1st Use of Proceeds Biodiversity Bond

IFC Financing Amount: $35 million

Financial Instrument: $70 million Use of Proceeds Biodiversity Bond issued by BBVA Colombia

Country: Colombia

Project Description:

- **Financing to support BBVA's nature finance transactions** aligned with eligible activities articulated in the IFC Biodiversity Finance Reference Guide.
- The project includes **advisory support and capacity building** to establish eligibility criteria and reporting indicators for projects that help protect, maintain, or improve biodiversity and ecosystem services, and promote sustainable management of natural resources.

Nature Finance: 100%

- **Use of Proceeds:** Projects focused on **reforestation**, **regeneration of natural forests on degraded lands**, **climate-smart and regenerative agriculture**, and **restoration of wildlife habitats**.

Drivers of Nature Loss Addressed:

Resource over-extraction | Land and sea use change | Pollution | Invasive Species

IFC PROJECT EXAMPLE: MEGHNA STEEL
Reusing steel scrap in industrial steel production

IFC Financing Amount: **$46 million loan + $54 million mobilization** to Meghna Group's steel subsidiary.

Country: Bangladesh

Project Description:

- IFC financing supports the development of a greenfield energy-efficient electric arc furnace (EAF) technology-based steel plant **that will use recycled steel scrap as its main input raw material.**

Nature Finance: **100%**

- Using recycled steel scrap **reduces demand for virgin raw materials** and **reduces pollution from waste.**

Drivers of Nature Loss Addressed:

- Resource over-extraction
- Land and sea use change
- Pollution
- Invasive Species

IFC PROJECT EXAMPLE: BACAO

Sustainable practices to improve cocoa production on degraded land

IFC Financing Amount: $10.5 million loan

Country: Colombia

Project Description:

- Development of **3,800 hectares of cacao plantations on degraded lands** and a post-harvesting facility.
- Bacao is an agroforestry cacao company that produces sustainable cocoa by creating inclusive and climate-smart ecosystems that **rehabilitate degraded lands** and benefit local communities.

Nature Finance: 100%

- The project will finance the expansion of the Company's cocoa plantations' productive areas from 1,300 hectares to 3,800 hectares. The planting of cacao is **on degraded lands** and uses **sustainable practices** such as shade trees to increase water resilience, use of organic fertilizer, and fertigation.

Drivers of Nature Loss Addressed:

Resource over-extraction | **Land and sea use change** | **Pollution** | Invasive Species

IFC PROJECT EXAMPLE: NATURA

An SLB to support sustainable supply chains and meet sustainability performance targets

IFC Financing: $54.5 million (BRL 300 million)

Financial Instrument: BRL 1.3 billion Sustainability-Linked Bond (SLB) issued by Natura, cosmetics company

Country: Brazil

Project Description:

- **Development and sourcing of bioingredients** from the Amazon, enhancements to manufacturing and distribution infrastructure at Natura's Cajamar operations and the purchase of equipment for product line updates and growth within Brazil.

Nature Finance: 100%

- The SLB has a **sustainability performance target** to increase the number of sustainably sourced ingredients from the Amazon from 44 in 2023 to 48 by 2027.
- Natura collaborates with the Amazonian communities to create shared value and provide economic incentives for **sustainable harvesting of bioingredients, shifting agricultural practices and protecting the rainforest.**

Drivers of Biodiversity Loss Addressed:

Resource over-extraction	**Land and sea use change**	Pollution	Invasive Species

THANK YOU!

Contact Us:

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Visit our website:

www.ifc.org/biodiversityfinance

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