

IFC's Approach to Biodiversity and Nature Finance



Summary

Rapid economic development has lifted millions out of poverty. However, our current economic development model is causing unprecedented biodiversity loss and driving climate change, putting economies and livelihoods at risk. A whole-of-economy transformation is necessary to sustain economic growth and maintain a livable planet. The private sector will play a central role through transitioning towards nature-smart production and consumption models that allow nature to regenerate and continue to power our economies.

Financing the transformation of economic models is critical. IFC is

leading the work to develop and scale biodiversity and nature finance across emerging markets. IFC has developed pioneering market quidance for financial institutions, investors, companies and policymakers on what constitutes eligible biodiversity and nature finance investments. IFC has led first-of-the-kind transactions, having invested hundreds of millions of dollars into projects that reduce the direct drivers of biodiversity loss across economic activity and promote conservation and restoration of ecosystems to meet the targets of the Global Biodiversity Framework across emerging markets.

About IFC

IFC – a member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2024, IFC committed a record \$56 billion to private companies and financial institutions in developing countries, leveraging private sector solutions and mobilizing private capital to create a world free of poverty on a livable planet. For more information, visit **www.ifc.org**

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Context: Transforming the Global Economy to Nature-Smart Production Practices

Over the last 50 years, 73 percent of the world's monitored wildlife populations have declined. Four economic value chains are responsible for 90 percent of human pressures on biodiversity: food, energy, infrastructure, and fashion. This pressure arises from five direct drivers of biodiversity loss: land and sea use change, climate change, resource over-extraction, pollution, and the spread of invasive species.

Recognizing the urgent global priority to address the biodiversity loss crisis, in 2022, 188 countries signed the historic Kunming-Montreal Global Biodiversity Framework. The framework marks the agreement to halt and reverse biodiversity loss by 2030 through a whole-of-economy transformation and to direct \$700 billion per year to these objectives.

To sustain economic activity and maintain a livable planet, we need to transform our economic development to a regenerative

model. The solutions must focus on addressing the five direct drivers of biodiversity loss. Biodiversity and nature finance – finance that directs capital toward production practices and products that reduce or eliminate the direct drivers of biodiversity loss and help conserve and restore nature and ecosystem services – is key to promoting this transformation.

The World Economic Forum estimates that directing finance toward nature-smart production practices in the food, infrastructure, and energy sectors could create opportunities worth \$10.1 trillion annually. These opportunities represent cost savings to companies as well as access to new revenue streams and finance through the development of new products and market segments. This transition could also create 395 million new jobs by 2030, and significant opportunities for income diversification, which supports local economic growth.

Institutional Context

IFC has committed to scale biodiversity and nature finance as part of strategic direction under the World Bank Group Climate Change Action Plan and additional joint multilateral development banks (MDBs) commitments.

To deliver on these commitments, IFC has developed an institutional approach and guidance on what constitutes biodiversity and nature finance and how to evaluate and track IFC's investments in this area.



Mangrove seedlings in Fiji. Photo by Armando Gallardo.

IFC's Biodiversity and Nature Finance Resources

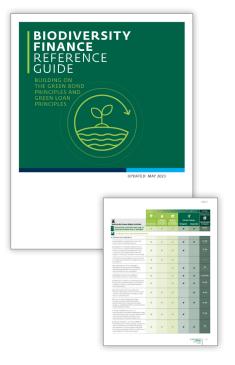
Biodiversity Finance Reference Guide

To scale its own investments and to help grow the biodiversity and nature finance market, in 2022, IFC developed the firstof-its-kind Biodiversity Finance Reference Guide. The guide provides a structured approach for investors and financiers to identify eligible use of proceeds that constitute biodiversity finance and contribute to meeting the targets of the Kunming-Montreal Global Biodiversity Framework. It offers IFC's perspective on potential investment opportunities and how targeted financing can help enable a transition to nature-smart business models and practices that combine conservation and restoration with sustainable development objectives. Drawing on IFC's investment expertise and market standards for green finance, the guide aims to help channel private finance toward addressing the direct drivers of biodiversity loss, conservation and restoration, and integrating naturebased solutions into infrastructure projects. It outlines a clear set of quidelines and an indicative list of investment activities and project components that help protect or enhance biodiversity and promote the sustainable management of natural resources. The guide covers the key criteria for selecting eligible use of proceeds that qualify for biodiversity finance, as well as the core steps borrowers and issuers should follow to develop biodiversity finance frameworks in line with the Green Bond Principles and Green Loan Principles.

The guide focuses on three main investment categories:

- Investments that generate biodiversity co-benefits.
 Financing that seeks to address the direct drivers of biodiversity loss (land and sea use change, pollution, overexploitation of resources, and invasive species) in economic activity.
- Investments in biodiversity conservation and restoration. Financing to support nature conservation or restoration and related services as a primary objective of investment.²
- Investments in nature-based solutions for infrastructure. Financing to support the integration of nature-based solutions into larger projects to provide infrastructure services and displace or complement gray infrastructure.

After the Kunming-Montreal Global Biodiversity Framework was signed in December 2022, IFC worked with the United Nations Secretariat of the Convention on Biological Diversity to expand the Biodiversity Finance Reference Guide to map the list of investment activities to individual targets in the Global Biodiversity Framework.



¹ Climate change is also considered to be a direct driver of biodiversity loss. However, there are well-developed taxonomies for investments and investment activities that target climate change, which are not covered in the guide. The guide only lists those climate-related activities that have significant localized biodiversity benefits.

² To qualify, conservation and restoration projects must constitute a primary business activity (e.g. REDD+, habitat reforestation for carbon and/or biodiversity credits) or must be material to core business operations (e.g. watershed conservation and/or restoration to improve water quantity and quality material to company's operations).

Biodiversity Finance Metrics for Impact Reporting

In October 2024, IFC, in collaboration with BNP Paribas, the Finance for Biodiversity Foundation, Natixis CIB, the Taskforce on Nature-related Financial Disclosures, and the Wildlife Conservation Society, published a supplement to the guide: Biodiversity Finance Metrics for Impact Reporting. The supplement provides specific impact reporting metrics for each eligible investment activity and project component in IFC's Biodiversity Finance Reference Guide.

This publication is a key step toward growing the biodiversity finance market in a transparent and credible way. It responds to the market's growing demand for more comprehensive guidance on impact reporting and provides a practical tool for investors and corporations to measure the impact of investments that seek to protect, maintain, or enhance biodiversity and ecosystem as they transition to nature-smart economies and meet the targets of the Global Biodiversity Framework.



Catalogues of Nature-based Infrastructure Solutions

Integrating nature-based solutions into privately financed infrastructure to complement or displace traditional grey infrastructure is a nascent area in the market. To raise awareness of the types of nature-based solutions that are well suited for infrastructure projects and articulate the business case for deploying them, IFC in partnership with Conservation International developed the Catalogue of Naturebased Solutions for Infrastructure Sectors, with an initial focus on the water, mining, and renewable energy sectors. The catalogue includes case studies that illustrate the commercial viability of integrating nature-based solutions into companies' operations.

Drawing on a partnership with the World Bank, IFC has expanded the catalogue to cities, targeting municipalities and the private sector to help identify opportunities and possible projects for implementing urban nature-based solutions. The catalogue also features examples of cities that successfully leveraged private finance to scale urban nature-based solutions projects.







Scaling Investments in Nature

IFC invests in Natura's bond to improve sourcing of bioingredients from the Amazon

In July 2024, IFC invested 300 million Brazilian reals (BRL) in a BRL 1.32 billion sustainability linked loan issued by Natura, a Brazilian cosmetics company. This is the first such bond in Brazil with performance targets tied to increasing the number of ingredients sustainably sourced from the

Amazon. IFC's investment supports the development of a sustainable supply chain of bioingredients from the Amazon, expansion of the company's manufacturing and distribution operations, boosting the local economy and communities, and contributing to the protection and regeneration of the rainforest. As the anchor investor, IFC also helped Natura raise additional funds for this bond to benefits its Amazon investments.

A Natura worker collects tukuma in the Amazon. Photo by Naiara Jinknss.

IFC commits \$50 million to BTG Pactual TIG's Latin American reforestation strategy

In July 2024, IFC committed \$50 million to help mobilize \$1 billion for BTG Pactual Timberland Investment Group's (TIG) Latin American reforestation strategy. BTG Pactual TIG, part of BTG Pactual Asset Management, manages \$7.1 billion in assets and nearly 3 million acres across the U.S. and Latin America. Conservation International advises on the strategy.

The reforestation strategy focuses on rehabilitation of up to 135,000 hectares of degraded lands across Latin America through native forest restoration on half of the land and establishing commercial timber production certified to Forest Stewardship Council on the remaining half. The IFC loan triggers a better financial outcome for BTG Pactual TIG if the strategy meets specific targets designed to enhance biodiversity and watershed health through connectivity corridors for plants and animals and buffers along streams and rivers that can help provide ecosystem services for natural water infrastructure.



BTG sustainable tree plantation.



A worker showing a tree sapling to be planted by BTG.

IFC invests in Indorama Ventures to scale PET recycling capacity in Thailand, Indonesia and India

In June 2024, IFC invested \$200 million to expand the company's capacity in PET recycling across Asia. The project includes improving efficiency at existing recycling facilities in Nakhon Pathom and Rayong in Thailand, launching a new plant in Karawag, Indonesia, and establishing additional plants in India. This investment is part of the Indorama Ventures' global commitment to recycle 750,000 tons (about 50 billion bottles) and 1 million tons (about 100 billion bottles) of post-consumer PET materials annually by 2025 and 2030 respectively.

By recycling plastic waste, the company helps reduce plastic pollution, a direct driver of biodiversity loss. This marks IFC's second investment in Indorama Ventures. IFC's previous investment focused on increasing the capacity of recycling plants in Thailand, Indonesia, Philippines, India, and Brazil.

BBVA Colombia and IFC: the world's first biodiversity bond with a private bank

In June 2024, IFC helped structure a \$70 million world's first biodiversity bond with BBVA Colombia and invested \$35 million in two tranches. The use of proceeds from the bond will fund projects focusing on reforestation, restoring degraded lands, climate-smart agriculture, and wildlife habitat restoration aligned with eligible activities in IFC's Biodiversity Finance Reference Guide and impact indicators aligned with the IFC Biodiversity Finance Metrics for Impact Reporting.

IFC is providing advice to establish eligibility criteria and reporting indicators for activities that protect or enhance biodiversity and ecosystem services, as well as promote sustainable management of natural resources. IFC is also supporting BBVA to build internal technical capabilities and raise awareness among its clients about biodiversity financing opportunities in Colombia.

This transaction paved the way for similar investments with other financial institutions in Latin America and the Caribbean.

IFC invests in KIOO to increase the amount of recycled glass used in production processes in East Africa

In May 2024, IFC committed \$45 million to KIOO, a Tanzanian glass manufacturer, to expand its bottle production capacity with increased nature-smart practices. KIOO will grow its use of recycled glass to 40 percent in its bottles and increase re-use of its bottles. KIOO works to collect used and broken glass to ensure the availability

of recycled materials to reuse in future production. KIOO, with advisory support from IFC, aims to almost double the amount of glass it recycles, which would remove millions of bottles from streets and landfills.

By replacing imported glass with locally made, affordable products, the project will benefit the region's beverage industry. This is IFC's third investment in KIOO.



KIOO employees sort glass bottles. Photo by Maria Galang.



Expansion of wastewater treatment plants to reduce water pollution, a direct driver of biodiversity loss. Photo by Danilo Pinzon, World Bank, Flickr.

Additional Information

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