



## NatureFinance Submission to Baku-Belem Roadmap to 1.3Trillion Landscape Exercise

June 2025

### Overview

In response to the UNFCCC's request for submissions to the Baku-Belem 1.3T roadmap, NatureFinance offers the following framework outlining key efforts to develop and implement innovative tools, financial instruments and enabling policy reforms that help countries address the vicious cycle of debt, climate change and nature degradation to make financial systems and economies more resilient and adaptive in a rapidly warming world.

Given the vital importance of nature's central contribution to mitigation, adaptation and resilience in all economies across the world, it is essential that economic decision-makers integrate nature financing instruments into new sustainable development pathways, moving away from the current non-resilient, fossil fuel dependent and nature destructive paradigm towards a more resilient, sustainable economic model.

This requires interventions across the economy and financial system applying the following approaches to cultivate and realise nature related opportunities

1. The **development of innovative financial instruments** such as performance based sovereign debt arrangements, financial materiality assessments, and new forms of credit ratings.

The move to more resilient economies is underpinned by **macroeconomic and institutional reforms** predicated on nature-based infrastructure, which cover re-structured arrangements for debt and credit and offer prospects for truly sustainable, climate resilient growth.

The overview below highlights a substantial body of work on innovative, performance-based sovereign and sub-sovereign performance-based finance instruments that are either currently being designed or already underway. All of them are predicated on sustainably harnessing natural capital as a source of economic growth, resilience and climate action, and helping countries and communities address the triple challenge of public debt distress, climate shocks and nature degradation.

These tools can be aligned with national commitments eg NBSAPs, NDCs, SDGs. Sustainability-linked sovereign debt works by measuring KPIs within a certain period and adjusting the terms of the debt (e.g. interest rates) based on performance against those goals. In other words, if nature continues to be lost, and a sustainability target is not met, this can cause negative consequences on the sovereign debt rating. Lenders accept lower rates because they expect that the borrower's investments will boost infrastructure resilience and the wider economy. Resilience-adjusted credit rating could in turn result in lower borrowing rates for the country, and appeal to a wider range of investors.

2. The **development of an enabling economic policy environment** (tax incentives, subsidies, trade policy, procurement, industrial policy, standards) that integrates Paris and GBF commitments and adaptation targets into green transition strategies that prioritize the growth of sustainable, bio-based and renewable approaches across all sectors.



The **G20 Global Initiative on the Bioeconomy**, established by the Government of Brazil and now led by the Government of South Africa, calls attention to the economic opportunity of integrating climate and nature targets into economic transition strategies through the sustainable use of renewable biological resources which, combined with technology, can yield innovative job-creating businesses and [resilient economic development pathways](#). The bioeconomy has [multiple features depending on the assets in-country](#), however it is distinct in that it includes the fusion of bio and tech, whilst including more “conventional” nature investment opportunities.

The sustainable bioeconomy is the natural counterpart to clean energy, with the opportunity to scale bio-based alternatives to fossil fuel-based products across a wide range of goods and services. From bioplastics, bio-cement and biofuels to regenerative agriculture and biofertilizers, to help economies, biodiversity credits, nature as infrastructure and lab-grown protein, the bioeconomy touches every economic sector of the future—construction, food, infrastructure, finance, and health. In this way, the bioeconomy is critical for economic resilience, innovation, and competitiveness in a world rapidly warming in line with scientific predictions but lagging in necessary policy leadership around green economic transition. To inform deliberations at the G20 Global Initiative on the Bioeconomy Financing meeting in May 2025, NatureFinance and the Sustainable Finance Coalition presented a [framework of traditional and innovative financing tools](#) for the Bioeconomy. This work builds on Brazil’s legacy to leverage nature to help future-proof our planet through spearheading the G20 High Level Principles for the Bioeconomy in 2024 and its broader leadership in [efforts to enhance forest-related outcomes](#).



The critical missing ingredient to drive holistic green economic transition is a clear decision and vision by *governments* to move in this direction, and *whole of government efforts* to create the right kind of enabling policy environment and incentives to direct finance towards a sustainable bioeconomy that leverages nature to deliver systems-level gains on mitigation, adaptation and resilience.

3. The **widespread uptake of frameworks, tools and datasets** that support corporate and financial actors to assess their nature-related dependencies, impacts and risks. This includes our support for the work undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD). It also includes the development of practical tools such as [NatureAlign](#) to kickstart organisations' nature-positive transition.

Finally, accurate, real time, robust valuation of nature must be operationalized in ways that directly support the decision making of governments, financial institutions and companies. This requires a consistent system of tools, standards, and technologies that help enable the definition, measurement, tracking accounting, and valuation of ecosystem services. There are already a wide range of existing standards, frameworks and cutting-edge data-sources for stakeholders to draw upon to start integrating climate *and* nature risks, impacts and dependencies into their resilience planning, risk analysis and financial disclosure. Through mainstreaming the uptake and implementation of these approaches, businesses, financial institutions and governments can gain better access to high-quality, comprehensive and comparable data on nature risks and opportunities that can better inform real-time investments, targets and transition planning related to both Paris and GBF commitments.

## Baku-Belem Overview of Key NatureFinance Interventions by Category

Category	Reforming MDBs	Expanding concessional finance and Vertical Climate Funds inc. through innovative finance mechanisms	Creating country platforms to crowd climate investment into EMDEs	Developing innovative financial instruments to mobilise private capital <sup>1</sup>	Strengthening regulatory frameworks
<b>Clean and affordable energy</b>			The well-established JET-P process could be adapted to include specific	Supporting transition KPIs (e.g. SLB framework for	Engagement with International Capital market Association (ICMA) on mainstreaming the

<sup>1</sup> <https://www.naturefinance.net/wp-content/uploads/2025/04/InnovativeFinancingStructuresasGameChangersforNatureandClimate-1.pdf>

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			sector and policy-based support to the Bioeconomy (e.g. renewable energy to support biocement and biosteel) as part of decarbonised transition to a sustainable bioeconomy. Brazil is an example of integrating the bioeconomy as a	Thailand, Slovenia)	(voluntary) use of KPIs that support energy transition

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			key priority in their country platform.		
<b>Adaptation and resilience, including L&amp;D</b>	Establish an MDB Bioeconomy Facility to provide technical, policy and financial support around bioeconomy strategy development and implementation (as recommended in <i>Harnessing the Bioeconomy</i> )		Accelerator workshops for sovereigns/debt management offices on resilience and adaptation- KPIs and performance-linked instruments.	Developing use of Climate Resilience Debt Clauses (CRDs) in standard form for sovereign bonds and loans.  <a href="#">Financial Materiality Assessment</a> methodology deployed in Ghana, to be	

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	<i>Nexus for Development</i> June 2025, InterAmerican Bank (IADB) and NatureFinance		Applying the <a href="#">Financial Materiality Assessment</a> analysis (with Systemiq) to several countries (likely several V20 members plus Brazil) currently developing their country platforms, with an emphasis on ways that nature-based	extended to other pilot countries, which identifies sectors where investing in nature and climate resilience is most likely to deliver macro-fiscal benefits and credit uplift and helps identify which KPIs and associated interventions	



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			investments can strengthen macro-fiscal fundamentals, be reflected in upgraded DSAs and credit ratings, and become a resilience-focused centrepiece of country strategies on climate action.	can help countries capture those benefits through new financing instruments.	

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			<p>The Africa Bioeconomy Finance Hub proposed within the South Africa hosted G20 Global Initiative on the Bioeconomy, which would support bioeconomy enterprise development at country level in Africa initially.</p>		

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<b>Cities</b>				Manaus and Rio biodiversity credit pilots, focused on leveraging nature-based investments to address resilience concerns (heat island effects, air quality, water management) and generate new sustainable income streams.	Exploring reform opportunities to enable cities to issue municipal bonds linked to sustainability outcomes in environments where this is currently only allowed in the federal domain (e.g. Brazil)

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<b>Natural capital (incl. nature, biodiversity, sustainable agriculture)</b>	<p>Hosting and secretariat support for the MDB <a href="#">Task Force on Credit Enhancement for Sustainability-linked Sovereign Financing</a> with the goal of increasing access, improving efficiency, and fostering collaboration around scaled credit enhancement for</p>	<p>Through the Taskforce for Credit Enhancement for sustainability-linked financing, supporting the scaling up of climate and nature performance linked debt (SLBs, debt conversions, outcome bonds).</p>	<p>Thailand nature KPI identification workshops for new sovereign financing instruments, Uganda workshop on regenerative agriculture for school meals.</p> <p>FIMA country proof point work mentioned above is also focused heavily on</p>	<p>PES – mapping ecosystem services, beneficiaries, and financial mechanisms to monetize nature – work with ADB on Philippines watersheds, Gulf of Thailand. Expand the work in Africa.</p>	<p>Engagement with International Capital market Association (ICMA) on mainstreaming the (voluntary) use of KPIs that support biodiversity.</p> <p>The G20 Financing the Bioeconomy Discussions (May 2025) agreed on the opportunity to facilitate trade policies, standards, metrics, and cooperation that can help catalyse the role of nature and the bioeconomy in broader green economic transition. A</p>

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	sustainability-linked financing instruments. Members of the Task Force include: Agence Française de Développement (AFD), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), African Development Bank (AFDB), European Investment Bank		sustainable agriculture (e.g. cocoa) and bioeconomy products.		policy note was requested from TESS and NatureFinance and is forthcoming for the September G20 GIB meeting. This work will consider the role of incentives and disincentives (subsidies, procurement, credit guarantees, tax, industrial policy, IP, bans, quotas, labelling, data, and standards) to trade aligned with a sustainable bioeconomy.

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	<p>(EIB), Green Climate Fund (GCF), Global Environment Facility (GEF), Inter-American Development Bank(IADB), Development Bank of the Latin America and the Caribbean (CAF).</p> <p>Assessing the position of MDBs' financial commitments with respect to nature</p>				

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	using NatureFinance's <a href="#">NatureAlign</a> tool, in collaboration with the World Resources Institute (WRI), in an upcoming report due in August/September 2025.				