Twenty ways countries can catalyze private finance for nature

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From green bonds and insurance to fintech, water funds and biodiversity credits, governments have many ways to bring private capital into the work of protecting and restoring nature.

I recently completed an online Biodiversity Finance certificate course from UNDP BIOFIN and the Global Environment Facility (GEF). It deepened my understanding of the rapidly expanding range of financial instruments available to support biodiversity and inspired me to explore how countries can put these mechanisms into practice. This article grew from that learning.

Source note: This article was inspired by and expands on UNDP BIOFIN's article, "10 ways UNDP BIOFIN is supporting countries to catalyze private finance for nature", together with the open-source BIOFIN Catalogue of Finance Solutions.

The global biodiversity finance gap can sound impossibly large. The world needs an estimated US$700 billion a year to halt and reverse biodiversity loss. Public budgets, philanthropy and development assistance will remain essential, but they cannot close that gap alone.

There is, however, another way to look at the challenge. As UNDP's Biodiversity Finance Initiative, or BIOFIN, recently observed, US$700 billion is roughly one per cent of the new or reinvested private capital moving through global financial markets each year. The money exists. The deeper problem is that too few nature-positive activities are presented as investable opportunities, while financial rules and incentives still reward many activities that degrade ecosystems.

Private finance for nature is not simply a matter of asking companies to donate more. Countries can change the conditions under which financial decisions are made. They can create investable project pipelines, reduce risk, reward good stewardship, require better disclosure, aggregate small projects and connect financial returns to verified ecological outcomes.

Drawing on BIOFIN's recent article and its wider Finance Solutions Catalogue, here are 20 practical mechanisms that countries can adapt to their own circumstances.

CAPITAL-MARKET INSTRUMENTS

1. Establish national green bond frameworks

A credible national framework defines which activities qualify, how proceeds will be managed and how environmental results will be reported. It gives investors confidence while helping domestic banks and companies bring new products to market.

With BIOFIN support, Zambia developed its first Green Bond Framework. This helped create the market conditions for the Copperbelt Energy Corporation to raise US$150 million across two issuances by the end of 2025. The initial investments focused on renewable energy, but the same architecture can support restoration, sustainable agriculture, watershed protection and nature-positive infrastructure when national taxonomies clearly identify eligible biodiversity investments.

2. Issue sovereign blue bonds

Blue bonds are use-of-proceeds bonds designed for ocean and coastal priorities. They work best when a country has a clear marine investment plan, transparent selection criteria and capable institutions to channel finance to local enterprises and conservation programmes.

In 2018, Seychelles issued the world's first sovereign blue bond, raising US$15 million from international investors. The proceeds supported marine protected areas, fisheries governance and loans for sustainable blue-economy businesses. A World Bank guarantee and concessional finance from the Global Environment Facility helped reduce investor risk. This illustrates an important lesson: innovation often comes from combining instruments rather than relying on a bond alone.

3. Link borrowing costs to biodiversity performance

Sustainability-linked bonds do not restrict funds to a predefined set of projects. Instead, the interest rate changes according to whether the issuer meets agreed performance targets. Countries can include indicators such as native forest cover, ecosystem restoration or reduced conversion of high-biodiversity areas.

Uruguay's 2022 sovereign sustainability-linked bond raised US$1.5 billion and tied financing costs to greenhouse-gas performance and the maintenance of native forest area. The rate can rise if the country misses its targets and fall if it exceeds them. The structure attracted investors from several regions and demonstrated how national environmental performance can be built directly into sovereign financing.

4. Green mainstream bank lending

Not every finance solution requires a new or exotic product. Much larger gains may come from changing the lending decisions that banks already make every day. Governments and regulators can establish biodiversity exclusion lists, sector standards, preferential credit lines and screening tools for agriculture, fisheries, tourism, forestry and small enterprises.

In Ecuador, BIOFIN worked with the public development bank CONAFIPS to screen more than US$1 billion in subsidised lending against biodiversity-related exclusion criteria and sustainability standards. More than half of the beneficiaries were women-led businesses and one quarter were led by people under 25. This shows how nature considerations can be embedded in financial inclusion rather than treated as a separate niche.

5. Use blended finance, guarantees and first-loss capital

Many nature-positive investments have long payback periods, unfamiliar risks or limited collateral. Public and philanthropic capital can absorb part of the initial risk, improve credit quality or pay for project preparation. This can make projects suitable for commercial lenders and institutional investors without permanently subsidising them.

Indonesia's Tropical Landscapes Finance Facility brought together UN Environment, the World Agroforestry Centre, ADM Capital and BNP Paribas. Its first transaction was a US$95 million sustainability bond for rubber production on degraded land, with safeguards for forests and wildlife habitat. The model connected a commercial commodity investment with landscape-level conservation and social objectives.

6. Convert debt savings into long-term conservation finance

Debt-for-nature conversions refinance part of a country's debt on improved terms and commit a share of the savings to conservation. Credit guarantees or political-risk insurance can bring private investors into the refinancing. For countries with high debt costs and globally important ecosystems, the potential can be substantial.

Ecuador's 2023 Galápagos transaction restructured approximately US$1.6 billion in sovereign debt. The resulting conservation agreement is expected to transfer US$18 million a year for 18.5 years to the Galápagos Life Fund, including annual grant-making and the capitalisation of an endowment.

These deals are complex. The Ecuador case has also attracted scrutiny over transparency and community participation. Debt conversions should therefore be judged not only by their headline value, but by additional conservation finance, transaction costs, public accountability, local rights and measurable ecological results.

7. Pay investors for verified conservation outcomes

Outcome-based bonds shift attention from expenditure to results. Investors provide capital or accept a different return profile, while payments depend on independently verified ecological performance. This can encourage better monitoring and adaptive management.

The World Bank's US$150 million Wildlife Conservation Bond, often called the Rhino Bond, supports black rhino conservation in two protected areas in South Africa. A potential performance payment funded by the Global Environment Facility is linked to growth in rhino populations. The instrument shows how a clear biological indicator can connect capital markets with conservation management, although not every ecosystem outcome will be as easy to measure.

8. Islamic finance for conservation

Islamic finance can connect biodiversity priorities with investors and communities seeking Sharia-compliant products. Sovereign and corporate sukuk, green sukuk, waqf endowments and zakat-based giving can all be adapted for environmental purposes where governance and eligible uses are clearly defined.

In Indonesia, BIOFIN helped secure US$2.8 million in sukuk funding for the Maluku Parrot Conservation Centre. Between 2023 and 2024, the centre saved more than 1,500 birds and other animals. The case demonstrates how countries can align established faith-based finance systems with national biodiversity goals.

RISK, REVENUE AND ECOSYSTEM-SERVICE MECHANISMS

9. Develop insurance that rewards coexistence and resilience

Insurance can protect people, businesses and natural assets from losses while reducing behaviours that harm wildlife. Governments can support actuarial research, reliable verification, premium subsidies for vulnerable groups and regulatory approval for new products.

In Argentina's Misiones province, BIOFIN and UNDP's Insurance and Risk Finance Facility helped design insurance that compensates livestock owners for verified losses caused by jaguars. By reducing the financial motive for retaliatory killing, the scheme links household risk management with species protection and now reaches more than 100,000 people. Sri Lanka later adapted the

approach with a private insurer to address human-leopard conflict. These examples show the value of replicating a financial model while redesigning it for local ecology and institutions.

10. Pay landholders and communities for ecosystem services

Payments for ecosystem services, or PES, compensate landholders and communities for maintaining benefits such as clean water, carbon storage, habitat and erosion control. A government can create the legal basis, identify eligible services, establish contracts and monitoring, and then combine public revenue with company payments, carbon finance or other private sources.

Costa Rica's national PES programme, administered by FONAFIFO, has operated since the 1990s. Its funding sources include a fuel-tax allocation, a water-use charge, international finance and agreements with companies. The country is now extending the approach to mangroves through a marine PES pilot in the Gulf of Nicoya.

11. Create water funds

Water funds allow utilities, beverage companies, industries and other water users to invest collectively in the watersheds on which they depend. By pooling contributions and using a trusted technical and financial structure, they can turn scattered corporate spending into long-term landscape management.

Ecuador's Water Protection Fund, FONAG, was created to conserve and restore the water sources serving Quito. It combines contributions from public utilities and other partners, then invests in watershed conservation, restoration and community work. Its experience shows how a locally governed fund can connect downstream water security with upstream ecosystem stewardship.

12. Build high-integrity biodiversity credit and habitat-bank systems

Biodiversity credits can create a payment for verified, additional and durable improvements in nature. Habitat banks can aggregate restoration or conservation actions and sell units to buyers. Governments have a central role in setting rules for baselines, additionality, permanence, leakage, monitoring, community rights and claims.

Colombia has developed habitat banks as tools for environmental compensation and is exploring wider biodiversity-credit markets. BIOFIN describes them as a way to channel investment through pay-for-performance arrangements and link conservation with rural development. The opportunity is real, but so is the risk of weak claims. Credits should complement strong regulation and the mitigation hierarchy. They must not become a licence to damage irreplaceable habitat. Colombia's experience highlights both the potential and the need for clear public policy and specialised risk-management tools.

13. Introduce conservation and tourism user fees

Nature-based tourism depends on healthy ecosystems, yet much of its revenue never reaches the places bearing the costs of conservation. Visitor levies, park fees, diving fees and hotel charges can create a recurring revenue stream if collection is efficient and the use of funds is transparent.

In Thailand, Pak Thale Sub-district adopted a THB 20 visitor fee in November 2025 to support the conservation of its coastal wetland and species such as the Spoon-billed Sandpiper. The model drew on Koh Tao, where an entry fee has generated approximately US$300,000 a year for environmental work. The amount paid by each visitor is small, but the cumulative and predictable revenue can be significant.

14. Connect sustainability certification to market advantage

Certification and eco-labels can help tourism, agriculture, fisheries and forestry enterprises gain market access, attract responsible customers and improve operating performance. Governments can establish credible national standards, subsidise the initial cost for smaller firms and link certification to procurement, promotion or preferential finance.

Sri Lanka's National Sustainable Tourism Certification scheme provided training and certification for nature-dependent businesses. According to BIOFIN, more than 200 certified businesses subsequently experienced income increases of 15 to 20 per cent. The wider lesson is that standards mobilise finance when they improve a company's commercial prospects, not when they are treated as a badge alone.

ENTERPRISES, CITIZENS AND LONG-TERM INSTITUTIONS

15. Incubate nature-positive enterprises

Many local and Indigenous enterprises have viable ideas but lack business planning, market connections, patient capital or the track record required by lenders. Incubators can help build an investable pipeline while keeping value and decision-making close to the people who steward ecosystems.

Costa Rica's RAICES Indigenous Tourism Incubator supports Indigenous-led tourism enterprises that depend on and help protect biodiversity. Its second edition, completed in 2024, mobilised and catalysed US$1.5 million. Similar models can be developed for regenerative agriculture, non-timber forest products, coastal livelihoods, restoration services and the circular bioeconomy.

16. Use fintech to make participation easy

Digital platforms can turn millions of small actions into a substantial finance stream. Mobile wallets, banking apps and loyalty programmes can let users round up payments, direct rewards to

restoration or contribute to verified projects. The platform must still provide transparent reporting on where money goes and what it achieves.

In the Philippines, GCash's GForest platform allows users to support environmental initiatives through its mobile app. It has engaged more than 24 million users, contributed to the planting of 4 million trees across 14,300 hectares and provided additional income to more than 11,300 farmers and their families. The scale of GForest shows how an everyday financial service can become an entry point for public participation in restoration.

17. Use crowdfunding to finance visible, verifiable projects

Crowdfunding is well suited to projects that people can understand and follow, such as planting native trees, restoring a wetland or tracking a threatened species. It can raise money, test public interest and build a constituency for larger public and private commitments.

Costa Rica's Huella del Futuro campaign has raised more than US$1.8 million and enabled the planting of over 250,000 trees. Georgia's Forest Friend platform invites companies and citizens to support reforestation through a real-time impact tracker. In Cuba, a campaign finances satellite tags for Cuban crocodiles. Together, these BIOFIN-supported cases show that strong storytelling works best when paired with credible project selection and transparent evidence of results.

18. Reward conservation on private and communal land through the tax system

Landholders often bear the direct costs of conserving habitat while many benefits accrue to society. Tax deductions, rebates and other fiscal incentives can make long-term stewardship financially viable and encourage landowners to enter formal conservation agreements.

South Africa amended its Income Tax Act to introduce Section 37D, which allows eligible landowners to deduct the value of land declared as a nature reserve or national park from taxable income. According to the South African National Biodiversity Institute, R200 million had been returned to conservation through the incentive at biodiversity stewardship sites. The mechanism aligns a private financial benefit with a durable public conservation commitment.

19. Establish conservation trust funds and finance-for-permanence models

Conservation trust funds are independent institutions that can receive, invest and disburse public, private and philanthropic capital over many years. A project-finance-for-permanence approach goes further by securing policy commitments, management capacity and a long-term financing plan before all pledged funds are released.

Bhutan for Life mobilised approximately US$43 million to provide a 14-year financial bridge for the country's protected areas and biological corridors. The model combines international donor and philanthropic funding with a commitment by the Royal Government of Bhutan to increase domestic

financing over time. It is designed to move from external support toward lasting national financial capacity.

20. Make nature visible in financial rules and corporate decisions

Capital cannot respond to risks and opportunities that remain invisible. Governments, central banks, securities regulators and stock exchanges can encourage or require companies and financial institutions to assess and disclose their dependencies, impacts, risks and opportunities related to nature. Sustainable-finance taxonomies can then help identify which activities make a credible contribution to biodiversity goals.

Through its partnership with the Taskforce on Nature-related Financial Disclosures, BIOFIN has supported baseline assessments in Colombia, Costa Rica, Ecuador, Mexico and Peru. The market is moving quickly. By late 2025, 733 organisations across 56 countries and areas had committed to nature-related reporting, including asset managers overseeing US$22.4 trillion. Disclosure does not finance conservation by itself, but it changes the information available to lenders, investors, insurers and boards. That can redirect far larger pools of capital than stand-alone conservation projects.

THE REAL OPPORTUNITY IS IN COMBINING MECHANISMS

No country needs all 20 mechanisms, and no single instrument will close the biodiversity finance gap. The strongest national strategies combine mechanisms around a clearly defined ecological and economic problem.

A coastal country, for example, might use a blue bond to raise capital, a guarantee to reduce risk, a tourism levy to provide recurring revenue, an enterprise incubator to develop local businesses and a conservation trust fund to manage resources over time. A forest country might combine payments for ecosystem services, tax incentives for landholders, sustainability-linked lending, credible carbon or biodiversity units and disclosure requirements for companies sourcing agricultural commodities.

In each case, the public role is much larger than issuing a financial product. Governments need to:

- align instruments with the National Biodiversity Strategy and Action Plan and a costed Biodiversity Finance Plan
- create a pipeline of projects with clear business models and ecological outcomes
- clarify land, resource and carbon rights before transactions begin
- involve Indigenous Peoples and local communities in design, governance and benefit sharing
- establish credible standards, baselines, monitoring and independent verification

- publish costs, risks, contracts, beneficiaries and results
- apply the mitigation hierarchy so finance first avoids harm, then reduces and restores it
- review harmful subsidies and other incentives that continue to drive biodiversity loss

This final point matters. Mobilising new private finance while leaving nature-negative financial flows untouched is like filling a bucket with a hole in the bottom. Countries need both sides of the equation: more investment in nature-positive outcomes and less public and private finance for activities that destroy the natural systems on which economies depend.

The most promising message from the growing body of global experience is not that one perfect mechanism has been found. It is that countries now have a much richer financial toolkit. The task is to choose the right combination, build the institutions that make it credible and ensure that finance serves nationally defined biodiversity priorities and the people who live with and care for nature.