Scaling Up Private Action for Nature

Opportunities for Development Co-operation and Finance

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OPPORTUNITIES FOR DEVELOPMENT CO-OPERATION AND FINANCE

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Foreword

Biodiversity is fundamental to sustainable development, underpinning ecosystem services that support livelihoods, economic growth, security and climate resilience. Yet biodiversity is declining at an unprecedented rate due to unsustainable production and consumption patterns, land-use change, ecosystem degradation and climate change. These trends erode natural capital, undermine ecosystem resilience and weaken economic and social stability, with developing countries disproportionately affected.

Recognising this crisis, the Convention on Biological Diversity's Kunming-Montreal Global Biodiversity Framework, adopted in 2022, provides an international roadmap with ambitious targets to halt and reverse biodiversity loss. Achieving these goals requires action and finance from all actors, including businesses and financial institutions. However, current private action on biodiversity remains limited. As a global public good, biodiversity's benefits are systematically undervalued due to market failures, and investment is further constrained by high risks and weak enabling environments in many developing countries. Together, these factors reduce incentives for private finance and investment in the conservation and sustainable use of natural resources.

Development co-operation can play a key role in overcoming these constraints. It can help correct market failures, rebalance risks and align private practices and financial flows with biodiversity objectives, creating the conditions for private sector participation. This report explores how development co-operation can scale up private action for biodiversity in developing countries – with a complementary OECD report on "Good Practices in Mobilising Public and Private Finance for Biodiversity" identifying priorities for action beyond development co-operation. Drawing on extensive consultations and analysis, this report identifies three interlinked entry points where development actors can add value: strengthening enabling environments, promoting private sector engagement and mobilising private finance. Partnerships and collaboration are central to these efforts, with development co-operation playing a catalytic and convening role to bridge public and private perspectives.

Chapter 1 sets out the case for private action for biodiversity in developing countries. Subsequent chapters explore opportunities for development co-operation in greater detail: chapter 2 looks at strengthening the enabling environments to shift private finance and practices towards biodiversity-positive outcomes; chapter 3 at private sector engagement to help private actors transition to more sustainable practices and supply chains; and chapter 4 at private finance mobilisation, including through blended finance approaches and other de-risking instruments that generate revenues for biodiversity. The annexes provide a broader picture of how development actors are responding and the challenges they face in mobilising private finance and engaging with the private sector on biodiversity.

The conclusions of this report are intended to inform the work of development co-operation providers, in particular members of the DAC, DFIs and MDBs but also other bilateral and multilateral providers, including South-South and triangular co-operation providers and private philanthropy.

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Abbreviations and acronyms

ABS	Access and benefit-sharing
ADB	Asian Development Bank
AECID	Spanish Agency for International Development Cooperation
AFD	Agence Française de Développement (French Development Agency)
AICS	Italian Agency for Development Cooperation
AIIB	Asian Infrastructure Investment Bank
BIO	Belgian Investment Company for Developing Countries
BIOFIN	Biodiversity Finance Initiative
CAF	Development Bank of Latin America and the Caribbean
CBD	Convention on Biological Diversity
CDP	Cassa Depositi e Prestiti (Italian National Promotional Institution)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CIV	Collective investment vehicle
DAC	Development Assistance Committee
Danida	Danish International Development Agency
DEFRA	Department for Environment, Food and Rural Affairs
DFI	Development finance institution
DSI	Digital sequence information
EBRD	European Bank for Reconstruction and Development
EDFI	European Development Finance Institutions
EFSD	European Fund for Sustainable Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
ENVIRONET	OECD DAC Environment Network
ESG	Environmental, social and governance
EU	European Union
FAO	Food and Agriculture Organization
FMO	Dutch Entrepreneurial Development Bank
FPIC	Free, prior and informed consent
GCF	Green Climate Fund
GDP	Gross domestic product
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation)
GSS	Green, social and sustainability
GSSS	Green, social, sustainability and sustainability-linked
ICMA	International Capital Market Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund

JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (German promotional and development bank)
KMGBF	Kunming-Montreal Global Biodiversity Framework
KOICA	Korea International Cooperation Agency
KPI	Key performance indicator
LAC	Latin America and the Caribbean
MDB	Multilateral development bank
MRV	Monitoring, reporting and verification
MSMEs	Micro, small and medium-sized enterprise
NbS	Nature-based solutions
NBSAP	National Biodiversity Strategy and Action Plan
NFMS	National forest monitoring system
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PES	Payments for ecosystem services
RBC	Responsible business conduct
RVO	Netherlands Enterprise Agency
SAIDC	Slovak Agency for International Development Cooperation
SCF	Slovak Challenge Fund
Sida	Swedish International Development Cooperation Agency
SIDS	Small island developing states
SLB	Sustainability-linked bond
TFFF	Tropical Forest Forever Facility
UN	United Nations
UNDP	United Nations Development Programme
USD	US dollar
WTO	World Trade Organization

Executive summary

The case for scaling up private action

Biodiversity underpins development, economic activity and human well-being, yet current production and consumption patterns are driving ecosystem degradation, particularly in developing countries where livelihoods directly depend on nature. The private sector both depends on and impacts biodiversity. Sectors such as agriculture, fisheries, forestry, mining, tourism, infrastructure and textiles rely heavily on nature but also drive deforestation, habitat conversion, over-exploitation and pollution, creating systemic economic risks including declining productivity, disrupted supply chains and stranded assets.

Through the Kunming-Montreal Global Biodiversity Framework (KMGBF), the international community has committed to halt and reverse biodiversity loss by 2030 and align all financial flows with biodiversity goals by 2050. Private momentum for biodiversity is increasing, but alignment remains limited. Key constraints include low awareness of nature-related risks, limited capacity and high transition costs – especially for small-scale producers. At the same time, the value of biodiversity remains poorly reflected in economic decisions, leading to negative externalities and under-investment.

Public action will remain central to address biodiversity loss, particularly where there are limited incentives and low profitability for the private sector, with public, private and blended finance playing complementary roles across different stages of biodiversity projects. In this context, development co-operation can help scale up private action for nature through three interlinked entry points: strengthening enabling environments, promoting private sector engagement and mobilising private finance.

Entry point 1: Strengthening enabling environments

A strong enabling environment is essential to halting and reversing biodiversity loss and shaping private sector decision making, encompassing capital allocation, supply chains, and production and consumption practices. Development actors can help strengthen these environments by supporting partner countries to improve policy coherence, design, pilot and scale positive incentives, develop national capacities and strengthen market infrastructure.

Enabling environments operate through complementary levers that address interacting market failures. These include: regulatory frameworks (e.g. sectoral regulation; intellectual property and innovation incentives; property rights for land and natural resources; trade policies and public procurement); economic instruments that adjust price signals (e.g. payments for ecosystem services, biodiversity-related taxes and fees, biodiversity offsets and emerging voluntary biodiversity credits, and reforms of environmentally harmful subsidies); market infrastructure (e.g. monitoring, reporting and verification systems, registries).

Together, these levers can foster certainty for long-term investment, strengthen investor confidence and translate into private sector responses, while helping to mainstream biodiversity and avoid harm. Achieving systemic change requires effective institutional co-ordination (including finance ministries) and consideration of local perspectives.

Entry point 2: Promoting private sector engagement

Private sector engagement is necessary to translate policy ambitions into changes in business models, value chains, and investment and financial decisions, including by raising awareness and enabling private sector participation in developing countries. Development co-operation can act as a bridge between biodiversity objectives and market expectations, catalysing private sector engagement that aligns trade, market development and nature-positive transitions.

Development co-operation engages with private actors from both donor countries or partner countries (from both the real economy and the financial sector) through multiple modalities, including direct partnerships; collaboration through international and local intermediaries such as banks, implementing partners, and funds; participation in multi-stakeholder platforms and public-private partnerships; and via embassies and country offices. These modalities allow development actors to leverage private expertise, networks and capital. Local presence in particular improves geographical intelligence and enables more tailored and timely engagement and partnerships.

Priority areas for private sector engagement for biodiversity goals include enabling trade facilitation and market access; building productive capacity; promoting sustainable supply chains (e.g. through responsible business conduct standards, environmental safeguards and impact assessments); fostering innovation and entrepreneurship; strengthening traceability systems; enabling informed private sector decision making through data and technology; and supporting knowledge exchange and policy dialogue.

Entry point 3: Mobilising private finance

Private finance for biodiversity remains far below what is needed. A key barrier is the difficulty of structuring bankable projects with scalable revenue streams. Mobilising private finance therefore requires focusing on the underlying assets that generate revenues linked to biodiversity outcomes and improving the risk-return profile of projects. Development co-operation can use development finance strategically – including blended finance, guarantees and catalytic capital – to de-risk projects and attract private investors.

Three revenue-generating pathways are particularly important: revenues generated directly from biodiversity-related assets such as nature-based solutions in infrastructure or biodiversity-linked use-of-proceeds bonds; revenues from broader sustainable investments that are partly redirected to biodiversity outcomes, for example through sustainability-linked loans, debt-for-nature swaps and results-based or impact-linked finance; and revenues generated through existing environmental markets, notably by integrating biodiversity into carbon markets to create additional revenue streams for nature-based projects while improving the integrity of projects. These pathways are complementary, but they all depend on credible revenue models, manageable risk and a supportive enabling environment.

Implications for development co-operation

Achieving the targets of the KMGBF requires progress across all three entry points – enabling environments, private sector engagement and private finance mobilisation. Development co-operation can play a catalytic role by aligning policies and financial frameworks, strengthening institutions and strategically deploying grants and de-risking instruments to unlock private investment aligned with national biodiversity priorities.

Progress will be incremental and will depend on careful sequencing and stronger partnerships among public and private actors, with trade standing out as an important channel for influencing private sector behaviours through supply chains and value chains.

1 The case for private action for biodiversity

This chapter sets out why the private sector is essential to halting and reversing biodiversity loss and achieving the targets of the Kunming-Montreal Global Biodiversity Framework. It shows how biodiversity underpins economic resilience, livelihoods, trade and development, while unsustainable production and consumption patterns continue to drive ecosystem degradation and amplify nature-related risks. The chapter identifies key constraints to private action - market failures, policy gaps and investment barriers - such as misaligned incentives, information asymmetries, limited technical capacity, and thin pipelines of investable projects. It introduces three entry points for development co-operation to help scale up private action for nature in developing countries: strengthening enabling environments, promoting private sector engagement and mobilising private finance through development finance. The chapter explains why a whole-of-system approach is needed to align business practices and financial flows with biodiversity objectives and highlights the catalytic role of development co-operation in de-risking investments, strengthening institutions, and advancing nature positive transitions through partnerships, policy dialogue and blended approaches.

The global biodiversity roadmap and the role of private action

Biodiversity is fundamental to development, economic activities and human well-being (OECD, 2021[1]). The private sector, comprising businesses and financial institutions, relies on biodiversity as it underpins the goods and services that support production, supply chains and value creation across multiple sectors and industries. Estimates suggest that more than half of global gross domestic product (GDP) in 2022 was moderately or highly dependent on biodiversity and ecosystem services (Evison, Low and O'Brien, 2023[2]), while billions of people – especially the poorest and most vulnerable – rely directly on healthy forests, wetlands and diverse landscapes for food, water, jobs and income generation (Angelsen et al., 2014[3]; Mayers, Buckley and Macqueen, 2016[4]).

Yet, economic activities and systemic failures continue to drive biodiversity loss by contributing to unsustainable production and consumption patterns, land-use change, pollution and ecosystem degradation. When biodiversity is lost, so too are the ecosystem services that support livelihoods, health, security, national economies and development (IPBES, 2019[5]), with some countries and sectors that heavily depend on nature being affected disproportionately (Johnson et al., 2020[6]). Therefore, addressing biodiversity loss is not only an environmental imperative, but also a core development and economic resilience challenge.

Given biodiversity's integral role to humanity, the international community has called for greater action to address biodiversity loss. The Kunming-Montreal Global Biodiversity Framework (KMGBF) under the UN Convention on Biological Diversity (CBD) provides a global biodiversity roadmap with targets to 2030 and goals to 2050 to halt and reverse biodiversity loss. It emphasises that achieving these goals requires a whole-of-government and whole-of-society approach, with action and finance from all stakeholders including the private sector (CBD, 2022[7]).

As such, the KMGBF also includes targets calling for private actors to directly or indirectly contribute to the alignment of their activities and finance and to mobilise additional resources for biodiversity. These include:

- progressively align all relevant public and private entities and their financial flows with the CBD's goals and targets (target 14);
- assess and disclose biodiversity-related impacts, dependencies and risks to enable private actors to align their operations, supply and value chains, and portfolios to progressively reduce negative impacts on biodiversity and increase positive impacts (target 15);
- increase financial resources from all sources – including domestic, international, public and private resources for biodiversity action – by mobilising at least USD 200 billion per year by 2030 (target 19).

Goal D of the Framework also calls for closing the biodiversity finance gap and aligning financial flows with the KMGBF and its vision for biodiversity.

Market failures and investment barriers constrain private action

Private action is necessary to address biodiversity loss. This means not only mobilising private finance but also changing business models, supply chains, procurement and sourcing practices, and land use and value chain management so that economic activity sustains rather than degrades nature. However, a range of barriers limit private action for biodiversity (see Annex A), disproportionately affecting small and medium-sized enterprises (SMEs) and financial institutions in developing countries (IPBES, 2026[8]). These investment barriers include low awareness of nature-related risks, lack of capacity and technical expertise, and the absence of investable project pipelines.

Persistent market failures are another significant barrier. The economic value of biodiversity and ecosystem services is often poorly understood or inadequately reflected in decision making and incentive structures faced by individual economic actors. This results in biodiversity's benefits being treated as free and inexhaustible, and leads to negative externalities where costs are not fully reflected in market prices, with individual actors therefore lacking sufficient incentives to act (OECD, 2025[9]). In addition, access to rival and non-excludable shared natural resources such as fisheries, forests and pastures are particularly vulnerable to over-exploitation, resulting in a "tragedy of the commons" context (Hardin, 1968[10]). Other causes of market failures include the public goods characteristics of biodiversity (non-rival and non-excludable), imperfect information and a lack of well-defined property rights (OECD, 2025[9]). Policy failures, such as incentives that assign a negative price to biodiversity, can further distort markets and promote activities that drive biodiversity loss.

These market and policy failures are reflected in the structure of many economic activities that often degrade the very natural systems they depend on, creating a feedback loop of risk. Agriculture alone is responsible for 80% of global deforestation (IPCC, 2022[11]), uses about three-quarters of freshwater resources (IPBES, 2019[5]) and, when combined with the food and construction sectors, contributes to half the global extinction-risk footprint (Irwin et al., 2022[12]). Globally, about three-quarters of major marine fish stocks are overexploited or depleted, compounded by illegal, unreported and unregulated fishing (IPBES, 2019[5]). The textile and fashion industry is responsible for roughly 20% of global water pollution (Niinimäki et al., 2020[13]); other high-impact sectors include mining, oil and gas, land development and construction, transport, electric energy production (e.g. hydropower) (Worldwide Fund for Nature/Deloitte, 2023[14]) and tourism (European Commission, 2020[15]). Armed conflict also exacerbates environmental degradation, including in protected areas, while land degradation and deterioration of aquatic ecosystems can, in turn, increase the risk of armed conflict (International Union for Conservation of Nature, 2021[16]).

Private sector actors are already experiencing the economic consequences of the depletion and degradation of natural resources, which are affecting profitability and their ability to repay lenders; related costs are therefore expected to grow[1] (BlackRock, 2024[17]). Conversion of natural land and ecosystem degradation could lead to the loss of ecosystem services (e.g. pollination, provision of fish stock and timber, and carbon sequestration) that could cost between USD 90 and USD 225 billion of global GDP annually by 2030 under business-as-usual scenarios (Johnson et al., 2021[18]); and businesses and financial institutions also could face input scarcity, price volatility, stranded assets, relocation costs and heightened market, credit, liquidity and business risks (OECD, 2023[19]). Reflecting this, extreme weather events, critical changes to Earth systems, biodiversity loss and ecosystem collapse, and natural resource shortages are perceived to be among the top four most severe global risks over the next decade (World Economic Forum, 2024[20]). These trends associated with nature-related risks[2] underscore the urgency of increasing private action to halt and reverse biodiversity loss.

However, while some businesses take actions that benefit biodiversity (and themselves), existing investment frameworks and incentives reinforce these risks and prevent the value of biodiversity from being captured in revenue streams, risk mitigation or cost savings (Holtedahl, Köberle and Koci, 2023[21]). At the same time, uncertainty as to whether consumers will be willing or able to pay a voluntary premium today in the form of higher prices for biodiversity-friendly products, as well as the costs for low-income and small producers to transition to more sustainable production and supply chains (e.g. certification and compliance), may also discourage private action (OECD, 2025[22]).

Addressing biodiversity loss requires a balanced approach that combines policies, incentives, innovation and value creation so that biodiversity conservation and sustainable practices become a viable and attractive part of business models.

The way forward: Entry points for development co-operation

Ultimately, it is essential to align policies, economic incentives and investment frameworks to the value of biodiversity, correcting market failures and lowering barriers so that private actors invest in ways that sustain natural capital and deliver tangible economic and societal benefits. Achieving this requires breaking silos across environment, finance, trade and development policies, through whole-of-policy approaches and close co-ordination between public authorities, development agencies, MDBs, DFIs and other development co-operation providers, implementing partners and private actors. However, constraints on resources, capacities and awareness as well as political challenges create significant bottlenecks.

Development co-operation can help overcome these constraints by playing a catalytic role in line with its broader role as a system-shaper in addition to financier. Despite significant increases of official development finance in support of biodiversity from development co-operation providers, mobilisation of private finance through development finance for biodiversity remains limited, reaching USD 1.7 billion in 2023, or just 1.4% of total private finance mobilised through development finance on average over 2017-23 (OECD, forthcoming[23]). These low levels reflect both the aforementioned general barriers to investment as well as specific operational challenges faced by development co-operation providers when engaging with the private sector (Annex B).

Moreover, the low mobilisation is also due to the process of capital reallocation, which can be lengthy and include several steps: identifying unsustainable business practices that drive environmental degradation; integrating nature-related risks into financial risk assessment and credit metrics; progressively adjusting incentives and aligning corporate balance sheets with biodiversity objectives; and mobilising private finance while improving business practices.

Against this background, development co-operation can scale up private action for biodiversity in developing countries via three complementary and interlinked entry points,[3] i.e. strengthening enabling environments, promoting private sector engagement and mobilising private finance.

- **Strengthening enabling environments.** Addressing regulatory and policy failures is critical to internalising the economic value of biodiversity. This is because regulatory certainty can act as a market signal by clarifying long-term policy direction and requirements, thereby creating predictable demand for biodiversity-positive solutions. Chapter 2 explores how development actors can support partner country governments to strengthen measures that (re)align incentives, build investor confidence and accelerate change by focusing on environmental policy and regulatory frameworks, economic incentives and market infrastructure (e.g. monitoring and enforcement systems).
- **Promoting private sector engagement.** Private actors often face practical barriers to integrating sustainable biodiversity and natural resources considerations into business models, supply chains and investment decisions. Chapter 3 examines how development actors can engage with private actors in donor countries and from partner countries – either directly or indirectly through (financial) intermediaries, multi-stakeholder platforms or embassies – to scale private action for biodiversity and natural capital. Such engagement can include strengthening local capacities; facilitating trade and market access; enabling responsible and traceable supply chains; fostering innovation and entrepreneurship; promoting RBC, technology and data; raising awareness; and supporting knowledge exchange and policy dialogue.
- **Mobilising private finance.** Traditional private investment faces constraints because many biodiversity investments deliver limited financial returns and current frameworks undervalue nature. Still some opportunities exist to mobilise private finance. Chapter 4 shows how development actors are using various financial instruments and mechanisms (e.g. structured vehicles, guarantees and thematic bonds); supporting financial structures (e.g. debt-for-nature

swaps) and helping aggregate revenue streams to improve project cashflows and de-risk investments. Strategies can be tailored to the type of asset (e.g. nature, green, other), expected financial return, and intended biodiversity outcomes, with development finance used to balance and share risks and leverage private finance for biodiversity.

These entry points help development co-operation providers address market failures and investment barriers by strategically using policy dialogue, capacity development and development finance to streamline the capital reallocation process; create investment opportunities; and increase activities that support biodiversity (Table 1.1). Through these entry points, mainstreaming biodiversity considerations across all development strategies and programmes offers the potential to reinforce conservation and sustainable use objectives, generating co-benefits with other policy goals (e.g. food and water security, natural infrastructure, ecotourism).

While the first two entry points aim to align private sector activity with biodiversity goals, the third focuses on mobilising additional financial flows towards biodiversity objectives. Efforts across all three can help make biodiversity-related projects more attractive and bankable for private actors. As such, all development actors can play a role in scaling up private action for biodiversity, whether through grants (including for capacity development and technical assistance) or leveraging mechanisms (Annex B). Indeed, support for strong and stable regulations to strengthen strategic partnerships and reduce risks when investing in developing countries is key to transitioning to sustainable pathways (Swedish Enterprise, 2024[24]).

A final point relates to the continued centrality of the public sector for achieving certain environmental conservation objectives in developing countries (OECD et al., 2024[25]). Given limited incentives and low profitability for the private sector, public efforts remain indispensable to provide direct conservation funding and ensure robust oversight of emerging nature-related finance mechanisms, including regulation of new asset classes (Kedward et al., 2023[26]). In this context, public, private and blended finance can have complementary roles across different stages of biodiversity projects (Beverdam et al., 2025[27]), combining policy direction, risk sharing and investment to deliver sustained impact.

Table 1.1. Entry points for scaling up private action for biodiversity in development co-operation

✓ ENTRY POINTS	✓ MECHANISMS	✓ PRIORITIES	✓ KEY CONSIDERATIONS
Strengthening enabling environments	Regulatory frameworks Economic instruments Market infrastructure (e.g. monitoring and enforcement systems)	Support design and implementation of coherent policy and regulatory frameworks (e.g. trade policies, sectoral regulation) that steer private decisions towards biodiversity-positive outcomes Help reform incentives, including subsidies harmful to biodiversity and scale up biodiversity-positive economic instruments/incentives Strengthen tenure and innovation systems, especially for local actors, SMEs and communities Invest in data, MRV (monitoring, reporting and verification) and market infrastructure underpinning biodiversity-related decisions	Strong enabling environments are a prerequisite for effective private sector engagement and private finance mobilisation Domestic political commitment and ownership are critical for sustained reform Policy coherence across ministries and sectors is essential to avoid conflicting signals
Promoting private sector engagement	Trade facilitation and market access Building productive capacity Sustainable supply chains Fostering innovation and entrepreneurship Traceability Enabling informed private sector decision making Supporting knowledge exchange and policy dialogue	Use convening power to build partnerships with firms, financial institutions and local actors around biodiversity-positive pathways Provide capacity development and technical assistance to mainstream biodiversity in corporate strategies and risk management Support uptake of certification, traceability and disclosure frameworks Strengthen capabilities of MSMEs and farmers to meet standards and participate in sustainable value chains	Private momentum is increasing, but alignment of business models and financial flows with the KMGBF remains limited Engagement must be grounded in safeguards and RBC, including respect for Indigenous peoples and local communities Expectations on speed and scale of private responses should be realistic Support for transitions as private actors require long-term support to transition towards more sustainable practices
Mobilising private finance	Direct investment in biodiversity-related activities Integrating biodiversity into other sustainable investments and re-directing revenues for biodiversity objectives Integrating biodiversity into existing market mechanisms (e.g. carbon markets)	Use blended finance and other risk-sharing instruments to mobilise private finance for biodiversity Support development of pipelines of bankable biodiversity-positive projects, including addressing small ticket sizes and high transaction costs Integrate biodiversity objectives into climate and sustainable finance instruments and market mechanisms Ensure mobilised finance delivers measurable biodiversity outcomes and strengthens local systems	Mobilised private finance for biodiversity is still modest relative to needs and scaling up will require replication and learning Revenue streams and risk-return profiles can be uncertain; instruments must be adapted to local contexts Integrity and avoidance of greenwashing are critical when using innovative instruments and markets Co-ordinated action across enabling environments, private sector engagement and finance are needed to reach scale

Source: Authors' elaboration.

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Notes

[1] The reciprocal relationship is captured by the concept of double materiality, which refers to the idea that nature-related issues can be material both financially (i.e. how nature affects the organisation) and environmentally or socially (i.e. how the organisation affects nature). For more details, see https://tnfd.global/wp-content/uploads/2023/08/Recommendations-of-the-Taskforce-on-Nature-related-Financial-Disclosures.pdf?v=1734112245.

[2] Nature-related risks include physical risks (e.g. water scarcity, pollinator loss); transition risks (e.g. regulatory changes, shifting consumer preferences); and liability risks (e.g. legal or reputational consequences) that affect businesses and financial institutions. Transition risks are accelerating due to stricter environmental regulations, taxation of harmful activities, shifting consumer preferences and new sustainability standards. Liability risks also are intensifying with rising public awareness on biodiversity. For further discussion, see OECD research at https://doi.org/10.1787/d52137a5-en; a report for the Coalition of Finance Ministers for Climate Action at https://www.financeministersforclimate.org/sites/cape/files/inline-files/Bending%20the%20Curve%20of%20Nature%20Loss%20-%20Nature-Related%20Risks%20for%20MoFs_2.pdf; and the Dasgupta Review at https://assets.publishing.service.gov.uk/media/602e92b2e90e07660f807b47/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf.

[3] The identification of these entry points is mainly based on information from individual consultations with development actors including DAC members, DFIs and MDBs (see Annex B). Findings from this report may also be applicable to other stakeholders including South-South and triangular co-operation providers, private philanthropies, and impact investors whose mandates and risk-return profiles are similar to those of the development actors that are the focus of this report.

2 Enabling environments

This chapter explains how strong enabling environments can help shift private incentives, business practices and financial flows towards biodiversity positive outcomes. It sets out why coherent policy and regulatory frameworks are essential to correct market failures, provide long term policy certainty and strengthen investor confidence. The chapter focuses on three complementary levers: regulatory frameworks, economic instruments and market infrastructure. It examines how development co-operation can support partner countries to strengthen biodiversity-related regulation, reform environmentally harmful subsidies and incentives, improve land and resource governance, integrate biodiversity into trade and procurement policies, and strengthen monitoring, reporting and verification systems. The chapter also highlights the importance of policy coherence, institutional co-ordination and country ownership in creating credible and predictable conditions for investment. By strengthening enabling environments, development actors can help internalise the value of biodiversity in economic decision making and lay the foundations for private sector engagement and finance mobilisation at scale.

Strong enabling environments are important for private action and biodiversity

Enabling environments are key to correcting market failures and aligning the incentives of individual economic actors, so that private sector activities and investment appropriately reflect the value of biodiversity in economic and financial decision making. Such failures, including information asymmetries, temporal and spatial mismatches, and weak governance structures, impede the accurate valuation of biodiversity, leading to mispricing, reduced incentives for private investment and unsustainable production and consumption patterns that accelerate biodiversity loss and environmental degradation. Strengthening enabling environments can help align private action with conservation and the sustainable use of natural resources objectives.

In this context, a predictable enabling environment refers to the policy, regulatory and institutional support systems and economic incentives that guide private behaviour and thus shape investment, production and consumption decisions. Regulation sets the baseline by defining minimum requirements, safeguards and boundaries for environmentally harmful activities, ensuring that negative impacts are avoided or mitigated. Policy frameworks, in contrast, go beyond prohibitions to create the conditions for nature-positive transitions by enabling investment, innovation and risk sharing. Together, these elements support the adoption of sustainable business practices, reduce uncertainty for long-term investment and facilitate the allocation of capital towards activities that deliver positive outcomes for businesses, people and the planet (IPBES, 2026[1]).

Conversely, adverse legal and regulatory conditions can reinforce biodiversity loss and deter private action. Lengthy business registration procedures, weak protection of intellectual property rights, complex and changing taxation rules, heavy procedures to obtain proof of origin, and divergent administrative or technical requirements all raise costs and uncertainty (Adriaenssens, 2015[2]). Such barriers disproportionately affect innovative and small-scale actors (chapter 3) and discourage financial innovation (chapter 4), thereby limiting partnerships and the use of blended finance and other mechanisms that are needed to scale biodiversity finance.

Domestic and international trade can amplify these failures by uncoupling consumption from the environmental costs of production, increasing the pressure on the biosphere through resource depletion, pollution and habitat loss (Dasgupta, 2021[3]; FAO, 2022[4]). When biodiversity impacts are not internalised in prices or regulatory frameworks, trade can magnify and spread these pressures across borders. These impacts vary across contexts but are typically most pronounced where regulatory frameworks are weak or poorly enforced. As global demand for commodities and natural resources continues to grow, addressing biodiversity loss requires coherent policy frameworks that internalise environmental costs and realign private incentives with the KMGBF. Reflecting this need, more than 14 000 companies, with combined revenues over USD 7 trillion, have called for robust policy frameworks to shape market conditions (Business for Nature, 2024[5]).

Three key levers shape an enabling environment that supports private action on biodiversity

A strong enabling environment is essential to halting and reversing biodiversity loss and shaping private sector decision making, encompassing capital allocation, supply chain structures and business practices, among others. Achieving systemic change requires effective institutional co-ordination (including with finance ministries) and consideration of local perspectives, for instance farmers, SMEs and commercial banks in developing countries. Private sector engagement (chapter 3) and private finance mobilisation (chapter 4) for biodiversity depend on supportive enabling conditions.

Strong enabling environments operate through a set of complementary levers that address interacting market failures. A mix of these levers is typically required to enable governments to enhance policy coherence, provide regulatory certainty and build investor confidence – all of which are necessary to influence behaviour and direct investment towards biodiversity-positive outcomes.

Three key levers are essential to strengthen an enabling environment for private action on biodiversity: [1]

- regulatory frameworks (e.g. sectoral regulation, property rights, intellectual property, innovation incentives, public procurement, trade policies),
- economic instruments (e.g. scaling up biodiversity-positive incentives, addressing environmental harmful subsidies),
- market infrastructure (e.g. monitoring and enforcement systems, registries).

Development co-operation can support partner countries in strengthening these levers through technical assistance, policy support and development finance (OECD, 2013[6]; Zhang et al., 2025[7]). By supporting their design and implementation, development actors can help reduce risks, strengthen institutions, increase private sector participation and finance for biodiversity, and promote market creation for nature. Strong domestic political commitment and ownership in partner countries are also indispensable to translate technical and capacity solutions and regulatory measures into actual outcomes.

The effectiveness and replicability of these levers vary across local and national contexts (Alpízar et al., 2020[8]) and depend on sequencing and institutional readiness. For instance, secure tenure and property rights are preconditions for attracting private investment, including and especially in natural assets; reliable monitoring and enforcement capacity is needed to deter illegal activities (e.g. illegal logging); and integrating biodiversity into development planning requires human and technological capacity as well as standardised metrics of environmental performance (NBSAP Accelerator Partnership, 2024[9]; Tobin-de la Puente and Mitchell, 2021[10]). Attention to sequencing can therefore help manage expectations regarding the pace and scale of efforts.

Moreover, transitioning to sustainable practices and deploying biodiversity-related financial instruments are unlikely to succeed where demand is uncertain and credible market conditions are absent. The creation of nature markets is therefore contingent on the strength of the underlying enabling environment, which underpins the functioning of markets that depend on nature (Box 2.1). Beyond biodiversity-related challenges, developing countries often face weak institutional capacity and enforcement, which can increase reputational, integrity and financial risks for private investors. Ensuring a robust enabling environment is therefore important to foster credible demand and support market development.

Box 2.1. Enabling environments are a precondition for market creation for nature

The term ‘nature markets’ broadly refers to systems where goods or services linked to biodiversity and natural resources (also called natural capital) are traded. Market creation for nature can encompass a broad range of arrangements (OECD, 2004[11]). However, while markets exist for some forms of natural capital, such as provisioned goods (e.g. crops, wood and minerals), only a portion of natural capital is currently reflected in market prices (BlackRock, 2025[12]), with pricing particularly underdeveloped for regulating services (e.g. water filtration) and cultural services (e.g. recreation) (World Economic Forum, 2025[13]).

Constraints on the expansion of markets that value nature include weak regulation and oversight, limited knowledge and transparency of market conditions, inconsistent data and time lags between incurred costs and revenues, all of which discourage market participation (Conservation International and EcoAdvisors, 2024[14]). The availability of core market infrastructure for nature finance – data systems, registries and verification platforms, for example – as well as expectations around consumer behaviour and investor preferences also impact potential expansion, as these can influence how natural capital is valued in markets and shape business decisions related to strategies and supply chains reliant on nature.

Ultimately, the emergence of nature markets is contingent on enabling environments that allow biodiversity-related value to be priced, traded and managed with integrity. With the emergence of new nature market tools and approaches such as nature credits and digital and tokenised instruments, there is a critical need for adaptive, transparent and predictable regulation to reduce the risk of greenwashing (Gómez Mont, Persson and Buenadicha Sánchez, 2023[15]). Ensuring that those on the front lines of nature stewardship – farmers, foresters, fishers, landowners, marine and freshwater resource users, managers of protected areas and local communities – can participate in and benefit from these markets is especially important (European Commission, 2025[16]) if nature markets are to deliver genuine natural capital outcomes and public benefits.

Regulatory frameworks

Regulatory frameworks set the parameters that determine what activities are permitted, restricted or prohibited; allocate rights and responsibilities; and influence the costs, risks and returns associated with biodiversity-related investment. Thus, they serve as supportive mechanisms to broader ecosystem drivers – investor expectations, corporate risk mitigation strategies, upstream and downstream integration of environmental requirements, long-term natural resource dependencies and consumer behaviour, for instance – that reinforce, enable and scale transitions within markets and value chains. As such, they determine whether private action flows towards biodiversity-positive activities or continues to reinforce practices that can place nature at risk.

Despite significant progress, institutions and policies still fall short of what is needed for environmental considerations to be reflected in production and consumption decisions (WTO/UNEP, 2018[17]). In many cases, policies across sectors remain misaligned, sending contradictory signals to markets and investors. Moreover, conflicting policies and insufficient biodiversity mainstreaming – such as transport infrastructure planning frameworks that prioritise network expansion without fully integrating biodiversity considerations – can exacerbate biodiversity loss and drive habitat fragmentation (OECD, 2021[18]). Inconsistencies like these dilute incentives for biodiversity-positive actions and may also perpetuate activities that are harmful for nature. Importantly, the proliferation of policies and standards related to environmental objectives, combined with limited harmonisation, can especially impact small producers and developing countries as they may struggle to deal with rising compliance costs (OECD, 2025[19]).

Policy coherence across sectors (e.g. fisheries, forestry, agriculture, tourism and infrastructure) is therefore essential to align incentives, reduce trade-offs, boost innovation and ensure that regulatory frameworks efficiently support sustainable business and trade practices. Achieving this coherence would require integrating biodiversity considerations into broader economic, fiscal, sectoral and trade policies to ensure that biodiversity goals are not undermined by competing national priorities and to provide consistent investment signals to the private sector.

This subsection focuses on the following key components of policy and regulatory frameworks where development co-operation can support the alignment of finance and investment with biodiversity goals: sector regulation, intellectual property, innovation incentives and benefit-sharing, property rights regimes for natural resources, public procurement and trade policies.

Sector regulation

Sector regulation is essential for operationalising biodiversity considerations through concrete regulatory and policy instruments, and it defines how economic activities take these instruments into account. Effective and coherent regulation can drive alignment of private practices, for example by setting standards that have to be met while also mobilising private investment, thus reducing overall financing needs.

These instruments may include regulatory (command and control) measures such as protected areas and zoning systems, as well as spatial planning instruments and legally designated ecological corridors. Protected areas, for example, through their legal status, management plans and zoning schemes, define permissible uses, reduce regulatory uncertainty and help direct private investment towards biodiversity-positive activities such as restoration, sustainable tourism and certified value chains while safeguarding no-go areas.

Sector-specific regulations are particularly important for mainstreaming biodiversity considerations into nature-dependent sectors. These may include environmental quality or quantity standards (e.g. water use limits or fishing gear specifications); environmental impact assessments (EIAs); permitting systems; and due diligence requirements for certain commodities. For example, pollution from agricultural intensification and increased use of fertilisers and pesticides contributes to soil degradation and water contamination, underscoring the importance of binding regulations on nutrient and pesticide use. To ensure policy coherence, frameworks such as National Biodiversity Strategies and Action Plans (NBSAPs) could help align national biodiversity priorities across sectoral policies and regulations, as discussed in Box 2.2.

Development co-operation also can play a catalytic role in supporting the design, adoption and implementation of these sector regulations by providing technical assistance, funding and institutional capacity development. For instance, Sida's support to the Zambia Environmental Management Agency is contributing to the implementation of new chemicals legislation on pesticide management, including development of administrative tools, co-ordination mechanisms and guidelines, alongside long-term advisory support from the Swedish Chemicals Agency to strengthen management of chemicals by society and Zambian companies (Openaid, 2025[20]). At the regional level, the Food and Agricultural Organization (FAO) has helped Southern African governments develop regional pesticide management guidelines aligned with biodiversity conservation (FAO, 2025[21]). Other initiatives support the integration of biodiversity considerations directly into sector policies. For example, a United Nations Development Programme (UNDP) project implemented with technical assistance from the FAO and funding from the GEF focused on mainstreaming conservation and sustainable use of biodiversity resources into sector and national agricultural and land management policies and plans in Lao People's Democratic Republic (UNDP, 2018[22]).

Development co-operation also supports shared regulatory agendas for the sustainable management and exploitation of transboundary and globally significant natural resources. For example, several DAC members[2] support the World Bank's PROBLUE multi-donor trust fund, which strengthens the enabling environment for sustainable blue economy investment through marine spatial planning, policy reforms, analytical tools and blue-finance frameworks (World Bank, 2025[23]). By integrating biodiversity considerations into marine pollution management, sustainable fisheries, circular plastics and coastal resilience strategies, PROBLUE helps align public and private investment with sustainable ocean governance.

Many biodiversity assets extend across national boundaries such as the Amazon forest, marine corridors and shared ocean ecosystems require co-ordinated regulatory frameworks and regional collaboration (OECD et al., 2025[24]). In this context, PROBLUE and the GEF are supporting the Eastern Tropical Pacific Marine Corridor (CMAR), a regional initiative involving Colombia, Costa Rica, Ecuador and Panama that aims to strengthen joint conservation planning and resilient governance and promote sustainable blue economy models across national boundaries (Global Environment Facility, 2025[25]; Serrano et al., 2025[26]). Through such interventions, development actors help increase policy coherence across sectors and jurisdictions, and provide clearer signals to private actors.

Box 2.2. National biodiversity strategies and action plans (NBSAPs) as frameworks for mainstreaming and policy coherence

Mainstreaming biodiversity across sectoral policies requires strong cross-ministerial co-ordination to ensure policy coherence and provide clear signals for private action, including action to mobilise private finance for biodiversity and reduce negative flows. NBSAPs can serve as a central co-ordination framework.

NBSAPs are the main instrument through which countries translate global biodiversity commitments under the CBD into national strategies and action plans. As national biodiversity roadmaps, they set national biodiversity priorities and provide long-term policy direction, with the potential to offer a strategic signal to private actors.

Biodiversity finance strategies and clearer roles for private actors are increasingly included in newly updated plans (UNEP-WCMC, 2025[27]). However, NBSAPs tend to be high-level policy documents that, in practice, are not well aligned across ministries and rarely cascade into prioritised, costed and implementable actions linked to national investment planning, fiscal policy or financial sector decision making (World Economic Forum, 2025[13]; UNEP-WCMC, 2025[27]). Limited political ownership and insufficient engagement of finance, planning, economic and infrastructure ministries further reinforce siloed implementation (OECD, 2013[6]; NBSAP Accelerator Partnership, 2024[9]). As a result, private action may go towards ad hoc initiatives rather than nationally endorsed biodiversity priorities, limiting its overall effectiveness.

Strengthening NBSAPs as levers for private action

NBSAPs can be strengthened by defining concrete metrics, prioritised actions and measurable deliverables that allow them to be used as guiding principles for allocating resources and demonstrating impact. Translating priorities into spatially defined investment rules and a clear logic for financing – including protected area management plans, restoration priorities and ecological connectivity measures – can help channel private finance towards nationally endorsed biodiversity outcomes.

Effective implementation also depends on co-ordination across national and subnational governments to ensure enforcement capacity, alignment with broader development objectives and adequate institutional capacity at local levels. Engaging finance ministries in the revision and implementation of NBSAPs is particularly important to ensure that financial considerations are properly embedded and aligned. Raising private sector awareness of the national biodiversity priorities set forth in the NBSAP is a critical entry point for supporting implementation (UNEP-WCMC, 2025[27]). Structured dialogue platforms that bring together ministries, regulators and investors also can help align priorities, address information gaps and foster mutual understanding.

Development co-operation can play a role in strengthening NBSAPs by providing support to integrate biodiversity goals into core public finance and planning instruments, supporting their operationalisation through regulations and investment frameworks, and facilitating multi-stakeholder policy dialogue. Collaborative efforts with platforms such as UNDP's Biodiversity Finance Initiative (BIOFIN), the NBSAP Acceleration Partnership and the UNDP Sustainable Finance Hub promote policy dialogue and build capacity across ministries and financial regulators to integrate biodiversity into national financial and policy frameworks. BIOFIN, supported by several DAC members[1], helps governments develop biodiversity finance plans and implement evidence-based finance solutions. For instance, BIOFIN supported Zambia to set up a Green Finance Mainstreaming Working Group, bringing together the three key financial regulators to create a formal mechanism to align financial sector policies and supervision with sustainability objectives and also supported financing for Zambia's NBSAP (UNEP/WWF, 2024[28]).

Private sector engagement in the co-development of NBSAPs can further foster strategic business responses and investment planning. For example, the GEF has supported business-government dialogue processes in Chile, Colombia, Malaysia, and South Africa to integrate business action plans and recommendations into NBSAPs (CI-GEF, 2025[29]).

1. DAC members funding BIOFIN are Belgium, Canada, France, Germany, the European Union, the Netherlands, Norway, Switzerland and the United Kingdom.

Property rights regimes

A clear, robust regime of property rights and titling is essential for private investment frameworks. This is particularly relevant for biodiversity, where the allocation of rights and responsibilities directly shape resource use and conservation outcomes. A property right can be understood as the authority to undertake particular actions in relation to a specific resource, including withdrawal (e.g. to determine how, when and where resource extraction may occur) and access, management, exclusion, and transfer; different rights create different incentives to conserve or degrade natural resources (Schlager and Ostrom, 1992[30]; OECD, 2004[11]).

Unclear or contested ownership arrangements often create barriers to sustainable resource management and imply fundamental uncertainties for investment. For example, lack of registered land rights can enable deforestation, undermine traceability systems (e.g. to verify whether agricultural commodities are deforestation free) and deter long-term investment (World Bank, 2024[31]). Moreover, weak legal certainty over land or sea rights; overlapping and competing land uses (e.g. agriculture, infrastructure and urban expansion); and land conflicts further exacerbate ecosystem degradation and present material risks for private investors and financiers. These issues may also limit local stewardship, particularly among Indigenous peoples and local communities facing legal and institutional barriers that constrain their ability to plan and monitor natural resources. Inadequate consultation and weak social legitimacy can increase both social and investment risks, including risks to project durability and investment performance.

Secure property rights help legitimise nature markets and strengthen investor confidence. They enable enforceable contractual arrangements and ensure that access is well defined so that the owner can reasonably expect that today's investments will generate future returns. This, in turn, can help increase both demand and supply while reducing environmental degradation (Conservation International and EcoAdvisors, 2024[14]; OECD, 2004[11]). For example, the use of individual transferable quotas for fisheries has helped reverse degradation in several fisheries by linking long-term value to sustainable harvesting.

At the international level, legal frameworks governing state sovereignty over natural resources can interact with domestic property and use-rights regimes by establishing the jurisdiction within which access and management rules apply. For example, the UN Convention on the Law of the Sea establishes exclusive economic zones (United Nations, 1982[32]), clarifying sovereign rights over marine resources and creating the legal basis for national authorities to allocate use and access rights that can support sustainable management and investment.

Development actors can support governments in strengthening legal frameworks and institutional capacity for tenure rights which can reduce structural and operational risks and enable biodiversity-related investments. This can include technical assistance for land registration, cadastral development and the formalisation of customary tenure systems (GIZ, 2019[33]) as well as support for the promotion of free, prior and informed consent (FPIC) principles that are integral to investment integrity and financial sustainability. For example, the World Bank has helped Côte d'Ivoire deliver land certificates and land-use contracts, train government and private sector stakeholders, and strengthen women's land rights during the land registration process (World Bank, 2024[31]). Such initiatives can help resolve land disputes, increase tenure security, improve transparency, and enable more sustainable management of land, forest and water resources.

Intellectual property, innovation incentives and benefit-sharing

Intellectual property rights, including patent law and related market regulation, form an important part of a broader enabling environment that shapes private investment incentives, including in biodiversity-relevant markets. Patent and related intellectual property rules are important to motivating private investment (e.g. entrepreneurial researchers) towards innovation in products and processes for the conservation and sustainable use of biodiversity (UNEP/TESS, 2023[34]). They are particularly relevant in situations of easily replicable knowledge or technologies, ensuring that innovators can obtain profits from the investments over a fixed period of time.

In particular, inventions based on genetic resources and associated traditional knowledge can be subject to both patent protection and access and benefit-sharing (ABS) requirements. The CBD calls for effective legal, policy, administrative and capacity development measures to secure benefit sharing, linking biodiversity-based innovation to benefit sharing arrangements (CBD, 2022[35]; CBD, 2006[36]). These measures could be considered in the context of the broader international regime on ABS, which includes the CBD and its Nagoya Protocol (CBD, 2011[37]) as well as complementary mechanisms under the World Intellectual Property Organization (2024[38]); the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (WIPO, 2026[39]); the International Treaty on Plant Genetic Resources for Food and Agriculture; the Agreement on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (United Nations, 2026[40]); and the Pandemic Influenza Preparedness Framework of the World Health Organization (WHO, 2021[41]).

Implementing these ABS requirements in practice depends on technical and institutional capacity. However, many developing countries face significant gaps in technology, skilled personnel and biobanking infrastructure (e.g. facilities and systems for collecting, storing and documenting biological samples and associated data), which may hinder the effective implementation of ABS and the sustainable management of genetic resources.

Support from development co-operation can help address these gaps and strengthen capacities related to biological resources. For example, the Development Innovation Office of Korea International Cooperation Agency (KOICA) has supported a project in Tanzania to develop biobanking infrastructure and profit-sharing business models for parasite-derived resources, implemented in partnership with Cocoon, Turbosoft and Chungbuk National University (KOICA Tanzania Office, 2021[42]). The project also supports technology transfer, specialised training on parasite bioresources and the establishment of a laboratory, thereby enabling Tanzania to strengthen sovereign control over its genetic resources and share the benefits arising from their use, including through downstream innovation (e.g. in biotechnology, pharmaceuticals). The initiative illustrates how development co-operation can strengthen enabling frameworks (including intellectual property management), helping to stimulate innovation and ensure that benefits (e.g. royalties) are shared within the countries of origin.

Development actors can also play an important role in facilitating the implementation of ABS and compliance mechanisms and supporting the capacity of Indigenous peoples and local communities to participate in benefit-sharing arrangements.[3] For example, Germany, the Netherlands, Norway, Switzerland and the United Kingdom support the ABS BioTrade platform, which encompasses the ABS Capacity Development Initiative and BioInnovation Africa. The mission of the platform is to help countries in Africa, the Caribbean and the Pacific implement ABS provisions within the KMGBF and improve capacities in digital sequence information (DSI) and ensure that Indigenous peoples and local communities participate in ABS agreements (ABS-Biotrade, 2026[43]). The platform also works with key actors (e.g.

farmers, cooperatives, MSMEs and research institutions) to strengthen biotrade[4] value chains of indigenous species and supports European-African business partnerships for biodiversity-based products and innovations.

Benefit-sharing mechanisms exist in particular at the international level through multilateral frameworks. Multilateral mechanisms for benefit sharing from the use of DSI on genetic resources can help preserve incentives for research and innovation in at least two ways. First, they can ensure that solutions are efficient, feasible and practical, and that they generate benefits that outweigh costs. Second, they can provide legal certainty and clarity for providers and users of DSI (including across sectors such as pharmaceuticals, cosmetics, and animal and plant breeding) (CBD, 2022[44]). An example is the Cali Fund, a multilateral benefit-sharing mechanism designed to mobilise private sector finance from businesses that use DSI on genetic resources (CBD, 2024[45]). Private sector representatives hold two observer seats on its steering committee, alongside representatives of civil society and academia, illustrating the Fund's whole-of-society approach at the global level that can help reduce transaction and compliance costs, enhance legal certainty and enable more equitable and scalable benefit sharing, including for Indigenous peoples and local communities. The Cali Fund further has the potential to become an innovative setting for collaboration and policy dialogue among public and private entities in support of international resource mobilisation for biodiversity (Box A.B.1). Strengthening these multilateral public-private partnership-type arrangements could help involve the private sector more effectively in biodiversity-related projects and unlock the innovation and financing they require.

Public procurement

Procurement policies can determine how goods and services are produced, sourced and consumed, influencing how natural resources are used across the economy. As major buyers, governments can shape market demand, provide long-term purchase commitments and set clear sustainability requirements. Countries are increasingly using green public procurement (GPP), the public purchasing of products and services that are less environmentally damaging, to achieve environmental protection objectives (OECD, 2024[46]). As a subset of GPP, the integration of biodiversity considerations into procurement criteria (e.g. deforestation-free supply chains, sustainable sourcing and certified products) enables governments to create predictable demand for biodiversity-related goods and services and incentivise private investment in nature markets. More broadly, public procurement can constitute a strategic instrument for advancing balanced economic, social and environmental objectives. Sustainable procurement requires balancing these three dimensions and comes with trade-offs that are often context specific – an important consideration for developing countries.

Many countries also are establishing national ecolabels and certification programmes to help procurers identify green products or services or are developing sectoral environmental standards and contract provisions related to recycling, sustainable sourcing, waste management, plastic pollution and the circular economy. For example, South Africa promotes green procurement through circular economy guidelines in the waste sector that encourage integration of circular practices through value chains and lifecycle costing into procurement practices (Erizaputri and Bechauf, 2025[47]); and Brazil has ecolabels that certify environmentally friendly products and responsible suppliers (OECD, 2024[46]).

Despite progress, challenges remain, including a lack of data on the impacts of green procurement strategies and the need to better capture lifecycle costs and environmental impacts of goods and services procured, which can limit the ability of private suppliers to differentiate themselves and compete on sustainability performance.

Development co-operation can support partner countries in embedding biodiversity considerations into public procurement policies and strengthening institutional capacity among procurement authorities and contractors. For example, Germany supports Latin American countries in integrating biodiversity protection in sustainable public procurement policies by helping to define or improve procurement criteria using ecolabels as a means of verification (International Climate Initiative, 2026[48]). The Swedish International Development Cooperation Agency (Sida) supports Serbia through a project implemented by the National Alliance for Local Economic Development that aims to strengthen the capacity of contracting authorities, introduce environmental and sustainability criteria into procurement processes, and improve supply chain management (Naled, 2026[49]). Germany also supports sustainable palm oil supply chains in Asia, combining producer certification with demand-side measures including public procurement guidelines that favour certified products (International Climate Initiative, 2026[50]).

Beyond supporting partner country systems, development actors also influence biodiversity outcomes through specific environmental criteria applied to the procurement activities they directly finance. Development co-operation procurement guidelines can require all parties involved take all reasonable steps to avoid or limit negative effects on nature (e.g. vegetation, biodiversity, soils, groundwater and surface water) and consider environmentally sound products and/or services as well as relevant international and/or national frameworks, conventions and legislation. For example, they may prohibit certain chemicals or fertilisers applicable for the services or goods to be procured (Sida, 2020[51]; AFD, 2024[52]). In these ways, development actors can promote biodiversity considerations both in partner country systems and in their own procurement operations.

Trade policies

Trade links consumption in one country with production and investment in others, shaping demand and private sector incentives along value chains, particularly where production is export-oriented. But trade can have both positive and negative impacts for biodiversity (OECD, 2021[53]). For example, trade can have positive impacts on biodiversity by supporting the diffusion of technologies that enhance production efficiency, thus reducing natural capital depletion, and that connect demand for, and supply of, environmental goods and services that help tackle biodiversity loss (Dasgupta, 2021[3]).

However, the sourcing and trading of resources from nature-dependent sectors can generate significant environmental externalities both at the local and global level. For example, agricultural commodity production (e.g. for cattle, soybeans, cocoa and palm oil) has contributed to biodiversity loss and deforestation, while globalised supply chains mean that these impacts often occur far from the places of final consumption (Green et al., 2019[54]). In this context, increased market integration has contributed to forest conversion and biodiversity loss in exporting regions (FAO, 2022[4]). More broadly, most of the environmental impacts of trade depend on local conditions and tend to be exacerbated in poorly regulated contexts (FAO, 2022[4]). An upcoming OECD report explores additional trade and biodiversity linkages (OECD, forthcoming[55]).

Trade policies and measures can help address these environmental externalities. Environmentally related trade (e.g. wildlife, fish, timber and commodities) can be regulated at national, regional and global levels through a range of instruments. Non-tariff measures (NTMs), for instance, can influence trade flows by affecting quantities traded, prices or both (FAO, 2022[4]). They encompass sanitary and phytosanitary (SPS) measures that ensure food safety and protect animal or plant health as well as technical barriers to trade (TBT) such as technical regulations and standards related to environmental protection, pollution, labour health and safety, and consumer protection (FAO, 2022[4]).

Multilateral trade rules and regional trade agreements (RTAs) are increasingly used as a tool to support biodiversity objectives (FAO, 2022[4]). Trade agreements can help address environmental externalities by embedding environmental-related provisions including preferential access for biodiversity-friendly products, biodiversity safeguards, stakeholder engagement mechanisms and monitoring of implementation. Such provisions can be foreseen under multilateral agreements, such as those under the World Trade Organization (WTO) or the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (Box 2.3), and are increasingly being incorporated into RTAs. For example, the European Union (EU) and Mercosur Partnership Agreement includes binding commitments to combat illegal logging and deforestation, ensure the effective implementation of multilateral environmental agreements such as the CITES, uphold environmental standards and co-operate on sustainable supply chains for timber and other commodities. EU legislation, including the upcoming European Union Deforestation Regulation (EUDR), continues to apply to imports under the agreement, preventing the placement of deforestation-linked products on the EU market (European Commission, 2026[56]).

Development co-operation provides a key role in supporting these trade-related frameworks. It provides funding and technical support to policy dialogue and international co-operation on trade and biodiversity, and it helps partner countries implement and enforce relevant agreements, such as the CITES to combat illegal wildlife trade (OECD, 2023[57]). International co-operation through established trade mechanisms also enhances sustainable use of natural resources and at the same time supports livelihoods for the poor. This is in line with the needs stressed by developing countries, which highlight the importance of transparency, consultation and international co-operation in designing environment-related trade policies but also recognising different responsibilities and national sovereignty over natural resources (Kettunen, 2023[58]). Development actors also engage in sector-specific and supply chain initiatives such as the Forest, Agriculture and Commodity Trade Dialogue launched by the United Kingdom (FACT, 2023[59]), which enables government-to-government and government-to-business dialogues to protect forests and other ecosystems while also promoting sustainable international trade of agricultural commodities.

Box 2.3. The role of multilateral and international co-operation for biodiversity-related trade policy

Multilateral co-operation plays an important role in helping countries integrate environmental considerations into trade policy frameworks. Many developing economies are increasingly turning to aid for trade to help them integrate environmental and sustainability considerations into trade, including strengthening customs and SPS/TBT-related procedures, improving trade facilitation for sustainable and green goods, and building capacity to address trade-related environmental externalities as they engage in global value chains (OECD/WTO, 2024[60]). Discussions across WTO bodies are progressively addressing the interface of trade, biodiversity and sustainable development, including in the committees on Trade and Environment (WTO, 2025[61]) and on SPS (WTO, 2025[62]). Countries are also driving initiatives such as the Trade and Environmental Sustainability Structured Discussions (TESSD) (WTO, 2025[63]) and the Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (WTO, 2025[64]), further illustrating how the WTO is providing platforms to address environmental externalities embedded in global value chains.

Under WTO rules, countries can adopt trade-related measures aimed at protecting the environment. Dispute settlement rulings under the WTO such as Shrimp-Turtle and Brazil-Retreaded Tyres demonstrate how multilateral mechanisms help reconcile trade and environmental objectives (FAO, 2022[4]). Meanwhile, RTAs have evolved from instruments focused primarily on market access to frameworks that increasingly embed environmental provisions, including commitments on biodiversity conservation, regulatory co-operation, and support for sustainability standards (FAO, 2022[4]). Environment-related NTMs notified under the TBT Agreement have been growing steadily, accounting on average for 15% of all technical regulations and standards, reflecting the rising use of trade policy tools to address soil and water pollution abatement, energy conservation and plant and forestry conservation (Bellmann and van der Ven, 2020[65]).

These multilateral mechanisms support transparency, regulatory certainty and international co-operation, helping countries manage trade-related biodiversity risks and align global value chains with conservation goals. The CITES, an international conservation agreement that regulates cross-border wildlife trade, is another example of a multilateral trade framework to address biodiversity loss through international co-operation. Because the trade in wild animals and plants crosses national borders, efforts to regulate it rely on co-operation to safeguard certain species from over-exploitation (CITES, 2025[66]). The CITES regulates international wildlife trade in over 40 000 species based on a system of permits and certificates issued under certain conditions. The CITES trade-related measures, some of which often have domestic implications, are its core regulatory system and include trade bans, export quotas and science-based analysis of trade's impact on species conservation.

Economic instruments

Economic instruments complement regulatory command-and-control instruments by providing price signals that incentivise biodiversity protection (by encouraging positive behaviour and discouraging negative behaviour). Many can also generate revenue (e.g. biodiversity-relevant taxes) and mobilise finance for biodiversity (e.g. PES and biodiversity-motivated subsidies) (OECD, 2021[53]). By influencing production and consumption choices, such instruments help internalise environmental externalities and address the absence of market incentives for the provision of ecosystem services (e.g. incentives that support farmers in transitioning to agroecological and regenerative models).

Certain types of subsidies may, however, have unintended effects on biodiversity. Overall support for production and consumption remains skewed towards activities that distort markets and can put nature at risk, often surpassing support for biodiversity-related activities (OECD, 2025[67]). For example, on average 66% (USD 412 billion) of support to agricultural producers in 54 countries was identified as having high distorting potential, most of it market price support and budgetary transfers to individual producers (e.g. for the use of inputs such as fertilisers or fuel) (OECD, 2025[19]). In contrast, budgetary support directed to the supply of environmental public goods (e.g. planting hedges that provide habitat for insects and birds) represented less than 0.3% (USD 1.7 billion) of all positive producer support on average over 2021-23 (OECD, 2024[68]). Distorted price signals can create path dependencies between public subsidies and private behaviour that can reinforce environmentally harmful practices.

Target 18 of the KMGBF aims to reduce incentives, including subsidies, harmful to biodiversity and to scale up positive incentives for biodiversity (CBD, 2024[69]), key features to support the transition towards more sustainable production and consumption behaviours (IPBES, 2019[70]). This entails the identification and assessment of harmful incentives, consideration of alternatives against long-term welfare and environmental gains and, in particular, improvements in policy coherence, as it would be economically inefficient to finance biodiversity-positive incentives with scarce public resources while continuing to subsidise environmentally harmful activities (Matthews and Karousakis, 2022[71]).

This sub-section looks at both positive incentives and the reform of environmentally harmful subsidies as complementary components of an enabling environment for private action for biodiversity.

Positive incentives

Positive incentives for biodiversity aim to incentivise actions that conserve, restore or sustainably use biodiversity. They include a range of economic instruments: payments for ecosystem services (PES), tradeable permits, biodiversity offsets and emerging (voluntary) credits as well as environmentally motivated subsidies, taxes and charges – including on pesticides, fertilisers, natural resources extraction, wastewater discharges and entrance fees to natural parks – that integrate environmental costs and benefits into economic decision making (OECD, 2025[67]).

Depending on the instrument, they can either discourage activities harmful to biodiversity (e.g. pollution taxes) or reward positive outcomes (e.g. PES for reforestation). By aligning private incentives with environmental objectives, they enable markets to support conservation and the sustainable use of natural resources. For example, catch share reforms (including individual transferable quotas) may halt, and even reverse, the trend toward fishery collapse, by providing stewardship incentives for sustainable harvesting (Costello, Gaines and Lynham, 2008[72]).

PES schemes reward landholders or resource users for maintaining or enhancing ecosystem services such as carbon sequestration, watershed protection or habitat provisioning. Their effectiveness is greatest where property rights are clear, beneficiaries are well identified and organised, and are spatially targeted (OECD, 2025[67]; Engel, 2016[73]; Matzdorf, Sattler and Engel, 2013[74]).

Development co-operation can play an important role in helping to align incentives. For example, Sida supports policy dialogue and capacity building of high-level policymakers and decision makers in East African partner countries to reform policies and instruments (e.g. taxes, fees, pollution charges, green investments and subsidies), promoting a transition towards an inclusive green economy (Openaid, 2023[75]).

Development co-operation can also support partner countries to design, pilot and scale biodiversity-positive incentives. For example, funding from Germany, Norway and the United Kingdom supported a willingness-to-pay survey and the digitisation of payment systems in Tanzania’s Marine Conservation Areas, which enabled an increase in tourist fee revenues from USD 1.3 million to USD 4.3 million per year, with funding also channelled to conservation efforts including reef restoration and environmentally friendly fishing gear for local communities (BIOFIN, 2025[76]). In Peru, Canada and the United States supported the Natural Infrastructure for Water Security (NIWS) programme, enabling water utilities and local actors to use water tariffs and PES mechanisms to co-finance natural infrastructure projects, including watershed restoration, reforestation, wetland restoration, improved grazing practices and pre-Incan canal rehabilitation (Global Affairs Canada, 2025[77]).

Development co-operation actors are also supporting the emergence of biodiversity offsets and (voluntary) credits by helping partner countries identify appropriate use cases and develop high-integrity project pipelines. This includes strengthening the regulatory and market infrastructure to ensure that credits channel finance towards credible, measurable and additional conservation actions (revenue generation from integrating biodiversity into carbon mechanisms is explored in chapter 4). An example is the International Advisory Panel on Biodiversity Credits, co-launched by France and the United Kingdom, which runs a policy lab to help governments develop regulatory guidance and frameworks and works globally (including in developing countries), notably through the Panel’s Framework for High-Integrity Biodiversity Credit Markets (United Kingdom Department for Environment, Food & Rural Affairs, 2025[78]; International Advisory Panel on Biodiversity Credits, 2024[79]). In parallel, the European Commission has launched a Nature Credits Roadmap aimed at developing standards and reliable certification for nature-positive actions to ensure that biodiversity credits are effective and trustworthy. It is also piloting a project in Peru to assess how EU-based companies can contribute to biodiversity conservation abroad while meeting EU sustainability reporting standards (European Commission, 2025[16]). Peru is concurrently establishing a national biodiversity credit project registry to ensure transparency, traceability and integrity of conservation initiatives, reinforcing the enabling environment for such pilot efforts (Peru Ministry of Environment, 2026[80]). Pilot initiatives illustrate how development co-operation can test emerging biodiversity credit frameworks while managing risks related to integrity, additionality and greenwashing.

Removing or reforming environmentally harmful subsidies

Environmentally harmful subsidies can increase the financial attractiveness of unsustainable activities, undermining the potential for biodiversity-positive incentives and the activities they promote (OECD, 2025[67]). For example, production or input-related agricultural support can encourage intensification (e.g. higher use of fertilisers and pesticides) or expansion of cultivated land into semi-natural areas. These incentive effects can increase pollution pressures and contribute to habitat conversion and fragmentation, thereby accelerating biodiversity loss (Lankoski, Nales and Valin, 2025[81]).

Reforming or removing such environmentally harmful subsidies can therefore help correct distorted price signals and reduce conflicting policy incentives, including agricultural subsidies that encourage the more intensive use of damaging inputs or the expansion of production to the detriment of natural ecosystems. By realigning incentives with environmental objectives, subsidy reform can reduce pressures on ecosystems while improving policy coherence. However, developing countries in particular may face multiple barriers in addressing such subsidies (IPBES, 2024[82]). Concerns over industry competitiveness and income distribution may also create political and public resistance since the reform of a subsidy can "generate some losers from the policy change" (OECD, 2005[83]). Yet, this opposition may be easier to overcome if changes are clearly communicated to the public and accompanied by a policy mix including complementary measures such as compensation mechanisms or alternative production support for the affected sectors (Matthews and Karousakis, 2022[71]).

Development actors can support efforts to identify, understand and reform environmentally harmful subsidies, including where these distortions affect international trade and global value chains. The Caribbean Development Bank (2024[84]), for example, is supporting Caribbean countries to ratify and implement the WTO Agreement on Fisheries Subsidies through regional workshops and technical assistance; in parallel, several countries are contributing to the WTO Fisheries Funding Mechanism Trust Fund, which helps partner countries engage in negotiations, implement the new fisheries subsidies disciplines and strengthen fisheries management to meet the requirements of the agreement (WTO, 2025[85]). These efforts are critical for biodiversity as they aim to curb subsidies that contribute to overfishing and depletion of marine resources, thereby helping to sustain fish stocks and protect marine ecosystems.

Together, scaling up positive incentives and correcting market distortions are central to realigning economic signals with biodiversity objectives, reducing support for damaging activities while improving the economic viability of conservation and sustainable use.

Market infrastructure

Market infrastructure for nature – such as monitoring, reporting and verification (MRV) systems, enforcement mechanisms, data systems, public registries – plays a foundational role by ensuring compliance, transparency, accountability and safeguarding the integrity of biodiversity-related markets and investments. Beyond their public oversight role, these systems influence whether biodiversity-positive activities can be credibly measured, verified, priced, financed and scaled by private actors, particularly in contexts where institutional capacity and enforcement are weak.

This sub-section looks into monitoring and enforcement systems, as well as broader market infrastructure, that enable biodiversity markets and investments, and it highlights entry points for development co-operation to support these.

Monitoring and enforcement systems and other market infrastructure

Market infrastructure operationalises the enabling environment for nature markets by supporting nature-related financial instruments and standardising data and reporting, reducing information asymmetry between project developers, buyers and regulators and enabling due diligence (UK Department for Environment, Food and Rural Affairs, 2023[86]). Credible monitoring and enforcement systems are prerequisites for market participation as private investors need assurance that rules will be applied consistently and claims verified robustly.

MRV systems in particular generate the evidence needed for results-based finance (chapter 4) and private investment. In practice, the effectiveness of these systems relies on reliable, locally relevant and updated data. To reduce conflicts, improve transparency and prevent double counting, MRV systems and public registries benefit from being geospatially explicit – clearly identifying project boundaries, baseline conditions and safeguards – and interoperable with national protected area and land-use databases.

Establishing or reinforcing agencies that have clear mandates, adequate resources and authority for verification, monitoring and enforcement further reduces regulatory and reputational risks while helping to prevent greenwashing; these can include environmental regulatory agencies and oversight bodies for nature markets and registries (Conservation International and EcoAdvisors, 2024[14]). In this regard, some countries and subnational state-based schemes have created enabling environments for registries that link purchasers and investors to certified projects. Strengthening alignment between certification systems, markets and registries can reduce fragmentation, improve transparency and enhance access.

Development actors can support market infrastructure such as registries, standards and governance arrangements to crowd in private capital by building confidence, trust and accountability. They can also help partner countries develop and institutionalise MRV systems. An example is the United Kingdom's Accelerating Innovation Monitoring For Forests (AIM4Forests) programme, which supports countries to institutionalise national forest monitoring systems (NFMS) with the aid of modern monitoring technologies while also enabling Indigenous peoples and forest communities to participate (FCDO, 2025[87]). By improving monitoring capacity, this and similar initiatives facilitate access to finance and increase consumer confidence in the integrity of forest and land use carbon credits (e.g. the UN framework Reducing Emissions from Deforestation and Forest Degradation, or REDD+). Paraguay's reforms under the International Monetary Fund (IMF) Resilience and Sustainability Facility, for instance, are strengthening institutional and financial capacities to protect native forests and respond to deforestation alerts (IMF, 2024[88]). Measures include creating a national directorate for the NFMS to adopt an emissions MRV system, improving co-ordination among public agencies to respond to illegal land-use change and establishing a biomass consumers registry to support biomass certification processes.

Enabling environments are fundamental for internalising the economic value of biodiversity and unlocking private action and financing for biodiversity

Private finance and investment respond to the credibility, coherence and policy signals provided by the enabling environment. Persistent market failures distort incentives and steer private action towards activities that can be detrimental to nature. Strengthening the enabling environment – particularly through mainstreaming biodiversity considerations across sectors and policies – provides an opportunity to address these failures, encourage more sustainable practices and reduce pressures on biodiversity.

Three key levers underpin an enabling environment for private action for biodiversity: regulatory and institutional frameworks, economic instruments= and market infrastructure. When deployed coherently, they internalise environmental costs, reduce uncertainty, foster environmental integrity and create investable opportunities. Weaknesses in any lever can undermine the others, limiting private participation or leading to superficial or misaligned outcomes.

Development co-operation has an important function in strengthening these levers by addressing institutional gaps, supporting policy coherence and building market confidence. Through this support, it contributes to enabling environments that better align private sector responses with biodiversity objectives, including changes in investment decisions, business models and supply chains.

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Notes

[1] While these levers are categorised individually, their success depends on strategic sequencing and the direct involvement of finance ministries. When economic incentives are not aligned with regulatory requirements, environmental objectives often fail due to not being a political priority, insufficient budget allocation or the absence of a pipeline of bankable projects for local actors.

[2] PROBLUE DAC donors include Australia, Canada, Denmark, the European Union, France, Germany, Iceland, Ireland, Norway, Sweden, the United Kingdom and the United States.

[3] Development co-operation support related to the genetic diversity of living species or involving Indigenous peoples needs to be context specific and guided by clearly defined targets – for example in relation to the introduction of genetically modified organisms in developing countries or the use of new molecular biological techniques such as gene editing. Given its complexity and scope, this topic would benefit from a more comprehensive discussion beyond what is provided in this report.

[4] Biotrade involves sustainably sourcing, producing and commercialising biodiversity-based goods and services. For further information, see https://unctad.org/publication/biotrades-contribution-to-the-kunming-montreal-global-biodiversity-framework.

3 Private sector engagement

Development co-operation can promote private sector engagement across actors in the real economy (e.g. MSMEs, cooperatives, farmers) and the financial sector (e.g. pension funds, asset managers, commercial banks) to accelerate the transition towards biodiversity-positive value chains, production systems and investment practices. This chapter explains why private sector engagement is critical to raise awareness, translate policy ambitions into operational change and build momentum for nature-positive markets. It maps key private sector engagement modalities: direct partnerships with private actors from donor and partner countries, indirect engagement through intermediaries (e.g. financial institutions, local banks, implementing partners), participation in multi-stakeholder platforms, and the use of diplomatic networks through embassies and country offices. It highlights priority areas for engagement such as sustainable supply chains, trade facilitation, market access, responsible business conduct, traceability systems, innovation and entrepreneurship, digital tools and capacity development. The chapter also underscores the importance of local partnerships, knowledge exchange and dialogue to build trust, reduce information gaps and support long-term transitions. Development co-operation can play a convening and catalytic role by aligning biodiversity objectives with market opportunities and strengthening the capabilities of private actors to manage nature-related risks and opportunities.

Private momentum for biodiversity is ramping up, but alignment remains limited

While the broader enabling environment shapes the conditions under which businesses operate and investments are made (see chapter 2), private sector engagement is also essential for scaling up private action for biodiversity. For development co-operation providers, private sector engagement refers to efforts to work with the private sector both in their own countries and in partner countries to achieve development and biodiversity results. Activities can include technical assistance, training and capacity development to comply with and respond to environment-related regulatory and market requirements; dissemination of standards and good practices; awareness raising to support changes in business models and operational practices; and support to strengthen biodiversity-based supply chains while fostering employment and income generation.

The private sector spans a very broad and highly diverse spectrum. It includes real economy actors such as MSMEs, smallholder farmers, cooperatives, trade unions and multinational companies. Their operation and supply chains have a direct impact on nature as well as financial sector actors such as commercial banks, asset managers, pension funds, insurers, private investors and other financial institutions. The latter influence nature indirectly through their financing to both the real economy and the financial economy (Zabel, Nanhthavong and Epprecht, 2025[1]; WWF/AXA Group, 2019[2]). In particular, financing moves between a myriad of actors and players that constantly adjust their investment strategies in response to market conditions and over different time horizons. Through their differentiated roles, private actors can either exacerbate environmental degradation or help steer economic activity towards nature-positive pathways.

In recent years, private sector momentum has increased in recognition of biodiversity's relevance for long-term economic stability and environmental integrity. Businesses and financial institutions are increasingly integrating biodiversity considerations into their decision making processes and engagement strategies (ShareAction, 2023[3]), as well as into their corporate business and social responsibility programmes. In some cases, biodiversity and broader environmental topics are also integrated into commercial strategies, risk management and assessments, supply chain sourcing, and long-term value creation models. This momentum is reflected in collective calls to action such as Nature Action 100 (2024[4]) and act4nature International (2020[5]) and also in a range of sector-wide pledges (Finance for Biodiversity Foundation, 2026[6]; UNEP FI, 2024[7]; Robinson-Tillett, 2023[8]) that show growing co-ordination and awareness among investors and businesses.

Despite this increasing engagement, alignment remains limited. While 85% of the world's largest companies are highly dependent on nature for their direct operations, only 2% have the necessary biodiversity expertise on their boards (S&P Global, 2023[9]; World Benchmarking Alliance, 2024[10]). In addition, a recent study found that about 8 100 companies on the MSCI ACWI IMI Investable Market Index were strongly misaligned with biodiversity-related Sustainable Development Goals (SDGs) 14 (life below water) and 15 (life on land) (Nair and Balaisyte, 2023[11]). Adverse impacts of their business activities from the use or management of natural resources (e.g. through mining, timber production and unsustainable agriculture) were largely responsible for the misalignment. Overall, most companies are still in the early stages of addressing nature-related impacts and dependencies (Nature Action 100, 2024[12]), and financial institutions typically prioritise environmental issues when these are financially material, affecting risks, returns or long-term value (High-Level Expert Group on Sustainable Finance, 2017[13]).

These limitations are reinforced by low awareness of nature-related risks, limited biodiversity expertise at board and operational levels, and gaps in reliable and harmonised data, methodologies and analytical tools (see Annex A). For example, most private actors do not currently assess, manage or disclose material biodiversity-related risks (OECD, 2021[14]) and few evaluate the broader impacts of their investment decisions on people and the planet. New data, metrics and reporting frameworks are emerging to fill this gap (ShareAction, 2023[3]), among them the Biodiversity Finance Metrics for Impact Reporting developed by the International Finance Corporation (IFC) (2024[15]) and a guide developed by MDBs to support the selection of metrics for monitoring outcomes of nature finance initiatives (Lacey et al., 2025[16]). However, the proliferation of standards and reporting frameworks also creates complexity, increasing transaction costs, uncertainty and the potential for duplication of efforts, particularly for small-scale and innovative actors with limited resources to interpret and operationalise multiple frameworks. Scaling up private action therefore requires not only a better understanding of what interventions work and where (World Bank, 2022[17]), but also efforts to improve coherence and avoid unintentionally adding further layers of complexity.

This chapter examines how development co-operation can support private sector engagement to align private actors with biodiversity-positive pathways. It outlines the main modalities through which development co-operation engages with private actors and examines how these modalities are applied in practice to deliver development and biodiversity outcomes. It also highlights the importance of trade, including sustainable supply chains and market development, as a key channel area for private action on biodiversity.

Private sector engagement modalities

Many development co-operation providers, and DAC members in particular, have a long history of working with the private sector to leverage private capital and technical expertise, develop capacities and integrate biodiversity into market-based solutions. For others, private sector engagement is relatively new to their development co-operation portfolios, especially such engagement in relation to biodiversity.[1] Development co-operation providers may partner with private actors in either donor or partner countries, and engagement strategies may vary by sector, geography and partner type (UNEP FI, 2024[18]). But, regardless of their level of experience, development actors overall are looking for new and better ways to engage the private sector in development co-operation.

Development actors can strengthen private engagement for biodiversity through a variety of different but complementary modalities:

- direct partnership with the private sector in either donor or partner countries,
- partnership with (financial) intermediaries,
- participation in collaborative or multi-stakeholder platforms for biodiversity,
- private sector policy dialogue and project support through embassies, country and/or regional offices.

Partnering with the donor country's private sector can increase collective ambition, promote sustainable practices, strengthen operations and supply chains and mobilise private finance. Belgium, for instance, supports chocolate producers, retailers, trade unions, certification organisations, universities, non-governmental organisations (NGOs) and social impact investors in the Belgian chocolate industry through the Beyond Chocolate partnership to end deforestation and support the living income of cocoa growers (IDH, 2024[19]). Similarly, Italy's Mattei Plan for Africa seeks to mobilise Italian companies and SMEs in agricultural supply chains across African countries by leveraging Italy's diplomatic and consular network and partnerships with local institutions, financial institutions and MDBs; the aim is to promote innovation and sustainability and strengthen local value creation in support of food security and the sustainable management of natural resources in line with the EU's Global Gateway strategy (Presidency of the Council of Ministers of Italy, 2025[20]; Presidency of the Council of Ministers of Italy, 2026[21]).

However, development agencies may lack instruments through which to finance private actors directly (see Annex B), and they are not always directly involved in the process of looking for a local partner, often relying instead on implementing partners or financial intermediaries such as local or international commercial banks, investment funds, international organisations or civil society organisations (CSOs) that work with, or help with the outreach to, local private sector actors. Engagement can also take place indirectly through sovereign counterparts and donors' own national agencies and executive bodies (e.g. DFIs, enterprise agencies, funds and development banks). Partnering with local intermediaries such as financial actors (including local banks, national promotional banks and microfinance institutions) can help overcome access barriers to markets by facilitating the extension of loans in local currency and reaching smallholder farmers and cooperatives.

Development actors can also tap into other existing collaborative initiatives and work with other governments, DFIs, MDBs and vertical environmental funds such as the Global Environment Facility (GEF), the Green Climate Fund (GCF) and conservation trust funds to stimulate private finance mobilisation and engagement. Another modality is to align with initiatives established by private actors. For example, after Nestlé initiated its Cocoa Plan to promote forest regeneration, good agricultural practices and improve living income in Côte d'Ivoire, Switzerland began supporting the plan through the Swiss Platform for Sustainable Cocoa (SWISSCO) in partnership with cocoa and rubber cooperatives and foundations (Nestlé, 2025[22]).

Indeed, working through intermediaries and partners can help with aggregation, facilitate smaller transactions and help build trust and local engagement. By facilitating better logistics chains, certification systems and dialogue among market and local actors, development co-operation providers can support the creation of viable biodiversity-based supply chains, strengthen fair trade and promote inclusive economic growth.

In countries where providers have embassies, local offices and in-country capacities for engagement, the engagement of private sector actors can generally be more responsive and tailored. Local missions in particular can play an important role in supporting donor country companies and local private actors in partner countries, including by helping to identify local partners; facilitate dialogue; structure and implement projects; provide tailored advisory services and market research; and support awareness raising and information sharing on geopolitical context and upcoming projects supported by official development assistance (ODA) and tenders.

Such modalities are often supported by enabling regulation (chapter 2) and financial support to facilitate the transition for smallholders, trainings and technical assistance, among others. Overall, there is a common trend among development actors to collaborate more closely with private sector companies originating from their own countries (in the case of bilateral co-operation). Together, these engagement modalities enable development co-operation to influence how goods and services are produced, traded and consumed, making them directly relevant to trade policy, market access, supply chain sustainability and the development of nature markets.

Key areas for promoting private sector engagement for biodiversity

Private sector engagement through development co-operation in support of biodiversity outcomes relates to a range of thematic areas of intervention where private sector behaviour, investment decisions and business practices most directly affect biodiversity pressures. In these areas, development co-operation can play a key role by raising information and awareness, reducing barriers and building connections and networks, and strengthening capacities.

While not an exhaustive list, key areas for private sector engagement for biodiversity include the following: trade facilitation and market access, building productive capacity, sustainable supply chains, fostering innovation and entrepreneurship, traceability, enabling informed private sector decision making, and supporting knowledge exchange and policy dialogue. This section presents examples for the different key intervention areas for development co-operation to promote private sector engagement for biodiversity. Annex C presents additional examples.

3.1.1. Trade facilitation and market access

Trade and markets constitute a critical transmission channel through which private sector behaviour, investment decisions and business models shape biodiversity outcomes. Through global value chains, trade links production in one part of the world with consumption in another, influencing how natural resources are extracted, transformed and used across borders. As such, trade provides an opportunity to introduce incentives, business practices and standards for biodiversity that can be instrumental in expanding access and value addition in export markets that would not be feasible in domestic markets alone. Trade facilitation and market access are therefore critical components for scaling up private action on biodiversity as they shape the conditions under which private actors participate in international markets and respond to sustainability-related demand.

Conversely, different and new environmental standards and regulatory requirements in importing countries – such as different (eco)labelling, certification or traceability requirements – can create significant compliance costs and uncertainty for producers in exporting countries, particularly in developing countries. Exporters may need to adapt production processes, maintain multiple product specifications and invest in monitoring and understanding regulatory requirements, which can raise costs and limit their ability to compete in sustainability-oriented markets. This is in particular the case for international markets where trade partners may apply different domestic standards. These challenges are particularly acute for low-income countries, where compliance with NTMs[2] tends to be relatively more costly than in high-income countries (OECD, 2025[23]; FAO, 2022[24]). Chapter 2 provides additional information on the impact of trade policies.

The challenges raised by new standards and regulations are particularly relevant for MSMEs, cooperatives and local actors, which are a critical leverage point for sustainable development. MSMEs account for 90% of businesses and more than 50% of employment globally (OECD/WTO, 2024[25]), while cooperatives support more than 100 million jobs worldwide and play an important role in overcoming trade barriers between developed and developing countries through fair trade (ILO, 2014[26]). However, these actors frequently face barriers to scaling operations, accessing markets, or meeting the stringent certification and regulatory requirements for export, with constraints often compounded by lack of awareness, technical capacity and financial resources.

Many importing countries have taken measures to reduce these pressures from the environmental footprints embedded in their consumption and trade, including by conditioning market access on more sustainable production practices. For example, the EUDR, which repeals the EU Timber Regulation and enters into application in 2026-27, will require palm oil, soybeans, wood, cocoa, coffee, cattle and derived products entering the European market to be deforestation free (European Commission, 2026[27]). This and related measures have direct implications for exporters and other private actors involved in partner countries that must adapt productions systems and supply chains to comply with foreign regulatory requirements.

As geopolitical dynamics, uncertainty and national security concerns increasingly shape trade relations, ensuring that the international trading system contributes to nature and sustainable development objectives will require greater efforts from international development actors (Deere Birkbeck, 2025[28]).

Development co-operation can support partner countries in responding to these evolving trade requirements by facilitating awareness, alignment and compliance with environmental regulations. For example, the EU supports the EU-Brazil Green Finance Center for research and training on sustainable finance and EU Green Deal innovations (Ibmec, 2024[29]). The initiative engages Brazilian public and private actors to, for example, raise awareness, prepare for implementation of upcoming regulations (e.g.

EUDR) and address competitiveness issues arising from differences in taxonomies (e.g. nature or carbon credits), while promoting the combination of economic growth and the protection of natural resources, such as the Amazon Rainforest.

Beyond the compliance challenge, there is a mismatch between the demand for biodiversity-related investments and sustainable products in the Global North and the supply of investment opportunities and bankable projects in the Global South (Zabel, Nanhthavong and Epprecht, 2025[1]). Development co-operation can bridge this gap by stimulating both supply and demand, including through partnerships and matchmaking platforms that link local project developers, producers and enterprises with investors and buyers (WWF/AXA Group, 2019[2]). Finland, for example, provides support for Finnish companies for their sustainable development partnerships and business opportunities in developing countries, including guarantees to help manage the political or commercial risks associated with export financing (Ministry of Foreign Affairs of Finland, 2026[30]). Similarly, the Italian Agency for Development Co-operation (AICS) has partnerships involving Italian coffee companies, such as Lavazza and Illy, to strengthen African coffee supply chains, upscale production, promote and sell local products, and improve the quality and competitiveness of coffee in partner countries (Italian Agency for Development Cooperation, 2024[31]).

Development co-operation can help reduce trade barriers more broadly by lowering transaction costs, optimising customs procedures and logistics, and increasing competitiveness, thereby facilitating the export of sustainable products and biotrade. These interventions streamline export compliance and integrate local actors into both domestic and international markets. Such support can be particularly impactful for rural and coastal communities engaged in nature-dependent sectors such as sustainable agriculture or ocean-based value chains. For example, Czechia provides business-to-business grants to strengthen sustainable sheep wool supply chains for export from Kyrgyzstan to the EU, improving logistics and value chain integration (Czech Aid, 2024[32]). Austria has partnered with Donau Soja to support the transition of crop producers, businesses and market actors towards responsible and environmental practices in Bosnia and Herzegovina, the Republic of Moldova, Serbia and Ukraine, improving their access to value-added markets and integration into value chains of sustainable, traceable, European and non-genetically modified (non-GMO) crops, thereby also contributing to local economic development and poverty reduction. The initiative also strengthens linkages and trade integration between non-EU and EU value chains by facilitating compliance with emerging EU regulations on deforestation and corporate sustainability requirements (Donau Soja, 2024[33]).

Trade and trade-related policies and measures are relevant to achieving all the targets in the KMGBF (Box 3.1).

Box 3.1. Trade and biodiversity in the context of the Kunming-Montreal Global Biodiversity Framework

International trade can play a dual role for biodiversity, acting both as a driver of biodiversity loss and as a potential enabler of conservation and sustainable use (UNEP, 2024[34]). Through its influence on production, consumption, investment and supply chains, trade shapes pressures on ecosystems across borders. Sustainable trade can support the conservation of ecosystems and species and address drivers of biodiversity loss. In consequence, trade policy and trade-related measures are relevant to achieving all targets in the KMGBF (UNEP/TESS, 2023[35]; Kettunen, 2023[36]). Several KMGBF targets have particularly strong linkages to trade and global value chains, making trade an important entry point for private sector engagement on biodiversity:

- Target 5 (wildlife trade) directly links biodiversity to trade regulation, calling for controls, traceability and restrictions on illegal and unsustainable wildlife trade, including through instruments such as the CITES.

- Target 6 (invasive alien species) is closely connected to trade and transport pathways as living organisms in shipping, ballast water and trade are key vectors and thus require co-ordinated biosecurity and trade-related measures.
- Target 10 (sustainable agriculture, fisheries, aquaculture and forestry) addresses sectors with large export markets where standards, incentives and international trade conditions can shift production towards biodiversity-positive practices.
- Target 13 (access and benefit sharing) has trade dimensions through international research, commerce and bio-based value chains (e.g. seeds and pharmaceuticals), including the exchange of genetic resources and DSI.
- Target 14 (mainstreaming biodiversity) implicitly covers trade and investment policy given the significant biodiversity footprint of globally traded commodities and supply chains.
- Target 15 (businesses disclosure and supply chains) directly affects trade by promoting traceability, due diligence and transparency, influencing how companies manage biodiversity risks across international value chains.
- Target 16 (sustainable consumption) addresses demand-side drivers of biodiversity loss embedded in trade, as imported goods carry hidden biodiversity impacts that can be reduced through sustainable consumption and circular economy approaches.
- Target 18 (enabling sustainable choices on consumption and production) is directly related to trade and to international efforts to reform environmentally harmful subsidies such as the WTO Agreement on Fisheries Subsidies, which aims to avoid the widespread depletion of the world’s fish stocks.

3.1.2. Building productive capacity

Building productive capacity is a core dimension of both private sector engagement for biodiversity and of aid-for-trade programmes, particularly in nature-dependent sectors such as agriculture, forestry, fisheries, minerals and tourism (OECD/WTO, 2024[25]). Engagement in this area encompasses interventions to strengthen how goods and services are produced, processed and integrated to the market. It also includes support of transition to sustainable practices (e.g. supporting farmers to adopt regenerative agriculture or water-efficient systems contributing to upfront costs and new equipment). Development actors often support these efforts through grants and technical assistance, in contrast to economic infrastructure projects that tend to rely more on concessional loans. Private actors can also participate in collaborative platforms for biodiversity such as the Farmer First Clusters initiative, founded by five major agri-business companies as part of the World Business Council for Sustainable Development’s Soft Commodities Forum landscapes transformation efforts to support the adoption of deforestation- and conversion-free soy production in Brazil (Business Action Bank, 2026[37]).

By supporting the development of productive sectors and value chains, development actors can contribute to improving livelihoods, promoting sustainable natural resources use and enabling economic diversification, while also shaping how private actors engage with biodiversity. For example, Czechia is helping private actors in Zambia produce environmentally friendly anti-mosquito repellents (Czech Aid, 2024[38]), stimulating the growth of local manufacturing and value-added production in nature-based sectors.

Providers can also help smaller producers and enterprises participate more effectively in nature markets by supporting them to reach scale (e.g. maximising the capacity of production by working with cooperatives at a regional level) and by strengthening export logistics chains (e.g. organic fruit production) across countries. For example, the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German international co-operation agency, GIZ) supports Amazonian cooperatives, associations and SMEs to expand their commercialisation in priority bioeconomy value chains, providing trainings on co-operative management and improving access to better and fairer markers in order to protect forest resources (GIZ, 2024[39]). Similarly, the Agence Française de Développement (AFD) and Brazil's commercial bank Banco da Amazônia, alongside technical assistance from Expertise France, are partnering to finance research and innovation in bioeconomy and socio-biodiversity value chains in the Amazon, support programmes involving Indigenous peoples and local communities, and mobilise private sector participation, while creating jobs, generating local income and protecting biodiversity (AFD, 2024[40]; AFD, 2025[41]).

Building productive capacity also implies strengthening the ability of private actors to meet sustainability standards and adopt improved production practices. For example, through training and institutional support development actors can help establish and operate certification and licensing systems (including on good agricultural and aquaculture practices, forestry standards, and, where relevant, credit certification). These interventions help producers, companies and smallholders improve production practices, reduce biodiversity impacts, and access higher-value and sustainability-oriented markets. Box 3.2 provides examples of how these elements come together in practice through partnerships between development actors and private sector actors to strengthen productive capacity and resilience in sustainable supply chains.

Box 3.2. Partnering with the private sector for sustainable and resilient supply chains: Examples from the Asian Development Bank

The Asian Development Bank (ADB) has expanded its support for biodiversity and natural capital across Asia and the Pacific. It increasingly partners with private sector actors, including companies and smallholder farmers, to promote sustainable and resilient agricultural and commodity supply chains and facilitate export. The ADB also has been mainstreaming biodiversity in loans, grants, knowledge support and technical assistance while mobilising innovative financing, including issuing thematic bonds, to scale up and catalyse investments for nature-positive projects and business practices in developing countries (ADB, 2025[42]).

In the fisheries sector, the ADB and the Thai Union Group PLC (Thai Union) signed a blue financing agreement to improve the sustainability of Thailand's shrimp supply chain. This partnership provided financing for Thai Union's requirements for procurement, processing and exports of sustainable shrimp[1] and helped fund extension services such as training shrimp farmers in resilience and financial literacy, certification support, research, and piloting projects (ADB, 2025[43]).

Similarly, in the agroforestry sector, the ADB partnered with PT Dharma Satya Nusantara Tbk (DSNG) through a sustainability-linked loan to promote sustainable sourcing of wood (e.g. replacing timber by farmed native trees), thereby preventing deforestation while also supporting rural livelihood development in Indonesia. Pricing adjustments are linked to the achievement of annual sustainability targets, including training farmers to obtain Forest Stewardship Council certification (ADB, 2023[44]).

Beyond individual firms, the ADB has also supported regional agri-commodity supply chains through investments across India, Indonesia, Pakistan and Viet Nam. In India, the project provided training to smallholder cotton farmers in regenerative farming practices while the client pursued Regenagri certification to improve soil microbial diversity. In Indonesia, the ADB partnered with a forestry company to support smallholder agroforestry farmers and develop a landscape-level certification with the Rainforest Alliance, promoting diversified and sustainable production systems over monocropping (ADB, 2025[42]).

1: According to the ADB, shrimp is considered sustainable when certified under an accreditation recognised by the Global Sustainable Seafood Initiative, such as the Aquaculture Stewardship Council or Best Aquaculture Practices, or when sourced from a credible aquaculture improvement project.

3.1.3. Sustainable supply chains: RBC standards and environmental safeguards

Global supply chains contribute substantially to biodiversity loss (UNEP, 2024[34]). A growing set of policy and market tools – RBC standards, reporting frameworks, sustainability taxonomies, environmental safeguards and EIAs – aim to address this challenge by helping private actors identify, assess, manage and disclose biodiversity-related impacts, dependencies and risks across operations and value chains. These tools can also shape trade practices and market access, by underpinning due diligence and disclosure requirements, including on environmental impacts, across cross-border production networks.

By adopting RBC standards such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, enterprises can prevent and mitigate adverse effects while contributing to sustainable development in the countries where they operate (OECD, 2023[45]). Development actors can facilitate the implementation of RBC standards, for example by requiring in their financial support targeting the private sector that the standards be applied, directly or through intermediaries, or by promoting their uptake beyond supported activities, including through voluntary adoption by private actors. As an example, development actors can encourage enterprises to identify, assess and mitigate environmental impacts in their own operations and across global value chains (OECD, forthcoming[46]).

Voluntary and mandatory biodiversity-related reporting and disclosure frameworks complementing RBC frameworks, help translate risk and impact identification into useful information for decision making. These frameworks can help private actors understand nature-related dependencies and impacts, align corporate disclosures with broader environmental goals and inform decisions to reduce environmental risks and support sustainable practices (BlackRock, 2025[47]). Development actors are supporting the uptake of these initiatives. For example, Germany’s International Climate Initiative (IKI) is helping businesses and financial institutions in integrating nature-related financial disclosures in their financial statements (International Climate Initiative, 2025[48]). Additionally, development actors can support the development of tools to assess risks and enable better decision making and portfolio management such as the Natural Capital Protocol (Natural Capital Coalition, 2021[49]) and the Exploring Natural Capital Opportunities, Risks and Exposure, or ENCORE (UNEP, 2026[50]).

Sustainability taxonomies further guide the implementation of biodiversity and sustainability-related investment practices by clarifying which activities contribute to environmental objectives. These tools help investors, financiers and enterprises to allocate capital effectively and align portfolios with biodiversity goals. For example, Finland’s DFI Finnfund along with Finnish family offices developed the Planetary Boundaries Investing Framework, a tool for assessing and monitoring the potential of investments to contribute to nature goals. This framework guides private sector participation in co-investments for development and informs private sector engagement and partnerships (Finnfund, n.d.[51]).

Development actors in particular can encourage or require the use of recognised safeguards within their partnerships, co-investments and procurement processes, thereby creating incentives for companies to adopt higher biodiversity standards. For instance, partners could be required to apply safeguards such as IFC Performance Standard 6 on biodiversity conservation and sustainable management of living natural resources, which provides a structured approach for managing biodiversity-related risk in private sector projects (IFC, 2012[52]). Similarly, development actors can promote or condition support on the use of recognised management standards and certifications, such as those developed by the International Organization for Standardization (ISO) for biodiversity (e.g. ISO 172698), which help companies systematise biodiversity risk management, demonstrate good practice, and meet market and investor expectations (OECD, forthcoming[46]).

3.1.4. Fostering innovation and entrepreneurship

Stimulating entrepreneurship and scaling biodiversity-aligned innovation are essential to create viable business models for nature such as diversified cropping systems, natural habitat restoration within farms and new revenue streams tied to ecosystem outcomes. Development co-operation actors are supporting accelerators, incubators and pilot programmes that help entrepreneurs develop and test biodiversity-positive solutions, connect with markets and investors, and scale their models. The IDB, for example, launched the NaturaTech Latin America and the Caribbean (LAC) to support to biodiversity-focused startups and demonstration and innovation projects by offering strategic guidance and connecting them to the natural capital financial ecosystem (NaturaTech LAC, 2025[53]). The Nature Finance Accelerator Program established by the Asian Infrastructure Investment Bank (AIIB) has partnered with two Chinese banks to create a non-sovereign on-lending facility focused on supporting nature and biodiversity in People's Republic of China with the aim of catalysing finance and serving as a scalable demonstration model (Asian Infrastructure Investment Bank, 2025[54]).

Private sector engagement can also take the form of calls for proposals, grants competitions or incubation support for local entrepreneurs. For example, the Slovak Republic, in co-operation with the UNDP, launched the Slovak Challenge Fund (SCF) in 2019 to support Slovak companies in developing and scaling solutions to address development goals including natural resources and NbS[3] in partner countries while working in partnership with local entities (Slovak Challenge Fund, 2025[55]). Similarly, the IDB Lab's Digital Tokens for Biodiversity Challenge sought to identify innovative digital solutions (e.g. tokens and crypto-assets) from startups, accelerators, SMEs, non-profits, businesses and public innovation agencies across 21 LAC countries to offer monetary incentives to promote biodiversity conservation, sustainable agriculture, expand smallholder farmer access to credit and ensure transparent, traceable transactions (Inter-American Development Bank, 2023[56]).

In addition, development co-operation providers can support strategic partnerships by working with a range of delivery partners or by tapping into broader emerging or innovative financing solutions to scale biodiversity outcomes. An example is the Danish Ministry of Foreign Affairs supported the Sounds Right multi-stakeholder partnership initiative of the Museum for the United Nations – UN Live, involving the collaboration of musicians, companies, private foundations, nature sound recordists and CSOs. Sounds Right's innovation was registering "nature" as an official artist on music streaming platforms, and the royalties generated are directed to biodiversity protection and conservation projects (Museum for the United Nations, 2026[57]).

3.1.5. Traceability

Traceability systems enable businesses to track products and their biodiversity impacts throughout the value chain, strengthening transparency, trust and the adoption of sustainable practices (FAO, 2022[24]). Development actors can support the establishment and uptake of traceability systems across supply chains. In particular, they can support the acceleration of digitalisation and use of new technologies to enhance cross-border digital exchanges that increase automation and effective control. Better information on where and how traded products are produced, transported and consumed helps private actors assess biodiversity impacts, comply with sustainability requirements, and respond to consumer and market expectations.

Such support can include digitising certification and customs processes, which can improve supply chain traceability and reduce ecological footprints in cross-border trade while also reducing the administrative burden for legitimate trade and help fight illegal activities, including illegal wildlife trade (OECD/WTO, 2024[25]). Germany, for instance, supports traceability and enforcement efforts to fight illegal wildlife trade across global supply chains from countries of origin and transit countries to consumer countries. This support includes training for enforcement authorities in partner countries on dealing with poaching, with a focus on ivory consumer demand and changing local behaviours, as well as for promoting alternative sources of income for local communities (BMZ, 2020[58]).

In addition, innovative digital tools in nature as an asset class, such as digital tokens, are being explored as mechanisms to raise funds for nature-based projects and provide greater supply chain traceability and transparency (Gómez Mont, Persson and Buenadicha Sánchez, 2023[59]). For example, the IDB has launched a Digital Tokens for Biodiversity Challenge to support startups and enterprises in piloting projects. This includes support for the implementation of a prototype for the tokenisation of natural capital in the Colombian Amazon through the Indii token, whose initial value is based on the valuation of the natural capital of a hectare of Amazonian forest present in the Indigenous reserves (Inter-American Development Bank, 2024[60]; Inter-American Development Bank, 2023[56]). The purchase of these tokens offers the possibility of making financial contributions that are traceable to projects developed by the Indigenous communities.

3.1.6. Enabling informed private sector decision making through better data and technology

Transparency and reliable data on ecosystem conditions, pressures and outcomes all support evidence-based policymaking and strengthen investor confidence in nature markets (Conservation International and EcoAdvisors, 2024[61]). Data is also key to ensure channelling resources to initiatives with proven impact and clear scalability, so that private sector participation becomes a powerful driver of biodiversity conservation and restoration.

However, lack of data and information on biodiversity assets and ecosystem services may constrain public and private decision making and accountability. For instance, gaps still exist in the available evidence of the environmental impacts of agriculture, particularly on biodiversity and soil carbon (OECD, 2025[23]). Moreover, the lack of reliable and standardised indicators makes it hard to assess and price the nature-related risks (See Annex A). These challenges are more acute in regions and countries where baseline data and collection systems are weak, undermining the development of effective legislation, policy and regulation (Nature Finance, 2024[62]). Companies also struggle to assess the long-term impacts of conservation due to gaps in national-level biodiversity data (IPBES, 2019[63]). These uncertainties increase transaction costs and deter private sector participation (European Union, 2023[64]).

Development actors can work to support private sector stakeholders by supporting data generation and technology transfer, by enhancing access to consistent, standardised biodiversity data that can inform investment and business decisions, and improving baseline information useful for the MRV systems mentioned in (chapter 2). Standardisation of biodiversity data can refer to different categories of information, including data on ecosystem stocks (e.g. natural assets or biological resources) and data on ecosystem flows (e.g. ecosystem services, regulation functions and environmental performance), with these informing different types of business risk assessment, valuation and reporting.

As such, this support can include collaboration with data providers, technology developers and other market actors to help build the basis for innovation and market solutions (e.g. biodiversity credits, nature FinTech solutions, for testing technologies like e-DNA remote sensing and bioacoustics) as well as support for farm-level data systems that enable biodiversity-positive sourcing and monitoring of environmental impacts. For instance, the Netherlands' Geodata for Agriculture and Water (G4AW) Facility supports projects that provide smallholder food producers (farmers, pastoralists and fishermen) with satellite-based information services (G4AW, 2025[65]).

Development actors can also collaborate by exporting science and technology to partner countries to enable them to reduce input use, increase land efficiency and improve soil and ecosystem health. Australia, for example, is looking into the use of artificial intelligence (AI) to support countries on nature conservation and better manage projects and find opportunities for new projects. In this regard, Australia supported the ReefCloud tool for using AI to review photographic images of coral reefs and for blue carbon monitoring and which has been used in Fiji, Maldives, Palau, Solomon Islands and Vanuatu (Australian Institute of Marine Science, 2026[66]). In another example, Slovenia is implementing a water security and sustainable water resource management programme in Kenya, with the Slovenian company SPACE-SI and a local university, to install satellite data to support management of transboundary river basins and ecosystem monitoring (Center for International Cooperation and Development, 2025[67]).

3.1.7. Supporting knowledge exchange and policy dialogue

Development actors can play a catalytic role in facilitating structured dialogues, knowledge exchange and learning platforms that engage both donor country and partner country private actors. While approaches vary across value chains and economic sectors, these collaborative platforms target gaps in technical awareness, such as how to integrate biodiversity considerations into production methods, how to structure financial mechanisms for biodiversity-positive outcomes and how biodiversity can be respected and valued within production lines (e.g. through deforestation-free sourcing standards or biodiversity certification schemes). At the same time, they illustrate how safeguarding nature protects long-term business interests. By convening public and private stakeholders, development actors act as co-ordinators, bringing partners and competitors together to address environmental issues and share best practices. Such engagement facilitates the emergence of strategic partnerships, market development and new biodiversity-related instruments.

In addition, these exchanges build trust, diffuse innovation and strengthen local institutional expertise. For example, the Spanish Agency for International Development Cooperation (AECID), with the International Bamboo and Rattan Organization (INBAR) as an implementing partner, facilitates workshops in Ecuadorian schools on sustainable bamboo construction, building local skills and awareness of circular economy materials, and helps identify opportunities for the use of bamboo (e.g. artisanal crafting) (Spanish Agency for International Development Cooperation, 2021[68]). In addition, AFD and the ADB jointly organised the Paris Dialogue on Innovative Finance for Nature as part of their co-operation on the Nature Solutions Finance Hub (NSFH) to generate productive dialogues and build mutually supportive relationships to mobilise resources for NbS projects (ADB, 2025[69]; ADB, 2024[70]).

Beyond one-off initiatives, networks and coalitions also play an important role in sustaining knowledge exchange, alignment and collective action. Examples include the Coalition for Private Investment in Conservation (2025[71]), which connects conservation project managers and investors to align private sector and government strategies; the International Development Finance Club’s (2025[72]) biodiversity working group, which enables peer learning on mobilising finance for biodiversity and NbS; and the Finance in Common Ocean Positive Coalition, which aims to increase investments in a sustainable ocean economy by focusing on the health of marine and coastal ecosystems (Finance in Common, 2025[73]; Finance in Common, 2024[74]). These collaborations address the need for specialist expertise, helping investors, corporations and fund managers better understand and engage in biodiversity finance and increasing the participation by the private sector in national biodiversity development planning.

Development co-operation actors can also raise awareness on the importance of biodiversity and opportunities to scale up sustainable practices. This includes supporting biodiversity mainstreaming across business strategies and financial decision making. Stakeholder engagement to build awareness can be done with national private and financial institutions, partner country private actors, and local communities and academia. For example, the United Kingdom, through its embassy in Buenos Aires, facilitated a roundtable discussion in Argentina in 2025 between high-level representatives from the private sector and CSOs to raise awareness of nature-related investment opportunities and barriers and to explore possible partnerships and market infrastructure needed to create a nature market. Through its embassy in Colombia, the United Kingdom, along with Sweden and France, supported the Biodiversity Week in Cali to promote environmental education, knowledge exchange and awareness; align leadership; and accelerate innovative financing mechanisms for biodiversity in LAC (Cumbre CEIBA, 2025[75]).

Exploring opportunities for private sector engagement in the context of development and biodiversity

Private sector engagement is essential to translate biodiversity ambitions into changes in business models, value chains and investment and financial decisions. While private momentum is increasing, alignment remains limited, reflecting persistent capacity and technical gaps, lack of awareness, data and technological constraints, and uncertainty around incentives and business cases. In this context, development co-operation can act as a bridge between biodiversity objectives and market expectations by combining partnerships, capacity development and targeted support to enable private participation in biodiversity-positive pathways, while recognising that progress is likely to be incremental.

Development co-operation providers may partner with private actors in either donor or partner countries through multiple modalities – direct partnerships, intermediaries, multi-stakeholder platforms, and in-country networks such as embassies and offices – each suited to different sectors, geographies and partner types. Across these modalities, seven engagement areas emerge as priority channels for action: trade facilitation and market access; building productive capacity; sustainable supply chains (including responsible business conduct standards, safeguards and EIAs); innovation and entrepreneurship; traceability; data and technology for informed decision making; and knowledge exchange and policy dialogue. Local presence can strengthen tailored and timely engagement by improving geographical intelligence, facilitating dialogue and helping identify partners and opportunities where capacity and information constraints are most binding, including to support project structuring and implementation.

Embedding environmental safeguards, EIAs and other standards in project design and implementation – and applying monitoring and evaluation after delivery – can further strengthen the integrity of sustainable supply chains and help manage nature-related risks. At the same time, avoiding fragmentation and unintentionally adding layers of complexity is important, as the proliferation of standards and reporting requirements can increase transaction and compliance costs – especially for small-scale and innovative actors with limited resources.

Finally, trade offers a key transmission channel for biodiversity outcomes, as sustainability requirements increasingly shape market access and supply chain practices across borders. By supporting producers and enterprises to meet environmental standards, strengthen traceability and improve compliance capacities, development co-operation can help align trade, market development and biodiversity objectives, while fostering employment and income generation.

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Notes

[1] See Annex B for a detailed breakdown of the state of development actors to mobilise and engage with the private sector for biodiversity.

[2] For an overview of NTMs affecting the supply chains of environmental goods, see https://doi.org/10.1787/ca790510-en.

[3] According to UNEP, "nature-based solutions are actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems" and calls for more collaboration and resources. See https://wedocs.unep.org/handle/20.500.11822/39864 .

4 Mobilising private finance for biodiversity in developing countries

Development co-operation can help mobilise private finance for biodiversity by improving investment conditions, strengthening revenue models and addressing risk-return barriers. Mobilising private capital is essential to narrow the biodiversity financing gap and support implementation of the Kunming Montreal Global Biodiversity Framework, especially in developing countries where financing constraints and perceived risks remain high. The chapter sets out three complementary pathways, organised by revenue models: direct investment in biodiversity-related assets and activities; integrating biodiversity into broader sustainable finance instruments; and embedding biodiversity considerations into existing environmental market mechanisms. It reviews the role of blended finance, guarantees, catalytic capital and innovative financial structures in supporting bankable biodiversity projects and attracting institutional investors. The chapter also discusses thematic bonds, debt-for-nature swaps, sustainability-linked finance and biodiversity-related carbon market approaches. Throughout, it emphasises the importance of integrity, measurable biodiversity outcomes, strong safeguards and enabling environments to ensure that mobilised finance contributes effectively to nature-positive development pathways.

Three pathways exist for mobilising private finance for biodiversity

Scaling financing for biodiversity is mainly constrained by the public good characteristics of biodiversity. The value of biodiversity and the ecosystem services it provides are often not reflected in private sector decision making, meaning that investors are less likely to invest in it, with consequent limited demand for finance (chapter 1). As a result, investors often struggle to find direct links between reliable cashflows and concrete environmental or biodiversity outcomes (World Economic Forum, 2025[1]). Beyond these biodiversity-specific challenges, many biodiversity investments are also affected by barriers that are not necessarily exclusive to biodiversity, including small deal sizes and high transaction costs, the need for active management, and limited scalability (Christiansen et al., 2025[2]). At the same time, investors may perceive some of the most biodiverse countries as too risky to invest in, reflecting broader structural investment constraints in developing countries, rather than an intrinsic feature of biodiversity investments (Christiansen et al., 2025[2]).

Despite these constraints, opportunities exist to mobilise private finance for biodiversity through development finance instruments and mechanisms. Using a range of blended finance instruments and approaches, development finance providers can help address market failures or risk-return considerations to directly or indirectly mobilise private finance towards biodiversity (OECD, 2018[3]). Concretely, development finance can help mobilise private finance in three different ways.

- Pathway 1: direct investing in biodiversity-related assets or activities[1],
- Pathway 2: integrating biodiversity into non-biodiversity-related sustainable finance,
- Pathway 3: integrating biodiversity into existing market mechanisms.

These pathways are not mutually exclusive. Rather, they complement each other in that they increase the scale of private finance mobilisation opportunities. They offer an analytical framework to show when and how private finance can be mobilised in nature-dependent sectors where biodiversity objectives and financial objectives align (Pathway 1). However, such opportunities often remain limited in terms of scalability potential in developing countries and they tend to rely on significant development finance contributions. Unlocking private finance for biodiversity through non-biodiversity sustainable investment is an alternative (Pathway 2), as is integrating biodiversity into existing market mechanisms (Pathway 3).

Pathway 1: Direct investing in biodiversity-related assets or activities

The first pathway relates to mobilising private finance into investments that generate financial returns directly from biodiversity-related sectors or operations. Examples of such financing include investments in activities linked to conservation or the sustainable use of natural resources. However, given the limited scalability and revenue potential of many pure conservation activities, this pathway emphasises investing into biodiversity-related economic activities that can generate cashflows including agricultural production (e.g. organic food) with biodiversity-aligned practices and business models, new business ventures that directly support biodiversity such as ecotourism, or infrastructure that integrates NbS. Such biodiversity-related activities offer an opportunity to directly contribute to address biodiversity loss. Along with their underlying operations, these activities generate returns on investments, thereby delivering both biodiversity outcomes and financial returns. This relationship between private finance flows, the underlying biodiversity assets and the (financial and environmental) returns highlights the importance of stable and long-term revenue streams.

Approaches under this pathway include two modalities for mobilising private finance: through development finance instruments that finance biodiversity-related assets or activities; and by financing biodiversity through use-of-proceeds of green, social and sustainability (GSS) bonds.

Development finance approaches to finance biodiversity-related assets or activities

As elaborated in chapter 1, the fact that biodiversity and nature underpin the economy means that all businesses depend, directly or indirectly, on biodiversity (IPBES, 2026[4]). An extensive range of economic and business activities, notably in nature-dependent sectors, are directly dependent on, and also impacting, biodiversity. The financing and financial products for these activities can be designed to support investment in sustainable practices with positive biodiversity outcomes. The whole range of development finance tools – from debt to equity and other private sector instruments – can be used to financially support businesses adopting sustainable practices or implementing biodiversity-friendly projects.

This section focuses on three of these financing approaches, which can be used by development finance actors to unlock additional private finance into biodiversity-related assets or activities: collective investment vehicles (CIVs), guarantees and project finance for infrastructure projects.

Collective investment vehicles[23] can accumulate exposures to smaller enterprises. They provide a larger-scale financing opportunity to private investors while also diversifying risks, thereby helping overcome some of the challenges to directly financing biodiversity.[4] Investments in nature-dependent sectors such as agriculture or tourism – for example transactions involving large agribusinesses and major commodity traders – can also be sizeable. Still, in many developing countries, smallholder farmers and SMEs are the backbone of the agrifood sector, which results in small ticket sizes and numerous fragmented projects (OECD, 2021[5]). Individual development finance providers are often not equipped to directly invest in or provide financing for individual, relatively small-scale ventures in developing countries. Setting up a specific investment vehicle to pool finance, and including specific expertise and capacity for biodiversity-focused investments, can make a difference with respect to private financiers' risk and return considerations in the context of financing private investment for biodiversity. More generally, structured CIVs[5] blend finance by strategically deploying development finance, for example in junior tranches in order to mobilise private investors in the mezzanine or senior tranche of the CIV by providing them a risk cushion (OECD, 2018[3]; Dembele et al., 2021[6]).

One such CIV is the eco.business Fund initiated by KfW (German promotional and development bank), Conservation International and Finance in Motion, which aims to strengthen local financial institutions to ensure more financing towards companies whose business practices contribute to biodiversity conservation. The Fund provides technical assistance for product development, capacity development and awareness as well as debt financing to local financial institutions, which on-lend to their clients, thereby contributing to local market development for biodiversity finance (eco.business Fund, 2023[7]). A concrete example is its partnership with Produbanco in Ecuador to scale the adoption of sustainable practices in sugar industry companies, with eco.business Fund's Development Facility providing technical assistance (eco.business Fund, 2023[7]). In the fund, public investors and donors provide a risk cushion to investors via a first-loss tranche, which helps attract private institutional investors. Among the private investors in the Fund are the Dutch bank ASN (Environmental Finance, 2020[8]).

Another CIV example is the Land Degradation Neutrality Fund managed by Mirova, which focuses on sustainable land-use projects (e.g. regenerative agriculture) in emerging markets. This fund provides both equity and debt financing, including into cocoa value chains in Ghana and macadamia nut production in Kenya and the United Republic of Tanzania (hereafter Tanzania), as well as in conservation efforts in Colombia through special protected areas (Mirova, 2023[9]). This fund's structure is also layered, with public actors acting as anchor investors and de-risking partners, which makes investment from the private sector less risky and thus more attractive (One Planet Summit, 2024[10]). It blends commercial financing (e.g. from asset managers or impact investors) and development non-grant financing from, among others, the AFD; the European Investment Bank (EIB); the UK Department for Environment, Food and Rural Affairs (DEFRA); Canada; and Luxembourg (UN Convention to Combat Desertification, 2025[11]). Overall, by pooling resources into dedicated funds or investment vehicles such as CIVs, it is possible to address challenges related to investment volumes and intermediation as well as capacity and expertise limitations that would otherwise make it difficult to identify investment opportunities. Such challenges are common to efforts to mobilise private finance for biodiversity, and the vehicles can be tailored for biodiversity objectives. This is relevant even when the financing challenges themselves are not specific to biodiversity, but rather to mobilising private finance in developing countries, to a large extent defined by the development context.

A further example is the African Forestry Impact Platform (AFIP), a CIV by Norfund, British International Investments (BII) and Finnfund that acquires stakes in companies, among them forest development and wood processing enterprises such as Green Resources that operates in Mozambique, Tanzania and Uganda (Norfund, 2022[12]; ODI Global, 2025[13]). As illustrated by this example, equity investments by development finance actors can address issues associated with sustainable forestry or wetland restoration projects that may be at an early stage, with high risk and delayed cashflows. In such cases, equity in its patient role can unlock investments.

Guarantees can improve access to finance and thereby unlock investments into biodiversity-related assets or activities. In the context of biodiversity, guarantees can also improve the risk-return profiles of biodiversity conservation project developments, increasing the private capital available (AFD, 2021[14]). The AGRI3 Fund (2025[15]), for instance, is a blended finance initiative initially launched by Rabobank and the United Nations Environment Programme (UNEP). Its primary objective is to mobilise public and private capital to promote sustainable agriculture, prevent deforestation and enhance rural livelihoods in developing countries (Van Manen et al., 2024[16]). By providing credit enhancement tools such as partial risk guarantees and subordinated loans, the fund aims to de-risk investments in sustainable land use, making them more attractive to commercial banks and private investors. AGRI3 Fund for example backed a USD 5 million loan from Rabobank Brazil to the LPCD Group by providing a partial credit guarantee. The guarantee enabled the LPCD Group, a traditional Brazilian farm managing 48,1k hectares of land in Brazil's Mato Grosso state, to implement sustainable cattle farming practices, including pasture restoration and full compliance with Brazil's Forest Code. The tenure of ten years and the credit risk guarantee allowed for financing "non-cash-generating activities such as forest protection" (Rabobank, 2021[17]).

In theory, guarantees can be designed to target risks very specifically, including specific risks in relation to biodiversity. Often and in the case of the aforementioned examples, rather than addressing specific biodiversity risks, the guarantees unlocked financing and investment by reducing the overall financing costs, which allowed investment into activities with more limited cash-generating potential.

Project finance also offers specific potential for private finance mobilisation. Project finance refers to financial structures specifically designed for individual projects. They are particularly relevant for infrastructure financing, given the high degree of idiosyncrasy as well as project financing volume, which make tailored financing both relevant and feasible. Infrastructure projects have a strong biodiversity dimension due to their characteristics as built environment. Infrastructure investments also are a familiar business model, typically with ringfenced and often guaranteed revenue streams and long-term, large-scale investment opportunities. Infrastructure can be financed by project finance approaches at a volume that is large enough to both tailor specific financing solutions to individual projects and through direct participation by and cross-border financing from international investors (OECD, 2018[3]).

Biodiversity considerations can therefore be integrated into infrastructure projects, and cross-leverage the revenue-generating ability of such projects, helping build the business case for biodiversity finance and investments. However, there are numerous barriers to overcome, such as prevailing regulations and technical standards that have been developed to favour so-called grey rather than green infrastructure (OECD, 2020[18]), and the potential negative effects of infrastructure on biodiversity should be carefully studied and addressed.

In particular, NbS can help mitigate risks arising from nature loss and support the mainstreaming of biodiversity considerations into infrastructure, while leveraging revenue streams generated by these projects (e.g. through the sale of energy or user fees). The relationship between NbS and biodiversity is very strong and direct as all NbS impact biodiversity and biodiversity impacts how the solutions function (OECD, 2020[18]). Given that developing countries are expected to invest more than USD 2 trillion annually on infrastructure (Abid Hussain et al., 2019[19]), there is significant potential to integrate NbS at scale into infrastructure development, including by leveraging private finance (IFC, 2024[20]).

To support this integration, the IFC has identified a range of NbS that can be integrated into the core business operations of private sector infrastructure companies. Examples include applications in water utilities (e.g. integration of wetlands into wastewater treatment); extractives (e.g. road decommissioning and responsible mine closure); and energy (e.g. reforestation and watershed management to decrease sedimentation in reservoirs behind hydroelectric dams) (IFC, 2024[20]). When appropriately designed (e.g. mainstreaming biodiversity considerations into technology selection and spatial planning for renewable power infrastructure) (OECD, 2024[21]), integrating NbS presents an opportunity to reduce biodiversity impacts while generating financial returns, improving infrastructure performance and environmental quality. Overall, NbS can support conservation outcomes while also serving as tools for risk reduction, asset protection and long-term economic resilience.

Large-scale transport, renewable energy generation and other infrastructure projects also lend themselves to de-risk projects by using financial instruments such as CIVs and guarantees (as discussed above). Building on experience with blended finance solutions[6] (OECD, 2025[22]), development actors can support NbS by providing finance – whether in the form of equity or debt (loans and credit lines) or via bond purchases – to help balance risk for private investors. Grants and technical assistance provided by development agencies can further support NbS by addressing project development costs, which may be higher when biodiversity considerations are integrated. The Papua New Guinea Biodiversity and Climate Fund, funded by the GEF, New Zealand and UNDP, provides grants, including to support NbS that mitigate climate impacts while supporting conservation and community livelihood initiatives (PNG Biodiversity and Climate Fund, 2022[23]). Furthermore, guarantees can deploy limited donor capital to leverage private investment for NbS, thus increasing liquidity, reducing borrowing costs, extending loan duration to match project needs and mitigating investment risks (Climate Policy Initiative, 2024[24]).

Overall, development finance can unlock investing into activities that have strong biodiversity dimensions, and it can be used to focus on supporting specific practices and approaches to align with biodiversity goals. The key financing constraints are not necessarily specific to biodiversity-related activities or assets but are rather general constraints. Moreover, not all activities that are critical to biodiversity action can be financed through or are suited for private investment (chapter 1). However, where it is possible to mobilise private capital flows, it is essential to focus on financial additionality, especially when deploying concessional finance and the potential of development finance to contribute to market creation and growing overall financing volume.

Financing biodiversity through the use-of-proceeds of GSS bonds

Green, social and sustainability (GSS) bonds are another instrument well-suited to directly mobilise private finance for biodiversity. GSS bonds are fixed-income debt instruments with a use-of proceed mechanism: issuers commit to using the proceeds to (re)finance specific projects with a social and/or environmental impact (OECD, 2023[25]). As large-scale instruments that tap into capital markets, they can be a powerful way to mobilise private finance towards biodiversity-related government and corporate activities. By earmarking proceeds for eligible activities GSS bonds can help mainstream biodiversity considerations by directing finance towards biodiversity projects and investments. Importantly, while GSS bonds can unlock private finance, their use is not limited to private investment: they also can be issued by the public sector to increase funding resources available to fund public biodiversity investment. In the case of more innovative bond issuances, public sector issuers play an important role in establishing market standards, credibility and best practice. They are also typically the main counterparts of donors in development co-operation, which makes them a natural partner for scaling issuances that mainstream biodiversity.

The scale of the GSS bond market, which had a volume of close to EUR 5.2 billion as of Q2 2025, suggests its potential for mainstreaming biodiversity (Luxembourg Green Exchange, 2025[26]), and biodiversity conservation is a growing feature. Between 2020 and 2023, the global share of green and sustainability bonds featuring biodiversity conservation as part of their use of proceeds increased from 5% to 16% (Sustainable Fitch, 2023[27]).[7] Despite their potential for both mainstreaming biodiversity considerations and driving financing towards developing countries, the vast majority are issued in developed countries (OECD, 2023[25]; OECD, 2024[28]). Likewise, biodiversity-related issuances are heavily concentrated in advanced markets (Sustainable Fitch, 2023[27]). This mirrors broader trends in the GSS bond market, which is also concentrated in advanced markets – reflecting general financing constraints for EMDEs (OECD, 2023[25]).

Green bonds are use-of-proceeds instruments designed to (re-)finance environmentally friendly or sustainable projects. In the context of biodiversity, these can include projects relating to nature restoration, conservation and sustainable land use (CBD, 2022[29]). Green bonds are issued and backed by the overall balance sheet of the issuing entity, such as a government, but then serve to finance specific eligible new or existing green investments. The International Capital Market Association (ICMA) Green Bond Principles, best-practice guidelines for the issuance of green bonds, are the primary reference point for issuers. They address biodiversity and sustainable land use under two distinct categories: (1) terrestrial and aquatic biodiversity conservation and (2) environmentally sustainable management of living natural resources and land use (Chahine and Liagre, 2020[30]). The recent ICMA publication, Sustainable Bonds for Nature: A Practitioner's Guide, further supports issuers, investors and other market players in issuing nature-themed bonds and understanding their impact, including by providing an indicative list of nature-related projects for nature-themed bonds (International Capital Market Association, 2025[31]).

With investors becoming more familiar with use-of-proceeds instruments, new bond labels are emerging – including for blue and biodiversity bonds. Blue bonds are a variation of green bonds where the use of proceeds is designed to finance the sustainable use of maritime resources and the promotion of related sustainable economic activities (International Capital Market Association et al., 2023[32]). In addition to driving financing towards the blue economy, blue bonds hold numerous advantages for issuers, including the opportunity to tap into new business categories, investor base diversification, reputational benefits and internal alignment (International Capital Market Association et al., 2023[32]). In certain regions, they have already played a tangible role in supporting marine conservation and the development of blue economies including for marine-focused businesses. For example, in the Caribbean, blue bonds reached USD 385 million between 2019 and November 2024 (OECD/IDB, 2024[33]).

Like all thematic bonds, blue bonds are complex instruments throughout the pre- and post-issuance process and present additional complexities pertaining to their relationship with the ocean economy. In particular, structuring blue bonds typically entails high transaction costs and requires specialised technical expertise, a strong understanding of marine and coastal value chains, and robust metrics to credibly measure impact on the ocean economy. To address these challenges, supporting tools are emerging, including ICMA's practitioner's guide on bonds to finance the sustainable blue economy (International Capital Market Association et al., 2023[32]).

Biodiversity bonds are another relatively new label for bonds that are specifically structured to finance projects that address the key drivers of biodiversity loss. These bonds offer financial incentives based on measurable ecological results.

The world's first biodiversity bond in the financial sector was issued in 2024 by Banco Bilbao Vizcaya Argentaria (BBVA) Colombia with support from both IDB Invest and the IFC. The USD 70 million bond was structured in two tranches – one subscribed by the IFC and the other by IDB Invest. While its returns are fixed, the bond's proceeds are earmarked for activities that address the key drivers of biodiversity loss including reforestation, regeneration of natural forests on degraded lands, climate-smart and regenerative agriculture and habitat restoration. The IFC, acting as a structurer and investor, provided advice to "establish eligibility criteria and reporting indicators for activities that help protect, maintain, or improve biodiversity and ecosystem services, as well as promote optimal sustainable management of natural resources" (IFC, 2024[34]). IDB Invest also provided technical advice to support BBVA Colombia in developing a biodiversity strategy and a model for managing nature-related risks.

Although biodiversity bonds are a promising way to drive financing towards biodiversity, the actual allocation of proceeds can be very different from their intended use. This creates a risk that issuers can claim biodiversity-related use of proceeds without necessarily delivering commensurate ecological outcomes in practice (Christiansen et al., 2025[2]). This reflects a broader need to strengthen commitments and enforceability regarding the use-of-proceeds of GSS bonds, which is critical to ensuring their credibility (OECD, 2023[25]). In the context of biodiversity, the allocation challenge may be due to the difficulties of identifying and reporting on biodiversity-related key performance indicators (KPIs), especially in developing countries with more limited reporting capacities. These challenges can be particularly relevant in small island developing states (SIDS), where biodiversity assets are economically and socially critical but structural constraints limit access to capital markets (Box 4.1). While such bonds do help align use of proceeds with biodiversity or green outcomes, further research is needed on their financial additionality. Relatedly, the ICMA, in its practitioner's guide on sustainable bonds for nature, recommends that nature-themed bonds "go beyond a 'business-as-usual' scenario", with clear indicators to measure improvements resulting from the issuance (International Capital Market Association, 2025[31]).

Box 4.1. Biodiversity bonds and small island developing states

Biodiversity-linked bonds align closely with SIDS' natural endowments, development priorities and vulnerability profiles. Many SIDS are custodians of globally significant biodiversity assets that deliver both local livelihoods and global public goods, including coral reefs, mangroves, seagrass meadows and coastal wetlands. SIDS are also among the most vulnerable countries to natural disasters and climate-related impacts, making nature-positive investment particularly relevant for resilience and sustainable development. This makes biodiversity-linked bonds potentially attractive for SIDS as a way to connect financing with nature and development priorities.

At the same time, scaling sovereign thematic bond issuances in SIDS can be challenging given structural financing and institutional constraints. These include limited and volatile fiscal space, relatively high risk premia and difficulties accessing finance, even at higher income levels. In practice, only a small number of SIDS have sovereign credit ratings, which are a prerequisite for bond issuance but are costly to obtain and maintain for administrations with constrained capacity.

Transaction costs can also be proportionally higher for SIDS because issuance volumes are often smaller and fixed costs – such as external reviews, verification, legal services and investor engagement – do not scale easily. Even after issuance, the strict eligibility, reporting and verification requirements associated with use-of-proceeds bonds can further complicate the effective disbursement of funds, especially where domestic sectors and local beneficiaries lack the capacity to comply with sustainability standards. Overall, the feasibility and impact of biodiversity-linked bonds in SIDS depend on how well the instrument is tailored to country context and supported by complementary measures – such as project pipeline development, capacity support for reporting and verification, and partnerships that reduce transaction costs and improve market access.

Source: OECD (2025[35]). *Innovative Finance for Small Island Developing States: Guidance on innovative finance for small island developing states*, DCD/DAC(2025)37.

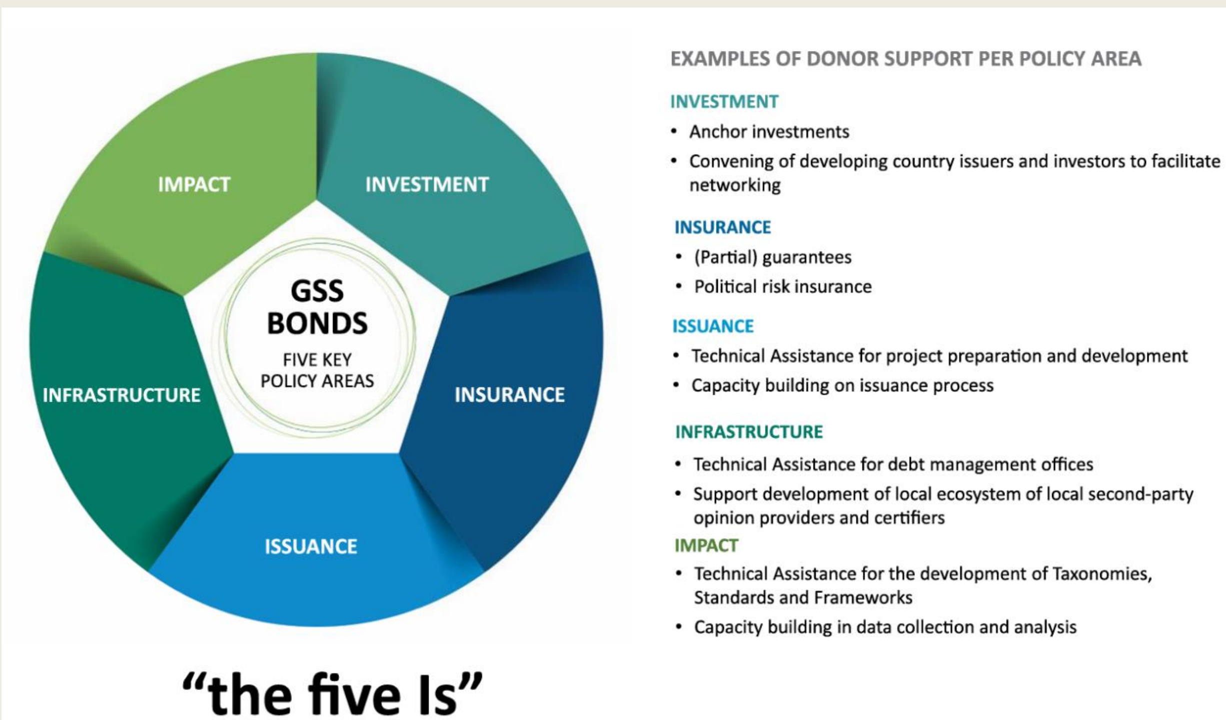
Overall, by supporting different stages of the GSS bond issuance process,[8] donors can help increase the mobilisation of private finance for biodiversity. For example, donors can support the issuance process of GSS bonds through technical assistance programmes, and they can also help de-risk issuances through credit enhancement (OECD, 2025[36]). The world's first sovereign blue bond, issued in 2018 by the Seychelles government, is an example: it benefitted from a partial guarantee from the World Bank and a concessional loan from the GEF that lowered the cost of capital and helped mitigate risks for investors. Private bond holders included Calvert Impact Capital, Nuveen and Prudential (World Bank Group, 2018[37]). Proceeds of the bond are used for marine and ocean-related activities that contribute to the transition to sustainable fisheries and for the conservation of Seychelles' marine ecosystems. While the long-term impact of this issuance has been questioned (Hunt and Hilborn, 2025[38]), others argue that it contributed to innovation in the market and gave blue bonds greater visibility. Two other developing countries followed suit, with Fiji and Indonesia both issuing sovereign blue bonds in 2023 (OECD, 2025[36]). The OECD's "Five Is" framework identifies areas of donor support for GSS bonds (OECD, 2023[25]; OECD, 2024[28]) that can also be applied in the context of biodiversity (Box 4.2). Sustainable bond frameworks and pre- and post-issuance monitoring and reporting are particularly crucial to improving transparency, strengthening market credibility, and making these instruments more attractive to issuers and investors alike (OECD, 2024[39]). As for biodiversity bonds, further research is needed on the financial additionality of GSS bonds with respect to unlocking additional investments that would not have been undertaken without the issuance of such bonds.

Box 4.2. Donor support to bond issuances: Green, social and sustainability bonds to unlock private finance for biodiversity and development

Green, social and sustainability (GSS) can be used to mainstream and address biodiversity outcomes and thus increase the mobilisation of private finance towards these objectives. The OECD's "Five Is" framework is used to support the growth of GSS bonds, and can therefore be directly used in the context of biodiversity. It focuses on five major policy areas that donors can target: investment, insurance, (market)-infrastructure, issuance and impact (Figure 4.1).

GSS bond issuers in developing countries face several significant, often interrelated obstacles. These can be technical and related to different factors – including the underlying project pipeline itself, the overall structuring of the bond, or the broader enabling environment. Donors have a unique role to play in supporting developing countries to advance their access to the GSS bond market through targeted and coherent support across the Five Is key policy dimensions.

Figure 4.1. The "Five Is" framework: Policy areas where donors can support GSS bond issuances



Source: OECD (2023[25]), *Green, Social and Sustainability Bonds in Developing Countries: The Case for Increased Donor Co-ordination*, https://doi.org/10.1787/1cce4551-en.

For mainstreaming GSS bonds for biodiversity objectives in particular, the "Five Is" framework can be particularly relevant in the following ways:

- **Investment**. Through anchor investments or first-loss structures, donors can establish confidence in a bond issuance by adjusting the risk-return profile for investors and also due to their own widely recognised understanding of the market. In 2025, IDB Invest, IFC and Itaú Unibanco announced Brazil's first bond focusing on biodiversity and social initiatives. IFC was the anchor investor and IDB Invest as complementary investor in this privately placed USD 250 million transaction. Private placements can play an important role in market creation, and in building the institutional and technical capacity for repeat transactions.

- **Insurance**. Donors can help de-risk GSS bond issuances through credit enhancement. The Seychelles sovereign blue bond, for example, benefitted from a World Bank partial guarantee that contributed to lowering the cost of borrowing by approximately 2% per year.
- **Issuance**. Especially for use-of-proceeds bonds, donors can provide technical assistance to support the quality and development of the investment pipeline. ADB's blue bond incubator, for example, helps build the pipeline of projects for blue bonds to address one of the main barriers to the growth of the GSS bond market in developing countries: the lack of bankable projects.
- **Infrastructure**. Bond issuance requires a mature market infrastructure, and GSS bonds add an additional level of complexity. Donors can support training of regulators and debt management offices on the advantages and challenges of these instruments and the development of local qualified external reviewers and/or second party opinion providers.
- **Impact**. Donors can provide technical assistance in support of ambitious, material and harmonised KPIs that are relevant to biodiversity. Post-issuance, donors can also provide support for the collection and analysis of these data to help issuers meet necessary reporting requirements, which ultimately help investors better understand and compare issuances and facilitate investment. The UNDP, for instance, provided technical advisory support to the Development Bank of Latin America and the Caribbean (CAF) to develop the post-issuance impact report on its first blue bond.

Source: OECD (2023[25]), *Green, Social and Sustainability Bonds in Developing Countries: The Case for Increased Donor Co-ordination*, https://doi.org/10.1787/1cce4551-en; OECD (2024[28]), *Sustainability-Linked Bonds: How to make them work in developing countries, and how donors can help*, https://doi.org/10.1787/7ca58c00-en; OECD (2025[36]), *Promoting Sustainable Ocean Economies: Guidance for Development Co-operation*, https://doi.org/10.1787/72055d7f-en; IDB Invest (2025[40]), "IDB Invest, IFC and Itaú Unibanco Announce Brazil's First Bond Focused on Biodiversity and Social Initiatives", https://idbinvest.org/en/news-media/idb-invest-ifc-and-itau-unibanco-announce-brazils-first-bond-focused-biodiversity-and; UNDP (2025[41]) "CAF Issues Landmark EUR 100 million Blue Bond with UNDP as Technical Coordinator", https://www.undp.org/latin-america/press-releases/caf-issues-landmark-eur-100-million-blue-bond-undp-technical-coordinator.

Pathway 2: Integrating biodiversity into non-biodiversity-related sustainable finance

While the direct mobilisation of private finance for biodiversity investments is constrained by a range of barriers, financial mechanisms can generate returns or unlock finance in other ways. Private finance can be mobilised into non-biodiversity-related sustainable investments that already generate revenue and thus can also generate funding for biodiversity.

Development co-operation providers can support the financing of sustainable investments while also ensuring that biodiversity co-benefits are delivered. Development actors are increasingly linking institutional investor preferences with biodiversity outcomes to mobilise private finance.

Approaches under this pathway include mobilising private finance for biodiversity through debt-for-nature swaps, sustainability-linked bonds and impact-linked financing approaches, and other innovative financial approaches.

Raising funds for biodiversity through debt-for-nature swaps

For biodiverse countries and in the context of elevated debt and fiscal constraints, debt-for-nature swaps enable countries to restructure existing sovereign debt to free up resources to fund nature-based investments (OECD et al., 2024[42]). Where appropriate, these can offer a way to relieve financial strain resulting from high indebtedness and also increase much-needed investment towards development objectives (IMF/World Bank, 2024[43]). In this way, the debt swap model can also mobilise private finance. Studies of external debt stocks and previous debt-reduction schemes have found that over USD 100 billion could be freed up from debt relief for climate and nature, for example through debt-for-climate and nature swaps (Patel, 2022[44]).

The term debt-for-nature swap is commonly used to refer to two types of similar but distinct financial transactions: bilateral and commercial debt swaps. The former involves the direct exchange or write-off of official bilateral debt for commitments on nature expenditures and commercial debt swaps, which can be an important instrument to generate fiscal space including for biodiversity-related activities – although it does not mobilise private sector actors, and so will not be further discussed here.

There are, however, approaches to debt-swaps that can generate participation by private investors: Commercial debt swaps are targeted at debt owed to private creditors and involve a form of credit enhancement – a guarantee, risk insurance or additional equity – for a debt refinancing at more favourable terms in exchange for commitments on nature expenditures (IMF/World Bank, 2024[43]). The difference between existing and new or additional debt servicing costs can be used for public investments into conservation efforts, offering a means to increase funding available for biodiversity investments. The bonds' use of proceeds can, however, be used for financing eligible new or existing assets across the issuer's balance sheet, and not necessarily linked to biodiversity. [9]

Private investors that buy the restructured debt may engage in commercial debt swaps for a number of reasons. Such transactions are attractive because of their impact – for instance in connection with the investor's environmental, social and governance (ESG) strategy, in consideration of the positive implications of sustainable projects, or their impact on the issuer's debt sustainability. Beyond these attractions, the benefits of debt swaps can derive from risk-related incentives due to credit enhancement for new investors or from a reduction in the country risk exposure for the original creditors (UNDP China, 2025[45]). Since debt swaps normally have some type of credit enhancement to reduce the cost of new debt, they are also a promising way to crowd in and diversify private investors (Raih, 2025[46]). More generally, and as discussed, (sovereign) bonds are well-known, highly standardised, transparent and publicly traded instruments that institutional investors in particular are familiar with. Since debt swaps link such bonds to biodiversity outcomes, issuers can leverage the track record and accessibility of the instrument with respect to the private sector. Biodiversity objectives are commonly embedded through the credit enhancement or related covenants rather than the bond itself.

Commercial debt-for-nature swaps have the potential to attract private capital for biodiversity activities that would otherwise struggle to do so. The Caribbean region specifically has helped pioneer debt-for-nature swaps, including some with specific biodiversity objectives, with four executed to date that resulted in more than USD 400 million destined for marine conservation (OECD/IDB, 2024[33]). Another recent example is a debt conversion project for conservation in El Salvador, in which the US International Development Finance Corporation (DFC) and the CAF provided credit enhancement for a debt issuance of USD 1 billion to buy back USD 1.03 billion of outstanding sovereign bonds (US DFC, 2024[47]). Similarly, the purchase of the outstanding sovereign bond of the government of El Salvador resulted in savings on debt and debt servicing costs of about USD 352 million over the bond tenure (White & Case, 2024[48]), with these savings channelled into conservation efforts.

Given the recent fundamental changes in the composition of many developing countries' sovereign debt stock, with much more debt owed to private creditors and non-Paris Club members (Chuku et al., 2023[49]), commercial debt swaps are now viewed as a potential remedy for addressing the challenge that many developing countries face in financing biodiversity conservation and restoration against the backdrop of a lack of fiscal space. However, multiple debt-swap frameworks note that on their own, debt-for-nature swaps are not an adequate instrument to address debt sustainability issues as the volume of public debt that is exchanged remains limited (IMF/World Bank, 2024[43]; Albinet, Chekir and Kessler, 2024[50]). Potentially good candidates are those countries at a moderate or high risk of debt distress, facing temporary liquidity pressures, and having previously undergone a debt restructuring (IMF/World Bank, 2024[43]). Considering transaction costs and the need to effectively meet financing goals, the scale of the transaction is important – although there is no universally agreed minimum size for debt-for-nature swaps (OECD DAC, 2025[35]).

Since these instruments are associated especially with contexts experiencing some level of debt distress and lacking finance generally, it is also important to ensure that spending commitments are flexible and designed to adequately reflect both donor and debtor priorities as well as the debtor's implementation capacity (IMF/World Bank, 2024[43]). Although spending on conservation provides a global public good, it typically ranks relatively low among countries' spending priorities. Yet authorities in debtor countries may view the resources freed up by a debt swap as "additional" since these would otherwise have been spent on debt service, which creates a greater willingness to commit to such spending (IMF/World Bank, 2024[43]). Implementation arrangements and monitoring and verification mechanisms are essential to ensure that the debt-for-nature swaps go beyond pure debt relief and effectively deliver on biodiversity outcomes (chapter 2). A number of analysts have proposed stronger involvement of local actors in the monitoring and the use of clearly defined performance indicators as a means to better achieve this[10] (Kelly, Ducros and Steele, 2023[51]; Drutschinin et al., 2015[52]). In addition, while the complexity of each debt-for-nature swap limits replicability, the instrument structure could be streamlined.

Mobilising private finance for biodiversity through sustainability-linked bonds and impact-linked financing approaches

As outlined previously, debt instruments such as bonds or loans can be provided for specific activities through the definition of their use of proceeds. Beyond earmarking proceeds for specific activities, some debt instruments can mobilise private finance by linking financial conditions to the achievement of pre-defined sustainability objectives. These include results-based and impact-linked financing approaches that can support the achievement of previously agreed and verifiable biodiversity outcomes or targets.[11] In these cases, private finance is mobilised to support biodiversity outcomes subject to the overall performance, rather than through earmarking specifically for biodiversity-related projects or activities.

Sustainability-linked bonds (SLBs) are forward-looking performance-based instruments whose structural and/or financial characteristics may change depending on whether the issuer achieves pre-defined sustainability objectives (International Capital Market Association, 2024[53]). SLBs can be adapted to a variety of areas, including biodiversity, by using a relevant KPI. Such KPIs could refer to the maintenance of tropical forests, the sustainable use of natural resources, or preserving wildlife and marine ecosystems (OECD, 2024[28]). The rentability for investors, which is conditioned on reaching these sustainability targets, also changes. For example, high development impact can be linked to lower financial returns (and lower cost of debt for the issuer). As such, unlike biodiversity or GSS bonds, SLBs are not necessarily linked to specific underlying assets; instead, they finance the issuer's overall operations while creating incentives to improve sustainability performance.

This characteristic makes SLBs particularly relevant for sectors or areas with strong financing needs but lacking pipelines of bankable investments, which is often the case for biodiversity-related projects (OECD, 2024[28]). Likewise, they offer issuers a way to demonstrate commitment to nature-related strategies and can incentivise changes in practices or business models in order to meet the bond's targets. Such changes do not necessarily require large capital expenditures, and can result in quantifiable improvements in addressing biodiversity loss (International Capital Market Association, 2025[31]).

Despite this potential, the share of SLBs with biodiversity-specific KPIs remains very limited at approximately 1% of global issuances as of 2023 and 6% when water-related KPIs are included (Sustainable Fitch, 2023[27]). More broadly, this limited uptake reflects challenges facing the relatively new SLB market, including concerns about the robustness and greenwashing of issuers' chosen KPIs, which contribute to investors being cautious (OECD, 2024[28]). In this context, the World Bank highlights the importance of setting SLB targets that strike an appropriate balance between feasibility and ambition.

Highly feasible yet unambitious targets risk greenwashing accusations, while excessively ambitious targets that are unlikely to be met can also pose a reputational risk (Wang et al., 2023[54]).

Nonetheless, several SLBs have targeted biodiversity. In January 2026, Chile announced a new SLB with a biodiversity KPI, making it the world's first sovereign SLB aligned with KMGBF targets. The bond's KPI relates to the protection, expansion and management of protected areas in terrestrial and inland water ecosystems. Previous SLB issuances by Chile have enabled it to broaden its investor base and achieve favourable rates; now, having biodiversity embedded in the sovereign SLB framework strengthens its capacity to meet its biodiversity commitments (Chile Ministry of Finance, 2025[55]). Over the long term, linking KPIs to international biodiversity targets also helps the market price the likelihood of achieving these targets[12] (David, 2026[56]). Donors can support different policy areas to increase the issuance of SLBs – for example through support in selecting appropriate KPIs, or via the provision of credit enhancement to mitigate investor risk-return considerations. These are outlined in Box 4.2 relative to GSSS bonds.

Outcome bonds rely on a different underlying mechanism that "directs finance to a specific project or activity and in turn makes a portion of the return on the bond contingent on the success of that project or activity" (Bennett and Jain, 2023[57]). Unlike GSSS bonds, which are backed by the full credit of the issuer and where the investor does not take on any project risk, outcome bonds allow for project risk to be shared among with private investors. Project owners can tap into needed capital and upfront financing (Bennett and Jain, 2023[57]). There are numerous challenges to the use of outcome bonds due to their complexity, degree of tailoring of the instrument and the need to track project performance.

Issuances such as the so-called rhino bond, discussed in Box 4.3, have received attention for their approach to funding conservation efforts. Conservation and private finance are causally and indirectly linked in this approach, and financial returns are causally linked to biodiversity outcomes. The structuring of the instrument and the transaction cost associated with it, as well as the outcome-based nature of financial returns, may pose difficulties for scaling these issuances and attracting private finance at scale.

Box 4.3. The first outcome-based bond supporting financing of conservation activities: The Wildlife Conservation Bond or rhino bond

The Wildlife Conservation Bond is the first outcome-based bond that supports the financing of conservation activities, and together with financing from the GEF, it transfers project risk from donors to investors. The transaction mobilises private capital to facilitate financing of black rhino conservation activities in two protected areas in South Africa, the Addo Elephant National Park (AENP) and Great Fish River Nature Reserve (GFRNR).

Biodiversity challenge

Rhinos are considered an umbrella species that play a crucial role in shaping entire ecosystems in Africa, thus benefiting other species and contributing to South Africa's economy, mainly through tourism. However, black rhinos are critically endangered due to poaching and habitat loss.

Finance providers and instruments

The five-year rhino bond is a combination of existing financial products, including a bond with an investment grade credit rating (AAA for World Bank-issued bonds), that are paired with a performance-based grant funded by the GEF. The result is a new financial structure that can successfully harness investment from capital markets to directly support conservation of endangered species.

Finance solution

Through the Wildlife Conservation Bond, investors are financing initiatives to protect and increase the population of a critically endangered species with specific conservation targets, including by generate conservation-related employment in a rural and underserved area of South Africa. Instead of receiving traditional coupon payments from a World Bank Group bond, investors agree to forgo these payments in exchange for a potential success payment at maturity. At maturity, bond holders receive compensation conditional on the success of rhino conservation efforts, with financial compensation derived from GEF grant funding. Hence, the compensation is not generated through the use of proceeds, which remain in the World Bank and potentially feed into its portfolio assets, but by the GEF as the donor. The GEF only provides grant funding if the initiatives succeed, with the bond holders bearing the risk of project failure or success (World Bank, 2022[58]).

The foregone coupon payments finance conservation activities in the AENP and GFRNR that aim to grow the black rhino population, improve the management of over 150 000 hectares of parkland, reduce poaching, and provide over 2 300 jobs for local communities in and around the protected areas.

Source: Benchimol Dominguez (2022[59]), "A new lifeline for wildlife conservation finance", https://www.thegef.org/newsroom/blog/new-lifeline-wildlife-conservation-finance; Green Finance Institute (2024[60]), *Case Studies (Revenues for Nature): "The Rhino Bond*", https://www.greenfinanceinstitute.com/casestudies/therhinobond/; World Bank (2022[58]), *Case Study: Wildlife Conservation Bond mobilizes private capital to protect critically endangered rhinos*, https://thedocs.worldbank.org/en/doc/7039bd837e60e484fb3a93ea63951306-0340022022/original/CaseStudy-WildlifeConservationBond.pdf.

Redistributing conventional financial returns to biodiversity through other innovative financial approaches

Innovative instruments that aim to redistribute financial returns to biodiversity are emerging. One key innovative approaches is the Tropical Forest Forever Facility (TFFF), launched by Brazil on the occasion of its COP30 Presidency in 2025. The objective of the TFFF is to pay developing countries a certain amount per hectare of forest that is preserved or restored each year to promote the conservation of tropical rainforests (Government of Brazil, 2024[61]). In this way, the facility overcomes a market failure by monetising conservation and restoration efforts and assigning a value to the ecosystem services that tropical forests provide (Tropical Forest Forever Facility, 2025[62]). The underlying instrument is a blended finance fund that sources funds that are relatively low in cost from governments, multilaterals, pension funds and other investors; these are then channelled to and deployed into green assets that are not necessarily directly funding biodiversity. The financial returns generated through the investments are then partially used to refund the fund's investors and partially converted into grant funding for conservation and restoration efforts in countries with tropical forests. Fund investors forgo (some of) the financial returns generated through their provision of finance while creating positive impact on biodiversity and conservation (Tropical Forest Forever Facility, 2025[62]). Box 4.4 explores the innovative approach behind the TFFF, including the role of donors in its blended approach.

Box 4.4. Creating indirect revenue flows to support biodiversity protection: The Tropical Forest Forever Facility

The TFFF, launched at COP30 in November 2025, seeks to compensate countries for the conservation and restoration of their tropical forests and also support the local populations in maintain forest biodiversity. Through financing from sovereigns and institutional investors, the facility presents conservation as an investment opportunity.

Blended finance solution

While the final structure of the fund is still being developed, it will combine different sources of capital. Sovereign governments and philanthropies are expected to provide approximately 20-25% of the capital in the form of long-term loans, grants or guarantees. The remaining 75-80% will be in the form of highly rated senior debt issued on international capital markets and targeting institutional investors.

The capital from the fund will be invested in (sovereign and corporate) bond markets, including in ODA-eligible countries. While these assets do not have to be directly related to biodiversity, they must support the overarching objectives of the TFFF. The aim is for these investments to have a weighted average of BB+. As such, the weighting allows the TFFF to include debt purchased from developing countries, thereby increasing demand for these securities.

At the same time, returns can be used to compensate commercial investors while leaving extra returns for biodiversity payments. The financial returns will then in part be used to pay back the fund's investors, and as grant-funding for national forest programmes in developing countries. For the former, it is therefore a unique way to combine fixed income returns with large-scale positive impact on nature. For the latter, it will serve as a source of large-scale, predictable and long-term funding. In addition, 20% of the fund's payments will go to Indigenous people and local communities, a special focus of the TFFF.

Current status and next steps

At the launch, a total of 34 tropical forest countries, representing over 90% of the tropical forests in developing countries, endorsed the TFFF. It also received endorsement from 53 countries, including 19 potential sovereign investors, and over USD 5.5 billion were pledged – marking the beginning of the capitalisation. The aim is for the fund to reach a target size of USD 125 billion. The World Bank is the trustee and interim host of the TFFF.

Source: Tropical Forest Forever Facility (2025[62]), *About TFFF*, https://tfff.earth/about-tfff/; COP30 Brasil (2025[63]), "Over USD 5.5 billion Announced for Tropical Forest Forever Facility as 53 Countries Endorse the Historic TFFF Launch Declaration", https://cop30.br/en/news-about-cop30/over-usd-5-5-billion-announced-for-tropical-forest-forever-facility-as-53-countries-endorse-the-historic-tfff-launch-declaration.

Pathway 3: Integrating biodiversity in existing market mechanisms

Existing market mechanisms – including carbon markets and financial instruments – offer an additional pathway to integrate biodiversity considerations into investment structures. The creation of nature markets can help internalise the value of biodiversity and its ecosystem services, support economic efficiency, and enhance the potential to generate revenues (Box 2.1). Biodiversity-positive activities can be incentivised through instruments such as biodiversity offset programmes (i.e. with overarching no net loss or net gain objectives, and embedded in the mitigation hierarchy), and payments for ecosystem services programmes. Voluntary biodiversity credit mechanisms are also being considered (OECD, 2025[64]). However, as discussed in chapter 2, for example emerging (voluntary) biodiversity credit mechanisms are at a nascent, piloting stage, with constraints regarding scalability, demand and environmental integrity. In this context, opportunities to mobilise private finance for biodiversity can arise from integrating biodiversity objectives into existing market mechanisms, rather than relying on stand-alone biodiversity-related nature markets.

Carbon credits[13] can be used as a source of revenue streams that can be leveraged to mobilise private finance for biodiversity, provided that project design delivers biodiversity co-benefits. Additional revenue generated through the origination and subsequent sale of carbon credits in the carbon markets can strengthen investment attractiveness for the private sector by improving return profiles. In this sense, integrating biodiversity into nature-based carbon projects can strengthen both ecological outcomes and financial viability. Through the world's first blue-carbon sovereign carbon securities transaction, the Bahamas utilises natural seagrass as a source of income by creating carbon credits, mobilising private finance while supporting marine conservation, sustainable development and economic growth (Laconic Global, 2025[65]; CVF V20, 2025[66]).

In the context of climate change mitigation projects, economic instruments are already shaping investment incentives. Carbon markets, which can help with climate action, present an opportunity to mobilise funds for both development (UNCTAD, 2024[67]) and biodiversity sectors, including marine biodiversity (AFD, 2024[68]; AFD, 2021[14]). This potential is driven by the additional revenues generated through the origination and sale of carbon credits of projects that integrate biodiversity considerations into their design. These credits are generated through specific mitigation activities such as reducing emissions from deforestation and forest degradation (World Bank, 2022[69]), and when they are traded, the buyer pays another company to take action to reduce its GHG emissions and buyer gets credit for the reduction (Toffel and Ramesh Walsh, 2023[70]). As carbon credits are issued, monitored and verified according to internationally recognised standards, they allow businesses to compensate for their unavoided emissions.

At the same time, carbon credits have received considerable criticism as the underlying carbon assets often do not perform (Greenfield, 2023[71]). Carbon credits also require significant upfront investments and are exposed to market price volatility and to vulnerability of the underlying assets due to the unforeseen effects of climate change (Global Environment Facility, 2023[72]). The immaturity of the carbon credit market, alongside uncertainty around methodologies, verification streams and long-term revenue streams, also means that private sector players remain cautious. These constraints tend to be greater in developing countries that are more vulnerable to climate shocks. In many cases, the underperformance is linked to solutions or practices that do not integrate biodiversity dimensions.

Integrating biodiversity objectives into carbon credits may offer a way to address some of these weaknesses, as biodiverse ecosystems – such as natural forests – tend to be more resilient and reliable carbon sinks relative to e.g. the planting of monocultures. Such integration may also create opportunities to generate biodiversity-specific revenue streams alongside carbon finance, while potentially increasing the credit's value and sustainability. This could be the starting point to carve out specific biodiversity proceeds from the carbon scheme. By attaching a monetary value to the carbon stored in forests, wetlands and other ecosystems, carbon credits create income streams for projects that protect or restore these ecosystems. This effectively incentivises those who benefit from a stable climate to invest in the natural systems that underwrite it, and can help align climate action with biodiversity goals (UNEP, 2021[73]).

Development co-operation can support the design, structuring and de-risking of investment opportunities that integrate biodiversity co-benefits, including by supporting nature-based carbon credits to repay or incentivise investors. It can also support the development and financing of projects and funds that leverage carbon finance while delivering multiple co-benefits. For example, the World Bank launched the Amazon reforestation-linked outcome bond, involving the participation of HSBC, Nuveen and other institutional investors, to support the reforestation activities of Mombak, a Brazilian based company, linking investor returns to the generation of carbon removal units from reforestation (Box 4.5) (World Bank, 2024[74]).

Box 4.5. Linking investor returns to carbon removal: The Amazon reforestation-linked outcome bond

In 2024, the World Bank launched the Amazon Outcome Bond, a USD 225 million debt instrument that links investor returns to verified carbon removal from reforestation in Brazil (World Bank, 2024[74]). The bond supports large-scale native tree planting, integrates both climate and biodiversity benefits, and is held by institutional investors such as pension funds and asset managers (World Bank, 2024[75]).

Investors receive a fixed coupon payment, with additional returns tied to the number of carbon removal units (CRUs) achieved. CRUs are verified credits representing one tonne of carbon removed from the atmosphere through activities such as reforestation, with CRUs generated by planting native trees that sequester carbon while supporting biodiversity. Microsoft agreed to pre-purchase the CRUs generated by the Brazil project, providing a guaranteed off-take of the CRUs. While Microsoft is not a direct investor in the bond, its commitment helps secure the revenue stream tied to performance, making the bond more attractive to other investors.

Bond holders get a fixed annual coupon in addition to a variable compensation conditional on the production of CRUs from the project. Bond holders thus accept a lower-than-usual fixed coupon, which is turned into project or grant funding for the CRU production company. Parts of the CRU revenues paid by Microsoft are then channelled by the World Bank to investors as variable coupons. The proceeds of the bond fund the World Bank's sustainable development activities.

Source: World Bank (2024[74]), "Investors support Amazon reforestation through record-breaking USD 225 million World Bank World Bank outcome bond", https://www.worldbank.org/en/news/press-release/2024/08/13/investors-support-amazon-reforestation-through-record-breaking-usd-225-million-world-bank-outcome-bond; World Bank (2024[75]), *Case Study: World Bank Outcome Bond Accelerates Reforestation of the Amazon Rainforest*, https://thedocs.worldbank.org/en/doc/d193f2f326d510eb475259ec46aa91dc-0340022024/original/Amazon-Reforestation-Linked-Outcome-Bond-Case-Study.pdf.

Exploring opportunities to mobilise private finance for biodiversity

In conclusion, the fundamental challenge for mobilising private finance and investment towards biodiversity is its public good characteristics, and investors struggle to link revenue or cash-generating streams with positive biodiversity outcomes. The persistent market failures and limited revenue streams associated with biodiversity mean that some biodiversity-related investments will continue to depend on public and development finance [see also (OECD, 2025[64])]. Still, opportunities exist to directly invest into activities that further biodiversity objectives and also unlock additional financing sources that can be used for biodiversity.

As discussed in this chapter, three concrete pathways exist to mobilise private finance towards biodiversity. The first, mobilising private finance into investments that generate financial returns from biodiversity-related operations, may have limited scope but is an effective way to directly finance biodiversity. The success of this pathway hinges on identifying projects and companies with sufficiently robust cash flows and risk-adjusted returns to attract private capital as well as appropriate risk mitigation. More broadly, scaling such investments also requires a strong enabling environment and private sector engagement (chapters 2 and 3) to create more nature-related investment opportunities linking financial and biodiversity returns. The second pathway, integrating biodiversity into non-biodiversity related sustainable investments, holds potential to (indirectly) support biodiversity outcomes at larger scale through the optimisation of sustainable investments for positive biodiversity outcomes. The third pathway entails exploring options to integrate biodiversity into existing market mechanisms to help assess the value of biodiversity and create additional sources of revenue streams, with a specific focus on carbon markets.

Development finance providers can support all three pathways for mobilising private finance for biodiversity, in this way addressing market failures or risk-return considerations through the strategic use of development finance to unlock private finance in revenue-generating opportunities that are linked to biodiversity outcomes.

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Notes

[1] Biodiversity-related assets or activities relate to those that contribute directly, or aim to contribute, to the conservation, sustainable use and restoration of biodiversity (including through reaping multiple benefits across sectors such as agriculture, fishing or water and sanitation). See: https://www.oecd.org/en/publications/a-decade-of-development-finance-for-biodiversity_e6c182aa-en.html

[2] The OECD considers shares in CIVs to be a leveraging mechanism, defining shares in CIVs as "those invested in entities that allow investors to pool their money and jointly invest in a portfolio of companies. A CIV can either have a flat structure – in which investment by each participant has the same profile with respect to risks, profits and losses – or have its capital divided in tranches with different risk and return profiles, e.g. by different order of repayment entitlements (seniority), different maturities (locked-up capital versus redeemable shares) or other structuring criteria". See DCD/DAC/STAT(2025)25/REV1.

[3] The OECD DAC Blended Finance Guidance distinguishes CIVs from other portfolio approaches (such as securitisation) that mobilise private (institutional) investors into large existing asset portfolios, for example loan portfolios of MDBs. This report does not consider securitisation of biodiversity-related assets given their limited availability, though securitisation of broader development assets is increasingly observed in the development finance space and viewed as holding potential to scale private finance mobilisation. For more detail, see https://doi.org/10.1787/e4a13d2c-en.

[4] Such finance can also come from private investors, including asset managers on a stand-alone basis without the need for unlocking from development actors. An example is the Global Sustainable Food and Biodiversity Fund launched by Principal Asset Management, which invests in companies that are committed to sustainable agriculture and food security and that achieve biodiversity outcomes through their products and practices. For details on the Fund, see https://brandassets.principal.com/m/58b89871792d09d7/original/9-7-24_Sustainable-Food-and-Biodiversity-Fund-launch-release_FINAL.pdf.

[5] CIVs can target specific investments and use different types of instruments, including funds. A fund is a pool of capital that can contain a mixture of development and commercial resources. A fund can be either flat or structured, the latter implying a layered structure where risks and returns are allocated differently across investors. For more details, see https://doi.org/10.1787/fb282f7e-en.

[6] Most of the private finance mobilised through development finance interventions is targeting economic infrastructure and services. See https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.htm.

[7] According to Sustainable Fitch, "terrestrial and aquatic biodiversity conservation correspond most closely to biodiversity as a theme" within the eligible use of proceeds included in the ICMA Green Bond Principles. See https://www.sustainablefitch.com/corporate-finance/biodiversity-in-esg-state-of-sustainable-finance-market-09-10-2023

[8] Ongoing OECD work focuses on how mobilisation efforts through bonds can be measured in the amounts mobilised from the private sector through official development interventions.

[9] Similar deals exist with commitments on climate mitigation, adaptation or other development objective expenditures, and these instruments are therefore referred to broadly as debt-for-development swaps. An IMF/World Bank report defines debt-for-development swaps as "agreements between a government and one or more of its creditors to replace sovereign debt with one or more liabilities that entail a spending commitment over time towards a development goal, for example, nature, conservation, climate action, education, nutrition, support to refugees, among others". For further information, see https://doi.org/10.5089/9798400284625.007.

[10] Measurement of impact on biodiversity is generally complex, which is true as well for all the pathways discussed in this report. See also Annex A.

[11] The concepts of results-based, outcome-based and impact-linked financing approaches are generally used interchangeably. For the Global Partnership for Results-Based Approaches (GPRBA), a programme supported by the World Bank Group, results-based financing "includes a range of financing mechanisms where financing is linked and provided after the delivery of pre-agreed and verified results". See the GPRBA website at https://www.gprba.org/who-we-are/results-based-financing. For discussion of how the concept of outcome-based financing approaches is often used interchangeably with results-based financing, see https://golab.bsg.ox.ac.uk/the-basics/frequently-asked-questions/#outcomes-based-contracting.

[12] In another instance, the US DFC and the IDB, in partnership with the government of Ecuador, supported the issuance of the Galápagos Marine Conservation-Linked Bond to finance a debt-for-nature swap (described at https://www.dfc.gov/media/press-releases/financial-close-reached-largest-debt-conversion-marine-conservation-protect). This initiative was combined with a complementary structure supported by the Dutch Fund for Climate and Development (DFCD) and the EU, which provided risk capital through an early-stage development blended finance fund, Climate Investor Two (CI2), to unlock additional funding for marine conservation in the Galápagos. For more information, see https://climatefundmanagers.com/2023/05/09/climate-fund-managers-announces-largest-debt-for-climate-conversion-in-history-to-protect-the-galapagos-islands/.

[13] A recent study for the OECD defined carbon credits as "tradeable intangible instruments that represent verified" [GHG] emission reductions or removals, with each credit representing one tonne of carbon dioxide equivalent[13] (Wetterberg, Lanzi and Gómez, 2025[76])

Annex A. General investment barriers for biodiversity

Table A.1 summarises general investment barriers, risks and uncertainties that deter private investment for biodiversity.

Table A A.1. General investment barriers to scaling up action on biodiversity

Challenges	Description
Financial and investment challenges	Biodiversity-related lending or investments often face challenges around expected returns, which tend to vary greatly depending on the sectors, market maturity, value chains, and size of companies or projects (SAFIN/Convergence, 2021[1]). Projects are often small scale and non-commercial and lack a viable pipeline of investment opportunities (OECD, 2023[2]). Financial institutions often shy away from investing in small-scale enterprises and producers because these enterprises and producers frequently face: lack of knowledge and capacity; high real and perceived risks; high transaction costs (OECD, 2021[3]); erratic and infrequent income (Anderson and Ahmed, 2016[4]); geographically remote, informal or highly variable business models (Havemann, Negra and Werneck, 2020[5]); limited expertise, local capacities and track record of business cases (which contribute to high risk profiles); and fragmented markets characterised by many small and micro enterprises operating in emerging niches with unclear market prospects (European Commission, 2020[6]). Existing solutions such as blended finance can also have drawbacks, among them a perceived tedious and lengthy process that is unacceptable to some clients and what is often lack of consideration for the different risk appetites of participating institutions (UNEP, 2023[7]). The ability to match demand and offer in order to create sustainable value in the economy is another issue of concern.
Geographical risk	Most biodiversity and natural resource challenges are location specific, and solutions need to be tailored to individual conditions (World Bank Group, 2020[8]). This creates challenges in identifying a problem and then replicating a solution. In effect, the extent of a company's impacts and dependencies on nature will vary according to where it is located or where its key supply chains and raw materials are located (Principles for Responsible Investment, 2020[9]). Growth trends and expected returns on investments will also vary within different economic activities across sectors in a specific context, further highlighting the need for context-specific preliminary investments – e.g. studies, research, market analysis and/or demonstrations – to better understand the sustainability potential of investment projects (European Commission, 2020[6]).
Project scale and revenue challenges	The small scale and localised nature of biodiversity projects often mean that biodiversity projects usually do not generate sufficient revenue streams, and this is a key hurdle to attracting private finance (OECD, 2018[10]; World Bank Group, 2020[8]). When revenue does exist, the financial returns are often below market return thresholds. As biodiversity is a public good, its true value is rarely captured in market pricing, complicating private sector engagement. Financial solutions are often context dependent and difficult to replicate or scale at the global level (Chenet, 2019[11]).
Short-term financial focus and/or mismatch of time horizons	A fundamental mismatch exists between the short-term focus of financial institutions and the long-term nature of biodiversity outcomes (Chenet, 2019[11]). Most financing structures are short term – for instance, credit institutions typically have loan horizons of three to five years, portfolio managers' incentives are yearly, and financial analysis is limited to a three- to five-year horizon. Even long-term investors such as pension funds depend on external asset managers operating with short mandates (three to five years). This short-term focus creates a disconnect with the long-term, high-impact nature of biodiversity and ecosystem restoration projects, which require extended periods for meaningful results. This dynamic reflects what Carney has called the "tragedy of the horizon" (Bank of England, 2015[12]), where financial and policy outlooks are much shorter than the time frames of environmental degradation and climate change, resulting in under-investment in natural, human or technological capital; these long-term risks are systematically underpriced and undermanaged.
Access to capital issues	Access to capital is necessary at the individual and community level, where it is often lacking, particularly for Including MSMEs and other local businesses (e.g. smallholder farmers). The inclusion of such actors into the formal sector can be challenging because they often do not know how to access credit and given their limited financial records (e.g. inability to provide financial statements and lack of transparency in investment opportunities), they are unlikely to be granted it. Nevertheless, formalising these enterprises is essential for them to gain access to the capital and other financial services that are key to successful scaling (Global Fund for Coral Reefs, 2021[13]). Attracting financing for nature can also be challenging for nature and land rights holders due to factors that hinder their ability to secure funding, "including power imbalances, financial practices that fail to adequately value natural resources, a limited understating of investment structuring and contractual agreements, restricted access to expert nature finance legal counsel, and the imposition of excessive risk and liability on those receiving the funds" (Forever Wild, 2025[14]).

Data and measurement gaps	Lack of reliable standardised data and indicators is a core barrier for the economic valuation of ecosystem services (European Union, 2023[15]) and for conducting biodiversity financial risk assessments (OECD, 2023[16]). It can also create higher entry costs – such as the cost of having to develop in-house solutions – to fund biodiversity initiatives (Principles for Responsible Investment, 2020[9]). These challenges are more acute in regions such as Africa, where baseline data and collection systems are weak, and this may in turn undermine the development of effective legislation, policy and regulation (Nature Finance, 2024[17]). Companies also struggle to assess the long-term impacts of conservation efforts due to gaps in national-level biodiversity data (IPBES, 2019[18]). Data on the complex relationship between companies and biodiversity through operations and supply chains are also limited. Lack of a clear taxonomy of biodiversity investments and definitions, risk frameworks, and reporting makes it hard to assess and price the risks associated with biodiversity, particularly in the face of uncertainty and unprecedented environmental changes (World Bank Group, 2020[8]; Chenet, 2019[11]). These uncertainties increase transaction costs and deter private sector participation (European Union, 2023[15]).
Technical and capacity constraints	Business development in biodiversity-related sectors may face constraints due to limited technical knowledge of production practices, certification processes, market access and the marginally commercial viability of many value chains (OECD, 2023[2]). Sustainability literacy and expertise along the investment and lending chain are often inadequate (High-Level Expert Group on Sustainable Finance, 2017[19]). Implementing voluntary commitments like responsible sourcing and certification is often slow due to weak consumer demand, price sensitivity and the significant upfront costs involved (Mo, 2017[20]).
Weak regulatory frameworks and governance	Scaling and replication of a model in different environments may rely on certain underlying conditions associated with regulatory and policy clarity and local governance. The general business environment must be conducive to successful business transactions such as investment and access to capital – basic conditions that are not always met in developing countries and remote areas (Global Fund for Coral Reefs, 2021[13]). Additionally, regulatory bottlenecks such as the lack of predictability and transparency for obtaining licenses, permits and concessions, which are often issued at the local level, can significantly hinder private investment as investors require stable and enforceable frameworks to assess project viability and manage risk (European Commission, 2020[6]). Ineffective regulation, weak monitoring and lack of political will, legislation, and consideration of Indigenous peoples and local communities' cultural values and knowledge can also present barriers (IPBES, 2019[18]) . Moreover, in some governments, the environment ministry may be a newer and weaker actor than economic and central ministries, which can create friction in cross-sectoral decision making. Indeed, different ministries can see mainstreaming biodiversity across sectors as onerous and undesirable (IPBES, 2019[18]). Where regulations do exist, they are often not enforced or have weak penalties for non-compliance (Principles for Responsible Investment, 2020[9]). Uptake and implementation can similarly be affected by regulatory frameworks that inhibit ecosystem services (e.g. unclear ownership or tenure rights of forests, land and waters); by poorly targeted incentives that do not reward pioneers (European Union, 2023[15]); and by the opinions of citizens and companies that consider ecosystem service provision to be primarily a governmental duty rather than a private sector responsibility.
Perverse economic incentives	Perverse economic incentives such as environmentally harmful subsidies can incentivise unsustainable production and consumption practices, undermining efforts to support biodiversity. These may adversely affect biodiversity and ecosystems and lead to overfishing and illegal unreported and unregulated fishing (Martini and Innes, 2018[21]); deforestation; urban sprawl; fresh water depletion (IPBES, 2019[18]); and the overuse of pesticides and fertilisers (Matthews and Karousakis, 2022[22]).
Social and cultural norms	Differences in cultural values and degrees of social acceptance (e.g. traditional values, local norms, different epistemic and/or ontological views of forests and nature) also pose significant barriers (Vidal et al., 2022[23]; Schulte et al., 2022[24]). Overcoming legacy mindsets and power struggles that can lock in behaviours, relationships and dependencies among stakeholders is necessary to shift consuming behaviour and transform production practices (Holtedahl, Köberle and Koci, 2023[25]). For instance, farmers' decisions are often shaped by farm size, cultural preferences and know how (Gil, Siebold and Berger, 2015[26]), and their willingness to try new approaches depends on perceived returns and financial resilience. Historical practices, including long-standing tradition, beliefs and livelihood practices, may pose strong barriers to adoption of alternative sustainability measures in land-based activities such as shifting cultivation, swidden or slash-and-burn practices for clearing lands, or smoking of wood pest management) (Acero, 2020[27]). Social dynamics, including peer influence and competition among producers, may further affect the adoption of sustainable practices (Ginbo, Di Corato and Hoffmann, 2021[28]).

Note: While the barriers listed in this table are relevant globally, they are often more acute in developing countries, and the nature and severity of these barriers can vary significantly across least developed countries (LDCs), SIDS and emerging economies.
Source: Authors' elaboration based on results of consultations and desk research.

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Annex B. Findings from consultations on the state of development co-operation to support the private sector and nature

Research for this report included around 70 consultations with development co-operation actors[1], among them DAC members, DFIs and MDBs, as well as other stakeholders[2], complemented with desk research. While development co-operation actors have different roles, responsibilities and institutional setups - and should not be considered homogeneous - the consultations nevertheless yielded valuable and comparable insights for the purpose of this report.

This annex reflects how development co-operation is adapting internally to help overcome investment barriers, mobilise additional finance for biodiversity and shift finance away from environmentally harmful activities. Indeed, mobilising private resources for biodiversity is all the more urgent in light of decreasing budgets of development finance (OECD, 2025[1]), and greater emphasis on economic growth and security in national priorities (UK Government, 2026[2]; KfW, 2025[3]).

One key finding is that the term "mobilisation" is used and understood in different ways by development co-operation actors, including to mean enabling, engaging and mobilising private sector activity and finance (as reflected in the entry points in chapters 2, 3 and 4). This broad usage stems from the nature of biodiversity action, which requires not only mobilising finance but also avoiding and reducing harmful practices, and reflects the need for systemic change across sectors and value chains.

Overall, consultations for this report suggest that most development actors are being encouraged by their governments and institutional leadership to mobilise private action more broadly, supported by revised institutional setups including strategies and mandates. In particular, Table A B.1 shows that 22 DAC members are classified as *active*, reflecting that they are already working to engage the private sector and/or to mobilise private finance for biodiversity in developing countries - yet not all of them are at the same stage, and levels of engagement vary. Nine DAC members are classified as *not active*, primarily directing biodiversity-related funding through multilateral channels and not yet prioritising private sector engagement or private finance mobilisation for biodiversity, with some only beginning to explore these approaches. All development actors, whether through grants or leveraging mechanisms, can play a role in mobilising and aligning private action with biodiversity objectives.

Table A B.1. Development co-operation and private action: biodiversity perspective

Private activity	Development actors
Active	DAC members: Australia, Austria, Belgium, Canada, Czechia, Denmark, EU, Finland, France, Germany, Italy, Japan, Korea, Latvia, Netherlands, Norway, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom, Luxembourg*, United States* MDBs: ADB, AIIB, EBRD, EIB, IDB*, World Bank* Other: IMF
Not active	DAC members: Estonia, Greece, Hungary, Ireland, Lithuania, New Zealand, Portugal, Slovenia
N/A	DAC members: Iceland, Poland

Note: * indicates that the actor did not participate in consultations and its classification is based on the literature review. DAC members' activities include efforts by all donor agencies including development agencies and DFIs.
Source: Authors' elaboration based on results of consultations and desk research.

This first section of the annex looks at how development co-operation providers have been adapting internally to better support the private sector for biodiversity outcomes via (i) mandates and strategies, (ii) instruments and finance, and (iii) institutional capacities and co-ordination. It is followed by a second section that explores the specific operational challenges facing development co-operation providers as they adapt.

Mandates and strategies shaping private action for biodiversity

Institutional mandates and governance structures shape the extent to which development co-operation actors are able to take on catalytic roles, assume risks or engage directly with the private sector. Findings from the consultations suggest that while it is gaining attention, biodiversity is rarely the subject of stand-alone strategies. Rather, most actors address it through broader development, environmental, climate or sustainability frameworks.

Strategic direction is often set by high-level commitments or referenced in speeches linked to international goals such as the KMGBF rather than by explicit written institutional strategies. For instance, Finnfund issued a specific nature and biodiversity statement, a high-level document demonstrating its commitment to fight biodiversity loss (Finnfund, 2024[4]). Countries are also approving national biodiversity finance plans in the context of the CBD, frequently with sub-targets for mobilising private finance. Only a few development actors have explicit biodiversity strategies or statements; most embed biodiversity within broader environmental or corporate strategies (Table A B.2). For example, Korea's NBSAP includes explicit commitments to promote collaboration with the private sector, including by encouraging Korean companies to participate in ODA funded projects (Government of Korea, 2023[5]). Overall, mobilisation strategies for biodiversity are often sector and geography agnostic.

Table A B.2. Institutional strategies on biodiversity and private action in the context of development co-operation

Strategies	Development actors
Explicit biodiversity strategies	AFD Proparco, EBRD, Dutch Entrepreneurial Development Bank (FMO), France, Japan International Cooperation Agency (JICA), Korea
Embedded within broader environmental (climate, SDGs) strategies	ADB, Australian Department of Foreign Affairs and Trade (DFAT), Austria, Belgian Investment Company for Developing Countries (BIO), Global Affairs Canada, Impact Fund Denmark, EIB, EU, IMF, CDP Italy, SERV Switzerland, Luxembourg*
Embedded within broader development or corporate strategy	AIIB, Czechia, Finnfund, Germany, AICS, KfW, Latvia, Netherlands, Norway Agency for Development Cooperation (Norad), Slovak Republic, AECID, Sweden, Switzerland, United Kingdom, US DFC*

Note: * indicates that the actor did not participate in consultations and its classification is based on the literature review.
Source: Authors' elaboration based on consultation findings and desk research.

Mainstreaming biodiversity into multi-purpose projects – for instance in climate, water, food security or urban development – is gaining traction. Most initiatives seek co-benefits for climate and nature, often through nature-based solutions (NbS). For example, Italy's Climate Fund is working to support urban forestry and circular bioeconomy through the Green Cities Initiative in Action for Africa project, which is embedded within the broader framework of the FAO's Green Cities Initiative (FAO, 2024[6]). Proparco has developed a natural capital strategy to finance projects with both climate and biodiversity co-benefits (Proparco, 2025[7]), while FinDev Canada (2025[8]) recently included climate and nature action as one of its development impact goals. Similarly, the EU is exploring how to integrate nature considerations into its Global Gateway strategy through a landscape approach, embedding nature into infrastructure projects and decision making and partnering with the private sector in partner countries to promote activities such as ecotourism and bioeconomy (European Commission, 2025[9]). In addition, landscape approaches could be the basis for making investments in restoration more suitable for large-scale financial actors (World Bank, 2022[10]).

Lessons from climate-related finance mobilisation, especially mobilising finance to address climate change adaptation where biodiversity is a core component of resilience and risk management, are helping to inform emerging approaches for biodiversity as these are interconnected and opportunities exist to promote synergies (UNFCCC, 2022[11]). Such lessons are also important to developing initiatives to address the climate-biodiversity nexus while accelerating mainstreaming and creating co-benefits.

Mandates of development co-operation actors also determine the extent of their direct engagement with the private sector. While some actors have flexible mandates allowing them to use instruments on a case-by-case basis, mandates generally fall broadly into the following three categories and as illustrated in Table A B.3:

- **Clear private sector mandates** allow direct engagement with the private sector and the use of a broad set of de-risking instruments (e.g. credit lines, guarantees and insurance). This category is typical of private sector-only DFIs and MDBs.
- **Public or sovereign mandates** are focused on sovereign lending or grants, where private sector engagement is typically indirect. The mandates of most public development agencies and ministries are in this category.
- **No mandate or strategy** exists to engage with the private sector.

Table A B.3. Mandates and level of private engagement across development co-operation actors

Biodiversity and development context

Mandates	Development actors
Direct	ADB, AIIB, AFD Proparco, Austria, BIO, Danish DFI, DFAT, EBRD, EIB, EU, Finnfund, FMO, KfW, Korea, CDP Italy, JICA, Sweden, SERV Switzerland,* US DFC,* Luxembourg*
Indirectly	AICS, AECID, Czechia, France, GAC, Germany, Impact Fund Denmark, IMF, Latvia, Netherlands, Norad, Slovak Republic, Switzerland, United Kingdom
None	Estonia, Greece, Hungary, Ireland, Lithuania, New Zealand, Portugal, Slovenia

Note: * indicates that the actor did not participate from consultations and its classification is based on the literature review.
Source: Authors' elaboration based on consultation findings and desk research.

While Table A B.3 provides a useful overview, it simplifies a more complex institutional landscape. Development agencies, DFIs and MDBs often have multiple operational arms, each with distinct mandates (e.g. public sector, private sector or innovation facilities). In some institutions these functions operate in parallel, while in others engagement may be concentrated in one particular arm.

Mandates may also affect actors' flexibility to use a spectrum of financial instruments. Some actors have mandates that explicitly allow them to deploy certain instruments for private sector engagement, such as Austria's business partnerships and strategic partnerships (Austrian Development Agency, 2025[12]); others are subject to internal regulations limiting their ability to offer certain instruments to either sovereign or non-sovereign actors. Risk appetite can also be mandate driven. DFIs, for instance, often operate under commercial-like constraints that aim to preserve high credit ratings (British International Investment, 2024[13]) or prefer senior debt to equity (Global Alliance of Impact Lawyers, 2024[14]). Bilateral DAC donors, on the other hand, may be more willing to share risks, yet hesitate to assume first-loss positions that would fully de-risk projects for private capital or other development actors such as MDBs and DFIs.

Different development actors therefore play different roles. Some position themselves as de-riskers or risk sharers to crowd in private capital; others act as facilitators, anchor investors or bond issuers. MDBs and

DFIs can raise funds from capital markets through thematic bonds – for instance, the ADB (2024[15]) supported the issuance of the Biodiversity and Nature Bond – while other donors, particularly development agencies, remain focused on grant provision.

Mobilisation of private finance also can take place through a variety of different channels and forms of development finance concessional and non-concessional. Not all DAC members have DFIs,[3] and the involvement of a DFI is not a prerequisite. But where they exist, DFIs are key to launching new mobilisation instruments and partnerships, including for biodiversity. An example is *Cassa Depositi e Prestiti* (Italian National Promotional Institution) or CDP, Italy's DFI, which manages Italy's Climate Fund. In some cases, national development banks may also be involved, for example to administer development guarantee programmes. Some countries, in particular those without a DFI, are exploring how export credit agencies finance projects and promote positive impact for biodiversity in partner countries, for example through green export credits. However, export credits are essentially demand driven and ultimately depend on the willingness of exporters, foreign buyers and banks to seek expanded sustainable financing opportunities (Export-Import Bank of the United States, 2025[16]; Klasen and Vassard, 2023[17]).

Several development actors are updating and reforming rules and instruments to have more flexibility in leveraging finance and engaging with the private sector, which can also be useful for biodiversity objectives. For example, Spain has created the Fund for Sustainable Development (Fondo Español para el Desarrollo Sostenible) to include guarantees (Government of Spain, 2023[18]). Similarly, Norway has amended its regulations to enable the use of grants for first-loss facilities and to enable the use of state-backed guarantees (Government of Norway, 2027[19]). Sweden's development co-operation agenda also now explicitly states that more effective action will be achieved through engagement with the business sector including by strengthening efforts to ensure that the innovations of Swedish businesses, which are in demand from partner countries, contribute to sustainable transitions, and by mobilising private capital through challenge funds and guarantees, among others (Sweden Ministry for Foreign Affairs, 2024[20]). While internal approval processes for the use of new instruments can be slow, once an instrument has been used for the first time and proven successful, that precedent can help accelerate its application in subsequent transactions.

In addition, at a more strategic level, DAC members can use their positions within the governance structures of DFIs and multilateral institutions to influence institutional policies, strategies and operational frameworks, including for reforms that clarify mandates, reduce internal constraints and enable institutions to collaborate more effectively with the private sector in support of biodiversity goals (Box A B.1). For example, development actors can provide strategic orientation on engagement strategies for institutions such as the GEF and GCF, including through advocating for specific private sector engagement strategies (Global Environment Facility, 2024[21]).

Box A B.1. Policy dialogue to promote good practice and alignment

While development co-operation actors might not have a direct say on the direction of private companies, they can still influence indirectly by advocating for, collaborating with or participating in policy dialogues (e.g. working groups) to promote good practices and ensure the alignment of investments with biodiversity objectives. They can also influence the behaviour of companies that benefit from blending or de-risking mechanisms provided by development actors by requesting that implementing partners and participating financial institutions adopt stronger environmental standards, higher-quality EIAs, thorough due diligence, and clearer monitoring and evaluation plans. For example, Germany's International Climate Initiative supported the inclusion of environmental and social (E&S) standards, including a set of criteria for deforestation-free production in the credit decisions of financial institutions in partner countries (International Climate Initiative, 2025[22]).

DAC members can also leverage their positions on the boards, councils or advisory committees of DFIs, MDBs, UN agencies and other multilateral organisations, and funds to influence policies as well as changes in corporate or procurement practices. As shareholders or members of multilateral institutions and public-private enterprises, development actors can encourage better practices by exercising their voting rights at annual general meetings, engaging with corporate leadership and/or using their ownership positions to promote good practices. Voting on shareholder resolutions can also be a key tool. For example, resolutions targeting plastics use and deforestation in palm oil and soybeans supply chains have led to company commitments to reduce environmental harm (Principles for Responsible Investment, 2020[23]).

At a multilateral level, they can elevate biodiversity on global agendas through engagement in the CBD, UN Framework Convention on Climate Change (UNFCCC) or related international fora. For instance, donors are helping to structure the Cali Fund for the Fair and Equitable Sharing of Benefits from the use of Digital Sequence Information on Genetic Resources (DSI) – the Cali Fund – aiming to mobilise finance from the private sector entities making commercial use of DSI (CBD, 2025[24]) [an innovative financial multilateral mechanism to which, each year, users of DSI should contribute a percentage of their revenues (0.1%) or profits (1%)], launched at the resumed sessions of COP16 of the CBD. The Cali Fund encompasses informal processes and discussions with private sector actors related to the DSI decision, to develop a strategy to engage private sector organisations to voluntarily invest in and become part of the Fund.

Translating mandates into practice: Operational approaches and internal incentives

Turning mandates and strategies into action requires internal systems that shape how development actors mobilise and align private finance for biodiversity. This process often involves setting incentives, adopting operational approaches and applying common standards.

Internal incentives and performance frameworks. Development co-operation actors are increasingly embedding biodiversity into their internal performance systems. Mobilisation targets are being integrated into results measurement frameworks, often by tracking the leveraging effect of private sector finance. Some institutions use the OECD biodiversity Rio Marker to set internal targets. For example, the Belgian DFI BIO requires 10% of annual investments to be biodiversity Rio Marker 1 (OECD DAC, 2019[25]). Other actors complement volume-based metrics with impact-based targets. For instance, Sida has made the mobilisation of capital to climate, environment and biodiversity as one of its four operational priorities (Swedish International Development Cooperation Agency, 2025[26]). The methodological guidance for its Green Toolbox calls for looking for opportunities to increase the mobilisation of capital for biodiversity through innovative financing for biodiversity (Sida, 2022[27]), mainstreaming biodiversity into carbon markets (Sida, 2024[28]) and guarantees for biodiversity impact (Sida, 2023[29]).

Dedicated tools. Some actors are developing specific approaches for private finance mobilisation in biodiversity. These include biodiversity credit roadmaps, KPIs, nature-positive finance corporate results indicators, evaluations, extra financial reporting, biodiversity footprinting. In effect, they may develop their own or use existing frameworks and standards (e.g. ICMA Green Bond Principles). For instance, Finnfund's Sustainability Bond Framework and Planetary Boundaries Investing Framework provide guidance on the allocation of green bond proceeds to projects focused on environmentally sustainable management of living natural resources (explicitly including biodiversity-relevant investments) and for leveraging cofinancing for biodiversity from private investors (Finnfund, 2025[30]; Valto, 2024[31]).

Standards and safeguards. Taxonomies are considered useful to define eligible activities (e.g. for green or nature bonds) and harmonise reporting. Other tools to align private action with environmental standards include disclosure of nature-related financial risks and opportunities, transition guidance, E&S policies, environmental safeguards and environmental impact assessments. When finance is channelled to non-sovereign actors, these actors are also required to comply with environmental standards and safeguards, offering entry points to shape private practices. At the same time, development co-operation laws establish the baseline, often mandating climate and environmental considerations and a "do no significant harm" approach.

Instruments to catalyse private action for biodiversity

Development actors have access to a range of financial instruments and mechanisms to mobilise private finance and support businesses for biodiversity in partner countries (OECD, 2025[32]). These include grants as well as debt, equity and risk-sharing instruments such as guarantees.[4] Recent trends show that guarantees[5] accounted for a substantial share (43%) of private finance mobilised for biodiversity in 2023 (OECD, forthcoming[33]). Other leveraging mechanisms applied include direct investment in companies and special purpose vehicles through equity or mezzanine/senior debt (21% and 13%, respectively); simple cofinancing (19%); shares in structured or flat CIVs[6] (3%), such as shares in the riskiest tranche, first-loss share and other types of shares; and credit lines (1%). Ultimately, instrument choice depends on the project type, client demand, country financial conditions, sector priorities (e.g. agriculture, water, mining) and intended outcomes and in consideration of debt levels and environmental commitments. Most instruments are deployed on a case-by-case basis and in complementary combinations (e.g. grants for technical assistance facilities embedded in blended finance vehicles). Through these instruments, development actors can lower the cost of capital, provide risk protection, offer credit enhancement, help develop demonstration cases and support early-stage project development.

In addition, grants remain a key tool for donors and are important beyond risk mitigation. Grants can be used to support capacity development (Box A B.2) including technical assistance, enable training on sustainable practices, foster dialogue and raise awareness on nature. They are often embedded within blended finance vehicles or cofinancing proposals, for instance to involve entrepreneurs and business entities (national or from partner countries) by supporting start-up acceleration and incubation programmes. An example is the Slovak Agency for International Development Cooperation (SAIDC), which each year issues a specific call for grant proposals for Slovak business companies under the Private Sector Engagement Program, with SAIDC providing at least the 20% cofinancing required of the grant (SlovakAid, 2025[34]). These grants are mostly used for feasibility studies and for searching for possible partners, which can help identify opportunities for Slovak companies to bring solutions with potential biodiversity co-benefits (e.g. sustainable agriculture and water management). In addition, Austria is supporting the EU-Green Agriculture Initiative in Armenia (EU-GAIA), delivered through grant-based projects that support policy development and farmers' technical capacities to adopt sustainable agricultural practices, provide technology for green agribusinesses, support organic certification processes and facilitate market access for organic products (Austrian Development Agency, 2024[35]). By promoting organic production and reducing reliance on harmful inputs, these measures contribute to biodiversity by fostering more sustainable land use and protecting ecosystems.

Box A B.2. Catalytic role of grants and capacity development for biodiversity

In the context of biodiversity, capacity development is the process by which people, organisations and societies unleash, strengthen and maintain the capabilities required to achieve biodiversity outcomes. Most DAC members support capacity development for biodiversity through grants (81%) (OECD, 2023[36]), helping to build both institutional and private sector capacities and practices at various levels. This capacity development can include work at the enabling environment level (e.g. policies, law and agreements); the organisational level (e.g. internal structures, leadership and business processes); and the individual level (e.g. technical skills, expertise and awareness).

For instance, development co-operation can support MSMEs to adopt biodiversity-friendly agricultural practices and strengthen sustainability across procurement and implementation. Technical assistance can also assist private actors in project preparation and strengthening commercial viability, including risk assessments, feasibility studies or early-stage design of biodiversity-positive initiatives. Forthcoming OECD research will explore the catalytic role of grants in providing technical assistance to unlock private sector capital in developing countries (OECD, forthcoming[37]). Moreover, knowledge exchange and awareness raising – including among investors, practitioners, researchers, NGOs and policymakers – are critical for addressing capacity gaps, especially given that biodiversity finance (and development co-operation as a whole) can remain relatively new and unfamiliar to many actors.

Institutional capacity and co-ordination

Biodiversity is treated as both a dedicated and a cross-cutting theme, with growing efforts to mainstream it into strategies, operations, risk and impact assessments and investment decisions. As a result, biodiversity-related projects span a wide range of sectors and activities including regenerative agriculture, agrifinance in biodiversity, sustainable agricultural plantations, NbS, bioeconomy, agroforestry, tourism, forestry, water and sanitation, water resources management, water treatment, aquaculture (e.g. sustainable shrimp), sustainable production systems, nature as an infrastructure asset and mining.

Development actors organise their responsibilities for biodiversity in different ways, with projects to mobilise private finance for biodiversity typically requiring contributions from multiple teams. In some cases, biodiversity is addressed by specific biodiversity or nature thematic teams focusing directly on ecosystems, NbS, forests, ocean conservation, environment protection or ecological transition. In other cases, it is integrated within broader environment, climate or sustainability teams. These thematic or broader environmentally focused teams often work alongside financial and private sector-focused teams dealing with blended finance, sustainable finance, investment, financial systems and market development, agribusiness development, and private companies, frequently also in co-ordination with E&S risk management units. Other important roles are played by units dealing with partnerships, global involvement, foreign affairs, sector risk and innovation.

Co-ordination across ministries and departments – such as foreign affairs, finance, environment, private sector development, compliance, legal, sustainability and fiduciary solutions – further strengthens institutional capacity. Policy and co-ordination teams provide the overarching frameworks for aligning biodiversity goals with development co-operation priorities. Cross-team collaboration is useful to ensure that efforts to mobilise private finance for biodiversity are aligned with both environmental and development objectives. Development actors address co-ordination and expertise challenges through several mechanisms:

- **Appointing national special representatives or ambassadors for nature.** These appointees participate in international negotiations around resource mobilisation related to forests, food, nature and security and to co-ordinate internal work across teams with a view to upscaling investors' decisions in certain regions. The United Kingdom and France have made such appointments (Government of the United Kingdom, 2024[38]; Ministère de l'Europe et des Affaires Étrangères, 2025[39]).
- **Setting up in-house expertise or regional help desks.** Some institutions embed specialists such as forestry experts within teams or set up centralised support teams to assist staff and provide solutions for specific requests. Sida, for example, established Vi Agroforestry, an expert desk that provides expertise to Sida staff and Swedish embassies related to carbon markets, sustainable agriculture and land management to support smallholder farmers across sub-Saharan Africa (Vi Agroforestry, 2025[40]).
- **Promoting awareness-raising initiatives.** This includes internal training and seminars to strengthen staff capacity on biodiversity mainstreaming and seeking opportunities for greater impact when engaging with the private sector. JICA (Japan International Cooperation Agency), for example, is trying to promote internal awareness on the use of safeguards, strengthen understanding of biodiversity considerations throughout its projects (e.g. in water management and agriculture) and foster opportunities to increase biodiversity-positive and development outcomes. The AIIB has organised internal knowledge seminars to educate its staff on how to mainstream and value biodiversity, for example inviting the Landbanking Group to make presentations on nature FinTech and solutions for MRV systems.
- **Fostering regional and international co-ordination groups** to advance synergies and integration, and to advance international peer learning. For example, Nordic countries and MDBs have created nature working groups, while joint agency groups are fostering collaboration across development agencies, export credit agencies and the private sector. The European Development Finance Institution (EDFI) Association,[7] the European Bank for Reconstruction and Development (EBRD), the EIB, and Canada's DFI FinDev have established an informal biodiversity group to share emerging practices and progress and agree on common commitments (e.g. the Principles for Responsible Finance) as well as an exclusion list for co-financed projects to avoid financing business or trade involving activities deemed illegal such as trading with wildlife or products regulated under the CITES or unsustainable fishing methods (European Development Finance Institutions, 2011[41]).

Challenges for development co-operation to scale up private action for biodiversity: Managing expectations

Development co-operation is increasingly adapting its strategic direction to scale up private action for biodiversity and the sustainable use of natural resources. However, its effectiveness and speed often depend on the specific operational challenges of supporting private actors in developing countries. If development co-operation is to overcome investment barriers and scale up private action for biodiversity, understanding and addressing these challenges is a critical precondition.

Much has already been written about investment barriers in general, whether the perception of high risk and low returns on investment or the lack of a pipeline of bankable and scalable projects (Annex A). But research and stakeholder consultations conducted for this report highlight that the specific challenges that development co-operation actors themselves face in mobilising private finance for biodiversity are less well understood. In response, and drawing on consultations with development actors conducted for this report, the analysis in this second part of Annex B looks at the distinct institutional and operational barriers encountered by development co-operation providers.

Given the scale of the challenge to scale up private action for biodiversity in developing countries, it is essential to manage expectations of what development co-operation can realistically achieve and to recognise the main bottlenecks. For this report, and as outlined in Table A B.4, challenges are grouped into four thematic categories: enabling environments; financial and structural complexity; institutional capacity and partnerships; and measurement and communication.

Table A B.4. Development co-operation challenges to scale up private action for biodiversity

Category	Challenge area	Description
Enabling environments	Developing country contexts & market constraints	Financial instruments (e.g. debt-for-nature swaps) are not always feasible due to debt sustainability, low national priority, or weak or nascent biodiversity markets. The replicability abroad of domestic solutions is limited and a need to be realistic about what can be mobilised.
	Regulatory & policy frameworks	Weak governance, fragmented policies, conflicting ministerial priorities, unclear regulations or tax regimes, and weak contract enforcement deter investment and hinder blended finance.
Financial and structural complexity	Business case	Biodiversity projects often lack predictable returns, clear revenue streams or a proven track record. Upfront costs and risks (e.g. for ecosystem restoration) are high. Readily bankable projects are few, and it can be difficult to pitch biodiversity as investable.
	Structuring & financial complexity	Bespoke blended finance projects are costly, slow, fragmented and hard to replicate. Complex structures around risk sharing, incentives, mandates and safeguards overwhelm limited staff capacity. Investors, DFIs and donors have divergent expectations.
	Additionality & impact integrity	There is tension between mobilisation and biodiversity outcomes; a risk of favouring larger, more attractive markets over LDCs and SIDS; and concerns about market distortion, permanence, attribution and measuring impact. Biodiversity is often treated as a co-benefit, not a core objective.
	Scale & size of investments	Most biodiversity initiatives are small scale (SMEs and smallholders and at community level). Yet donors' minimum thresholds and cofinancing requirements are often too large for them but too small to interest bigger investors.
Institutional and partnerships	Partnerships	Effective mobilisation requires diverse collaborations. Cultural and/or incentive gaps between development actors and the private sector slow progress. Many donors lack experience working with the private sector, and trust building, co-ordination and knowledge sharing remain weak.
	Institutional capacity gaps	Gaps include a lack of dedicated biodiversity teams, limited institutional presence on the ground, a reliance on consultants, staff turnover, weak biodiversity expertise in finance teams, and slow procurement and deal structuring. Implementing partners may lack local knowledge or technical assistance capacity.
Measurement and communication	Reporting, measurement & taxonomies	There are difficulties demonstrating impacts, inconsistent use of OECD and private mobilisation methodologies, limited standardisation across frameworks, and high reporting burdens. Different actors interpret mobilisation differently.
	Language & terminology	Different spoken languages and technical vocabularies are barriers to communication and measurement. Terms like biodiversity, nature finance, nature positive, etc. are used inconsistently, while there is resistance locally to some terms (e.g. natural capital) due to cultural values.

Note: While not an exhaustive list, the challenges presented in this table summarise the range of difficulties encountered by development actors when engaging with the private sector in the context of development and biodiversity.
Source: Authors' elaboration based on consultations and desk research.

Enabling environments

Developing country contexts and market constraints. Development actors focus on developing countries and emerging markets. In these contexts, applying certain financial instruments can be particularly difficult. For example, debt-for-nature swaps are not feasible for all countries due to debt sustainability concerns or because biodiversity is not a national priority. Even where political will exists, biodiversity or nature markets may be nascent or entirely absent. Indeed, biodiversity credits, for example, are still being piloted worldwide. Moreover, the potential for replicating or exporting biodiversity finance solutions that have been tested domestically can be limited due to differences in capacity, demand and absorptive readiness. While there is a need for instruments that can enhance returns on investment, development actors must also consider what is realistically feasible in each context. This may limit the scope for mobilising private finance for biodiversity objectives.

Regulatory and policy frameworks. Regulatory uncertainty, weak governance and fragmented jurisdictional frameworks in partner countries often hinders the mobilisation of private finance for biodiversity. Diverging priorities across ministries (e.g. economic development versus environment) can result in incoherent policies that undermine biodiversity objectives and deter investors. Weak contract enforcement and limited clarity on blended finance regulations and tax regimes add to transaction complexity. These challenges are particularly acute for hybrid finance mechanisms that blend concessional and commercial capital and require legal and fiscal predictability. Without a reliable enabling environment, even promising biodiversity-related investment ideas may not move forward, as navigating regulations and taxes in each partner country takes considerable time (Box A B.3).

Financial structure and complexity

Business case. Development actors find it hard to distil a business case for biodiversity private finance. They may struggle to establish a compelling investment narrative around biodiversity as biodiversity projects often lack predictable revenue streams or cannot match commercial rates of return – even when they might generate indirect returns through co-benefits such as integration into carbon sequestration or NbS projects. This holds true both for making a private investor case around biodiversity and among development actors themselves who may have different incentives (e.g. volumes mobilised). A recurring challenge is determining when it is most effective to engage the private sector in biodiversity initiatives. Pitching the case can create frustration for both development and private actors as it can involve comparing biodiversity conservation objectives with activities related to the sustainable use and management of natural resources (which have an economic return). Moreover, development actors often face a shortage of readily investable projects with clear, bankable revenue streams, and many biodiversity initiatives lack precedent or a proven track record of success.

Transitioning to biodiversity-positive practices, such as ecosystem restoration or regenerative agriculture, often requires upfront investment which can be costly or high risk relative to business as usual projects. Although the financial needs may be modest at the individual level, these individual investment needs are context specific and often not replicable at scale. Supporting smallholders to adopt sustainable practices requires tailored, locally informed solutions and strong capacity development components – conditions that can be difficult to meet within standard investment parameters.

Structuring and financial complexity. Mobilising private finance for biodiversity often entails complicated bespoke structures that are costly in terms of time and human resources. Blended finance projects for nature in particular are frequently developed individually on a case-by-case basis (One Planet Lab, 2021[42]), and the resulting fragmentation can be costly and process heavy, with limited replicability (British International Investment, 2024[13]). Calls for proposals may receive many diverse viable applications. Yet each may have a very complex design and revenue model that can overwhelm already stretched development actors that must take time to understand each application. This underscores the need for greater standardisation and project design support.

Designing financial structures also raises challenges around revenue generation, blending ratios of concessional and commercial finance, risk allocation and collateral requirements. Incentives and expectations often diverge across stakeholders: investors seek maximised returns and development actors may prioritise biodiversity and development outcomes over financial returns, whereas impact investors and philanthropic foundations place more weight on environmental and social impacts than traditional investors and may be willing to pay for it (World Bank, 2022[10]). Challenges also can arise when structuring blended finance vehicles, particularly in terms of the position of concessional funding. While development actors may be willing to assume greater exposure and risk, financial intermediaries may choose to not participate because of the potential for losses, preferring instead more conservative risk positions. Similarly, some companies in developing countries accustomed to business-to-business grants may hesitate to take on loans or use development guarantees as this is a riskier step requiring deeper commitment.

Legal or contractual constraints, differing investor mandates and time horizon mismatches further complicate fund structure as development actors typically operate at a slower pace than private counterparts that expect fast, straightforward solutions. Projects may also fail to meet donor risk thresholds or internal standards, safeguards or due diligence requirements. In many cases, development actors are not directly involved in fund management but act as investors, which limits their influence, and instead leave operational responsibilities to fund managers that oversee risk systems and impacts. Co-ordination issues can emerge in multi-partner funds, although these are less pronounced when a donor acts as sole funder.

Development actors' mandates may limit the extent of private sector engagement, meaning they may have to navigate a series of challenges before effectively supporting biodiversity outcomes in developing countries. Navigating complex legal and regulatory frameworks in partner countries is a recurring issue that can slow down the pace of development interventions and deter private investment (Box A B.3). (How development co-operation can help strengthen enabling environments is discussed in chapter 2.)

Box A B.3. Navigating legal and regulatory frameworks

Development finance providers often need to navigate complex legal and regulatory landscapes when structuring vehicles across jurisdictions. As a result, they may choose to structure financial mechanisms through a range of legal vehicles[8] to better align expectations and mandates across various stakeholders and to address challenges such as limited availability of risk capital (Global Alliance of Impact Lawyers, 2024[14]). Some structures may also require a multi-jurisdictional perspective – for example, where the capital is raised in a different jurisdiction than where it is to be employed (as is the case for most development finance) or where the structure is designed to source capital from multiple jurisdictions with differing legal frameworks or to combine capital with credit support or risk management instruments sourced from other markets.

Further, legal frameworks may lack regulations on blended finance or biodiversity-related investments. This may create uncertainty in deal structuring and may require legal innovation. In effect, in the case of blended finance, legal frameworks are often patchy and unclear, and solutions may involve different lawyers and different kinds of due diligence and documentation compared to traditional transactions (Global Alliance of Impact Lawyers, 2024[14]), making transactions slower and more complex than conventional financing.

There may also be operational barriers when trying to blend different types of capital, such as combining charitable or non-profit funding with commercial or for-profit funding, as each has its own features and constraints that can influence how projects are put together. These arrangements often raise tax, accounting, contractual and governance challenges, particularly around how to structure partnerships, distribute returns, or manage stakeholder responsibilities and obligations. In addition, specific legislation or authorities under which development actors are established also influence the expectations and requirements they bring to the structuring of a blended finance vehicle or contractual arrangements with commercial banks, pension funds or other private sector participants.

Ultimately, in order to effectively mobilise finance for nature, the purpose and intent for nature should be clearly defined – and consistently revisited – throughout every stage of deal-making; governance for nature's interests should be embedded into a deal structure; and legal teams should be fully briefed on the intent of the deal to guide them in constructing appropriate documentation (Forever Wild, 2025[43]).

Additionality and impact integrity. Development co-operation providers face the challenge of finding a balance between mobilisation and biodiversity and other development impacts. There is a risk of losing sight of core development (e.g. poverty alleviation) and environmental integrity objectives and of the need to ensure that the revenue and benefits generated are transferred to local communities. These risks are particularly relevant given that efforts may be biased to focus on larger companies (rather than small borrowers) or more commercially attractive emerging markets; consequently, the biodiversity efforts could clash with broader development mandates that prioritise working in LDCs and SIDS. Development actors are also concerned about distorting markets and about promoting solutions with limited or unclear market demand (e.g. who would be willing to pay for nature-related products such as biodiversity credits).

Broadly, constraints encountered by development actors include the need to demonstrate additionality, attribution and permanence related to delivering impact outcomes and the ability to measure impacts (e.g. in terms of conservation impact or NbS impact for development issues such as agricultural production or heatwave reduction). Projects may need to demonstrate that private capital would not have been mobilised otherwise (additionality); that impacts are measurable and lasting (permanence); and that they directly contribute to biodiversity and development outcomes (attribution). Yet identifying and reporting on these outcomes can be complex, especially in blended finance structures where biodiversity is often a co-benefit and ambition levels often fall short (e.g. few initiatives have biodiversity as a core objective). Moreover, determining expected outcomes before the project starts can also prove challenging.

Scale and size of investments. The relatively small size of biodiversity-related investments can be an issue in terms of scaling private finance in developing countries. Many development actors and financial intermediaries have minimum investment thresholds (e.g. EUR 5 million) that can be too big for some partners or cofinancing requirements (e.g. 20% or 50% of grants provided) or they require involvement from a partner country. These conditions make it difficult to support the small-scale transactions involving SMEs, smallholders or community-level actors that dominate the biodiversity space. At the same time, the volumes of development finance offered by some actors may be insufficient to attract larger-scale investors, further limiting interest and narrowing the pool of eligible private actors. As such, available instruments may be too small in scale to interest larger companies yet too big for smaller actors that lack the capacity to meet eligibility requirements. In essence, concerns relate to both the size of the transaction and the size of the companies.

Partnerships. Mobilising private finance and action for biodiversity – particularly for restoration and conservation activities implemented through small-scale projects – often requires collaborative partnerships that bring together a diverse ecosystem of actors including donors, MDBs, NGOs, the private sector and local stakeholders (World Bank, 2022[10]). Finding the right partners is key to sorting practical issues, managing E&S risks, and creating a credible plan for biodiversity. This can be especially challenging in high-risk biodiversity-related sectors or in developing and emerging markets, where private sector appetite is often limited. In addition, differences in priorities, language, incentives and operating styles often hinder effective collaboration – particularly between development actors (e.g. DAC members, DFIs, MDBs or private foundations) and private businesses or financial institutions with limited exposure to development co-operation. Bridging this public-private cultural gap may require education, knowledge-sharing or platforms that bring stakeholders together (One Planet Lab, 2021[42]).

Some development actors also have never worked with the private or financial sector before, so it can be time consuming for them to identify suitable investment partners and align concepts, language and interests. Some consider forming alliances with the private sector complicated, costly and not a main priority. Even when development actors see strong potential for collaboration, challenges remain, particularly in building mutual trust and securing long-term commitment. For their part, private actors may not know how or where to engage on biodiversity or development and may be unfamiliar with principles that are central to development co-operation, such as the FPIC requirement when engaging Indigenous communities. In addition, limited co-ordination of private actors (both in donor and partner countries), insufficient consideration of their knowledge and perspectives into development co-operation systems, and gaps in establishing connections further constrain engagement in support of international commitments.

Institutional and partnerships

Institutional capacity gaps. Some development actors lack dedicated nature or biodiversity teams, and may have to rely on external consultants or hire new staff to develop projects. Recruiting locally in partner countries can be time consuming, while political changes or institutional inertia can slow down initiatives involving governments. Reliance on consultancies can create procurement delays, reduce momentum and disrupt continuity. This is especially the case when frequent engagement, training and onboarding are needed and which are further affected by staff turnover. Since biodiversity is a cross-cutting topic, challenges may also appear when working across ministries or departments where institutional awareness of biodiversity mainstreaming may be limited, further slowing progress.

Capacity constraints are also linked to presence on the ground. Development actors without country offices or embassies may struggle to identify entry points at the right time, relying instead on capital market players (e.g. BNP Paribas or JP Morgan) or on sending staff or delegations to partner countries to collect information. Depending on resources and mandates, centralised teams may depend on external implementing partners to mobilise private sector and finance. Yet implementing partners such as fund managers can also lack sufficient understanding of local contexts, face difficulties in developing investment pipelines, or be unable to provide complementary technical assistance. Some also lack the capacity to meet EIAs, SEAs and E&S risk management standards expected by development actors.

Safeguard implementation also presents further difficulties: projects may span large areas and involve multiple intermediaries, complicating monitoring and compliance. Development actors also face technical challenges in standardising instruments and processes, and these challenges can be compounded by limited biodiversity expertise among financial specialists. Staffing bottlenecks – finding the right people to structure deals – further slows progress.

For those donors starting to explore this area, constraints include limited experience using financial instruments for de-risking, limited guidance on how to engage with the private sector – particularly in fragile or higher-risk contexts – and uncertainty around the best sequencing to scale up private action for nature. Even where project opportunities exist, weak agreements with off-takers may render them unbankable even with blended finance support. Development co-operation providers have also acknowledged the need to better articulate and communicate to the private sector the types of partnerships and financial instruments they can support to mobilise private finance and investments.

Measurement and communication

Reporting, measurement and taxonomies. Many development actors struggle with tracking and reporting private finance mobilised for biodiversity and with the measurement and verification of biodiversity and development impacts at project level. Biodiversity interventions have inherent impact-measurement challenges – complex, non-linear and long-term change pathways, high context specificity, time lags and difficulties with attribution, among others. This means that the selection of appropriate indicators and the demonstration of both ecological and social outcomes (including benefits for Indigenous peoples and local communities) can be complicated. In many cases, it is also unclear how private sector engagement for biodiversity should be approached, which makes it difficult to establish concrete criteria or pathways to direct private capital towards desired outcomes. Moreover, discrepancies may exist between the private finance mobilisation activities undertaken by development actors and what is ultimately captured in their reporting.

Although several frameworks and taxonomies are emerging, there is limited alignment across institutions. This lack of standardisation creates confusion and reporting burdens for development and private sector actors alike, especially given differences across sectors and geographies. While the OECD methodology is widely used to report mobilised private finance, practices still vary depending on the instruments applied or the geographical scope. Moreover, the very term mobilisation is interpreted differently, especially regarding whether concessional or commercial resources should be included as being mobilised. Some actors may find it difficult to apply the OECD methodology and report systematically. Or they may only report partially on their efforts (e.g. only reporting mobilised flows by certain agencies or ministries). In the case of some development co-operation actors, such as the Netherlands (Warmerdam and Walstra, 2024[44]), results are tracked through national methodologies for domestic reporting even if they are not submitted to the OECD. Overall, greater harmonisation is needed in defining what constitutes a biodiversity investment.

Language. Development and private stakeholders often do not speak the same language or have command of the same technical vocabulary, which can be a barrier to effective collaboration even among development actors themselves. The term "biodiversity" also is used differently in different places and is often poorly understood or narrowly interpreted, leading to confusion over what constitutes biodiversity finance. For instance, some actors associate it strictly with conservation, while others include under the biodiversity finance umbrella a broader range of activities such as sustainable supply chains, sustainable use of natural resources or the bioeconomy. Similarly, terms like "nature finance", "nature-positive", "nature capital", "green finance", "green infrastructure", "nature-based solutions" or "biodiversity-friendly" are sometimes used interchangeably with "biodiversity finance", although they imply different scopes and levels of ambition. For example, nature finance is increasingly viewed as an umbrella term, while "nature-positive" usually refers to measurable improvements in the state of nature – although it is sometimes used only to signal an intention to contribute positively to nature in the future. Likewise, while nature capital can be a useful term to frame investments, land rights holders may resist to the notion of nature as an investable asset due to nature being associated with tangible and intangible values (Forever Wild, 2025[43]).

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Notes

[1] This report draws from consultations with 37 development co-operation actors during 2024-2025, including a range of DAC members and their development aid agencies (Australia, Austria, Belgium, Canada, Czechia, Denmark, Estonia, the EU, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Latvia, Lithuania, the Netherlands, New Zealand, Norway, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom); DFIs and bilateral development banks [AFD Proparco, CDP, Finnfund, FMO, KfW, SNV Netherlands Development Organisation (SNV)]; MDBs (ADB, AIIB, EBRD, EIB); and other institutions including the Development Bank of Rwanda, the Global Fund for Coral Reefs – United Nations Capital Development Fund, Green Climate Fund, IMF UNDP BIOFIN, and UNEP.

[2] Beyond development actors, the report also draws from consultations with actors from the private sector, CSOs and academia: Asociación Sustentar, BNP Paribas, Colibri Catalyst; Conservation Alpha, Cornell University; Equilibrium Futures, Federated Hermes, Finance Earth; Finance in Motion, Forest Carbon; Forever Wild, Forum on Trade, Environment and the SDGs (TESS), the Global Alliance of Impact Lawyers and Centre for Social Finance Law, Global Canopy, HSBC, Imperial College London, ING Bank, Institut du Développement Durable et des Relations Internationales (IDDRI), KPTL, Mirova, NbS Hub, Swedish Confederation of Enterprises, Wilderness Foundation Africa; and World Wide Fund for Nature.

[3] Of the 33 OECD DAC members, 16 have a bilateral DFI: the Austrian Development Bank (OeEB); the Belgium Investment Company for Developing Countries (BIO); FinDev (Canada); Impact Fund Denmark; Finnfund (Finland); Proparco (Société de Promotion et de Participation pour la Coopération Economique), a subsidiary of AFD; the German Investment and Development Company (DEG/KfW); Cassa Depositi e Prestiti and Simest (CDP, Italy); the Dutch Entrepreneurial Development Bank (FMO); the Norwegian Investment Fund for Developing Countries (Norfund); the Portuguese Society for Financing Development (SOFID); the Spanish Development Finance Company (COFIDES); Swedfund International AB (Sweden);

the Swiss Investment Fund for Emerging Markets (SIFEM); the British International Investments (BII); and the US Development Finance Corporation (DFC).

[4] For further information on instruments used to mobilise private finance through official interventions, see DCD/DAC/STAT(2025)25/REV1.

[5] Guarantees refer to legally binding agreements under which the guarantor agrees to pay part of or the entire amount due on a loan, equity or other instrument in the event of non-payment by the obligor or, in the case of an investment, loss of value. The term guarantee refers to both guarantee and insurance scheme.

[6] Funds or CIVs can be structured, that is, “have its capital divided in tranches with different risk and return profiles, e.g. by different order of repayment entitlements (seniority), different maturities (locked-up capital versus redeemable shares) or other structuring criteria”. For more information on CIVs, see https://one.oecd.org/document/DCD/DAC/STAT(2025)25/REV1/en/pdf.

[7] The 15-member EDFI Association comprises DFIs from 14 DAC countries, including 2 two separate DFIs from Italy.

[8] A multitude of different legal vehicles are used in blended finance structuring across DAC members. For instance, corporations (e.g. limited liability companies), trusts (unit or charitable), partnerships, non-profit associations, endowment funds, and commercial/hybrid companies. Other alternative models can include community ownership models such as cooperatives, community land trusts and real estate investment trusts. For more detail, see https://gailnet.org/unlocking-legal-pathways-for-blended-finance/.

Annex C. Examples of private sector engagement in the context of development and biodiversity

Table A C.1 provides examples of development co-operation initiatives supporting private sector engagement in the context of development and biodiversity in addition to those discussed in chapter 3. Organised by category, actor and project description, these were identified through consultations with development actors and illustrate the range of ongoing efforts. (The list of actors consulted is presented in Annex A).

Table A C.1. Overview of development co-operation examples by category

A biodiversity perspective

Category	Development co-operation actor(s) + other actors	Example or project description
Productive Capacity	Slovak Republic, UNDP + private sector companies	Co-operation on cybersecurity solutions in water management in North Macedonia, contributing to technological capacity for sustainable resource governance (Slovak Republic Ministry of Finance, 2025[1])
Productive Capacity	Canada, ADB	Canada's Climate and Nature Fund for the Private Sector in Asia, implemented with the ADB, provides concessional finance and technical assistance to mobilise private investment from businesses and individuals in nature-based solutions for enhanced management of natural capital and biodiversity; for nature-positive projects; and to support sustainable agriculture, aquaculture, water management, and habitat restoration and protection (Global Affairs Canada, 2026[2])
Productive Capacity & Market Access	Korea + Kenya Good Neighbors, Global Impact Foundation, Coffee Changgo	KOICA's Kenya office funded a project in Embu, implemented by Kenya Good Neighbors, Global Impact Foundation and Coffee Changgo to increase coffee farmers' incomes by strengthening cooperative operations, expanding market access, and promoting eco-friendly farming practices through capacity building and training (KOICA Kenya Office, 2025[3])
Productive Capacity & Market Development	Canada, France, EIB, Luxembourg, Netherlands, United Kingdom, GEF, GCF + private investors	The Land Degradation Neutrality Fund (LDN Fund) is a multi-donor blended finance vehicle co-promoted by the UN Convention to Combat Desertification and managed by Mirova that mobilises private capital into sustainable land management, regenerative agriculture and sustainable forestry across Africa, Asia and Latin America. A successor fund, the Mirova Sustainable Land Fund 2, seeks to continue supporting these objectives (Government of Canada, 2025[4])
Market Access & Responsible Supply Chains	Spain + Leroy Merlin, COPADE	Facilitated partnerships for certified sustainable wood (with the Forest Stewardship Council, Madera Justa) from Guatemala for export; this includes fair trade support and helping connect producers with Spanish companies and European market demand (Fundación COPADE, 2023[5])
Market Access & Responsible Supply Chains	Luxembourg + Global Landscapes Forum	Establishment of Finance for Nature Platform to channel investment into sustainable land use and value chains (Global Landscapes Forum, 2025[6])
Market Access & Responsible Supply Chains	Italy, UNIDO + Illycaffè, Ernesto Illy Foundation, Commercial Bank of Ethiopia	Italy supports the strengthening of the sustainability of Ethiopia's coffee supply and value chain, including through multi-stakeholder partnerships (AICS, UNIDO, Illycaffè and the Ernesto Illy Foundation) and a blended finance facility, including a credit line co-designed with the Commercial Bank of Ethiopia. These efforts enable co-operatives, producers and exporters to improve quality, productivity and environmental sustainability (e.g. through conservation-minded production models that protect natural resources) (OECD, 2026[7]; AICS, 2024[8])
Fostering Innovation & Entrepreneurship	IDB, Sweden, France, United Kingdom	Support to the regional platform *Cumbre de Innovación e Inversión para la Biodiversidad y Economías del Futuro* to scale up innovation and investment for biodiversity by fostering

Category	Development co-operation actor(s) + other actors	Example or project description
	(British embassy)	collaboration among bioentrepreneurs, startups, businesses and incubation networks (Cumbre CEIBA, 2025[9])
Fostering Innovation & Entrepreneurship	United Kingdom + FSD Africa	The Carbon Accelerator Programme for the Environment (CAPE) provides transaction advisory services and technical project development to address revenue issues in biodiversity projects by integrating carbon credits with biodiversity conservation thus strengthening nature-based markets (FSD Africa, 2024[10])
Fostering Innovation & Entrepreneurship	Canada, France, Germany, United Kingdom, New Zealand, Norway, Sweden, United States, GCF, UN agencies + philanthropic foundations and private actors	The Global Fund for Coral Reefs (GFCR) is a public-private partnership initiative that mobilises private investment to protect and restore coral reef ecosystems by mobilising finance to support "reef positive" enterprises such as sustainable aquaculture and fisheries, long-term financing for marine protected area management, and nature-based risk financing for post storms coral restoration initiatives (Global Fund for Coral Reefs, 2026[11])
Fostering Innovation & Entrepreneurship	EU	The EU's European Fund for Sustainable Development Plus (EFSD+) "Natural Capital" activities promote NbS and nature-positive approaches by private sector investments in partner countries (European Parliament, 2025[12])
Fostering Innovation & Entrepreneurship	Australia	Australia supports private action through the Australian Development Investments, a government-supported impact investment fund that supports sustainable agriculture trade finance solutions for smallholder farmers (Australian Development Investments, 2025[13])
Fostering Innovation & Entrepreneurship	Canada	Canada is piloting repayable funding under its Innovative Finance Program to support innovation and encourage private sector participation in SDG-aligned investments in developing countries, including potential initiatives with biodiversity co-benefits – by mitigating or absorbing risk, and by strengthening local capacity and the enabling environment (Government of Canada, 2022[14])
Fostering Innovation & Market Development	Canada, France, Germany, United Kingdom, United States + private actors, philanthropic foundations and academia	The Ocean Risk and Resilience Action Alliance (ORRAA) is a multi-stakeholder platform to develop new financial and insurance products including through its Sea Change Impact Financing Facility that aims to grow an investable product pipeline to finance regenerative and sustainable blue economy, including Investment into projects to improve biodiversity and resilience in coastal communities, creating business opportunities through marine protected areas, ecotourism, PES and blue carbon (Ocean Risk and Resilience Action Alliance, 2025[15])
Fostering Innovation & Entrepreneurship/Local Market Development	Spain	The PROTEC initiative promotes circular economy, fosters local innovation (e.g. biodegradable bags), and creates local green jobs and microenterprises by providing technical assistance for feasibility studies and research and fostering local and academic participation (AECID, 2025[16])
Market Development & Revenue Generation	Germany, Sweden, UNDP	Support to the Biodiversity Credit Alliance to develop credible and scalable markets in developing countries and to facilitate partnerships with Indigenous peoples and local communities (Biodiversity Credit Alliance, n.d.[17]; UNDP, 2026[18])
Traceability	Denmark	Danida's Green Business Partnership brings together local commercial- and non-commercial actors in developing countries to promote green transitions and inclusive economies, including for traceable regenerative agricultural practices in partnership with local farmer producer organisations, agri-SMES and private companies (Danida Business Partnerships, 2024[19])
Knowledge Exchange	Sweden	Team Sweden Sustainability convenes government authorities and national businesses to promote responsible business models in the Swedish export and value chains in partner countries (Team Sweden, 2026[20])
Knowledge Exchange & Capacity Support	Netherlands + Palladium	As part of the Mobilising Finance for Forests programme, supported a learning, convening and influencing platform to deepen expertise in financing and develop business and investment models for forests and sustainable land use (FMO, 2025[21])
Knowledge Exchange & Capacity Support	Latvia	The Consultative Council for Development Cooperation Policy organises consultations with the private sector in Latvia to promote its participation in shaping development co-operation guidelines and plans, serving as a platform for exchange among ministries, academia and CSOs (Republic of Latvia, 2023[22]).
Knowledge Exchange & Capacity Support	United Kingdom + Forever Wild	Roadmap and case studies to structure fair environmental contracts and legal arrangements for nature and land rights holders,[1] including Indigenous peoples and local communities (Forever Wild, 2025[23])

Category	Development co-operation actor(s) + other actors	Example or project description
Knowledge Exchange & Capacity Support	Spain	Intercoonecta programme promotes knowledge transfer, exchange and management (e.g. by facilitating seminars, lectures and dialogue spaces) through different thematic communities in LAC, including on sustainable use of natural resources and the circular bioeconomy to promote innovation and income development of rural MSMEs (Spanish Agency for International Development Cooperation, 2025[24])
Knowledge Exchange & Capacity Support	Denmark	The Danida Green Business Partnership brings together local commercial and non-commercial actors in developing countries to promote green transitions and inclusive economies – for example to promote traceable regenerative agricultural practices in partnership with local farmer producer organisations, agri-SMES and private companies (Danida Business Partnerships, 2024[19])
Market Development/Revenue Generation	Swiss State Secretariat for Economic Affairs (SECO), Germany, Netherlands, IDB	Support to the Amazon Bioeconomy and Forest Management Fund, including to empower small- and medium-scale land users, particularly Indigenous peoples and local communities, thus contributing to the IDB's work in the Amazon region (Inter-American Development Bank, 2022[25])
Data & Technology	Czechia	Czechia is assisting Ethiopia in the use of drones and high-tech equipment in agriculture to map and develop tailor-made recommendations around irrigation and the use of fertiliser, thereby increasing productivity (Czech Aid, 2022[26])
Data & Technology	Italy + Apio	Italy supports the sustainability and transparency of cocoa value chain in Côte d'Ivoire through a public-private partnership between AICS and the Italian company Apio, using digital traceability tools (e.g. blockchain) to improve information flows and enhance environmental and social outcomes, including premium prices for fully traceable cocoa (AICS, 2023[27])

Note: This is not an exhaustive list of all possible forms of private sector engagement for biodiversity, and existing development co-operation projects may span more than one category type.
Source: Authors' elaboration.

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Notes

[1] Land rights holders, as defined by Forever Wild, "are the individuals and communities who live on, own, manage or have direct rights over land and its natural resources". See https://foreverwild.com.au/wp-content/uploads/2025/05/2025-The-new-world-of-nature-finance.pdf.

Scaling Up Private Action for Nature

Opportunities for Development Co-operation and Finance

Private action is essential to halt and reverse biodiversity loss and promote the sustainable use of natural resources, which underpin livelihoods, economic growth and sustainable development. Yet, market failures, weak governance and high transaction costs – particularly in developing countries – mean biodiversity remains undervalued in economic decisions. This limits the ability and incentives of private actors – especially in nature-dependent sectors such as agriculture, forestry, fisheries and mining – to shift business models, comply with rising sustainability requirements and manage nature-related risks. These barriers affect actors in both the real economy and the financial sector, underscoring the need to support the transition to biodiversity-positive pathways.

This report explores how development co-operation can scale up private action for biodiversity and natural capital in developing countries. It highlights three key entry points: strengthening enabling environments, promoting private sector engagement and mobilising private finance through development finance, blending and de-risking mechanisms. Together, these can help shift finance and investment away from activities that harm nature and towards more sustainable practices, including across global value chains and trade. Development co-operation can play a catalytic role by connecting stakeholders, unlocking investment, and mainstreaming biodiversity into policies, operations and supply chains.

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