



FINAL EVALUATION  
**SE2 - NATUREFINANCE**  
**2018-2022**

08.11.22

# 1. INTRODUCTION

Finance for Biodiversity (F4B) was established in October 2019 with a mission to ‘increase the materiality of biodiversity in financial decision making’. At the time, biodiversity was barely on the radar of most financial institutions and regulators. Three years on, as F4B has become NatureFinance, a permanent, Swiss-based institution, nature has surged into the limelight, taking prime place in climate negotiations at COP27, with finance and economy becoming core themes in biodiversity negotiations at COP15.

NatureFinance has played a significant role in this development. Enabled by the MAVA Foundation’s ‘venture philanthropy’, it has moved rapidly, taken risks, and funded key partners to develop a high-potential portfolio in tune with both the challenges of protecting nature and economic and political realities such as pandemic-related stimulus programmes and the emerging market debt crisis. It has also championed nature-relevant market fundamentals such as improved biodata, risk management, and disclosure, while advancing a broader nature market narrative with a focus on good governance.

## OBJECTIVES

In realising NatureFinance’s mission to **align global finance with equitable nature-positive outcomes**, we are pursuing a number of strategic objectives:

- mainstreaming nature’s central place in financial decision-making and the global economy;
- advancing measurement of nature for inclusion in decision making and for creation of norms, standards, and regulations;
- embedding nature and climate into sovereign financing, especially debt markets;
- establishing nature-related liabilities for the financial community, notably linked to nature crimes;
- designing and encouraging take-up of effective governance of nature markets;
- actioning a catalytic investment strategy to support early-stage nature-positive ventures.

In addition, NatureFinance is seeking to demonstrate the potential of a next generation change strategy. This combines classical and in-market advocacy tools and pathways that are underpinned by a hybrid operational and financial model.

## BUDGET ENGAGED

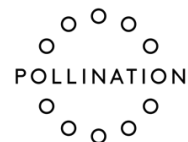
**CHF 15 mn**

**Co-funding: CHF 6,5 mn**

## THE PARTNERSHIP

NatureFinance is working with many different partners. These include some that we are funding or who are funding us, some in formal and informal coalitions, and many with whom we collaborate on research, advocacy, and other activities. This network of partners is evolving continuously as our portfolio, profile, and outreach changes. Below are some of the organisations with whom we have partnered and collaborated.

Logos below are therefore illustrative of some of the network of organizations of which we are a part.





## 2. THEORY OF CHANGE

---

Our core strategic hypothesis is that the global economy is seeing an unprecedented surge in the monetarisation, trading, and financialisation of nature. The opportunity and challenge is to shape a more sustainable, equitable basis for extracting economic value from nature. Central to this is how finance counts nature.

Our core macro-contextual hypothesis is that we are likely to badly overshoot global climate goals of restricting global temperature increase to 1.5-2.0 degrees Celsius. This implies we are entering a period of catastrophic disruption that requires ambitious action to both mitigate the downsides and create conditions in which communities can survive and prosper.

Our core institutional hypothesis is that we are entering a period of permanent polycrisis, driven in part by climate change but also nature loss, and geopolitical, cultural, and technological shifts with major economic and social implications. Most traditional means of collective action, particularly international cooperation, will under-deliver and need to be replaced or complemented by new high-potential change processes that remove dependency on conventional approaches.

In this context, our theory of change draws on systems theory and the practice of intervening in dynamic, complex systems. In the face of high levels of uncertainty, a diverse set of interventions can enable rapid learning, allow for significant redundancies and failures, prevent lock-in, and permit high levels of risk-taking that encourage entrepreneurial approaches to unexpected opportunities and foster unpredictable connections.

Operationalising this theory of change requires an unusual blend of people and networks, motivation and incentives, and culture and resources. Conventional organisational processes, such as strategic and operational and financial planning, are essential but must be used in ways that encourage disruption as well as efficiency, and that engage individual brilliance as well as group collaboration. Coherent values and vision need to be combined with organisational complexity and capability.

Practically, we are inherently unorthodox, working to exploit cracks in any given political economy, more like Ashoka's public entrepreneurs than a civil society group, business, or public body. As such, we need to be multi-faced, able to operate within as well as across each of these more homogenous environments, being trusted because of, rather than despite, our distinctness.

### 3. PROGRESS AND ACTIVITIES

---

NatureFinance seeks to build equitable, nature-positive, markets and has built a portfolio of interventions focused exclusively on very large financial flows. We seek to influence them by developing practical innovations that enable market actors to manage risks effectively and access profitable opportunities, shaped by emerging market rules and changing market conditions.

We start with simple analysis and communication, highlighting what we want to make into self-evident truths. We then propose a market innovation, often mixed with new market rules, and highlight or create cutting edge use cases to demonstrate viability. We then build coalitions and drive collective action to mainstream innovation.

Snapshots of what we have done to date include the following activities.

#### NATURE-RELATED RISKS

Together with others we helped create and fund the Taskforce on Nature-related Financial Disclosure (TNFD), leading its initial technical work. This included commissioning ambitious early-stage work on the nature-climate nexus and transition pathways, and on human rights aspects and scenarios. We also advised the co-chairs and senior executive team on policy and other high-level engagements and are now advancing a second-generation tool to enable measurement of alignment of financial portfolios with nature-positive outcomes.

#### NATURE SOVEREIGN DEBT

We were early advocates of a new generation of 'nature performance sovereign bonds', and then promoted 'KPI-linked sovereign bonds', advocated a platform in support of this emerging market, created the Sustainability-linked Sovereign Debt Hub (SSDH) involving many development banks and private finance associations, and co-chaired the new International Capital Market Association (ICMA) working group on standards for such instruments.

## NATURE MARKETS

We assessed the literature on and key actors involved in nature markets to establish the state of play. Seeing fragmentation, we created a high-level Taskforce on Nature Markets that consolidated definitions, created a taxonomy, and quantified their current scale. We also advanced specific nature market workstreams, including on the all-important food commodities markets and rapidly emerging nature credit markets, tying into key emerging actors such as The Landbanking Group and ETH Zurich. We then launched a track on the governance of nature credit markets.

## NATURE INVESTMENT

Recognising the importance of the next generation of companies as shapers of tomorrow's nature markets, we established a Nature Investor Circle to help early-stage investors understand the field. We have begun to collaborate and develop a collective voice, working with guardians of nature-positive venture pipelines such as EPFL/ETH, the Earthshot Prize, and the Paulson Institute, and are now creating an investment fund to work alongside other investors and invest in market-shaping opportunities.

### KEY LESSONS

Tentative early lessons from our work to date include the following.

1. **Make waves by riding them** - harness tectonic shifts or momentary opportunities, such as the emerging market debt crisis, or the new Brazil leadership.
2. **Invest freely in open clusters** - make many small bets on people and topics, allowing them to bubble away while waiting for the right moment to connect and engage, or fail.
3. **Curate dot-connecting, don't plan for it** - don't over plan for portfolio coherence, lightly curate seemingly distinct elements to evolve into each other.
4. **Double down when the stars align** - know when the moment has come to make a substantial investment, often in senior time as much as money.
5. **Team-build for network integration not specialisation** - core teams need to focus on entrepreneurial culture and network building as specialists tend to become incumbents.

## 4. ACHIEVEMENTS AND IMPACTS

---

We see three levels of achievement, and some notable shortfalls.

- **Things have happened, we were around** – In a few short years, nature finance has gone from a unnoticed topic to becoming increasingly central in the next generation of sustainable finance and economic transformation, notably for the food sector, which is akin to clean energy in the climate space. Cause and effect is complex at this level, so the best we can reasonably say is that we have been a significant part of this development, both through good timing and being able to push quickly and take risks in some intuitively smart areas.
- **Things have happened, we were there** – Dropping down a level, there is no doubt that we played significant roles in shaping the TNFD, advancing sustainability-linked sovereign debt, including the collective action hub, and in advancing a new narrative on nature markets that is being picked up ever more widely. Specific initiatives such as the ETH's SEED initiative are much more effective due to our engagement, and we were the first organisation to release a method for measuring alignment with nature-positive outcomes.
- **Things may happen but we have to wait and see** – None of our bets have yet matured, although some are close, such as the TNFD. Our work on nature crimes has huge potential but we have not progressed it far enough to judge its likely success. Similarly, our sovereign debt work could become a multi-trillion dollar play or remain niche. And our nature markets and nature investment work are still at an early stage.
- **Something has been left behind** – We have almost certainly missed opportunities. Some of these we can see more clearly than others. We have not progressed our liability-related work as we would have wished on, we have not figured out what we can and should do in China, and we did not effectively capitalise on the outreach success of our nature-indexed pandemic stimulus work. We have also not managed to effectively amplify or leverage the 'Every Action Counts' initiative that we funded through the Green Digital Finance Alliance, and only now, perhaps too late, are we returning to the potential of open-source data platforms.

## CASE STUDY 1: SEEDING AND SHAPING THE TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)

In January 2020, NatureFinance worked with other key stakeholders to initiate a global nature-related risk management and disclosure framework. Together, we constructed a nine-month development process for the TNFD, where we co-chaired the technical group that produced the first scoping paper, which in turn shaped the initial work of the TNFD. We also played a key part in helping form the initial TNFD leadership team, contributed \$1 million in funding, and transitioned our role to that of senior advisors and subsequently also knowledge partner. In this capacity, we commissioned and published several pieces of work that helped push the envelope of TNFD's ambition in areas such as transition and scenario planning, the nature-climate nexus, and human rights, which are now firmly on its agenda. We are also working with the TNFD in the policy space, recently agreeing to co-organise a major nature finance event in Tokyo for this year's G7 under Japan's presidency. Overall, the development of the TNFD is an excellent illustration of NatureFinance's multi-stage approach to making change, from ideation, leadership-building, and funding, to knowledge and tool development, and political outreach.

## CASE STUDY 2: THE SUSTAINABILITY-LINKED SOVEREIGN DEBT HUB (SSDH)

NatureFinance successfully convened key market players in the sovereign debt space to form a collaborative hub. This includes leading development financial institutions such as the World Bank and the Asian International Development Bank, environmental leaders such as The Nature Conservancy, and leading measurement Institutions such as the International Capital Markets Association (ICMA). Their collaborative networking has extended the conversation and respectability of performance-based sovereign debt instruments. KPI-linked debt instruments are now considered a tool in the arsenal of approaches being explored to mitigate the looming sovereign debt crisis. And this financial innovation has the potential to enable sovereigns to invest in ecosystem restoration that in turn supports resilience, earns improved creditworthiness, and lowers capital costs.



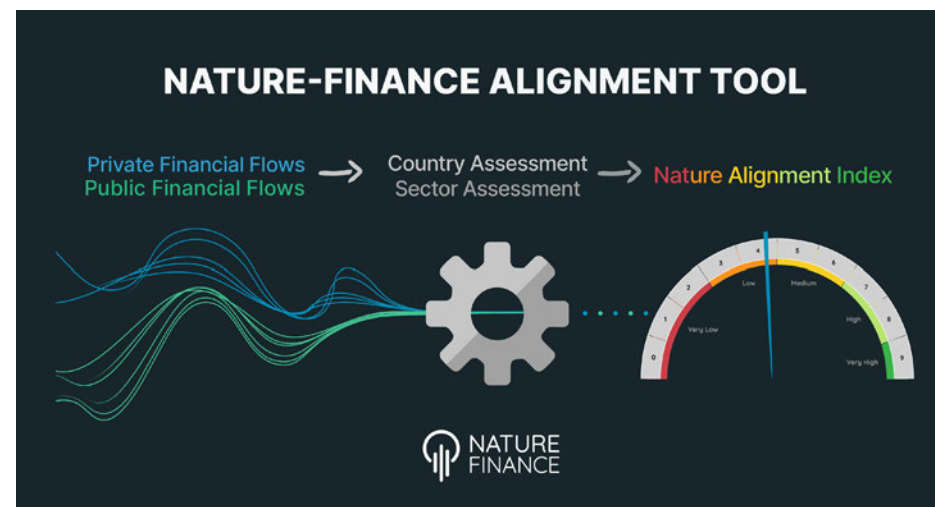
Covers of the reports commissioned and published by TNFD



### CASE STUDY 3: NATUREFINANCE ALIGNMENT TOOL

NatureFinance developed a first-of-its-kind Alignment Tool to help the financial sector and governments identify, measure, and disclose their degree of alignment with net-zero, nature-positive goals. The Tool is built on industry-standard frameworks and NatureFinance's own proprietary framework. The tool will bring greater understanding of how alignment can shift the balance in favour of nature. Initial research reveals that the average alignment score is 6.2. This indicates only medium alignment, far from what is required to support a net-zero, nature-positive economy. Officially launched at COP15 in Montreal in December 2022, there has been tremendous interest in piloting the tool, including from Brazil and Canada, and UN BIOFIN. Ultimately, we expect TNFD to absorb the tool and advocate its application.

Beyond the early impacts highlighted above, perhaps most importantly NatureFinance has earned the respect and participation of market leaders and innovators in a wide range of nature market work. This speaks to our ability to network, partner, and collaborate. This has enabled NatureFinance to nurture innovation, conduct cutting-edge research, and continually expand the scope of its activities. All of this has been possible because NatureFinance has attracted high-performing, well-regarded professionals.



Alignment tool: Measuring the alignment of financial flows with nature-positive goals



The NatureFinance-WWF event discussing the Nature-Finance Alignment Tool at COP15, Montreal

## 4. WHAT WILL HAPPEN NEXT

---

NatureFinance is a ‘surge’ initiative that will continue to make a difference by being different. Establishing NatureFinance as a permanent venture, and the support such a move has brought with it, is testimony to what we have already achieved. More importantly, it signals what is and what is not needed going forward. Over the last three years, thousands of new and existing platforms and organisations have embraced the nature finance agenda. Whilst we embrace the need for collaboration, just doing what many others are doing would be a disappointment, indeed a failure.

There are the ‘known knowns’: we can and should double down in areas where we have already had an impact and can make further contributions that will make an unusual, positive difference, such as in sovereign debt, nature risks, and alignment.

And we should further progress our work that has potential for high impact, such as that on nature crimes and nature markets, especially nature credit markets. As planned, we will also build out our nature investment portfolio, including the Catalytic Investment Facility.

Then there are some ‘unknown knowns’: the things that we all know have to be done but that are not being progressed. Food is a key challenge, and NatureFinance needs to decide how to build on its work on the food-finance nexus, what to do about food commodity markets, and how to support a just transition of the food system.

And there are the ‘unknown unknowns’: we need to keep investing in exploring new areas, new actors, new opportunities, and new approaches. For this we need a pool of investable funds, essentially angel risk money, grant or otherwise, and a team that is excited and open to new possibilities.

Then is the question of what or who NatureFinance is to become. We imagine a hybrid institution that is 100% activist but that embraces a multitude of approaches. We want to be a civil society actor that is as comfortable advocating in the market for money as it is in the market for ideas and policies. And we want to find a way to resource ourselves that reflects our unconventional approach, harnessing the power of philanthropy, public finance, and market-facing revenues.

*“Nature is the foundation of our US\$95 trillion global economy, yet faces unprecedented collapse, damaging efforts to address climate goals. Aligning global finance with a thriving, regenerated nature is a pre-condition for sustainable development.”*

Simon Zadek, Executive Director, NatureFinance

*“Nature markets are a bridge to a total shift in our economic system. A real transition requires not only financing change through low carbon and nature-based solutions but changing our financial and economic systems to truly service people, planet and prosperity at the same time.”*

Sandrine Dixon-Declevé, Taskforce on Nature Markets  
Member; Co-President, Club of Rome

