



MDB Common Principles for tracking nature-positive finance

1. Introduction

At the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) 26 in Glasgow, United Kingdom, ten multilateral development banks (MDBs) signed a Joint Statement on Nature, People and Planet, which recognises that tackling poverty, climate change and the drivers of nature loss (“nature” refers to biodiversity, ecosystems and the services they provide) are inextricably linked, and affirms their commitment to mainstream nature ever more deeply into their policies, analyses, assessments, advice, investments and operations.

This commitment is reflected in five pillars: (1) leadership to support a sustainable, inclusive, green and resilient post-COVID recovery and to support countries in implementing their commitments made in relation to the parties’ implementation of the Convention on Biological Diversity (CBD), Paris Agreement, UNFCCC and Leaders Pledge for Nature; (2) tackling the drivers of nature loss by fostering “nature-positive” investments; (3) fostering synergies at national and regional level; (4) valuing nature to guide decision-making and (5) enhancing reporting on efforts to mainstream nature in MDB analyses and operations.

In line with the commitment under pillar 5 to explore the development of tools and methodologies for tracking nature-positive investments across their portfolios, the MDBs have defined a set of Common Principles for tracking nature-positive finance that can be used by each MDB and that may be informative for other investors (including but not limited to capital markets and domestic public budget holders).¹ For the MDBs that intend to identify, track and/or report on their nature-positive finance, these Common Principles will help guide the development and implementation of their respective technical frameworks and internal methodologies as they support countries and private sector clients in implementing the Kunming-Montreal Global Biodiversity Framework (KMGBF).²

The Common Principles will also facilitate comparability across MDBs in their respective screening and tracking processes, including communicating on financial contributions to nature-positive outcomes. The Common Principles define nature-positive finance and the eligibility criteria for identifying and tracking nature-positive finance, and outline the steps to identify relevant finance ex-ante.³

1. Endorsement of these principles does not imply a commitment on the part of any individual MDB to undertake tracking or reporting exercises.
2. The MDBs acknowledge and thank Trinomics and the Climate Policy Initiative (CPI) for their work developing the tracking methodology options paper published by the MDBs at CBD COP 15, an internal document which greatly informed the drafting of these principles. Please see Inter-American Development Bank (2022) Options for considering nature-positive finance tracking and taxonomy, Technical Note no. IDB-TN-02566 prepared by Trinomics and the CPI, <https://publications.iadb.org/en/options-considering-nature-positive-finance-tracking-and-taxonomy>.
3. MDBs have already adopted such an approach in the Common Principles for Climate Mitigation Finance Tracking.



2. Defining nature-positive finance⁴

Nature-positive finance refers to finance that supports actions that protect, restore or enhance sustainable use and management of nature, or enables these actions (see Box 1),⁵ contributing to the implementation of the KMGBF and its broad ambition to halt and reverse nature loss by 2030, with a view to full recovery by 2050.

Such an action must also meet *all* of the following eligibility criteria, as determined by the respective MDB:

1. makes a substantive contribution to nature;
2. has expected positive outcomes for nature that are measurable and can be assessed and monitored against a baseline, where feasible, or otherwise, a business-as-usual scenario;
3. is not expected to introduce significant adverse environmental risks or impacts.

Many projects that promote environmental sustainability have benefits for nature. However, they may not necessarily meet the required criteria to be recognised as “nature-positive” even if they support the broad ambition of the KMGBF. MDBs may nonetheless report those co-benefits separately. The intention of these Common Principles is to set a higher standard for any finance tracked as nature-positive finance and to capture those MDB investments that make a demonstrable positive contribution (directly and/or through co-benefits) to putting nature on the path to recovery as part of implementation of the KMGBF. This definition provides a broad framework for MDBs to develop and implement their own procedures and methodologies to identify and track nature-positive finance. MDBs may choose to track nature-positive finance as a subset of broader green, environmental or other finance categories. These broader categories of finance can also capture investments that mainstream nature considerations within a given economic sector and create broader enabling conditions for nature-positive practices or investments, but where operations might not meet all of the nature-positive criteria.

Box 1. Relevant activity types

The definition of nature-positive finance encompasses the following relevant activity types:

- *Protection* refers to those activities that maintain the current status and condition of biodiversity and ecosystems.
- *Restoration* refers to the process of assisting the recovery of an ecosystem that has been degraded, damaged or destroyed relative to a reference state.
- *Sustainable use and management of nature* indicates a shift of economic activity away from processes driving nature loss.
- *Enabling conditions* refer to policies, models and sectoral instruments, incentives, data and other tools enabling the above activities.

Nature-positive finance can also deliver tangible development benefits. Nature plays a critical role in providing resources and services that underpin the achievement of the Sustainable Development Goals and are essential to solving many development challenges such as health, jobs and livelihoods, inequality, climate change, food and energy security and fragility. Notwithstanding this, MDBs have environmental and social safeguards in place to ensure that nature-positive investments do not undermine other themes and priority environmental areas of the Sustainable Development Goals.

4. These principles may be revised in the future, following a joint MDB consultative process.

5. Target 19 sets out to “substantially and progressively increase the level of financial resources from all sources, in an effective, timely and easily accessible manner, including domestic, international, public and private resources, in accordance with CBD Article 20, to implement national biodiversity strategies and action plans, by 2030 mobilizing at least 200 billion United States dollars per year [...]”



3. Applying nature-positive criteria

3.1. Eligibility criteria

In keeping with the emerging consensus that “nature-positive” should be reserved for finance that is expected to deliver clear positive gains for nature⁶, investments must fulfil the three nature-positive eligibility criteria to be tracked as nature-positive finance (see Table 1).

Table 1. Nature-positive eligibility criteria

1. Finance makes a substantive contribution to nature	Substantive contribution can be achieved by (i) reducing pressure on biodiversity or ecosystem services; (ii) directly improving the state of nature (for example, by protecting and restoring ecosystems and enhancing ecosystem services) ⁷ or (iii) creating the enabling conditions for (i) and (ii). ⁸ A substantive contribution results in a positive outcome for nature. Activities or finance directly linked to compliance with environmental safeguards do not qualify as nature-positive finance.
2. Expected positive outcomes are measurable	Expected outcomes are measurable and can be assessed against a baseline, where feasible, or otherwise, a business-as-usual scenario. ⁹ Ex-ante assessments should confirm that nature-positive finance is expected to deliver measurable positive outcomes for biodiversity, ecosystems or the services they provide. ¹⁰
3. Finance is not expected to introduce significant adverse environmental risks and impacts	Finance is not expected to introduce any direct significant adverse risks to, or impacts on, nature or to significantly undermine other environmental or development objectives such as climate change or circular economy transition. ¹¹ MDBs’ environmental and social safeguards policies serve as the minimum standard to ensure identification, assessment and management of environmental and social risks and impacts associated with the projects and investments supported.

4. Assessing nature-positive finance

4.1. Screening approaches

Identifying nature-positive finance involves a two-step process:

1. screening finance for eligible activities that protect, restore or enhance the sustainable use and management of nature, or enable these actions, in line with the nature-positive finance definition;
2. applying the three nature-positive eligibility criteria to determine if the associated finance could be tracked as nature-positive finance.

Completing this screening using a combination of a taxonomy of eligible activities (step 1) and a process-based approach (step 2) is considered best practice, as it promotes robustness while building in the flexibility required to operationalise the Common Principles in the development context. If an MDB is relying only on a list of eligible activity types in its assessment, the eligibility criteria must be considered or built into the list.

While coherence is important, each MDB may tailor their taxonomies to the sectors, financial instruments and types of clients relevant to it.

6. MDBs note that several conservation and scientific organisations such as IUCN, WWF and the TNFD are working on definitions of nature-positive finance. This work seeks to outline an operational definition relevant for MDBs for nature-positive finance for a development context.

7. This can be done through the implementation of nature-based solutions as long as these result in positive outcomes for nature.

8. These are inspired by the definition of substantial contribution under the EU Sustainable Finance Taxonomy. Source: Canfora, P., et al. (2022) Development of the EU Sustainable Finance Taxonomy - A framework for defining substantial contribution for environmental objectives 3-6, EUR 30999 EN, Publications Office of the European Union, Luxembourg. ISBN 978-92-76-47898-0, doi:10.2760/256390, JRC126045.

9. This involves considering the expected outcomes of the intervention compared to the business-as-usual or baseline state of — or trends in — biodiversity or ecosystem services before the intervention. Baselines can be established at the scale of the intervention or at the spatial scale at which the outcomes will materialise. For policy interventions, measurable may mean that policies are enabled or enacted to support nature-positive outcomes.

10. Ex-post measurement of actual impacts of projects on nature is beyond the scope of the Common Principles; however, it is good practice to monitor outcomes during and/or after project implementation.

11. This criterion should generally be applied at the project level (under which multiple activities can fall).



4.2. Financing instruments within scope

Nature-positive finance commitments can be made through various lending and policy-based instruments. Relevant financing instruments include investment loans, policy-based financing, results-based financing instruments, equity investments, MDB assistance to clients in developing sustainable or thematic bonds, guarantees, credit lines, advisory services and grants, among others. For investments where, ex-ante, the use of proceeds has not specifically been defined to be directed to nature-positive investments or activities (as is the case with intermediated financing or sustainability-linked instruments), the assessment should be guided by caution and conservativeness.

4.3. Guidance for tracking nature-positive finance

The Common Principles have been designed around the following overarching principles, which are aligned with the Common Principles for Climate (Mitigation and Adaptation) Finance adopted by all MDBs to ensure consistency between the finance tracking methods and to allow for comparability across financial flows. When MDBs choose to track nature-positive finance, the following principles will apply:

- a) *Conduct ex-ante tracking*: Nature-positive finance should be identified and tracked based on expected contributions to nature identified at the time of or after board approval or financial agreement signature, and based on available documentation. MDBs recognise that impact tracking is important. It is not the intention of this work to seek to develop impact reporting indicators and metrics.
- b) *Track direct financial commitments*: Nature-positive finance tracked by MDBs represents financial commitments, not disbursements. To avoid possible double counting of flows, tracking of nature-positive finance should only encompass funds committed directly by respective MDBs.¹²
- c) *Conservative assessment*: If data to support a detailed analysis of nature-positive activities are unavailable or unreliable, eligibility for inclusion is assessed adopting a conservative approach. It is therefore understood that nature-positive finance is to be identified and tracked conservatively.
- d) *Granularity*: Qualifying finance should be identified at the most granular level feasible (project activities, sub-components or components).
- e) *Clear tracking of climate finance and nature-positive finance*: It is important to identify and tag finance that qualifies as nature-positive finance and climate finance (mitigation or adaptation) separately and in a transparent manner (see Box 2).

Box 2. Tracking climate and nature-positive finance

Given its intrinsic interdependency with several nature-based climate solutions, nature-positive finance can often overlap with climate finance. At the same time, not all climate finance directly benefits nature beyond addressing climate change as a driver of nature loss, and not all nature-positive finance supports climate change mitigation or adaptation. Thus, it is recommended that MDBs track these flows separately, although some finance may be tracked across multiple categories. In instances where they may choose to track aggregated green finance flows, it is essential that MDBs explicitly and transparently tag flows/projects that qualify for both nature-positive finance and climate (mitigation or adaptation) finance.

12. Co-financing provided by other public or private investors and any additional capital that is leveraged as a result of MDB investments (e.g. capital raised through a sustainable bond issued by an MDB client with assistance from the MDB) or parallel financing should be tracked separately (if tracked), except where it is directly managed and committed by the MDB.



5. Next steps for operationalising the Common Principles

Individual MDBs that intend to track and/or report nature-positive finance should operationalise the Common Principles through their respective systems. To support this, and as part of the work to develop these Common Principles, MDBs have been developing a first draft of a list of eligible activities that could be used for screening activities. The list combines elements from various taxonomies in use and development and takes into account the rapidly changing landscape of initiatives underway by such actors as IUCN, the TNFD and OECD.

The MDBs propose to hold a technical workshop in early 2024 to fully develop the draft taxonomy so that it can then guide each MDB as it implements its own framework.

It is expected that some MDBs could start piloting the use of the Common Principles and taxonomy within their own tracking methodologies on a subset of projects during 2024, with the aim for these MDBs to learn from this piloting at CBD COP 16.

