

Financing Nature-Based Solutions

WHAT ARE NATURE-BASED SOLUTIONS?

Nature-based solutions (NbS) are actions addressing key societal challenges through the protection, sustainable management, and restoration of both natural and modified ecosystems, benefiting both biodiversity and human well-being (IUCN, 2020). NbS harness the strength of natural systems and healthy ecosystems to protect communities, enhance infrastructure, ensure a resilient and biodiverse future.

NbS are crucial in achieving the Rio Conventions- United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention on Biological Diversity (UNCBD), United Nations Convention to Combat Desertification (UNCCD), and United Nations Sustainable Development Goals (SDGs), as detailed below:

Contribution to mitigation

NbS are estimated to contribute around 30% of the global mitigation required to achieve the 1.5/2°C temperature rise goal agreed to under the Paris Agreement (IUCN, 2022a).

Contribution to resilience

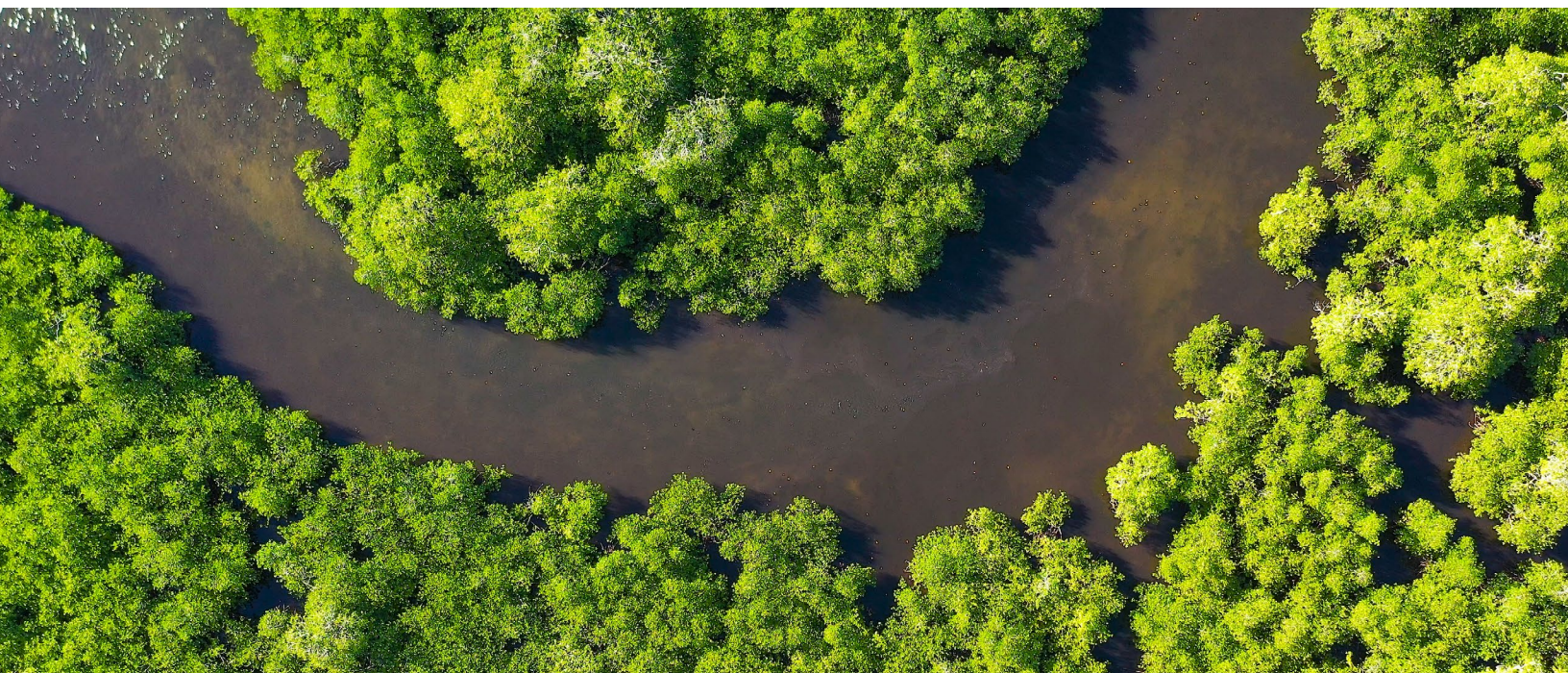
NbS have the potential to reduce the intensity of climate and weather-related hazards by 26% (IFRC & WWF, 2022).

Contribution to biodiversity

NbS enhance human well-being by fostering adaptive, resilient, and biodiverse ecosystems, directly supporting the UNCBD's Global Biodiversity Framework's 2050 Vision of living in harmony with nature and aligning closely with Targets 8 on climate adaptation and 11 on ecosystem restoration (IUCN, 2022b).

Contribution to sustainability

NbS have also been recognised as a powerful pathway for sustainable development, with evidence showing they could contribute to achieving two-thirds of the Sustainable Development Goals (UNEP, 2022).



WHAT ARE THE DIFFERENT TYPOLOGIES OF NBS?

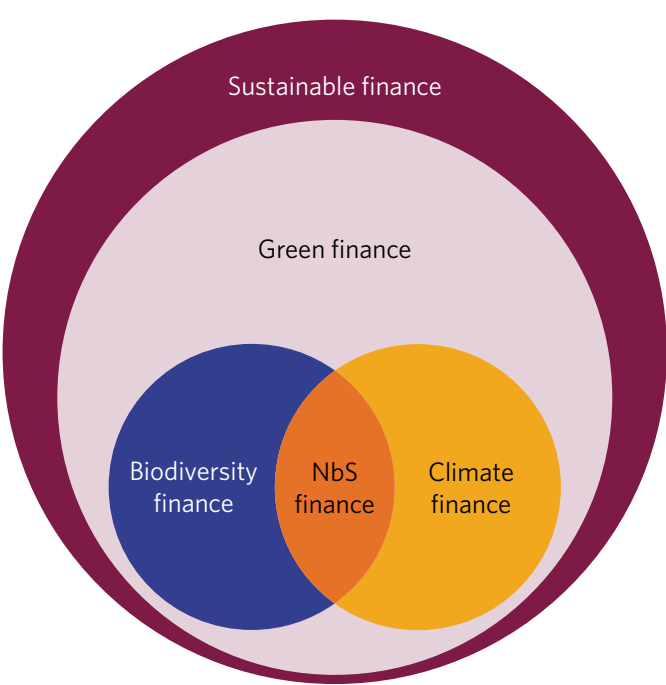
NbS encompass a wide range of interconnected strategies designed to tackle social and environmental issues. However, based on the ecosystem intervention and ecosystem services targeted, these can be categorized into 5 main types (CEEW, 2024).

CATEGORIES	DESCRIPTION	EXAMPLE
Ecosystem Restoration	Focused on reviving damaged ecosystems to improve resilience and overall function.	Rehabilitation of Floodplains, wetlands, or lakes
Ecosystem Conservation	Focused on preserving intact ecosystems and biodiversity.	Community led or supported conservation of protected areas
Ecosystem Stewardship	Focused on long-term productivity and ecological stability.	Sustainable forestry/ agricultural practices
Issue-specific Ecosystem-related Approaches	Focused on tackling specific environmental challenges.	Creation of urban jungles
Infrastructure-related Strategies	Focused on emulating natural processes to enhance ecological and urban resilience.	Green infrastructure like urban tree canopy or green roofs.

WHAT IS THE CURRENT STATE OF FINANCING NATURE-BASED SOLUTIONS (NBS)?

Financing NbS refers to sourcing the funds to create and sustainably maintain a nature-based solution (Connecting Nature n.d.). NbS finance sits at the intersection of biodiversity finance and climate finance, within the broader umbrellas of green finance and sustainable finance. While biodiversity finance focuses on conserving and sustainably using ecosystems, and climate finance supports adaptation and mitigation measures, NbS finance brings these two areas together creating an integrated approach that delivers multiple environmental and social benefits simultaneously (GIZ n.d.).

As public goods, NbS deliver shared benefits across society and therefore involve multiple stakeholders. The NbS financing ecosystem brings together governments, investors, developers, development banks and communities, who collectively channel public and private capital through diverse financial mechanisms into nature-based solutions that create business value while addressing pressing social and environmental challenges.



Source: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

According to the United Nations Environment Programme's State of Finance for Nature report (2023a), total annual investments in NbS reached roughly USD 200 billion in 2022. The public sources dominate the landscape, accounting for about 82 percent of total nature-related finance, while the private sector contributes only around 18 percent. Within the private sector share, more than half of investments—approximately 57 percent are channelled through mechanisms such as biodiversity credits, offsets, or sustainable supply chain initiatives (UNEP, 2023b). However, current finance flows toward NbS remain insufficient, amounting to about 3 percent of global climate finance flows (Nature4Climate, 2024). UNEP estimates that an additional USD 167 billion per year will be required by 2030 to bridge the NbS financing gap.

Scaling up investments in NbS and gradually withdrawing nature-negative financing together can help build a resilient and sustainable future. By closing the financing gap, NbS can deliver enduring benefits for people and the planet—creating a genuine triple win for climate action, biodiversity conservation, and sustainable development.

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The Clarifying Concepts series provides short explanations of foundational ideas and terminology in sustainable finance to help professionals from different fields navigate emerging issues.

It is produced by the Center for Sustainable Finance (CSF), a knowledge and net-working hub which aims to accelerate India's financial sector towards a more sustainable future. CSF is managed by Climate Policy Initiative (CPI).