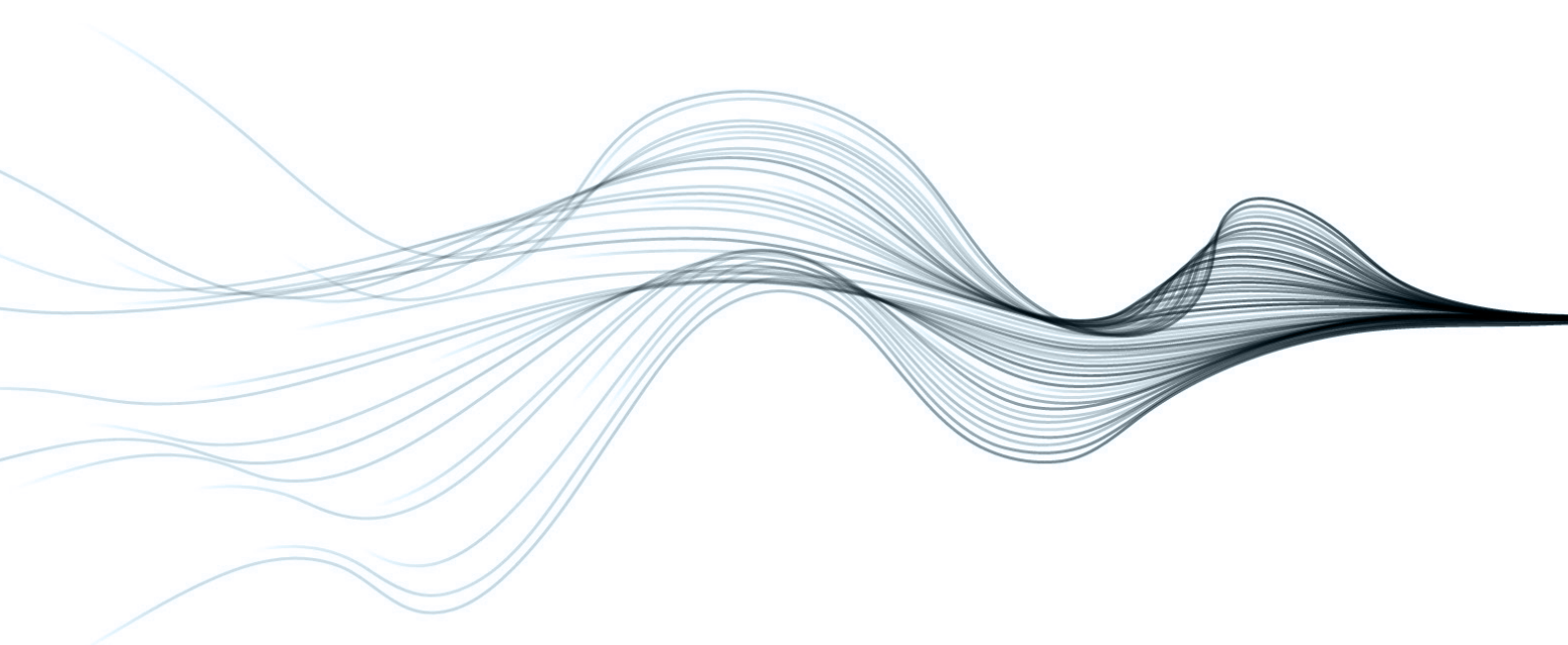


# **Increasing the Alignment of Global Finance with Nature**



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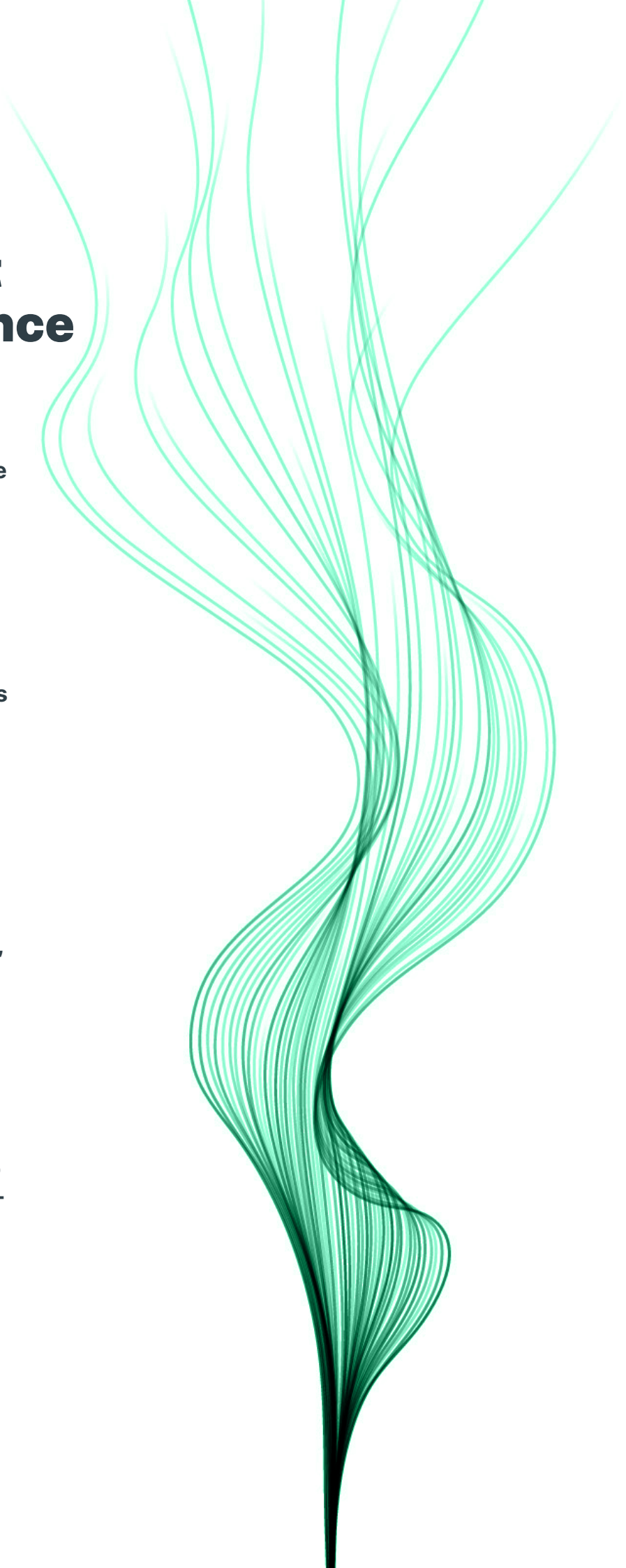
**The global economy must deliver nature-positive, equitable outcomes if we are to tackle the existential challenges of nature loss and climate change.**

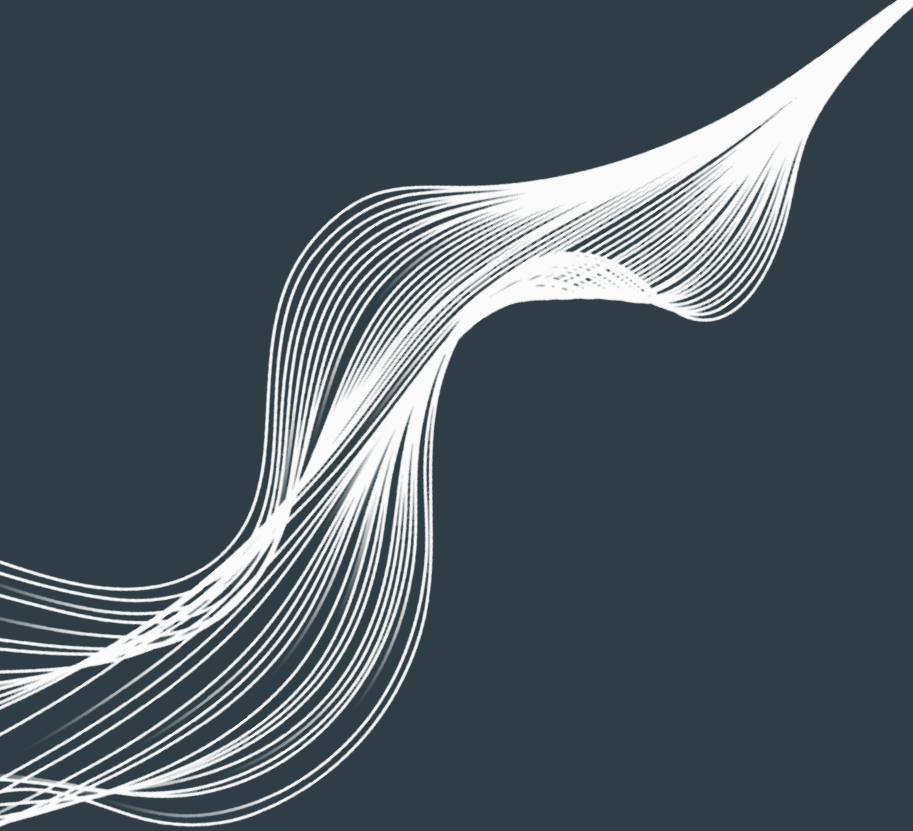
**As nature is not material in most financial decision-making, there is significant misalignment of public and private financial flows with nature-positive outcomes.**

**Understanding the current degree of alignment of global finance, and identifying actions needed to increase it is vital.**

**NatureFinance is developing a suite of tools to track alignment, identify policy solutions, and provide a strong foundation for action to increase alignment over time.**

**These tools will empower corporate, national, and international actors, both private and public, to make systemic changes to transition to a nature-positive world.**





## The Challenge

Although the climate and nature crises are inextricably linked, the need for aligning finance with nature does not yet command the same acceptance as Paris Agreement alignment does for climate change. Major studies, in particular **the Dasgupta Review**, make it clear that now is the time for nature to be factored comprehensively into financial decision-making and made material in financial flows.

Nature-positive alignment is related to, but distinct from, resource mobilisation. Even the most optimistic ambitions for resource mobilisation involve shifting only a fraction of the financial flows needed to ensure nature-positive rather than nature negative outcomes. Alignment by contrast offers a lens for assessing the nature impact of all the decisions of financial actors and to reallocate resources to meet nature positive goals.

Significant challenges to using an alignment approach exist: lack of a general understanding of what alignment entails in practice; the lack of an agreed definition of 'nature positive'; and the lack of an existing methodology for measuring progress toward nature positive alignment systematically over time.

In spite of these challenges, there is growing attention internationally to the degree of alignment of financial flows with nature-positive and net-zero outcomes, crystallised in political commitments such as the **2030 Nature Compact** agreed by the G7 in 2021. Similarly, the **2020 Leaders Pledge for Nature** includes an alignment commitment and has been endorsed at the Head of State or Government level by more than 93 countries, representing 38% of global GDP.

Under the Convention on Biological Diversity, Target 14 of the draft Post-2020 Global Biodiversity Framework calls for the alignment of financial flows across all levels of government and across all sectors of the economy, with the goals and targets of that new framework due to be agreed at the Conference of the Parties 15 Part 2 in Montreal in December 2022.

However, the international community currently lacks the means to assess how far countries, international organisations and the private sector are living up to these commitments, and the metrics for civil society to hold them to account.

# The Opportunity

In response to this challenge, F4B is working with a diversity of partners to build a set of tools to measure, report and respond to misalignment of financial flows. The world's first **Global Nature Positive Alignment Index** will offer a high-level picture of the current state of affairs, with headline numbers and a policy-linked **Dashboard**, underpinned by a credible methodology. The implications for public and private actors, internationally, nationally and at corporate level, will be set out in an accompanying **Policy Report**, which will offer recommendations for change to increase alignment with nature-positive, equitable outcomes.

This suite of tools can have real impact at different scales.

## At a **corporate** level, the Index and Dashboard will:

**Provide a robust quantitative approach for businesses and financial institutions to set nature positive goals and disclose progress.**

They will gain new insights on how to deploy capital into specific sectors, countries, and asset classes and so raise the nature-positive alignment of their portfolios. ESG fund managers, for instance, will have a new tool for tracking and reporting on the nature alignment of their products.

Add a new dimension to work being carried out in other related nature finance areas, notably the Taskforce on Nature-related Financial Disclosures's work on delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks.

## At the **global** level, it will:

**Show how far international policy frameworks under the UN CBD, UNFCCC, and other international agreements, as well as the GEF, are promoting greater nature-finance alignment in practice, and how and where they need to do more.**

Provide a tool to measure the impact of actions to deliver both formal and informal commitments on nature positive outcomes, including by multilateral, bilateral and national public development banks

Offer a benchmark for regional and sectoral comparisons to be made, and policy solutions to be actioned to increase nature-finance alignment.

## At a **national** level:

**Countries at all levels of economic development and richness of natural assets will be able to assess how far their international and domestic policy commitments to nature positive financial alignment are being translated into action on the ground.**

A disaggregated version of the Index and Dashboard will allow countries to track their own nature alignment performance, covering both public and private finance, across the whole range of economic sectors.

Civil society and campaigning organisations, think tanks, academia, and the media will be able to compare the performance of countries and economic sectors to challenge decision makers to take stronger action.





## **What we will do: Index, Dashboard, and Policy Report**

### **Index & Dashboard**

The core of F4B's suite of tools will be an interactive, web-based dashboard built around a Global Alignment Index. The Index will provide an assessment of how aligned financial flows are to nature. The Dashboard will allow users to explore the Index at more granular levels - by country, sector or type of financial flow - for both public and private capital. This will also allow users to understand alignment at multiple levels – corporate, national, and global on a on-demand basis, with regular data updates. This dashboard will be the first step on the road to understanding how global financial flows are aligned, or misaligned, with nature positive outcomes.

### **Policy Report**

The Index and Dashboard will reveal priority geographical, sectoral, and systemic policy interventions that are needed to help improve increase nature-positive alignment and bring about change in real world outcomes. A Policy Report will be developed to draw out insights and recommendations that emerge from the quantified Index and Dashboard, with a focus on the actions needed – by Governments, regulators, public and private FIs, etc. – to bring about positive change. This "State of Nature-Finance Alignment" report may become an annual flagship publication of NatureFinance.

The figure on page 6 illustrates how the Index might look.





# Global Alignment Index

- The Global Alignment Index will provide a score between 0-10, as an assessment of how global flows align to nature.
- Users will have an option to adjust dashboard weights between country and sector
- Alignment can be further assessed in terms of public and private flows
- The interactive tool will also allow users to run country specific analysis by sector and flow type
- It will also give key levers that a country may use to improve their score



## Contact us

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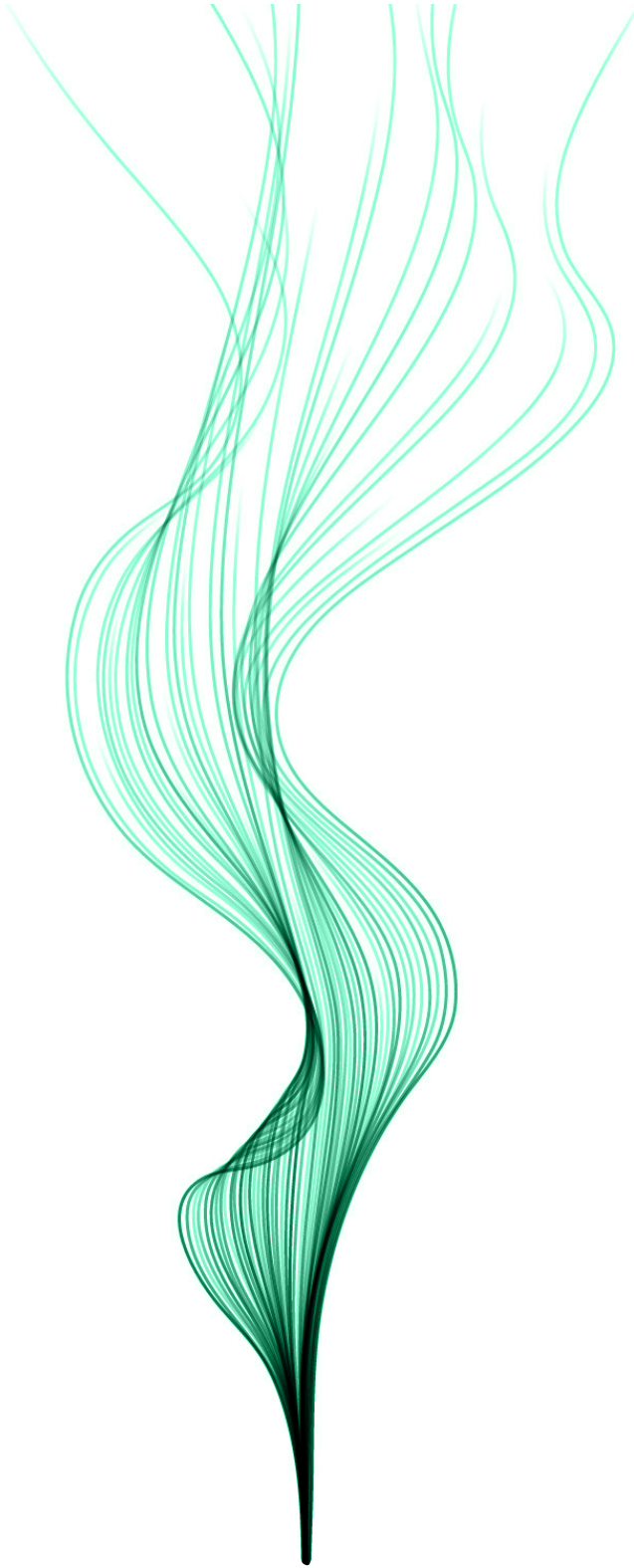
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