



Nature Finance 2.0 Project

The Nature Finance 2.0 Project aims to enhance commercial banks and regulators' capacity to manage natural capital risks and opportunities. These institutions in turn set the market conditions for the 'real economy' sectors that they finance or regulate, shifting incentives toward sustainability.

Natural capital loss has accelerated at an unprecedented rate in the past decade. With half of the world's total Gross Domestic Product (GDP), approximately USD 44 trillion, being highly or moderately dependent on nature, its loss severely affects our economy. The World Economic Forum has classified climate action failure, extreme weather events and biodiversity loss as the top three global risks over the next decade. Rapid and scaled-up action is therefore vital to halt and reverse the decline of natural capital and to fight climate change – two challenges that are intertwined and must be addressed together.

Overall Goal

The project's overall objective is that economic activity in selected SECO priority countries and beyond is redirected from activities that harm nature to those that are nature-positive.

Outcomes

- Outcome 1: The capacity of private, public and central banks to assess and internalize nature-related risk is enhanced in Peru, Colombia, South Africa, and Indonesia.
- Outcome 2: The application of the ENCORE tool for all financial institutions is improved through the use of enhanced data and metrics.
- Outcome 3: Nature-positive action in the mining and agribusiness sectors is accelerated in Peru, Colombia, South Africa, and Indonesia.
- Outcome 4: ENCORE is tested and applied in the development of the Taskforce on Nature-related Financial Disclosures (TNFD) framework and linkages is made with the Convention on Biological Diversity's Global Biodiversity Framework.
- Outcome 5: Pilot financial institutions are committed to nature positive alignment of their portfolios and using the newly developed NatureFinance Alignment tool.
- Outcome 6: Existence of a broad and active community supporting sustainability-linked sovereign debt instruments.

Data as of	30 Nov 2022
Project/Program ID.	UR_00913-02
Published on internet	YES
Project manager (PM) / Section	Grunder, Jonas (WEIF); Eggli, Stephan (WEMU); Anthamatten, Jennifer (WEMU)
Credit region	South
Country/region	Global; South Africa; Colombia; Indonesia; Peru
Project partners	United Nations Environment Programme World Conservation Monitoring Centre (UNEP- WCMC), NatureFinance
Time span	2023 - 2026
Total budget (incl. other donors)	CHF 10'584'000
SECO contribution (published)	CHF 5'000'000
Target outcome	1 Reliable framework conditions; 2 Innovative private sector initiatives
Business line	1.1 Growth-promoting economic policy; 2.1 Access to financing

Key outputs

- Output 1: User needs assessment and tailored training materials for participating banks in each priority country available.
- Output 2: ENCORE tool updated overall and for each priority country.
- Output 3: National awareness-raising materials focused on natural capital risks and opportunities in the finance sector in each priority country are available.
- Output 4: Case studies on how financial institutions in SECO priority countries can quantify nature-related risks are produced and shared at global level.
- Output 5: NatureFinance Alignment tool fully operational and in use.
- Output 6: Research report on the potential for Key Performance Indicator(KPI)-linked sovereign debt instruments is published, and international working group on sovereign Sustainability-linked bond KPIs established.

Previous phase results

In the first phase, the ENCORE tool was developed and successfully launched in Colombia, Peru, South Africa, Switzerland, France and the UK. The ENCORE tool guides users – e.g. financial institutions – in understanding how businesses across all sectors of the economy potentially depend and impact on nature, and how these potential dependencies and impacts might represent a business risk. During the first phase, over 30 financial institutions in Peru, Colombia, and South Africa were trained to apply the ENCORE tool in order to measure and manage natural capital risk exposures in their lending portfolios.

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