



MDB Common Principles for Tracking Nature Finance

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1. Introduction

The Common Principles for Tracking Nature Finance consist of definitions, guidelines and a standardized list of eligible activities that allow for consistent tracking of MDB financial flows supporting nature (“nature” refers to biodiversity¹, including genes, species and ecosystems, and the services it provides).²

The Common Principles have been developed by the multilateral development banks³ (MDBs) participating in the MDB Nature Working Group. MDBs launched the first version of the Common Principles in 2023. These responded to the 2021 MDB Joint Statement on Nature, People and Planet, which recognized that tackling poverty, climate change and the drivers of nature loss are inextricably linked, and affirmed MDB commitments to further mainstream nature into their policies, analyses, assessments, advice, investments and operations. Among others, the Joint Statement outlined MDB commitments to tackle the drivers of nature loss by fostering nature finance and to develop methodologies to better track these investments across MDB portfolios.⁴

The Kunming-Montreal Global Biodiversity Framework (GBF), a historic agreement adopted by 188 countries in 2022, calls for a whole-of-economy approach and emphasizes the need for financial flows from all sources to halt and reverse nature loss by 2030, with a view to full recovery by 2050.⁵ The framework’s four goals and 23 global targets reflect this and span actions aimed at reducing threats to biodiversity, including by conserving and restoring nature and reducing the direct drivers of nature loss across economic sectors; strengthening sustainable use and benefit-sharing to ensure nature meets societal needs; and enhancing the enabling actions, financing, and tools for effective implementation and mainstreaming. Nature finance provided by MDBs supports signatory countries in implementing their National Biodiversity Strategies and Action Plans (NBSAPs) and associated biodiversity finance plans, and helps scale private sector action that contributes to the GBF goals.

Therefore, the Common Principles have been strengthened in the context of GBF implementation. The updated Principles reflect (i) the importance of tracking the whole spectrum of MDB investments that are instrumental to the implementation of the GBF, including the economy-wide transformation that needs to happen;⁶ (ii) lessons learned by MDBs from piloting nature finance in their respective financial flows and tracking systems; and include (iii) a new MDB Common Nature Finance Taxonomy of eligible activities across sectors.

- 1 As defined by the [Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services](#) (IPBES, 2019), biodiversity is the variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems.
- 2 In addition to helping identify relevant financial flows supporting nature, the Common Principles seek to encourage more of such finance by showing opportunities for investment in nature across sectors.
- 3 The MDBs involved are the African Development Bank; Asian Development Bank; Asian Infrastructure Investment Bank; Caribbean Development Bank; European Bank for Reconstruction and Development; European Investment Bank; Inter-American Development Bank Inter-American Development Bank Group represented by the Inter-American Development Bank (IDB) and IDB Invest; Islamic Development Bank; and the World Bank Group, represented by the World Bank, International Finance Corporation and Multilateral Investment Guarantee Agency.
- 4 The other pillars of the [Joint Statement](#) are leadership, fostering national and regional level synergies, and valuing nature to guide decision making.
- 5 The vision of the [GBF](#) is a world of living in harmony with nature where by 2050, biodiversity is valued, conserved, restored, and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people (Convention on Biological Diversity, 2022).
- 6 This framing builds on the nature finance framework presented in the World Bank Group’s [Nature Finance Tracking Methodology](#) (2023).

2. Defining nature finance

Nature finance is defined as finance contributing to the nature positive goal⁷ of halting and reversing nature loss and supporting the implementation of the GBF through one or more of the following activity groups:

- (a) Restoration and conservation of biodiversity or ecosystem services;
- (b) Reduction of the direct drivers of biodiversity or ecosystem services loss;⁸
- (c) Integration of nature-based solutions⁹ across economic sectors; and
- (d) Design and implementation of policy, tools, or other sectoral instruments enabling (a) to (c).

The nature finance umbrella captures the broad range of transformative actions that are needed to achieve the nature positive goal. This includes those that deliver measurable gains for nature, and also those enabling a broader transition of economic activity away from harmful practices that are driving nature loss by mainstreaming nature into sector policies and investments. Nature finance could be further divided into sub-categories of nature positive finance and nature mainstreaming finance, should an MDB choose to differentiate between them as part of nature finance tracking (see Box 1). Equally, MDBs may choose to track nature finance as a subset of broader green, environmental or other finance categories.

Nature is a critical asset for sustainable development. Renewable natural capital, such as forests, agricultural land, and fisheries, is essential for sustaining health, jobs, and livelihoods, and for solving development challenges such as inequality, climate change, food and energy security, and fragility. MDBs have environmental and social (E&S) risk management policies and standards in place to ensure that their investments, including those considered as nature finance, do not undermine progress on other themes and environmental priorities. Notwithstanding this, nature finance as defined in these Principles is designed to capture activities that go beyond compliance with the E&S risk management policies and standards of MDBs. Finance that is directed strictly at identifying, evaluating and managing¹⁰ potential adverse risks and impacts of projects as part of E&S compliance does not qualify as nature finance.

Box 1. Sub-categories of nature finance

If an MDB chooses, nature finance may be further disaggregated into the sub-categories of nature positive finance and nature mainstreaming finance, depending on whether it meets the nature positive criteria:

- **Nature positive finance** is nature finance that meets the nature positive criteria (see Annex 1) and is thus expected to deliver measurable positive outcomes for biodiversity or ecosystem services.
- **Nature mainstreaming finance** is nature finance that is expected to enable a broader economic transition toward practices aligned with delivering the nature positive goal, but that does not meet all of the nature positive criteria. These investments that mainstream nature within a given economic sector are equally important for the achievement of the GBF.

⁷ In this document, nature positive goal is used in reference to the GBF mission to halt and reverse nature loss by 2030 and achieve full recovery by 2050.

⁸ The five direct man-made drivers of biodiversity and ecosystem services loss are land and sea use change, overexploitation, climate change, pollution, and invasive species (IPBES, 2019). Activities that address climate change as a driver of nature loss are only eligible as nature finance if they have targeted localized benefits to biodiversity or ecosystem services, beyond addressing climate change as a global driver of loss.

⁹ See the resolution on [nature-based solutions for supporting sustainable development](#) of the Fifth Session of the United Nations Environment Assembly (UNEA-5, 2022).

¹⁰ Managing includes all stages of the mitigation hierarchy to avoid, minimize, mitigate, and offset potential adverse risks and impacts. Each MDB has their own specific E&S requirements and policies which they will apply to identify finance that does not qualify to be tracked as nature finance.

3. Assessing nature finance

3.1 Assessment process

Identification of nature finance involves screening finance for eligible activities and estimating the associated finance amount. MDBs have developed the Common Nature Finance Taxonomy (see Annex 2) – new to this version of the Common Principles – to identify nature finance activities in their portfolios. The Taxonomy provides a standardized reference list of activities qualifying as nature finance in sectors and cross-cutting themes with identified opportunities to contribute to GBF goals and targets. In addition to spanning different sectors, the Taxonomy covers different ecosystem types and regions and is adapted to the development context in which MDBs operate.

The Taxonomy's list of eligible activities is organized by the four activity groups of the nature finance definition (see section 2) and by sector. It is designed for ex-ante assessment of financial commitments. If the activities supported by the financing are aligned with the Taxonomy (and are not a requirement for E&S compliance) they qualify as nature finance.

The Taxonomy is the first iteration of a common list of eligible activities and is not exhaustive. Recognizing that nature finance tracking is a nascent field, MDBs may choose to track additional activities not listed in the Taxonomy where there is a clear contextual basis for attributing nature finance. Any such activities will be assessed on a case-by-case basis by the respective MDB, while aligning to the principle of conservativeness (see section 3.3). Individual MDBs may develop more detailed technical guidance for specific sectors to support their screening as needed.

After identifying qualifying finance, an MDB may then choose to conduct an additional assessment to determine sub-categories of nature finance by applying the nature positive criteria (see Annex 1).

3.2 Instruments within scope

Relevant financing instruments where nature finance may be identified and tracked include investment loans, policy-based financing, results-based financing instruments, equity investments, grants, technical assistance, MDB assistance to clients in developing sustainable or thematic bonds, guarantees, and credit lines, among others (see also section 3.3 on tracking direct MDB financial commitments). In cases of intermediated financing or sustainability-linked instruments where the use of proceeds of the commitments are not explicitly defined ex-ante, the assessment should be guided by caution and conservativeness.

3.3 Guidance for tracking nature finance

The Common Principles are built on the following overarching principles, which are aligned with the MDB Common Principles for Climate (Mitigation and Adaptation) Finance to ensure consistency across nature and climate finance tracking, and to allow for comparability across financial flows. When MDBs choose to track nature finance, the following principles apply:

- (a) **Conduct ex-ante tracking:** Nature finance should be identified and tracked based on expected contributions of the finance to nature identified at the time of or after board approval or financial agreement signature, and based on available documentation at the time of assessment.
- (b) **Track direct financial commitments:** Nature finance tracked by MDBs represents financial commitments, not disbursements. To avoid possible double counting of flows, tracking of nature finance should only encompass funds committed directly by respective MDBs.¹¹

¹¹ 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.

- (c) **Conservative assessment:** If data to support a detailed analysis of nature finance activities is unavailable or unreliable, eligibility for inclusion is assessed adopting a conservative approach. It is therefore understood that nature finance is to be identified and tracked conservatively.
- (d) **Appropriate level of assessment:** Qualifying finance should be identified at the most granular level feasible (i.e., project activities, sub-components or components) while balancing what is practical in an ex-ante assessment.
- (e) **Clear tracking of climate finance and nature finance:** It is important to identify and tag finance that qualifies as nature finance and climate finance (mitigation and/or adaptation) separately and in a clear and transparent manner (see Box 2).

MDBs also recognize that impact tracking is important. Financial instruments supporting nature finance activities are encouraged to incorporate relevant impact reporting indicators and metrics. MDBs are developing guidance to support the selection and application of appropriate impact indicators and metrics.¹²

Box 2. Tracking climate and nature finance

Given the intrinsic interdependency of nature and climate action, nature finance can often overlap with climate finance, meaning that the same finance will be eligible as both nature and climate finance (for example, mangrove restoration simultaneously contributes to climate mitigation, adaptation and nature goals). At the same time, not all climate finance directly benefits nature beyond addressing climate change as a driver of nature loss (for example, renewable energy and energy efficiency that does not demonstrate targeted localized benefits to biodiversity or ecosystem services), and not all nature finance supports climate change mitigation or adaptation (for example, preventing spread of invasive species in shipping operations).

It is recommended that MDBs track these flows separately to clearly identify nature finance and climate finance, while recognizing that MDBs may choose to align their institutional processes for nature and climate finance tracking for efficiency. In instances where MDBs may choose to track aggregated green finance flows, MDBs should transparently tag flows and/or projects that qualify for both nature finance and climate (mitigation or adaptation) finance.

4. Operationalizing the Common Principles

Individual MDBs that intend to track and/or report on nature finance should operationalize the Common Principles through their respective internal systems. This may require individual MDBs to develop additional technical guidance to apply the Common Nature Finance Taxonomy or to be able to estimate relevant finance in certain sectors or instruments.

MDBs will continue to share lessons and emerging good practices from their respective pilots and from the application of the Taxonomy against their portfolios. This open exchange will inform any further revisions of the Common Principles or Taxonomy, as required, based on MDBs' respective experience and any broader lessons on tracking nature finance.

¹² For example, see the International Finance Corporation [Biodiversity Finance Metrics for Impact Reporting](#) (IFC, 2024).

Annex 1: Nature Positive Criteria

MDBs may choose to track sub-categories of nature finance, including nature positive finance. To be tracked as nature positive finance, the qualifying nature finance must meet all of the following criteria, as determined by the respective MDB:

1. Make a substantive contribution to nature

A substantive contribution results in clear positive gains for nature.¹³ A substantive contribution can be achieved by directly improving¹⁴ the state of nature (for example, through conservation or restoration, including through nature-based solutions), or by reducing pressure on biodiversity or ecosystem services, or through creating enabling conditions for these interventions.

Eligible activities under all activity groups of the MDB Common Nature Finance Taxonomy can meet the substantive contribution criterion to qualify as nature positive finance.

2. Expected positive outcomes are measurable

Expected outcomes have to be measurable and possible to assess against an appropriate baseline, where feasible, or otherwise, a business-as-usual scenario.¹⁵

Ex-ante assessments should confirm that nature positive finance is expected to deliver measurable positive outcomes for biodiversity or ecosystem services.¹⁶

3. Finance is not expected to introduce significant adverse environmental risks and impacts

This finance should not be expected to introduce any direct significant adverse risks to, or impacts on, nature or to significantly undermine other environmental or development objectives.¹⁷

MDB E&S 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.

Any MDB choosing to identify and track nature positive finance will apply the above criteria through their own institutional tracking system. As per the requirement for nature finance generally, activities or finance directly linked to compliance with an MDB's E&S policies and requirements do not qualify as nature positive finance.

¹³ See also the definition of substantial contribution under the EU Sustainable Finance Taxonomy (Canfora et al., 2022).

¹⁴ For areas in good ecological condition, the concept of improving the state of nature can include the maintenance of the current good state and the avoidance of any further degradation or decline in the state of nature.

¹⁵ 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 materialize. For policy interventions, measurable may mean that policies are enabled or enacted to support nature positive outcomes.

¹⁶ 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.

¹⁷ This criterion should generally be applied at the project level (under which multiple activities can fall).

Annex 2: MDB Common Nature Finance Taxonomy

The MDB Common Nature Finance Taxonomy can be accessed at <https://www.worldbank.org/en/topic/environment/publication/mdb-common-nature-finance-taxonomy>.