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Call for 'bond facility' to get double dividend in tackling the twin crises of sovereign debt and nature

LONDON, Thursday 25 February 2021 – A call to establish a [‘Nature and Climate Sovereign Bond Facility’](#) - is made today by Finance for Biodiversity (F4B). It will help developing countries mitigate the emerging sovereign debt crisis whilst investing in natural capital to support inclusive, long-term sustainable development. The proposal has been developed in consultation with a Working Group on Nature and Debt made up of multilateral and development finance institutions, and nature and financial experts and institutions (listed at the end of this release).

Simon Zadek, Chair of F4B, said: *“This year provides an historic opportunity to harvest a double dividend by aligning sovereign debt relief with nature and climate outcomes. There is a growing appetite for inclusive, green debt relief, and the proposed Nature and Climate Sovereign Debt Facility can turn this vision into a reality.”*

At a time when COVID-19 has pushed more than [50% of low-income countries](#) into risk of sovereign debt distress, the international political and financial community is scrambling for ways to rapidly address this looming crisis. Debt restructurings in Angola, Argentina, Belize, Ecuador, Kenya, Lebanon, Suriname and Zambia demonstrate the harsh financial realities facing emerging economies. The IMF-World Bank Spring Meetings in April, and the G7 and G20 meetings this year will place this crisis at the door of policymakers.

The current sovereign debt crisis is compounded by an unprecedented decline in nature. [The 2019 Global Assessment Report on Biodiversity and Ecosystem Services](#) shows that one million species are at risk of extinction globally. [Over half of global gross domestic product \(GDP\)](#), according to the World Economic Forum, depends on nature and is even higher in developing countries with an abundance of natural assets such as rainforests, oceans, and biodiversity. The release earlier this month of [‘The Economics of Biodiversity: The Dasgupta Review’](#) sets the benchmark for the way nature drives nations to be healthy and prosperous. Yet developing nations lack ways to mobilise resources to safeguard these critical assets.

Malik Amin Khan, Advisor to Prime Minister of Pakistan on Climate Change & Global Vice President of International Union for Conservation of Nature (IUCN), said: *“There is growing global momentum towards linking sovereign debt payments with quantifiable performance on biodiversity protection. Pakistan is working to recover from COVID-19 by protecting nature and creating green jobs by piloting a new type of ‘nature performance bond’. Commitments from the international community to establish this facility can rapidly support Pakistan and many other countries to embark on ever more ambitious ways to rebalance our relationship with nature.”*

Carlos Manuel Rodriquez, CEO and Chair of the Global Environment Facility, said: *“It is no longer just conservationists who recognise that we ignore nature at our peril. Governments, businesses and investors now realise that the wealth and well-being of nations depends on the health of nature. 2021 is the year in which we must act decisively, and practically, to tackle these challenges in a holistic way, so that we put nature and climate at the heart of sovereign debt markets. Establishing a new sovereign bond facility would provide nations and the financial sector with the knowledge and expertise to meet these challenges.”*

The Nature and Climate Sovereign Bond Facility would address the intertwined nature and debt crises together. It would provide governments and investors with the tools to recognise nature’s contribution to long-term sustainability and economic performance, at the same time providing urgent solutions to the debt

crisis. [With the global market for green debt now totalling US\\$1.5 trillion](#), the time to accelerate the transition to greener debt markets is now. By advancing innovative instruments and pushing for standardised ways for nature and climate to be measured, the facility would create the conditions for sovereigns and their investors to rapidly advance a new generation of nature- and climate-linked sovereign debt investments.

Simon Zadek, Chair of Finance for Biodiversity, said: *“Finance for Biodiversity welcomes the growing chorus of voices supporting such a development, with the leadership of the World Bank and other international organisations, together with other financial institutions and experts, providing hope that such a facility can advance in making a difference now, and over the longer-term.”*

Today’s proposal is detailed in a whitepaper entitled [Greening Sovereign Debt: Proposal for a Nature and Climate Sovereign Bond Facility](#). The proposal has been prepared by F4B with contributions from a Working Group on Nature and Debt that includes: Agence Française de Développement, Centre for Sustainable Finance at SOAS University of London, Children’s Investment Fund Foundation, Climate Bonds Initiative, Inter-American Development Bank, Institute for International Finance, International Finance Corporation, International Institute for Environment and Development, Global Environment Facility, The Nature Conservancy, Paulson Institute, United Nations Development Programme, World Bank, and World Wide Fund for Nature.

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<https://www.f4b-initiative.net/publications-1/greening-sovereign-debt%3A-new-paper%3A-building-a-nature-and-climate-sovereign-bond-facility>

About Finance for Biodiversity

Finance for Biodiversity (F4B) aims to increase the materiality of biodiversity in financial decision-making, and so better align global finance with nature conservation and restoration. F4B is advancing five workstreams that create and amplify the feedback signals that increase the value of biodiversity in private and public financing decisions:

- **Market efficiency and innovation:** including a leadership role in the Task Force on Nature Related Financial Disclosure, and support to a number of data and fintech-linked initiatives
- **Biodiversity-related liability:** with a particular focus on the place of extended environmental legal liabilities for financial institutions, as well as financial policy and regulatory initiatives.
- **Citizen engagement and public campaigns:** advancing data and fintech-led instruments to catalyse shifts in citizen behaviour as consumers, savers, pension holders and capital owners.
- **Responses to the COVID crisis:** advancing measures and advocacy linked to stimulus and recovery spending, and the place of nature in sovereign debt markets.
- **Nature markets:** catalysing nature markets by developing new revenue streams and robust governance innovations.

F4B has been established with support from the MAVA Foundation, which has a mission to conserve biodiversity for the benefit of people and nature.

For more information, visit www.f4b-initiative.net.