NATURE BOND INCUBATOR

Cultivating the Finance Needed for Nature Investments to Grow in Asia and the Pacific

Launching at the United Nations Biodiversity Conference 2026

The Nature Bond Incubator is a catalytic advisory facility, under the Nature Solutions Finance Hub (NSFH), that helps initiate and scale nature-related bonds. It supports both sovereign and nonsovereign entities in accessing capital markets to mainstream nature into financial products and investments.

WHY IT MATTERS

Nature remains underrepresented in capital markets, despite rapid growth in green, social, and sustainability bonds. Where nature is referenced, it is often implicit, not action-oriented, or limited to narrow conservation projects.

Nature claims often exceed the proceeds allocated to nature, and allocation reports rarely separate nature-specific spending.

Ecosystem degradation creates material fiscal and macroeconomic risks, particularly through floods, water insecurity, coastal erosion, and agricultural disruption.

Investors are eager to invest in credible nature-themed products.

Subnational governments and state-owned enterprises rely on constrained public budgets, despite being key implementers of nature-based and climate-resilient infrastructure.

NSFH aims to catalyze $5 billion in nature financing by 2030, including private capital, which requires scalable capital market instruments that move beyond one-off pilots.

THE MAIN CHALLENGE

The global biodiversity financing gap is now about $1.317 trillion a year. Only about $200 billion flows annually into nature interventions. Protecting and restoring nature is now an economic imperative.

Sources: BloombergNEF and Paulson Institute; and *Asia-Pacific Climate Report 2025: Unlocking Nature for Development*.



PURPOSE

As part of the NSFH, the Nature Bond Incubator directly supports the NSFH ambition to help close the nature financing gap. The Incubator enables NSFH to provide a practical pathway to mobilize private and institutional capital, scale financing, and extend the impact of its supported projects. Its purpose is not to promote a single bond product, but **to build a repeatable issuance pipeline that converts nature and biodiversity priorities into investable capital market instruments**.

The Incubator supports NSFH strategic objectives by:

- mobilizing private and institutional capital at scale,
- strengthening domestic capital markets in developing member countries, and
- embedding nature and climate risk and resilience into finance and investment decisions.



NATURE SOLUTIONS FINANCE HUB

The Incubator builds on the Asian Development Bank's (ADB) experience with the recently issued sustainability-themed bonds, as well as existing ADB initiatives such as the Blue Bond Incubator; the Green, Social, Sustainable, and Other Labeled (GSS+) Finance Initiative; and other transactions. This will help inform future transactions and enable a robust nature bond market in Asia and the Pacific.

TYPES OF ISSUERS SUPPORTED

Sovereign Issuers

The Incubator supports both use-of-proceeds nature bonds (which finance clearly defined nature related investments) and sustainability-linked bonds (where financial terms are tied to national-level nature and climate performance). This dual approach enables sovereigns to mobilize capital for priority nature investments while strengthening accountability for nature outcomes, without affecting overall budget execution.

Municipal and Subnational Issuers

The Incubator focuses primarily on use-of-proceeds nature bonds that fund clearly defined investments (i.e., urban biodiversity, water and wastewater systems, green and blue infrastructure, climate resilient land use, etc.). The Incubator may also support sustainability-linked bonds tied to measurable subnational nature or climate targets.

State-owned Enterprises (SOEs)

These are critical implementers of NSFH priorities in water, transport, energy, land management, and coastal infrastructure. The Incubator supports SOE issuance of sustainability and sustainability-linked bonds that incorporate explicit nature and resilience outcomes aligned with corporate mandates and sectoral priorities.

Commercial Enterprises

The Incubator supports both use-of-proceeds nature bonds, which finance clearly defined nature- related investments, and sustainability-linked bonds, where financial terms are tied to nature and climate performance of the whole enterprise.

INCUBATOR SERVICES

The Nature Bond Incubator provides four core services aligned with NSFH activity pillars and outcomes.



How It Works

The Nature Bond Incubator operates as a centralized NSFH support function that enables a whole-of-system approach to nature finance. Entry points include:

- NSFH-supported sovereign, municipal, SOE, or private sector projects seeking capital market solutions; and
- requests from governments of developing member countries or private sector companies channeled through ADB operations teams.

This demand-driven approach ensures tight integration with NSFH programming while avoiding fragmentation.

1 ISSUER READINESS AND CAPACITY

(Upstream)

- Issuer readiness diagnostics covering legal frameworks, debt management practices, data availability, and market access
- Practical support on disclosure, regulatory compliance, and investor engagement, aligned with International Capital Market Association (ICMA) principles and emerging nature finance standards
- Targeted capacity building for debt management offices, subnational treasuries, and SOE finance teams, as well as capital market organizations and associations and other relevant stakeholders (e.g., verifiers)

2 NATURE KEY PERFORMANCE INDICATOR (KPI) DESIGN AND VERIFICATION

(Upstream → Midstream)

- Translation of NSFH-supported nature, climate, and adaptation objectives into finance market-grade KPIs
- Use and strengthening of existing national and subnational data systems, avoiding parallel reporting structures
- Alignment with emerging global disclosure, reporting, and verification frameworks

3 PROJECT PIPELINE AND STRUCTURING

(Midstream)

- Structuring NSFH-originated nature pipelines into bond-eligible portfolios
- Support for blended, pooled, or credit-enhanced structures to crowd in private capital
- Integration of nature outcomes into both use-of-proceeds and performance-linked bond structures

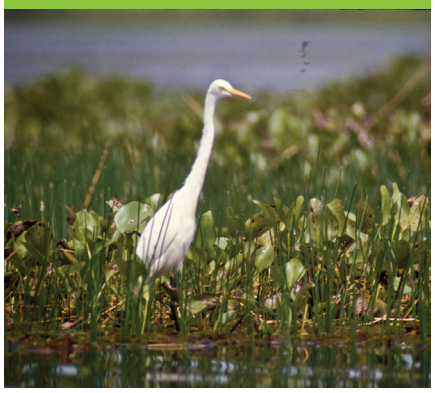
4 TRANSACTION SUPPORT AND MARKET BUILDING

(Downstream)

- Hands on support through bond structuring, external reviews, and issuance both for NSFH-originated bonds and other high-impact opportunities
- Targeted investor outreach focused on credibility, transparency, and scalability
- Documentation of completed transactions as replicable NSFH models

NATURE BOND INCUBATOR IN ACTION

Demonstration of a bond issued in Thailand



Thailand's Sustainability-Linked Bond

Thailand's sovereign sustainability-linked bond (SLB)—led by the Ministry of Finance's Public Debt Management Office and supported by ADB through the NSFH, and in partnership with the GSS+ Finance Initiative—serves as an example of what the Incubator can do and build upon. Issued on 17 September 2026, the transaction integrates two KPIs (relating to biodiversity and climate) that are linked to national sustainability targets, in line with Thailand's commitments under its Nationally Determined Contribution and the Kunming-Montreal Global Biodiversity Framework. **This makes the transaction the first sovereign SLB to incorporate nature-related KPIs in Asia and the Pacific.**

This foundational model demonstrates how:

- Nature outcomes can be embedded into sovereign borrowing and structured to incentivize spending on nature.
- Nature KPIs can be designed to be credible and relevant to investors without increasing operational complexity for debt management offices.
- Sovereign SLBs can serve as a signaling instrument on integrated climate–nature risk management.

NSFH VALUE ADDITION

Through the Nature Bond Incubator, ADB and its partners help connect policy, projects, and capital markets to scale investment in biodiversity, ecosystem restoration, water security, sustainable land use, and climate resilience across Asia and the Pacific.

For the latest information on NSFH projects and activities, visit the **NSFH Data Room.**

For inquiries or interest, please contact the NSFH team at **nsfh@adb.org**.

Nature Solutions Finance Hub

The Nature Solutions Finance Hub, led by ADB, is a multi-partner initiative that combines project origination, innovative finance, and policy and capacity development into one coordinated effort to help close the nature financing gap and scale investments in nature for a sustainable, resilient future across Asia and the Pacific.

ADB

FINANCIAL PARTNERS

Co-funded by the European Union · France AFD · gef · german cooperation · GREEN CLIMATE FUND · OPEC FUND · UKaid · ACGF

TECHNICAL PARTNERS

WWF · BirdLife INTERNATIONAL · CONSERVATION INTERNATIONAL · IUCN · NATURE FINANCE · The Nature Conservancy