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asean

Policy brief

State of Finance for Nature in ASEAN

At a glance

Nature-based solutions – a strategic step toward long-term sustainable development

In the face of mounting climate and biodiversity risks, ASEAN member states are taking steps on Nature-based Solutions (NbS) as a strategic priority that can deliver multiple cost-effective climate and biodiversity and land goals at once. NbS provide proven benefits towards climate, biodiversity, and land targets formulated in respective Rio Conventions.

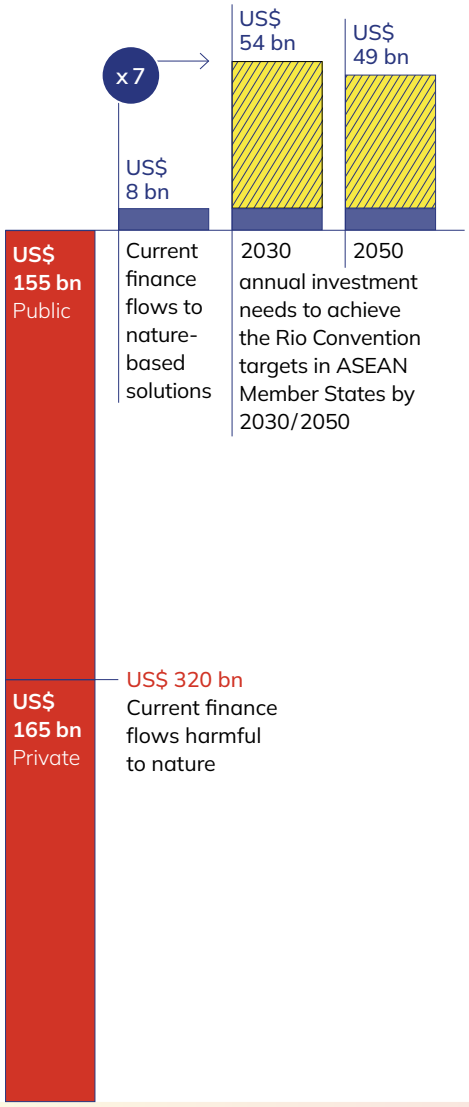
Creating an enabling environment to mobilize investment in nature is key

This disparity between the magnitude of finance to NbS and nature-negative investments underscores the urgency to address the interconnected crises of climate change, biodiversity loss, and land degradation. Investing in nature-based solutions is far from mere expense, but a strategic step toward long-term sustainable development.

The recommendations in the report offer practical ways for ASEAN Member States to unlock new sources of finance, align incentives, and scale up NbS implementation across the region. Creating an enabling environment to mobilize finance into nature and reduce harmful investment is paramount. ASEAN can not only scale up NbS investments at the national level, but also inform and strengthen ongoing ASEAN policy processes, initiatives, and platforms that support regional collective actions.

Despite growing trend of NbS finance – the investment gap remains substantial

- Investments in nature-based solutions in ASEAN reached US$8 billion in 2023, but finance flows to activities harming nature outweigh positive flows by 40 times (US$ 320 billion annually)
- There is a significant financing gap for nature: to meet the Rio Convention targets, finance flows to nature-based solutions in ASEAN need to increase 7-fold from current levels (US$ 8 billion) to reach US$ 54 billion per year by 2030.



Risk assessment
Enable private investments in forestry through nature-related risk assessment and monitoring

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Scale up market demand for NbS through sustainable public procurement

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Payments for ecosystems
Scale up financing via payments for ecosystem services schemes

Phase-out subsidy
Re-purposing environmentally harmful subsidies through time-bound transition plans

1. Introduction

Despite remarkable economic growth, ASEAN's natural ecosystems face accelerating threats from extensive land use, deforestation, pollution, and loss of biodiversity. To counteract this, investing in nature-based solutions (NbS) can provide a strategic and cost-effective avenue to address the interconnected challenges formulated in the three Rio Conventions: the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD).

Besides their unique potential to align finance flows with the targets of the three Rio Conventions, NbS represent viable investment opportunities. Therefore, scaling up finance flows for NbS is not just good for nature, it is an investment in a more inclusive, resilient, and sustainable regional future.

Over the past decade, ASEAN countries have made significant strides in integrating NbS into national development priorities, leveraging regional cooperation, and mobilizing both public and private investments for environmental sustainability.

Several ASEAN Member States have embedded NbS into their climate, biodiversity and land degradation neutrality strategies, launched pilot projects that demonstrate real-world impact, and enhanced institutional frameworks to attract sustainable finance.

These efforts reflect a growing recognition across the region that investing in nature is not only essential for ecological resilience but also offers significant socio-economic benefits.

Behind this background, the State of Finance for Nature in ASEAN Regional Study 2025 (ASEAN SFN), initiated under Lao PDR's ASEAN Chairmanship and supported by GIZ ASEAN EU-German Climate Action Programme, the Economics of Land Degradation (ELD) Initiative and the Frankfurt School of Finance and Management, seeks to provide actionable insights to scale up and shift finance flows towards NbS in ASEAN.

It provides evidence-based insights to guide policymakers, financial institutions and development partners in directing investments toward NbS, including sustainable land-use practices and ecosystem restoration. By systematically assessing both positive and nature-negative finance flows, the report quantifies the investment gap required to achieve the objective of the three Rio Conventions – on climate change, biodiversity, and desertification. These findings offer policy makers and stakeholders a robust analytical foundation to better understand the economic and financial implications of NbS and to identify opportunities to realign existing financial system with ASEAN's sustainability goals.

Importantly, the study introduces a methodological innovation for mapping and evaluating nature-negative finance – an area often overlooked in policy dialogues. By quantifying environmentally harmful subsidies and private sector investments, the ASEAN SFN enables governments to better manage financial risks, identify inefficiencies, and design targeted fiscal reforms that can redirect capital flows toward nature-positive outcomes.

▶ **Nature-based solutions (UNEA-5):**

Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and biodiversity benefits.

Beyond its analytical insight, the report delivers actionable recommendations to strengthen ASEAN's collective capacity for regional collaboration in the design, implementation, and financing NbS. It highlights potential leverage points — including the use of de-risking tools, the integration of nature-related criteria in procurement systems, and the promotion of blended finance instruments — that can support Member States in mobilizing both public and private investments for NbS.

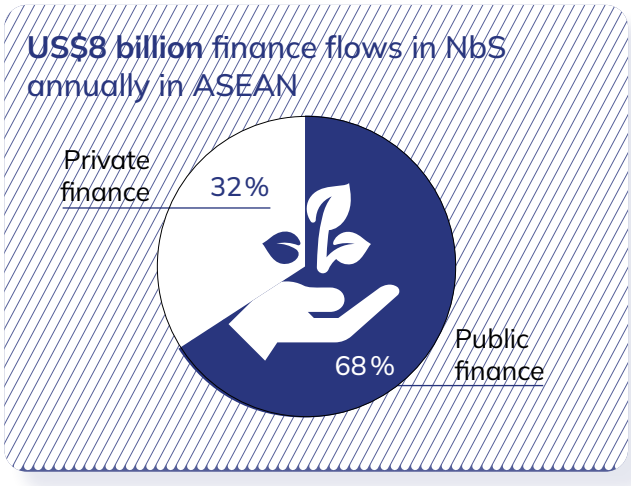
In doing so, the ASEAN SFN study supports policymakers to translate global ambitions into national and regional action, thereby reinforcing ASEAN's collective position in international negotiations. The study's findings not only strengthen the region's negotiation capability under the UNFCCC, CBD, and UNCCD processes, but also provide a strategic reference to guide ASEAN's effort to lead the transition toward a climate-resilient, nature-positive, and economically inclusive future for the region.

2. Key findings

Building on the methodology developed for the global State of Finance for Nature report series, this regional study provides robust estimates of private and public finance flows for NbS, estimates finance flows harmful to nature or "nature-negative finance flows" and compares them to the investment needed to maximize the potential of NbS in ASEAN to tackle climate, biodiversity and land degradation challenges in the region.

▷ Finance flows for nature-based solutions

The public sector remains the largest contributor to NbS in ASEAN, with two-thirds of financing in 2023



Public and private finance flows for NbS are growing steadily across ASEAN. Domestic government expenses in NbS increased by 8 % from 2022 to 2023, reaching US$ 4.8 billion in 2023. Sustainable agriculture and environment protection were the primary sectoral targets, accounting for around two-thirds of total public domestic expenditure for NbS.

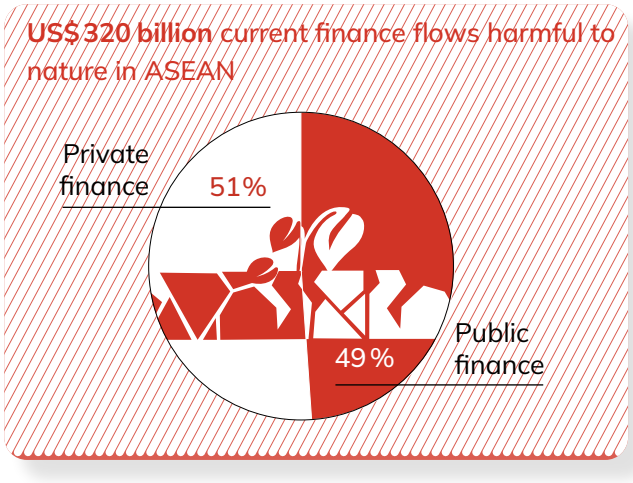
In addition, yearly Official Development Finance (ODF) flows for NbS totaled US$ 540 million in 2023. ODF for NbS is highly concentrated in a few ASEAN Member States, with Indonesia, the Philippines, and Viet Nam receiving the lion's share of international support.

More than half of the ODF-financed NbS contribute to all three Rio Conventions, underscoring their inherently integrative nature. This clearly shows that NbS investments can deliver results for biodiversity, climate change mitigation/adaptation, and the prevention of desertification, land degradation, and drought at the same time.

Private finance amount to US$ 2.6 billion in 2023, stemming from a mix of market-based and results-based mechanisms with six major financial instruments: payments for ecosystem services, green corporate bonds, biodiversity and carbon offsets, certified sustainable commodities, philanthropic funding, and private finance mobilized by ODF.

▷ Nature-negative financial flows

Most financial flows continue to fuel nature-negative sectors underscoring the urgent need to redirect investments toward NbS

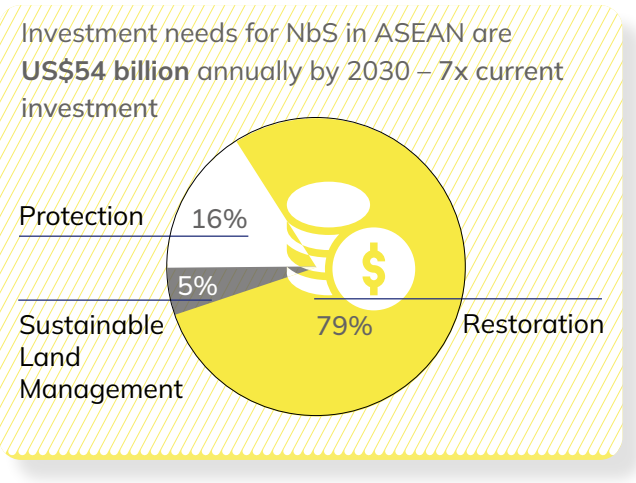


Annual finance flows from public and private sources that have a direct negative impact on nature are estimated at US$ 320 billion in 2023 across ASEAN, with US$ 155 billion stemming from public subsidies and US$ 165 billion from private investments.

In 2023, public nature-negative finance in ASEAN was concentrated in fossil fuels, which accounted for 56 % of total environmentally harmful subsidies in 2023. During that same year, private nature-negative finance was concentrated in four key sectors, including utilities (US$46 billion), basic materials (US$ 44 billion), industrials (US$ 36 billion), and energy (US$ 32 billion).

▷ Investment needs

To achieve the Rio targets by 2030, ASEAN countries need scale up investments in NbS sevenfold from current levels



Despite growing recognition across ASEAN about the potential of NbS as a cost-effective measure to meet the targets of the Rio Conventions, total financial resources for NbS remain insufficient. The study projects an average annual additional investment need of approx. US$ 54 billion.

To close this finance gap, investment in NbS need to increase by factor of seven to meet the Rio targets by 2030. Simultaneously with increasing investments in nature, harmful finance flows, currently amounting to US$ 320 billion, must be addressed. Repurposing these nature-negative finance flows contains massive potential in certain sectors, in particular infrastructure, agriculture, and climate adaptation activities.

3. Recommendations

Transitioning finance flows for nature-positive outcomes is key to reach targets for climate, biodiversity, and land. To unlock the full potential of investments for nature-positive outcomes, coordinated and regional action across society, including governments, central banks and supervisors, financial institutions and corporate investors, as well as local actors and communities is paramount. A shared vision is needed to orient long-term financial and development strategies coupled with phasing-in of NbS-related investments and the progressive phasing-out of harmful subsidies and unsustainable business models. Equally critical are engagement and equity of rightsholders, ensuring that Indigenous Peoples and Local Communities (IP and LCs), women, and vulnerable groups are actively involved in decision-making and benefit from the transition. Strengthening knowledge systems through better data, scientific evidence, traditional knowledge, and financial metrics can reduce risk perceptions, build investor confidence, and encourage innovation in financing NbS.

The recommendations to close the estimated finance gap show concrete leverage points and regional opportunities for ASEAN Member States to scale up finance for NbS (see next page for details).

The report clearly shows that investing in nature-based solutions is far from mere expense, but a strategic step toward long-term sustainable development. Anchoring the findings of this report within ASEAN's existing policy mechanisms and regional platform will be critical to mainstreaming NbS into the region's economic, financial, and development systems. Doing so can help institutionalize nature-positive finance within ASEAN's strategic frameworks, enhance regional cooperation, and support Member States in delivering on their national and international commitments. These include global frameworks such as the Paris Agreement, the Kunming–Montreal Global Biodiversity Framework, and the UN Decade on Ecosystem Restoration.

Risk assessment

Enable private investments in forestry through nature-related risk assessment and monitoring

Develop a regional monitoring framework for assessing nature-related risks in the forestry sector, drawing on the TNFD sectoral guidelines and the WWF Wood Risk Tool, while building on existing data and system established by ASEAN Member States.

Facilitate regional dialogues on fiscal strategies to gradually repurpose and rationalize fossil fuel subsidies, with the aim of supporting an equitable transition toward sustainable growth.

Public procurement

Scale up market demand for NbS through sustainable public procurement

Facilitate engagements between national government entities to exchange their experiences with financing NbS via public procurement. This may include the identification of common challenges and opportunities, sector-specific needs, and the possibility to establish common regional NbS-aligned sustainability principles.

Policy framework

Develop policy and institutional frameworks for mainstreaming nature-based solutions

Promote a shared regional understanding of NbS to serve as a foundation for ASEAN's collection actions. The development of clear and coherent policies and regulations will help establish the basic principles of NbS in ASEAN.

Payment for ecosystems

Scale up financing via payments for ecosystem services schemes

Offer opportunities to incentivize conservation and sustainable resource management, particularly in the context of deforestation and climate change. Key examples include payments for watershed protection, biodiversity conservation, and carbon sequestration.

De-risking instrument

Mobilize capital for NbS in agriculture through de-risking instruments

Provide technical assistance to develop bankable NbS projects, including feasibility studies and impact assessments, in line with the ASEAN Action Plan for Sustainable Agriculture.

Facilitate exchanges between public and private sector entities across ASEAN on the risks and opportunities related to NbS to enhance regional collaboration and investment readiness.

Data gap

Bridge data and knowledge gaps about NbS via harnessing of existing knowledge platforms

Promote the use of existing regional knowledge exchange platforms (e.g., ASEAN Environment Knowledge Hub, ASEAN Centre for Climate Change) to facilitate sharing of information, exchange of best practices, and dissemination of lessons learned on NbS among ASEAN Member States.

Carbon market

Leverage high-integrity carbon markets to channel finance flows into nature-based solutions

Facilitate exchanges and promote partnerships via existing platforms (e.g., the ASEAN Common Carbon Framework Initiative). Promote regional collaboration on the development of common standards for measuring and monitoring the emission reductions from forestry/land use projects.

Phase-out subsidy

Re-purposing environmentally harmful subsidies through time-bound transition plans

ASEAN coordinated action on subsidy reform has the potential to harmonize fiscal policies, avoid cross-border market distortions, and amplify collective bargaining in global climate/biodiversity forums. Regional platforms (ASEAN Centre for Climate Change, ASEAN Environment Knowledge Hub) can facilitate knowledge sharing and exchanges on best practices.

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Access the full report and all other State of Finance for Nature knowledge pieces at **State of Finance for Nature – ELD Initiative**.

General information on ASEAN is available at **www.asean.org**.

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