

The banking sector can drive nature-positive growth by investing in ecosystem restoration

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As climate change intensifies and natural ecosystems degrade, the global conversation on sustainability is shifting from simply minimizing environmental harm to actively restoring nature. For financial institutions, this shift presents both a responsibility and an opportunity. Banks are uniquely positioned to accelerate a transition towards nature-positive economy by designing financial solutions that regenerate ecosystems, empower communities and drive long-term economic resilience.

A nature-positive economy is one where economic activities contribute to the restoration, protection and sustainable management of natural ecosystems. In countries like Uganda where livelihoods are closely tied to land, water and biodiversity, this approach is not just desirable but essential for safeguarding future prosperity.

Agriculture, tourism and energy which are the backbone sectors of our economy heavily depend on healthy ecosystems. When forests are depleted, wetlands drained or soil degraded, economic stability is threatened and it is in this context that banks must step forward as key enablers of environmental regeneration.

The financial sector's role begins with acknowledging that nature loss is not only environmental issue but also a material financial risk. Floods, droughts and soil infertility directly



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affect loan performance, asset quality and investment portfolios. Therefore, by integrating environmental risk assessments into lending decisions, banks can ensure that the projects they finance are both financially viable and ecologically responsible. This is the foundation of nature-positive financing; aligning capital with activities that restore and protect natural assets rather than degrade them.

Beyond risk mitigation, the more transformative opportunity lies in creating financial products that actively

support ecosystem restoration. For example, banks can structure credit lines tailored to farmers adopting climate smart agriculture, such as agroforestry, organic soil renewal or water efficient irrigation. Such practices do more than boost yields; they rebuild soil fertility, enhance biodiversity and increase carbon sequestration, which is the process of capturing and storing atmospheric carbon dioxide to reduce its concentration in the atmosphere and mitigate climate change. Financing these practices allows banks to directly contribute to environmental restoration while supporting rural incomes.

Another high impact avenue is the protection and restoration of forests and wetland landscapes. Uganda's wetlands alone generate billions of shillings annually through services such as water purification, flood control and support of fisheries. Yet many of these ecosystems remain under threat from encroachment and unsustainable land use.

Financial institutions can partner with conservation organizations, community groups and local governments to design financing mechanisms that incentivize communities to protect these ecosystems. This may take the form of community conservation loans, eco-enterprise financing or blended finance structures that combine grants with affordable credit for restoration projects.

Nature-positive growth also aligns strongly with renewable energy financing. By expanding access to clean energy solutions such as home solar systems, mini-grids or efficient biomass

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alternatives, banks can reduce pressure on forests while promoting energy access. Every household that shifts from charcoal to cleaner energy contributes to reducing deforestation, one of the biggest drivers of ecosystem depletion in Uganda. Purpose driven financing for clean energy enterprises coupled with flexible repayment models for low income households can therefore deliver both environmental and social impact.

Partnerships are central in scaling these interventions. No institution can restore nature alone but banks can serve as the bridge between private capital, government priorities and community efforts. Collaborative funds for ecosystems restoration, co-financing agreements with development partners and public-private initiatives are powerful pathways. For instance, Centenary bank's footprint across the country positions it well to convene stakeholders and channel capital where it matters most directly into the hands of local actors stewarding the land.

With the rapidly declining natural capital, the financial sector must redefine its role. Banks that lead in financing ecosystem restoration will not only safeguard their portfolios but also contribute meaningfully to national development and global sustainability goals. The path to a nature positive future is clear and banks have the tools, influence and reach to shape it.

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