

The case for a Nature Restoration Financing Facility (NRFF)

Authors

Andras Krolopp
Noor Yafai
Kobe Geryl
Fiorella Sanchez
Kaat Vanoppen

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1. Introduction

Nature loss is accelerating at an alarming pace with 75% of lands, 66% of oceans, and over 85% of wetlands globally degraded or lost, primarily due to land-use change, pollution, overexploitation, climate change, and invasive species (IPBES, 2019). As a result, wildlife populations have declined by 73% since 1970 (WWF, 2024). Europe is no exception, more than 80% of its natural habitats are in poor or bad conservation status and essential ecosystem services such as water regulation, soil fertility, pollination, and carbon sequestration are in decline (EEA, 2020).

Beyond environmental and social consequences, nature degradation poses a systemic economic and financial risk. Globally, over \$58 trillion in economic value depends on nature (WEF, 2024), and in Europe, 19–36% of Gross Value Added (GVA) relies on functioning ecosystems (Hirschbuehl D. & al., 2025). Yet, natural capital remains unpriced, and ecosystem services are treated as cost-free inputs on public accounts and corporate balance sheets. This lack of consideration is translated into systemic financial exposure (ECB, 2023).

Public finances are already under strain. Natural-catastrophe payouts from the European Union (EU) Solidarity Fund have increased in the last decade, with over 20% of the direct economic losses in the EU that have occurred in the past three years. EIOPA warns that rising "protection gaps" could leave governments as insurers of last resort (ECB, 2024; EIOPA, 2025). This underscores that redirecting capital into nature restoration is a risk-management investment, not a discretionary cost. In fact, the European Commission's impact assessment for the Nature Restoration Law estimates that every euro spent on restoration yields between €8 and €38 in long-term economic benefits (European Commission, 2022). Additionally, protecting nature and biodiversity could unlock business opportunities valued at \$10 trillion (WEF, 2020).

In response to the robust scientific and economic evidence for nature restoration, the EU has adopted several legislative frameworks and targets. At the international level, the EU and its Member States have committed to the Kunming-Montreal Global Biodiversity Framework (CBD, 2022), including the objective to restore at least 30% of degraded ecosystems by 2030. Within the EU, as part of the Biodiversity Strategy for 2030, the Nature Restoration Law introduces binding targets to restore at least 20% of the EU's land and sea area by 2030 and all ecosystems in need of restoration by 2050 (European Parliament, 2024).

However, legislation alone cannot deliver these objectives. Achieving them requires a dedicated financial mechanism to deploy restoration funding at scale and align investments with long-term ecosystem needs. This need comes at a moment when the European Commission has tabled its proposal for the Multiannual Financial Framework (MFF) 2028–2034 (European Commission, 2025). While still a proposal, it signals a stronger focus on climate and biodiversity spending.

This report therefore makes the case for a dedicated Nature Restoration Financing Facility (NRFF) that can help overcome the structural and financial barriers of the current system. It examines the root causes of underinvestment and inefficiencies, and it outlines how a purpose-built NRFF could unlock and coordinate funding and financing more effectively across the EU.

First, the report analyzes the current EU system to diagnose the financial and structural gaps preventing the EU from achieving its restoration objectives. It then moves into evaluating how a purpose-built NRFF could address these limitations by exploring three concrete implementation models: an Investment Platform, a Trust Fund/Joint Undertaking (JU), and a Dedicated EU Program.

Through this structured analysis, the report seeks to inform EU policymakers and institutions on the design of a fit-for-purpose financing mechanism capable of accelerating restoration at the scale and speed required to achieve the EU's 2030 and 2050 objectives.

2. Financial and structural gaps for nature restoration

2.1 Quantifying the financial gap

Europe's restoration targets rest on two key figures: the political commitment to allocate €20 billion per year under the EU Biodiversity Strategy (European Commission, 2020), and the estimated actual economic cost of approximately €48 billion per year to deliver afforestation, wetland rehabilitation, and agroecology measures to restore 20 percent of land by 2030 (Nesbit & Whiteoak, 2022).

Current funding flows fall well short of both benchmarks:

- **Public allocations** amount to approximately €26 billion per year (including the EU budget and Member State co-financing) under the MFF 2021–2027 and NextGenerationEU (European Commission, 2024). This allocation is proposed to increase to around €30–32 billion per year under the draft MFF 2028–2034 proposal (European Commission, 2025), though this figure remains subject to negotiation.
- **Private restoration finance** totaled under €3 billion in 2023, coming from green bond issuances and sustainability-linked loans for restoration projects, representing just a niche segment of the broader green bond market (European Investment Bank, 2024).

Subtracting public allocations from the €48 billion economic need, public funding alone results in a €22 billion gap. Even when private finance is included, nearly €19 billion remains unfunded. While this €19 billion baseline captures the core shortfall, it omits key delivery costs such as ongoing maintenance (~20 percent of capital) and transaction fees (15 to 20 percent), which together add an estimated €13 to €16 billion per year (Nesbit & Whiteoak, 2022). It also excludes structural enablers of nature restoration such as the ramp-up on planning and monitoring within each Member State to activate nature restoration.

These structural and delivery constraints make clear that closing the restoration finance gap will require more than additional funding. It calls for a dedicated mechanism to address both the funding shortfall and the systemic barriers to mobilization.

2.2 Limitations of the current financing system

Closing the baseline finance gap is necessary but not sufficient. Structural and operational weaknesses in the current system both in the disbursement of funding and the ability to capture and integrate new financial flows undermine the EU's ability to turn its commitments into tangible restoration outcomes on the ground.

2.2.1 Mainstreaming shortcomings

The first structural limitation relates to mainstreaming. Since the adoption of the EU Biodiversity Strategy for 2030, the European Union has mobilized resources for biodiversity by integrating biodiversity objectives into broader funding streams such as the MFF 2021–2027, the Common Agricultural Policy (CAP), and the Recovery and Resilience Facility (RRF). The aim of this approach is to mainstream biodiversity across all sectors and scale up investment. In theory, this should allow biodiversity funding to tap into large financial flows and align ecological goals with broader economic strategies. However, in practice, mainstreaming has struggled to deliver the scale, targeting, and accountability needed to meet the EU's legally binding restoration objectives. This remains true even considering the draft MFF 2028–2034 proposal, which maintains a joint climate and biodiversity mainstreaming approach (European Commission, 2025).

- **Competition for limited budgets**

While integrating biodiversity across sectors can help align ecological and economic objectives, it also means that nature restoration must compete with other pressing policy priorities. As a result, even when environmental criteria exist, nature restoration must compete with other agendas. For example, although 37% of the RRF is allocated to green investments, a significant portion has been directed toward energy and transport infrastructure, with relatively little explicitly earmarked for nature restoration (BirdLife Europe & Central Asia, 2024). Similarly, under the 2023-2027 CAP, new eco-schemes were introduced to channel funding towards nature. However, evaluations indicate that many of these measures have limited impact on biodiversity and broader environmental objectives. The coherence between subsidy instruments and nature objectives remains a key area for improvement (European Court of Auditors, 2023).

- **Fragmented ownership weakens accountability**

Mainstreaming also fragments financial oversight and responsibility across ministries and funding lines, such as agriculture, environment and regional development. Without a lead institution or binding financial mandates, accountability is dispersed, and strategic coherence is lost. In this context, the emerging National Biodiversity Strategies and Action Plans (NBSAPs) and National Nature Finance Plans in several Member States could help by clarifying responsibilities and financial pathways, but these remain at an early stage of implementation and have yet to be integrated into EU-wide budgeting and oversight frameworks.

This governance gap was clearly demonstrated by the underutilization of over €2 billion in biodiversity-dedicated funding under LIFE and Cohesion Policy in 2021-2022 (European Commission, 2023). While this problem partly reflects capacity and co-financing limitations addressed in the next sections, it also reveals a deeper governance challenge. Restoration funding is channeled through diverse instruments, each with distinct objectives, administrators, and disbursement criteria. Without centralized oversight, the ability to coordinate priorities and monitor outcomes across funding instruments at scale is constrained.

These challenges go beyond technical implementation. Mainstreaming relies on coordination among multiple actors and shifting political priorities. While this approach is important for integrating nature restoration into broader policy, it can only succeed if roles are clearly defined, and accountability mechanisms are in place. Without stronger institutional coordination and ownership, efforts will continue to suffer from dispersed mandates and monitoring.

2.2.2 Capacity & expertise gaps

A second structural limitation of the current financing system is the widespread lack of institutional, technical, and financial capacity to design, deliver, and monitor biodiversity restoration investments. While EU funding frameworks offer important financial opportunities, many Member States and local actors face persistent challenges in turning these resources into operational restoration outcomes. These limitations delay implementation, reduce impact, and place EU biodiversity targets at risk.

- **Limited technical and institutional readiness**

Public authorities, particularly at local and regional levels, often lack the technical expertise needed to prepare restoration pipelines, conduct ecological assessments, manage procurement, and report on outcomes. Over half of competent authorities across the EU report having insufficient staffing levels to fulfil biodiversity policy objectives, including the planning and delivery of restoration (Nesbit & Whiteoak, 2022). This capacity gap extends to finance ministries and treasuries, who frequently lack the tools to assess nature-related risks, quantify ecosystem services, or integrate restoration into public investment strategies. Without this expertise, restoration projects are rarely prioritized or defended in national budgets (UNEP, 2023).

These shortfalls are particularly problematic in decentralized governance systems or in Member States with constrained administrative budgets. Without sufficient technical personnel or inter-ministerial and agency coordination, aligning funding with restoration priorities becomes difficult. As evidence of the latter, The European Court of Auditors (2023) has confirmed that weak technical capacity is a direct barrier to achieving environmental goals under the CAP. Even when funds exist, institutional readiness is often too low to absorb them efficiently or deliver long-term impact.

- **Administrative and innovation barriers of entry**

Despite the availability of EU biodiversity funding, navigating the system remains administratively demanding. Instruments such as the CAP, LIFE, Horizon Europe, and RRF each come with distinct application, eligibility, and reporting rules. This complexity disproportionately affects small municipalities and under-resourced regional actors, limiting their access to funds (Bankwatch, 2024). Notably, the draft MFF 2028–2034 signals intentions to simplify this architecture through National & Regional Partnership Plans (European Commission, 2025), but these are not yet operational and thus do not currently resolve the complexity of the current system.

Support tools like the InvestEU Advisory Hub and LIFE Technical Assistance exist but are often too general, fragmented, or difficult to access to meaningfully support nature restoration pipeline development. As a result, many projects, without adequate support, fail to become fundable proposals (BirdLife Europe, 2024).

At the same time, the EU's growing shift toward blended finance and private sector mobilization is creating a new set of capacity challenges. Many public and civil society institutions remain unfamiliar with financial instruments such as guarantees, concessional loans, or funds. Even where blended finance instruments like InvestEU are available, many public authorities lack the capacity to structure projects to meet investor expectations. Even when NGOs and implementation partners have the technical expertise to structure investable projects, this capacity remains underutilized due to a lack of early-stage feasibility funding. As a result, projects often fall short in developing bankable business models, calculating risk-adjusted returns, or aligning the EU Taxonomy, limiting access to capital despite the existence of funding mechanisms (OECD, 2023; Platform on Sustainable Finance, 2024).

Without targeted support to build financial literacy and innovation capabilities, much of the EU's nature finance potential will remain untapped. Even the most well-intentioned funding schemes will not succeed if delivery systems are too weak to absorb and deploy resources. Bridging this gap requires both technical assistance and better alignment between public financing instruments and institutional capacity.

2.2.3 Pressure on member state budgets

A third systemic barrier to effective restoration finance lies in the structure of EU funding instruments themselves. The current model creates difficult budgetary trade-offs, institutional competition, and delayed disbursement.

- **Co-financing limits disbursement**

Most EU programs require Member States to provide national co-financing to ensure shared responsibility. However, this model places significant pressure on national environment ministries, which must compete for budget allocations with more politically influential sectors such as agriculture, energy, or infrastructure. These pressures often discourage restoration planning, particularly in countries with limited fiscal space or rigid budget frameworks.

The problem is magnified in countries with decentralized governance systems, where subnational authorities lack the capacity or coordination mechanisms to secure national co-financing. In Italy, for example, delays in mobilizing domestic contributions under the CAP's rural development programs led to postponed biodiversity projects and missed absorption targets. In Romania, fiscal constraints at the regional level have limited the ability of environmental agencies to convert EU allocations into viable restoration pipelines (IEEP & Trinomics, 2022).

In addition, national subsidies granted outside of EU frameworks can restrict the ability of projects to access complementary EU instruments. When such subsidies are classified as state aid, they trigger compliance requirements that many environmental authorities are ill-equipped to navigate (European Commission, 2022a). This can create hesitation among Member States to deploy the investment support needed to unlock larger EU facilities or EIB mandates. As seen in early renewable energy markets, well-designed state aid rules can be a catalyst for scaling

innovation; yet in the context of nature restoration, unclear or cumbersome state aid procedures often act as a brake on cofinancing and delay project pipelines.

These examples illustrate how structural mismatches between available EU funding and Member States' financial readiness continue to undermine delivery. Although several factors contributed to the €2 billion in unspent biodiversity funds under LIFE and Cohesion Policy in 2021-2022, unmet national co-financing requirements were a primary barrier (European Commission, 2023b). Without more predictable and aligned financial coordination across governance levels, these mismatches will continue to undermine the EU's ongoing efforts.

- **Rigid national budget cycles reduce responsiveness**

Budgetary timing mismatches further exacerbate co-financing barriers. Most Member States operate on annual or medium-term spending frameworks that are not always synchronized with EU funding cycles. As a result, when EU restoration calls are launched, corresponding national co-financing may not be ready. IEEP and Trinomics (2022) report that many national authorities struggle to align EU funding opportunities with their own budget processes.

These delays are particularly damaging for multi-year projects that require stable, long-term financial planning. For instance, a wetland rehabilitation project that begins with hydrological rebalancing may require multiple growing seasons to restore native vegetation and support species return. If national budgets are not aligned with EU funding timelines, a single missed co-financing window could interrupt this sequence, jeopardizing ecosystem recovery and wasting initial investments (Grygoruk & Strzëciwilk, 2025).

Misalignment points to a structural problem in how EU and national funding systems interact. Even when funding is available and political will is strong, the current budgetary systems are not designed to support fast, flexible disbursement for nature restoration. A new generation of financing tools that align with the multi-year implementation requirements and are sensitive to national fiscal realities is needed.

2.2.4 Mobilizing private finance

A fourth systemic barrier to nature restoration finance arises from the EU's dependence on public instruments that are not structured to integrate private capital. Most restoration efforts are small-scale, site-specific, and ecologically diverse, making them difficult to standardize. This fragmentation reflects ecological realities but makes it difficult for private investors to engage on a scale.

While programs such as InvestEU and the LIFE Programme include provisions for blending public and private finance, they have not yet unlocked significant private capital flows into restoration (European Commission, 2024a; European Investment Bank, 2024). These tools were originally developed for large-scale, climate-related infrastructure with predictable cash flows and well-established investment structures. By contrast, most restoration projects vary in design, are locally embedded and fall below the €5 million threshold that institutional investors typically require.

Transaction costs exacerbate the problem. Many restoration deals carry fixed costs of €100,000 or more, making smaller projects uneconomical without aggregation. Despite a €1.5 billion InvestEU commitment to natural capital, fewer than five projects have ecosystem restoration as their core focus, with most funds directed to forestry or agriculture with climate co-benefits (IEEP & Trinomics, 2022; European Commission, 2024b).

More fundamentally, restoration projects face a mismatch between ecological value and financial return. They generate critical public goods that rarely produce stable short-term revenue streams. (Platform on Sustainable Finance, 2024). For example, the restoration of the Danube River Basin wetlands demonstrated cost-benefit ratios between 1:1.5 and 1:3 when accounting for ecosystem services like flood protection, water retention, and carbon storage (WWF, 2010). Yet, without revenue-generating models that reflect these values, nature restoration will remain outside the scope of most conventional investment models.

Even when these are involved in investable instruments, they experience risk premiums of 3% to 5%, reflecting concerns over illiquidity, regulatory uncertainty, and limited exit strategies (Platform on Sustainable Finance, 2024). On top, investor confidence is further limited by the absence of standardized metrics and outcome verification systems

(OECD, 2023). As a result, restoration funding has been largely confined to niche channels motivated by ESG mandates, corporate sustainability commitments, and philanthropy.

However, current policy frameworks are not yet positioned to enable the restoration finance market to evolve and mature. Fiscal instruments such as tax credits, performance-based payments, or public guarantees are either missing or dispersed and underutilized. Although the Platform on Sustainable Finance recently suggested to increase activities related to biodiversity and ecosystems under The EU Taxonomy (Platform on Sustainable Finance, 2025), today, the directive still lacks restoration-specific criteria, making it difficult for financiers to classify investments as “green” and access sustainable finance flows (Platform on Sustainable Finance, 2024).

In a context marked by fragmented project pipelines, weak price signals, and high delivery risk, private markets alone will not finance restoration at the necessary pace or scale. Public instruments must go beyond partial de-risking and provide integrated solutions. It must be capable of aggregating demand, ensuring predictable returns, and channeling institutional capital toward restoration.

3. A dedicated Nature Restoration Financing Facility (NRFF)

Achieving the EU’s restoration goals will require not only increased investment, but smarter investment that reflects the scale, complexity, and urgency of the biodiversity crisis. The previous sections have shown that while restoration commitments are rising, the current financial system is not delivering funding with the scale, speed, or coordination required. Gaps in governance, capacity, co-financing, and private capital mobilization continue to undermine efforts on the ground.

This calls for a more coherent and efficient approach, in line with the European Commission’s broader push for simplification and strategic integration across EU policy and funding.

A Nature Restoration Financing Facility (NRFF) could help overcome these structural barriers. Rather than replacing existing EU instruments, the NRFF would strengthen their delivery by addressing fragmentation, easing disbursement challenges, and ensuring alignment with ecological priorities and national implementation capacities.

The table below summarizes how a dedicated NRFF can address each of the four structural limitations outlined in Section 2.2.

Structural limitation	Address the gap through NRFF
Mainstreaming Shortcomings	Establish centralized oversight with clear governance to align and guide Member State national envelopes, overcome sectoral competition, and ensure accountability and monitoring in biodiversity funding allocation.
Capacity & Expertise gaps	Combine funding with technical assistance and institutional capacity support, enabling actors to navigate administrative requirements and structure bankable restoration projects.
Pressure on Member State Budgets	Provides flexible and targeted national envelopes and synchronizes support with Member State budget cycles, reducing co-financing bottlenecks and smoothing fiscal mismatches across levels of governance.
Mobilizing Private Finance	Aggregates fragmented projects, mitigates perceived risk through guarantees or public returns, and anchors restoration in a coherent regulatory and incentive framework to crowd in private capital.

While the table provides a concise summary of how the NRFF can address structural gaps, bridging these gaps in practice requires translating structural responses into concrete design and operational features. Translating those responses into operational reality requires a set of criteria that determine how the facility must function to meet both public delivery challenges and private investment expectations. These criteria are essential to ensure that the NRFF is not only conceptually sound but also fit for deployment in the complex and evolving EU funding landscape.

To deliver on these structural responses, the NRFF must be built around a set of core operational functions that respond to both implementation and investment realities:

- Aggregating small projects to achieve investment scale.
- Supporting institutional readiness, national restoration planning development and monitoring frameworks
- Securing predictable, long-term funding flows and unlocking and de-risking private investment.

3.1 Evaluating institutional design options

Translating these core functions into an operational entity requires careful consideration of available legal and institutional forms. Within the EU context, six potential models emerge as viable hosts or vehicles for the NRFF. These range from Commission-managed pooled funds to fully autonomous EU legal entities.

	Form Description	Legal Structure	Example
1. Investment platform	Public private co investment structure pooling EU funds with contributions from financial institutions (e.g. EIB, national promotional banks), Member States, and private investors, with shared governance and risk sharing.	Established as a contractual arrangement or dedicated vehicle with joint governance among the participating financial institutions and investors, operating within a structure eligible under the EU guarantee framework.	Urban Development Investment Platforms
2. Delegated Mandate	The Commission entrusts a financial institution (e.g. EIB, EIF, national promotional bank) to manage EU funds under a delegation agreement, operating within its own governance rather than a pooled platform.	Operates within the existing legal structure of the financial institution; no separate legal personality is created.	Connecting Europe Facility (CEF) Debt Instrument
3. Joint Undertaking (JU)	A legally autonomous EU public-private partnership body established under Article 187 TFEU. It can receive EU, Member State, private, and philanthropic contributions to support a broad range of restoration actions.	Independent legal entity created under EU law, with full legal personality to contract, hold assets, and manage finances.	Circular Bio-Based Europe JU
4. Trust Fund	An EU managed multipartner pooled mechanism that combines contributions from the EU budget, Member States, private investors, and donors under a multipartner agreement.	Not an independent legal entity; operates under a trust fund arrangement with a binding multi-partner framework.	EU Emergency Trust Fund for Africa
5. Dedicated EU Program	Standalone EU funding instrument with its own calls, criteria, and governance for nature restoration.	Legal basis established via Regulation, under direct or indirect Commission management.	LIFE Programme for Environment and Climate

6. EU Sub-program or National Envelopes	Dedicated budget lines within existing programs (e.g., LIFE, CAP, Horizon). Could be reformed to align with NRFF goals through clear KPIs, dedicated windows, or co-financing incentives.	Integrated within existing EU program; not a stand-alone legal entity.	Rural Development Programs under CAP
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Each legal form was evaluated against the NRFF’s design criteria. This comparison enabled an initial assessment of their respective tradeoffs and alignment with the NRFF’s mandate. While all six could, in principle, contribute to scaling up nature restoration finance, three models were identified as having the strongest potential to operationalize the NRFF in the short term while addressing the gaps identified in Section 2. The next section therefore provides a deeper analysis of these three options: a **Investment Platform, a Trust Fund/Joint Undertaking, and a Dedicated EU Programme**. The Joint Undertaking and Trust Fund models are presented together, as they can be understood as sequential stages in a potential implementation pathway.

3.2 The NRFF as an Investment Platform

One of the most pragmatic and immediately actionable models for operationalizing the NRFF is through a dedicated **Investment Platform** under an EU guarantee framework such as InvestEU. In this setup, a platform manager (for example, the EIB, EIF, or a national promotional bank) would establish and operate a vehicle that pools EU resources with other public and private investments to finance portfolios of projects rather than isolated initiatives.

As such, the NRFF as an Investment Platform would serve three core functions: (1) providing EU budget guarantees to de-risk nature restoration investments, (2) offering technical assistance (TA) grants to support planning, capacity building, and monitoring, and (3) enabling loans and other blended instruments with favorable terms (guarantees and co-investment structures). This combination enables investment in riskier projects and improves project quality.

To ensure clear governance, the NRFF would resemble the model of the InvestEU setup. The platform manager would be responsible for day-to-day operations, managing the pipeline of projects, preparing financing packages, oversee the allocation of Technical Assistance (TA) grants and applying the EU guarantee once validated by an independent Investment Committee. An Investment Committee, composed of Commission representatives and independent experts from Member States, NGOs and private sector, would review and confirm use of the EU guarantee against agreed eligibility and risk criteria. Intermediaries, such as national promotional banks or regional agencies, would focus on sourcing and grouping projects into portfolios and submitting them to the platform manager for consideration. The role of the European Commission, in this model, is to provide the EU budget guarantee framework (not issue the guarantee itself) and participate in strategic decisions through the Investment Committee.

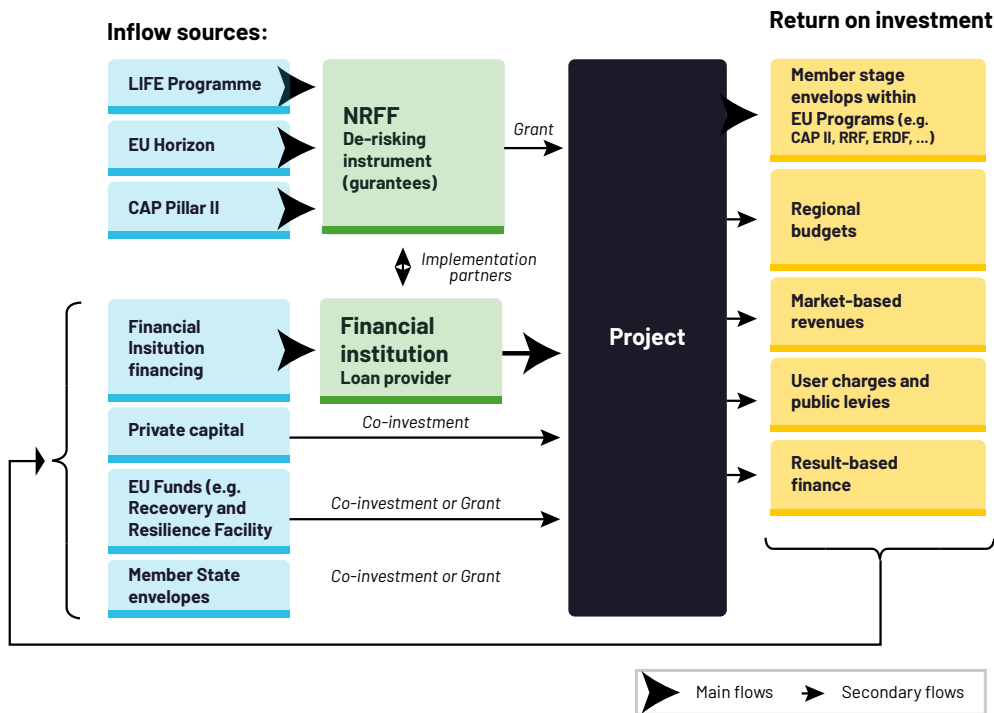
Building on design experiences of previous platform, such as the Urban Development Investment Platforms under EFSI, the NRFF would align with Member State restoration agendas and unlock investment where conventional finance is difficult. For example, mid-sized cities or regional agencies seeking to restore urban wetlands could see their projects pooled into portfolios eligible for standardized financial products, with technical assistance available to help them meet financial and ecological criteria, supporting both local and larger nature restoration initiatives. Additionally, the NRFF would be able to explore the incorporation of investment grants, in addition to TA grants, that provide the implementers with seed finance to initiate nature restoration.

3.2.1 Financial flows

An operationally feasible Investment Platform requires a well-structured flow of capital from diverse sources into projects that vary widely in scale and risk. Within this model, capital flow must be especially robust and organized to deliver measurable financial returns, making return on investment a key differentiator from others explored in this report.

The diagram below provides a high-level overview of capital flows within the NRFF framework, highlighting the main actors involved and the diverse return pathways that support project financing.

Inflows



The financing structure under the Investment Platform model draws on three distinct layers of funding: (a) inflows from the EU budget that back guarantees and TA for the NRFF, (b) financing mobilized by the platform manager or other loan providers through their own lending capacity, and (c) co-investment from Member States and private capital. Each layer plays a different role within the broader finance ecosystem and together they expand the pool of capital available for projects.

- Inflows for the NRFF**

These funds are dedicated primarily to covering the EU guarantees and TA and investment grants within the NRFF, both of which reduce project risk and build capacity for project preparation and delivery.

The LIFE Programme is the primary source of inflows for the NRFF. It directly supports environmental objectives through funding guarantees and technical assistance, making it well suited to cover the NRFF's risk mitigation and capacity-building functions. Its budget allocation is designed to underwrite projects that may otherwise struggle to secure traditional finance.

Horizon Europe and the CAP Pillar contribute in a supporting role to the NRFF by providing funds to innovation in restoration techniques and landscape-scale environmental projects, respectively. Their budgets mainly fund preparatory activities, capacity building, and development of new financial tools rather than direct capital guarantees.

- **Inflows for loan provider**

Financing is mobilized by the platform manager or other participating financial institutions to provide loans directly to projects. Similar to other examples under the InvestEU framework, the platform manager's own capital and borrowing capacity serve as the primary source of these loans. This direct capital is crucial for scaling investments and unlocking favorable financing terms.

- **Co-investments**

Co-investments include additional public or private resources invested alongside the main loan. These may take the form of equity, parallel loans, or complementary grants and subsidies that improve a project's bankability. Although typically smaller than the main loan itself, these investments are strategic enablers for scaling and innovation in nature restoration finance.

Private investors, including impact funds, asset managers, and commercial banks, bring financial resources, innovation, and market expertise. Their participation is often enabled by the risk reduction of the NRFF guarantees and clear return pathways, allowing investment via equity, debt, or blended finance structures.

EU funds like the ERDF and RRF are disbursed directly to Member States or project implementers as grants or repayable funds. These complement EIB loans and can be blended at the project level to enhance financial sustainability and scale.

Similarly, Member States contribute through national or regional budgets to support restoration projects through targeted environmental and infrastructure programs. These contributions, while important for aligning projects with national priorities and improving bankability, are often limited and vary widely due to their voluntary nature and governance challenges such as fragmentation and competition discussed in Chapter 2.

Together, these co-investment sources form a critical financing layer that, when coordinated and de-risked through the NRFF framework, significantly expands the capital available for nature restoration projects.

Delivery of funding

Once financing is secured through the NRFF's inflow streams, the Facility supports projects via two main channels: direct financing and aggregation. Both are strengthened by a dedicated TA envelope designed to help projects meet ecological and financial standards.

- **Direct Financing:** The loan provider provides long-term loans to individual projects such as urban green corridors or wetland restoration. NRFF provides guarantees to reduce loan risks, making financing more accessible and affordable for municipalities, NGOs, and other project implementers.
- **Aggregation Models:** For smaller or fragmented initiatives, the NRFF would rely on intermediaries, such as national promotional banks or relevant public authorities like Ministries of Environment, to help bundle national projects into larger portfolios. These bodies, often responsible for coordinating National Biodiversity Strategies and Action Plans (NBSAPs) and Biodiversity Finance Plans (BFPs), are well placed to consolidate initiatives into bankable investment portfolios. The platform manager would provide a common aggregation framework to guide portfolio preparation and ensure compliance with agreed ecological and financial criteria. Once portfolios are assembled, the platform finances them in the same way as direct loans to individual projects.

The NRFF's Technical Assistance plays a critical role in supporting both direct applicants and aggregators throughout the funding process. It provides grants aimed at building capacity, facilitating project planning, and ensuring ongoing monitoring. This ensures projects comply with both ecological and financial standards, enhancing their overall quality and viability.

Sources of Return on Investment (ROI)

In this model, the primary source of return on investment (ROI) is structured access to public budgets, especially Member State-managed envelopes under EU programs such as CAP, ERDF, and RRF. These public sources can be used to repay loans directly when restoration expenditures are eligible under national or regional funding programs. The NRFF plays a critical role in enabling this by providing TA to help implementers align eligible restoration investments with repayment structures. In doing so, the Facility reduces the fragmentation of budgets and supports the integration of loan repayment into restoration planning cycles.

Key EU budget lines provide important funding that helps projects repay loans under the NRFF.

- **CAP Pillar II** subsidies are embedded within national budget envelopes, mainstreamed through government spending programs. These subsidies provide stable, predictable cash flows for land managers and project implementers, forming a reliable base to structure loan repayments.
- **The Recovery and Resilience Facility (RRF)** allocates funds through Member State Recovery and Resilience Plans for green infrastructure and nature-based solutions. Grants from the RRF are incorporated into national budgets and can support loan repayment and operational costs.
- **The European Regional Development Fund (ERDF)** delivers grants through national and regional programs supporting environmental and infrastructure projects. These grants are integrated within Member States' financial frameworks, helping to close financing gaps and improve loan servicing capacity.
- **The Cohesion Fund** supports environmental projects in lower-income Member States, with funds managed by Member States and integrated into their fiscal frameworks, helping reduce net financing needs and facilitate loan repayment.

While this approach may appear counterintuitive, using public funds to repay public-backed loans, it addresses a real operational need. Restoration projects require substantial upfront investment, while EU subsidies are typically disbursed only after milestones are reached. This creates a timing gap, especially given the multi-year nature of restoration cycles. The NRFF bridges this gap by offering loans that can be repaid later using Member State-managed EU envelopes, enabling faster deployment of funds.

On the other hand, commercial revenue streams such as eco-tourism, water services, or carbon and biodiversity credits can complement public funding. However, at this early stage of piloting nature restoration finance, such revenues are often highly context-specific and unpredictable. As a result, they are generally unsuitable as the main source of loan repayment.



The table below outlines the main types of ROI mechanisms in nature restoration finance, illustrating how returns can come from public savings, user fees, market-based instruments, or results-based payments.

Category	Mechanism	Monetization	Description
Public Budget and Efficiency Savings	National / Regional public budget allocations	Indirect (public funds)	Funding drawn from local or regional government budgets allocated annually for maintenance of infrastructure, green spaces, and related services. These are recurring budget lines repurposed to support restoration.
	Cost savings from reduced maintenance	Indirect (public funds)	Reduced costs for infrastructure repairs and maintenance due to enhanced ecosystem services from restoration. These savings free public budgets for loan payment.
	Public Co-Financing and Reimbursement	Indirect (public funds)	Reimbursements from EU or national programs supporting (e.g. LIFE Programme).
Market-based revenues	Ecotourism and Recreation Fees	Direct	Income generated from visitor fees, tours, concessions, and hospitality services at restored sites.
	Public concessions	Direct	Rental or licensing income from commercial activities such as cafés or events on restored lands.
	Biodiversity and Carbon Credits	Direct	Revenues from the sale of certified biodiversity or carbon credits in voluntary or compliance markets.
User Charges and Public Levies	Utility Fee Adjustments	Direct	Additional charges on utility bills earmarked specifically for ecosystem restoration and maintenance.
	Environmental taxes and levies	Indirect	Taxes or levies on polluting activities or resource use dedicated to financing restoration efforts.
	Land valuation	Indirect	Increased property values and tax base near restored sites. This needs to be monitored closely to avoid gentrification in restored areas.
Result-Based Finance	Performance-Based Returns	No monetization	Payments or partial loan forgiveness contingent on achieving specified environmental outcomes.

Finally, NRFF guarantees serve as a financial backstop and are not subject to ROI. They reduce risk for lenders by covering potential repayment shortfalls, but they are rarely triggered. When they are, the guarantee absorbs the loss rather than the project implementer. This mechanism builds confidence without adding fiscal pressure.

3.2.2 Example of the EU Investment Platform

A municipality in Spain undertakes a €10 million urban river restoration project. The NRFF provides an EU guarantee covering 7% of the project cost and a €2 million grant dedicated to planning, ROI preparation and monitoring. This enables a loan provider to issue a €7 million loan, which is further supplemented by an additional €1 million from cofinancing by an impact investment fund, bringing the total financing package in line with the €10 million project size.

The municipality covers €3 million of the loan through funds allocated from Member State managed envelopes under CAP and ERDF and €1.3 million through its own environmental budget. An additional €2 million in indirect savings is realized from avoided flood damage and maintenance costs, as well as revenue generated from public concessions and local tax receipts. Finally, €0.1 million of the loan is subject to forgiveness based on achieving agreed performance targets set by the impact investment fund. Through this structure, the NRFF supports project viability by blending EU grants, local budgets, and coinvestment, while facilitating an ROI with 1.5–2% interest rate.

3.2.3 Conclusion

The Investment Platform model offers a practical and implementation-ready option for establishing the NRFF by building on the existing InvestEU framework and its proven lending and risk-sharing infrastructure. It enables the use of blended finance to crowd in private capital, particularly for restoration projects with return potential. The model supports both direct financing and project aggregation, expanding access to funding for smaller or fragmented initiatives. It also provides targeted TA to help local actors structure viable projects and navigate funding requirements. It also opens the possibility to explore investment grants that provide seed funding to individual or aggregated projects. Crucially, it fits within existing EU and Member State systems, linking to national envelopes under CAP, RRF, and other programmes, without the need for new legal structures.

On the other hand, the model faces challenges. The fragmented and long-term nature of returns from nature restoration projects complicates meeting investors' short-term financial expectations, resulting in a heavy reliance on public investment. While this reliance is expected to help scale blended finance mechanisms, it must be matched with the capacity to deliver at scale. Additionally, the model does not eliminate reliance on Member State budgets for loan repayment. Although the NRFF would provide favorable conditions for Member State departments to access the EU budget via Member State envelopes, a level of competition at Member State or Regional level to access these allocations might still prevail.

3.3 The NRFF as a Trust Fund/Joint Undertaking

A second model for establishing the NRFF is a phased structure starting with a Trust Fund and evolving into a Joint Undertaking (JU). This allows the NRFF to begin operating quickly using a Commission-hosted platform, while laying the foundation for a more permanent and autonomous institution as it matures.

This phased structure reflects a successful precedent. The Bio-Based Industries Joint Technology Initiative initially launched with a collaborative funding arrangement and later evolved into the legally autonomous Circular Bio-Based Europe JU (CBE JU, 2024).

In its early phase, the Trust Fund would be hosted by the European Commission or another designated public institution acting as trustee. It would pool EU and external funding into a unified structure, overseen by a steering committee with representatives from Member States, NGOs, impact investors, sector associations, and public financial institutions. Participation in the steering committee could be linked to a membership model, whereby institutional actors contribute an annual membership fee in exchange for governance participation and co-decision rights over strategic budget allocations. The primary focus of this structure is on delivering direct grants. To support the effectiveness of these grants, it would provide TA to strengthen project pipelines and build institutional capacity. To a lesser extent, it would be suited to channel repayable finance, such as concessional loans, through financial intermediaries.

This model is particularly useful for enabling rapid deployment in Member States with limited administrative capacity. By offering a single operational platform with flexible instruments, it avoids complex co-financing schemes and supports early action in alignment with EU restoration goals. Strategic oversight remains public. The Commission and Member States lead the facility's direction. The model also allows for structured involvement of mission-aligned private actors, such as impact investors. They could contribute financially or with expertise and take part in advisory groups or member structures. This setup allows private engagement while keeping decision-making under public control.

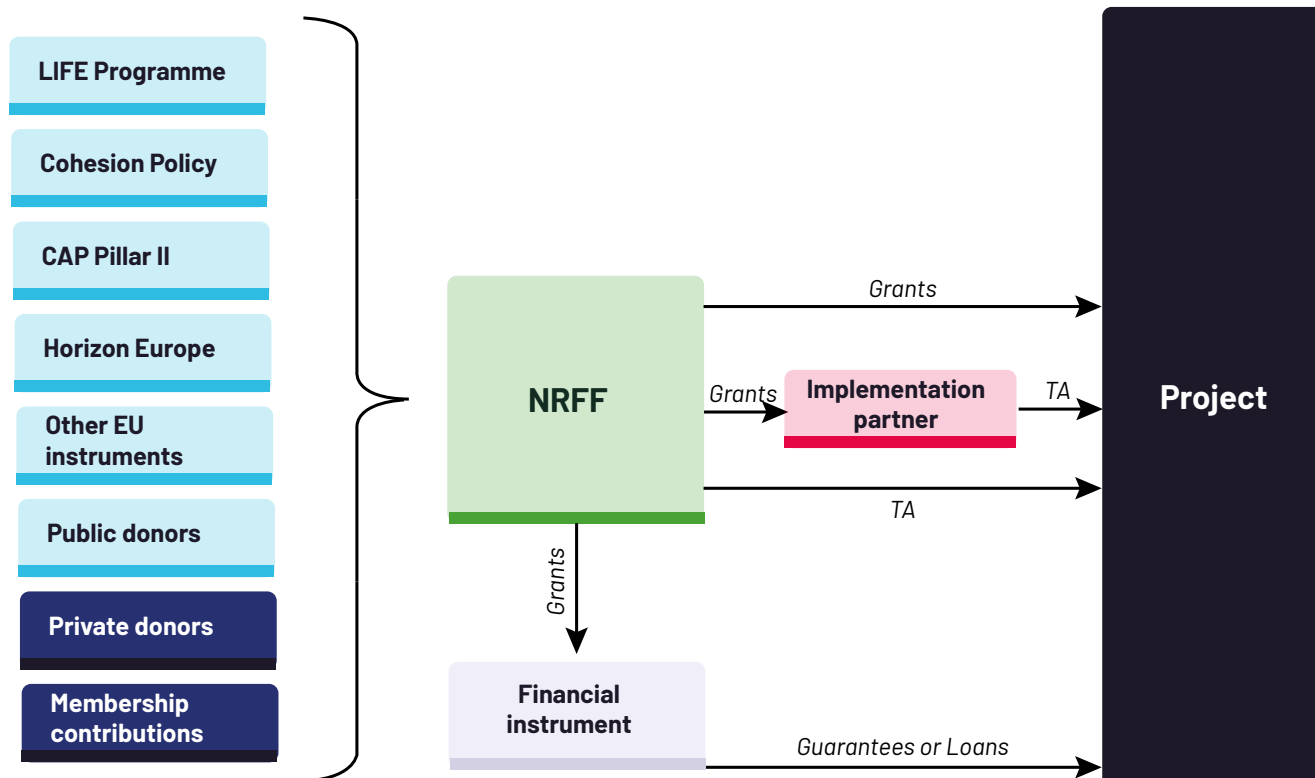
As political and stakeholder support for the NRFF grows, the Trust Fund could transition into a Joint Undertaking under Article 187 TFEU. A JU is a legal entity with its own governance, budget, and staff. It stands apart from other delivery models by offering a fully autonomous structure with the legal authority to manage funds, sign contracts, recruit staff, and directly implement programs.

Unlike Commission-managed programs, the Joint Undertaking model would have shared governance between the Commission and co-founding partners such as the European Environment Agency (EEA) or impact investor platforms. These actors would bring complementary strengths for the deployment of funds that reinforce trust, broaden support, and enhance the Facility's delivery effectiveness. Their joint involvement could also strengthen alignment between ecological integrity and investment strategy, anchoring the NRFF more deeply in both public mandates and private sector innovation.

Financial flows

This model channels public and private capital into restoration projects where ecological outcomes are the primary objective. While less focused on financial return, it requires well-organized flows to ensure transparency, operational efficiency, and impact.

The diagram below provides an overview of the financial flows expected for this model.



Inflows

The Fund / JU model is designed to manage multi-source funding inflows. It aggregates capital from a wide range of actors. While most capital is expected to come from public sources, the model allows for structured participation from philanthropic and private actors.

- **Inflows from Public sources**

Most inflows into the Fund or JU would include core EU budget contributions from instruments such as the LIFE Programme, CAP Pillar II, and Cohesion Policy, committed through multi-annual programming. These funds would be earmarked for nature restoration objectives, forming the financial backbone of the facility. Additionally, public international donors, such as development agencies or climate/environmental funds may be invited to contribute to support specific restoration projects, particularly in transboundary ecosystems or biodiversity hotspots.

- **Inflows from Private sources**

While public funding forms the backbone of the Trust Fund/JU model, the structure is also open to mission-aligned private contributions such as one-off philanthropic or CSR-linked donations from companies, or continuous contributions made within a membership-based model.

Additionally, the NRFF as a Trust Fund/Joint Undertaking can also capitalize private sector participation through a membership-based contribution model. Under this approach, selected private actors—such as industry associations, companies with nature-positive strategies, or philanthropic consortia—can become formal contributors to the facility, providing financial support, in-kind expertise, or project co-funding. In return, they may participate in advisory structures or co-design processes, depending on the governance model in place. A relevant precedent is the Circular Bio-Based Europe Joint Undertaking, where the Bio-Based Industries Consortium—representing over 240 companies—acts as a founding partner, contributing both funding and strategic input.

Outflows

The Trust Fund / JU model enables a flexible mix of funding instruments, tailored to the diverse financing needs of nature restoration. While grants and technical assistance remain the primary tools, the model can also support a broader set of delivery mechanisms that enhance effectiveness, crowd in private capital, and foster long-term sustainability.

- **Grants**

Grants would serve as the main delivery mechanisms of the NRFF. They fund critical restoration activities with no steady revenues. Grants can be disbursed in several ways. The NRFF may issue open calls for proposals, allowing national, regional, or cross-border restoration projects to apply competitively for funding aligned with EU biodiversity objectives. In parallel, the facility could allocate funding through pre-agreed country envelopes, tailored to each Member State's ecological priorities and administrative capacities, and aligned with national biodiversity strategies and action plans.

To improve local access to restoration funding, the NRFF would simplify grant application and disbursement procedures, compared to existing EU programs. The model is designed to lower administrative barriers and offer smaller, more targeted grant windows, particularly to enable participation by local actors and community-based organizations.

In addition to conventional grants, the NRFF could deploy results-based payment mechanisms, linking disbursements to verified ecological outcomes such as hectares restored, tons of CO² sequestered, or biodiversity units generated. These outcome-linked contracts strengthen delivery incentives, enhance accountability, and create pathways for future engagement from impact investors and biodiversity credit buyers.

- **Technical assistance**

Technical assistance (TA) is a core function of the Trust Fund / Joint Undertaking model and a critical enabler of successful nature restoration. The NRFF would embed TA across all instruments and allocate a dedicated share of its budget (e.g. 10–15%) to a centrally coordinated TA facility. This ensures consistent quality, early pipeline support, and the ability to respond rapidly to delivery challenges.

A key advantage of this model is its operational and structural flexibility, which allows TA to be delivered directly by the NRFF or indirectly through contracting implementation partners. These organizations would not only bring deep technical, financial, or ecological expertise, but also strong contextual knowledge of local governance, ecosystems, and stakeholder landscapes. These may include NGOs, consulting firms, research centers, or financial institutions with relevant know-how.

In addition, the NRFF could establish regional restoration hubs, which are tasked with organizing and coordinating TA delivery at territorial level. These hubs could themselves work with external organizations, allowing them to adapt to local contexts while maintaining professional standards and strategic alignment with NRFF goals.

This is particularly important given the diversity of institutional capacity across the EU. In many regions, local actors lack the expertise to develop restoration projects that meet EU quality standards. The TF/JU model enables the NRFF to proactively fund and structure TA delivery, ensuring that support reaches where it is needed most. Through standardized tools, TA grants, and flexible delivery partnerships, the NRFF can reduce access barriers and build long-term national and regional delivery capacity.

- **Delegated blended finance instruments**

To mobilize private capital, the NRFF could delegate part of its public funding to financial institutions such as the EIB or national promotional banks. Under formal agreements, these partners would implement blended finance instruments including guarantees, first-loss capital, and concessional loans. These tools help reduce risk for private investors, making restoration projects more attractive to commercial co-financing. The NRFF could also aggregate projects, bundling small-scale restoration interventions into larger, standardized portfolios that meet institutional investor requirements.

Because the Trust Fund/JU model allows for flexible delivery structures, technical assistance could be implemented through several channels. For example, it may be jointly delivered by the NRFF and delegated financial institutions, combining ecological and financial expertise to strengthen project readiness.

- **Market infrastructure support**

The flexible governance and funding structure of the Trust Fund / Joint Undertaking model makes it well-suited to finance the enabling infrastructure for emerging nature markets. To support the development of biodiversity credits and other performance-linked revenue models, the NRFF could fund key components such as EU-level standards bodies, national MRV agencies, digital registries, and certification platforms. These investments would help establish trusted systems for credit issuance, validation, and trading which create the foundations for reliable market-based revenues in the long term.

Outflows could take the form of targeted grants or service contracts, depending on the delivery partner. By supporting these systems, the NRFF would help reduce transaction costs, increase credibility, and crowd in private finance. Technical assistance could complement these efforts by helping local actors adopt and integrate these platforms, ensuring widespread and consistent use across Member States.

3.3.1 Example

A €40 million landscape restoration initiative in southern Germany supports the re-establishment of hedgerows, wild-flower corridors, and other pollinator habitats across intensively farmed areas. The NRFF pools €25 million in public funding from EU instruments (LIFE and CAP Pillar II), national environmental agencies, and a European philanthropic

foundation focused on rural biodiversity. To complement these, a consortium of agri-food, retail, and natural cosmetics companies, whose supply chains depend on pollination and biodiversity, joins the NRFF through a €10 million membership contribution over five years. In return, the consortium participates in a private advisory group and holds observer seats on the NRFF's steering committee, gaining strategic insight into project design and impact reporting.

With these funds, the NRFF provides €30 million in grants to local conservation agencies and farmers' associations for habitat restoration and ecological monitoring. An additional €5 million grant supports the development of a biodiversity crediting mechanism linked to pollinator abundance and hedgerow restoration. The remaining €5 million is contributed in-kind by regional authorities and producer cooperatives. Over five years, the project aims to restore 8,000 hectares of ecological infrastructure, increase pollinator populations, and pilot the issuance of tradable biodiversity credits to support long-term private investment.

3.3.2 Conclusion

The Trust Fund / Joint Undertaking model offers a flexible and mission-driven approach to structuring the NRFF. Its phased setup, starting as a Commission-hosted Trust Fund and evolving into a legally autonomous Joint Undertaking, enables fast activation while allowing for long-term institutional development. The model is well suited to pool EU budget contributions alongside philanthropic and mission-aligned private finance under a unified governance structure. Through structured membership arrangements, private actors can support the facility's objectives in exchange for strategic participation, offering a non-market pathway to scale private contributions. It is particularly strong in supporting technical assistance and Member State delivery through partnering with various local organizations or setting up regional hubs, making it highly responsive to capacity constraints across the EU.

At the same time, the model's success depends on building effective delivery partnerships, including partnerships with financial intermediaries to implement blended finance tools. While it allows for private involvement, it is not designed to generate financial returns and will rely on sustained EU budget contributions at the program level. Establishing clear governance arrangement, transparent fund allocation rules and strong coordination with national authorities will be essential to ensure accountability and long-term impact.

3.4 The NRFF as a dedicated EU nature restoration program

A third model for establishing the Nature Restoration Financing Facility (NRFF) is through a dedicated EU program focused exclusively on nature restoration. This model establishes a central delivery mechanism with its own implementation structure and funding strategy, while avoiding the need to create a new MFF budget line. It directly addresses the shortcomings of the current mainstreaming approach, where nature restoration goals are dispersed across programs and often sidelined by competing policy priorities. Instead of relying on fragmented allocations, this model enables pooled, purpose-driven funding aligned with the EU Nature Restoration Law.

This program would pool contributions from major EU funding streams, such as CAP, Cohesion Policy, LIFE, and Horizon Europe, through formal budgetary transfers. These transfers would be made using legal mechanisms already available under the EU Financial Regulation and program-specific rules, allowing the NRFF to receive funding and operate as a centralized delivery instrument.

Nature restoration provides benefits that span multiple EU policy objectives, including climate adaptation, water regulation, disaster risk reduction, rural development, and biodiversity protection. Because these outcomes cut across sectors, it is both strategic and cost-effective to consolidate funding from several programs into one dedicated vehicle, ensuring that restoration is no longer sidelined by competing priorities. The NRFF, under this model, would enable targeted, high-integrity grant disbursement for non-revenue-generating restoration efforts, while enhancing coherence, visibility, and long-term impact.

The program would be implemented under the authority of the European Commission, led by DG Environment, and potentially delegated to an executive agency such as CINEA for operational delivery. It would operate under direct or indirect management, depending on the origin of program contributions.

Budgetary transfers from other EU programs would be structured through formal contribution agreements, each aligned with the objectives of the contributing instrument. A multi-stakeholder governance board, including DG ENV, contributing DGs, and independent ecological experts, would ensure strategic alignment, safeguard transparency, and oversee performance monitoring. The program’s legal basis could be established as a dedicated sub-program under an existing MFF heading or through a dedicated act supported by inter-institutional agreement.

3.4.1 Comparison with LIFE Programme

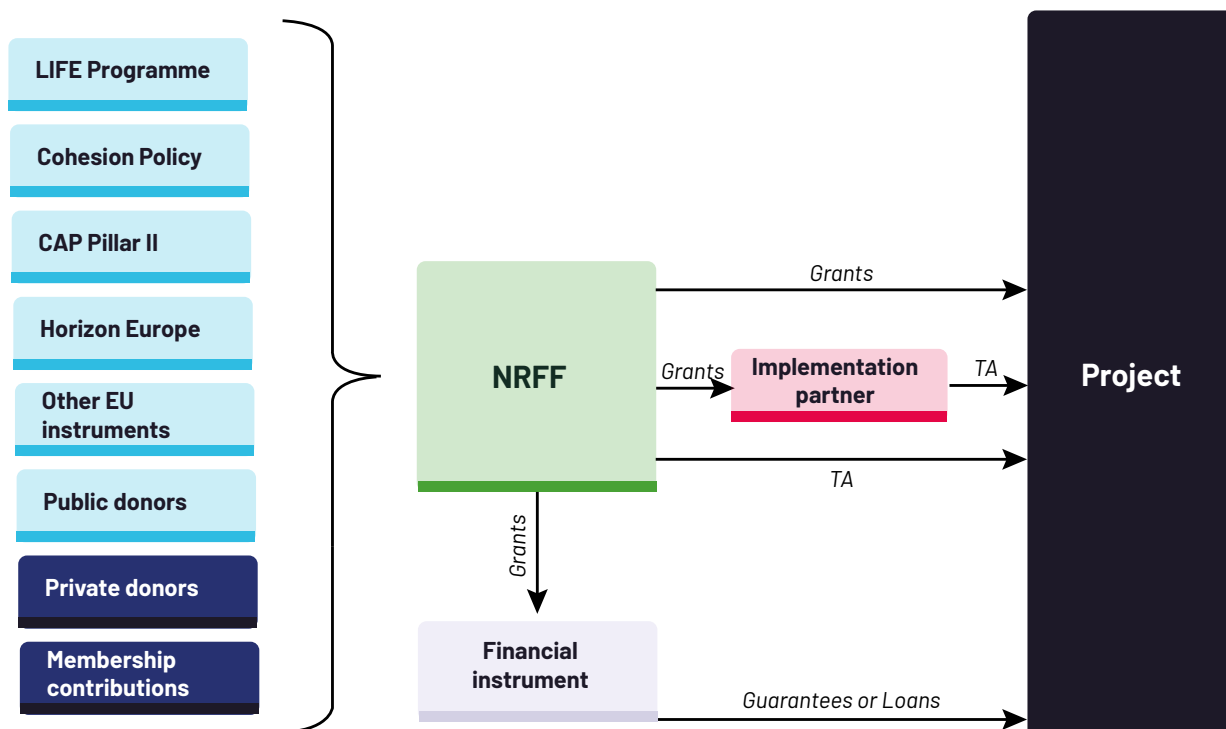
LIFE, the EU’s flagship environmental funding program, offers useful lessons for designing the NRFF. While it has supported a wide range of climate and nature projects, LIFE’s limited scale, complex procedures, and broad scope constrain its ability to meet EU restoration goals. A dedicated NRFF program would retain LIFE’s strengths while addressing its limitations through greater scale, clearer focus, and improved delivery support. The table below outlines the main design lessons.

Limits of LIFE	Lessons learned for NRFF design
Limited budget: LIFE’s budget is limited (€5.4 billion over 7 years); nowhere near the financial need for nature restoration.	NRFF should pool and reallocate funds across multiple EU programs, increasing the resource base to match restoration needs.
Application procedures: LIFE is application-based and often inaccessible for small actors.	NRFF would streamline funding access with simplified grant windows, embedded technical assistance, and support via restoration hubs.
Project-by-project funding: LIFE tends to fund individual, often one-off projects.	NRFF should enable long-term, strategic envelopes for implementers to support systematic and scaled restoration planning.
National planning: LIFE operates at EU level, often disconnected from national budget cycles.	NRFF should enable coordinated delivery at Member State level, ensuring alignment with national biodiversity plans and fiscal frameworks, without reverting to fragmented national envelopes.
Coordinate across funds: LIFE is a standalone program.	NRFF should act as a coordination mechanism to reduce fragmentation between programs such as LIFE, CAP, Cohesion, and others, making sure funds are complementary, not competing
Broad focus: LIFE supports multiple environmental objectives.	NRFF should have a singular focus on nature restoration in line with the EU Nature Restoration Law.

These shortcomings point to a few fundamental constraints in the LIFE Programme: (1) its limited budget scale, (2) a lack of capacity support and technical assistance, and (3) a broad thematic scope. These must be explicitly addressed in the NRFF’s institutional design.

3.4.2 Financial flows

Unlike the Investment Platform or Trust Fund models, this program does not channel repayable finance. Instead, it directs pooled EU budget contributions into a single, streamlined structure dedicated to grant-based restoration funding. The model’s financial flows support clarity, coherence, and ecological targeting through direct disbursement and embedded technical assistance. The diagram below outlines how this program operates.



Inflows

The NRFF would pool contributions from existing EU programs that intersect with nature restoration priorities. While open to a broad range of instruments, the facility would prioritize those with significant budgets and policy alignment under the current MFF. These could include, but are not limited to, the CAP Pillar II, Cohesion Policy, LIFE Programme and Horizon Europe.

While the LIFE Programme is the most closely aligned with the NRFF's objectives, its limited budget cannot meet the scale of funding needed to implement the EU Nature Restoration Law. CAP and Cohesion Policy, by contrast, represent over €750 billion in combined resources under the current MFF (European Commission, 2021). Channeling even a modest share of these programs through the NRFF would allow delivery at scale. Such an approach provides a concrete pathway of action.

The table below summarizes the relevant programs, their main components, and 2021–2027 budget allocations. To determine their contribution to the NRFF, instruments could use predefined percentages, annual transfer agreements, or indicative targets, based on political negotiation and legal feasibility.

Program	Components	2021–2027 Budget (€ billion)
CAP	EAGF + EAFRD	386.6
Cohesion Policy	ERDF + Cohesion Fund + ESF+ (approx.)	392.0
Horizon Europe	Horizon Europe main line	95.5
LIFE Programme	LIFE Environment & Climate Action	5.4

Outflows

• Grants

Grants would be the primary delivery mechanism of the NRFF. As a dedicated EU program, the NRFF is designed to channel funding toward nature restoration actions that lack monetizable returns and are therefore unlikely to attract commercial finance.

Funding would be provided to a range of eligible entities, including:

- Public authorities at national, regional, or municipal levels;
- Civil society organizations and environmental NGOs;
- Academic and research institutions;
- Community-based organizations or consortia of actors;
- Other implementing bodies operating in line with EU restoration priorities.

Grants would be disbursed through centrally managed procedures under direct or indirect management. These would include open calls for proposals, both general and targeted, designed to address specific ecosystem types, cross-border landscapes, or priority gaps identified in national restoration plans.

In addition to competitive calls, the NRFF may also enter into delegation agreements with trusted intermediaries, such as national restoration agencies, environmental umbrella organizations, or conservation networks. These actors could receive and manage grant funding to support decentralized implementation, particularly where they are well-positioned to coordinate with local stakeholders, aggregate smaller initiatives, or overcome administrative barriers.

In some cases, grants could be structured as results-based payments, where disbursement is conditional on the achievement of predefined ecological outcomes, such as hectares restored, water quality improvements, or verified biodiversity gains. This approach strengthens accountability and encourages outcome-focused delivery, while remaining within the legal structure of grant disbursement.

• Technical assistance

In the EU Program model, TA would be embedded in individual funding streams, helping applicants navigate application requirements and improve project design. While a portion of the NRFF's program budget could be allocated to TA, its delivery would depend on the structure and rules defined in the program's founding regulation.

TA would likely follow a hybrid model, combining a central support function with more limited decentralized elements. Centrally, the Commission or its delegated agency would offer shared tools, templates, and guidance, such as ecological baselining protocols, application checklists, or a digital helpdesk. These services would improve consistency and reduce errors, particularly for smaller applicants. Decentralized support could be delivered through national contact points or technical partners, if enabled by the program's governance.

Unlike the Trust Fund / JU model, the EU Program structure offers less flexibility to tailor and scale TA in response to emerging needs. However, by clearly embedding TA in the program design and dedicating sufficient budget to it, this model can still address key delivery bottlenecks and improve restoration outcomes, especially if paired with simplified application procedures and country-specific support initiatives.

This approach reflects lessons from previous EU programs, where limited and fragmented technical assistance often hindered uptake and reduced delivery quality. By institutionalizing TA as a core function, rather than treating it as a marginal add-on, the NRFF would help close persistent implementation gaps and ensure support is effectively embedded at regional level across Member States.

3.4.3 Example

A regional park authority in western Bulgaria applies for a €5.2 million grant under the NRFF to restore 45 km of riparian habitat along the Struma River. The site has been degraded by channelization and invasive species, limiting its ecological function. Under the LIFE Programme, this authority would likely face significant barriers: limited administrative capacity, difficulty navigating complex application procedures, and a lack of dedicated support for restoration planning often make LIFE inaccessible to small and mid-sized local actors.

In contrast, the NRFF, established through a dedicated founding regulation, explicitly aims to simplify access and broaden participation. The regulation mandates streamlined application procedures, predefined outcome indicators, and embedded technical assistance. The park authority receives support from a national contact point and consults guidance documents, application templates, and checklists developed by the NRFF's central TA team, managed by the European Commission or its delegated agency. Additional clarification is provided through an EU-level helpdesk.

The grant is awarded through a targeted call for proposals, with disbursement linked to verifiable ecological outcomes such as hectares restored and improved riparian connectivity. By lowering administrative barriers and embedding support into the programme architecture, the NRFF enables delivery by local actors who would typically be excluded from existing instruments like LIFE, while ensuring alignment with Bulgaria's National Biodiversity Strategy and EU restoration goals.

3.4.4 Conclusion

The Dedicated EU Nature Restoration Programme provides a focused and centrally managed mechanism to deliver restoration finance at scale. Funded through reallocated budgetary contributions from existing EU programs such as CAP, Cohesion Policy, LIFE, and Horizon Europe, it consolidates fragmented funding streams into a single grant-based facility under the authority of the European Commission. This setup improves predictability, simplifies access for applicants, and enables alignment with national restoration plans through dedicated calls, streamlined procedures, and embedded technical assistance. It builds on lessons from existing programmes like LIFE while addressing structural barriers such as limited scale, dispersed priorities, and complex application processes.

However, the model faces key constraints. Its success depends on sustained political support for inter-program transfers, which may be resisted by Member States or DGs concerned about losing control over their budgets. Its legal feasibility requires careful design under the EU Financial Regulation, and strong coordination between contributing programmes is essential. While well suited to public-good restoration projects, the model is less equipped to mobilize private capital or implement blended finance tools. Still, it offers a credible and politically feasible path to deliver on the EU's restoration objectives, particularly for non-market interventions that require long-term, mission-driven public support.



3.5 Comparison of the three models

Each of the three models presented in this report represent viable institutional options for structuring an EU-level NRFF. Their strengths vary depending on policy priorities, legal feasibility, and desired delivery mechanisms. The table below provides a comparison of how each model addresses the four main structural limitations of the current system, as identified in Section 2.2.

Limitations	Existing structure	Investment Platform	Trust Fund/Joint Undertaking	Dedicated EU Program
Limitations of current system				
Mainstreaming Shortcomings		Requires pipeline aggregation for eligibility. This could be possible through Member States' BFPs.	Enables unified oversight and ring-fenced funding.	Directly addresses fragmentation and policy dilution across programs.
Capacity and Expertise Gaps		Central TA grants and possibility of investment grants.	Central TA grants supported by decentralized multi-actor hubs.	Central TA grants and targeted support for low capacity/expertise actors.
Pressure on Member State Budgets		Requires ROI from Member State budgets.	Grants without co-financing and Member State budget competition.	Grants without co-financing and Member State budget competition.
Mobilizing Private Finance		Strong blending and guarantee tools. Ability to test investment grants.	Can support private co-investment, although not the focus.	Not designed to crowd in private capital.
Emerging considerations				
Operational readiness		Builds on existing framework, allowing timely set-up.	Fastest path to operationalization under current structures.	New legal act or agreement, making it slower to deploy.
Governance structure		Operates as an EU mandate with multi-stakeholder Investment Committee.	Flexible governance.	Fully embedded within the EC's governance and EU budget architecture.

● = weak ● = moderate ● = strong

To move from structural differences to implementation pathways, it is useful to reflect on how each model aligns with Member States' practical delivery needs, such as timely access to support, manageable governance processes, and the ability to mobilize different types of finance based on national contexts.

- **Operational readiness**

The Trust Fund model offers the fastest path to operationalization, as it can be established rapidly under existing Commission structures and financial rules. The Investment Platform also builds on an existing legal and financial framework (InvestEU), making it relatively quick to set up, though more complex than a Trust Fund. In contrast, the Dedicated Program would require a new legal act or inter-program agreement, making it slower to deploy, but potentially more stable over time.

- **Targeted and tailored TA**

The ability to deliver technical assistance in a targeted and flexible way is a key differentiator between the models. The Trust Fund / Joint Undertaking stands out in this regard: it can embed TA across instruments and allocate a dedicated budget to deliver support both centrally and through expert partners, such as NGOs, research institutions, or regional hubs, allowing TA to be tailored to Member State needs and deployed where capacity is weakest. The Investment Platform relies on the InvestEU advisory system, which offers TA mainly for financial structuring. It supports intermediaries but is less suited to early-stage ecological planning or direct local assistance. The Dedicated EU Program can include TA if defined in its regulation. While it can provide central tools and helpdesks, its ability to adapt support to national and regional contexts is limited without additional governance layers. In short, the Trust Fund / JU model offers the most practical and scalable TA approach for restoration delivery.

- **Integration of private finance**

The Investment Platform is purpose-built to crowd in private capital at scale. It uses EU budget guarantees, concessional lending, and project aggregation to lower risk and improve the bankability of restoration investments. The Trust Fund/JU model allows for delegated financial instruments, including guarantees and concessional loans, but depends on partnerships with financial intermediaries such as the EIB. The Dedicated Program model does not focus on private finance mobilization, it is designed for public grant delivery and does not currently offer structured entry points for investors.

4. Policy recommendations

4.1 Feasibility process for a dedicated EU NRFF

The Commission should initiate a structured process to design a dedicated NRFF in view of the upcoming negotiations on the proposed Multiannual Financial Framework (2028–2034). This process should evaluate legal forms, governance options, and funding pathways, drawing on the three institutional models explored in this report. Early engagement with Member States, DGs, and financial partners is essential to ensure operational readiness and alignment with the evolving MFF proposal as it moves toward adoption.

4.2 Secure dedicated budget lines

To enable the NRFF to function as a high-impact delivery mechanism, the 2028–2034 MFF must include clearly earmarked and ring-fenced budget lines for nature restoration. These budget lines should be structured to flow through or into the NRFF, regardless of its final institutional form, enabling pooled, mission-driven financing that breaks with the inefficiencies of the current mainstreaming model. Nature restoration should be recognized as strategic green infrastructure and be eligible for contributions from climate adaptation, cohesion, and resilience programs. Planning should begin now, including inter-DG alignment and guidance on how CAP, Cohesion Policy, LIFE, and Horizon Europe funding could be structured to contribute to a central restoration facility.

4.3 National envelopes and technical assistance

Restoration delivery should be improved by embedding national funding envelopes and technical assistance into the NRFF's architecture in a way that directly supports Member States in implementing their National Biodiversity Strategies and Action Plans (NBSAPs) and Biodiversity Finance Plans (BFPs). This will require a central technical assistance (TA) facility at the EU level that provides clear guidance, user-friendly tools, and planning templates aligned with EU restoration targets. In parallel, national or regional restoration hubs should be established within competent agencies to offer tailored, hands-on support for project permitting, pipeline development, and portfolio aggregation. These national envelopes and TA hubs could also be designed to dovetail with the National & Regional Partnership Plans proposed under the draft MFF 2028–2034, ensuring coherence between EU-level architecture and Member State implementation.

This approach ensures that restoration finance is closely tied to Member States' implementation priorities while enabling local actors—especially small municipalities, NGOs, and community-based organizations, to access the funding and expertise needed to deliver on restoration objectives. It combines top-down coherence with bottom-up access and responsiveness, creating a delivery architecture capable of scaling impact equitably across diverse institutional contexts.

4.4 Scale blended finance

Private finance, while currently limited in scale, plays a catalytic role in scaling restoration investments and must be embedded as a strategic pillar to ensure effective delivery of the EU Nature Restoration Law. The NRFF should work towards enabling innovation in blended finance tools, such as guarantees, concessional loans, and aggregation vehicles, that lower the risk and entry barriers for private capital. While not all implementation models may fully embed these instruments from the outset, the NRFF should provide a platform to pilot and test such mechanisms. Second, the EU should invest in the foundational infrastructure for nature credit markets, including standardized crediting methodologies, ecological baselines, MRV systems, and digital registries. These tools are essential to build trust, enable price discovery, and unlock results-based finance—whether through public funding or voluntary market mechanisms.

Together, these recommendations provide a coherent roadmap for establishing a fit-for-purpose NRFF that enables Member States to deliver on the EU Nature Restoration Law. They reflect both the urgency of ecosystem restoration, and the institutional pragmatism needed to operationalize new financial architecture across the EU. Early action, through budget planning, governance alignment, and piloting, will be critical to ensure that the NRFF is ready to drive real ecological outcomes from 2028 onward.

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Contact us

Email: europa@tnc.org

Germany

The Nature Conservancy
Schiffbauerdamm 8
10117 Berlin, Germany

United Kingdom

The Nature Conservancy
Suites 125-126 (1st floor)
330 High Holborn
London WC1V 7QH, UK

Belgium

The Nature Conservancy
Clockwise Belgium NV
"TNC - Office 1.09"
Avenue des arts 44
1000 Brussels, Belgium