



Biodiversity funding in the EU's next long-term budget: Opportunities and risks of introducing national plans

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Summary

Internal negotiations within the European Commission, along with broader discussions, are now well underway, addressing the size, composition and political priorities of the future EU budget. This paper outlines some key opportunities and challenges for improving the design and deployment of biodiversity financing in the future EU budget, should a system of national plans be introduced.¹ Several proposals are provided based on the most recent communications from the European Commission.² These are designed to ensure biodiversity is sufficiently financed and are directly based on experiences with the current EU budget.

In short, this paper calls for the following proposals to be included in the future EU budget, in case the next Multiannual Financial Framework (MFF) is based on a system of national plans:

- A mandatory mechanism linking the EU budget to agreed and existing biodiversity objectives, to **earmark dedicated funding and ensure that EU funds deliver on EU policy priorities**, notably based on Prioritised Action Frameworks and National Nature Restoration Plans;
- A **spending floor** expressed in percentage terms to ensure minimum earmarking for biodiversity within every national plan;
- A set of **high-quality, monitored output, outcome and result indicators** to verify the achievement of milestones and targets, disburse funds to Member States and report on the impact of biodiversity spending;
- A **transparent and participatory drafting and implementation process** based on the European Code of Conduct on Partnership;
- A sector-based **application of the ‘Do No Significant Harm’ (DNSH) principle** fully excluding the provision of EU funds to activities that are harmful to biodiversity;
- A set of **horizontal conditions requiring the full implementation of key pieces of EU environmental legislation** to access EU funds;
- **Requirements and incentives to consider nature-based solutions before grey solutions** for certain types of activities, including climate adaptation and infrastructure projects;
- **Reforms and investments to improve operational capacity at national, regional and local level** and remove obstacles to programming and absorbing funds for biodiversity.

The next EU budget – what we know so far

The European Commission’s proposal on the next Multiannual Financial Framework (MFF) to be released in July 2025 is set to fundamentally change the design of the EU’s long-term budget as we know it. [Previous statements by the Commission](#) indicate a strong willingness

¹ The focus of this paper is on how to leverage a system of national plans for biodiversity spending. The proposals made do not preempt the need for continued funding for biodiversity under direct management, for instance via the LIFE programme.

² The paper reflects the latest information available about the next EU Budget as of March 2025. However, as the official European Commission’s proposal has not yet been released, the content is based on assumptions and expectations.

to shift towards a budget that focuses on the achievement of policy objectives rather than the management of funds, in particular for activities supported under shared management programmes. Concretely, the Commission aims to improve the way EU policies inform and support budgetary priorities, shifting responsibility to the Member States for high-impact delivery.

In parallel, the delivery of the next EU budget is expected to focus on performance and the achievement of specific milestones and targets, rather than the reimbursement of costs. Important performance elements already exist under the current MFF, such as mainstreaming approaches for climate and biodiversity, the DNSH principle, an extensive performance measurement system – albeit largely used for presentation purposes – and some ex-ante conditionalities for accessing EU funds, including compliance with rule of law principles. These elements could be complemented by a delivery mechanism based on the achievement of milestones and targets, drawing on lessons learned from the Recovery and Resilience Facility, while addressing the weaknesses of such a model.

Lastly, the next MFF is supposed to bring about significant simplification in the way the EU budget is structured and implemented. This should be done both at the level of final beneficiaries, by streamlining application processes, and managing authorities, through a merging of programming procedures, notably by setting up a single national plan for reforms and investments.

Simply put, the design of the next budget is driven by three key principles: performance, simplification, and policy-driven spending.

Cautionary tales: Reflecting on experiences with the Recovery and Resilience Facility

A potential shift towards performance-based, single-country plans would not be something entirely new. This approach for managing and disbursing funds was already introduced for the EU's Recovery and Resilience Facility (RRF). With almost five years of experience since the RRF was first announced and with all payments needing to be completed by 2026, several important shortcomings [should be avoided](#) if the Commission is to pursue a similar, performance-based approach. The process of drafting and implementing national plans must be transparent and participatory, especially with regard to designing the milestones and targets, which will subsequently condition the corresponding reforms and investments. This was not the case under the RRF, which involved discussions and [negotiations behind closed doors](#) between the Commission and Member States, with very few possibilities for the relevant stakeholders to meaningfully contribute and become involved. For the MFF, the national plans should be drawn up in partnership with regional and local authorities, economic and social partners, and relevant civil society organisations on the basis of a revised European Code of Conduct on Partnership that is integrated directly in the relevant regulations.

The absence of any binding biodiversity spending target under the RRF was particularly problematic, resulting in spending being dependent on the political will of national authorities. As a result, [less than one percent of spending went to biodiversity-related measures](#), a

missed opportunity. If a similar approach is to be used, stronger, binding conditions must be introduced, either via spending targets or by properly developed milestones and targets that ensure nature and biodiversity objectives are realised.

A further risk concerns the capacity of the Commission to adequately check plans during the programming and implementation stages. A performance-based budget shifts a large amount of responsibility to Member States and their authorities at national, regional and local level. The change in the Commission's managing role has to lead to increased capacity to check, monitor and control the adequate achievement of agreed milestones and targets. Particularly for projects having a potential impact on ecosystems, more time needs to be allocated to understanding the measures, and require the relevant amount of proof and information at all stages, from the planning stage to the implementation stage.

Sufficient capacity and expertise therefore need to be provided by the Commission services. In particular, this must include increased knowledge and skills to identify potential biodiversity risk factors. Prior experience has shown that these typically require more attention, expertise and further information from project implementers to thoroughly and accurately assess.

Delivering real impact for biodiversity

Nevertheless, the approach presented by the Commission also provides several important opportunities for improving the delivery of funding for biodiversity objectives in the next MFF. The EU's current strategy predominantly focuses on integrating biodiversity financing into broader funding streams and sectors, a practice known as "mainstreaming". However, this approach often results in biodiversity having to compete for resources with other priorities and sectors, many of which enjoy stronger political backing from national governments. Consequently, biodiversity projects, which often yield socio-economic benefits only in the medium to long term, are overshadowed by large-scale grey infrastructure projects that promise more immediate economic returns and are quicker to absorb funding.

A merging of existing programming processes into one single spending plan would allow the next EU budget to focus on dedicated policy priorities with strong links to the global objectives. Mirroring the structure adopted under the RRF, this approach would translate EU policy priorities into pillars under the national spending plan, notably including a pillar on biodiversity objectives. It is essential that this pillar is rooted in a clear and dedicated earmarking for biodiversity. This earmarking should be independent and not conflated with climate, circular economy or general environmental objectives to ensure that funding for biodiversity projects does not get deprioritised.

A strong and mandatory mechanism is needed linking agreed biodiversity objectives to the EU budget to ensure that EU funds deliver on EU policy priorities. The amount to be earmarked could therefore be based directly on identified funding needs for the achievement of biodiversity objectives set out in the various legislations and policy documents adopted at EU level. This would create the direct link between policy and budget envisioned by the Commission. Concretely, Prioritised Action Frameworks and the National Nature Restoration Plans would inform the level of required co-financing under the biodiversity pillar. Both planning documents require Member States to set out measures and associated financing

needs. Subtracting available funding at national level and from private sources would yield the required level of EU co-financing. Instead of a rigid spending target, this flexible approach would account for national differences in both investment needs and available funding at national level. Additionally, a spending floor expressed in percentage terms should ensure a minimum earmarking for biodiversity within every national plan.

Activities under this pillar would be guaranteed to contribute fully to biodiversity objectives. This would [reduce the risk of greenwashing](#) experienced with the current mainstreaming approach and facilitate accurate accounting of expenditures. It would also reduce sectoral competition for funding and ensure a better alignment between funding and nature conservation needs. The experience with reporting for NextGenerationEU bonds [has shown the value of implementing impact reporting](#). A set of high-quality output, outcome and result indicators could therefore serve as a basis for verifying the achievement of milestones and targets, disbursement of funds to Member States and reporting on the impact of biodiversity spending.

The national plans should be delivered through a range of appropriate instruments, including grants and loan-based instruments. The choice of instruments for different types of spending and investment needs to be evidence-based. While concessional and blended finance for biodiversity projects should be further explored, [experience has shown](#) that nature projects first and foremost require grants-based public finance to fill revenue gaps and minimise risks of operating in the natural world. Support under this pillar should therefore generally be grants-based and entail low pre- and co-financing requirements. Any increase in loan or equity-based instruments should not come at the detriment of grant components.

Leveraging horizontal principles

A key element of the Commission's approach to creating a simpler and more policy-driven budget will be a common framework of horizontal principles. This framework would include a [harmonised application of the DNSH principle](#) based on sector- rather than programme-specific guidance. Focusing on sectors would enable a simpler and more consistent approach both for beneficiaries and for managing authorities. It would also allow a focus on high-impact sectors that are particularly damaging to biodiversity.

The next EU budget must also play a greater role in improving the implementation of EU environmental legislation. The rule of law and fundamental rights conditionality can be key drivers to enforce and implement the climate and environmental legislation, but so far the lack of enforcement has long been a major driver of biodiversity loss across the EU. The recent Commission communication highlights the clear need for a strong rule of law and the role of the EU budget to enforce this. A key area that is lacking is how this can further extend to the environmental rule of law.

A performance-based budget that conditions funding on the achievement of milestones and targets provides a crucial opportunity to more assertively condition EU funds to drive environmental implementation and enforcement. Sufficient rules must be established to guarantee that funds are only disbursed when the implementation conditions have been met.

Conversely, funds should be suspended in cases of infringement.³ This will further ensure an equal internal market that can deliver a level playing field and a favourable investment landscape.

Lastly, the roll-out of biodiversity measures could be scaled up through a mainstreaming of nature-based solutions. Horizontal requirements could be adopted for the drawing up of national plans where managing authorities for certain types of activities, such as climate adaptation or infrastructure projects, would have to first assess and consider the availability of nature-based solutions, before adopting more traditional grey solutions. This could include, for instance, wastewater projects or flood control measures. Furthermore, the European Commission could provide additional incentives for including nature-based solutions in national plans, such as a faster disbursement of funds. This approach would leverage existing planning and implementation capacity and would increase awareness of nature-based solutions among managing authorities and project promoters, while not making their use mandatory, thereby overcoming existing gaps in knowledge and skills.

Reinforcing capacity at local level

[One of the main obstacles](#) to programming and absorbing funds for biodiversity is a lack of administrative capacity and technical expertise within managing authorities. A delivery model based on performance, rather than costs, would allow Member States to allocate a larger proportion of EU funding to improving the operational capacity of managing authorities at national, regional and local level, for instance by recruiting additional staff. Allowing the reimbursement of operational expenditure for biodiversity projects, rather than just capital costs, would improve absorption and deliver impact too. Most nature restoration and conservation projects require an initial upfront investment for restorative actions and to create the enabling conditions for long-term management of a specific area. A performance-based system would allow reimbursing operational expenditures, that is, mostly staff costs, for the long-term management of protected and restored areas.

A focus on reforms could also help in [strengthening administrative capacity](#). Member States could, for instance, be encouraged to revise recruitment and training procedures as part of their national plans to attract more staff with the needed technical background. Reforms under national plans could also target inter-agency coordination since biodiversity projects tend to require coordination among multiple agencies and have various benefits for different sectors. The intentions for simplification of the budget must not just be at the level and benefit of the Commission services, but this must also extend to simplifying procedures for national managing authorities. A one-sided approach should be avoided where a significant burden is shifted from the EU to managing authorities. Simplification must lead to positive outcomes for all stakeholders involved.

³ As part of the reforms that need to be included in the national plans the European Commission should for instance require Member States to remedy violations of EU law or fully transpose outstanding provisions of directives in the area of environmental law. Conditioning access to EU funds on the correct implementation of EU law would ensure a clear link between policies and spending.