OUR CONCEPT OF BLENDING

**Mixing**: it exploits different sources of funding and different levels of expertise, reputation, support that the range of actors involved can provide

**Public**: market failures and uncertainty require the government intervention in order to attract investors, mitigate risk and create long-term sustainable conditions

**Mobilize**: by reducing risk and granting attractive financial returns, it mobilizes commercial funds towards sustainable projects

**Efficiency**: it guarantees the speed and the efficiency of private investment and differently from the past, decisions are less dependent on the political level

**Intermediaries**: different institutional levels (European Union, national development banks, regional authorities, municipalities) each one having a better understanding of investment opportunities and limitations in its area of competence

*Mixing* pure public money with money of development banks or other public intermediaries in order to *mobilize* private money in strategic and delicate markets, steering efficiency by overcoming the intrinsic limits of grants.
AGENDA

- Our Concept of Blending
- Biodiversity and Life
- Best Practices
- Limitations and Concerns
- NCFF Instrument
- Policy Suggestions
Biodiversity is the **infrastructure that supports all life on earth**. Conservation of ecosystems offer nature based and effective solutions to climate change.

**Humanity depends on the goods and services these ecosystems deliver**, from oxygen and clean water to nutrition and medical treatments.

Translating nature-based solutions into projects represents an **opportunity of enhancing and delivering public environmental goods**.

EU Commission channeled resources into LIFE framework to drive the change

- **More than 4600 projects** were co-financed since programme was launched
- **Target budget is set to increase by 60%** reaching a total of €5.45 billion for the funding period 2021-2027
<table>
<thead>
<tr>
<th>New class of investments</th>
<th>New risk paradigm</th>
<th>New EIB institutional role</th>
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<tbody>
<tr>
<td><strong>Signal to the market</strong> the attractiveness of investments in natural capital and biodiversity, funding <strong>financially self standing</strong> projects.</td>
<td>The guarantee from LIFE budget allows to invest in <strong>emerging and riskier markets</strong>, that otherwise would not be considered by private actors.</td>
<td>Call from the European Council to become the first <strong>Climate Bank</strong> to face world environmental challenges. Support for sustainable finance, environmental resilience and climate change adaptation.</td>
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- **LIFE programme** is the EU funding instrument for environment and climate action
- **Natural Capital Financing Facility** is a tailored financial instrument to fulfill LIFE programme objectives
NCFF is a **financial instrument** that supports biodiversity and climate adaptation. It offers loans and investments in order to build a pipeline of **attractive and self standing** projects. NCFF has also the mandate of offering **technical assistance** to beneficiaries.

### Eligible sectors

- Pro-biodiversity and adaptation businesses
- Payments for ecosystem services
- Green infrastructure
- Biodiversity offsets and compensation

### Assessment criteria

- Capacity of the final recipient and financial intermediary
- Strength and coherence of the business model
- Contribution to LIFE objectives
- Demonstration, replicability and transferability
- Potential leverage effect
- Employment creation or safeguard
**TYPICAL FUNDING SIZE PER PROJECT**
- minimum €2 mln (if direct)
- maximum €15 mln

**FUNDING VEHICLE**
- direct/intermediated debt financing
- equity investment funds
- typical length ranges between 5 and 15 years

**FUNDING SHARE**
- Up to 75% of total project costs for debt financing
- Up to 33% participation in equity funds

**FINANCE FACILITY**
- LIFE contribution
  - €50 mln
- EIB financing
  - €125 mln

**TECHNICAL ASSISTANCE FACILITY**

"Innovative conservation and nature-based solutions projects often need more than formal investment to get them established or thriving"

€10 mln from LIFE programme budget
<10% of the total investment in the project
Max €1 mln granted per project

**Support** to optimize the preparation, implementation, monitoring and evaluation of a project along many dimensions:

I. Business model management
II. Financial reporting and analysis
III. Legal structure identification
IV. Training on specific unfamiliar elements
OUR CONCEPT OF BLENDING

BIODIVERSITY AND LIFE

NCFF INSTRUMENT

BEST PRACTICES

LIMITATIONS AND CONCERNS

POLICY SUGGESTIONS
OBJECTIVE:
Provide both financial and technical support to the Athens Resilience 2030 Strategy, designed after the crisis to help the City to face challenges such as unemployment, refugee flows and environmental degradation.

5 million NCFF loan + 55 million EIB framework loan for resilient urban renewal and development of the Municipality of Athens.

It is expected to generate investments for 200 million.

Main actions to undertake:
Integration of green components in public infrastructure through small scale priority projects to enhance the overall resilience to climate change:
1) reduce energy use
2) create green corridors
3) improve local transport infrastructure
4) enhance waste management
5) upgrade cultural services and public spaces

(Acropolis; Athens, Greece)
**OBJECTIVE:**

*Multi Beneficiary Intermediated Loan* (MBIL) to the Croatian Bank for Reconstruction and Development (HBOR) targeting projects for biodiversity, ecotourism, sustainable agriculture and forestry.

**FOCAL POINTS:**

HBOR relies on *EIB technical assistance* package to build an efficient envelope of eligible projects.

EIB leverages on *HBOR special expertise* of local developing businesses and knowledge of Croatian market.

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**First intermediary to benefit from both financing and technical preparations supported by NCFF:**

HBOR case offers strong potential replicability and can constitute a *milestone* for a broad set of operations across EU.

The *virtuous model of collaboration* with local NPB is pivotal for effectiveness and key to success.

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The virtuous model of collaboration with local NPB is pivotal for effectiveness and key to success.

First intermediary to benefit from both financing and technical preparations supported by NCFF.

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(Plitvice Lakes National Park; Croatia)
OUR CONCEPT OF BLENDING

BIODIVERSITY AND LIFE

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BEST PRACTICES

LIMITATIONS AND CONCERNS

POLICY SUGGESTIONS
NCFF AND BLENDING LIMITATIONS

1. INSUFFICIENT EXPERTISE
   - Heavy eligibility, reporting, monitoring criteria and requirements might act as a deterrent to the appeal of NCFF to potential beneficiaries.

2. NETWORK MANAGEMENT
   - High number of actors at European, national, regional and local level. A clear and non overlapping framework of competences is necessary though complex to build.

3. OUTCOME EVALUATION
   - Biodiversity sector has a widely fragmented structure. Assessing additionality is challenging both at single project and entire programme level.

4. POLITICAL INVOLVEMENT
   - Removing political evaluation from investment selection might bias towards financial consideration, with the risk of overlooking impact and development goals.
AGENDA

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LIMITATIONS AND CONCERNS

POLICY SUGGESTIONS
Professional support should be prioritized since both final beneficiaries and public intermediaries often need to be properly trained and advised. In our view this issue is worsened in rapidly growing sectors like biodiversity and ecotourism, where entrepreneurs are not traditionally used to adapt businesses to market mechanisms.

Developing and signaling to the market new business areas is certainly easier through a carefully designed environment. Institutions, NPBs and actors need to combine competences and expertise to reach local projects both in an efficient and effective way (Cfr. Croatia HBOR).

What emerged from the few cases at disposal suggests that we are still concentrating on ex-ante parameters of financial additionality. Need for a more comprehensive evaluation system, including development additionality.

Firms and actors linked to biodiversity and ecosystem maintenance can be particularly small and unaware of EU blending initiatives. Involving intermediaries along the institutional chain can help reaching micro level enterprises.

The EU bank as “EU Climate Bank” will make a further step in leading the tackle to the world’s environmental challenges. The prospective role will give the chance to deploy even more resources and commitment to drive the transition.
THANK YOU

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