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Private Finance and Nature-based Solutions: can intermediation challenge the status quo?

Janneke Horsten, MSc.[1], Prof. John Garvey[2], Dr. Mark van Nieuwstadt[3]

1) Naturalis Biodiversity Center, the Netherlands, janneke.horsten@naturalis.nl
2) Kemmy Business School, University of Limerick, Ireland, john.garvey@ul.ie
3) Naturalis Biodiversity Center, the Netherlands, mark.vannieuwstadt@naturalis.nl

Summary

Despite the urgent need to increase funding for initiatives that halt biodiversity loss, a systemic mismatch persists between mainstream finance and Nature-based Solutions (NbS). While the financial sector operates at a global scale with standardized risk/return metrics, NbS projects are typically local and context specific. This research proposes biodiversity-finance (biofin) intermediation as the structural intervention to bridge this gap. Through the analysis of publications from leading financial institutions we identified eight core intermediating functions.

Our findings suggest that allocating these functions to skilled organizations can mobilize investments in NbS. Specifically, landscape organizations emerge as important potential intermediaries capable of aligning the interest of landowners, investors and regulators while safeguarding ecological integrity. By integrating these functions, biofin intermediaries act as a necessary governance layer, evolving NbS from niche projects into mainstream and bankable investment portfolios.

The biodiversity-finance gap

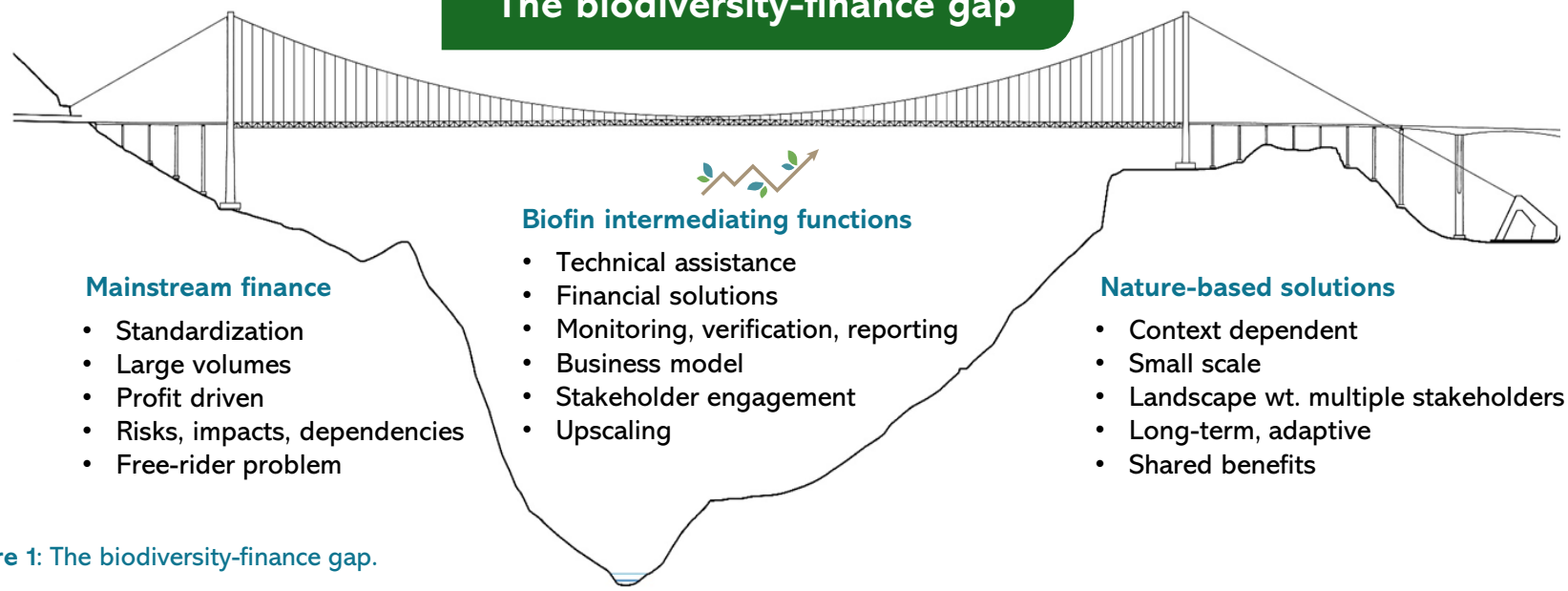

Figure 1: The biodiversity-finance gap.

Introduction

The successful implementation of Nature-based Solutions (NbS) depends on local, context-specific approaches. However, this local specificity hinders the inclusion of NbS in standardized risk assessments used by global financial institutions. Despite decades of effort, private capital remains largely untapped. The BIOFIN-EU project addresses this disconnect by defining biodiversity-finance (biofin) intermediating functions. These functions serve to align large-scale financial requirements with local ecological realities, providing a structured framework to institutionalize NbS investments within mainstream decision-making processes.

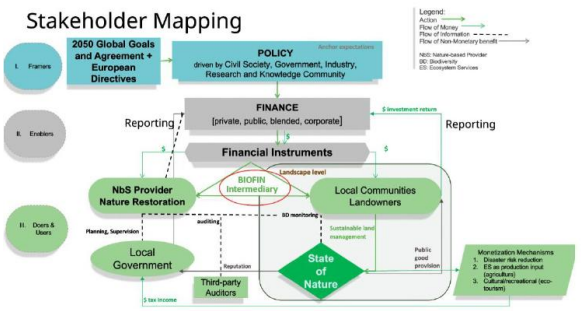

Figure 2: Biofin stakeholder landscape.

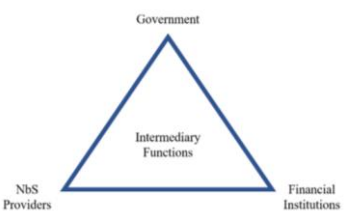

Figure 3: Intermediation nexus.

Results

Our co-created, interdisciplinary stakeholder map elucidates the position of biofin intermediation in the larger stakeholder landscape (figure 2). Subsequent analysis of reports of major financial institutions identified eight core biofin intermediating functions to drive NbS capital flow, the most notable being scaling and technical assistance. A key finding is that landscape organisations, though not originally designed as biofin intermediaries, are uniquely positioned to inhabit this role as they already perform several core functions (figure 1, table 1). However, a functional gap remains. While these organisations excel at the ecological and governance level, they currently lack the financial structuring expertise required to attract institutional investors.

Real-world example: Waters of LIFE

Tasks	Needs
Expert advise Stakeholder coordination Monitoring Landowner training Payment schemes Reporting	Policies, legislation, corporate guidelines Payment mechanisms (financial instrument) Standardized environmental data Landscape assessments Science based knowledge
Accountability	**Business plan**
(Effectiveness, integrity) Reporting structure Certification Share approach	(For own organization) Upscaling **Currently:** public funding **Future:** public, blended or private funding

Table 1: Functions of a landscape organisation.

Discussion

The findings underscore the structural importance of biofin intermediating functions at the nexus between financers, governments and NbS providers (figure 3), but also a divergence in how intermediation is perceived. Financial institutions often apply a traditional, narrow lens, whereas effective NbS delivery requires a hybridized approach that integrates financial, technical, environmental, and societal capabilities. While landscape organisations appear to be the logical missing link, their lack of financial literacy presents a bottleneck. Bridging the divide requires a clear allocation of roles across the value chain and robust public policy to de-risk NbS for private and blended finance.

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Conclusion

Intermediation is a standard financial tool, yet its application to biodiversity remains underutilized. By defining a blueprint for biofin functions and roles, we demonstrate that landscape organizations possess significant untapped potential to develop the NbS market. To meet global biodiversity targets, we must move beyond ad hoc solutions. Integrating these specialized intermediaries into the broader financial ecosystem, we can transform the 'context-specificity' of nature from a barrier into a structured, scalable asset class.

References

BIOFIN-EU, Horsten, J. & van Nieuwstadt, M. (2025) *D2.3: Interim Report: The Role of intermediation in Decision-making for Nature-based Solutions*. 73 pp.

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