POLICY BRIEF

Beyond public funds: diversifying financing for wetland restoration

KEY MESSAGES

- The global funding gap for ecosystem conservation and restoration, including wetlands, requires the implementation of new financial mechanisms that encompass public and private investment efforts.
- Research from the Horizon Europe RESTORE4Cs project shows that while the public sector usually funds the capital costs of coastal wetland restoration, ensuring stable, long-term funding for management and maintenance remains a major challenge.
- Blended financial instruments can help align private capital from financial institutions, impact investors, and other stakeholders with public priorities and policy frameworks.
- The role that policymakers can play in encouraging private investment includes: reducing investment risk; creating a market for ecosystem services; applying financial incentives; and improving the integration of wetland and broader nature policies while enhancing long-term planning.

RESTORE4Cs is a Horizon Europe project that aims to evaluate the effects of restoration actions on wetlands' ability to mitigate climate change and deliver a range of ecosystem services, using an integrative socio-ecological systems approach. More information is available at: https://www.restore4cs.eu/

Introduction and policy context

Wetlands provide fundamental ecosystem services, including clean water, food production, flood protection, and carbon storage, accounting for more than 7.5% of global GDP, despite covering only 6% of the Earth's surface[1]. This value would be even higher if indirect benefits from well-maintained ecosystems were accounted for. Despite their environmental importance, and how critical they are to human well-being, 0.52% of wetlands are lost every year globally. This stems from a considerable lack of funding for their conservation and restoration and contributes to undermining efforts to address climate change and biodiversity loss[1]. According to the **Global Wetland Outlook** 2025, wetlands receive only a small portion of global funding for nature-based solutions and climate action, with less than 9% allocated to freshwater ecosystems[1]. Therefore, wetlands continue to be neglected in budgets, widening a gap that is not only financial but also one of priority in political agendas.

Closing the conservation and restoration funding gap requires increasing investments in nature-positive actions and redirecting harmful investments toward projects that mitigate damage and deliver environmental co-benefits 1. This is in line with various policy frameworks on the subject:

- At the global level, the Kunming-Montreal Global Biodiversity Framework[2], which states amongst its objectives: *Target 18* which calls for reforming harmful subsidies, and *Target 19* which stresses that public finance, though important, is insufficient to close the biodiversity funding gap and achieve the goal of reversing nature loss.
- At the EU level, the most relevant policy frameworks include the **EU Nature Restoration Regulation**[3], which sets binding restoration targets for degraded ecosystems including wetlands and provides initiatives to stimulate and mobilize private financing, such as the InvestEU program.
- The **EU Biodiversity Strategy for 2030**[4], which recognizes that tackling biodiversity loss will require significant public and private investments at both national and European levels and calls for better mobilization of these resources.
- Finally, the recent **Roadmap towards Nature Credits**[5] launched by the European Commission to *"incentivise private investments into actions that protect and preserve nature, and reward those who undertake these actions and invest in them"*.

There is a growing need for collaborative mechanisms to break the overdependency on public funds to finance climate action and attract private capital. This will involve a major change in current funding for wetlands conservation and restoration.

This policy brief explores the role of policy makers to support the shift towards a bigger role of private funding for wetlands ecosystem well-being.

1. Current financing practice for wetland restoration in RESTORE4Cs case studies across Europe

Grants in the form of public transfers, official development assistance, private philanthropy or individual grants remain the most frequently used financial instruments in wetland conservation and restoration. RESTORE4Cs research on selected case studies of coastal wetland restoration - Marjal dels Moros in Spain, Petit Badon and Le Cassaïre in France, Carasuhat in Romania, and Rammegors in the Netherlands - have confirmed this practice in funds procurement (see example in Box 1).

Across the five case studies studied in RESTORE4Cs, capital costs for restoration are funded, often through EU funds or national support. These costs typically involve large one-off investments such as earthworks, or water control infrastructure such as dikes and pumps. However, the recurring costs remain largely overlooked and are often underfunded. Recurring costs involve maintenance, monitoring, regulation design, adaptive management (for example to control invasive species), education and outreach. In most case studies of restoration that depend solely on public funds, the absence of structured long-term financial plans limits the potential to scale up restoration efforts.

RESTORING SALT MARSHES AND MUDFLATS IN RAMMEGORS, THE NETHERLANDS

Rammegors is a nature reserve in the southwest Dutch delta, part of Natura 2000 network and Ramsar site. In 2010, tidal water access to Rammegors, which had been suspended since 1970, was reintroduced through the construction of a lockable culvert. This allowed for the restoration of 145 hectares of salt marshes and mudflats, reestablishing a saline ecosystem. This case highlights how government departments from different areas of intervention successfully collaborated to design and finance the one-off infrastructure cost by public funding. However, declining maintenance funds are complicating daily site management, making it necessary to explore alternative, long-term funding sources to keep working on restoration.

2. Potential role for private funding and its challenges

The public funding programs are often short-term (e.g., EU schemes), while national funds depend on shifting political priorities and are poorly coordinated. Therefore, multilateral organizations, national governments, and public agencies need to increasingly use blended finance instruments, combining public and private funds. This would secure large-scale funding while maximizing the efficiency of scarce public resources.

Providers of blended finance, including finance institutions, impact investors and other stakeholders, may face challenges in finding viable wetland investment opportunities6 that align with their risk profiles and participation costs (e.g. green finance, nature credits, payments for ecosystem services, tax incentives)[6]. Restoration projects on ecosystems, including wetlands, can be risky from the private investor's point of view given the nature of the activity, political risks, weak governance and uncertainty about the rate of return which can discourage investors[7]. The public sector can create an enabling environment by providing incentives for conservation and supporting the development of new revenue streams[8].

3. Policy recommendations: opportunities for public actors to leverage private funding

Policy makers at all levels have a key role to play to accelerate action for protecting and restoring wetlands in Europe through financial leverage of private funding. Key recommendations include:

a. Reduce investment risks

→ Raise awareness about the natural and socioeconomic value of wetlands to help make their conservation and restoration a political priority and encourage the general public to support it.

→ Develop legally binding instruments for scaling up ecosystem restoration, through stable and transparent regulatory frameworks to give investors long-term certainty.

→ Set ambitious and measurable targets on wetland restoration, precise time-scales, robust monitoring and evaluation criteria and sufficient funding.

→ Design blended finance schemes that incorporate guarantees and risk-sharing mechanisms (e.g. partial credit guarantees or first-loss capital) to protect investors, while using public–private co-financing to signal confidence in projects and increase the financial impact.

b. Create and strengthen markets for ecosystem services

→ Create and endorse Payment for Ecosystem Services (PES) schemes, where landowners are compensated for conservation or restoration of wetlands.

→ Develop a trustworthy credit system (e.g., carbon, nutrient, or biodiversity credits), backed by governmental regulations, that links to measurable ecosystem outcomes and delivers clear, additional benefits for nature.

→ Develop certification and labelling schemes to enable consumers and businesses to pay a premium for products or services from wetlands that produce environmental co-benefits or reduce negative impacts.

c. Offer financial incentives

→ Tax breaks or deductions for those participating in financing mechanisms for the restoration of wetland ecosystems.

→ Concessional loans with lower interest rates for restoration or conservation projects. Decrease subsidies and funding to sectors that have negative impacts on ecosystems thereby narrowing the financial gap.

d. Integrate wetlands into broader policy and planning

→ Formulate long-term policy plans for restoration that limit reliance on short-term political priorities that could redirect capital based on changing agendas.

→ Promote engagement of local authorities and active ownership of wetland management by local communities to ensure it is firmly rooted in the local context.

→ Strengthen synergies across policy sectors by recognizing the contribution of wetlands to diverse objectives—biodiversity, climate, water quality, health, and land degradation neutrality—and aligning these with existing global and regional frameworks such as the SDGs, the Global Biodiversity Framework, the Paris Agreement, the Ramsar Convention, and the EU Green Deal.

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