



REFOREST

Organisation: Euro-Mediterranean Economists Association (EMEA)



Policy Brief #2 **Finance and Investment Mechanisms for Agroforestry** **Transition in Europe**

Understanding the Investment Gap and Post-2027 CAP Implications

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EXECUTIVE SUMMARY

The post-2027 Common Agricultural Policy (CAP) will play a decisive role in determining whether agroforestry becomes a niche environmental practice or a scalable component of Europe's agricultural transition.

Despite broad recognition of its contribution to climate resilience, biodiversity, soil health, water management and farm diversification, agroforestry adoption remains limited across Europe. Evidence from the ReForest project suggests that the challenge is not simply a lack of public support, but a broader investment gap that prevents farmers, financial institutions, and value-chain actors from engaging in agroforestry at scale.

Data collected across ReForest Living Labs show that less than one-third of surveyed practitioners consider existing finance sufficient to support agroforestry investments. Engagement with private finance is limited, while access to specialised advisory services remains uneven. These findings point to structural barriers that extend beyond farm-level decision-making and reflect weaknesses in how agroforestry is valued, financed, and integrated into markets.

This brief argues that the investment gap can be understood through three interconnected dimensions:

1. A **valuation gap**, where ecosystem services, resilience benefits and long-term productivity gains remain insufficiently recognised in mainstream economic and financial decision-making.
2. A **financing gap**, where farmers face immediate establishment costs and delayed returns, while agroforestry-specific guarantees, concessional loans, insurance products and blended-finance mechanisms remain too limited to share transition risk effectively.
3. A **market gap**, where farmers struggle to capture value through supply chains, ecosystem-service markets and sustainability-driven demand.

The ReForest Sustainable Financing Scheme responds to this challenge through a phased approach that combines ex-ante support, action-based payments, results-based incentives, and advisory services. Its logic is to align finance with the biological and economic cycles of agroforestry systems, reducing early-year liquidity pressure while creating pathways to verified environmental outcomes, market revenues, and private investment.

For the post-2027 CAP, the policy priority is to move beyond isolated grants and short-term establishment payments. CAP support should provide a stable foundation for agroforestry adoption, while also helping mobilise complementary capital from development and regional banks, cooperatives, philanthropic actors, agri-food companies, and investors. This requires public support to be more clearly linked to advisory services, proportionate MRV, risk-sharing mechanisms, ecosystem-service payments, and value-chain partnerships.

The recommendations presented in this brief focus on closing the valuation, financing and market gaps that continue to limit agroforestry expansion across Europe. They aim to improve early-stage cash flow, reduce transition risks, recognise ecosystem-service value, strengthen advisory and digital

support, and create market pathways that allow farmers to capture a fairer share of the value they generate.

KEY TAKEAWAY

Agroforestry finance requires structured, multi-layered investment packages that align public support, private capital, risk-sharing mechanisms, advisory services, and market integration pathways to enable long-term adoption, ecosystem service delivery, and farm-level resilience.

SUMMARY TABLE OF MAIN POLICY RECOMMENDATIONS

No.	Policy recommendation	Core action	Expected contribution
1	Bridge early-year cash-flow gap with phased finance	Combine ex-ante, action-based and results-based payments with advisory support, risk-sharing tools	Reduced liquidity pressure, improved continuity, increased adoption, and investor confidence
2	Use CAP support as catalytic capital for wider investment	Mobilise CAP payments to crowd in private, development, cooperative and philanthropic finance	Increased investment in agroforestry, improved access to finance, greater long-term sustainability of AF projects
3	Share transition risk through de-risking mechanisms	Deploy guarantees, first-loss capital, concessional loans, grace periods, climate insurance, and advance purchase agreements	Reduced collateral and financing barriers, lower perceived risk, increased lender and investor participation
4	Mobilise banks, development finance and investment platforms	Establish thematic investment platforms to pool small and medium-sized agroforestry projects, providing concessional credit, guarantees, technical assistance, and advisory support	Increased mobilisation of private and development finance, lower transaction costs, improved bankability of AF projects
5	Improve investment readiness through valuation, modelling and decision-support tools	Deploy FarmTree, Decision Analysis, NPV modelling, and ecosystem-service valuation to guide financing decisions	More robust business cases, reduced uncertainty for investors and lenders, improved alignment with CAP and blended finance

6	Turn ecosystem-service value into payments and contracts	Translate verified carbon, biodiversity, water and soil outcomes into CAP payments, supply-chain contracts and nature-market revenues	Additional revenue streams for farmers, verifiable outcomes and stronger incentives for adoption and maintenance
7	Strengthen agroforestry value chains and incentivise private co-investment	Support processing, storage, aggregation, sourcing partnerships, insetting programmes and ESG-aligned procurement by value-chain actors	Improved market access, stronger local value chains, diversified income streams and greater private co-investment
8	Strengthen market access and demand for agroforestry products	Support certification, traceability, short supply chains, public procurement, consumer awareness and long-term buyer relationships for agroforestry products	Increased value capture, improved revenue stability, stronger demand and greater investor confidence

Table.A2 Summary Table of Main Policy Recommendations. Source: Authors' own elaboration.

1.INTRODUCTION

Agroforestry (AF) offers a productive and regenerative land-management system for climate mitigation, adaptation, biodiversity, soil health and farm resilience. **Policy Brief #1** set out the governance and regulatory case for supporting its expansion and showed why it must be better embedded in the post-2027 CAP. This brief turns to the finance case and reflects on how agroforestry can move from a transition cost borne by farmers to an investment opportunity recognised and supported by public policy, private finance , and value-chain actors.

For farmers, agroforestry requires significant upfront investment, changes in management practices, and a waiting period before trees generate meaningful returns. For lenders and investors, these characteristics create uncertainty around payback periods, collateral, and revenue predictability. The complexity is further amplified by the fact that many agroforestry benefits also emerge gradually and extend beyond the farm gate, creating an uneven distribution of incentives in which farmers carry much of the transition risk while part of the value created is captured elsewhere. Public policy, private capital and value-chain actors therefore have a shared role in

reducing transition risks and converting ecosystem services, resilience and risk reduction into workable payments, contracts and de-risking mechanisms³⁴.

ReForest evidence confirms this financing gap. Survey and interview results show insufficient financing, limited engagement from private, banking and philanthropic actors, and uneven access to agroforestry-specific advisory services. These findings reveal structural constraints and show that agroforestry adoption depends on factors such as the amount of finance available, the timing of payments, the perceived risk of long-term returns, and the strength of connections between farms, investors, advisory systems and value-chain stakeholder.

The ReForest Financing Scheme, designed and applied by the Euro-Mediterranean Economists Association (EMEA) research team, responds to this mismatch by aligning financial support with the biological and economic cycle of agroforestry systems. Its structure combines ex-ante payments for planning and establishment costs, action-based payments during implementation, results-based payments linked to verified environmental outcomes, and continuous advisory services for system design, monitoring and financial planning. This phased structure reflects the reality of tree-based systems, where costs come early, returns arrive later, and many benefits only become measurable over time³⁵.

The following sections outline the financing logic, evidence, and policy actions needed to make agroforestry a credible and resilient investment pathway. Public support remains essential, particularly during the establishment phase when costs are high and returns are delayed. However, public funding alone will not be sufficient. A successful regenerative transition requires financing models that reduce risk, mobilise private capital, strengthen market opportunities, and ensure that farmers receive a fairer share of the value created by agroforestry systems.

BOX 1. Why Now? A Strategic Window for Agroforestry

European agriculture is entering a period of major policy and economic transition. The forthcoming CAP 2028–2034, the implementation of the Carbon Removal Certification Framework (CRCF), growing climate adaptation and water resilience priorities, and increasing sustainability requirements for agri-food value chains are creating new incentives for multifunctional land-use systems. This creates a unique window for agroforestry. Beyond its environmental benefits, agroforestry can strengthen farm resilience, support climate adaptation, improve water retention, diversify farm income, and contribute to Europe's competitiveness and long-term food security.

Failure to act carries growing economic and strategic risks for Europe. Climate change is already reducing agricultural resilience through more frequent droughts, heatwaves, floods and water scarcity, while scientific assessments from the IPCC and IPBES indicate that these pressures are likely to intensify over the coming decades. At the same time, farmers face increasing exposure to volatile commodity prices, rising input costs, supply-chain disruptions and environmental

³⁴ This framing draws on public value and market-shaping literature, see: Mazzucato, M. and Ryan-Collins, J. (2019). Putting value creation back into 'public value': From market fixing to market shaping. UCL Institute for Innovation and Public Purpose, Working Paper Series. <https://www.ucl.ac.uk/bartlett/public-purpose/wp2019-05>

³⁵ See: Hajdukovic, I. (2024). AF sustainable financing scheme (Deliverable D5.4). Horizon Europe Project 101060635 – REFOREST. [ReForest-D5.4-AF-Sustainable-financing-scheme.pdf](#)

degradation. These trends threaten food security, water security, rural livelihoods and the long-term competitiveness of European agriculture.

Without greater investment in resilient production systems, adaptation costs are likely to rise, farm profitability may decline, and Europe could become more vulnerable to external market shocks and resource dependencies. Agroforestry should therefore be viewed not only as an environmental practice, but as a strategic investment in Europe's resilience and rural prosperity.

Table X: Why Now? A Strategic Window for Agroforestry. Source: Authors' own elaboration

2. UNDERSTANDING THE INVESTMENT GAP

Current financing arrangements are poorly aligned with the economic realities of agroforestry. Conventional agricultural financial products are typically designed around short production cycles, predictable annual revenues and standard collateral requirements, while agroforestry requires longer investment horizons and accommodates more complex revenue streams. ReForest evidence shows that many farmers face difficulties accessing adequate finance, private investment and specialised advisory support, despite growing recognition of agroforestry's environmental and economic benefits. Less than one-third of surveyed practitioners considered their financing sufficient to support agroforestry activities; fewer than 40% reported engaging with private, banking, or philanthropic sources; and around 40% reported no access to agroforestry-specific advisory services (Zibecchi, 2025). These figures point to a weak financing landscape that remains heavily dependent on public support and lacks sufficient access to long-term credit, blended finance, guarantees, insurance, impact investment, supply-chain finance and nature-based funding mechanisms.

A key reason behind these findings is the mismatch between when costs occur and when benefits materialise. Farmers must cover design, planting, protection, labour, machinery adaptation, management changes and monitoring before tree-based revenues mature. Meanwhile, benefits such as improved soil health, water regulation, carbon storage, biodiversity enhancement, crop diversification and reduced input dependency accumulate gradually over time. For many systems, a five-year support period is too short, as commercial and ecosystem-service returns may take 10–30 years to become significant. This creates liquidity pressure and weakens the investment case, especially for small- and medium-sized farms with limited savings, land access, and/or collateral.

The challenge is not unique to agroforestry. It reflects a wider imbalance in nature finance, where investments that generate long-term environmental and societal benefits continue to receive only a small share of overall capital flows. UNEP (2026) estimates that for every US\$1 invested in protecting nature, around US\$30 flows to nature-negative activities. In 2023, for example, nature-based solutions received around US\$220 billion, while annual investment needs were estimated at US\$571 billion by 2030.

The banking and investment sector also has a direct stake in addressing this challenge. Financial institutions are exposed to nature degradation through the companies and sectors they finance. Ceglar et al. (2025) find that 72% of analysed euro-area companies have high dependency on

at least one ecosystem service, while around 75% of loans to euro-area companies are exposed to borrowers with high ecosystem-service dependency. The study also shows that, among 2,500 analysed banks, the 100 banks with the largest financed biodiversity footprint account for 87% of the total biodiversity footprint associated with euro-area bank lending. These findings indicate that ecosystem degradation is increasingly a financial concern, strengthening the case for investments that enhance ecosystem resilience.

Despite growing recognition of nature-related risks, financial actors still struggle to respond to nature's investment needs. Stakeholders consulted by ReForest explained that AF projects may appear risky because revenues are delayed, collateral is limited, cash flows are uncertain and environmental benefits are hard to price. Evidence from the European Investment Bank (2017) on access to finance in bio-based industries and the blue economy shows that financial market participants are interested in the sustainability and growth potential of bioeconomy investments, but remain cautious where information asymmetries, market and demand uncertainty, unstable revenues and limited sector-specific risk assessment capacity make projects harder to finance.

As discussed in **Discussion Policy Paper #4**, many benefits generated by agroforestry remain only partially reflected in market prices, farm accounts and investment decisions. While establishment costs are immediate and visible, benefits such as improved soil fertility, water regulation, carbon storage, biodiversity enhancement and climate resilience often emerge gradually and remain difficult to monetise. As a result, agroforestry may appear less competitive than it is over the full life cycle of the system³⁶.

This creates a valuation gap that directly affects investment decisions. Many resilience benefits are expressed through avoided costs rather than additional revenues, including reduced exposure to droughts, floods, soil degradation, and input price volatility. Yet these avoided losses rarely appear in conventional financial assessments. Existing markets, accounting frameworks and financing models therefore tend to reward short-term production more effectively than natural capital accumulation, risk reduction and long-term system performance, weakening the investment case for agroforestry despite its broader economic value.

Advisory and monitoring capacity are part of the same investment challenge. As highlighted in **Discussion Policy Paper #3**, advisory services should be viewed not simply as support for individual farmers, but as part of the implementation infrastructure required to deliver agroforestry and other performance-based environmental policies³⁷. Agroforestry requires support for system design, species selection, labour planning, business modelling, regulatory compliance, monitoring and long-term management. Weak advisory systems increase implementation risks, reduce farmer confidence and can limit the effectiveness of public support measures.

At the same time, monitoring, reporting, and verification (MRV) requirements can create additional barriers when technical requirements, data collection, or reporting systems become

³⁶ See: Hajdukovic, I. (2024). AF sustainable financing scheme (Deliverable D5.4). Horizon Europe Project 101060635 – REFOREST. [ReForest-D5.4-AF-Sustainable-financing-scheme.pdf](#)

³⁷ See: Zibecchi, T. (EMEA), & Staton, T. (2026). Discussion Policy Paper #3: Advisory Services. REFOREST.

overly complex. This challenge is likely to grow as environmental markets, results-based schemes and sustainability reporting requirements expand. Without accessible advisory support and adequate technical capacity, smaller farms may be excluded from carbon, biodiversity or ecosystem-service payments, even when they deliver real environmental benefits.

As highlighted in the *Discussion Policy Paper #6*, digital infrastructure is becoming a prerequisite for performance-based agricultural governance rather than simply a technical support tool. The expansion of carbon and nature credit markets, sustainability reporting requirements, results-based payments, and ecosystem-service schemes increasingly depend on credible, interoperable, and verifiable data. Digital monitoring systems, remote sensing, environmental modelling and decision-support tools can help reduce transaction costs and improve transparency, but they also raise questions regarding data ownership, interoperability, accessibility and trust. Without appropriate governance frameworks and support for adoption, digitalisation may create new barriers for smaller farms rather than improving access to finance and environmental markets³⁸.

Market access remains a further constraint. As developed in *Discussion Policy Paper #2*, it is argued that agroforestry value chains depend on more than farm-level production³⁹. Farmers often need processing capacity, aggregation models, certification, branding, and stable buyer relationships that individual farms cannot develop on their own. Without these enabling conditions, agroforestry systems may generate environmental and social value but fail to allow farmers to capture sufficient economic value through prices, payments, or contracts. Short supply chains, cooperatives, shared infrastructure, advance purchase agreements, ESG-aligned procurement, certification schemes, price premia, carbon farming, and nature credits can strengthen revenue stability and make agroforestry projects more credible to lenders and investors. DP#2 also highlights the role of demand creation through public procurement and emerging corporate sustainability requirements, including CSRD, Scope 3 reporting and nature-related disclosures. These demand-side pathways are central to closing the market gap and improving the bankability of agroforestry investments. DP#2 also highlights the role of demand creation through public procurement and emerging corporate sustainability requirements, including CSRD, Scope 3 reporting and nature-related disclosures. These demand-side pathways are central to closing the market gap and improving the bankability of agroforestry investments.

The evidence presented above suggests that the agroforestry investment gap is best understood through three interconnected gaps. The first is a **valuation gap**: ecosystem services, resilience benefits, risk reduction, and long-term productivity gains remain only partially reflected in farm accounts, payment systems, and investment decisions. The second is a **financing gap**: establishment costs are immediate, while many returns emerge only gradually as agroforestry systems mature. The third is a **market gap**: farmers often struggle to capture the value generated by ecosystem services, differentiated products, and resilient production systems.

³⁸ Zibecchi, T., & Simonson, W. (2026). Discussion Policy Paper #6: Digital Infrastructure, Data Governance and Decentralised Innovation for Agroforestry. Horizon Europe Project 101060635 – REFOREST.

³⁹ Zibecchi, T., & Simonson, W. (2026). Discussion Policy Paper #6: Digital Infrastructure, Data Governance and Decentralised Innovation for Agroforestry. Horizon Europe Project 101060635 – REFOREST.

3. REFOREST SCHEME DESIGN, APPLICATION AND IMPACT ANALYSIS

3.1 THE REFOREST SUSTAINABLE FINANCING SCHEME

Building on this investment-gap diagnosis, the REFOREST Sustainable Financing Scheme provides the design foundation for the project's financing approach.

D5.4 - AF Sustainable financing scheme (2024) aligns financial support with the biological and economic cycle of agroforestry systems. It combines ex-ante payments for planning and establishment, action-based payments during implementation, results-based payments linked to verified ecosystem-service outcomes, and advisory services throughout the project cycle. This structure reflects the reality that costs arise early, while many returns depend on tree growth, system maturity and the gradual development of ecosystem services. Ex-ante payments reduce upfront barriers linked to planning, feasibility work, farm assessment, tree planting and establishment; action-based payments provide predictable support for adoption and maintenance; results-based payments reward verified outcomes such as carbon sequestration, biodiversity enhancement, soil health and water quality once these benefits become measurable; and advisory services support system design, species selection, monitoring, compliance and long-term management. D5.4 also shows that agroforestry finance cannot rely on a single source of support. CAP instruments, including eco-schemes, AECMs, investment measures, and State aid, can help cover establishment and management costs, while private actors such as agri-food companies, banks, impact investors, foundations, and carbon markets can provide complementary finance. However, the report also highlights that existing mechanisms remain fragmented, with public payments not yet systematically linked to verified environmental results, voluntary carbon markets too narrow to reward the full range of agroforestry benefits, and private-sector incentives often not explicitly connected to measurable ecosystem-service outcomes.

D5.5 - Report of AF Financing Model Application (2025) then moves from scheme design to application. It tests the relevance of the financing model against field-level evidence from the ReForest Living Labs, survey responses, and follow-up interviews, connecting the proposed financing structure to the real conditions faced by agroforestry practitioners. The report examines land ownership patterns, farm typologies, advisory structures, CAP integration, and adoption factors across ReForest countries, showing how tenure, farm scale, institutional capacity, and access to support shape the feasibility of agroforestry financing. It also profiles the Living Labs through statistics on farm size, adoption year, organic status, livestock presence, and agroforestry system type. This is complemented by primary data from 38 survey respondents, including quantitative and qualitative barrier analyses by country and cohort, distinguishing between EU and UK respondents, AF and non-AF farmers, and first-, early-, mid-, and late-adopters. The report further includes barrier-correlation analysis across ReForest, EU, and UK samples, showing how policy uncertainty, MRV complexity, financial risk, advisory gaps, and insurance constraints reinforce each other. Six guided interviews produced ten practical takeaways on long-term finance, simpler MRV, advisory support, market access, land-use rules, flexible scheme design, and co-benefits beyond carbon.

3.2 QUANTIFYING THE SCHEME AS NEXT STEPS

A subsidy-only baseline can help farmers cover part of the establishment costs of agroforestry, but it leaves several structural challenges unresolved. Tree-based systems continue to face delayed revenue streams, limited collateral, exposure to climate and market shocks, and limited access to markets that reward environmental performance. While public support remains essential, long-term reliance on a single funding source creates vulnerability to policy changes, budget constraints and administrative complexity. Agroforestry becomes more economically viable when farmers can combine different financing instruments and capture value through diversified products, local identity, processing, short supply chains, direct sales, community-supported agriculture, agritourism, renewable energy and ecosystem-service payments.

To translate the ReForest Sustainable Financing Scheme into actionable insights, the next step involves developing a quantitative assessment framework capable of evaluating multiple financing pathways for agroforestry investments⁴⁰. Unlike a single funding decision, this framework examines how combinations of public support, private finance, risk-sharing instruments, advisory services and market-access mechanisms affect project performance over time. Using a Decision Analysis approach⁴¹ The framework measures impacts on cumulative cash flow, net present value (NPV), break-even year and return on investment (ROI), helping identify financing packages that improve bankability, strengthen resilience during the transition phase and increase investor confidence.

CAP support and public subsidies serve as the baseline scenario against which more structured financing packages are assessed. The framework tests whether adding complementary layers, such as risk-sharing instruments, concessional finance, advisory support and market-access tools, can improve financial performance over time. The central hypothesis is that diversified financing packages can accelerate break-even, strengthen bankability and reduce exposure to climate, market and policy-related risks compared with conventional financing approaches.

⁴⁰ Zibecchi, T., Kasargodu Anebagilu, P., Hajdukovic, I., Ayadi, R., & Luedeling, E. (forthcoming). Evaluating Structured Financing Frameworks for Agroforestry: A Decision Analysis Approach. Paper to be presented at EURAF 2026.

⁴¹ Zibecchi, T., Kasargodu Anebagilu, P., Hajdukovic, I., Ayadi, R., & Luedeling, E. (forthcoming). Evaluating Structured Financing Frameworks for Agroforestry: A Decision Analysis Approach. Paper to be presented at EURAF 2026.

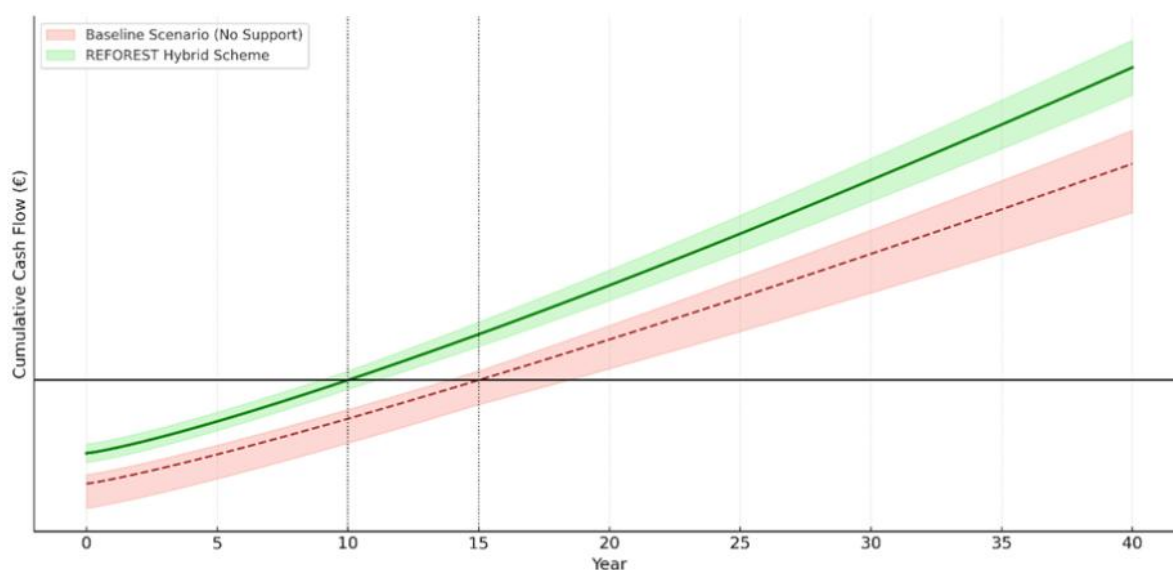


Fig.1 Cumulative Cash Flow under Alternative Agroforestry Financing Scenarios. Source: Zibecchi, T. (2025). Mapping Report on Agroforestry Sector Finance and Policy III (Deliverable D5.3). Horizon Europe Project 101060635 – REFOREST⁴².

Figure 1 illustrates the resulting cumulative cash flow patterns across these scenarios, highlighting how structured financing can accelerate break-even, reduce risk exposure and improve long-term returns for agroforestry practitioners. In the current application, six scenarios are compared: traditional bank loans without subsidies; no loans and no subsidies; traditional bank loans with subsidies; subsidies without loans; the structured financing framework without subsidies; and the structured financing framework combined with subsidies. Each scenario is assessed based on its effects on cumulative cash flow, net present value, break-even year, and return on investment.

The decision tree organises the analysis around four main layers: capital structure, risk mitigation, advisory and partnership support, and market access⁴³. This structure allows the framework to test how different combinations of finance, de-risking, advisory support and revenue-enhancing mechanisms affect agroforestry viability over time. It also links directly to the three gaps identified in this brief by integrating ecosystem-service valuation, alternative financing structures and market-access tools into a single assessment framework.

The policy implication is clear. Agroforestry finance should be designed as an investment architecture rather than a set of isolated grants. CAP payments can provide the foundation, but they should be linked to development finance, risk-sharing instruments, advisory services, proportionate MRV and market-based revenues. This would allow public support to reduce transition risk, crowd in

⁴² See: Zibecchi, T. (EMEA), Bauza, A., & Ghaley, B. B. (2026). Discussion Policy Paper #4: Economic Performance, Valuation and the Business Case for Agroforestry. Horizon Europe Project 101060635 – REFOREST.

⁴³ The decision tree distinguishes between own capital, commercial loans, development-bank finance and impact or blended finance; risk-mitigation instruments such as guarantees, first-loss mechanisms and insurance; advisory, digital and cooperative support; and market-access tools such as advance purchase agreements, ESG procurement, certification and price premia.

complementary capital and create more stable conditions for farmers to invest in agroforestry over long term.

Box 2. Three Priorities for the Post-2027 CAP

While the recommendations presented in this brief address different aspects of agroforestry implementation, three priorities should guide the design of the post-2027 CAP.

Support Agroforestry Across the Full Funding Cycle

Agroforestry requires upfront investment while many financial and environmental returns emerge gradually over time. Post-2027 CAP support should therefore move beyond short-term establishment grants and provide phased support that combines ex-ante assistance, transition payments, results-based incentives, advisory services and risk-sharing mechanisms. Aligning support with the biological and economic development of agroforestry systems can improve cash flow, reduce transition risk and strengthen long-term viability.

Reward Verified Ecosystem-Service and Resilience Outcomes

Agroforestry generates benefits that extend beyond agricultural production, including carbon storage, biodiversity enhancement, water regulation, soil health and climate resilience. These benefits should be recognised through robust valuation approaches, financial modelling tools, results-based payments, ecosystem-service contracts and emerging carbon and nature markets. Strengthening MRV systems and verification frameworks is essential to ensure credibility, transparency and investor confidence.

Create Market Conditions that Attract Investment

Long-term agroforestry expansion depends on farmers being able to capture value through both markets and ecosystem-service payments. This requires stronger value chains, processing infrastructure, producer cooperation, public procurement, ESG-aligned sourcing, certification schemes and corporate partnerships. Improving market access and demand can increase revenue stability, enhance project bankability and encourage greater participation from private investors and financial institutions.

Table 7. Box 2. Three Priorities for the Post-2027 CAP. Source: Authors' own elaboration.

4. POLICY RECOMMENDATIONS

The recommendations below build on the investment-gap diagnosis developed in this brief and focus on the conditions needed to make agroforestry financially viable, investable and scalable. They are organised around the need to align finance with the development cycle of agroforestry systems, reduce dependence on narrow and unstable funding sources, improve valuation and verification of ecosystem services, and strengthen market pathways that allow farmers to capture a fairer share of the value they generate.

Together, the recommendations move beyond a subsidy-only approach. They do not propose replacing public support with private finance but using CAP and complementary public instruments

more strategically to reduce risk, mobilise additional capital, support advisory and MRV capacity, and create the conditions for long-term investment in agroforestry.

1. Bridge the early-year cash-flow gap with phased finance

Agroforestry investments face a structural timing mismatch between upfront costs and delayed returns. Farmers must finance planning, establishment and early management years before tree-based revenues and many ecosystem-service benefits become measurable, creating liquidity pressures that discourage adoption. Post-2027 CAP and complementary finance should therefore support agroforestry across its full transition cycle through ex-ante, action-based and results-based payments. Combined with advisory support, this phased approach would improve cash flow, reduce transition risk and strengthen long-term project viability.

Level	EU framework with Member State implementation through National and Regional Partnership Plans (NRPPs), CAP-funded Agri-Environmental Climate Actions (AECAs), investment support, advisory services and complementary financing mechanisms.
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (CAP guidance and alignment with financing frameworks) -National managing authorities and paying agencies (scheme design, implementation, payment delivery) - Development banks, commercial banks, cooperative banks and financial intermediaries (co-financing) - Advisory organisations, AKIS actors and Living Labs (farm planning, implementation support and knowledge transfer)
Key actions	- Provide ex-ante support for feasibility assessments, system design and establishment costs - Provide action-based payments to support implementation, maintenance and early management activities - Introduce results-based payments linked to verified environmental outcomes once ecosystem benefits become measurable, recognising that timelines vary across agroforestry systems, environmental indicators and regional contexts. - Integrate phased agroforestry support within AECAs, investment measures, advisory services and risk-management instruments under post-2027 CAP implementation frameworks - Combine CAP payments with blended finance, seed/VC-style instruments, and guarantees to reduce early-year risk - Encourage Member States to develop dedicated agroforestry transition packages combining establishment support, action-based payments, advisory services and risk-sharing mechanisms under National and Regional Partnership Plans.
Expected benefits	-Reduced cash-flow constraints and financial risks during the transition to agroforestry -Improved continuity of support across the establishment and management phases

	-Increased uptake and long-term maintenance of agroforestry system - Improved project bankability and investor confidence
Main beneficiaries	-Farmers through improved liquidity and reduced financial risk during the transition period -Member States through more effective use of CAP support and higher uptake of agroforestry measures - Paying agencies through clearer sequencing and administration of different payment mechanisms - European Commission through improved delivery of CAP climate, biodiversity, and rural development objectives

2. Use CAP support as catalytic capital for wider investment

CAP support should remain central to agroforestry expansion, but its role should go beyond direct payments and establishment support. In the post-2027 CAP, public funding should act as catalytic capital, reducing investment risk and creating the conditions for complementary finance from development banks, commercial lenders, cooperative banks, philanthropic actors, value-chain partners and impact investors. This would allow CAP instruments to support adoption while also building a more diversified and resilient financing ecosystem for agroforestry.

Level	EU framework with Member State implementation through NRPPs, CAP-funded AECAs, investment support, advisory services, risk-management instruments, and complementary blended finance mechanisms.
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (CAP guidance and coordination with complementary financing frameworks) -National managing authorities and paying agencies (integration of CAP support with complementary financing instruments) - Development finance institutions, commercial banks and cooperative banks (co-financing and resource mobilisation) -Financial institutions and investment intermediaries (delivery of complementary finance) - Advisory organisations and AKIS actors (technical support and investment readiness)
Key actions	-Design CAP interventions to complement rather than replace private finance, in order to mobilise additional investment for agroforestry - Facilitate blended finance approaches that combine public support with loans, guarantees, and other complementary private financing instruments -Establish financing partnerships and aggregation platforms to pool small and medium-sized agroforestry projects - Link CAP support with guarantees, insurance and other risk-sharing instruments to improve project bankability and reduce investor uncertainty
Expected benefits	-Increased investment in agroforestry beyond CAP funding alone -Improved access to finance for farmers transitioning to agroforestry -More efficient use of public funds through mobilisation of private capital -Greater long-term financial sustainability of agroforestry systems

Main beneficiaries	-Farmers through improved access to diversified sources of finance for agroforestry projects -Member States through more efficient use of CAP resources and increased uptake of agroforestry measures -Financial institutions and investment intermediaries through a stronger pool of investable agroforestry projects - Banks and investors through a stronger pipeline of investment-ready agroforestry projects
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3. Share transition risk through de-risking and blended finance mechanisms

Transition risk remains a major barrier to agroforestry investment. Farmers face high establishment costs, delayed revenues, limited collateral and exposure to climate and market shocks, while lenders often lack experience with mixed tree-crop systems and long payback periods. Guarantees, first-loss capital, concessional loans, grace periods, tailored insurance, and blended-finance structures should therefore be used to share risk among farmers, public institutions, financial actors, and value-chain partners. This would improve access to finance, reduce perceived risk and make agroforestry more attractive to banks and investors.

Level	EU framework with Member State implementation through NRPPs, CAP-funded risk-management instruments, national guarantee schemes, blended finance and complementary public-private financing mechanisms.
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (policy guidance and CAP alignment) -National managing authorities and paying agencies (oversight of risk-sharing instruments in CAP support) -Development banks, commercial banks, and cooperative banks (provision of guarantees, concessional loans, and first-loss capital) - Insurance providers, guarantee funds and mutual-risk schemes (climate and weather risk coverage) -Advisory organisations and Living Labs (technical support and design of risk instruments)
Key actions	- Pilot agroforestry-specific guarantee facilities through national promotional banks and development finance institutions. -Provide concessional loans with longer repayment periods and grace periods aligned with agroforestry establishment cycles - Develop climate and weather insurance products tailored to mixed tree-crop and tree-livestock systems. -Use advance purchase agreements and long-term sourcing contracts to stabilise early cash flows -Integrate CAP support with these risk-sharing mechanisms to enable blended finance for early-stage adopters
Expected benefits	-Reduced collateral requirements and financing barriers -Improved access to credit for small and medium-sized farms -Lower perceived investment risk for lenders and investors

	-Greater resilience to climate and market shocks -Increased private-sector participation in agroforestry finance
Main beneficiaries	-Farmers through improved access to finance and reduced exposure to financial risk -Banks and investors through lower default risk and stronger project performance -Insurance providers through more structured risk-management frameworks -Member States through increased uptake of agroforestry and more effective use of public support

4. Mobilise banks, development finance and investment platforms

Many agroforestry projects remain too small and fragmented to attract institutional finance on a standalone basis. Dedicated investment platforms can aggregate projects, standardise due diligence, and create pipelines that are better suited to development banks, cooperative banks, commercial lenders, and impact investors. This can help address a major financing constraint, as agroforestry projects are often too small, complex or long-term to fit conventional lending models. These platforms should involve development banks, national promotional banks, cooperative banks, regional public finance bodies, crowdfunding platforms and financial intermediaries. Combining CAP support with concessional credit, guarantees, first-loss capital, technical assistance, and advisory support can improve project preparation, reduce lenders' risk, and connect public support with complementary sources of capital. Acting as a bridge between post-2027 CAP instruments and private finance, these platforms can expand investment without shifting transition risk solely onto farmers.

Level	EU framework with Member State implementation through NRPPs, CAP-funded investment support, AECAs, blended finance mechanisms and complementary national/regional financing schemes
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (policy guidance and CAP alignment) -European Investment Bank and national promotional banks (investment and risk-sharing platforms) -Development finance institutions and cooperative banks (co-financing and technical assistance) -Regional public finance bodies and national managing authorities (programme administration and integration) -Advisory organisations and AKIS actors (project preparation and implementation support)
Key actions	-Establish thematic investment platforms for aggregating small and medium-sized agroforestry projects -Provide concessional loans, guarantees and first-loss mechanisms to reduce risk for private investors -Facilitate technical assistance, advisory support and access to blended finance instruments -Align investment platforms with CAP post-2027 implementation frameworks and complementary financing mechanisms

	-Support financing for infrastructure linked to agroforestry value chains, including processing, storage and logistics
Expected benefits	-Increased mobilisation of private and development finance for agroforestry -Lowered investment risk and improved bankability of agroforestry projects -Reduced transaction costs for small and medium-sized farms -Improved integration between public CAP support and private capital
Main beneficiaries	-Farmers, through improved access to finance and reduced investment risk -Banks and investors, through larger, de-risked portfolios -National and regional authorities, through more efficient allocation of CAP and complementary funds -Advisory organisations and AKIS actors, through strengthened roles in project delivery

5. Improve investment readiness through valuation, modelling and decision-support tools

Limited evidence on profitability and cash-flow performance remains a barrier to agroforestry investment. Farmers, lenders, and public authorities often lack the information needed to assess how agroforestry systems perform over time, including their effects on cash flow, break-even points, ecosystem service value, and risk reduction. The post-2027 CAP should support standardised financial modelling and decision-support tools that translate long-term environmental and economic benefits into practical business cases. This would improve investment readiness, reduce uncertainty and support better financing decisions.

Level	EU framework with Member State implementation through NRPPs, CAP-funded investment support, AECAs, results-based payments, and complementary blended finance mechanisms.
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (policy guidance and CAP alignment) -National managing authorities and paying agencies (data integration and programme monitoring) -Research organisations and Living Labs (modelling support, scenario analysis, data collection) -Financial institutions and development banks (integration of modelling outputs into lending decisions)
Key actions	-Deploy financial modelling, decision-support and ecosystem-service valuation tools, including FarmTree, to assess cumulative cash flows, break-even periods, investment risk and long-term environmental value. - Develop standardised agroforestry investment templates for use by farmers, advisors, banks and public authorities. -Integrate ecosystem-service valuation into financial assessments for CAP-supported and private financing instruments -Use standardised NPV, cash-flow and scenario models across Member States to facilitate comparability and investment readiness -Link modelling outputs to advisory services and blended finance mechanisms to guide farm-level decision-making

	-Incorporate post-2027 CAP parameters, including AECAs, investment support and risk-management instruments, into financial models
Expected benefits	-More robust business cases that capture both financial and ecological value -Reduced uncertainty for investors and lenders -Increased uptake of blended finance instruments for agroforestry -Improved alignment between CAP support, advisory services and investment decisions
Main beneficiaries	-Farmers, through clearer financial planning and improved access to finance -Financial institutions and investors, through better information and reduced risk -National and regional authorities, through more effective allocation of CAP and complementary resources -Research organisations and Living Labs, through strengthened use of modelling and advisory capacity

6. Turn ecosystem-service value into payments and contracts

Ecosystem services generated by agroforestry systems should be recognised through structured payments and contracts linked to verified outcomes. Farmers should be able to capture part of the value they generate for society, supply chains and climate adaptation, using mechanisms that are credible, proportionate and practical to implement. This requires robust but accessible MRV systems, supported by accredited verification bodies and standardised ecosystem-service indicators. Verified outcomes should then be translated into payment units that can be integrated into CAP results-based schemes, supply-chain contracts, ESG-aligned procurement and emerging carbon and nature markets. This would help farmers access revenue streams beyond product sales while giving public authorities, buyers, and investors greater confidence that payments reflect measurable ecosystem service delivery.

Level	EU framework with Member State implementation through NRPPs, CAP-funded AECAs, results-based payments, ecosystem-service contracts, and complementary blended finance mechanisms.
Lead institutions	-European Commission (DG AGRI and DG CLIMA) (policy guidance and integration with CAP instruments) -National and regional managing authorities (programme implementation, payment delivery, and verification oversight) -Accredited verification bodies (MRV and ecosystem-service validation, including blockchain or standardised indices) -Advisory organisations and Living Labs (technical support, project design, and monitoring guidance) -Private actors including buyers and certification schemes (contract design and payment implementation)
Key actions	-Introduce results-based payments tied to verified ecosystem-service outcomes (carbon, biodiversity, water, soil) -Integrate nature credits and blockchain platforms to certify and monetise ecosystem services

	-Use standardised ecosystem-service indices to quantify and standardise outcomes across farms -Align ecosystem-service payments with CAP post-2027 instruments, supply-chain agreements, and ESG contracts -Develop replicable contract templates to scale payments and reduce administrative burden for farmers -Combine advisory support and MRV systems to increase transparency and investor confidence
Expected benefits	-Farmers gain revenue from ecosystem services in addition to product sales -Stronger incentives for adoption and maintenance of agroforestry systems -Transparent, standardised verification and monitoring of environmental outcomes -Reduced investor risk through measurable ecosystem-service outcomes -Greater confidence of buyers, investors, and public finance actors
Main beneficiaries	-Farmers through access to payments for carbon, biodiversity, water, and soil outcomes -Investors, buyers, and certification bodies through reliable, verifiable ecosystem-service outcomes -National and regional authorities through improved CAP implementation and environmental outcomes -Advisory organisations and Living Labs through strengthened technical support and verification role

7. Strengthen agroforestry value chains and incentivise private co-investment

Economic viability remains a key constraint to agroforestry adoption due to limited market access, insufficient local processing capacity, and uncertain demand for products such as timber, fruit, nuts, and fodder. Long-term uptake depends on farmers being able to generate a reliable income from these products and attract investment into processing and market development. Large value-chain actors, including agri-food companies, processors, retailers, and ESG-focused investors, can support agroforestry through sourcing partnerships, insetting programmes, technical assistance, and investments.

Level	EU framework with Member State implementation through NRPPs, CAP Strategic Plans, rural development programmes, and complementary blended finance mechanisms.
Lead institutions	-European Commission (DG AGRI, DG ENV, DG GROW) (policy coordination, CAP guidance, and market facilitation) -National managing authorities (programme funding, implementation, and investment oversight) -Regional authorities and ministries of agriculture (local infrastructure and value-chain development support)

	-Producer organisations and cooperatives (product aggregation, collective marketing, and coordination) -Advisory organisations and Living Labs (technical support, market intelligence, and financial guidance)
Key actions	-Provide targeted investment support for local processing, storage, and marketing infrastructure where market access is constrained - Align agroforestry ecosystem-service payments with CAP results-based schemes, CRCF implementation, corporate sustainability reporting and voluntary nature markets -Support producer organisations and cooperatives to aggregate, market, and sell agroforestry products collectively -Encourage long-term sourcing contracts, inseting programmes, and ESG-aligned procurement by value-chain actors -Link market access initiatives to advisory services and blended finance mechanisms to increase revenue predictability -Promote inclusion of agroforestry products in public procurement schemes where relevant -Develop training, guidance, and digital tools to help value-chain actors and farmers integrate agroforestry products effectively
Expected benefits	-Improved market access and diversified income streams for agroforestry farmers -Increased uptake and long-term maintenance of agroforestry systems -Stronger local value chains, processing capacity, and rural employment -Greater investor and corporate confidence in agroforestry products
Main Beneficiaries	-Farmers through improved market access and diversified income streams -Cooperatives and producer organisations through stronger market coordination and bargaining power -Private value-chain actors through more resilient and diversified supply chains -Rural communities through local processing activities and employment opportunities -Member States through stronger rural development outcomes and increased agroforestry uptake

8. Strengthen market access and demand for agroforestry products

Farmers will not invest in agroforestry at scale unless they can capture value through reliable markets, differentiated products and long-term buyer relationships. Agroforestry products often fall outside conventional commodity chains and require stronger links with processors, retailers, public buyers, cooperatives and certification bodies. Demand-side measures should therefore support product recognition, traceability, public procurement, ESG-aligned sourcing and consumer awareness. These tools can help generate price premia, improve revenue stability and expand markets for diversified agroforestry products, while encouraging value-chain actors to co-invest in processing, logistics and long-term sourcing arrangements.

Level	EU framework with Member State implementation through NRPPs, CAP-funded AECAs, rural development programmes, and complementary blended finance mechanisms that support market development and consumer engagement.
Lead institutions	-European Commission (DG AGRI, DG ENV, DG GROW) providing policy guidance, CAP alignment, and market development support -National and regional managing authorities overseeing programme funding and implementation -Regional authorities and ministries of agriculture supporting local value-chain development and infrastructure -Producer organisations and cooperatives managing aggregation, marketing, and short-chain logistics -Advisory organisations and Living Labs providing technical support, market intelligence, and consumer engagement guidance
Key actions	-Provide targeted investment support for local processing, storage, and marketing infrastructure -Support cooperatives and producer organisations in aggregating, marketing, and selling agroforestry products - Support local processing, storage and logistics infrastructure for agroforestry products - Promote long-term sourcing contracts, insetting programmes and ESG-aligned procurement by agri-food companies -Develop product labelling, certification, and traceability systems to improve consumer recognition -Conduct consumer awareness campaigns highlighting environmental and social benefits -Connect market development initiatives with blended finance and CAP support to improve revenue predictability
Expected benefits	-Farmers gain more stable revenue and diversified income -Consumer awareness and demand for agroforestry products increases -Local value chains become stronger and rural employment grows -Uptake and long-term maintenance of agroforestry systems improves -Investors gain confidence through market-verified and recognised products
Main beneficiaries	-Farmers through improved value capture and diversified income opportunities -Consumers through increased access to sustainably produced products -Producer organisations and cooperatives through stronger market positioning -Member States through stronger rural development outcomes and increased uptake of agroforestry measures -EU policy system through better alignment between market demand and environmental objectives

5. CONCLUSION

Agroforestry sits at the intersection of many of Europe's strategic priorities. It can simultaneously contribute to climate mitigation, climate adaptation, biodiversity restoration, soil health, water resilience, rural development, and long-term food security. Yet investment in agroforestry remains limited because financing structures do not reflect how these systems work in practice. Costs arise early, returns develop over time, and many benefits are still not recognised in the way agricultural support, financial products and markets are designed.

The post-2027 CAP provides an opportunity to address these barriers through a more integrated approach. Public support will remain essential, particularly during the establishment and transition phases. However, long-term scaling will also depend on mobilising a wider ecosystem of actors, including development banks, commercial lenders, landowners, impact investors, insurers, philanthropists, advisory organisations, agri-food companies and ecosystem-service markets.

The objective should not be to replace public support with private finance, but to use public policy strategically to reduce risk, improve investment conditions and unlock additional sources of capital. The ReForest Sustainable Financing Scheme offers one possible pathway. It shows how upfront support, transition payments, results-based incentives and advisory services can be combined with blended finance and de-risking mechanisms to better reflect the long-term development cycle of agroforestry systems. Its wider contribution is to show that agroforestry finance must be designed around resilience, natural capital enhancement and sustainable productivity, rather than short-term output alone.

Looking ahead, the question is no longer whether agroforestry creates value, but whether existing agricultural, financial and market systems are capable of recognising and rewarding it. The success of the post-2027 CAP will depend not only on the level of support provided, but also on Member States' ability to create the conditions for long-term investment, innovation, and collaboration. If these conditions are met, agroforestry can move beyond marginalisation and become a strategic component of Europe's transition towards a more resilient, competitive and sustainable agri-food system.

6. APPENDIX 1: REFERENCES AND RELATED DOCUMENTS

ID	Reference or Related Document	Source or Link/Location
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