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# Financing of Nature Based Solutions & Business Case Elements for NBS

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# The Classical Business Case

A type of **decision-making tool** used to determine the effects a particular decision will have on **profitability**.

# What are the key elements of the Classical Business Case?

1. A business case **provides justification** for undertaking a project or programme (need vs commercial returns)
2. Identifies the **benefit, cost and risk** of alternative options
3. A business case should **demonstrate the value** of the work
4. **Provides a rationale** for the preferred solution and a **timescale** for delivery

# What are the key elements of the Classical Business Case?

1. A business case **provides justification** for undertaking a project or programme (need vs commercial returns)

*A business case should also warn of what might happen if nobody takes the necessary actions.*

4. **Provides a rationale** for the preferred solution and a **timescale** for delivery

# Why is the NBS business case different?

1. NBS provide **an alternative** opportunity for a project.
2. NBS can deliver **multiple benefits** (or co-benefits) both internally and externally to the project
3. NBS have the potential to '**create greater value**' through co-creation, niche planning, broader impact, cross-sectorial leverage, managed risk and deliver resilience over time.
4. Provides a substantive rationale as a **sustainable preferred solution** for a project and deliver on broad policy initiatives

# What are some of the barriers to investment in NBS?

- **Focus on capital investment** without considering the sustainability of the NBS business model.
- **Path dependency** on the same sources of financing for NBS:.
- **‘Silo’ gaps**: Internally there is a lack of financial planning & business model expertise in the environmental and planning department. .
- **Lack of experience in using public procurement** to stimulate new innovations/markets.
- **Pressure to pursue public-private partnerships** without considering social or environmental trade-offs.
- **Complexity of governance hindering innovation in business models**: **NBS** often involve multiple public agencies, NGOs, residents and it is difficult to align different stakeholders to a common vision multi-year timescales.

Cont.

- A lack of understanding of the NBS value proposition, value delivery and value capture within the classical business model
- Limited available sources of (public/private) finance and the level of complexity associated with these schemes (both low & high end financial instruments)
- Difficulty in identifying the mechanism for the repayment of funding (or ROI)
- Difficulty in quantifying direct benefits that are less tangible human well-being co-benefits and more long-term
- Capacity-skills-governance deficit in local capacities, local political support and technological challenges

# How promote investment in NBS?

- **Reversing the focus on financing capital investment** to start with business model planning for long term sustainability
- **Broadening the value proposition** to include a focus on **environmental, social and economic benefits**, the identification of new stakeholders and alternative ways of capturing value.
- **Bridging 'silo' gaps** – both internally within public sector organisations and externally with different stakeholders to build a common vision.
- The NBS Business Model Canvas (BMC) **facilitates capacity building** and is supported by a comprehensive guidebook with multiple case-studies.
- **Trade-offs between economic and other considerations** are explored during the first step in the process of establishing the different value propositions.
- The NBS BMC enables the clear **identification of key stakeholders** to be involved and how they can be engaged through different governance models.

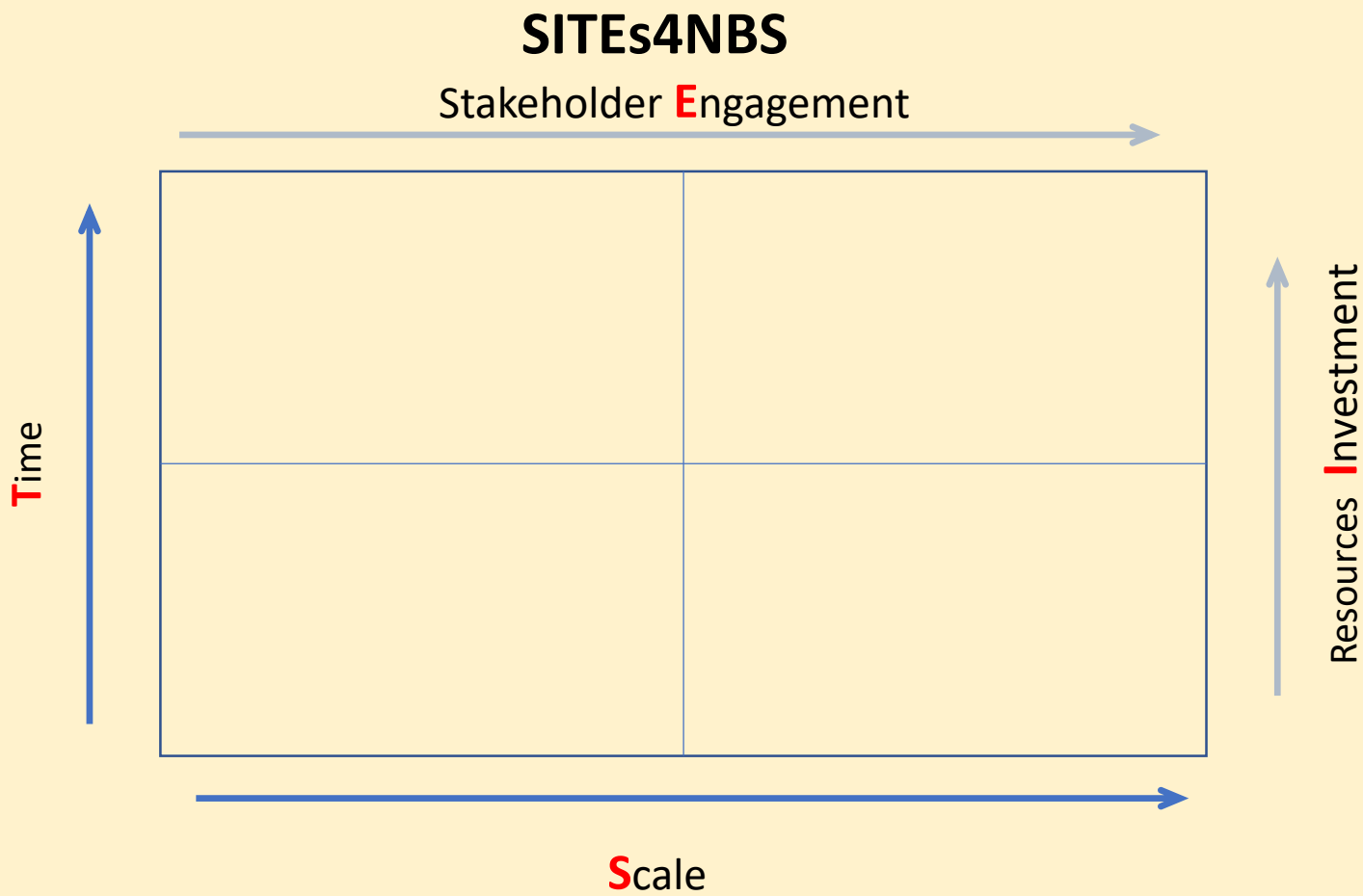
# Creating the Business Case for NBS

We need a framework that highlights the broader natural co-benefits for NBS project evaluation that moves the scope beyond the classical model

So how and why do we **make decisions** in regard to NBS?

How do we define **profitability** for NBS?

# Promoting investment through a Strategic Evaluation Framework for NBS

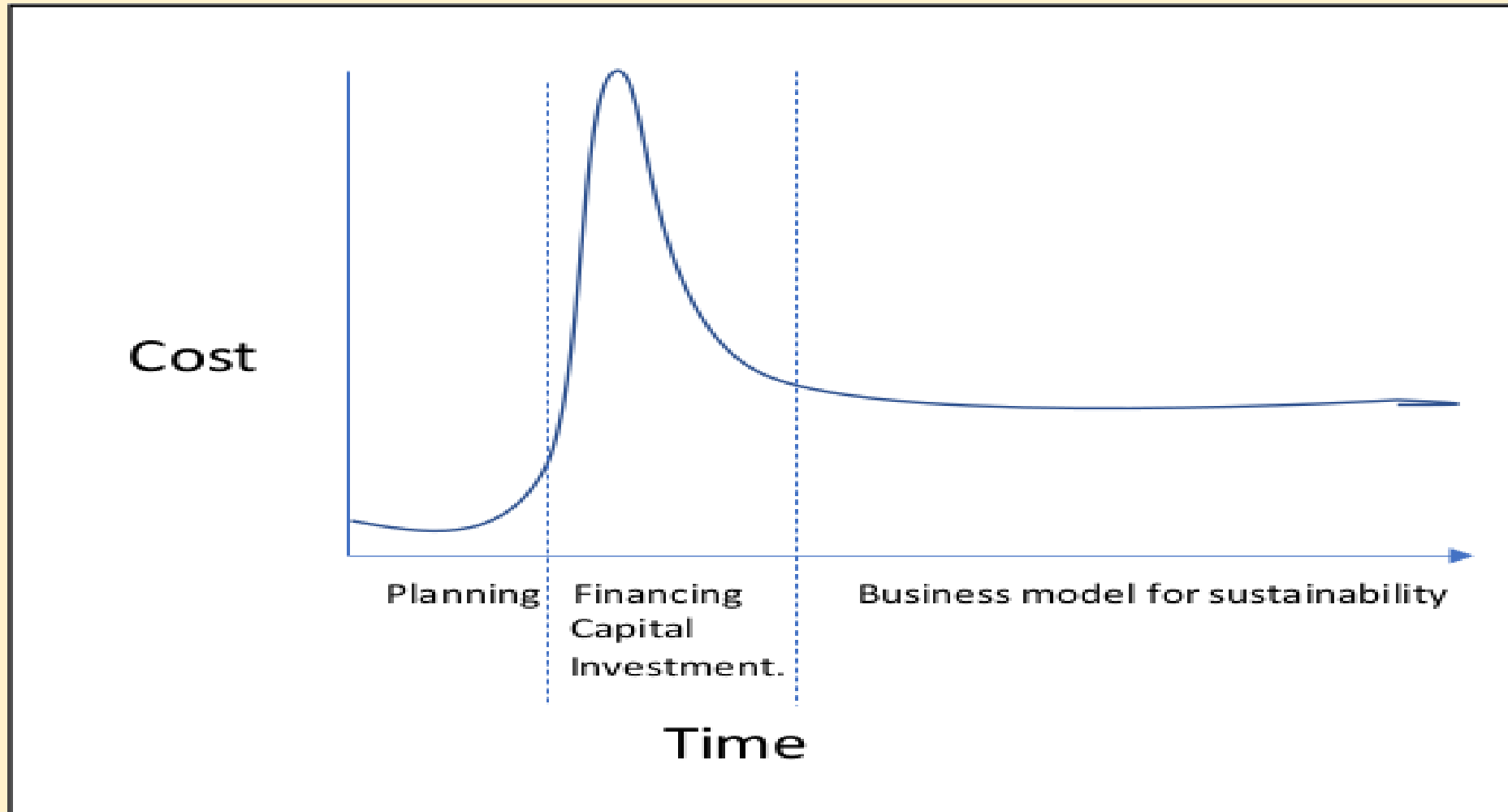


# Promoting NBS through the Basic Elements of a Business Strategy

## (SITEs4NBS)

1. **S**cale (Type NBS-Small-large, asset class, niche matching, integration)
2. **I**nvestment (Local-regional-national-global-funding opportunities)
3. **T**ime (short, medium, long-implementation and realisation)
4. **E**ngagement of Stakeholders  
(the **key** who in the room at local-regional, national levels)

# Basic Elements of a Business Case for NBS



# Integrative Elements of a Strategic Business Case for NBS (RISE4NBS)

## Risk Analysis-

(performance, ecoservices, governance, standards, maintaining, barriers, drivers, LCC)

## Investment Options-

(sectors, blending, avoided cost, returns-incentives, regulation, value creation-capture)

## Stakeholder collaboration

(individuals, communities, charities, business, governments, NGOs)

## Environmental-Socio-economic

(co-benefits, capacity, skills, services, linkage, multifunctionality)

# Integrative Elements of a Business Case for NBS

## Stakeholder and Community Engagement

- Individuals
- Small action groups
- Local business
- Communities
- Local government, Cities
- NGOs
- National companies or Global Corporates
- Regional and National government

## Financial and Resources Investment Required

- Local fund raising
- Business - community support (local ownership schemes)
- Local council & municipal grants (local green spaces, local flood management)
- Regional grant schemes (Charities, regional flood management schemes)
- National grants schemes (governments, entrepreneurs, metropolitan investment schemes, national parks)
- Global investment options (Bonds, crowdsourcing)

## Time Required to Deliver Solutions

Short

- Days
- Weeks
- Months

Medium :

- 3-5 years
- 5-10 Years

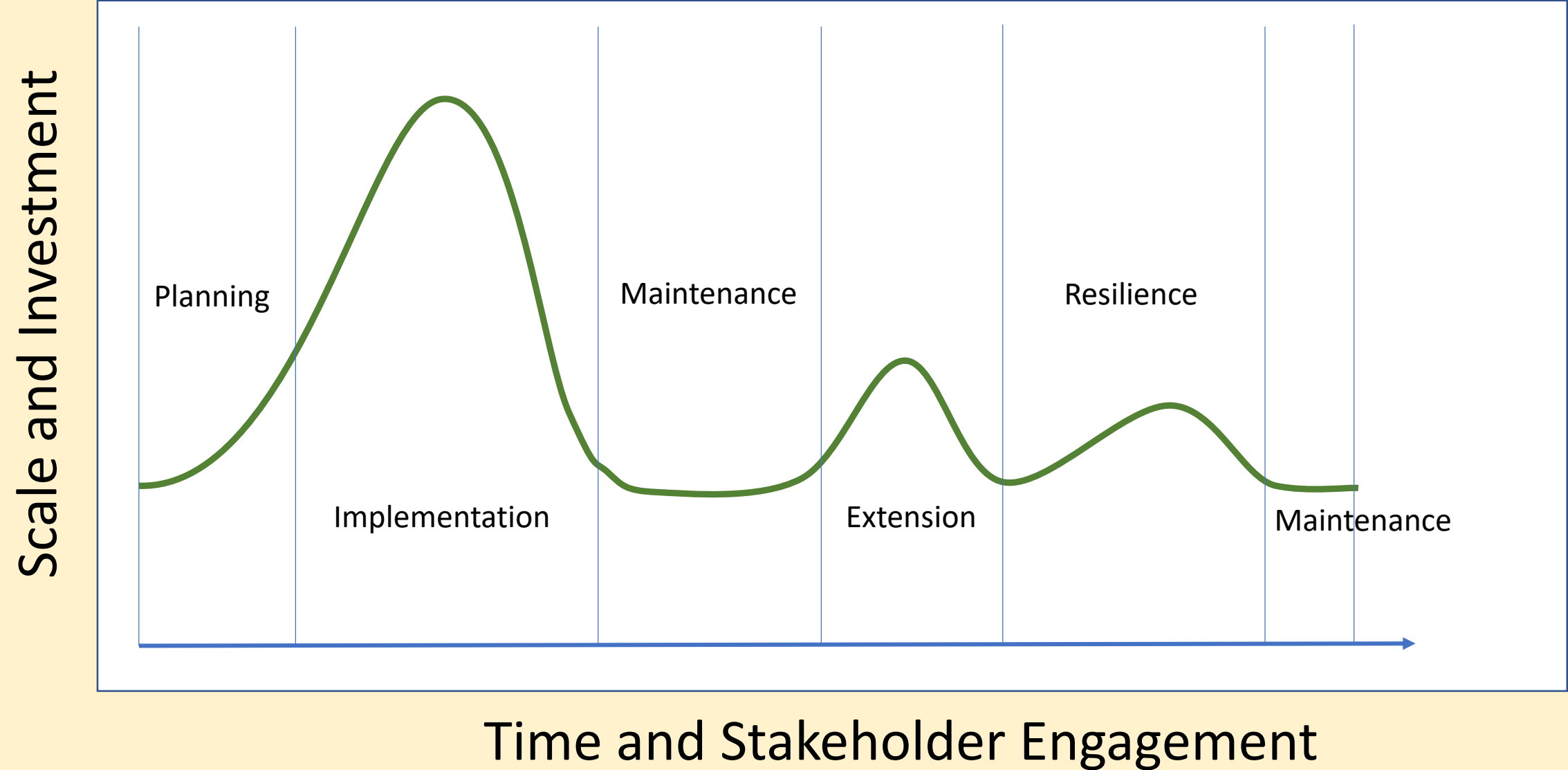
Long :

- 10-20 years plus

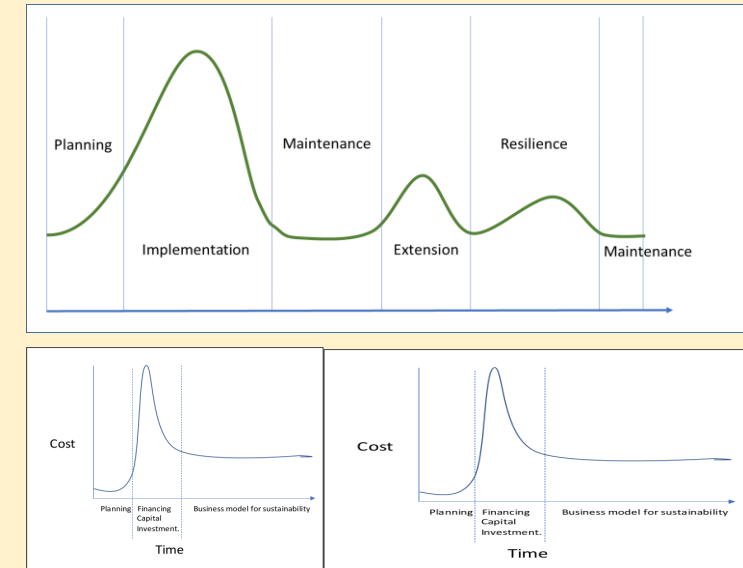
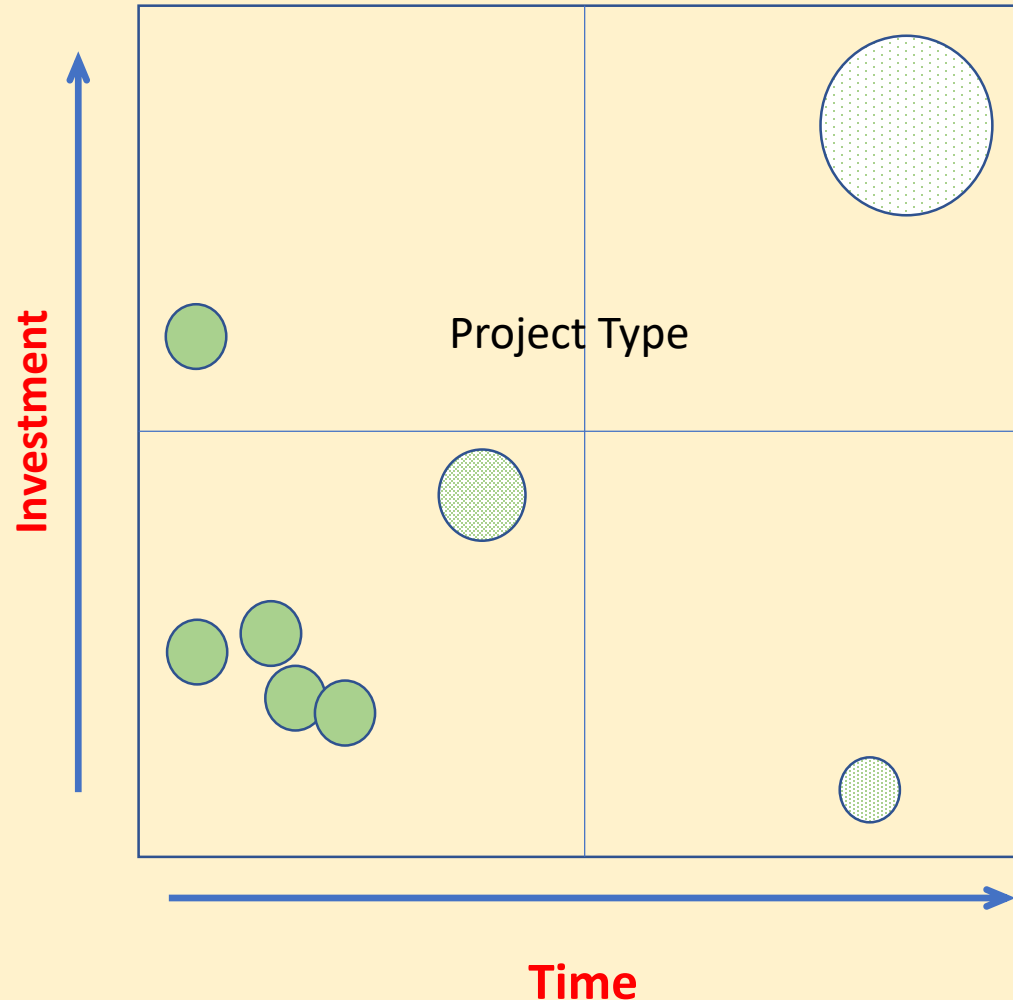
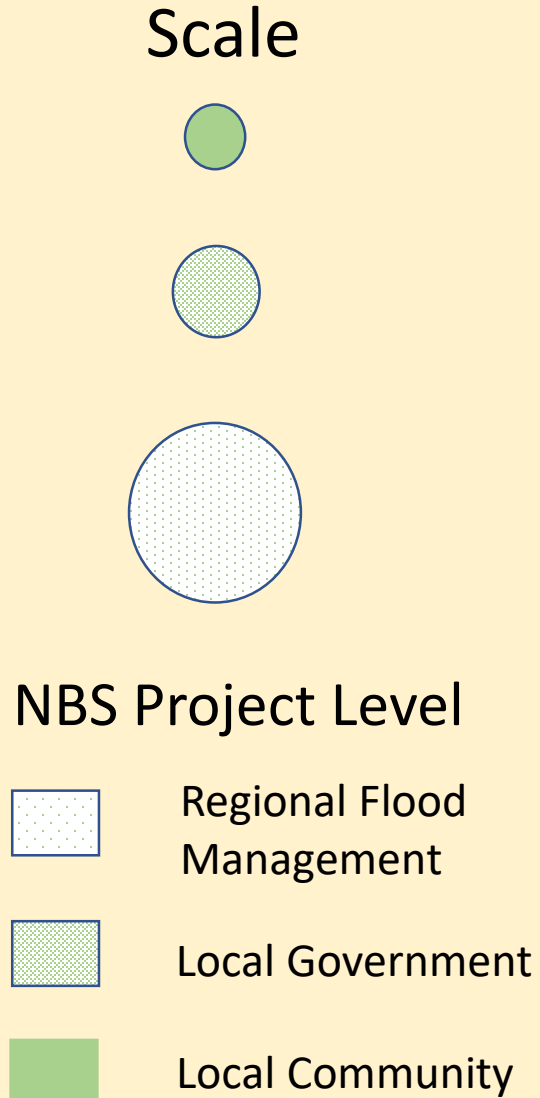
## Variability in Scale of NBS

- Square metres (Wall/Roof)
- Hectares (open space, gardens, drainage)
- Square kilometres (green space, parks, woodlands, wetlands, flood management schemes)
- Stream-River Catchments (wetlands, bogs, peatlands, leaky dams, water storages, flood and drought management schemes)

# Phased implementation of NBS projects that address scale, investment, time and stakeholder engagement principles



# An Integrative Business Case Approach to NBS

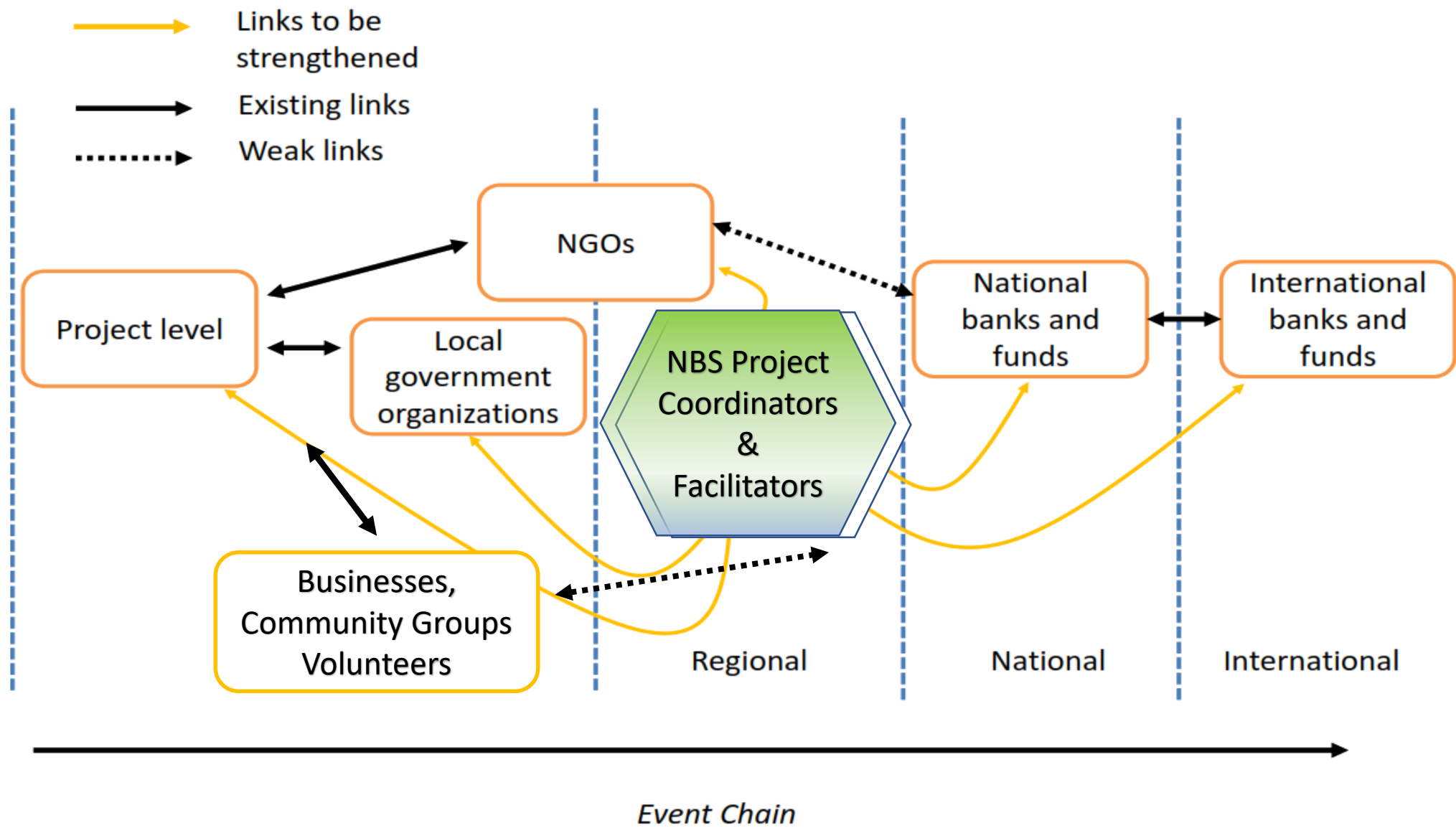


Single or multiple phases delivered through multiple integrated business cases or Business Model Canvases\*

# Scale and Potential Funding and Investment Options for NBS projects

Global	State/Regional	Local
Bio Carbon Fund (BioCF)	Innovative use of public budgets	Grant funding and donations
Clean Development Mechanism (CDM),	Grant funding and donations	Developing 'Business Improvement Districts' (BID)
Payments for Ecosystem Services (PES)	Payments for Ecosystem Services (PES)	Payments for Ecosystem Services (PES)
Global Environment Facility (GEF)	Revenue financing	Setting up endowments
REDD+	National Climate Fund	Public-Private Partnerships (PPPs)
Critical Ecosystems Partnership Fund (CEPF),	Social Impact Bonds	Revolving funds
	Municipal Bonds Agency	Community asset transfers
Impact Finance (EIB)	Market based instruments	Regulation and planning standards*
Blended Finance (WDB)	Public-Private Partnerships (PPPs)	
	UK Natural Environmental Impact Fund	Investment Funds
		Crowd Source Funding

*\* Although this is not a financing instrument as such, this is considered one formal process through which local authorities can trigger GI implementation by private stakeholders, such as infrastructure developers and homeowners.*





THANK YOU

Questions?

Matilda Bay, Perth. Western Australia

# Group Exercise: Creating a Business Model Canvas for an NBS project

PROJECT:				
Key Partners	Key Activites	Value Proposition	Other Stakeholders	Benficiaries
	Key Resources/Investors		Benefits Delivered	
Cost Structure		Potential Revenue Streams		

Business Model Canvas for NBS project development-identifies key activities, strategies for long-term maintenance of NBS, the engagement of alternate stakeholders, co-beneficiaries and promote the inclusion of recognised standards for NBS, highlights potential investors, and funding schemes.