



Environmental Finance

Enabling investment into Conservation, the Environment and Communities at scale

Greater Manchester Natural Capital Investment Case Study

March 2019



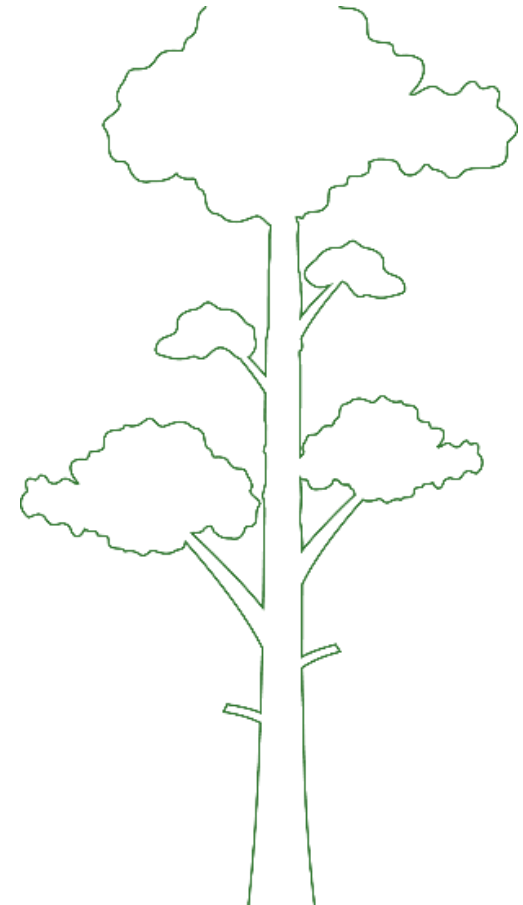
Environment
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GMCA Case Study – Introduction

In developing the first Natural Capital Investment Plan for a UK city region, Greater Manchester is at the forefront in the progression of the UK's natural capital investment market

- GM is the home of Defra's Urban Pioneer Programme, chosen to test new tools and methods for investing in and managing the natural environment.
- The Greater Manchester Combined Authority (GMCA) identified the need to establish a Natural Capital Investment Plan (NCIP) to mobilise additional sources of funding to effectively manage the city's important natural capital resources.
- Through the development of the NCIP, investment opportunities have been identified where there is potential to generate revenues and enable new forms of finance to be accessed.
- To enable high potential projects to progress to raise investment, organisations require funding to prepare natural capital business models that evidence their investability.
- An appropriately designed IRF could provide the required technical assistance and capacity funding to project developers to build a pipeline of investable opportunities. This would enable the recommendations in the NCIP to be implemented and provide the conditions for increased investment in GM's natural capital.
- This case study sets out an outline for the journey GM has been through to build support for natural capital investment, and recommendations for the next stage in the IRF development process.
- The IRF delivery process (including operational management) is not considered at this stage, and should be determined during the design phase. An initial scoping of delivery options should be carried out to be tested with potential funders and refined based on their feedback.



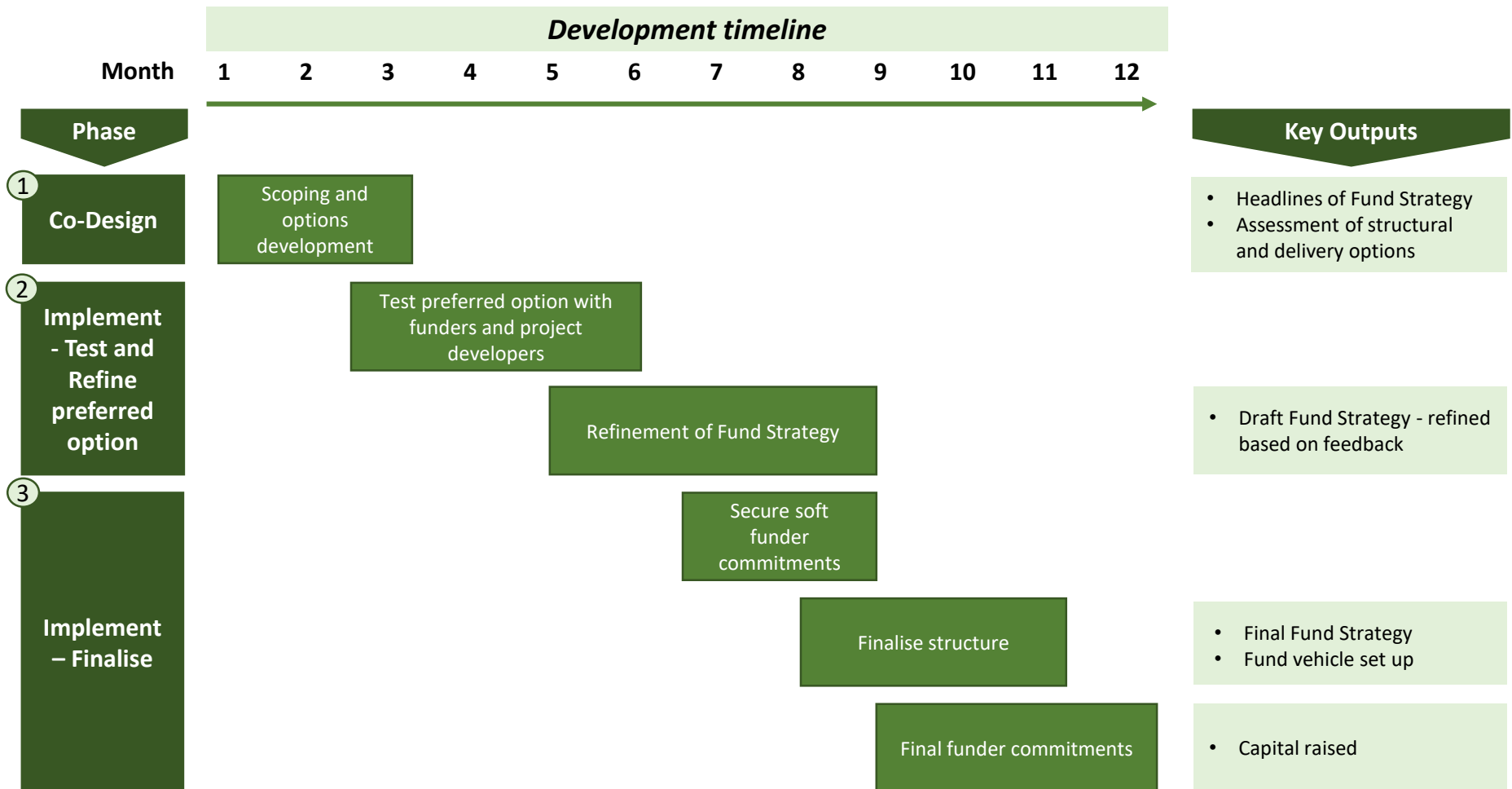
GMCA Case study – Building Support for Natural Capital Investment

Building Support for Natural Capital Investment

	Action	GM Example	Responsibilities	Resources
1	Build political support	<ul style="list-style-type: none"> GM NC Group established to advise GMCA on natural environment issues and raise awareness of benefits GM selected as the Urban Pioneer city by Defra to test new methods for investing in the natural environment 	<ul style="list-style-type: none"> GMCA GM NC Group - multi-sector partners from public, private, third sectors and academia Defra 	
2	Understand natural capital assets and benefits	<ul style="list-style-type: none"> Baselined natural capital accounts through Urban Pioneer Developed the evidence base to inform strategic policies 	<ul style="list-style-type: none"> GMCA External consultants 	<ul style="list-style-type: none"> Defra GMCA
3	Stakeholder engagement and pilot projects	<ul style="list-style-type: none"> Natural Capital Group Conference - workshops held to gather natural capital priorities of attendees Other events promoting importance of connecting people with nature Developed demonstrator projects evidencing the benefit of investment in natural capital e.g. Natural Course, Water Resilient Cities 	<ul style="list-style-type: none"> GMCA Multi-sector stakeholders Pilot project developers 	<ul style="list-style-type: none"> EU Life Natural Course Project developer partners In-kind support
4	Political strategy, policy and budgets	<ul style="list-style-type: none"> GM Green Summit delivered commitment to produce a plan to promote investment in NC by Dec 2018 Mayor commitment to GM Green City 	<ul style="list-style-type: none"> GMCA 	
5	Natural Capital Investment Plan	<p>GM Natural Capital Investment Plan identified:</p> <ul style="list-style-type: none"> Potential investment opportunities and indicative project pipeline The need for technical assistance and capacity building to deliver investment into opportunities 	<ul style="list-style-type: none"> GMCA External Steering Group External consultants 	

GMCA – IRF Design and Implementation Process

The IRF should be co-designed iteratively, incorporating feedback from prospective funders throughout the development process



GMCA – Recommendations for IRF Design

IRF Design Timescales – 3-4 months

	Recommended role	Rationale
GMCA	<ul style="list-style-type: none"> Convene stakeholders and appoint advisory group 	<ul style="list-style-type: none"> Strong network available within GMCA
	<ul style="list-style-type: none"> Set up project management, coordination and delivery plan Devise Fund vision and strategy, targets and performance measurement process 	<ul style="list-style-type: none"> GMCA and its partners have key role to play in ensuring the Fund is designed to achieve intended objectives and suits required implementation timescale
	<ul style="list-style-type: none"> Natural Course project to provide funding to appoint third party external advisor to advise on the strategic direction and development of the Fund 	<ul style="list-style-type: none"> Expertise to design an appropriate Fund to deliver objectives unlikely to be available in-house
	<ul style="list-style-type: none"> Work in partnership with external adviser to design Fund alongside advisory group 	<ul style="list-style-type: none"> External adviser can ensure design of fund structure is appropriate to achieve internal objectives
IGNITION	<ul style="list-style-type: none"> IGNITION provides resources for GMCA project management and co-design process through design and implementation phases 	<ul style="list-style-type: none"> GMCA Investment Director recruited through IGNITION Fund designed to support IGNITION objectives
	<ul style="list-style-type: none"> Support pipeline identification through IGNITION Communications Work Package (WP) 	<ul style="list-style-type: none"> Leverage human resources available to engage with potential projects and understand needs
	<ul style="list-style-type: none"> Support learning programme across IGNITION partners through design and implementation phases 	<ul style="list-style-type: none"> Develop in-house capacity across project partners
External Advisor	<ul style="list-style-type: none"> Advise on the strategic direction and development of the Fund to ensure designed to achieve required objectives 	<ul style="list-style-type: none"> External advisor can provide expertise to design a suitable Fund to support technical assistance and capacity requirements of project developers
	<ul style="list-style-type: none"> Scope potential delivery options to test with potential funders, assess appetite and refine structure based on funder feedback 	<ul style="list-style-type: none"> Potential funders should play an integral part in the design phase to increase likelihood of co-funding
	<ul style="list-style-type: none"> Lead the development of the Strategic Plan and Fund Model with GMCA input 	<ul style="list-style-type: none"> Potentially limited skillset and experience within GMCA for this requirement. Third party can transfer learnings to GMCA and IGNITION partners through the development process.

GMCA – Recommendations for IRF Implementation

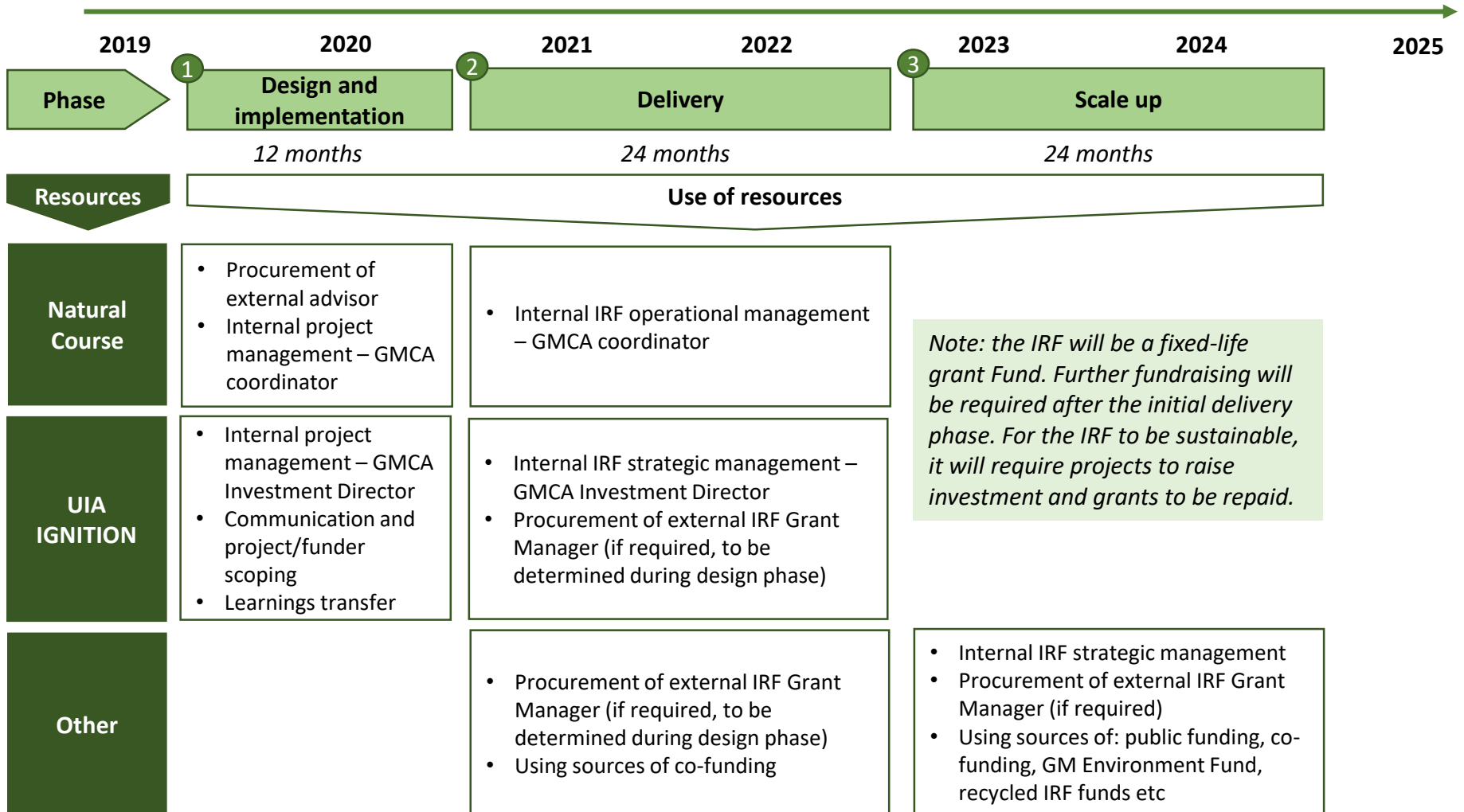
IRF Implementation

Timescales – 4-6 months

	Recommended role	Rationale
GMCA	Structure <ul style="list-style-type: none"> Consider appropriate vehicle to hold funds – potentially GM Environment Fund or an independent special purpose vehicle with charitable status Consider specific internal requirements for procurement, accounting, legal advice 	<ul style="list-style-type: none"> Need to consider what type of vehicle could attract combination of public and private funding - fund held internally is unlikely to attract co-investors Additional expertise may be required depending on internal needs
	Governance <ul style="list-style-type: none"> Set up a Grant Committee with a variety of skills and experience, to include: GMCA, GM NC Group, investment and grant-delivery expertise, local project representatives 	<ul style="list-style-type: none"> Grant Committee required to have a range of skills and experience to ensure that funding is delivered to achieve desired outcomes
	Fundraising <ul style="list-style-type: none"> Assess appetite of public funders to provide funds and negotiate terms 	<ul style="list-style-type: none"> Internal experience of allocating public funding
IGNITION	Fundraising <ul style="list-style-type: none"> Support with stakeholder mapping and engagement with potential local GM investors e.g. large corporates, real estate owners, High Net Worth Individuals 	<ul style="list-style-type: none"> Local knowledge available in UIA IGNITION project partners Resources available in Communication WP
External Advisor	Implementation <ul style="list-style-type: none"> Advise on resourcing, and legal and governance requirements, and refine structure based on internal/external feedback 	<ul style="list-style-type: none"> Third party experience and expertise in understanding appropriate Fund structure and resourcing requirements
	Fundraising <ul style="list-style-type: none"> Third party adviser responsible for raising funds Potential to appoint Grant Manager to raise funds to manage during Fund operational phase 	<ul style="list-style-type: none"> Potentially easier for third party to attract co-investors and raise a larger portion of external funding Minimises costs if Grant Manager is aligned to fundraising targets

GMCA Case Study – Timeline and Resourcing

The IRF development process should be aligned to the UIA IGNITION programme to allow potential co-funders to play an integral part in the Fund design





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