

GM GREEN CITY REGION PARTNERSHIP

Date: 20th January 2020

Subject: Natural Capital Investment Readiness Fund Update

Report of: Krista Patrick, Natural Capital Coordinator, GMCA

PUPOSE OF REPORT

The purpose of this report is to outline the progress made in developing a Natural Capital Investment Readiness Fund.

RECOMMENDATIONS

The Green City Region Partnership is asked to:

- Note the progress in developing the Natural Capital Investment Readiness Fund proposal

CONTACT OFFICERS

Krista Patrick: krista.patrick@greatermanchester-ca.gov.uk and
Mark Atherton: mark.atherton@greatermanchester-ca.gov.uk

1.0 BACKGROUND

The development of innovative finance models to support natural capital investment is a key aim of the following strategies and projects:

- Greater Manchester 5 Year Environment Plan
- Greater Manchester Environment Fund
- Natural Course EU Life Integrated Project
- Natural Capital Investment Plan (funded by Natural Course)
- IGNITION project
- Urban Pioneer

The proposed Natural Capital Investment Readiness Fund would support the development of a pipeline of investable opportunities, by providing external project developers with direct capacity building funding and third party technical assistance to strategically plan and develop viable investable projects that are ready to raise repayable investment.

Through this, there is a significant opportunity to develop the natural capital investment market, by designing a Natural Capital Investment Readiness Fund that operates in a venture philanthropy style to provide grants to enable the fund to be self-sustaining over the long-term. This would also support delivery of the actions set out in the Natural Capital Investment Plan and build on the resources already secured and being deployed through the IGNITION project.

It is envisaged that the Natural Capital Investment Readiness Fund will be developed in 5 key stages:

- Stage 1: Establish Governance Arrangements
- Stage 2a: Fund Design
- Stage 2b: Fund Implementation
- Stage 3: Fund Delivery
- Stage 4: Fund Monitoring and Evaluation
- Stage 5: Fund Scale Up

2.0 DESIGN AND DEVELOPMENT

The design and development of a Natural Capital Investment Readiness Fund, to attract non-public sector funding, was a key element of the Natural Capital Investment Plan, published and agreed with the GMCA in January 2019.

A procurement exercise has been undertaken to select a contractor to undertake this work over the next 12 months split into two phases, design and implementation. This forms Stages 2a and 2b of the development process set out above. The contract value of £71,750 is fully funded by the Natural Course EU Life Integrated Project, alongside wider resource and input from IGNITION and Urban Pioneer projects.

By the end of the project the following outputs will be produced:

- Full Natural Capital Investment Readiness Fund Strategic Plan and Model including costed assessment of structural and delivery options.
- Prospectus developed.

- Fund delivery vehicle established.
- Secure funder commitments and signed contracts.

The contract is the first of its kind for the natural capital sector, although the model has already been proven in the social investment sector, and will act as a pioneer for scaling up the natural capital investment market both within and outside of Greater Manchester.

Depending on identifying a realistic pipeline of projects as well as investor interest, initial conversations indicate that the fund has the potential to attract a minimum of £1 million philanthropic investment to support the development of natural capital projects in Greater Manchester.

A key issue to consider as part of this work is whether a suitable pipeline of projects and investment interests is identified following engagement and consultation with key stakeholders including investors. This will be addressed by including a stage gate review following design of the fund upon completion of Stage 2a to enable review by GMCA before progressing to implementation at Stage 2b.

Technical advice will be provided to ensure alignment of the proposed Investment Readiness Fund with emerging proposals arising from the IGNITION project and the structures being set up for the GM Environment Fund, to receive the funds and deploy the support required. Environmental Finance will propose governance options to enable effective decision-making for funding allocations depending on the governance requirements of GMCA and its partners.

Following completion of Stages 2a and 2b it will be necessary to report back to GMCA to determine whether delivery, monitoring and scale up (Stages 3-5) can be delivered internally to GMCA (subject to capacity) or through procurement of an external organisation.

4.0 NEXT STEPS

The next steps are to:

- Commence the design and development of the Natural Capital Investment Fund
- Review and agree next steps via the Green City Region Partnership 'Natural Capital' Challenge Group'

5.0 RECOMMENDATIONS

The Green City Region Partnership is asked to:

- Note the progress in developing the Natural Capital Investment Readiness Fund proposal