

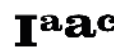
GREEN SKILLS FOR CITIES

LTP Financing NbS & Pitching

Vienna University of Economics
and Business (WU)



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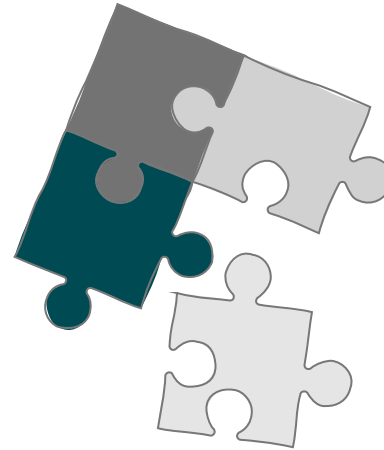


Università
di Genova



Content of this lesson

1. Financing NbS
2. EU Policies
3. An Introduction to Pitching
4. Preparation for the in-class Activities



Glossary

Blended financing: strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries. Blended finance attracts commercial capital towards projects that contribute to sustainable development, while providing financial returns to investors. (OECD, no date)

Co-production: Co-production is a way of working where people come together in an equal partnership to create something new, or make changes to an existing situation.

Concessional finance: concessional finance is below market rate finance provided by major financial institutions, such as development banks and multilateral funds, to developing countries to accelerate development objectives. The term concessional finance does not represent a single mechanism or type of financial support but comprises a range of below market rate products used to accelerate a climate or development objective. (EIB, 2019)

Debt finance: Loans from a bank or other financial intermediary that is repaid by the borrower over time, usually with interest. It works similarly to a mortgage or a car loan. The interest margin and potential level of security (also called collateral) required depend on factors such as the type of capital expenditure ('project riskiness'), tenor (length of loan) and the financial strength of the borrower. (EIB, 2019)

Equity financing: Monetary contribution from investors (shareholders) who are looking to support the company and eventually sell their stake (ideally at a premium). The investors are exposed to more risk than debt providers (ranking 'subordinate' – e.g. lenders get their money first in case a company is liquidated). (EIB, 2019)

Governance: The system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector. It is the way a society organizes itself to make and implement decisions—achieving mutual understanding, agreement and action. (UNDP, 2021)



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Glossary

Green Bonds: differentiated from a regular bond by this label, which signifies a commitment to exclusively use the funds raised to finance or re-finance “green” projects, assets or business activities. (OECD, no date)

Hybrid financing: Refers to financing from different sources of concessional finance. They combine debt and equity feature.

Incentives: Rewards or penalties offered by government or management to induce an economic sector, company or group of workers to act in such a way as to produce results that plan objectives or policy goals.

Official development assistance (ODA): defined as government aid that promotes and specifically targets the economic development and welfare of developing countries. (OECD, no date)

Payments for Ecosystem Services (PES): an innovative approach to nature conservation. PES is the name given to a variety of arrangements through which the beneficiaries of environmental services, from watershed protection and forest conservation to carbon sequestration and landscape beauty, reward those whose lands provide these services with subsidies or market payments. (WWF, 2020)

Stewardship: The stewardship of a nature-based solution describes the ongoing participatory management and maintenance of the nature-based solution. Stewardship includes the monitoring and evaluation of the nature-based solutions, which enables the making of adaptations that ensure long-term sustainability and resilience. (McQuaid and Fletcher, 2019)

Tradeable environmental permits: An economic policy instrument under which rights to discharge pollution or exploit resources can be exchanged through either a free or a controlled permit-market. Examples include individual transferable quotas in fisheries, tradable depletion rights to mineral concessions and marketable discharge permits for water-borne effluents. (EEA, 2021)



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SECTION
ONE

Financing NbS



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What do we mean by ,financing' NbS?

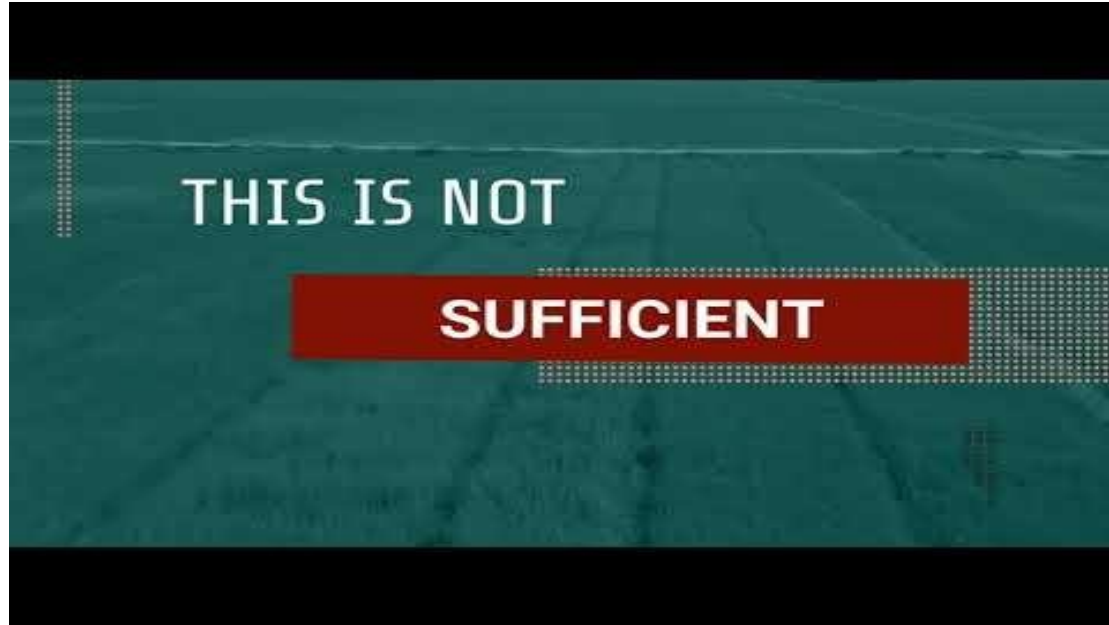
- NbS are largely a cost-effective way of addressing climate change and biodiversity challenges that result in **economic, social** and **environmental** benefits.
- Financing refers to **sourcing funds** to **create and maintain** a NbS project.



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Why do we need to finance NbS? Have a look at this video...



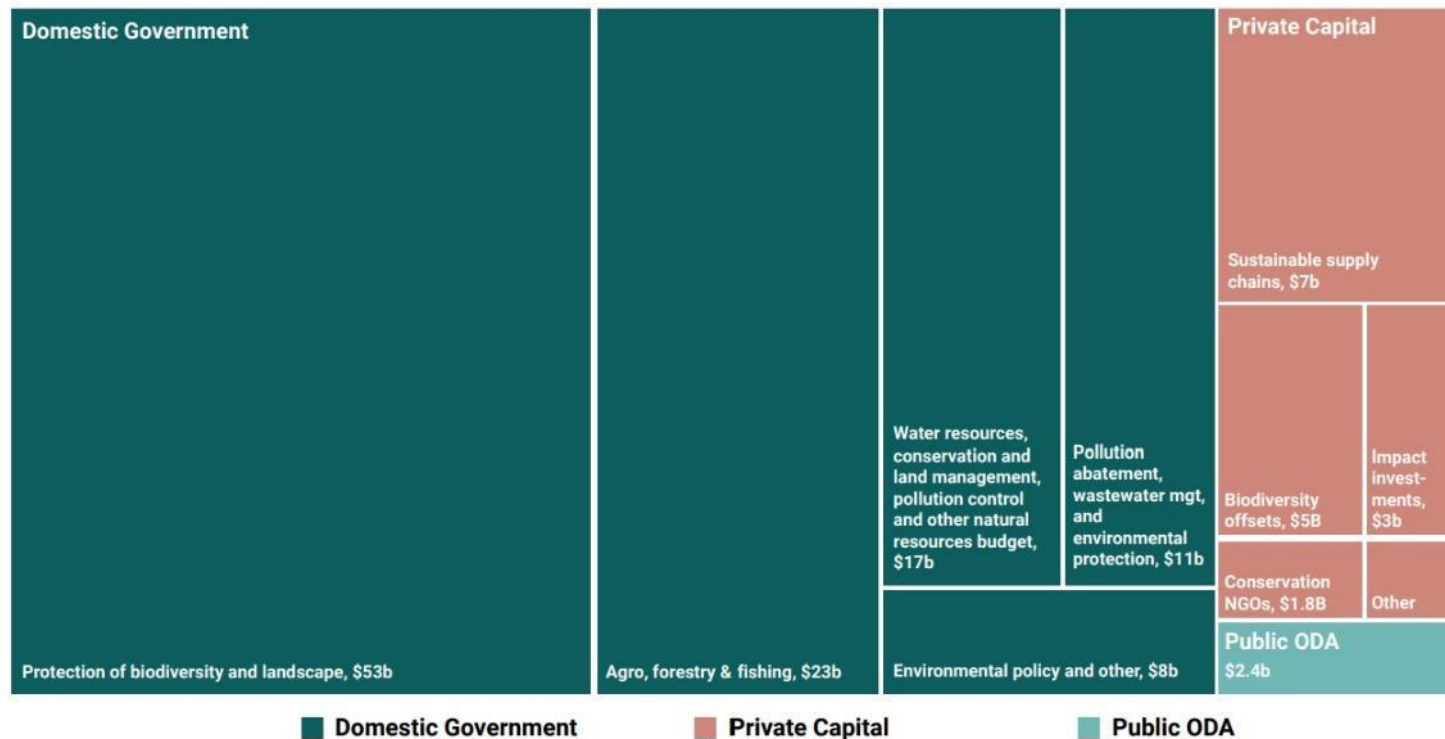
<https://youtu.be/IVrSQdwyEjg>



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Classification of NbS finance



Source: UNEP 2021



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Public Financing

- **EU funding:** e.g. European Structural and Investment Funds (ESIF), Horizon2020, Programme for the Environment and Climate Action (LIFE), etc.
- **National Governments:** funds and budgets established by national or sub-national governments with the aim to financially or technically support adaptation action.
 - Innovative use of public budgets (e.g. making use of untapped resources such as public health budget)

Source: EEA, 2017; Trinomics and IUC  2019

Private Financing

- **Capital Market:** Bonds (e.g. Green Bonds, Natural Capital Financing Facility (NCFF), etc.)
- **Investment and Commercial Banks:** Some public financial institutions offer low-interest loans for projects delivering environmental and/or social benefits.
- **Foundations:** e.g. Royal Parks Foundation (UK)
- **Innovative Funding:** e.g. Crowd Funding
- **Others:** Residents, communities, private companies

Source: EEA, 2017; Trinomics and IUCN, 2019

Examples of Private Investment Sources

Private-sector finance for NbS includes a wide range of investment categories:

- **Sustainable supply chain:** sustainable forest, agricultural, fisheries and seafood products
- **Biodiversity offsets:** conservation measures to achieve no net loss/gain in biodiversity at the project level
- **Private equity impact investments:** investments in conservation and biodiversity through thematic private equity funds, incubators, venture capital firms and exchange-traded funds (ETFs).
- **Conservation NGOs:** actively engaged in activities related to NbS
- **Philanthropy:** family and corporate foundations.
- **Voluntary carbon markets:** decarbonization through natural carbon solutions,
- **Private finance:** development finance institutions, development banks and other development agencies, and climate funds such as the Global Environment Facility and the Green Climate Fund.
- **Payments for Ecosystem Services (PES):** Market-based solutions

Source: UNEP, 2021

Other Economic and Financial instruments

- Several economic and financial instruments have been developed to stimulate environmental conservation. These are commonly embedded across EU environmental law in the form of:
 - **incentives** (e.g. subsidies and payments) and **disincentives** (e.g. taxes or charges)
- **Insurance related instruments:** e.g. Risk transfer schemes
- **Tradeable environmental permits**

Source: EEA, 2021

Sources of financing

Commercial funding

- Public development banks (e.g. European Investment Bank)
- Private financial institutions (e.g. local banks)

Concessional funding

- Public institutions (e.g. EU)
- Private institutions (e.g. foundations, NGOs, etc.)

Blended funding

- Combining **concessional** and **commercial funding** (e.g. NCFF)

Source: Adapted from EIB, 2019



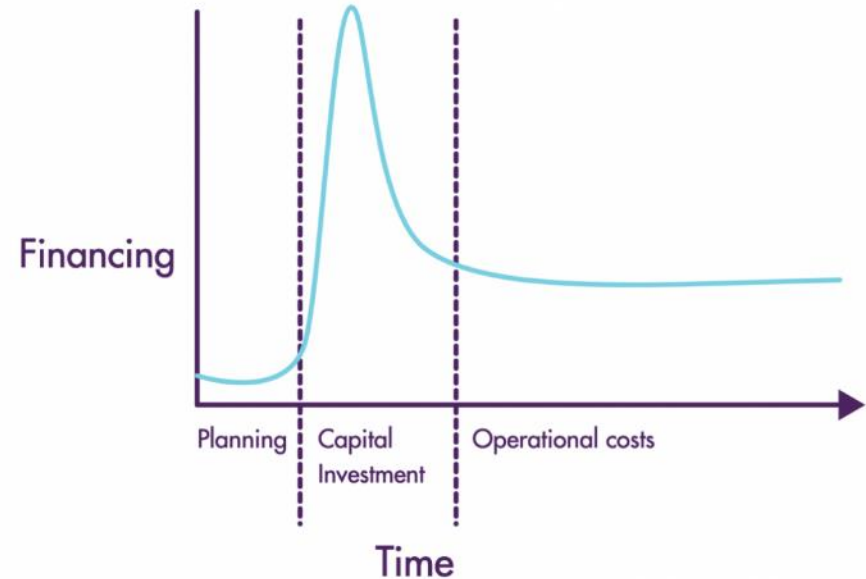
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Three major phases of financing NbS

1. **Planning:** The planning and design of NbS, takes a long time and usually involves several organizations and can thereby be very expensive. These costs are often covered by the public sector.
2. **Capital investment:** The highest costs are usually the capital costs associated with initial implementation of NbS. These costs are usually incurred over a short period of time.
3. **Ongoing operational costs:** The maintenance and operating costs of NbS (stewardship phase) are often high and can occur over a long period of time. These ongoing costs should be considered in planning NbS projects.

These three phases can reoccur multiple times over the lifetime of NbS.



The phases of nature-based solutions financing (McQuaid and Fletcher, 2019)

Challenges of financing NbS

- **Unclear return of investment:** Benefits are often shared by multiple users (e.g. public park or flood management system) and individual use is difficult to identify.
- **Quantifying benefits:** financing decisions are often based on cost-benefit analysis, but the monetary and non-monetary benefits of NbS is difficult to quantify (e.g. monetary value of well-being)
- **Scale of NbS:** Individual NbS projects are often considered too small for direct financing by large financial institutions, whereas for large-scale projects, cities cannot take on large-scale debt financing or the knowledge to make a business case is missing.
- **Collaboration for hybrid or blended financing:** the dependency on public sector financing or grant financing make projects vulnerable, so multiple funding partners would be preferable.

Source: McQuaid and Fletcher, 2019

SECTION
THREE

EU Policies



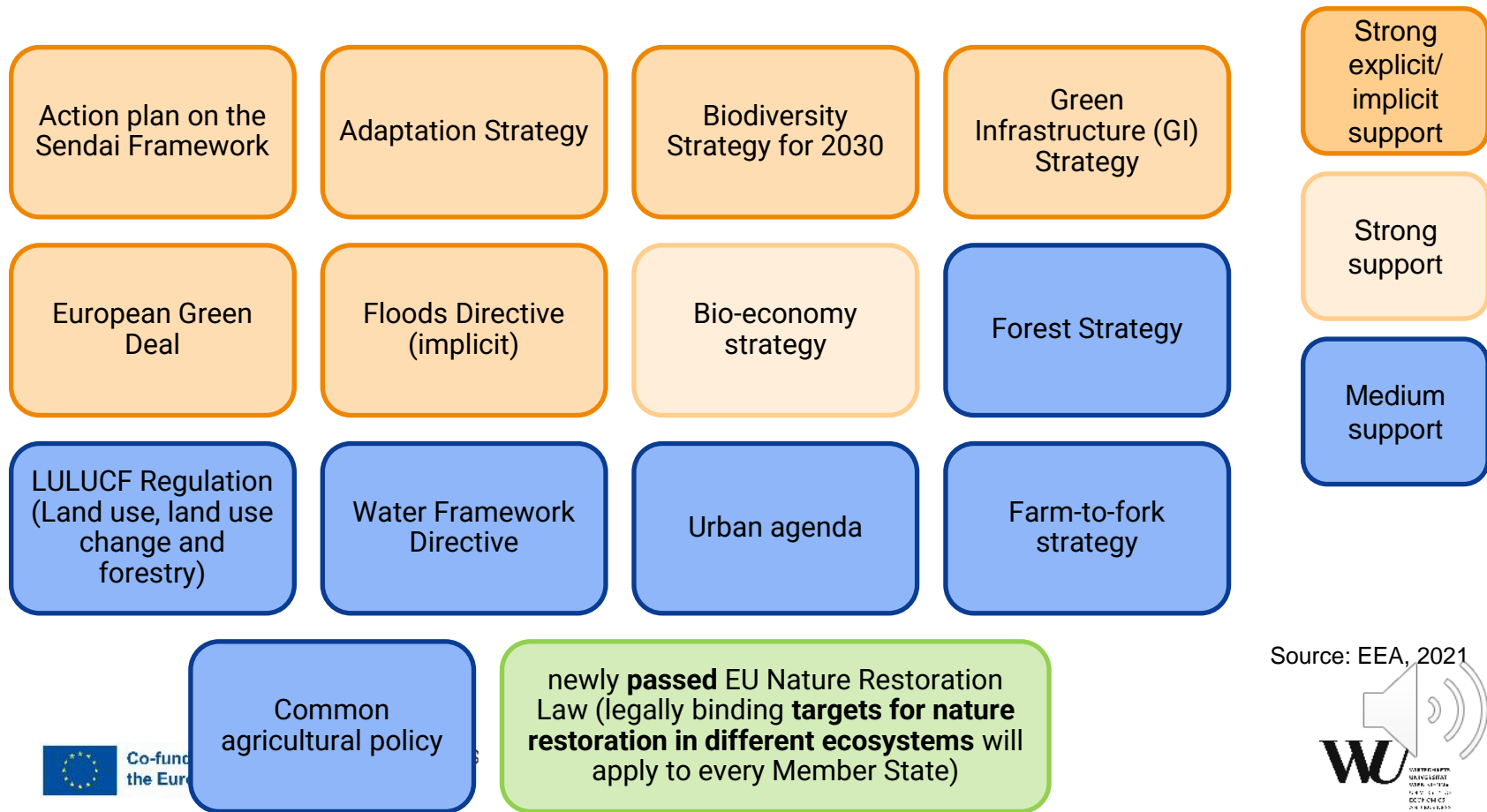
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Policy Landscape - EU Level



Policy Landscape - EU Level

- Although a large number of policies show strong potential support, the degree and type of support varies widely in practice
- The uptake of NbS depends largely on **Member States self-initiative** and commitment
- **lack of mandatory standards** or measures across EU policies
- **lack of coherence among policies** and **fragmented governance arrangements**
- **Adequate funding** is needed to:
 - increase the knowledge and evidence base
 - foster wider support and awareness of NbS

Source: Davis et al., 2018; EEA, 2021

SECTION
THREE

An Introduction to Pitching



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Please watch the first 8 minutes of this TED Talk



https://www.youtube.com/watch?v=u4ZoJKF_VuA



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Know your audience

- Who you are pitching to is key!

In our case it could be:

- A private investor
- An audience with little/no knowledge on NbS
- A city representative
- An expert on NbS

....and how you speak to them!



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Keep it short and simple!

Less is more



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Make it exciting and relatable

- No text overload
- No boring blahblah
- No boring voice
- Make it understandable.
- Make it personal.
- Make it catchy.
- Make it unique.



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Use Storytelling (story arch, climax, rhetoric pause, drama, red thread, ...)

Simple story arch:

I
experienced
the problem

There are
many like me

So we have a
solution

Here's how
the NbS
functions

Pain and Response: The Gain



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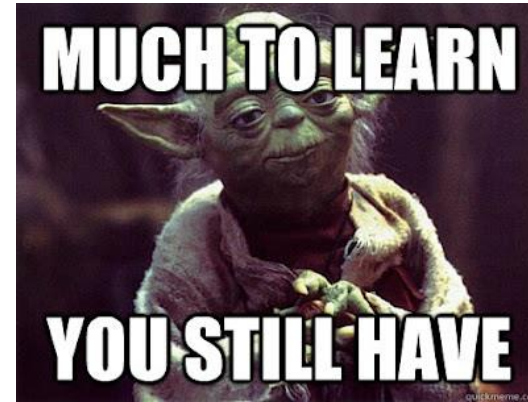


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Summary of key take-aways

- Start with „Why“
- Know your audience
- Keep it short and simple
- Practice practice practice...



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SECTION
FOUR

Preparation for the Learning Activity in Class



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Learning Preparation

Have a look at the NbS from the last lesson: Biotope City Wienerberg.

- https://www.iba-wien.at/fileadmin/user_upload/magalone/magalon_file_1646916703/pdf/full.pdf
- https://www.iba-wien.at/fileadmin/user_upload/documents/005_Schlusspraesentation/Abrissplaene/englisch/IBA_Abrissplan_Biotope_City_EN_A3.pdf
- Try to identify how the NbS was financed.



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For more information contact:

info@greenskills4cities.eu

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