



A Framework to Support the Financing of Ireland's Nature, Climate and Water Objectives by 2030

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The [BIOFIN-EU](#) project is examining the enabling conditions required to redirect financial flows towards the protection and restoration of biodiversity. Using a multi-actor approach to create impact through a science-led dashboard for nature-positive financial decision support. Built with and for six key groups: ecologists, data scientists, financial and accounting experts, citizens, providers of nature-based solutions (NBS) as well as investors (financial institutions, non-financial companies (NFCs) and State-Owned Enterprises (SOEs), the *Dashboard* will help actors navigate large-scale financing challenges and to develop, replicate, scale-out and strengthen NBS-investment, creating a more sustainable, vibrant, resilient and healthy planet and supporting the EU's biodiversity restoration ambitions. This technical article proposes a framework that help to support the financing of nature, climate and water objectives in Ireland. This framework is intended to provide a national-level approach to addressing some of the implementation bottlenecks in relation to national environmental objectives and provides a potential use case for the NbS Dashboard under development within the BIOFIN project.

Ireland has several strategic objectives with respect to the protection and restoration of biodiversity. While there is a recognition that significant funding is required to support urgent conservation and restoration needs, there is no systematic approach to aggregating and allocating private finance to scientifically validated actions. This presents significant risks and inefficiencies that will contribute to;

- low participation by the private sector in financing protection and restoration projects, thus potentially increasing the burden on public finances;
- misallocation of private sector finance to inappropriate land use that excludes rural communities and lower outcomes for ecosystem services;
- inefficient capital allocation as private sector funds are committed to smaller-scale projects that incur higher transaction costs;
- risks for corporate governance and corporate reputation as outcomes from ad-hoc 'impact investing' are misrepresented or viewed as detrimental to local communities.

The development of a unified framework for the protection and restoration of biodiversity has the potential to unlock private-sector finance and deliver on Ireland's strategic objectives. This would be achieved by;

- placing landowners at the heart of activities relating to the protection and restoration of biodiversity;

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- delivering appropriate and scientifically validated actions that are voluntary and minimise bureaucratic effort on the part of the land owner;
- allocating capital at a landscape level and place Ireland's biodiversity on a path to recovery by 2030;
- reduce transaction costs for private sector finance⁴;
- reduce investor risks (corporate governance and reputation) relative to ad-hoc 'impact investing'.

Current Activity

Ireland has seen the emergence of corporate efforts to allocate capital to biodiversity-linked projects, supported in many cases by NGOs and private sector companies that are acting as intermediaries or land purchasers. This ad-hoc and non-systematic approach to deploying private sector capital is problematic as it does not;

1. Address the main drivers for biodiversity loss at the landscape level;
2. Outcomes are not scientifically validated and there is often no process or financial flows in place to monitor outcomes beyond the initial investment;
3. Sites and actions are selected for convenience and availability rather than biodiversity outcomes, and
4. They are designed to optimise corporate communications, presenting potential risks to corporate stakeholders.

These issues and bottlenecks are not unique to Ireland, however they are contributing factors to the delayed allocation of meaningful levels of capital towards the biodiversity crisis and as a consequence are contributing to the ongoing declining trends in ecosystem services provided by nature.

A Unified Framework for Funding and Delivering Ecosystem Services

We propose to integrate the delivery of climate, biodiversity and water collectively, as the delivery of ecosystem services. Other key ecosystem services delivered in this approach include food and fibre. From a financing perspective, the development of a unified framework for corporate and public funds is expected to create multiple efficiencies in the delivery of ecosystem services and the aggregation and reporting of outcomes. It also regularises financial transfers from the private domain to providers of nature based solutions, in turn reducing reputational risks for investors and ensuring a consistent governance approach that benefits all stakeholders.

This unified framework relies on the creation of a special purpose vehicle (SPV) that facilitates the transfer of private (and public) funds to validate delivery of ecosystem services. The SPV includes supporting documentation for investors, including;

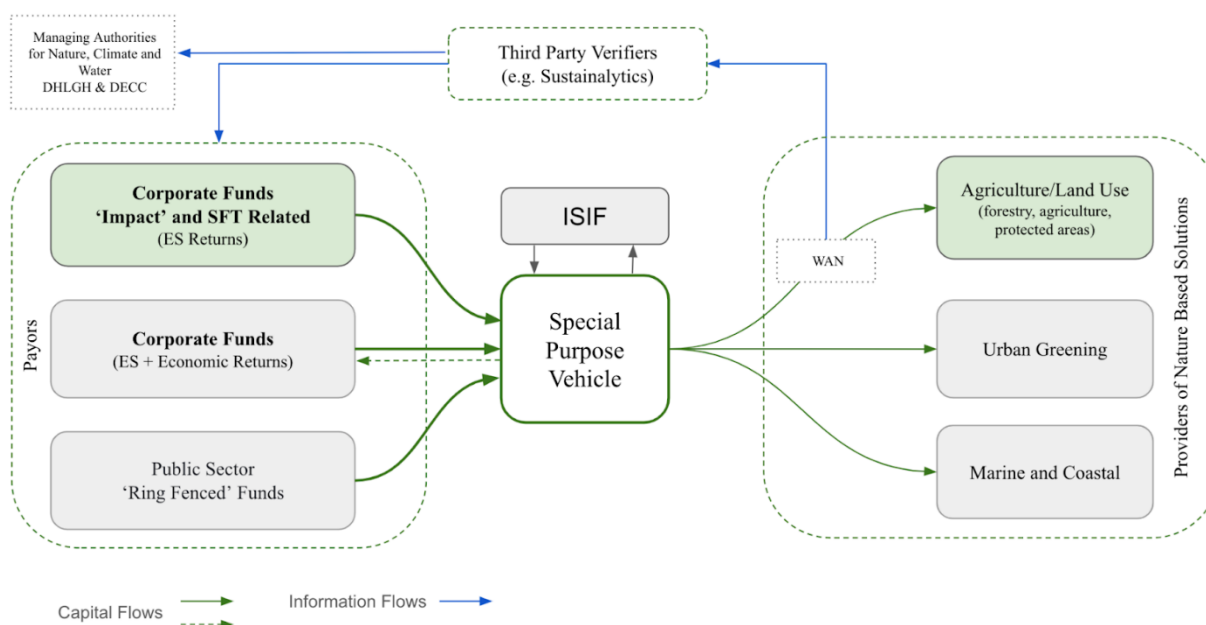
- Scientific review of underlying Nature Based Solutions available;
- Prospectus/Offering Circular or Private Placement Memorandum;

⁴ Transaction costs comprise of costs associated with (1) intermediation (contracting a third party to select a project and design the intervention), (2) Monitoring payments and outcomes and (3) Reporting



- Third-Party Verifiers (e.g. Sustainalytics) pre-sale report on behalf of the validated Nature Based Solutions;
- Details relating to the potential inclusion of financial guarantors where relevant;
- Trustee Agreement;
- Overall risk management plan including details as to how the SPV will be fully funded;
- Investment authority and guidelines for assets held in Trust, along with details of whether funds can be fungible across NbS;
- Details of the SPV's liquidity strategy, including structure of waterfall and withdrawal rules;
- Risk implications of the SPV's investment strategy;
- Details of Directors/scientific panel's fitness and probity;
- Capital including size, investor concentration, and management share of the capital base;
- and, Outsourcing and service agreements.

This approach establishes a common architecture for investor requirements and creates the opportunity for evidence-based interventions to proceed towards standardisation of interventions. Importantly, it facilitates the allocation of funds to undertake actions in a coordinated way and at a landscape level. It imposes standardisation of procedures and governance for those organisations delivering ecosystem services and have a track record in improving conditions for the protection and restoration of biodiversity. Transaction costs for private sector finance are minimised as it streamlines costs associated with site selection, evaluation of action to be taken and ongoing monitoring of outcomes. Reducing these costs can support the flow of private finance. It facilitates the necessary, scientifically validated experimentation around approaches to delivering ecosystem services without incurring reputational risks for investors.



Proposal Initiate a pilot project to validate the unified framework.



We identify three specific outcomes from the pilot that address (i) investor requirements, (ii) national strategic objectives and (iii) systemic change.

(i) Investor requirements: measuring improved financial efficiency and risk management

Examine how the formalisation of a unified framework can improve the management of the ‘arrival’ of nature-based solutions with the flow of public & private funds. This matching efficiency is expected to significantly contribute towards the unlocking of mainstream finance. Additionally, this framework can (over time) build a portfolio of validated nature-based solutions and thus establish a single, regularised approach to ensuring the best fit for investors (e.g. water savings (Intel), climate (Amazon)...). This is expected to significantly reduce costs associated with intermediation, reduced monitoring and reporting costs and ensuring that funding is fungible across projects where appropriate. Each of these components will be validated during the course of the pilot. Additionally, incorporating standardisation into the delivery of participating NbS (for example through the [IUCN Global Standard for Nature Based Solutions](#)) is intended to build on improved visibility of robust interventions and provide for greater integration with international capital flows.

(ii) National strategic objectives: landscape level intervention and outcome reporting

Connecting outcomes with Ireland’s policy objectives

- Single reporting mechanism on outcomes from all interventions funded via SPV
- Collaborate with existing approved third-party verifiers (e.g. Sustainalytics) to report on biodiversity-linked actions and outcomes

(iii) Systemic change: testing large scale investing by mainstream finance

This unified framework is an enabling condition for new approaches to unlocking mainstream finance and can provide for new ways to engage with the financial system to nudge greater participation in the sustainable economy. For example,

- the banking system provision of discounted lending to farmers participating in validated NbS,
- pensions systems reform can consider allocations to NbS via this unified framework.
- Benefit from Ireland’s position as a leading financial services location and world leading expertise in insurance systems to explore potential to use SPV as a venue for low income yielding collateral on special securities (e.g. [Cat Bonds](#)) and vehicles (Captives)

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