



## **TOWARDS A POLICY FRAMEWORK FOR PROMOTING NATURE-BASED ORGANISATIONS (NBOs)<sup>1</sup>**

### CONTEXT

Nature-Based Solutions (NBS) have emerged as a significant vehicle in support of sustainability. The benefits are multifaceted and hard for investors to capitalise on, however. National governments tend to be vaguely aware what is at stake. Multilateral bodies, such as UNEP and IUCN, provide impetus towards a more broad-based appreciation. The EU, meanwhile, has taken firm action, notably through research and innovation projects funded by Horizon 2020 and Horizon Europe, to catalyse a rich tableau of collaborative NBS projects, focusing at local and city level. Devised for the purpose of piloting and experimenting with novel approaches to harness value creation, the lessons learned have been structured and diffused in support of further expansion and realisation of benefits.

Success in advancing this agenda will require strong engagement by the key actor categories. This Policy Brief pulls together insights aimed to gain ground in respect to the role of **Nature-based Organisations (NBOs)**.<sup>2</sup>

### NBOs

Realising the benefits of NBS goes beyond planning and administrative procedures. At the core of value-creation stand green entrepreneurs and NBOs that draw on nature as a major building block of their business models. Such entities engage in a range of innovative efforts, technological, organisational, and social. Focusing attention on what can be achieved, they offer great potential for connecting with various stakeholders and facilitating active participation and co-creation by

citizens to bear fruit to higher relevance and social benefits from NBS.

Apart from the driving force of founders and managers, the performance of NBOs depends on organisational features as well as external actors and conditions. While often holding the key to realising the benefits of NBS, and to take us forward towards a more sustainable economy and society, many NBOs face an uphill struggle to realise their potential contributions.

Appreciation of diversity, complementary competences, and collaboration is key for underpinning *ecosystems* conducive to green entrepreneurship and NBOs of various kinds, including as formal enterprises (NBEs) or informal social and solidarity-based organisations.

### AN EMERGING POLICY FIELD

Despite the progress made, investment in NBS remains depressed relative the opportunities at stake. This is partly due to the multifaceted character of the prospective revenue streams. Neither markets nor institutions have proven able to harness NBS development on a par with the potential benefits.

The engagement of NBOs in realising the benefits of NBS is on the move but cannot be fulfilled in the absence of more fruitful enabling conditions. This points to the need of framing a specific policy approach – where conventional practices are adapted, new focus points adopted, and different measures coordinated with a view to achieving a transformational process, step-by-step, to bring about the kind of ecosystem that allows NBS and NBOs to flourish.

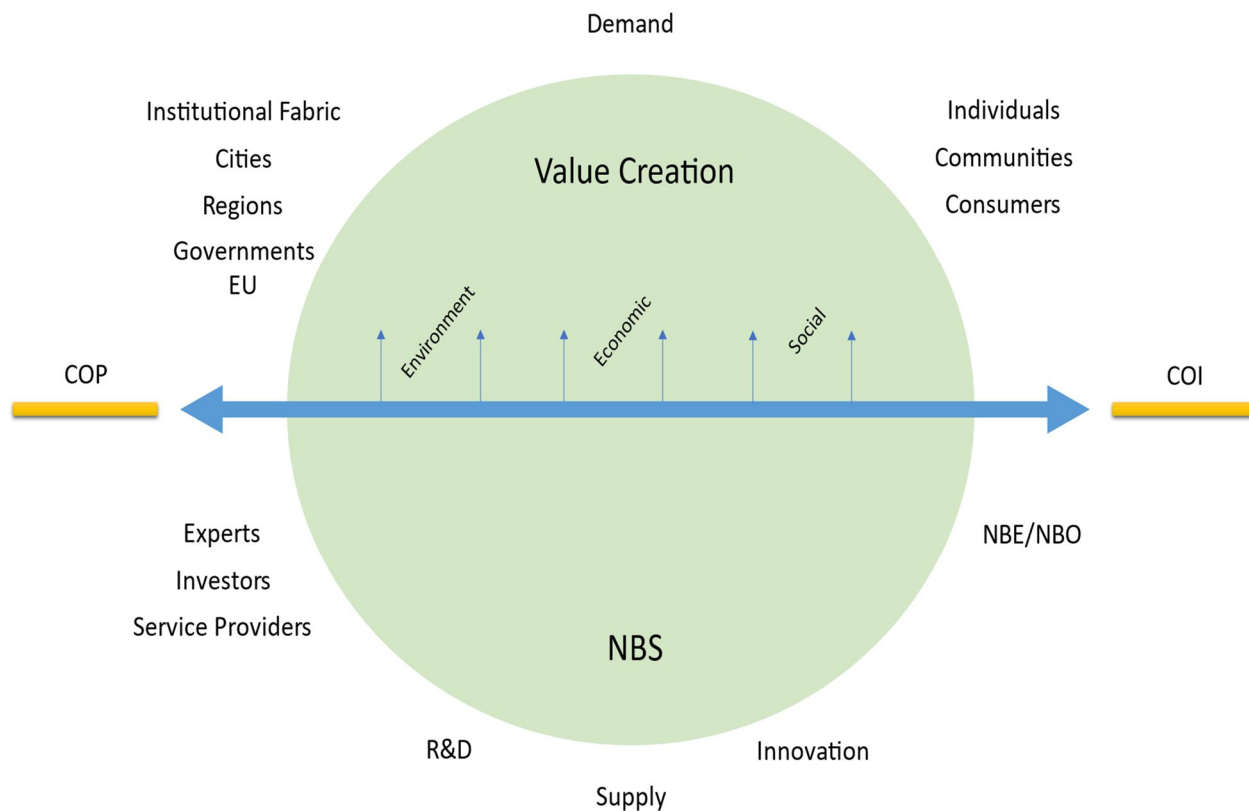
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<sup>2</sup> Detailed information, on the definition of NBOs and cases exemplifying contents described in this brief, is available in URBiNAT background reports, see <https://urbinat.eu/>

## A POLICY CONDUCTIVE TO NBOs

Important cornerstones for framing and implementing a thorough policy framework promoting NBOs, are

presented below, under the following headings: *i) Recognising the benefits; ii) Embracing the diversity of NBOs; iii) Freeing up the potential of complementary policy levels; iv) Specifics in key NBO policy domains.*



## RECOGNISING THE BENEFITS

While increasing attention has been paid to the private sector and pushing a shift in corporate practices towards carbon neutrality, support for biodiversity, reduced pollution, and circular practices, there is a case for placing focus on the *need of policy to foster NBOs as well as nurture their success*. Rewarding the genuine achievements of such organisations carries unique potential to realise increased transparency along with broad-based buy-in and support for sustainability.

NBOs propel value-creation from NBS through various mechanisms. This may occur through close association with innovation and the emergence of vibrant ecosystems conducive to a nature-positive economy. Through these, the development of new products, services, and social and cultural activities unlock access to information and an enhanced understanding of and demand for the benefits of NBS. This applies to value streams recorded and appreciated by markets as well as social processes and community development.

Notably in the urban context, NBOs are of high importance for realising wide-ranging benefits from NBS. Mechanisms such as the following are at work:

- Facilitated access to amenities and recreation areas, relief against heat stress and air pollution, as well as improved health and wellbeing.
- Arenas spurring social and cultural activities manifested in expressions of art, music, craftsmanship, and heritage.
- Inspiration and engagement in ecosystem services, e.g. through gardening, growing, cooking, and sharing organic and locally produced food.
- A sustainable lifestyle, physical activity, circularity, in support of decarbonisation and biodiversity.
- Smart sensors and platforms, e.g., technology enabling inclusion of marginalised groups, and user-friendly means of measuring impact.

## EMBRACING THE DIVERSITY OF NBOs

NBOs take multiple shapes. Some are formal enterprises which may be limited companies or associations, some operating for-profit, others not-for-profit. Such Nature-based Enterprises (NBEs) may evolve into successful and profitable businesses, linked to trusted and respected green brands and practices. Other NBOs take the shape of informal networks, ranging from instruments for mass mobilisation to local community initiatives or loosely connected Communities of Practice (CoP). While generally less equipped by way of administrative or revenue-making capacity, great impetus may flow from their founders as well as engaged member contributions.

NBOs are regularly established and taken forward by individuals or groups with shared interests. Some may be motivated by the identification of a business opportunity linked to environment conservation or other aspects of sustainability. Their primary drive may also be that of doing good for nature and society. In many cases, however, they draw on “hybrid” motives – establishing a business as well as supporting sustainability. Reflecting their orientation in such respects, NBOs will fare differently under varying conditions, including in response to policy interventions.

Opportunities, hindrances, and motivations that surround NBO development depend much on context-specific conditions, often framed at city/local level. Policy-making mechanisms need to be devised and upgraded in that light.

### Traditional Policy Tools in support of “green business”

Mainstream traditional policies exercises mainly at national level promoted “green” business development since many years. These are some of the most commonly practices, which continue to be greatly important and could be leveraged for NBEs as a subset of green businesses:

1. Increase taxes on greenhouse gas emissions, possibly aligning with EU strategies and regulations;
2. Reduce taxes or introduce subsidies in support of renewable energies and various benefits of NBS;
3. Define and deliver on “green” regulation and standards in various sectors, backed by adequate verification and enforcement mechanisms;
4. Institute educational competencies and strategy to build awareness about environmental challenges across the population at large;
5. Instigate and promote research capacity at universities and across industry or institutes fostering collaboration on the development of “green” solutions;
6. Create green infrastructure, e.g., for cycling, walking, or accessing green areas;
7. Counter policy silos and promote enhanced cross-sectoral synergy, e.g., between environment and health policies.

## FREING UP THE POTENTIAL OF COMPLEMENTARY POLICY LEVELS

Along with efforts at multilateral level, the European Green Deal, the EU Taxonomy Regulation, the EU Biodiversity Strategy and, most recently, the Corporate Sustainability Reporting Directive (CSRD) subject financial institutions and corporations to disclose sustainability impacts, as well as present plans on how to rectify them. Many national governments adopt measures to reduce green investment risk or craft supportive infrastructure. The prevailing policy frameworks suffer from inconsistencies, however. Subsidies and incumbent practices keep favouring unsustainable behaviours. Challenges to measure societal benefits, short time horizons, misinformation by vested interests, high transaction costs for due diligence, and a tendency for projects to be idiosyncratic, limiting the scope for replication and scaling of success factors, further impede the rise of NBOs.

Cities/local actors may lack relevant experience and adequate resources. Yet, they are uniquely placed to effectuate critical elements of NBO policy. As facilitators and coaches, they may enable upticks in knowledge exchanges and synergies between complementary competences. Through engagement in the EU NBS Horizon Research and Innovation projects. Many further mobilised citizens and stakeholders in structured diagnostic, co-creation of NBS, and the adoption of toolboxes and indicators tailored for measurement and evaluation of high relevance to their specific local conditions.

The potential contributions of the private sector as well as community driven NBOs remain partly untapped, however. Policy vehicles can be further developed and applied to identifying the opportunities as well as addressing and overcoming outstanding issues call for

boosting capacity building and resource mobilisation in this regard.

As part of the picture, societal factors push for fragmentation and polarisation, notably in urban development. Deprived areas tend to suffer from less connectedness with policymakers/ influential stakeholders. Typically bestowed with a weaker business sector, less prevalence of innovation and citizens more burdened by pressing social concerns, they typically foster fewer NBEs. While in need of job creation and higher incomes, such areas possess assets of their own, showing up in ample examples of constructive networking and community engagement. As taken

forward by URBiNAT, NBS can be combined to forge Healthy corridors recuperating and ameliorating the urban environment in a systemic and holistic manner. While gains may be manifested in quality recreation, enhanced social cohesion, health, and well-being, less stress and insecurity, vulnerable groups may require protection against rising property prices.

Achieving relevance in the light of outstanding issues calls for local adaptation, drawing on combined top-down and bottom-up initiatives. In this, URBiNAT has framed and operationalised a Community of Practice supportive of multi-layered parallel learning and two-way adaptation in transitioning towards a nature-positive economy.

## SPECIFICS IN KEY NBO POLICY DOMAINS

Five specific policy domains of high relevance for cultivating a dynamic ecosystem conducive to the flourishing of NBOs at the level of cities, regions, and communities, are presented in the following:

### CO-CREATION

A spectrum of possibilities with associated impacts can be brought about by **Co-creation**, i.e. a joint design process where user/citizens are actively engaged. Realising the potential value of NBS may greatly depend on the degree to which NBOs get involved and contribute actively with structuring and packaging parts of the value streams. NBOs excel in proactively interpreting and meeting residents' needs. Where NBOs are thoroughly involved, co-creation of new ideas translates more fluidly into co-production/service delivery, making potential NBS benefits more potent and attainable.

Particular attention is warranted, however, to ensure that commercialisation and monetised returns do not create a bias against less tangible benefits, such as biodiversity and social inclusion. NBOs may be tasked to stage or support co-creation processes with a view to such purposes. When so they accordingly demonstrate high capacity to help citizens, e.g., to design and implement NBS. Where policies and NBOs harmonise in pursuing inclusive communication practices and methods on terms that are conducive to trust, creating a sense of ownership by citizens. On this basis, citizen buy-in with policy, including NBO contributions, will be boosted, especially in less privileged areas.

### DIGITAL ENABLERS

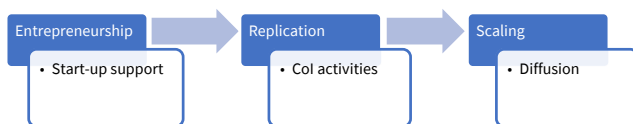
The advance of digital technology by way of computing, big data, clouds, smart sensors, Artificial Intelligence (AI), etc., brings massively enhanced capacity to collect, process and diffuse information. Digital tools combined with methodology and content tailored to achieve specific purposes of value-creation from NBS, are referred to as **Digital Enablers**. They may facilitate co-creation and unleash faster, more efficient, and trusted measurement, reporting, and rewarding/penalising of sustainability impacts, countering destructive misinformation and confusion as popularly associated with "greenwashing".

Policies may nudge such applications and outcomes through various tactics, applying a combination of carrots and sticks. Also, by framing openings for NBOs in digital enablers, cherishing green entrepreneurs and framing demands for innovation, they may stimulate diverse participatory processes of value-creation from NBS.

Policymaking further has a role to play in fostering user-friendly data repositories and promote their uptake, possibly backed by capacity-building and training. Smart public procurement practices can effectively counter dependency on proprietary vendors through the promotion of open source and open data.

## BUSINESS LIFE-CYCLE

NBO policies warrant consideration to the **life cycle** of such entities, i.e., distinguishing phases of organisational development. Green **entrepreneurship** and start-up activity face complex, systemic risks, while of high societal value. Institutional and societal support should aim for earmarked competence development closely linked to institutional learning and adjustment. **Replication** meets with transaction costs to translating success to a different context. Policymakers can help bridging the gap, in part by linking to favourably inclined Communities of Interest (Cols). Bonded together by shared interests, Cols may enhance the absorptive capacity notably of socially oriented NBOs, fast-tracking matching with local interests and competencies.



Policy has a role to play in support of **scaling** NBOs as well, where success hinges on mainstreaming uptake beyond a narrow category of first-moving customers, possibly along with upgrading of supportive infrastructure or external service provision. Identifying and acknowledging “best practice NBOs” that represent pertinent candidates for replicability and scaling has been observed to open for distinct opportunities. The policy task at hand should not be mistaken for “pick-the-winners” though. Exerting a favourable impetus comes down to framing collaborative processes, featuring matchmaking between complementary competences, replication and scaling of best practices.

## DEMAND POLICY

Demand-led policy has arisen as one of the most potent, if not yet fully understood, vehicles for stimulating green business development. Demand-led NBO policies take different shapes depending on the kinds of value-streams that emanate from NBS. Governments possess various means of shoring up demand. Some are direct, such as public procurement, others indirect as when facilitating awareness creation or investing in enabling infrastructure.

Bundling complementary measures on terms that raise the interest of diverse client categories opens for critical mass and reduces market risk. Further, varying sources of demand may be induced to interact, relating to public

space, amenities, less pollution, cleaner air, support for wellness, or other kinds of benefits.

While NBEs play a key role in achieving gains that are marketable and capable of appealing to various clients, governments may underpin credible monitoring and evaluation, thereby help building the trust required for confidence by citizens and the private sector. Social innovation and the mobilisation of voluntary efforts in support of public goods by other community based NBOs may similarly merit appreciation and validation by policymakers.

Raising the ability of government bureaucracy to coordinate and administer NBS across sectoral boundaries, skills and knowledge gaps need to be addressed across different departments. This includes increasing capacities in monetary/non-monetary valuation of NBS benefits, as well as managing specific bidding requirements on terms that are amenable to accommodating diverse kinds of NBOs. By working with smaller pilots, public procurement processes could be more open-ended with challenge-based criteria creating space for innovation, grouping projects together in support of creative, value-enhancing links between actors at different stages of the value-chain.

Policies may further instigate collaboration among relevant professional and training bodies in support of critical mass and enhanced continuous skills development. Public awards may be devised to recognise good practices, e.g., in implementation of measures to value natural capital conservation and restoration.

## FINANCIAL SOLUTIONS

Today, funding of NBS materialises overwhelmingly from public sources. For enhanced investment in NBS, on a scale and on terms that help realise their potential value-generation, the private sector needs to engage. Overcoming the barriers to private sector finance of sustainability raises intricate challenges, however, for which no single solution can be deployed. A portfolio of financial tools and services is required, capable of appreciating diverse value streams, business models, risks, and rewards.

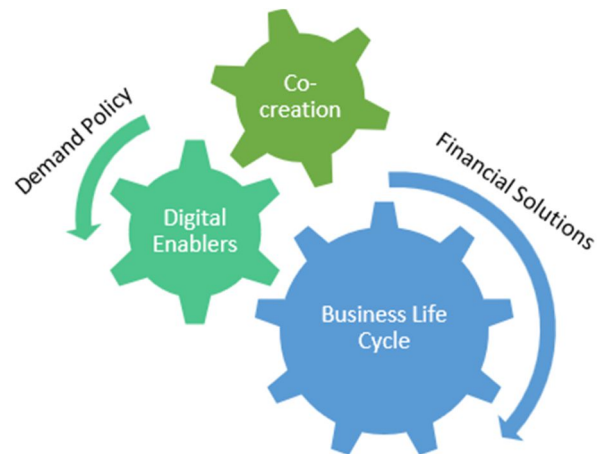
Major issues are at hand, as well, when it comes to linking sustainability funding with actual impacts. While increasingly demanding public reporting requirements oblige firms to set out plans for moving towards carbon



neutrality as well as describe means for fulfilling such commitments, concerns with greenwashing keep growing. This calls for working out reforms in effect adjusting the definition and measurement of green investment so to put the focus on impact.

Green start-ups and other NBOs meet with various obstacles to access adequate funding, including for green tech innovation. Public entities are not well suited to allocating risk funding, but policymakers play a distinct role in framing conditions conducive to a diverse community of entrepreneurs and funding opportunities. Navigating the special assets, risks, and time frames that pertain to the green and blue economy requires access to blended finance amenable to multiple configurations. Supportive framework conditions and infrastructure development remain primarily a responsibility of policymaking at national level. The local level is key though, when it comes to stimulating vibrant development hubs, business culture that is favourable for sustainability, collaborative links with universities and science parks, business angel networks, and the means of constructively engaging citizens and relevant stakeholders on the ground.

A related avenue is that of promoting or facilitating citizen financing, notably by way of crowdfunding. Such measures may be framed as part of inclusive approaches to co-governance of relevance to NBOs, reflecting the importance of customer appreciation of more diverse value streams compared to what applies to mainstream business. Crowdfunding serves not just to raise financial resources but creates a support base out of those that contribute and thus become entrenched with the services under development.



## KEY TAKEAWAYS

Drawing on the lessons of URBiNAT and related EU Horizon projects, a strong case has been made for instilling enhanced policy mandates along with concurrent capacity and competences at city/local level to pursue value-generation through NBOs. Such a shift is key to constructive engagement and a “can-do” approach to sustainability more broadly, unleashing private investment and ingenuity along with civil society participation. Main recommendations are summed up below:

### SUMMARY RECOMMENDATIONS, POLICY MAKERS ARE CALLED UPON TO:

- ✓ Frame a comprehensive strategy to realise the potential contributions of NBOs to sustainability, reflecting their contributions to realising the value of NBS impeded by market and government imperfections.
- ✓ Re-define and re-think NBO “policies” to the effect of enabling their role in ecosystems conducive to the value generation of NBS and their wider application as part of Healthy corridors crafted to overcome issues of fragmentation and polarisation in urban development.
- ✓ Cherish a culture of diversity promoting contributions by different NBO categories, spanning from formal business-oriented NBEs to informal community networks and social and solidarity-based initiatives.
- ✓ Take advantage of NBO-capabilities and innovative capacity in pursuing collaborative strategies entailing stakeholder engagement along with citizen co-creation for enhanced relevance and local ownership.
- ✓ Nudge the advancement and application of digital enablers for more trusted measurement, reporting, and focus on impacts, while countering proprietary vendors through promotion of open source and open data.
- ✓ Promote competence development and capacity building supporting green entrepreneurship and start-ups in the face of complex, systemic risks, as well as frame collaborative processes and matchmaking for replicating and scaling best practice NBOs.
- ✓ Bundle direct and indirect measures to stimulate a critical mass of green demand and, where needed, engage in overcoming information issues by underpinning validation in support of trust and market confidence.
- ✓ Achieve the depth as well as breadth of financials required to appreciate and respond to diverse value streams, business models, risks, and rewards.