Democratizing Conservation

Steps towards monetizing natural equity

Shaun Mann, January 2021
Conservation landscapes are under-valued

Because... economic values are usually attached to land that you can build things on, grow things on, or extract from. Conservation landscapes provide a range of different (equity) values that don’t yet have developed markets.

There isn’t a strong enough business case for conservation to attract anything other than free or concessional capital. It’s been this way for 50+ years.

Tourism isn’t enough. Maybe “conservation” isn’t either.
Different “values” and “finance” are needed

**Values:** water, soil, biodiversity and carbon are all nascent “credit” or “offset” markets. The value of investments in these markets is growing; too fast for supply. Africa has an abundance of supply, but, inadequate systems to measure, report and verify this natural capital, and therefore an inadequate pipeline of projects.

**Finance:** once these values are known, they can be “bought”, “sold” and financed. Like stocks and bonds. Like stocks and bonds, value will be driven by reported and verified results. Sources of finance are diversifying, but without verified values the business case remains weak.
How do we get on this path, faster…

Supply

- A pipeline of projects that are structured to measure, record and verify a range of “stacked” nature values
- Work with govts to establish national natural capital accounts, especially work with targeted marine and terrestrial PAs to certify natural equity values

Demand

- Define the universe of financiers and their needs in terms of impacts and returns – spectrum is huge from commercial > grants
- Establish a delivery/service system that matches projects with financing
The Economic Case for Nature

Biodiversity and ecosystem services risks are material. Low and lower-middle income countries, reliant on nature, stand to lose the most (and the COVID-19 pandemic reminds us of the systemic nature of nature-related risks).

Governments are key to addressing the drivers and mobilizing private sector resources. Tackling institutional and market failures open important ecological and economic opportunities.

> 80 percent of the world’s extreme poor (about 600 million people) live in poverty-environment hotspots.

US$44 trillion (50%) of the world’s GDP in industries that depend highly (US$ 13 trillion) or moderately (US$ 31 trillion) on nature (WEF).
Financing green and greening finance

**Financing Green:**
Financing projects that contribute to the conservation, restoration, and sustainable use of biodiversity by harnessing the ecosystem.

**Greening Finance:**
Directing financial flows away from projects with negative impact on biodiversity and ecosystems.

<table>
<thead>
<tr>
<th>Net Biodiversity Gain/Co-benefits</th>
<th>No Net Biodiversity Loss</th>
<th>Biodiversity Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation project without cash flow and requiring grant funding or public support, Development project with biodiversity component</td>
<td>Development project not affecting biodiversity or with proper safeguards</td>
<td>Development project without proper safeguards</td>
</tr>
<tr>
<td>Conservation project using program-related investment or blended finance</td>
<td>Development project using program-related investment or blended finance with proper safeguards</td>
<td>Development project using program-related investment or blended finance without proper safeguards</td>
</tr>
<tr>
<td>Project where ecosystem services are monetized, or co-benefits are created through business activities</td>
<td>Project with biodiversity offset or sustainable management</td>
<td>Traditional investment without proper safeguards</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negative Public/Philanthropic</th>
<th>Below Market Rate Concessional</th>
<th>Market Rate Commercial</th>
</tr>
</thead>
</table>

**Risk-Adjusted Return**

**Risk mitigation / Impact**
Private investment in complementary sectors can close the gap

A landscape investment approach enables effective allocation and management of land by owners and custodians for sustainable social, economic, and environmental objectives.

Areas of interest:
- Biodiversity friendly fishing and shipping
- Sustainable aquaculture production
- Waste (sewer and wastewater)/plastics management
- Reduction of synthetic fertilizers
- Manufacturing/retail of ocean/water friendly household products

Areas of interest:
- Reforestation/Afforestation
- Native non-timber forest products
- Improved sustainable forest management
- Sustainable tree-crops production
- Agroforestry systems

Productive Land Use/Agriculture

Areas of interest:
- Climate smart and regenerative agribusiness
- Investment in certified sustainable crop production
- Investment in alternative production or production practices; and efficient irrigation

Fresh water/marine sustainable production

Tourism/Ecotourism services

Forestry and plantations

Other investments (infrastructure, etc.)

Areas of interest:
- Infrastructure projects designed to avoid ecologically sensitive areas
- Opting for ‘green’ over ‘grey’ solutions
- Identification, monitoring, and verification of biodiversity and business impacts

Areas of interest:
- Sustainable ecotourism ventures and operations
- Incentives to enhance biodiversity protection e.g., alternative livelihoods

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Biodiversity Investment Platform

The Concept

• To drive a new financing model for biodiversity in Africa.
• The investment platform will facilitate multiple sources of capital into a more resilient biodiversity economy at scale – in a landscape approach.
• The injection of capital will be primarily channeled into profitable and biodiversity-compatible enterprises with impact.

Actions underway

• COVID-19 relief facility launched by March 2021
• Investment platform design work ongoing, June 2021 launch

Pilot

• The initial focus is a pilot in Tanzania, Uganda, Zambia and Mozambique
Biodiversity Investment Platform structure

- **Platform entity** – the public interface to showcase ventures and manage a network of investors, donors and lenders.
- **Technical assistance** – an expert unit to manage TA at a landscape level; including enterprise support and feasibility studies.
- **Field Developer – Landscape level coordination bodies to raise awareness, develop pipeline and provide M&E services**
- **Fund Managers – raise investment and secure funding partners; facilitation and execution of deals**

IFC has sponsored initial work on this initiative, and now seek funding partners and collaborators.
Wildlife Conservation Bond

Year 0: USD Principal

USD Tranche: Principal
~USD100M
USD denomination
(no direct link to project)

USD Tranche Investors

Years 1-5: USD Coupons

Year 5: USD Principal

World Bank Treasury

GEF

USD 13.76M
Funds for Conservation
Success Payment
(managed by World Bank
Treasury)

Year 0: ZAR Principal

Years 1-5: ZAR Coupons ~ZAR150M *
Approx. NPV of coupon payments
(paid in four instalments)

~ZAR88M
Bilateral Grant Agreements

Addo Elephant National Park (“AENP”)/ SanParks

~ZAR62M

Great Fish River Nature Reserve (“GFRNR”)/ “ECPTA”

Year 5: Conservation Success Payment **
(to WCB investors of USD 0 up to USD 13.76M)

Year 5: ZAR Principal

ZAR Tranche Investors

ZAR Tranche: Principal
~ZAR670M
ZAR equivalent of ~USD40m
as of bond issuance

* The estimated net-present value (NPV) of WCB coupon payments is approximately USD9M. Actual NPV equivalent is subject to change based on market rates. The coupon payments will be issued (per investor instructions) at a fixed rate payable on four interest payment dates in the following amounts USD TBC on the issuance date and USD TBC on each subsequent interest payment date.

** GEF NGI conservation success payment of USD 0 up to USD 13.76M (depending on rhino growth rates) will be paid to the WCB investors if target rhino population outcomes are achieved.
Why “democratize” conservation?

Can we get to a place where nature pays for education and healthcare poverty-environment landscapes? And where the companies “paying” for this nature are those countries richest top 50?

Why not?