USFS Conservation Finance Toolkit:
Introduction to Conservation Finance

What is Conservation Finance?

Conservation finance is the practice of raising, managing, and deploying capital for conservation outcomes. This capital falls into two buckets.

Investments **with no** direct financial return/profit	Investments **with** a financial return/profit alongside social and ecological outcomes

While work in the field of conservation finance includes both of the buckets above, current innovation is focused on the engagement of **private capital** in investment opportunities that generate financial returns through the alignment of environmental, social, and financial outcomes.

The Case for Conservation Finance

An estimated **$300 - $400 billion** is needed each year to restore and conserve ecosystems worldwide. And yet, conservation projects only receive an estimated **$52 billion** globally, primarily from public and philanthropic sources.[1] Conservation finance addresses the question of how to close this **$250 - $350 billion** annual gap by increasing and unlocking financing for ecosystem restoration and management, with a focus on private capital.

The State of the Conservation Finance Field

The field of conservation finance is growing and evolving quickly; innovators are developing, piloting, and replicating new financing models, and investors are committing increasing amounts of capital to the sector. Between 2009 and 2015 investors committed at least **$8.2 billion** to conservation worldwide, with average annual amounts committed doubling in the two most recent years. However, **$3.1 billion** of this amount remained un-deployed at the end of 2015, indicating that investors are struggling to find investable opportunities.[2] Through work with partners that are developing financing models that engage private capital the Forest Service can package our work to support healthy forests and forest-dependent communities as opportunities for investment, thereby increasing and unlocking funding for our priorities.

[1] McKinsey & Company. Nov 2016. *Taking Conservation Finance to Scale*
[2] Hamrick, K. Jan 2017. *State of Private Investment in Conservation 2016*

Traditional Funding for Conservation

Conservation has historically been supported by public and philanthropic funds. These investments do not generate direct financial returns/profits.

Public Funding

- Federal funds (e.g. LWCF, CFLRP, Joint Chiefs', WIFIA)
- State and municipal funds (e.g. SRFs, state/local grant programs)
- Ballot measures
- Water utility payments
- Taxes/tax incentives

Private/ Philanthropic Funding

- Individual giving
- Foundation grant-making
- Corporate social responsibility

Frontier Financing for Conservation

The practice of developing, piloting, and replicating models that unlock new financing for conservation is evolving rapidly. These models, which augment traditional funding sources, fall into two broad categories – consumer-based solutions and return-driven investments.

Consumer-based

- Voluntary surcharges
- Certification/labeling

Return-driven Investments

- Impact investing
- Impact bonds/Pay for Success financing
- Environmental markets (e.g. carbon trading, mitigation banking)
- Loans for conservation
- Payments for ecosystem services

Conservation Finance Partners

Partnerships with the following groups are a core component of conservation finance at the FS.

Investors. Provide capital for projects (individuals, foundations, pension funds, endowments, etc.).

Fund Managers. Manage investment portfolios for individual and institutional clients.

Foundations. Provide philanthropic capital to support development and piloting of new models.

Conservation NGOs. Undertake science, planning, stakeholder engagement, and implementation.

Researchers. Gather and analyze data linking land management actions to environmental outcomes.

Public sector. Federal, state, and municipal entities act as funders, implementers, and policy makers.