Financing Coral Reef Conservation and Management:
Conservation Trust Funds and Impact Investing

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Photo courtesy of David Gross, Coral Reef Image Bank
Today’s Agenda

• Impact Investment and CTFs
• Impact Investment for MPAs: Blue finance on-going projects
• Discussion
Conservation Trust Funds

- Private, legally independent institutions that provide sustainable funding for biodiversity conservation
- Grant-making institutions that catalyze funding for protected area management, research, capacity building and conservation programs
- Work in partnership with governments, civil society organizations and local/indigenous communities

- First CTFs founded in the 1990s
- Over 100 CTFs in some stage of creation, operation or wind-down
- Over $1B in assets invested in the capital markets to fund conservation work
- Generally established
  - In areas of high biodiversity
  - In developing economies where national budgets cannot adequately support biodiversity
100+ Conservation Trust Funds Operating in 68 Countries Around the World

Includes 14 Small Island Developing States and one Global Fund for Marine Conservation
Networks Foster Knowledge Sharing, Capacity Building and Collaboration

CFA resources include:
- Practice Standards for Conservation Trust Funds
- Environmental Funds Toolkit
- Environmental Funds Working Group
- Investment Management and Other Workshops

Project K Knowledge for Action

Asia-Pacific CTF Network (APNET)
Diversified Funding Is Critical to CTF Financial Sustainability

Endowment Capital

- Endowment Returns
- Sinking Funds
- PES Revenue
- Grants and Project Funding
- Offset payments
- Consumer-driven fundraising

Program Related Investment
- Long-term land investment
- Revolving funds for conservation enterprises

Annual Budget

- Overhead Costs
- Grant-Making Programs
- Direct Payment Schemes (PES)
Roles for CTFs in Impact Investing

- Institutional Investors
- Program-Related Investments
- Project Identification
- Incubators/Accelerators
CTFs as Institutional Investors

• Average CTF manages $30M USD in investable assets
• CTFs can allocate a portion of their investments to impact investment funds

• FAPBM (Madagascar Biodiversity Fund) has committed 25% of its capital – over 12M Euros – to investments that generate social and/or environmental AND financial returns
• Mulanje Mountain Conservation Trust (Malawi) launched a social enterprise power generator (mini-grid) to support local communities and reduce pressure on the Reserve

Photo: Cristina Mittermier, Coral Reef Image Bank
Program-Related Investment

- CTF provides loans, loan guarantees and/or equity investments to its grantees
- Financial return is expected, but losses can be considered grants
- Must be vetted by investment and grant-making committees
- Still an emerging area for CTFs

Photo: The Ocean Agency / XL Catlin Seaview Survey
Project Identification: Supply and Demand

Private Investors

Supply of Funding
Demand for Funding
Demand for Projects
Supply of Projects

Conservation Projects

Market
What makes a project investable?

**Great Project, but Not Investable**
- Demonstrates potential for environmental / biodiversity benefit – positive conservation return
- May not ever generate profit or positive cash flow

**Investable Project**
- Demonstrates potential for environmental / biodiversity benefit – positive conservation return
- Shows potential to generate profit (economic return) and + cash flow
- Managed as a business
CTFs as Project Identifiers

### Challenges for Investors
- Projects are remote, hard to find, and generally small
- High transaction costs for due diligence
- Lack of conservation expertise
- Conservation impact is hard to measure and verify

### Strengths of CTFs
- Direct, local knowledge – know the people and the businesses
- Proximity means low transaction costs
- Regional and international networks help to elevate small enterprises
- Measurement and evaluation processes in place
Conservation Enterprises often lack start-up funding

- Concept
  - The Entrepreneur
  - Friends, Family and Fools (FFF)

- Start-up
  - Venture Capital
  - Angels

- Growth
  - Venture Capital
  - Earnings Plowback
  - Traditional Lenders (Banks)

- Mature
  - IPO
  - Earnings Plowback
  - Traditional Lenders

“Pioneer Gap”

Impact Investors

Source: WCS Markets Team
CTFs and Conservation Enterprises

- Incubators or accelerators close the pioneer gap
- Early stage funding and technical assistance
- **Funding gaps**: start-up funding; capital investments; working capital – at affordable interest rates
- **Knowledge gaps**: business planning, GAAP accounting, management

- SeyCCAT – enterprise fund set up to support economic diversification in the face of climate change
- MAR Fund, CBF and PACIFICO creating Blue Challenge, an incubator for conservation enterprises (tourism, fisheries, waste management)