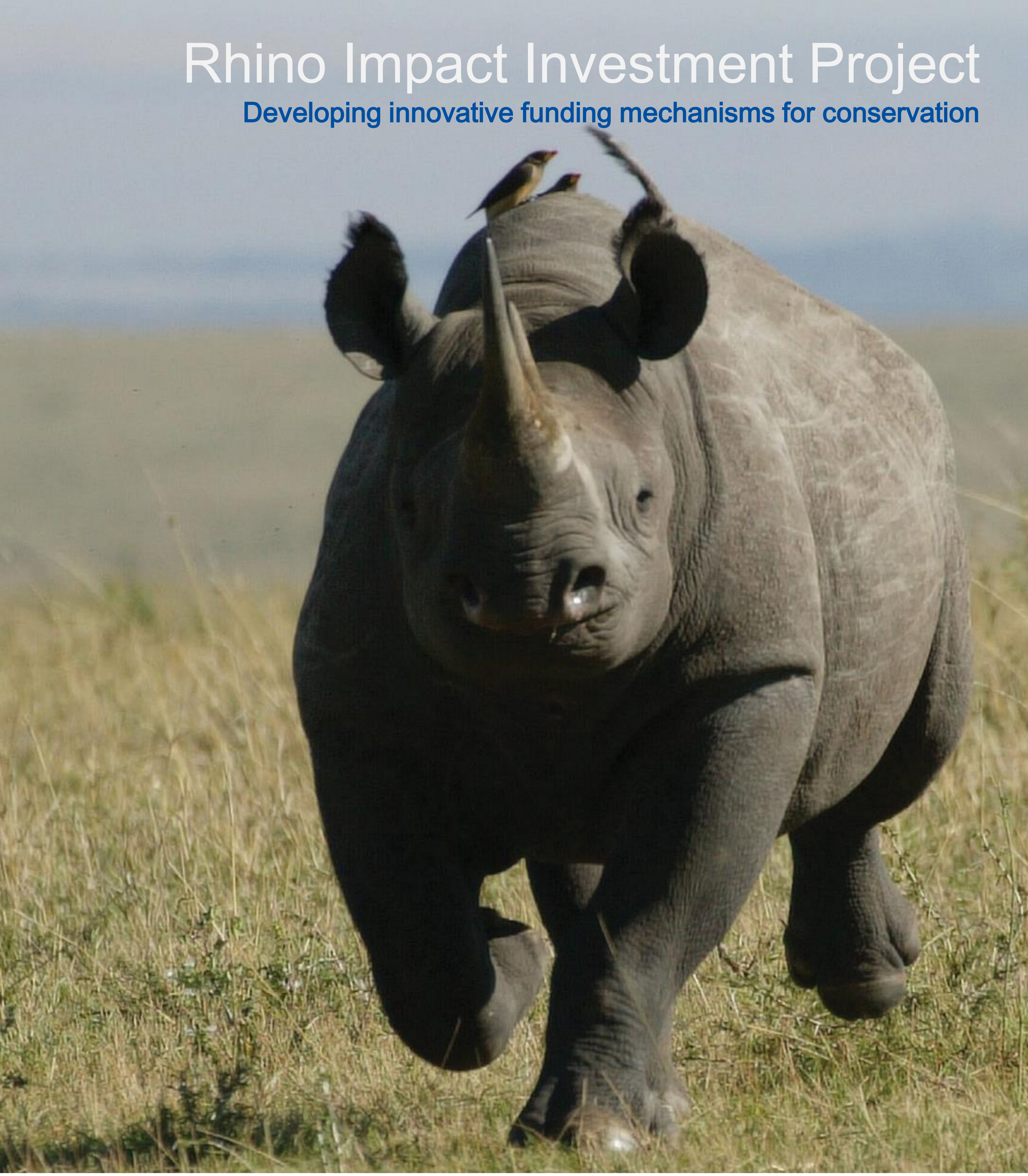
Rhino Impact Investment Project

Developing innovative funding mechanisms for conservation



Supported by:

A message from the President of United for Wildlife

"I believe passionately that we have a duty to prevent critically endangered species from being wiped out. If we get together, everywhere, we can preserve these animals so that they share our world with future generations. "

HRH The Duke of Cambridge

Introduction to the Rhino Impact Investment Project

The Rhino Impact Investment Project is seeking to addresses rhino conservation using an outcomes-based financing model, building the first such instrument for species conservation targeting a financial return.

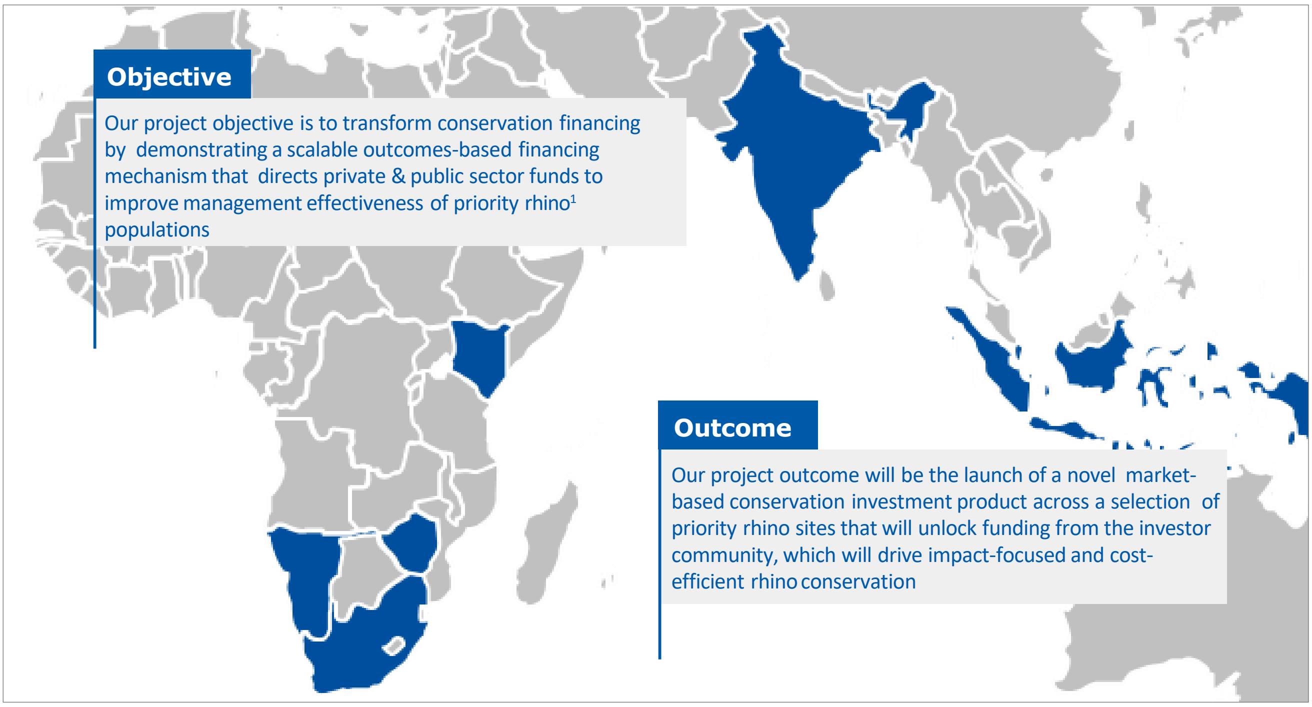
The Project is supported by the United Nations Development Programme, the Global Environment Facility and United for Wildlife (UfW), a collaboration of seven conservation organisations and The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry.

UfW is working to combat illegal wildlife trade through supporting and implementing projects on all aspects of illegal wildlife trade, from strengthening protection on the ground to reducing consumer demand, and increasing interventions along transport routes. In each case, UfW is working to create long-term solutions that both reduce the imminent threat from illegal wildlife trade and build the capacity required for sustained recovery of livelihoods and biodiversity.

Improving on-site protection is an immediate priority of UfW, in order to gain a foothold in the fight to disassemble illegal wildlife trade.

As such Project partners are conducting a three-year testing phase to assess the feasibility of using outcomes-based financing to ensure long-term, sustainable funding for critical conservation areas using rhinos as an initial focus in the **Rhino Impact Investment (RII) Project**.

Project objective and outcome



Source: IUCN Species Survival Commission's (SSC) African Rhinoceros Specialist Group (AfRSG) and Asian Rhinoceros Specialist Group (AsRSG)

1. AfRSG and AsRSG have identified 34 priority rhinoceros sites across the world's major rhino range States which house 76% all wild rhino, including Key 1 white rhino; Key 1 black and greater one-horned rhino; and Key 2 black and greater one-horned rhino which have the potential to become a Key 1 population. A 'priority rhino site' is a protected area which holds a Key 1 (population increasing or stable and N >100 or N > 50% of subspecies) or Key 2 (population increasing or stable and N = 51-100 or N = 26-50% of subspecies) rhino population.

The conservation challenge

Demand for wildlife products has reached unprecedented levels and the resulting illegal trade in wildlife is pushing some of our most iconic species – including tigers, elephants and rhinos towards extinction. The illegal wildlife trade fosters corruption, violence and insecurity, while poaching reduces the asset base for rural development, compromising the livelihoods of those whose future depends on these species. Stopping the illegal trade, saving species and sustaining livelihoods requires both large-scale and long-term political and financial commitments. At present, conservation managers are struggling to raise the funds from traditional sources required for day-to- day management and protection, let alone the funds needed to improve and sustain long-term impacts. Creating a long term solution to conserving species and livelihoods will depend on changing the way in which conservation is funded.

Saving wildlife by paying for impact

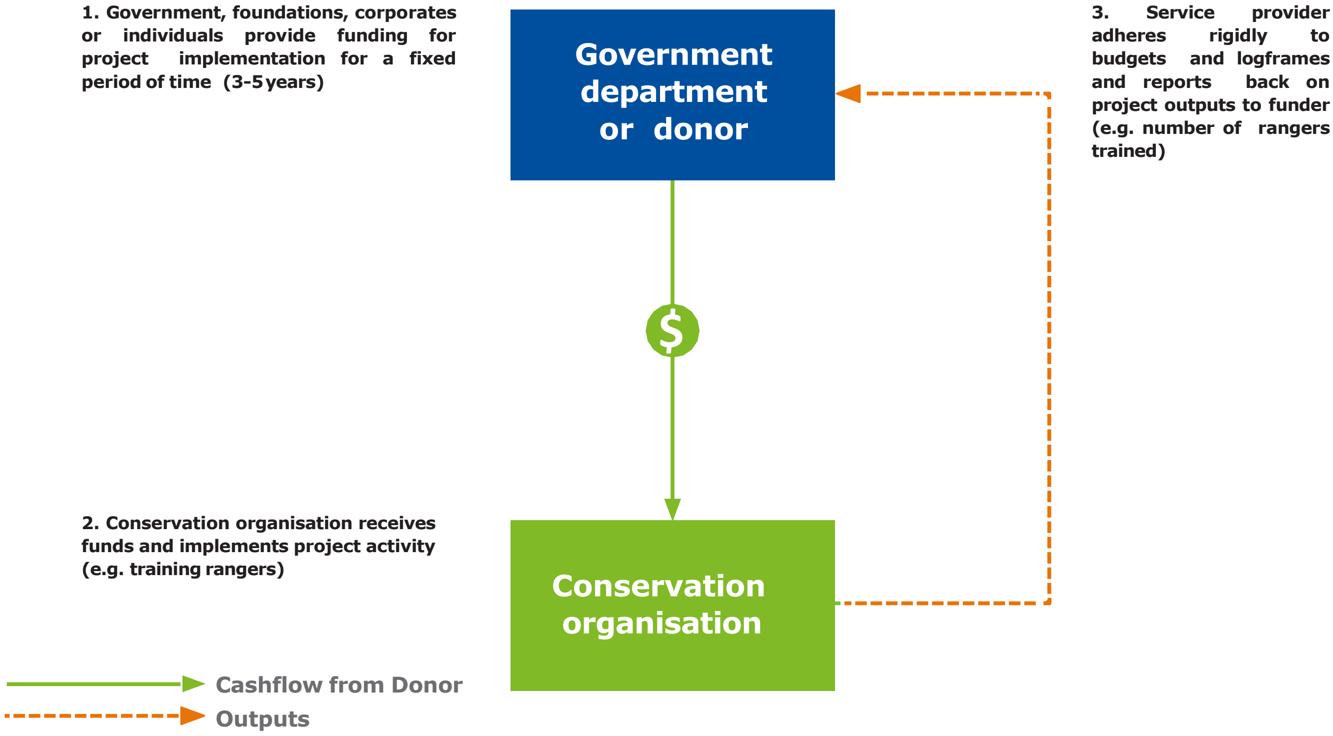
To date most finance for conservation has been sourced from traditional fundraising sources, i.e. government, foundations, corporates or individuals. The short-term nature of contracts in the conservation sector, shortage of funding resources, and a lack of capacity for adaptive management often limit conservation organisations capability to generate long-term impact in the most effective way. To bridge the funding gap and meet the level of scale-up needed, it is crucial that we expand from donor-driven financing towards a commercial, impact investor-driven approach – "conservation finance". It is therefore critical to explore how private impact capital could be used to complement traditional sources of conservation capital to ensure interventions are funded at scale and deliver maximum conservation impact. By tapping into the impact investing market, we will unlock a new source of finance for the conservation sector.

Outcomes-based financing is a development mechanism which has gained ground within the development sector as a way to draw on private impact capital and to ensure that aid is spent effectively with measurable impacts.

In an outcomes-based financing contract, funding is given only on the verified achievement of agreed results, such as reduced poaching. It sharpens the focus on outcomes by incentivising and increasing the focus of actors on meaningful changes rather than just doing activities. It increases the flexibility given to those delivering aid so that they can learn and adapt within the contract lifetime in order to improve results. However, there are few examples of outcomes-based financing mechanisms in wildlife conservation that draw on private capital to fund projects upfront costs. Introducing investors into the conservation funding arena will support cash-strapped governments and conservationists on the ground by providing large amounts of upfront capital for interventions, which enables flexible management and rapid adaptive responses to the ever-changing techniques of poachers.

> Conservation finance goes beyond traditional government or donor funding by introducing innovative market-based approaches.

Figure 1: Traditional funding model



Challenges of the traditional funding model

Short-term contracts:

Funding for conservation is often only secured for a relatively short period of time, and may involve irregular or delayed transfer of funds. This can restrict conservation managers from rapidly adapting interventions as needed in order to respond to rapid changes in threats, as well as from implementing any intervention which may take longer than the specified time to make an impact. Also, the short-term funding may not allow sufficient time for the interventions to be institutionalised before the funding stops; as a result, while many interventions may have achieved their objectives, often these impacts do not last much longer than the duration of the funding. This short-term approach to funding conservation is preventing the long-term implementation of effective initiatives.

Shortage of funds:

The conservation movement is not only facing an immense challenge in terms of the unprecedented threats to biodiversity, but also a huge funding gap, estimated at $300-400 billion per year.[2] Given the scale of the conservation challenge, protected areas require significant funding in order to achieve and/or maintain results. Insufficient funding for conservation restricts conservation planning and implementation, making it difficult for protected areas to secure threatened species.

Lack of capacity for adaptive management:

Whilst adaptive management has been widely acknowledged as a key part of successful conservation implementation, the elements needed for protected area managers to manage their sites adaptively are often missing from traditional funding models. In the traditional funding model, many protected areas remain hampered by a failure to take a holistic and evidence-based approach to management planning, lacking access to a financial mechanism to make management decisions based on i) identified gaps in capacity for site management and ii) a clear evidence-based theory of change with which to design and implement interventions and monitor impact.

2. Parker, C., Cranford, M., Oakes, N. & Leggett, M. The Little Biodiversity Finance Book. (Global Canopy Programme, 2012).

The Rhino Impact Investment concept

The RII financing mechanism directs impact investment funds toward selected sites to fund management interventions for rhino conservation. The investor assumes the risk of the investment based on an understanding or measurement of the risk and uncertainty associated with the interventions. A Key Performance Indicator (KPI), net rhino growth rate, is used to inform the conservation outcome. A secondary set of interim KPIs are utilized for short-term payment triggers, based on the assumption that short-term KPIs influence the ultimate KPI. Based on the conservation outcome (measured by the KPIs), the Donor pays the impact investor back the original investment plus or minus a percentage relative to conservation outcome. The RII Financing Mechanism will pool multiple outcomes-based financing instruments which are to be implemented in Protected Area sites containing key rhino populations.

Differences between the traditional funding model & the RII

Outcomes-based approach:

Unlike traditional fundraising models the design of the RII model demands an outcomes-based approach to address conservation challenges. Anchored on metrics and evidence, this model drives stakeholders to critically analyse and understand conservation issues, define progress and focus on results, shifting focus from outputs to long-term impacts.

Donors pay only if the intervention is successful:

Donors become 'outcome-payers', only repaying investors all their initial investment and interest once the activity has achieved the previously-agreed results; this promotes efficiency and allows organisations to focus on long-term impacts.

Private sector capital:

Impact investors provide up-front working capital to fund activities easing current funding shortages therefore growing the funding pot for financing the conservation sector and reducing donor fatigue.

Incentivises adaptive management:

Donors, investors and protected area managers are incentivised to work together to take a flexible approach to service implementation.

The value proposition for funders and donors is very clear, they only pay back investors initial invested capital (plus interest) if results are achieved. In other words, donors only reward conversation programmes that are successful, according to the agreed-upon metrics. This is different from traditional conservation funding in which donors underwrite a program at the beginning, based upon predicted, but not actual success.

Criteria for success in the Rhino Impact Investment model

Clearly defined outcome metrics:

Well defined and relevant measures of success form the basis of the contract between the outcome payer, investor and conservation organisation.

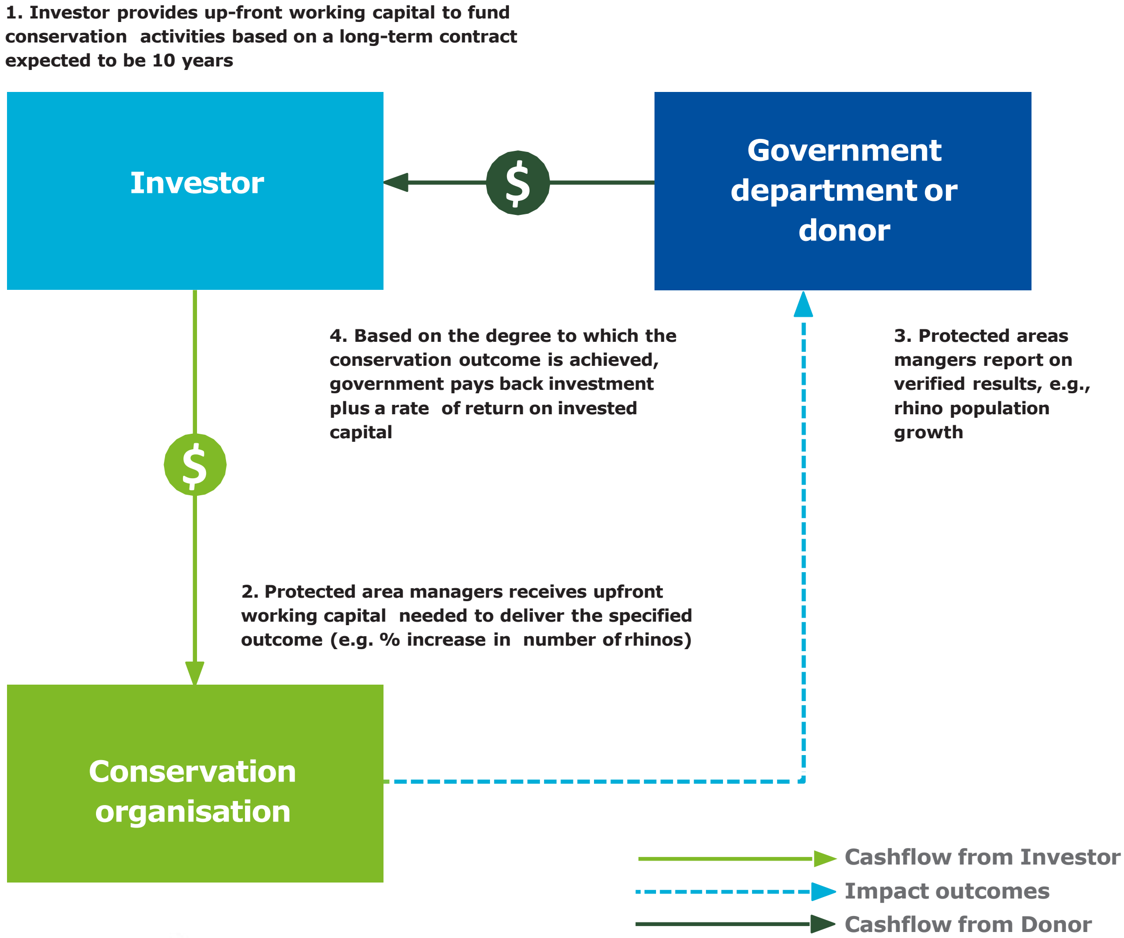
Theory of change:

Interventions need to have a strong evidence-base with which to design and implement interventions and monitor impact.

Adaptive management:

Critical to the success of this model will be improved performance management on the ground, based on real-time data. These data will enable the delivery partners to adapt their strategies and budget allocations to respond to immediate threats or opportunities. This flexibility in management will lead to greater achievement of impact and ensure performance targets (i.e. rhino population growth) are met.

Figure 2: Rhino Impact Investment funding model



Rhino Impact Investment Project Approach

The project will deliver three Components in order to achieve its objective:

1. Gap assessments of priority rhino sites conducted, shortlist of rhino sites identified for inclusion in the live RII Financing Mechanism and RII investment performance metrics tested and demonstrated in Tsavo West, Kenya
2. 5-10 rhino sites brought up to investment readiness and sites prepared to deliver against the RII Key Performance Indicators (KPIs)
3. Investment blueprints developed, financial structure built, management, legal, and governance structure developed

15 priority rhino population sites in Kenya, South Africa and Zimbabwe, Informed by the African Rhino Specialist Group, agreed to participate in gap assessments conducted by the RII Project, to be considered for inclusion in the first phase of the RII Financing Mechanism.

The RII Project has developed a bespoke rhino focused gap assessment tool to assess and score sites' ecological, managerial and financial capacity to achieve additional impact outcomes, and estimated funding required to enable sites to reach investment-readiness.

The gap assessment results will inform the screening, shortlisting, ranking and selection of sites for inclusion in the first phase of the RII Financing Mechanism.

Sites which are selected will be brought up to investment readiness to prepare the sites to deliver against the RII KPIs. Investment readiness signifies that a site displays the ecological and financial capacity and capability to seek, utilise and manage financing to achieve target rhino conservation outcomes.

If there is demonstrable success from this first phase, the RII Financing Mechanism will be scaled up to consider additional sites, countries and continents.

Conclusion

The current levels of poaching are devastating wildlife populations at never before witnessed rates. We are facing a risk of future generations living in a world deprived of some of the most iconic species, we need to act now. Addressing this worldwide challenge will require a targeted and scalable approach that utilises innovative financing mechanisms to draw on donor and impact-investor driven capital to drive improvements in protected area management effectiveness. In a unique global alliance, UfW partners propose to join forces to transform conservation financing by creating the RII to improve management effectiveness of priority rhino populations.

This ground-breaking, global effort has the potential to be unlike any other currently in the conservation realm. The launch of the RII mechanism will provide donors with the opportunity to direct long-term funding to protected areas demonstrating ongoing effective conservation – thereby maximising the cost-effectiveness of conservation funding. Following a successful launch of the RII, the mechanism will be rolled for other threatened species across the world. By being a part of this project, donors are helping to set a precedent for this new and innovative conservation financing mechanism.

RII Project Stakeholders

The Rhino Impact Investment Project is an initiative of United for Wildlife (UfW), an unprecedented partnership between seven of the world's leading wildlife charities and The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry.

Implementation of the Rhino Impact Investment Project is led by the Zoological Society of London (ZSL) and the Project is funded by the Global Environment Facility, the UK Government through the IWT Challenge Fund, UfW and ZSL. The United Nations Development Programme is the GEF Agency acting as the operational arm of the GEF to implement and execute Project activities consistent with both the GEF mandate and national sustainable development plans.

The Rhino Impact Investment Project receives implementation support on technical conservation, conservation finance and legal from Implementation Partners including Credit Suisse, DLA Piper, Fauna & Flora International (FFI), the IUCN SSC African and Asian Rhino Specialist Groups (AfRSG and AsRSG), Kenya Wildlife Services (KWS), The Nature Conservancy (TNC), UBS and WWF-UK.

Supporters

Implementing agent

Implementing partners

Who can I contact for more information?

Oliver Withers

Project Manager
Rhino Impact Investment Project

C/O Zoological Society of London
Regent's Park, London, NW1 4RY
Tel/Direct: +44 207 449 6647
Mobile: +44 7841 656 352
Email: Oliver.Withers@zsl.org