

A Review of Conservation Finance: The Financial, Ecological and Social Performance of Conservation Bonds

Master of Science in Sustainability Management
SSM1100Y - Research Paper
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Introduction

This research paper aims to address the critical issue of the financing gap in conservation by exploring the potential of using conservation bonds to mobilize private sector investment in conservation initiatives.

In light of ongoing global challenges, such as climate change and biodiversity loss, this research stresses the urgent need to reform the economic and financial systems to safeguard the natural world and to secure the well-being of present and future generations.

Objectives

This research seeks to outline best bond models, and improvements that can enhance the appeal of conservation bonds to private investors, and promote the development of effective and innovative conservation finance mechanisms.

The findings of this research can contribute to the future development of innovative financial instruments that can mobilize private capital for nature conservation and biodiversity protection.

Methodology

Literature review:

- peer-reviewed articles
- published reports
- international policies
- third-party rating agencies' opinion articles

The research analyzes three established conservation bonds in respect to their financial performance, ecological and social performance.

Research Findings

Wildlife Conservation Bond

Financial risk: low

Ecological performance:

- Restore local ecosystems by improving the population of one keystone species (rhino)

Social performance:

- Generate eco-tourism and job opportunities
- Protect local culture and beliefs



Forest Resilience Bond

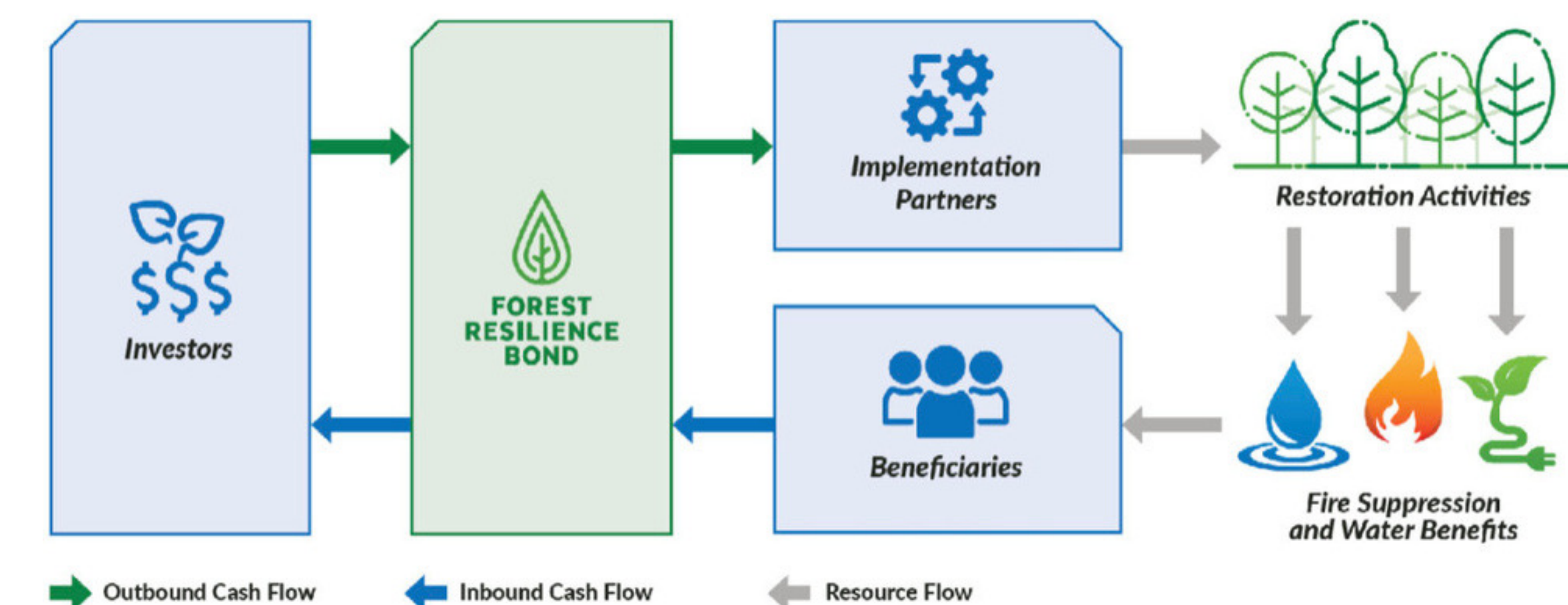
Financial risk: medium to high

Ecological performance:

- Protect local ecosystem through implementing forest fire preventative measures

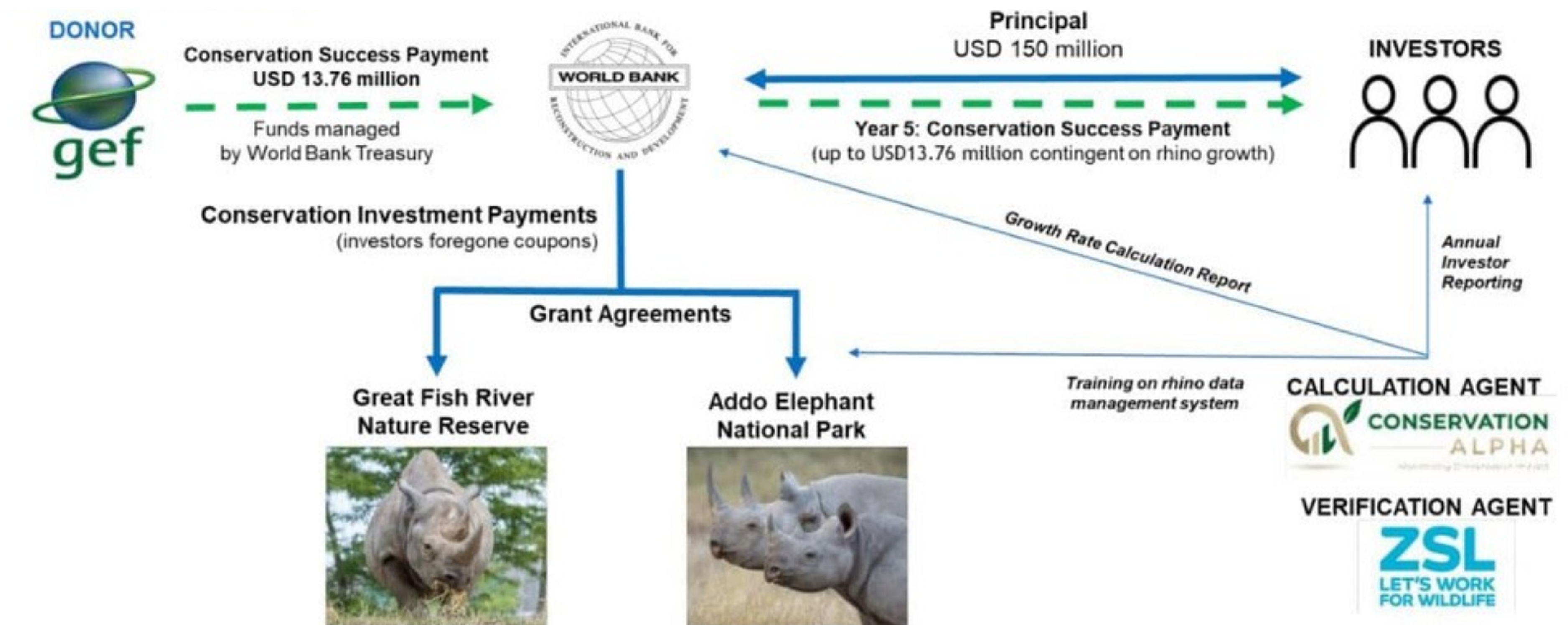
Social performance:

- Create decent work in nature-based solutions, and economic benefits through restoring forests



Recommendations

- Conservation bonds are recommended to consider using the outcome payment approach to pay back investors
- Conservation projects are recommended to collaborate with credible issuers to issue conservation bonds
- The use of proceeds is recommended to focus on protecting one keystone species or areas with high ecological integrity
- Collaborating with Indigenous communities can create an inclusive decision-making process and social and ecological co-benefits
- The private sector are encouraged to consider exploring the issuance of conservation bonds



Deshkan Ziibi Conservation Impact Bond

Financial risk: medium to high

Ecological performance:

- Protect critical habitats and landscapes in Ontario
- Improve carbon capture

Social performance:

- Indigenous worldviews and land practices implemented
- Benefit local communities

References

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