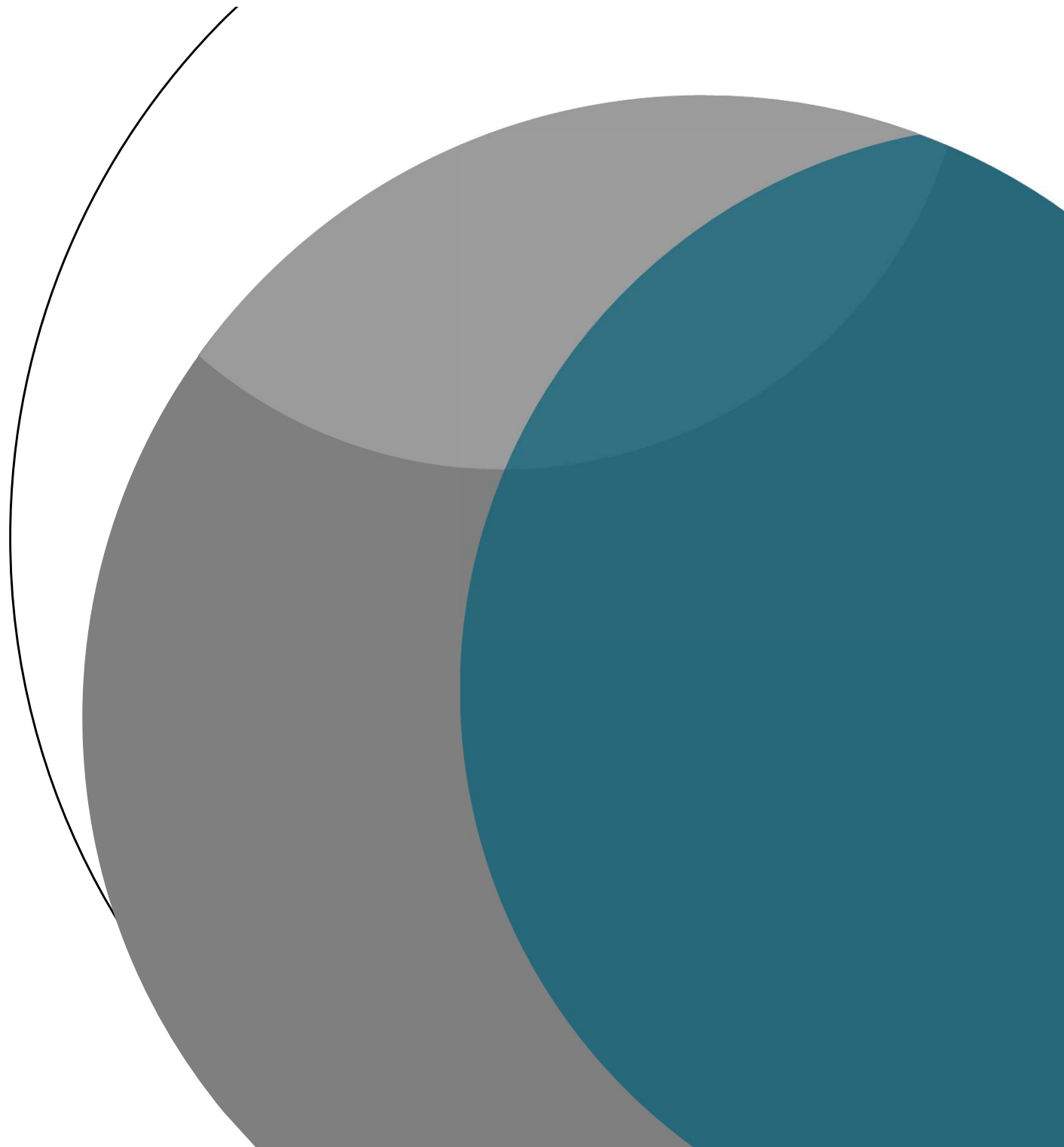




**GREEN  
ENTREPRENEURSHIP  
SERIES:  
Impact Investing and  
Social Finance**



# CAROLINIAN CANADA

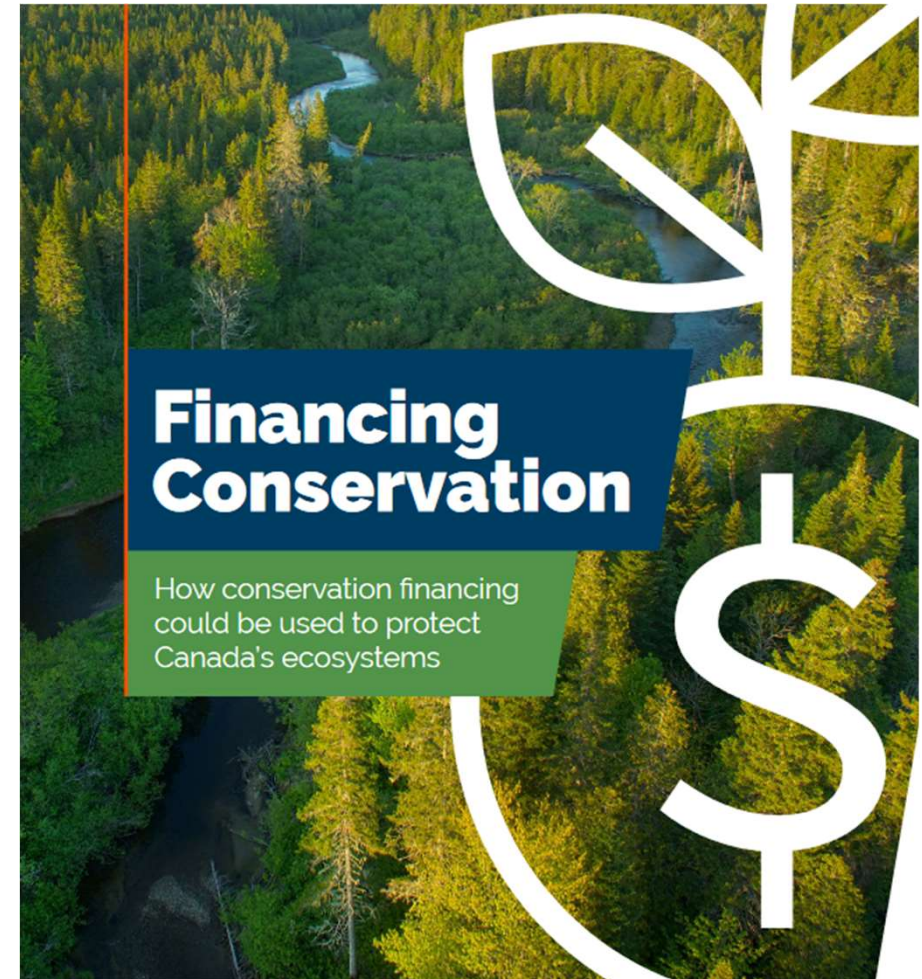


## Carolinian Canada Coalition

@caroliniancanada · Non-Governmental Organization (NGO)

● “Carolinian Canada’s work developing robust outcomes tailored to the local landscape and bringing together of partners that represent diverse interests – including Indigenous Nations, public and private landowners, academic institutions, government, and private investors – make this an excellent example of Canadian leadership in pay-for-success models.”

- Nature Conservancy of Canada and Rally Assets, Nov 2020



# CONSERVATION FINANCE

The business sector draws upon environmental system resources to create long-term wealth.

- The Investment Integration (TIIP) Project

- **Conservation Finance:** Investments aimed at conserving the values of ecosystems for the long term. (Nature Conservancy Canada, 2020).
- **Finance Gap:** The annual biodiversity funding gap is USD 598-824B. In Canada alone, additional funding needed is USD 15-20B p.a. (Rally Assets, 2020).
- **Sector Challenges:** High search costs, lack of track record, and lack of predictability of cash flows (Credit Suisse, 2016); conservationists are "stuck" in charitable models and limiting governance structures impeding scalability and impact (MAD Lab, 2020).

# FINANCIAL INNOVATION\*

**Innovative Finance:** The novel application of traditional financing mechanisms or the development of new financial structures for social and/or environmental impact.

**Innovation comes from:** Novel approaches or financing of products; extending proven financial products; new types of investors or sources of capital; or new ecosystem players.

**Potential of Innovation:** Fill financing gaps; mobilize larger amounts of capital; engaging traditional players into novel mechanisms.

## Examples:

- Change who investors are (e.g. CSR funds);
- De-risk investments (e.g., guarantee facilities);
- Change the number of borrowers (e.g., aggregation of borrowers).

\* Concepts and examples inspired by IIX Impact Institute's Innovative Financing Solutions for Resilience (Sep 2020)



# THE POWER OF FINANCE

## The size of finance:

- Financial services market expected to reach USD 26.5T by 2023.
- Market Cap of global banking sector reached USD 7.9T in 2019.
- In 2017, NA banks reached USD 37.4T of AUM.
- Global GDP in 2019 reached USD 90T.

## The power of finance:

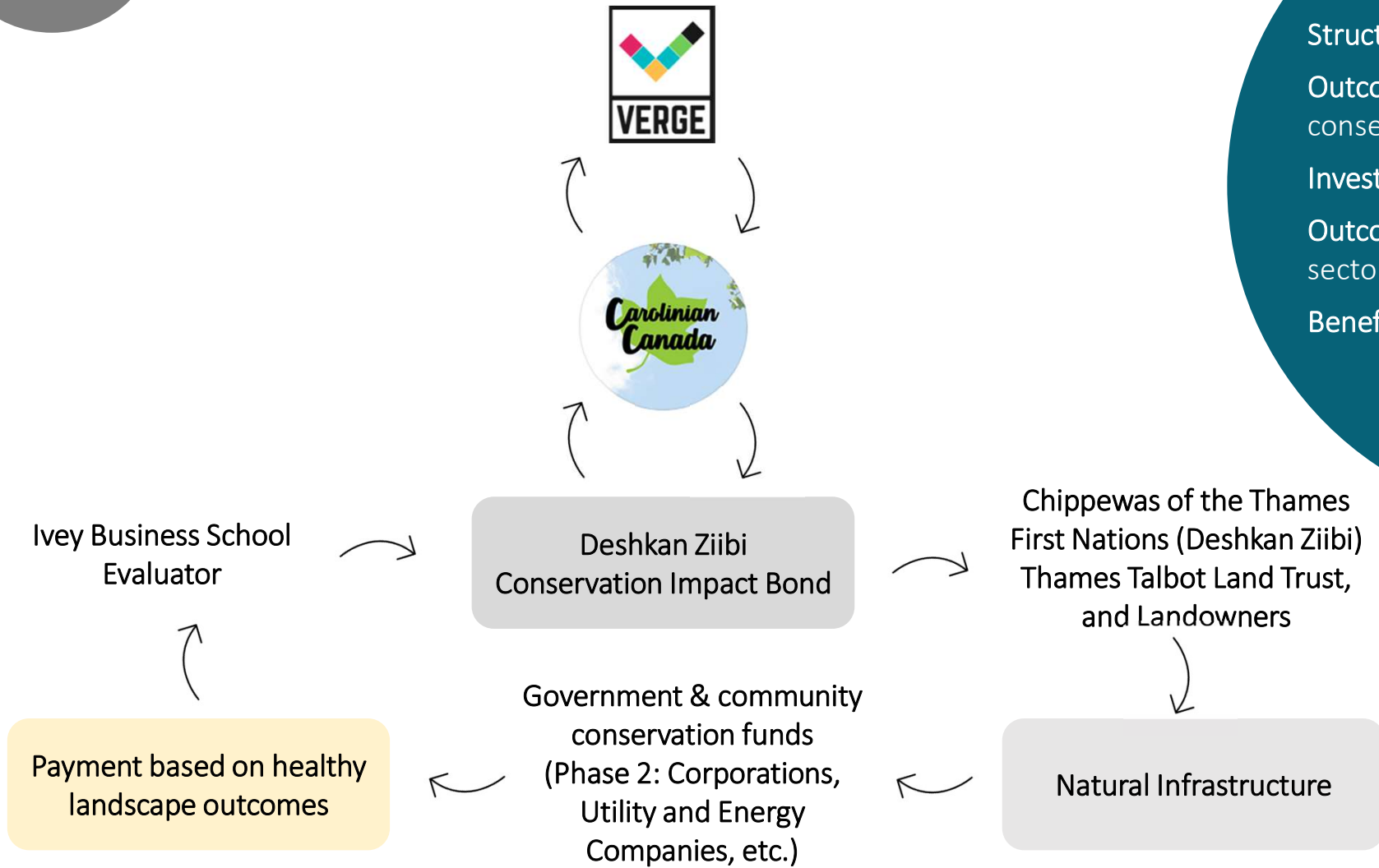
- Investments are privileged over entrepreneurs and communities;
- Finance-first models drive deal terms;
- Decision-making centers around capital holders;
- Investment risks are typically privileged over recipients of capital.

## New imperative:

- How can we flip the way in which the conservation and finance sectors interact with each other?
- How can we bring environmental efforts out of a charitable sphere? (i.e., invest in growing life rather than destroying it?).

\* Information comes from Criterion Institute and INVESTOPEDIA (Nov 2020)

# CAROLINIAN CANADA CIB



Structure: 3-year SIB

Outcome: 150 – 300 acres of land restored and conserved.

Investor: VERGE Capital

Outcome Payers: Public sector and corporate sector organizations

Beneficiaries: Landowners

# References

<sup>1</sup> Kosciulek et al. “Financing Conservation: How conservation financing could be used to protect Canada's ecosystems.” Rally Assets. Nov 2020. WEB: <https://rallyassets.com/wp-content/uploads/2020/11/Financing-Conservation.pdf>.

<sup>2</sup> MAD Lab. “MAD Lab One-pager.” MAD Lab. Nov 2020. PDF.

<sup>3</sup> IIX Impact Institute. “MasterClass: Innovative Financing for Resilience.” IIX. Sep 2020.

<sup>4</sup> Ross, Sean. “Financial Services: Sizing the Sector in the Global Economy.” INVESTOPEDIA. Feb 2020. WEB: <https://www.investopedia.com/ask/answers/030515/what-percentage-global-economy-comprised-financial-services-sector.asp>.

<sup>5</sup> Jupp, Amanda. “Pacific RISE – The Design of a Power Dynamics Framework.” Criterion Institute. May 2020. PDF: <https://www.pacificrise.org/wp-content/uploads/2016/12/Pacific-RISE-Power-Analysis-FINAL.pdf>.