

Native Forest Bond Scheme

In July 2017, Mōhio Research was granted \$50,000 to develop a business case to explore how Environmental Impact Bonds could fund the establishment of continuous native forestry in New Zealand. Two potential pilot sites for such an approach in the Hauraki Gulf were also identified. The project builds on this team's [earlier work](#) exploring environmental impact bonds as an innovative and [pioneering concept](#) to achieve large-scale environmental outcomes.

The proposed Native Forest Bond Scheme (NFBS) issues Native Forest Bonds to private investors, to fund continuous native forest planting on erosion prone land. Private investors purchase the Bonds and are rewarded via interest payments if impact targets are successfully met. The New Zealand Government would guarantee the Scheme by agreeing to pay for measurable contracted outcomes (such as native trees planted) and shares the risk with private investors of the project failing.

The long term aim of this work is to establish continuous native forest on erosion-prone land throughout the Hauraki Gulf and Aotearoa. This would achieve multiple objectives, including improving water quality by reducing sedimentation and nutrient loading, and reducing carbon emissions. If the New Zealand Government were to launch an NFBS pilot programme, it would be the first government in the world to guarantee a national-scale environmental intervention through an Environmental Impact Bond structure.

Project achievements include the following:

- ◆ An Indicative Business Case for the Native Forest Bond Scheme concept was prepared, setting out how it could be practically implemented.
- ◆ Mōhio engaged with the New Zealand Government at the highest Ministerial levels to present the NFBS as a viable solution to responsible afforestation in New Zealand.
- ◆ Input was gained to this Indicative Business Case from around 20 influential parties, including 11 impact investors. Indications of Interest were secured with the ANZ Bank of New Zealand, Ernst and Young and The Nature Conservancy.
- ◆ Relationships and political will were established to progress the concept. Mōhio has engaged the Ministry of Primary Industries (MPI) and Ministry for the Environment (MfE) throughout the concept development.
- ◆ The proposed land eligibility criteria set out in the business case made it difficult to identify appropriate land to pilot this work within the Foundation North region of the Hauraki Gulf. However, two planting sites were identified, and Mōhio is confident of exploring further options once the details of the scheme are set.
- ◆ The national case has been made for the feasibility of Environmental Impact Bonds more generally. Significant media coverage occurred of the project and its aims, via national radio, print and online [news media](#).



“The NFBS is a means of harnessing private sector finance and management skills in order to drive efficiency and effectiveness in the delivery of climate-aligned outcomes.”

Mōhio Research



“ I feel we are working on something inherently good. Everyone resonates with the idea in some way – it is developing a life of its own.”

David Hall



“ Unlocking a pipeline of motivated landowners is key – we need better land criteria and systems changes.”

Sam Lindsay

The Indicative Business Case has a section on how the project resonates with iwi interests and discussions with iwi to date are positive. David and Sam note the holistic, long term and dynamic view that Māori have of stewardship, and that schemes which don't take Māori values, aspirations and interests into consideration can easily lead to misalignments that undermine the scheme's success.

Next steps in the short term are:

1. Continue to refine the Business Case and engage Government and potential partners to advance it into action.
2. Actively progress conversations with potential landowners in the Hauraki Gulf and elsewhere to secure Indications of Interest for pilot planting sites to launch the Scheme.

For more information on Mōhio please contact [David](#) or [Sam](#).

The Indicative Business Case recommends that the Government assess the NFBS proposal as a promising instrument to establish continuous native forest under the One Billion Trees Programme. Ideally, this process would generate a Detailed Business Case for consideration by Cabinet.

Mōhio considers that the NFBS represents a highly scalable system change to conservation financing in New Zealand. It is an impact investment product that can provide attractive social, environmental and financial returns to investors in the near future.

Mōhio recommended that Foundation North expands its geographical boundaries for GIFT to include the Coromandel and potentially the wider Hauraki catchment, given that the major source of sediment in the Hauraki Gulf is the Firth of Thames.

Government is open and interested in policy innovation. The NFBS project is proving a useful test case for how policy innovation from outside of government might be managed and advanced. There are also existing government funds such as the Provincial Growth Fund to help fund a pilot programme, which is an advantage.

David Hall and Sam Lindsay describe this project as being invaluable in building relationships, trust, connections and whanaungatanga to advance shared goals for a healthier environment. The NFBS concept has been seeded in influential places and mauri has been built among key people in an interpersonal sense; this is considered by Sam and David as an essential precondition for influencing the mauri of the Hauraki Gulf.

