

Our Land and Water Goal: A future where a catchment contains mosaics of land uses that are more resilient, healthy and prosperous than today.

ISSUE:

- Alternative land uses can have lower economic returns.
- There is a high financial cost to change.
- Challenge for whenua Māori where traditional debt funding isn't accessible.

ENABLING FACTORS OR BARRIERS:

- There are several enabling factors or barriers that underpin financing options:
- Government funding is critical in de-risking private funding for novel research projects.
 - Private funding may have environmental benefits, but this is at the discretion of those involved (within regulation bounds).
 - Farmers prefer funding options that enable them to retain control of their assets, structuring equity funding to retain control of assets may support uptake of equity funding.
 - A key challenge is identifying the right parties for financing solutions, requires value alignment as well as opportunity time and place. Support for identifying the right partners may help uptake of financing solutions.
 - The government has made lending requirements more stringent, making it harder for non-traditional entities (e.g., not banks) to provide loans.
 - Some novel financing solutions need further development or support (e.g., biodiversity credits and dividend reinvestment on whenua Māori) and this needs to be across sectors (policy, landowners, finance).

METHOD:

- Idea generation with as wide of a range of stakeholders as possible.
- Ideas were refined through engagement, research and evaluation criteria.
- Prioritised based on opportunity and need for further research and support.

FINANCING OPTIONS IDENTIFIED

(See table on page 2)

PRIORITISATION:

Preferred Options
 Four groupings were established to inform the rankings of the financing solutions.

1 PRIORITISE FOR FURTHER ACTION

- New products (e.g., biodiversity credits)
- Philanthropy and impact investment

2 SOME POTENTIAL BUT LIKELY LIMITED BENEFITS

- Māori to Māori investment collaboration
- Long term lease development partnership
- Dividend reinvestment (whenua Māori)

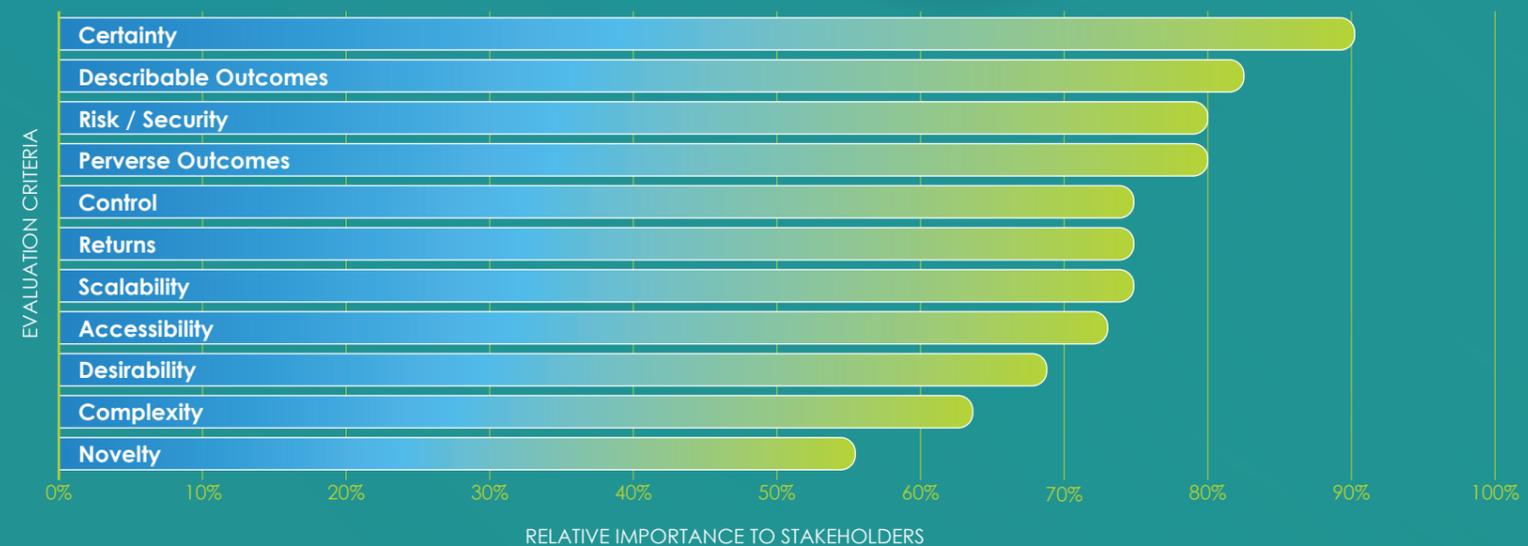
3 POTENTIAL SOLUTION BUT FACES A BIG CHALLENGE(S)

- Blended finance
- Government and regional council funding
- Endowment fund
- Pooled collectives
- Joint ventures and equity partnerships
- Peer to peer lending

4 NO FURTHER ACTION NEEDED

- Privately managed investment fund
- Farm based listed companies
- Processor incentives
- Debt financing
- Crowd funding
- Value-added products

EVALUATION CRITERIA





FINANCING OPTIONS IDENTIFIED

Ranking	Financing Option	Description	Type of land use change				Financial return for investor	Investor Risk	Complexity of solution (to set up and administer)	Certainty of environmental outcomes	Likelihood of perverse outcomes
			Land management	Farm infrastructure investment	Partial land use change	Total land use change					
1	New products	Developing and selling new, typically non-tangible, products such as biodiversity credits, relatively novel, depending on the product, e.g., carbon credits are less novel, biodiversity credits are more novel.					High	Medium	Complex	Extremely certain	Possible
	Philanthropy and impact investment	Investment capital (often provided by high-net-worth individuals) funding investments that are social and/or environmentally beneficial and prioritise these beneficial outcomes over financial returns.					Low	Low	Moderately complex	Extremely certain	Extremely unlikely
2	Māori to Māori investment collaboration	One or more Māori entities collaborating to lend capital to another or new entity, typically with a transition over time to repay funding and own assets.					Medium	Medium	Moderately complex	May occur	Possible
	Long term lease development partnership	A partner finances the development of a new land use venture and after a set time transition, ownership is traditionally handed back.					High	Medium	Moderately complex	May occur	Possible
	Dividend reinvestment (whenua Māori)	Instead of paying out dividends to whenua Māori beneficial owners, retaining this for reinvestment in an environmentally friendly land-use or management change. This can be complicated from policy, equity and legal standpoints.					Medium	Low	Complex	May occur	Extremely unlikely
3	Blended finance	A mix of funding sources for a specific project, which can include Government funds, private investment, impact funds etc. Can be time-consuming to set up.					Medium	High	Complex	May occur	Possible
	Government and regional council funding	Funding from government and regional councils includes grants, research funds (e.g., SFFF), loans (e.g., PGF) and partnerships. Can cover a range of actions but not particularly novel.					Low	Low	Moderately complex	May occur	Extremely unlikely
	Endowment fund	A fund, typically managed by a governing body such as a trust that individuals can access money from either as gift or loan. There is a requirement for seed funding to set up a fund and active management to be self-sustaining.					Low	Medium	Complex	May occur	Extremely unlikely
	Pooled collectives	A group of entities/people who coalesce around a common benefit, such as economies of scale, shared knowledge or goals, but retain separate ownership of their assets.					Low	Low	Easy	May occur	Extremely unlikely
	Joint ventures and equity partnerships	An equity partnership is essentially a shared ownership of pooled assets. Whereas a joint venture is typically shared ownership (or access to) separate assets. Not particularly novel and hard to scale. Requires parties to value environmental outcomes to provide positive environmental outcomes.					High	Medium	Moderately complex	Uncertain	Possible
	Peer to peer lending	Lending money to individuals or businesses typically through online services that match lenders with borrowers.					Medium	High	Complex	Uncertain	Possible
4	Privately managed investment fund	A managed fund where funds are pooled together with other investors and managed by a central entity. Typically focused on financial returns rather than environmental returns to date.					High	Medium	Moderately complex	Uncertain	Possible
	Farm-based listed companies	A publicly listed company investing in rural land, typically focused on financial returns rather than environmental returns. Not very novel.					High	Medium	Complex	Uncertain	Possible
	Processor incentives	Financial incentives (e.g., bonus payment) to undertake certain land management actions. Focused on land management rather than land use change.					Low	Low	Easy	Extremely certain	Extremely unlikely
	Debt financing	Traditional bank funding can fund land use change especially when financially beneficial, not novel and no requirement for this to be environmentally beneficial.					Medium	Low	Easy	May occur	Possible
	Crowd funding	Funding is generated by raising money from a large number of people who each contribute a relatively small amount, typically pooled for specific projects.					Low	Low	Moderately complex	May occur	Extremely unlikely
	Value-added products	Developing new products with an environmental 'selling point' e.g., organic direct to consumer milk, to generate additional income to further fund environmental actions.					Medium	High	Moderately complex	May occur	Possible