

More than Finance: The Non-Monetary Benefits of the Forest Resilience Bond

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A finance tool at its core, the Forest Resilience Bond was developed to expedite the availability of funding for forest restoration on National Forest System lands. But as Blue Forest's pilot project on the Tahoe National Forest is already demonstrating, the benefits of this model extend well beyond finance.

Background

Forest management across the western United States is critical to improving forest ecosystem health and addressing the growing threat of catastrophic wildfire. Blue Forest Conservation, in partnership with the USDA Forest Service and World Resources Institute (WRI), developed the Forest Resilience Bond (FRB) to help implement a backlog of planned and permitted forest restoration projects designed to improve forest health and reduce the risk of catastrophic wildfire. The FRB addresses this challenge by enabling low-cost investor capital to cover the entire cost of restoration upfront. Then, it brings together diverse stakeholders that collectively benefit from healthy forests and watersheds to repay investors over time. By providing capital to cover full project costs upfront, the FRB accelerates the pace and scale at which restoration activities can be implemented. However, as Blue Forest and our partners are increasingly realizing, the FRB adds value in a host of other ways: It enhances financial flexibility, forges new and stronger partnerships, reduces the administrative burden of project management for stakeholders, shifts risk away from public agencies and utilities, and incorporates monitoring of ecosystem benefits into project implementation.

Financial Flexibility

The upfront provision of investor capital, which ensures project funding is immediately available, allows restoration work to be implemented more quickly, at lower cost, and with greater flexibility. FRB funds can act as a bridge, temporarily covering project implementation costs until committed but immediately unavailable funds are reimbursed. This enhances financial flexibility – an especially advantageous benefit for groups implementing projects supported by reimbursable public grants that require grantees to complete on-the-ground work before receiving funds. Furthermore, ensuring full and timely payment gives contractors confidence that they won't see long delays in payment, which can increase competition and lower costs.

Partnerships & Capacity

The FRB fosters collaboration between partners that might not otherwise work together, including public and private landowners, an array of regional and downstream water users, government agencies, and other beneficiaries that agree through contracts to split the cost of reimbursing investors. It does so by allowing for easier and more strategic cost-sharing between project beneficiaries; instead of signing a collective MOU, Blue Forest works through a cooperative agreement to set up a separate contract with each beneficiary to codify the terms of their engagement. This model allows partners to sign contracts that are crafted specifically to work for them, providing opportunities for diverse partners to more easily contribute to restoration activities. Blue Forest's work to convene diverse stakeholders also seeds collaboration beyond specific FRB projects, building relationships that support long-term cross-boundary land management and shared stewardship.

Project Management

An additional benefit for project beneficiaries such as the Forest Service and local utilities is that the FRB shifts project and financial management responsibilities from these groups to Blue Forest and our partners. As the project developer, Blue Forest manages the flow of funds through the FRB between investors, beneficiaries, and the implementation partner. Blue Forest also takes the lead on stakeholder outreach and convening, contract development, financing, and coordination with a trusted implementation partner. The implementation partner, which is chosen and overseen by Forest Service leadership, manages implementation of on-the-ground restoration activities. Offloading management responsibilities can be a welcome reprieve for many public agencies and other beneficiaries, and can expedite the pace of project completion.

Monitoring & Evaluation

Measurement and evaluation work conducted by third-party experts promotes data driven decision-making and adaptive management and helps diverse stakeholders to catalyze public awareness of environmental threats and solutions. Blue Forest coordinates with research partners on both an environmental assessment (fire risk, water supply, public health, etc.) and an economic analysis to determine the quantity and value of ecosystem benefits provided by wildfire resilient forests. Through contract language focused on the measurement of project outcomes, the FRB then establishes systems that regularly assess project performance over time.

FRB Pilot: The Yuba Project

The first FRB pilot project, which raised four million dollars of investor capital to fund forest restoration on the Tahoe National Forest, illustrates the broader impacts of this model. By providing funds for restoration upfront, the FRB accelerated the estimated timeline for project completion from ten years to four years. The FRB is also providing consistent implementation funding, addressing working capital issues that would otherwise likely occur from a dependence on reimbursable grants. Without the FRB, the National Forest Foundation, the project implementer chosen by the Tahoe National Forest for their implementation expertise, would have to complete project activities before receiving reimbursements through a state grant program.

Through the FRB platform, Blue Forest has also helped to foster new and deeper relationships between regional stakeholders such as the Tahoe National Forest, the State of California, and the Yuba Water Agency as well as local non-governmental organizations, county government, and tribal representatives. In addition, in its role as project developer, Blue Forest has shouldered development and administrative responsibilities such as relationship management, contract development, and coordination with research and implementation partners. These responsibilities would otherwise be taken on by project stakeholders. Research partners from the Sierra Nevada Research Institute and Stanford's Natural Capital Project and Water in the West are assessing project impacts over time, the results

of which will inform future Tahoe National Forest and Yuba Water Agency management protocols, as well as enhance Blue Forest's ability to estimate the benefits of future fire risk reduction projects and recruit new stakeholders to participate in FRB funded work across the West.