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ENCOURAGE CAPITAL RELEASES REPORT WITH RECOMMENDATIONS FOR HOW NRCS CAN USE ITS FUNDING TO LEVERAGE IMPACT INVESTMENT CAPITAL 

In coordination with the Natural Resources Conservation Service of the USDA 

Washington, D.C. – Each year, the Natural Resources Conservation Service (NRCS) of the US Department of Agriculture works with farmers, ranchers and forest landowners across the United States to achieve conservation across millions upon millions of acres of land. From 2009 to 2015, NRCS invested more than $29 billion to help private landowners and communities make conservation improvements, touching over 400 million acres nationwide, making it one of the (if not the) single largest investor in conservation in the US and possibly the world. With NRCS’s help, the New England Cottontail and Louisiana Black Bear were removed from the Endangered Species list, and a listing of the Greater sage-grouse was avoided, coastal communities ravaged by Hurricane Sandy have received over $120 million in NRCS funding for floodplain easements. The list of NRCS successes is long. And NRCS funding for conservation has not only been good for the environment, but it has proven to be of critical value to rural American economies. A 2012 report by the Outdoor Industry Association found that the outdoor recreation economy, including hunting, fishing, rafting and other activities directly impacted by conservation efforts, generated $646 billion in economic activity annually and directly supported 6.1 million jobs. As a point of comparison, on-farm labor employs 2.6 million individuals and contributes $137 billion to US GDP annually.

And yet, despite these successes, every year NRCS must leave vast amounts of conservation activities unfunded because it simply does not have enough money to do all the work that is required. Achieving conservation in a country as bit as the United States will require more money than government as a whole, let alone one government agency, can provide. At the same time, there is a growing movement across the world of impact investors, investors seeking to create a positive social or environmental return in addition to a financial return. Recent reports indicate that these investors have spent hundreds of millions—if not billions—of dollars around the world to achieve conservation. And yet, when you ask impact investors, they report that one of their greatest challenges is sourcing ‘investable’ projects.

Herein lies the opportunity detailed in “NRCS and Investment Capital: Investing in America Together,” a new report by Encourage Capital being released today. The report, which was commissioned by NRCS, explores the myriad ways that the NRCS might engage with private investment capital in order to achieve more conservation on the ground per government dollar spent.

“What I find most striking about the findings of this report is how there are actually dozens of different ways that government and investors could work together to better achieve conservation, all while generating jobs, strengthening rural economies, and making financial returns on these investments,” said Ricardo Bayon, Partner and Co-founder at Encourage Capital. “And these are things that could be done now, with little or no change to the rules and regulations government NRCS spending. Additionally,
there are some very exciting investment possibilities which could be authorized in the next Farm Bill that would certainly interest impact investors.”

Today, there is a subset of conservation practices that qualify for NRCS funding but which are also likely to provide a financial return on investment. These include projects such as implementation of energy and water efficiency measures, use of nutrient management practices and transitioning to organic agriculture. If private capital were engaged in the projects with a financial return, NRCS funding could focus on the projects which provide only societal benefit and no immediate, obvious financial return. The end result: more conservation accomplished per unit of government funding.

Before it can usefully work with impact investors, however, the report argues that NRCS could do more to create the conditions for greater co-investment by private capital. Some of these “pre-conditions” to increased private investment include: publishing more and more useful data, focusing on outcomes rather than practices, and reducing the transaction costs of working with government.

The report focuses on opportunities within four NRCS programs: Environmental Quality Incentives Program (EQIP), Agricultural Conservation Easements Program (ACEP), Regional Conservation Partnership Program (RCP), and Conservation Innovation Grants (CIG), a component of EQIP. The report also considers new roles and new authorities for NRCS which would enable greater partnership with private capital.

"Our interest in working with Encourage Capital is simple--how do we increase the amount of funding available to support private lands conservation and rural economies," said Kari Cohen, Director of the Conservation Innovations Team at USDA’s Natural Resources Conservation Service. "The report gives NRCS a number of new approaches and ideas to consider as we work to help solve some of our persistent natural resource challenges."

According to Bayon, following the report’s release, Encourage is committed to continuing its work with other investors and NRCS to better achieve conservation across the US.

Full text of the report can be found at: www.encouragecapital.com/publications

Encourage Capital is an asset management firm specializing in profitable and strategic investments to solve critical social and environmental problems. A unique partnership of disciplined investors and creative problem-solvers, the new firm is already working with major asset owners to deploy investment capital to solve problems like the global ecosystem decline, climate change, and bringing financial services to the world’s poor.