PROJECT FINANCE FOR PERMANENCE MODEL SERIES

EXECUTIVE SUMMARY

Sustainable Finance Mechanisms for the Project Finance for Permanence Model

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This report draws on third-party inputs and publicly available information on real-world cases of implementation. While reasonable efforts have been made to ensure accuracy, the author does not guarantee the completeness, accuracy, or reliability of such information.

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Introduction

The Project Finance for Permanence (PFP) approach was developed to secure long-term financing for large-scale, durable conservation initiatives by combining philanthropic capital, public finance, and sustainable revenue streams. As the conservation finance landscape evolves, Enduring Earth and its partners are increasingly exploring how a broader suite of Sustainable Finance Mechanisms (SFMs) can strengthen the long-term durability and scalability of the PFP approach.

This summary synthesizes the findings and recommendations from three companion reports, commissioned by Enduring Earth with support from the Global Environment Facility (GEF):

1. **Baseline and Opportunity Analysis of Sustainable Finance Mechanisms for the PFP Model**
2. **Outcome-Based Bond Prototype for the PFP Model**
3. **Blended Finance Prototype for the PFP Model**

Together, the reports assess the current use of SFMs across PFP initiatives, analyze emerging opportunities in the broader conservation finance landscape, and propose prototype approaches for evaluating and designing two mechanisms prioritized for deeper exploration in the PFP context: outcome-based bonds and blended finance. The analysis and recommendations captured within the reports are intended to support Enduring Earth partners and other PFP practitioners diversify financing strategies, attract new forms of capital, and ultimately improve the long-term financial sustainability of conservation outcomes.

1 The Strategic Need for Diversified Sustainable Finance in PFPs

Long-term financial sustainability is central to the success of the PFP approach. Historically, PFPs have relied on a combination of philanthropic transition funding, government commitments, endowments, and policy-based financing tools such as tourism fees, environmental taxes, and resource-use fees. While these traditional mechanisms remain foundational to the PFP model, on their own they are unlikely to meet the growing ambitions and scale of future PFPs.

Several structural factors drive the need for diversification:

- **Philanthropic Capital** alone is insufficient to close the 30x30 finance gap.
- **Public Budgets** face competing demands and fiscal limitations.
- **Tourism-based Revenues** can be vulnerable to economic shocks and political instability.
- **Large-Scale Sovereign instruments** while promising, can be politically complex and dependent on specific macroeconomic conditions.

A striking lesson from the first decade of developing PFPs is that no single SFM can fully ensure long-term sustainability. Instead, the next generation of successful PFPs will require diversified financing strategies that combine catalytic philanthropic and public funding with proven policy-based mechanisms, market-based mechanisms shaped by local context, and emerging private finance instruments. This diversification strategy – activated early in planning – is intended not only to close long-term funding gaps and reduce donor dependency, but also to improve PFP resilience and align conservation with broader economic transitions.

2 Baseline Assessment of Sustainable Finance Mechanisms for PFPs

Within the PFP framework, SFMs are used to secure long-term finance to replace transition capital and supplement endowment income to sustain PFP objectives and activities in perpetuity.

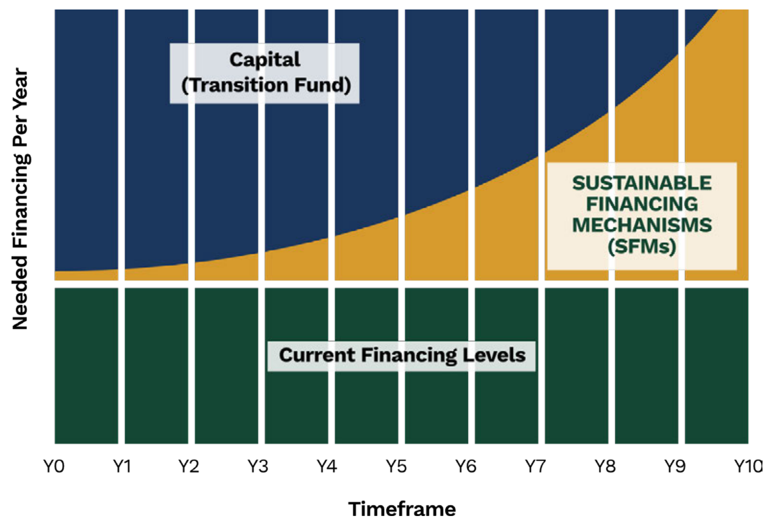

Figure 1. Role of SFMs in the PFP Model

PFP practitioners have identified five core attributes used to assess SFMs in the PFP context:

1. Applicability

Alignment with country context and PFP cost structures

2. Volume

Ability to generate sufficient funding

3. Durability

Capacity to provide long-term support

4. Timing

Reliability and frequency of cash flows

5. Additionality

Ability to mobilize new funding sources beyond existing commitments

The following classification can be used to group and assess SFMs:

Category	Description	Considerations and Challenges
Policy-Based Mechanisms	These mechanisms rely on government authority to collect and allocate revenues for conservation. Examples include tourism fees, environmental taxes, extractive royalties, and fisheries and forestry fees.	• Align well with government-led conservation strategies and typically have direct linkages to sectors benefiting from conservation. • Can provide predictable and durable revenues over the long term. • Implementation challenges include political turnover, earmarking difficulties, inter-ministerial coordination, and vulnerability to tourism shocks.
Market-Based Mechanisms	These mechanisms generate value from measurable environmental outcomes that can be transacted or monetized. Examples include carbon credits, Payments for Ecosystem Services (PES), Biodiversity credits, and Biodiversity offsets.	• Offer strong diversification potential. • Feasibility depends heavily on several factors – regulatory frameworks, market access, market stability, systems for monitoring and verification, and standards for environmental integrity – highlighting the need for careful design and governance.
Non-Sovereign Finance	These mechanisms mobilize private and institutional capital through structured financial vehicles. Examples include: blended finance, outcome-based finance, and other debt and equity structures.	• Major area of strategic opportunity that can potentially attract new pools of private capital into conservation. • Among the most complex to structure and implement. Key barriers include limited pipelines of investable projects, high transaction costs, limited financial returns for conservation activities, and the need for strong Monitoring, Reporting, and Verification (MRV) systems.
Sovereign Finance	These mechanisms utilize the sovereign balance sheet to generate new financing for investment in conservation, generally through debt issuances. Examples include: debt-for-nature conversions, green and blue bonds, and sustainability-linked bonds.	• Can mobilize funding at significant scale. • Highly dependent on political will, the country's unique fiscal situation, and macroeconomic conditions, and very context specific as a result.

While policy-based mechanisms remain the most proven in implementation, PFPs are increasingly seeking ways to integrate mechanisms from across these categories to bolster durability.

Category	Mechanism	SFM implemented / SFM in active design
Policy-Based	Levies on sustainable use (e.g., tourism fees)	SFM implemented
	Extractive fees, royalties, permits, eco-taxes	SFM implemented
	Biodiversity compensation/offsets	SFM implemented
Market-Based	Carbon credits	SFM implemented
	Biodiversity/nature credits	SFM in active design
	Payments for ecosystem services	SFM implemented
Sovereign Finance	Debt conversions	SFM implemented
	Green/blue bonds	SFM in active design
Non-Sovereign Finance	Impact/outcome bonds	SFM in active design
	Blended finance	SFM implemented

Figure 2. SFMs in design and implementation across Enduring Earth's PFP portfolio

3 Strategic Opportunity Analysis

Several key findings emerged from analysis of sustainable finance strategies in implementation across PFPs and the broader conservation landscape.

Policy-Based Mechanisms Will Remain Foundational

Policy-based mechanisms - tourism fees, environmental taxes, extractive royalties, etc. - are likely to remain the backbone of most PFP financing strategies because of their relative predictability and alignment with public conservation systems. However, to meet the needs of the future PFP portfolio, they should increasingly be complemented by other financing approaches that diversify risks and expand funding sources.

Market-Based Mechanisms Are Developing Rapidly

Carbon markets, biodiversity credits, and ecosystem-service markets continue to evolve rapidly. Carbon finance is currently the most mature market-based mechanism, though it has not yet been fully integrated into the PFP model. While biodiversity credits are theoretically quite well aligned with the PFP model, markets remain early-stage and fragmented. As with carbon finance, further growth will rely on the development of robust systems for monitoring, reporting, and verification in order to assure integrity and additionality.

Blended Finance and Outcome-Based Bonds Represent Key Emerging Opportunities

Enduring Earth partners identified blended finance and outcome-based bonds as two mechanisms of particular interest; they have been relatively underexplored in the PFP context to-date, but show potential to mobilize new forms of private and development capital, align with long-term conservation objectives, and offer flexibility across different PFP contexts. These mechanisms were selected for further exploration and prototyping to understand how they could complement existing PFP financing structures.

4 Outcome-Based Bonds: Strategic Rationale and Prototype

Outcome-based bonds explicitly link investor returns to verified conservation outcomes and offer the opportunity to mobilize private capital for conservation at scale.

Definition and Conceptual Framework

Outcome-based bonds are debt instruments where investors provide upfront capital to support conservation or sustainability activities, with returns partially contingent on verified outcomes.

The World Bank is the lead issuer of outcome-based bonds. Examples of relevant issuances include:

Wildlife Conservation Bond (Rhino Bond)	South Africa, $150M issuance March 2022
Emission Reduction–Linked Bond	Vietnam, $50M issuance February 2023
Plastic Waste Reduction Bond	Ghana and Indonesia, $100M issuance January 2024
Amazon Reforestation–Linked Outcome Bond	Brazil, $225M issuance August 2024
Clean Cooking Outcome Bond	Ghana, $200M issuance December 2025

In these examples, foregone investor coupons are converted into amounts transferred to projects generating the desired outcomes, while success payments to investors are secured, either through donors (*the Philanthropy-backed Outcome Bond model*) or project revenue that could be generated by Verified Carbon Units (VCUs), Internationally Transferred Mitigation Outcomes (ITMOS), Carbon Removal Units (CRUs), plastic credits, etc. (*the Revenue-backed Outcome Bond model*). The philanthropy-backed model is most broadly and immediately relevant for PFPs, but the revenue backed model could eventually offer greater scale in conjunction with other revenue generation streams.

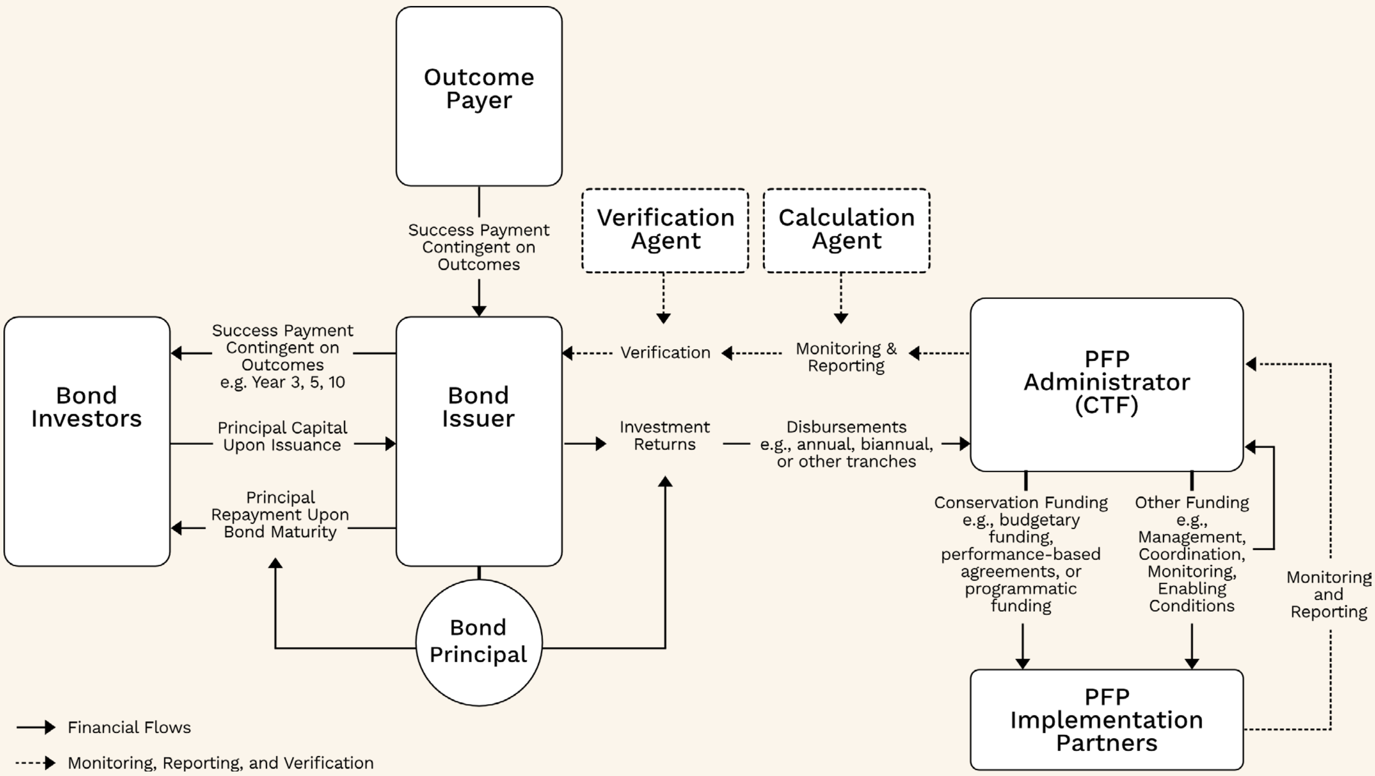

Figure 3. Philanthropy-backed outcome bond with a single, institutionally robust outcome payer

Strategic Rationale for PFPs

Outcome-based bonds offer several strategic opportunities in the PFP context:

- **Access** to capital markets and mobilization of private and public sector finance
- **Alignment** of funding with measurable conservation performance
- **Increased accountability** and outcome orientation

The number of recent issuances reflects a growing interest in results-based finance, with momentum among key actors such as the World Bank and GEF, and interest among other development finance institutions and multilaterals. PFPs offer an opportunity to catalyze the development of a broader ecosystem of outcome payers and investors, contributing to the further maturation of the outcome-based finance market.

Key Challenges

To unlock the potential of Outcome-Based Bonds in PFPs, teams will need to address identified challenges:

- **Developing** a market ecosystem; expanding the currently limited pool of issuers and outcome payers, raising investor awareness, increasing standardization
- **Building** technical expertise for structural complexity and finding transaction cost efficiencies
- **Defining and aligning** measurable conservation outcomes
- **Capturing** better baseline data and developing more cost-effective monitoring systems
- **Building partnership** with sophisticated financial intermediaries

Successful deployment of outcome-based bonds within PFPs requires sufficient technical financial expertise, along with well-defined conservation metrics and trusted verification systems that align closely with PFP governance structures.

Recommended Implementation Pathway

To address these challenges, the prototype proposes a phased implementation roadmap integrated into the broader PFP design cycle. Key recommendations include:

- **Identifying** suitable measurable outcomes early in planning
- **Building** robust MRV infrastructure into PFP conservation plans
- **Exploring partnerships** with multilateral development banks to strengthen the broader market ecosystem for conservation outcome finance
- **Developing** standard KPIs, term sheets, and legal structures

5 Blended Finance: Strategic Rationale and Prototype

As PFPs increasingly emphasize sustainable livelihoods, community development, economic transition, and nature-based enterprises, there are more opportunities to connect conservation outcomes with revenue-generating activities capable of attracting private investment. Blended finance offers a pathway to mobilize private capital towards a PFP's conservation and community development goals.

Definition and Conceptual Framework

The prototype adopts Convergence's[1] definition of blended finance as: the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. Blended finance is therefore understood not as a single instrument, but as a structuring approach that combines commercial debt or equity with a combination of concessional capital, guarantees or insurance, and technical assistance or design grants. By doing so, blended finance structures can help de-risk investments that would otherwise be unattractive to private investors.

1 Convergence is a global network that produces market intelligence to advance blended finance in emerging markets: https://www.convergence.finance/blended-finance#definition

Relevant case study examples include:

Africa Conservation and Communities Tourism (ACCT) Fund	Sub-Saharan Africa, launched in 2023 with TNC and ThirdWay Partners to catalyze growth of tourism enterprises in and around protected areas
Nature Investment Facility (NIF)	World Heritage Site (WHS) and Key Biodiversity Area (KBA) landscapes worldwide, launched in 2023 with UNDP, UNCDF, and donor support, to de-risk and support investment in target WHS and KBA landscapes
Artisanal Fishing Loan Program (AFLP)	Belize, launched in 2024 with WWF, DFC, and Belize Audubon Society, providing access to tailored loans that are directly linked to sustainable fishing practices
Tiger Landscapes Investment Facility (TLIF)	Bhutan, Malaysia, Nepal and Thailand, in concept stage with UNDP, UNCDF, and local financial institutions, providing technical assistance and guarantees to channel private sector investments into businesses that contribute to the protection, restoration, and sustainable management of tiger landscapes
Socioeconomic Development Fund (SEDF)	Namibia, in concept stage with WWF for PFP, Development Bank of Namibia, and Impact Tank, to provide loans to Namibian conservancy-linked enterprises that lack access to traditional finance
Adaptation Finance Program (AFP)	Kenya, in concept stage with TNC for PFP, Country Climate Change Fund, local government and financial institutions, using guarantees and technical assistance to unlock finance for climate adaptation measures among smallholder farmers

Strategic Rationale for PFPs

Blended finance offers several strategic opportunities in the PFP context:

- **Mobilizing** additional capital beyond traditional donor and government contributions by attracting impact investors, Development Finance Institutions (DFIs), private equity, and commercial lenders.
- **Supporting** economic transition and community livelihoods in sectors connected to conservation, including sustainable tourism, fisheries, agroforestry, climate-smart agriculture, and other nature-based enterprises. This helps align conservation outcomes with broader social and economic objectives.
- **Reducing** donor dependency and enhancing long-term sustainability of PFPs by creating ongoing revenue streams, supporting behavioral and economic transitions, and generating conservation-related cost savings
- **Improving** stakeholder buy-in and strengthening political support for conservation by creating economic benefits for local communities

Key Challenges

To scale blended finance in conservation contexts, inherent challenges will need to be overcome:

- **Scoping** facilities to conservation activities that have potential to generate reliable commercial cash flows
- **Consolidating** fragmented project pipelines and expanding investable opportunities
- **Increasing** ticket sizes with portfolio approaches to find economies of scale in structuring costs
- **Balancing** ecological objectives and financial returns

While blended finance may not be a universal solution for core conservation funding for PFPs, with the right context and careful structuring, it can be a valuable complementary finance mechanism linked to specific economic sectors and community development goals.

Structural Models for Blended Finance in PFPs

The prototype outlines two indicative blended finance models in the PFP context: (1) the sustainable enterprise model, which focuses on deploying return seeking capital into conservation-linked small and medium enterprises, and (2) the stewardship transition model, which focuses on strengthening community livelihoods and resource stewardship through sustainable practices.

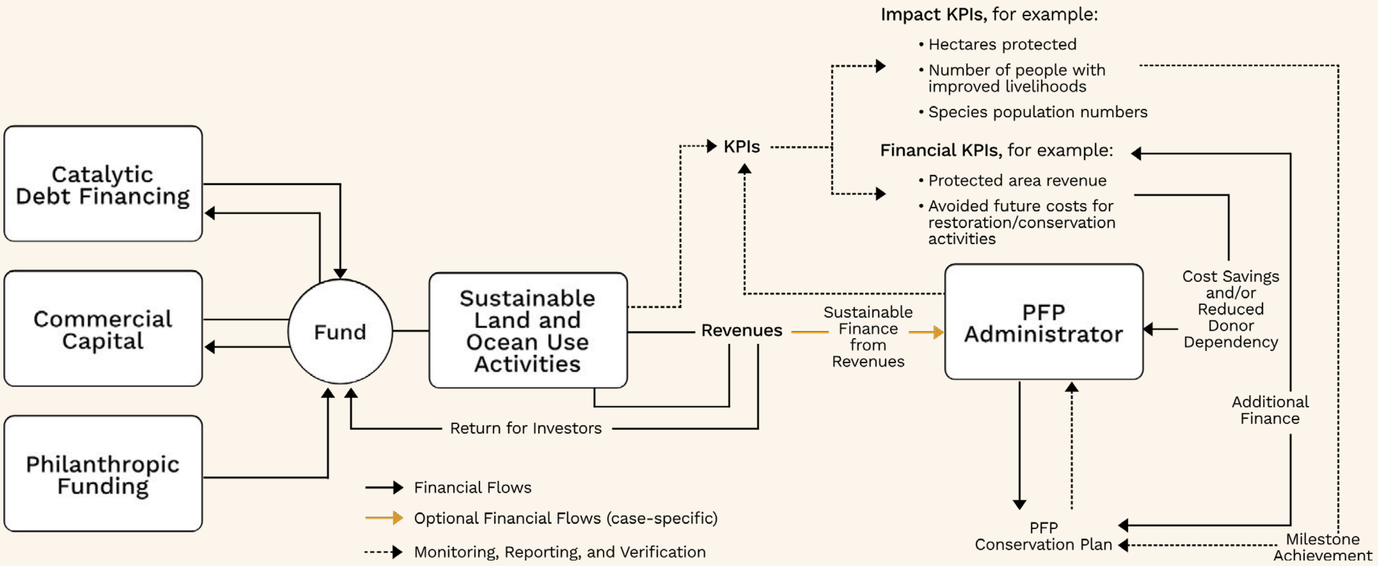

Figure 4. Indicative sustainable enterprise model for blended finance in the PFP context

Recommended Strategies and Implementation Pathway

In order to address key challenges, the prototype proposes a phased implementation roadmap integrated into the broader PFP design cycle. Key recommendations include:

- **Integrating** blended finance with broader conservation and community plans in early stages
- **Assessing** the investable pipeline early in PFP design
- **Building** technical assistance to improve the pipeline of investable projects and enterprises
- **Coordinating and partnering** closely with DFIs and MDBs
- **Encouraging** government participation in enabling blended finance through supportive regulations, fiscal incentives, public guarantees, and convening functions
- **Developing** standardized structures where feasible

6 Cross-Cutting Strategic Implications for Enduring Earth and PFP Partners

1. Diversification Is Essential

Future PFPs will likely require increasingly sophisticated and diversified financing architectures. Reliance on any single mechanism creates vulnerability. Diversification improves resilience, flexibility, and long-term sustainability.

2. Governance and Institutional Capacity Are Critical

Successful deployment of advanced SFMs depends heavily on governments, legal and regulatory frameworks, independent conservation trust funds, financial intermediaries, MRV systems, local partners and expertise. Institutional readiness may ultimately be as important as financial innovation itself.

3. Conservation Integrity Must Remain Central

Financial innovation should support, not compromise, conservation outcomes. Maintaining strong safeguards, accountability mechanisms, and environmental integrity standards through the integration of innovative new mechanisms will be essential.

4. PFPs Are Well Positioned as Platforms for Innovation

PFPs offer several characteristics that can catalyze innovation, reduce risk, and attract additional forms of capital, making them attractive platforms for advancing SFMs:

- **Long-term planning** horizons
- **High-level Government engagement** and ability to secure policy change and enabling conditions
- **Multi-stakeholder partnerships** with strong independent governance systems
- **Existing donor** support

5. Scaling Will Require Partnerships and Standardization

Many emerging SFMs remain highly customized and transaction-intensive. Scaling will require:

- **Shared learning** across PFPs and other initiatives
- **Standardized** frameworks and templates
- **Concerted partnership** with MDBs and DFIs, particularly around market-building efforts
- **Continued philanthropic** catalytic support

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Conclusion and Next Steps

There is a strong potential for the next generation of PFP financing strategies to evolve beyond traditional funding approaches in order to enhance the PFP's durability. Policy-based mechanisms such as tourism fees and environmental taxes will remain foundational. However, growing conservation ambitions, fiscal constraints, and increasing interest in private-sector participation are driving the need to diversify financing models.

Exploration of outcome-based bonds and blended finance as two emerging mechanisms demonstrates the challenges and opportunities in expanding the PFP financing toolkit. Both approaches offer pathways to mobilize new forms of capital, improve alignment between finance and conservation outcomes, and strengthen the long-term sustainability of PFPs. Yet, their successful implementation will depend on strong governance systems, sophisticated financial and technical expertise, robust MRV frameworks, and careful integration into broader PFP structures and country contexts.

PFPs have become a reference for large-scale conservation initiatives, while increasingly being appreciated as platforms for innovation in sustainable finance. By combining proven mechanisms with carefully designed emerging instruments, the Enduring Earth partnership has an opportunity to strengthen the long-term resilience, scalability, and impact of conservation finance globally. Meeting this ambition will require a new level of partnership with development banks, international financial institutions, and other conservation finance leaders: moving beyond deal-level engagement to portfolio-level strategy, sharing knowledge and experience more broadly, and collaboratively building standards to guide and accelerate market development.