



# Rare's small-scale fisheries impact bond

Fishers Rustian and Sugianto off the coast of Pasi Kolaga, Indonesia. Photo Credit: Jason Houston for Rare.

## Overview

The Small-Scale Fisheries Impact Bond is a pioneering financial vehicle — the world's first impact bond dedicated to small-scale fisheries (SSF). This groundbreaking initiative combines blended finance with an outcome-based financing (OBF) model to create alternate financing streams for delivering targeted conservation funding.

The SSF Impact Bond brings together private, public, and philanthropic capital to scale the impact of Rare's decades of successful community-led conservation work revitalizing coastal ecosystems and building community resilience. This model provides countries with a vital pathway to meet their 30x30 goals — protecting 30 percent of land and sea by 2030 — while safeguarding marine biodiversity, supporting sustainable development, and climate resilience for coastal communities.

## The pilot impact bond

The SSF Impact Bond is sized at US\$6 million. This funding will support the establishment of three [Managed Access with Reserves \(MA+R\)](#) areas in Southeast Sulawesi, Indonesia. MA+R is a fisheries management system that pairs sustainable use with protection of coastal waters, putting local government and local fishers in control of their assets.

This pilot phase is crucial for validating the bond's model and impact, paving the way for future phases where the SSF Impact Bond will scale its impact by attracting additional private investment and securing government outcome funding. This approach is designed to be replicated in other regions, channeling funding towards financially excluded SSF to conserve marine and coastal areas and improve community-based fisheries and ecosystem management. The success of the SSF Impact Bond is rooted in a coalition of partners that bring a blend of financial support, technical knowledge, and legal expertise, ensuring that the bond's structure is robust, transparent, and scalable.

- **Investors:** The **Pershing Square Foundation** and **Minderoo Foundation** are providing the upfront capital needed to fund the initial conservation efforts.
- **Service Providers:** **Rare** will implement the community-led conservation model. The local results verifier develops and implements the results verification framework.
- **Outcome Funders:** The **Pershing Square Foundation**, **Builders Initiative**, **UK DEFRA** through the **Ocean Risk and Resilience Action Alliance (ORRAA)**, **Walton Family Foundation**, and **Milkywire** are committed to repaying investors based on verified outcomes.
- **Technical Partners:** **Levoca** and **Reed Smith LLP** provide crucial technical expertise and legal support, helping to structure and implement the bond effectively.

*Final contracts pending approval.*

## Why small-scale fisheries?

Small-scale fisheries are critical to global food security and ecological balance, providing:

- 40% of global fish catch
- Employment of 113 million people (including 45 million women)
- US\$58 billion in estimated catch value

These fisheries face significant challenges, including chronic underfunding and exclusion from formal financial systems, making it difficult for them to absorb capital. This underinvestment threatens their ability to maintain biodiversity and support the millions who depend on them.

## A challenge of finance

Managing small-scale fisheries sustainably and reaching the global goal of protecting 30 percent of the ocean by 2030 requires **US\$9-12 billion – 9 to 12 times greater than current global spending**. Philanthropy cannot do it alone, highlighting the need for innovative financial models which engage the private sector.

## A new model for outcome-based finance

This first-of-its-kind SSF Impact Bond is novel in its use of “Outcome-Based Finance” (OBF) that ties financing to results. The key mechanism behind OBF is that all or at least some of the program funding

The territorial seas, where small-scale fisheries are mainly located, are home to:

- 70% of ocean biodiversity
- 100% of mangroves and seagrass beds
- 83% of coral reefs

is paid out only once pre-defined results have been independently verified and achieved.

With this structure, investors have an opportunity to drive capital toward social and environmental issues that do not generate a traditional return, and outcomes funders only pay for the outcomes achieved and verified by an independent third-party verifier. The SSF Impact Bond links funding to **verified outcomes like increasing fish biomass, establishing sustainable fisheries, and stabilizing benthic coverage**. This ensures that every dollar contributes to **real-world impact**, driving investment to where it’s most needed. Tying funding to governance and management metrics, as well as ecological ones, fosters a microbusiness environment that can **absorb necessary investment**.

## What is an impact bond?

Impact bonds are structured as contracts; they are agreements among multiple parties to achieve specific social or environmental outcomes. The structure of an impact bond involves:

- **Investors** provide upfront capital to fund the program or initiative. This funding is provided with no guarantee that they will get it back.
- **Service providers** implement the project or intervention, aiming to achieve the predetermined outcomes.
- **Outcome funders** including governments, philanthropic organizations, or other entities agree to pay for the outcomes achieved. They repay the investors if the agreed-upon outcomes are met. They might also pay a premium for exceptional results.

The contract outlines the terms and conditions, including the specific outcomes to be achieved, the payment mechanisms, the responsibilities of each party, and the criteria for success. It is essentially a performance-based agreement where payment is contingent upon the successful delivery of outcomes.

**For more information about our work or opportunities to invest with us, contact Kate Schweigart, Rare Vice President of Innovative Finance, at [kschweigart@rare.org](mailto:kschweigart@rare.org).**