INNOVATIVE FINANCE AT RARE

Building financial resilience on nature's frontlines

Given rights, resources, and representation, local communities on the frontlines of nature are the most effective stewards of the natural resources that sustain them.

However, these rural and remote communities are often disconnected from the formal financial sector — access to credit, insurance, investment, or other financial tools — that can help them withstand climate change-related shocks, build livelihoods, and sustain stewardship over time.

Sustainable and innovative financing is crucial for empowering local and underserved communities to manage their natural resources, strengthen their economies, and build resilience.

Rare envisions a world where communities on the frontline of nature can flourish financially by harnessing their natural assets, and enhancing nature's resilience, as well as their own.

The challenge

The traditional approach to conservation finance has come up short. Today, the estimated annual biodiversity conservation finance gap is between $700 billion and $942 billion per year.

Innovative Finance at Rare

Rare is working to redesign financial systems so that capital can reach the people and places where it can create the greatest resilience. Rare's Innovative Finance program unlocks capital to build the resilience of frontline communities, strengthen the ecosystems on which they depend, and scale solutions that work.

Innovative Finance combines Rare's decades of experience in community-led conservation with expertise and public, philanthropic, and private capital to overcome barriers that traditional grants and conventional investment cannot solve on their own.

From outcomes-based finance and parametric insurance to new ways of financing blue carbon ecosystems, coral reefs, and nature-based businesses, Rare is building pathways across the "missing middle" between locally delivered stewardship and more durable sources of capital.

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Outcomes-Based Finance

While protecting and restoring nature creates tremendous societal and ecological value, it rarely translates into predictable financial returns. As a result, proven conservation solutions can remain chronically underfunded even when their benefits are clear. Outcomes-based finance (OBF) helps bridge that divide by linking funding to measurable, independently verified results. Instead of funding activities alone, OBF links capital to pre-agreed outcomes, creating greater transparency and accountability and rewarding effective, results-oriented programs.

OBF brings together four key stakeholders. Investors provide the upfront capital that enables implementers to carry out projects and build lasting local solutions. Outcome funders pay only for results once independently verified outcomes are achieved, their payments repay investors' capital. Independent third-party experts verify results, providing confidence that payments are tied to genuine, measurable impact.

OBF is particularly well suited to conservation because ecological recovery takes time. Multi-year, predictable financing gives implementers the flexibility to adapt as ecological and community conditions change, while aligning funding with longer-term, measurable outcomes. OBF can support measurable outcomes across interconnected natural systems, from landscapes to coasts and oceans, including conservation, sustainable management, restoration and recovery.

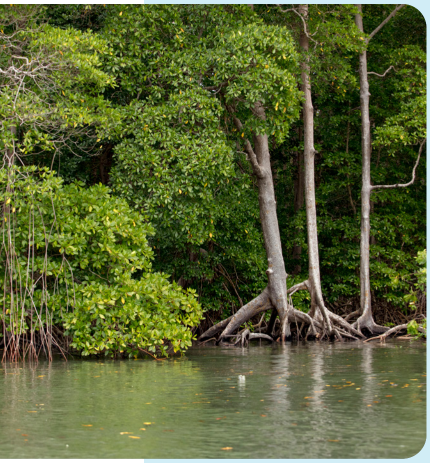
Outcomes-Based Finance in practice:

Rare launched the world's first Small-Scale Fisheries Impact Bond in Indonesia, mobilizing $2.1M in upfront investment capital and up to $6M in outcome funding for community-led fisheries management. The five-year pilot will benefit nearly 27,000 people across 31 fishing communities and support improved management of 21,000 hectares of coastal and marine habitat, while establishing a model designed for scale and replication.

Blue carbon ecosystems

Blue carbon ecosystems, such as mangrove forests and seagrass meadows, act as critical natural infrastructure by buffering communities from storm surges, erosion, and rising seas. These ecosystems store carbon, sustain fisheries, improve water quality, and support biodiversity, as well as local economies. Yet, despite these benefits, coastal communities often do not receive adequate resources or benefit financially from the sustainable management of ecosystems.

Rare embeds protecting, restoring, and sustainably managing blue carbon ecosystems into its work supporting community-led conservation. As a leader in blue carbon action and community engagement, Rare also demonstrates high-quality blue carbon principles for a range of financing instruments to locally benefit coastal communities while contributing to global and national targets.



Blue carbon ecosystems in practice:

In Pará, Brazil, Rare's work with mangrove-dependent communities is creating value from healthy blue carbon ecosystems beyond carbon. Building on Rare's leadership on blue carbon finance approaches beyond carbon, we are designing a Mangrove Impact Bond — a type of outcomes-based finance instrument where payments will be linked to results for mangrove conservation and mangrove-positive businesses. The design will link investors to strengthening livelihoods while making conservation a blue carbon finance pathway. Stemming from the successful implementation of the SSF Impact Bond, Rare is also exploring other blue carbon ecosystem-relevant OBF structures, including the Brazil Mangrove Bond and a potential Seagrass OBF in Thailand.

Nature-based businesses

Nature-based businesses can create durable economic opportunities from the sustainable use, protection, or restoration of nature. Other local businesses provide essential goods and services that help sustainable resource management work in practice. Yet businesses across this spectrum can struggle to access the support and financing they need to start, grow, and scale. Some remain informal or lack basic financial systems, business capacity, or market access; others need support to become commercially viable, strengthen their environmental impact, or attract investment.

Rare bridges this gap, supporting businesses that contribute to stronger nature-based economies and sustainable management systems. Support ranges from microbusiness formalization and financial inclusion to technical assistance, investment readiness, access to capital, and blended finance.

Nature-based businesses in practice:

Rare's experience spans the enterprise and investment continuum. This includes helping community-level microbusinesses enter the formal economy and build financial and business capacity; developing and launching the Meloy Fund, a pioneering $22 million blended-finance vehicle investing in sustainable fisheries and coastal businesses in Southeast Asia; and supporting nature-based businesses through the Blue Economy Investment Program in the Philippines. This work continues through business development embedded in fisheries programs and financing mechanisms, alongside support to cooperatives and sustainable value chains.

Parametric Insurance

For households that depend directly on natural resources, climate risk is also financial risk. A storm that prevents a fisher from going to sea does not merely create an inconvenience; it can immediately eliminate household income. Lost fishing days can push families toward debt, encourage fishers to go to sea in dangerous conditions, or increase pressure on fisheries as households try to recover lost income.

Rare's parametric insurance for small-scale fishers is designed to provide a financial safety net before a climate shock becomes a livelihood crisis. Rather than requiring a fisher to document and prove an individual loss after a storm, the product automatically triggers payments when predetermined weather thresholds, such as wind, rainfall, or wave conditions, make fishing unsafe. Fast payouts stabilize household income at precisely the moment families need liquidity most, helping them avoid harmful coping strategies that can deepen financial vulnerability or increase pressure on natural resources.

Parametric Insurance in practice:

In the Philippines, Rare developed a first-of-its-kind parametric insurance solution protecting the livelihoods of 14,200 small-scale fishers across 24 municipalities. The Philippine government committed public funding to support the product, demonstrating a pathway toward sustained government ownership. The model is now being adapted for small-scale fishing communities in Kenya.

Interested in learning more?
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