Pay-for-Success Strategies for Government and Philanthropic Funders to Buy Ecosystem Outcomes and Overcome Demand Uncertainties in New Markets

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Traditional Grant Funding

1. **Contract** establishes scope of work
2. **Project Proponent** implements project
3. **Funder** reimburses for actions
Pay for Success Contracting

1. PFS Contract Mechanism
   defines terms of payment

2. Producers
   implement conservation project

3. Conservation Outcomes
   are verified

4. Buyer
   pays based on conservation outcomes achieved
Full Delivery Contracting with Upfront Capital Investor

1. **PFS Contract Mechanism** defines payment terms
2. **Investor** provides upfront capital
3. **Producer** implements project
4. **Conservation Outcomes** are achieved
5. **Credits** verify conservation outcomes
6. **Buyer** pays based on contract terms and credits generated
7. **Producer** pays investor
Contextual Factors to Select Appropriate Pay for Success Strategy

- Total Expected Demand Over Time
- Predictability of Demand
- Producer Access to Capital
- Project Risk of Producing Outcomes
- Acceptable Rate of Return
- Quality of Quantified Unit of Conservation Outcomes
THANK YOU!

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