OUR TAKE:
Why Problem Definition and Proven Practice Make or Break Conservation Finance

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Gordian Knot Strategies – Our Take: Why Problem Definition and Proven Practice Make or Break Conservation Finance

IFNF Insights: A Seven-Part Series

This is the first installment of our Innovative Finance for National Forests (IFNF) Program Insights Series – a seven-part series examining the IFNF Program across five cohorts (2020–2025) through the lens of the TRARO readiness framework. From Problem definition through Payors verification, we explore why some projects mobilized capital and advanced toward implementation, while others encountered persistent barriers despite strong ecological intent.

The patterns are clear, consistent, and learnable: conservation finance succeeds when projects combine ecological merit with market readiness, verified buyer demand, and institutional capacity. A new installment appears in Virtus each month.

If your organization wants to strengthen its investment readiness or explore a free TRARO analysis, reach out to traro@gordianknotstrategies.com. The field has the capital and the urgency. What it has long lacked is a disciplined framework for matching opportunity to deployment. We remain committed to closing that gap.

About *The Innovative Finance for National Forests (IFNF) Program*

The Innovative Finance for National Forests (IFNF) program (2020–2025) awarded $9.3 million across 38 projects to mobilize private capital for forest conservation. Grantees have collectively raised more than $108 million in blended finance. Gordian Knot Strategies developed the TRARO readiness framework and provided technical advisory services throughout the program. Learn more about the IFNF program here.

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Part 1: The "Solution in Search of a Problem" Trap

Why defining the "Problem" is the first (and hardest) step in conservation finance.

Across the five cohorts of the Innovative Finance for National Forests (IFNF) program, we have reviewed dozens of proposals aiming to mobilize private capital for forest and watershed health. We have seen brilliant engineering, passionate teams, and cutting-edge technology. Yet, one pattern consistently separates the projects that secure funding from those that stall: the clarity of the problem.

In our TRARO readiness framework, which we used to screen IFNF applicants, the first element is simply labeled "**Problem**." It sounds elementary. After all, isn't "wildfire risk" the problem?

Not to an investor. To an investor, "wildfire risk" is a headline. A specific, quantifiable liability that can be monetized or insured against? That is a problem worth solving.

In this first entry of our seven-part series on the IFNF program, we explore why the "**Problem**" element is the foundation of investment readiness, and how IFNF grants help grantees move from vague aspirations to investable value propositions.

The 47% Failure Rate

The "Solution in Search of a Problem" is a cliché for a reason. In a recent analysis of climate investment opportunities using our TRARO predictive analytical screening framework, 47% of applicants failed to adequately substantiate the problem they were solving.

These projects often had impressive "practices," such as new biomass technologies or novel recreation models, but they couldn't answer the fundamental questions: Is this problem real? Is it systemic? Is there a nexus between your solution and the root cause?

Without a clearly defined problem, there is no clearly defined payor or buyer for the project outputs. And without a payor, there is no cashflow and hence no return on investment.

Case Study: Granularity Matters (Cohort 4)

The difference between a "good cause" and an "investable problem" is granularity.

Consider American Forests, a grantee from IFNF Cohort 4. Their goal was to build a seed orchard. A generic problem statement might have been: "We need more trees for reforestation." While true, that statement rarely unlocks private capital.

Instead, American Forests used their IFNF support to define the problem with surgical precision and granularity. They demonstrated that for the Fremont-Winema National Forest, over 75% of seed zones are now genetically mismatched with current conditions, and one-third are entirely mismatched with zero overlap.

This wasn't just an ecological observation; it was a supply chain crisis for the timber industry and public agencies. By quantifying the "mismatch" gap, they transformed a biological issue into a measurable asset risk. This granularity helped them secure $300,000 in sub-award funding and advanced their discussions with timber investment management organizations and tribal partners.

Case Study: The Cost of Inaction (Cohort 2)

Similarly, organizations like Blue Forest recognized that the wildfire crisis extends beyond forest health to a fundamental financing challenge: the lack of reliable funding to implement treatments at the scale needed to reduce wildfire risk. By leveraging upfront capital from impact investors and working alongside utilities, agencies, and other beneficiaries to quantify the avoided costs of catastrophic wildfire, Blue Forest is diversifying funding sources while increasing the pace and scale of forest restoration. This clear articulation of the Problem created the opportunity for

an innovative, cross-sector solution that aligns the many stakeholders involved in the wildfire crisis around shared outcomes.

The Role of IFNF: Funding the "Fathom" Step

This is where the IFNF grant program plays an irreplaceable role.

Private investors generally will not pay for you to figure out if a problem is real. They expect you to know that before you pitch. But for conservation projects, "defining the problem" requires expensive science, data modeling, and stakeholder mapping.

In TRARO terms, this is the "Fathom" and "Investigate" phase. It is high-risk, non-recoverable work. IFNF grants absorb this risk. They pay for the feasibility studies that allow a grantee to say, "We aren't just planting trees; we are solving a 75% supply chain gap for a billion-dollar industry."

Key Takeaways

If you are building a conservation finance project, ask yourself:

1. Is the problem quantified? (Don't say "huge risk"; say "75% mismatch").
2. Is the nexus clear? Does your solution directly fix the root cause, or is it just a nice adjacency?
3. Is it substantiated? Do you have the data to prove it?

Clarity fuels commitment. If you can't measure the problem, you can't monetize the solution.

Part 2: When "Science-Based" Is Not Enough

Why tested practices, not just good ideas, separate investment-ready projects from the rest.

In the conservation finance world, proposals often arrive wrapped in the language of innovation: "nature-based solutions," "ecosystem services,", "sustainable forestry initiatives". The science sounds compelling. The intent is genuine. Yet across the Innovative Finance for National Forests (IFNF) program, a persistent pattern emerged. Projects with strong scientific rationale but weak operational clarity consistently struggled to execute, even when they secured funding.

In our TRARO readiness screening framework, the second element is "**Practices**." It asks a deceptively simple question: Can you demonstrate that your project's proposed interventions actually work at the scale and in the conditions, you are targeting?

This is where many promising concepts stalled.

The "Practices Gap" Across Cohorts

Analysis of IFNF-funded projects revealed that **Practices** (element 2) and **Participation** (element 3) remained weaker than other elements, even after applicants revised their proposals before final submission. In several cases, implementation delays of six months or more traced

directly back to vague operational plans, unclear divisions of responsibility among partners, or insufficiently tested intervention strategies.

What appeared at proposal stage as confident optimism about partnership capacity later manifested as slow contracting, shifting project scopes, or difficulty executing on the ground. The lesson became clear: enthusiasm for a concept was not a substitute for demonstrated readiness to implement it.

What Made Practices Weak?

The portfolio of projects considered for IFNF funding illuminated three recurring weaknesses:

1. Lack of Field-Tested Evidence

A fair number of proposals relied on “concept notes” or peer-reviewed research conducted in different geographies or under different institutional conditions. While scientifically sound in theory, these interventions had not been validated in the specific ecological, regulatory, or market context where the project intended to operate. Investors and co-funders hesitate to commit when the practice evidence base remained speculative rather than operational.

2. Unclear Division of Labor

Projects often named multiple implementing partners but failed to specify which organization was responsible for which deliverable. During execution, this ambiguity created friction. Partners assumed others were handling critical tasks, timelines slipped, and accountability became diffuse. By the time roles were clarified, momentum had eroded.

3. Insufficient Attention to Affordability and Practicality

Some proposals presented technically elegant interventions that proved prohibitively expensive or logistically complex once implementation began. Without early-stage cost modeling or pilot testing, teams discovered mid-execution that their approach required equipment, approvals, or skillsets they had not budgeted for or secured.

The Consequence: Delays and Scope Drift

The consequences of weak **Practices** were measurable. In Cohort 2, six of nine evaluated projects remained largely on schedule. However, three projects experienced delays ranging from six to seven and a half months. These delays were generally attributed to administrative complexity, stakeholder coordination challenges, and limited internal capacity, all of which traced back to operational plans that had not been stress-tested before award.

Delays were costly, not just in time but in credibility. When projects miss milestones, partners lose confidence, co-investors pull back, and the window for scaling is narrowed.

Project Vignette: Salt River Project (Cohort 3)

By contrast, projects that scored highly on the **Practices** element demonstrated a fundamentally different trajectory.

Salt River Project, a Cohort 3 awardee, entered the IFNF selection process with tested implementation approaches already documented. Salt River Project is a community-based, not-for-profit utility in central Arizona that provided water and power services while partnering on forest and watershed restoration to reduce wildfire risk and protect regional water supplies. Rather than proposing an untried intervention, the team presented evidence from prior field work that validated both the technical feasibility and the operational logistics of their approach. They had clear protocols, experienced delivery teams, and a track record that reduced uncertainty for reviewers and potential co-investors alike.

As a result, Salt River Project received a larger award and moved more directly toward pilot deployment rather than being confined to extended feasibility work. The strength of their **Practices** element positioned them for replication, not just one-off implementation.

How IFNF Helped Grantees Strengthen Practices

IFNF grants played a critical bridging role. They allowed teams to move from conceptual designs to field-tested, operationally validated models before seeking larger-scale capital. Grantees used IFNF support to conduct pilot trials, refine intervention protocols, clarify partner roles, and document the real costs and timelines required for success.

In this sense, IFNF functioned as an incubator for operational readiness. Projects that used their grant period to rigorously test and document their practices emerged from the program far more attractive to investors. Those that treated the grant as general operating support without deepening their operational practice evidence struggled to advance beyond the initial award.

System-Level Implications

The IFNF experience surfaced a broader insight for the conservation finance field. The pathway from “good science” to “bankable practice” requires intentional investment. Investors need to see that interventions have been proven not just in academic settings but in real-world conditions, with real partners, under real budget constraints.

This has implications for how future programs structure their funding tracks. Feasibility awards should explicitly support practice validation, not just financial modeling. Pilot awards should require documented evidence of prior implementation experience. And scaling awards should be reserved for interventions that have already demonstrated repeatable success.

Key Takeaways

If you are seeking conservation finance, ask yourself:

1. Has this intervention been tested in conditions similar to where we plan to deploy it?
2. Can we show evidence of prior success, even at a smaller scale?
3. Have we documented the true cost, timeline, and partner responsibilities required for implementation?

Practices are not just about what you plan to do. They are about proving you can actually do it and deliver the impact as intended. IFNF taught us that the difference between a promising concept and an executable project often came down to this single element.

Next month's Our Take in Virtus will be the "IFNF Insights Series Parts 3 & 4 – Participation and Partners."

Project teams interested in a free TRARO analysis and potential pathways to impact investment through our network of institutional partners should reach out to traro@gordianknotstrategies.com.