Conservation Capital

Developing Conservation Agreements
Training Guidelines

6 May 2022
DRAFT

Table of Contents

List of figures

List of tables

Acronyms

AL	Alternative livelihoods
CA	Conservation Agreement
CBB	Corporate Biodiversity Bonds
CBO	Community Based Organization
CC	Conservation Capital
CCA	Community Conservation Area
CEPF	Critical Ecosystem Partnership Fund
CFZ	Centre Forestier de N'Zérékoré
CI	Conservation Interational
CSR	Corporate Social Responsibility
CTF	Conservation Trust Fund
ESG	Environmental, social and governance
ES	Ecosystem Services
ESS	Environmental and Social Standards
FFI	Fauna & Flora International
FPIC	Free, Prior, and Informed Consent
FPRCI	Fondation pour les Parcs et Réserves de Côte d'Ivoire
IPLC	Indigenous Peoples and Local Communities
KPI	Key Performance Indicators
LTF	Long term financing
MOON	Mainstreaming Opportunities for Operationalizing business contributions to Nature in the Mano River Union
NBT	Nature-Based Tourism
NG	Net Gain
NGO	Non-Governmental Organization
NNL	No Net Loss
NR	Natural Resources
NRM	Natural Resource Management
NTFP	Non-Timber Forest Products
PA	Protected Area
PAA	Protected Area Authority
PPCP	Public – Private sector – Community Partnership
PPP	Public – Private – Partnership
PSE	Private sector engagement
RoI	Return on Investment
ToC	Theory of Change

Definitions

Biodiversity Offset	Measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimization, and restoration measures as part of the 'mitigation hierarchy' (Figure 1) have been taken (International Finance Corporation, 2012)
Conservation Agreement	A voluntary time-bound agreement entered into between two or more parties with a shared goal that incentivizes conservation and livelihood outcomes.
Conservation Covenants	Restrictions and obligations outlined in a Conservation Agreement designed to foster conservation and social outcomes.
Ecosystem Services	The variety of benefits that people derive from ecosystems. These include provisioning services such as food and water; regulating services such as flood and disease control; cultural, spiritual and recreational services; and supporting services such as nutrient cycling that maintain the conditions for healthy life on Earth.
Indigenous Peoples and Local Communities	Ethnic groups who are descended from and identify with the original inhabitants of a given region, in contrast to groups that have settled, occupied or colonized the area more recently. *Note:* This term is used interchangeably with local communities and communities in these guidelines.
Non-Timber Forest Products	Useful foods, substances, materials and/or commodities obtained from forests other than timber.
Private Sector	The private sector are those parts of an economy that are controlled and managed by individuals and companies (as opposed to by government) and which tend (although not necessarily exclusively) to operate on a for-profit basis.

1. Conservation Agreement Background Information

1.1 Introduction

Biodiversity and ecosystem services are the foundation of human well-being. They underpin our economies, livelihoods, and health and yet they are grossly undervalued and not captured in traditional financial models (Lindsey et al 2021). Half of the world's GDP (US$44 trillion) depends on biodiversity and ecosystem services. However, natural ecosystems around the world are under unprecedented threat (World Bank 2021). New solutions and practical models are needed to engage new finance and enable sustainable partnerships - conservation agreements (CA), which are defined and used for the purpose of these guidelines as "a voluntary covenant between parties, whereby one party provides an incentive to the other for the protection and conservation of biodiversity in a specific area," offer one means to support this.

Indigenous peoples and local communities (IPLCs) across Africa are directly and indirectly dependent upon natural resources and the ecosystem services they provide. Many IPLCs have legal and/or customary rights over these natural resources; however, in many cases, they face difficulties in managing these resources sustainability because of lack of capacity and/or alternatives (Conservation International, Global Environment Facility, United Nations Environment Program.) Conservation agreements present an opportunity to provide adequate incentives to IPLCs to manage natural resources sustainably and to attract revenue from the private sector to support the conservation of these resources.

In addition to effectively engaging IPLCs in conservation, the most effective tool to conserve biodiversity are well-funded, socially inclusive, competently managed protected areas (PAs)[1] (Sanderson 2018), which includes community conservation areas (CCA), corridors and strictly protected conservation areas (The International Union for Conservation of Nature (IUCN) PA I-VI). However, PAs are grossly underfunded leading to significant biodiversity loss.[2] The COVID-19 pandemic has aggravated this funding gap[3]. Africa's PA system is reliant on funding from government subsidies and donor support and new funding mechanisms, such as engaging private sector companies through CAs, are needed (IUCN ESARO, 2020).

At the same time, projections for growth in energy, infrastructure, extractive and productive sectors are staggering. Many are designed to catalyse economic growth by improving access to resources, enhancing the flow of goods and people, supporting trade and economic integration and reducing production constraints ((Fauna & Flora International (FFI), 2021)). Individually and in combination, such developments will have long lasting impacts on the landscapes and people. In parallel companies are increasingly signing up to a range of sustainability commitments, including targets relating to climate, forest, water, and biodiversity. As a result, there is increasing appetite for supporting areas that have biodiversity significance and for finding partners/collaborators to enable delivery. This presents an opportunity to attract private sector finance into conservation through a variety of partnership models,

[1] IUCN Protected Areas I-VI.

[2] Financing Nature: Closing the Global Biodiversity Financing Gap, developed by the Paulson Institute, Nature Conservancy and the Cornell Atkinson Center for Sustainability finds that as of 2019, there is a biodiversity financing gap of between US$598 - US$824 billion per year. (Paulson Institute, 2022)

[3] COVID has widened the PA funding gap by crowding out investment in biodiversity and PAs in lieu of financing for other sectors and the overnight shut down of other revenue streams for conservation, such as nature-based tourism (NBT). The fiscal and monetary stimulus governments have embarked on to keep economies afloat will further reduce budgets available for environmental conservation (Lindsey et al 2020).

including community based natural resource management (NRM). CAs offer a potentially useful tool to support the formalization of these collaborations.

In some cases, companies are required by regulation to mitigate their impact through biodiversity offsets. The goal of many biodiversity offsets is to achieve No Net Loss (NNL) and preferably a Net Gain (NG) of biodiversity, in comparison to the baseline situation before the original project is implemented.

Biodiversity offsets are referenced in these Guidelines because they may result from a CA between the private sector company and a third party. There are excellent resources available to guide the development of a biodiversity offset (Resource Box I).

Resource Box I. Biodiversity Offsets

World Bank Group Biodiversity Offset Guide, which includes a case study from Liberia's Nimba region. https://www.forest-trends.org/bbop/bbop-key-concepts/biodiversity-offsets/.

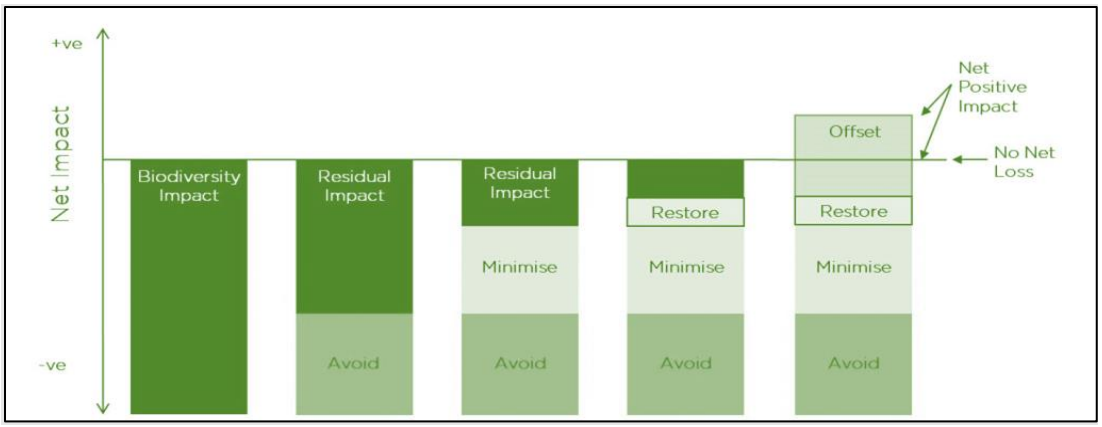


Figure 1: The mitigation hierarchy (BBOP).

Given the opportunity presented by CAs to channel private sector funding into conservation action on the ground, support IPLC in natural resource management and development, and support conservation, these Guidelines have been developed with support from the Critical Ecosystem Partnership Fund (CEPF) to provide practical information to non-governmental organizations (NGOs) who are considering CAs, and often are the driving force of CAs, providing technical, facilitation and implementation support. The Guidelines draw on existing literature, global best practice, and practical examples from the field. The existing literature focuses on lessons learned from CAs. The Guidelines are designed to build on these lessons learned and provide NGOs with practical information to take into account when considering a CA.

These Guidelines were developed as part of the CEPF financed MOON project (Mainstreaming Opportunities for Operationalizing business contributions to Nature in the Mano River Union), which aims to support the establishment of partnerships in West Africa. These guidelines are designed to be used in a training with interested NGOs who are exploring how to engage in a CA.

1.2 Conservation Agreement Definition and Background

A conservation agreement is a broad term used to describe a voluntary covenant between parties who agree on the same conservation goals, whereby one party provides an incentive to the other for the protection and conservation of biodiversity in a specific area. According to Conservation International (CI), a CA is an arrangement between a community and a group or person funding (or otherwise supporting) a conservation project (that could be a government, NGO, a foundation, a business or even an individual) (Kane, 2018). This definition focuses on communities as the beneficiary.

These Guidelines use the following definition:

A Conservation Agreement is a voluntary time-bound legal agreement entered into between parties with a shared goal that incentivizes conservation and livelihood outcomes.

For the CEPF financed MOON project in Cote d'Ivoire, Guinea, Liberia and Sierra Leone, CAs are being considered to:

- Enhance meaningful conservation outcomes in priority landscapes;
- Improve the lives of local communities living in or near the focal conservation areas;
- Provide a legal and transparent mechanism for companies to finance conservation and community development; and
- Facilitate a sustainable and productive linkage between local actors and private sector partners.

Figure 2: MOON focal landscapes in West Africa.

There is global recognition that the effective engagement of IPLCs in the management, governance and beneficiation of PAs enhances conservation. Most of the areas outside of formal PAs, are owned legally or customarily by IPLCs. To ensure the long-term protection of biodiversity, the people living in and around PAs need to be effectively engaged. This can be done through a CA.

Community engagement in conservation depends on the conservation and community context and is site specific. For example, in the four focal MOON project landscapes, local communities have customary and/or legal rights over natural resources in the areas surrounding national PAs. Based on available reports and studies conducted in the landscapes, it is suggested that the communities unsustainable

engagement in nature-resource management is due to a lack of incentives and/or alternatives, which might be addressed through a CA.

Many community-based projects have been set up across Africa on the assumption that communities will automatically engage in positive conservation behavior if provided with certain benefits. This does not necessarily work in practice. For example, one may speculate that if a high-yield crop is introduced into an agricultural intensification program, the farmer will grow more food in a smaller area and will not expand the farm into the local forest—the conservation target. However, if this has not been codified through a CA and/or a land use plan, the farmer is likely to expand the farm area to grow more crops for market (Fitzgerald, 2015) – essentially fulfilling the 'Jevons's paradox'[4].

In some cases, IPLC have not been effectively engaged as legitimate partners. While they may be beneficiaries, a proper inclusive and participatory partnership model is needed, which can be achieved through an effective CA process.

In addition, effectively managing PAs requires financial resources, which is often lacking in Africa. Most of Africa's PAs are grossly underfunded (Lindsey, et al., 2018). A CA between a PA manager (government, community, private or NGO) and a corporate partner may provide resources to finance conservation landscapes.

Conservation International's hypothesis on CAs is that the private sector offers untapped potential for financing community-based conservation and that increased private sector funding for conservation could be catalysed using the CA model. For these Guidelines, the hypothesis is expanded to include PA authorities (PAA) as a potential beneficiary of financing from CAs. Many of the focal conservation targets within the MOON landscape are managed by PAAs; thus, engaging them in CAs is critical to the long-term conservation success.

Given the opportunity to attract new funding to support PAs, provide financial and technical support to IPLC and help companies achieve their conservation targets, the MOON Project aims to leverage existing commercial enterprises in and around the focal landscapes through CAs between willing IPLCs, PAAs, NGOs and private sector partners. While these Guidelines were written to support the MOON Project, it is hoped that they can be utilised by other NGO practitioners in different locales.

> It may be that the utility of CAs is less about bringing the private sector to the table (they are already at the table because they want a responsible brand and a sustainable supply of inputs) and more about enabling communities to conserve and produce sustainably so that they can be partners for the private sector.
>
> *-- Conservation International, Can Conservation Agreements Catalyze Private Sector Support for Community-Led Conservation? Lessons learned and recommendations for replication.*

[4] In economics, the Jevons occurs when technological progress or government policy increases the efficiency with which a resource is used (reducing the amount necessary for any one use), but the rate of consumption of that resource rises due to increasing demand. The Jevons paradox is perhaps the most widely known paradox in environmental economics. However, governments and environmentalists generally assume that efficiency gains will lower resource consumption, ignoring the possibility of the paradox arising.

1.3 Drivers of Conservation Agreements

Typical actors included in the CA include private sector company, NGO, PA Authorities, and communities. Depending on the CA structure (see section 1.4), each of them can play different roles, depending in their capacities and motivations.

Typical actors involved, potential roles they can play in a CA:

Typical actors	**Potential roles / functions**
Private sector company	• Provide funding for the management of targeted conservation area • Provide funding to support the community livelihood projects • Provide funding for the CA implementation and facilitation • Provide / facilitate access to markets for local communities (depending in the sector of operation and relevance to the context) • Provide expertise / skills to local communities and other stakeholders • Implement and supervise the CA • Monitor compliance with CA
Communities	• Agree with CA conditions and engage in defined conservation activities
PA Authority	• Ensure sustainable management of the targeted conservation area • Facilitate contact / develop relationship with local communities with
NGOs	• Facilitate the CA between all the parties. • Provide ongoing technical support for the management of the targeted conservation area • Support communities in formalising community and provide other technical assistance to communities • Monitor compliance of stakeholders with CA • Provide livelihood support to communities: sustainable agricultural and animal breeding practices, training, access to high quality raw materials (seed and plant) and to and access to markets

There are several drivers for parties to engage in CAs. Understanding the motivation of each party is critical when establishing a CA and ensuring that there is overlap in vision and compatibility with the varied motivations.

A. Corporate Drivers

- **Regulation**
  A private sector partner is legally required (by laws of the host country or of the country where the company is headquartered) to protect certain natural resources or engage with local communities. This is also being supported through increasing ESG (Environmental, Social and Governance) regulation and uptake in corporate practice and reporting in this regard.

- **Biodiversity Offset**

A private sector partner (legally required and/or voluntarily) decides to offset its impact. While many countries have yet to adopt offset requirements, there is an increase in offset enabling policy and legislation (Figure 12). While CAs are not required as part of the offset, they may be used by corporate partners to achieve conservation objectives.

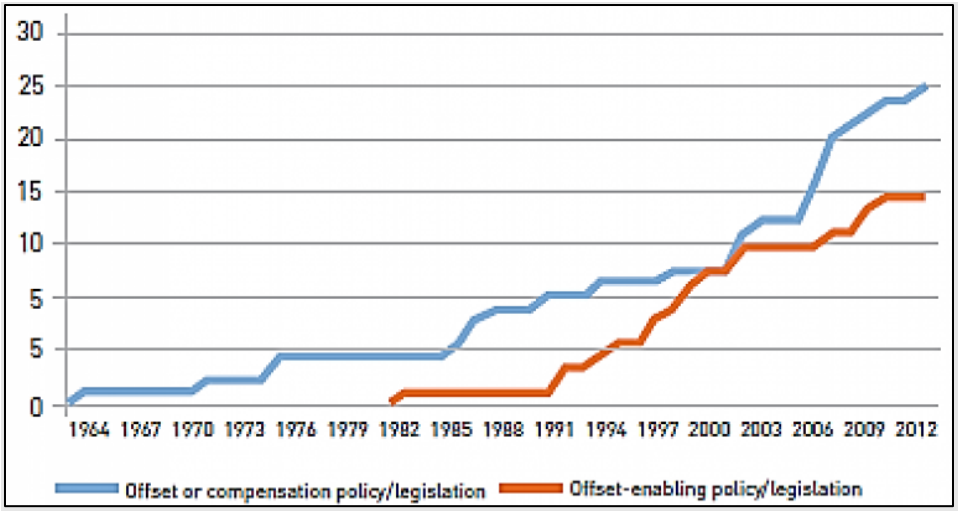


Figure 3. Global offset policy and legislation adoption[5].

- **Shareholder pressure**
  Corporate shareholders demanding engagement with local communities and conservation outcomes.

- **Lender Requirements**
  Bankers and other lenders are increasingly requiring clients to meet high standards of ESG performance as exemplified by the wide adoption of IFC Performance Standard 6 governing Biodiversity Conservation & Sustainable Management of Living Natural Resources. A CA is one mechanism used to operationalise conservation partnerships and action on the ground.

- **Consumer pressure**
  Consumers demanding engagement with local communities and conservation outcomes, which can be done via a conservation agreement.

- **Employee activism**
  Especially from younger generations, who are demanding compliance with environmental and social standards, resulting in recruitment and retention challenges.

- **Reputational considerations**
  Private companies concerned with their reputation as it pertains to social and environmental outcomes may enter into CAs to demonstrate a commitment to social and environmental outcomes.

Social License to Operate

[5] https://www.iucn.org/resources/issues-briefs/biodiversity-offsets

Private sector companies recognize the need to have positive relations with local neighbours and communities and engaging individuals and groups through conservation agreements may be one approach considered with stakeholders.

- **Reliance on Ecosystem Services**
  Private sector companies' reliance on certain NR for their businesses that require protection and management by local communities, which can be executed through a CA.

- **Brand recognition**
  The potential for enhanced brand recognition and loyalty for companies that engage proactively in community development and conservation via CA.

B. IPLC Drivers

- **Improvement of livelihood opportunities and revenue enhancements**
  Through a CA, specific actions can be undertaken to support the livelihoods of IPLC, for example by:
  - providing access to markets (e.g., a private sector partner can purchase the community products);
  - increasing product quality and value addition (e.g., installation of coffee roasting machine, flour grinding mill);
  - improving the marketing power of a product, etc.;
  - purchasing raw materials (medicine, livestock, high-quality seeds and plans, etc.); and / or
  - identifying and implementing alternative revenue generation opportunities (e.g., tourism).

- **Improvement of living conditions**
  CAs may prescribe investment into social services such as access to drinking water, construction of school buildings and health centres, and/or provision of medical services and equipment.

- **Capacity building, access to knowledge and best practices in particular sectors**
  The CA may prescribe:
  - specific trainings aimed at improving existing livelihood practices, for example, those on improved agricultural practices, housing construction, breeding, fishing, conservation and wildlife etc.;
  - leadership training for community members and/or community-based organizations (CBOs);
  - organised visits to other sites to learn more about specific areas of interest; and/or
  - knowledge exchange between communities.

- **Benefits from improved ecosystems and ecosystem services**
  The majority of rural Africans are directly or indirectly dependent upon ecosystem services. The conservation and restoration of an area through a CA, might help secure the sustainable supply of certain ecosystem services upon which people depend. For example, improved forest cover may support water services, prevent soil erosion and improve soil fertility; thus, contributing to better agricultural production.

- **Empowerment of local communities**
  Inclusion of communities in conservation decision-making together with private sector, PAAs and NGOs is a fundamental tenant of good practice, particularly in any context where IPLC have customary or legal rights relating to land and natural resources, and/or may be impacted or otherwise affected by decisions relating to the conservation and management of an area and the resources it provides. Engagement in CAs as legitimate partners, has been shown to also bolster community pride, investment in conservation and capacity.

- **Access to local natural resources and land rights**
  In some cases, access to natural resources and /or land rights is not formalized, putting communities at risk. Some CAs, if designed properly, create clarity around access to natural resources, which in turn creates motivation for sustainable natural resources management by communities.

- **Tradition and Culture**
  Some communities have long been responsible for sustainable natural resources management. Given the rapid pace of development across many African landscapes, a CA can bolster local community's role in conservation.

C. PA Authority Drivers

- **Mobilisation of funds for PA management**
  Most PAs in Africa are underfunded and rely on public and donor financing, which is pervasively insufficient. CAs can help catalyse new and additional funding to support effective PA management and development.

- **Development of positive relationships with IPLC**
  Positive relations with the communities that live in and around PAs is critical for PA management. CAs can be used to support a participatory approach to PA management and establish an inclusive governance structure. CAs, if structured well and developed through an inclusive and participatory approach, can support effective coordination between the PA Authority and local communities, which result in more positive relations, transparency, trust and clear understanding of rights and responsibilities of each party involved in the CA. Clarity of roles and enhanced trust contributes to fewer misunderstandings and conflicts.

- **Biodiversity and landscape conservation and restoration**
  The goal of a CA is to incentivize conservation efforts in particular landscapes via mitigation of threats to biodiversity and engagement in positive conservation action such as ecosystem restoration.

D. NGO Drivers

- **Alignment of values and goals**
  CAs can help NGOs achieve their goals in conservation and community development. If an NGO's objectives and activities are aligned with CA goals, synergies between the parties involved in the CA can be created to achieve the targeted impact in the landscape.

- **New collaborative solutions**
  Potential for new partnership opportunities bringing together a range of expertise, new finance and networks that may be beneficial in addressing ongoing or emerging conservation and development challenges in a landscape. A well-designed CA may also support a more coordinated and strategic approach among different parties, leading to improved outcomes.

- **New sources of funding**
  NGOs are mainly reliant on donor funding, which in many cases is short-term, unpredictable, and not sustainable. CAs can attract new and additional funding from the private sector and can be used to leverage additional funding.

- **Reputation and new opportunities.** A positive engagement with private sector can increase positive notoriety: the association with a firm with a strategic position in the market is one way for an NGO to strengthen its reputation and political influence. Additionally, an engagement with private sector can be beneficial in bringing a different set of expertise and networks. However, when considering the project, the positive outcomes should be carefully analysed alongside potential risks, as a poorly implemented CA or lack of engagement from private sector can results in as much negative attention and reputational damage for an NGO.

1.4 Parties involved in a Conservation Agreement

Conservation agreements involve different partners, such as the private sector, donors, IPLC, NGO, government and/or PAA. The parties involved in a CA depends on the goals and the context.

There are many factors that drive a CA (see section 1.3). For example, a company operating adjacent to a PA might have to legally mitigate an anticipated negative conservation impact because of regulatory and /or financing requirements, that may lead to a CA with a PA Authority to achieve a specific conservation outcome; or a company might engage communities in a CA to enhance their corporate brand or product outcome. Who initiates and leads a CA depends on the local context, the motivation of the parties to engage in a CA, the conservation targets, and who has the ability to influence a conservation outcome.

A community representative or a PA Authority might approach a company for financial support for PA management or community development, which the company agrees to in exchange for a conservation outcome. In another scenario, an NGO may recognize the opportunity for a partnership that results in a sustainable revenue model for community development and a conservation outcome, and they may broker the agreement between the parties.

There are multiple scenarios that might be considered, some of which are highlighted below. The structure of the CA and considerations when developing a CA is described in Section 2.

A. Community – private sector partnership

For example, a private sector agriculture company agrees to purchase crops from a local community in exchange for conservation outcomes.

Through a CA, communities commit to restricting specific land uses to protect natural resources (such as keeping the forest standing through no logging) and in return, they receive compensation, which may take the form of funds, access to market, equipment, and/or training.

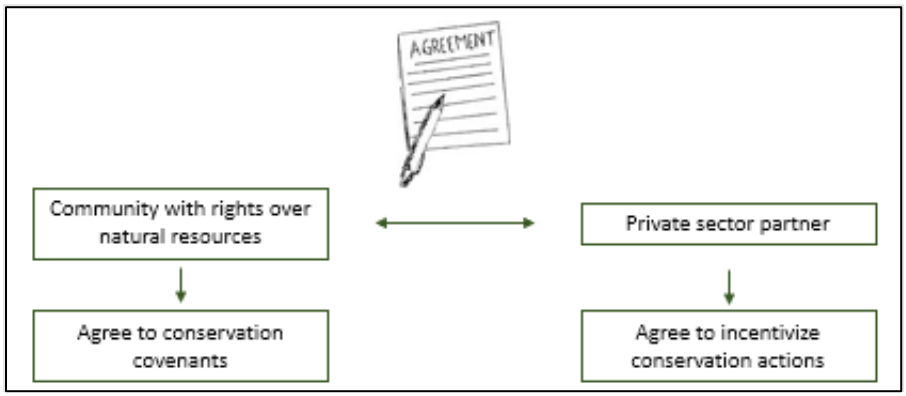


Figure 4: Community – private sector partnership CA.

B. *Community – private sector – NGO*

In some cases, a community may have an existing partnership with an NGO and therefore engages the NGO in the CA, or perhaps the NGO facilitates the CA. There are also cases where the community does not have the capacity to manage funds that may come through a CA, and an NGO is engaged to help manage the funding on their behalf, support implementation and help build capacity of the community so eventually they have internalised ability to receive and manage the funding. In this case there may be one CA between the three parties.

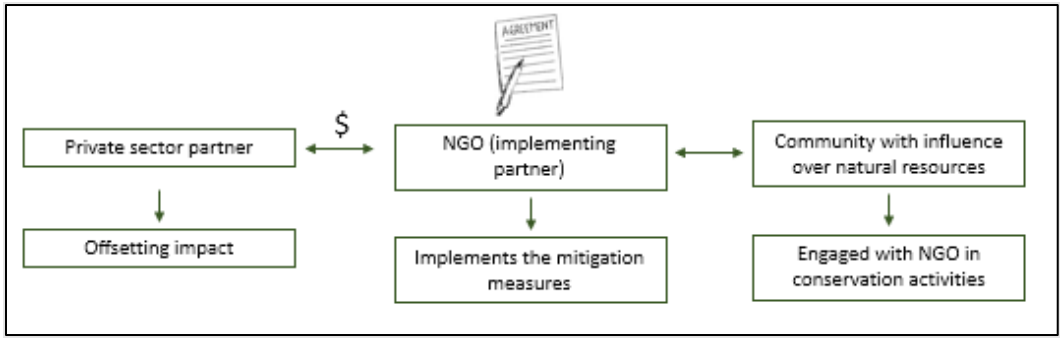


Figure 5: Community – private sector – NGO CA.

B. Public – private sector – community partnership (PPCP)

i. Where the private sector agrees to incentivize conservation outcomes that pertain to a public PA. For example, if a mining company is operating outside of a PA and provides support to the PA Authority to improve PA management and to the community to support sustainable livelihood development and/or practises to reduce the negative impact on the PA.

ii. Where the private sector is legally required to mitigate a negative impact resulting from their operation and enters into a CA to mitigate their impact (similar to i above). This might be done

though a CA with a community and/or PA Authority depending upon the circumstances and local context.

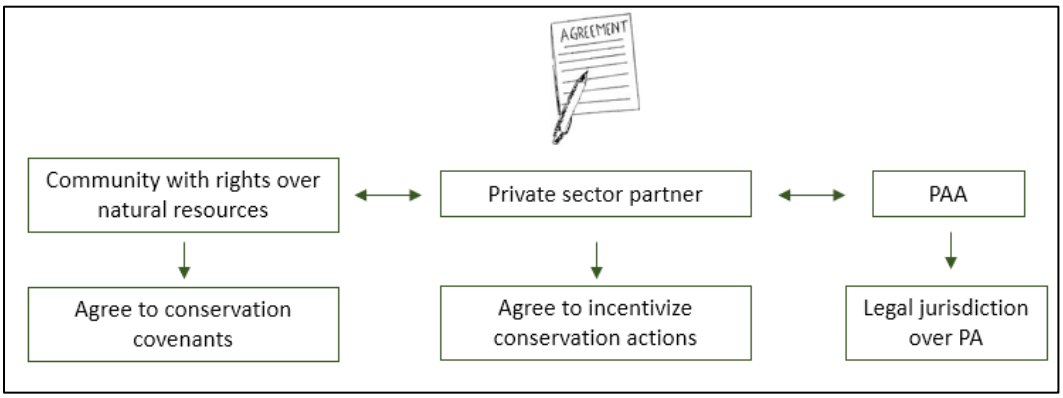


Figure 6: Public – private sector – community partnership (PPCP) CA scheme.

C. Public – private sector – community partnership—NGO

This scenario is similar to scenario B above, but this scenario involves an NGO that might be directly involved in conservation management of a PA in partnership with a PA Authority or is already working in partnership with IPLC. There may be some cases as well where the IPLC does not have the capacity to manage the funds directly and/or may need technical support, which the NGO may do.

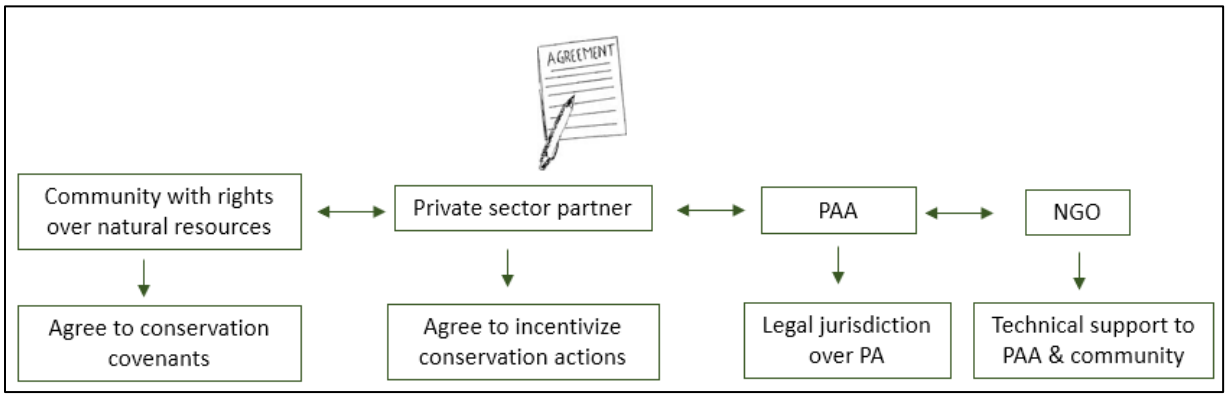


Figure 7: Public – private sector – community – NGO partnership CA.

Figure 8 depicts another PPCP involving an NGO, which is driven by a required biodiversity offset.

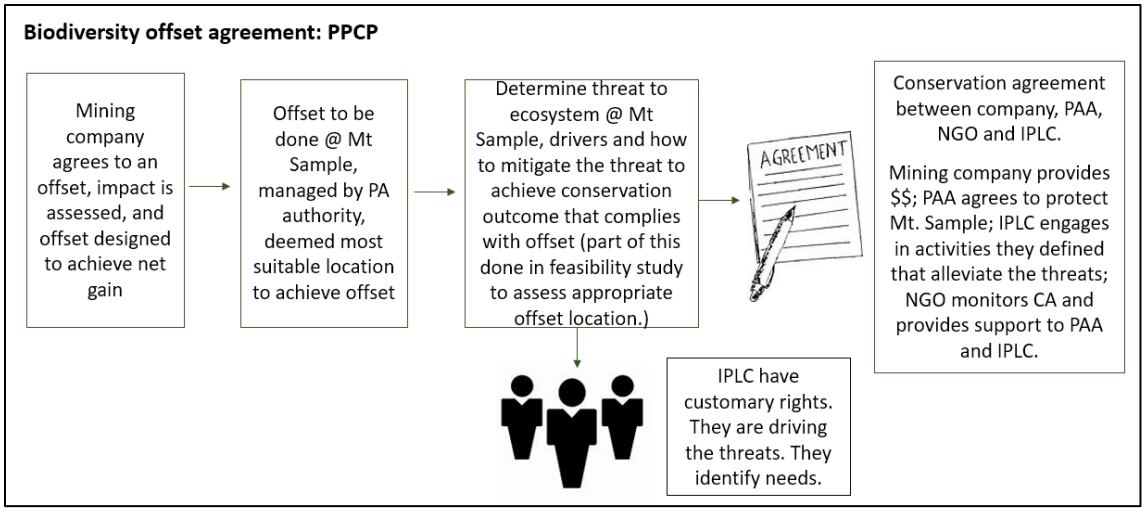


Figure 8: A sample CA between a mining company, PAA, NGO and IPLC.

D. Donor – community

In this scenario, a donor agrees to provide an incentive (money, social services, or trainings) in exchange for conservation outcomes. This model can be effective if the funding is used as a short-term bridge to create a sustainable benefit for the community, such as the investment in a business that generates long-term revenue for the community in exchange for a conservation outcome.

E. *Donor – community – NGO – private sector*

Some structures need time to implement and up-front capital. For example, in the Amboseli landscape of Kenya, a CA was entered into between Maasai landowners, a company and an NGO. The CA stipulated certain conservation restrictions such as un-managed grazing and logging, in exchange for conservation payments made twice a year by the company. However, in the short-term as the company was set up, a donor provided the bridge funding for the first four years while the business became operational.

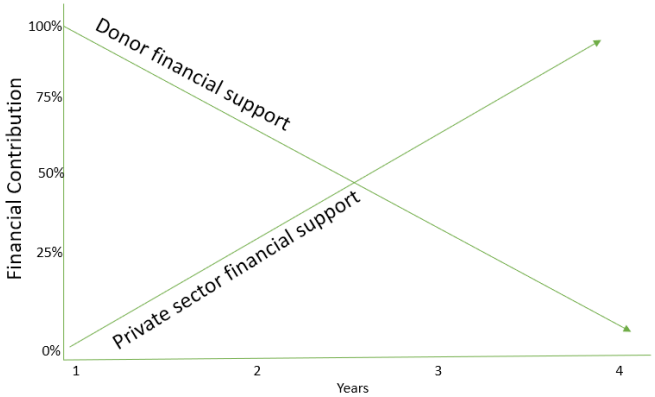


Figure 9: Donor – community – NGO – private sector CA scheme.
In this scenario, a donor provides initial bridge funding to meeting the CA requirements, and eventually exits the arrangement. The private sector partner ramps up their business and support, creating a sustainable revenue model after the donor exits.

1.5 Multiple Private Sector Partners

The scenarios described in Section 1.3 depict CAs that involve one private sector partner. However, there may also be instances where multiple private sector partners might be involved in a single or multiple CAs that target the same focal conservation area, an aggregate project. Two aggregate models are described in this section.

A. Site Level Aggregate Projects

A site level aggregate project is when there is combined support from multiple private sector partners for a specific conservation area. An aggregate project generally occurs when actions and investments in conservation or socioeconomic development activities are planned, coordinated, and implemented in a holistic manner, rather than as a series of one-off, single initiatives. As described above, this could be the result of, for example, a legally required biodiversity offset to compensate for anticipated residual impacts, a voluntary conservation project aligned with corporate sustainability goals, commitments made by the company to acquire its social license to operate etc. As such a CA could be the legal mechanism used to engage parties in the partnership.

An aggregate project means:

1. planning one or more relatively large 'offset' and/or 'focal conservation area' sites that would engage multiple private sector partners, and in the case of an offset, compensate for multiple 'original' projects where 'original' refers to the site of impact - for example, in the case of a mining project, the original site of impact is the area being mined, and may also include the impact from the associated infrastructure and the direct and indirect impacts resulting from the mining activity; and
2. pre-selecting offset areas or 'focal conservation areas' that are priority conservation targets so that private sector support can collectively target these priority sites, even if not directly adjacent to the 'original' site of impact or area where the private sector partner operates.

An aggregate project may result in multiple CAs (

Figure 10) or a single CA with multiple parties (
Figure 11).

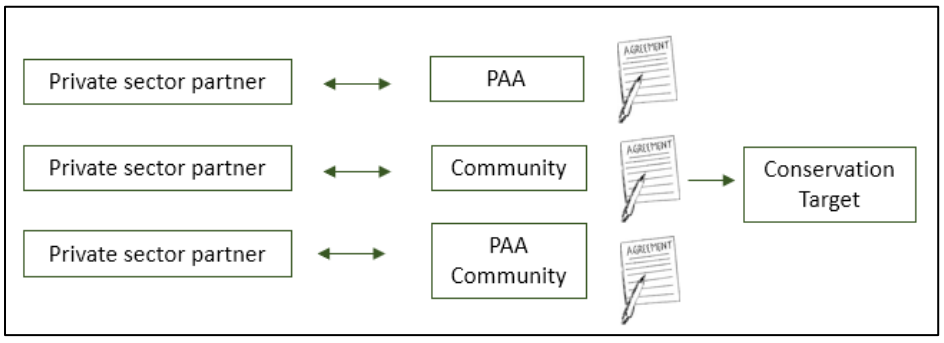


Figure 10: Aggregate project resulting in multiple conservation agreements.

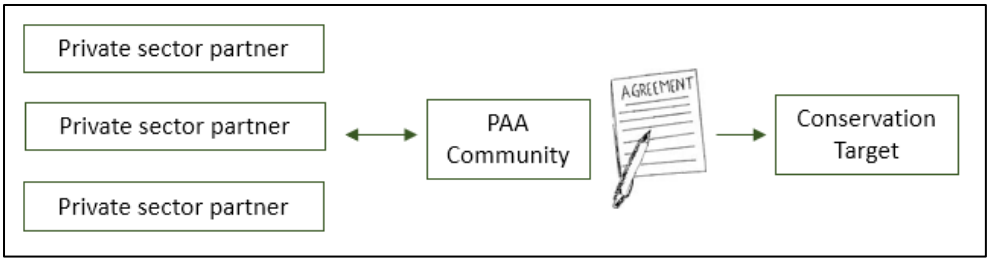


Figure 11: Aggregate project resulting in a single conservation agreement with multiple parties.

The benefit of an aggregate project is:

1. ***Reduced transaction costs*.** Achieving successful conservation outcomes – whether through biodiversity offsets, voluntary conservation projects, or other mitigation measures - typically involves high transaction costs, with multiple stakeholders and various legal, political, or social dynamics to consider. With aggregated projects, the transactions costs can be diluted given it is not necessary to design every new project "from scratch." On addition, an aggregated project often results in one structure for the facilitation of related funding, which also reduces cost and enhances coordination.
2. ***Adequate conservation funding*.** Conservation is grossly underfunded. Even with a single CA involving one private sector partner, the amount of funding may not be adequate. Aggregate projects can pool private sector funding together, which can help secure more meaningful funding for conservation outcomes and not dilute funding across multiple projects.
3. ***Ability to address cumulative impacts*.** Enhanced coordination and funding can help the PA Authority and partners meaningfully safeguard against cumulative risks and impacts to a PA.
4. ***Optimizing site selection*.** While not a requirement of an aggregated project, a pre-planned framework could enable beneficiary sites to be selected according to conservation priorities at a national (or sub-national) level (see b below), rather than in an ad hoc, project-by-project manner. This also helps avoid site selection based on proximity to a company's operating site, which may not be the most important conservation opportunity.
5. ***Reduce delays*.** In some cases, the pre-identification of suitable conservation areas would reduce the project-specific costs and delays associated with verifying the feasibility of proposed beneficiary locations
6. ***Government leadership***. The design of aggregate and national models (Section B) requires full engagement, leadership and endorsement by the government. Some CAs can be negotiated without government support, which may undermine the long-term viability of the agreement. Establishing an aggregate project that is endorsed by the government makes the project more politically relevant and more durable.

For example, in the transboundary landscapes of Guinea, Liberia and Cote D'Ivoire there are multiple operators in the mining sector who could support prioritized conservation targets via an aggregated model. In Guinea, for example, multiple partners could enter into CAs to provide funding to support enhanced management of the Ziama Man and Biosphere Reserve and Diecke Classified Forest (Figure 10) and community development outside these forest areas.

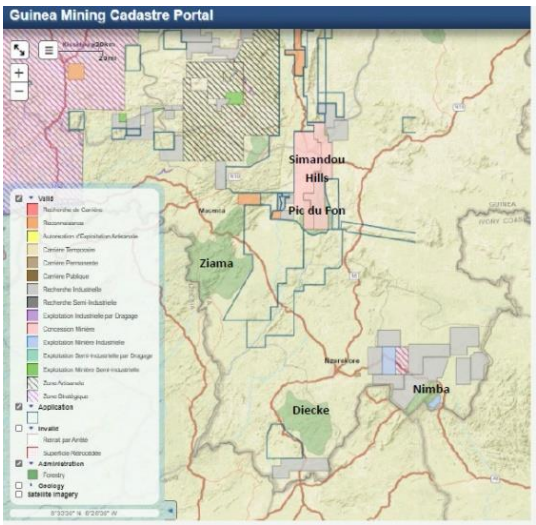


Figure 12: Mining concessions in Ziama and Dieke areas of Guinea.

To develop an aggregated project, the following tends to be required or would need to be developed as part of the process by the partners (these steps can also be used for a single CA and mirror the steps outlined in Section 2):

- ✓ Identification of conservation targets;
- ✓ A clear conservation management plan for the focal conservation areas, including PA management and related community development;
- ✓ A detailed budget for implementing the conservation area plan;
- ✓ Determination of management capacity and whether the PA Authority has the capacity for management, and if not, how best to provide technical and capacity support;
- ✓ Determination of the suitable entity to support community development and livelihood activities that alleviate the pressure on the conservation targets and build community support. If the community does not have capacity to develop alternative livelihoods, a partner might be engaged to provide this technical support;
- ✓ Identification and agreement on key performance indicators (KPI) and monitoring procedures; and
- ✓ A transparent and well governed funding and governance structure to ensure that funding provided is used for intended purposes.

Once these steps are agreed, CAs would be put in place between the private sector partner, the funding structure, and the communities. This may entail multiple CAs depending on the particular situation.

B. National, regional or provincial aggregated projects

A framework for aggregating business investment in conservation priority areas planned at a national, regional or provincial level would consolidate and direct funding from the private sector to support nationally established targets. The implementation of a national strategy for aggregating conservation investment may also result in the use of CAs as one possible mechanism to allocate the funding to partners to achieve clear conservation and development objectives.

Through national or regional planning clear conservation targets, conservation needs and budgets can be identified. Aggregated projects and CAs could then be designed to support the delivery of these national and regional targets. There are various models for how to structure the funding of these aggregated projects, such as the development of a conservation trust fund (CTF), (section 2, step 6).

In March 2015, the World Bank and PROFOR and partners developed a roadmap for a national 'offset' scheme in Liberia (World Bank Group, E4D, GPF, PROFOR, 2015). Part of the process was to identify clear targets, threats and corporate activities (Figure 13). With national and regional conservation priorities clearly identified, conservation investment could be aggregated towards these priorities and CAs developed to meet these national targets. This would likely result in more funding crowded into focal areas, resulting in increased likelihood of greater conservation impact and more sustainable finance. The national offset scheme did not proceed because of political barriers. Where national conservation targets have not been identified, partners could work together to identify targets, stakeholders and needs and design an aggregated project. This will take longer given the design phase.

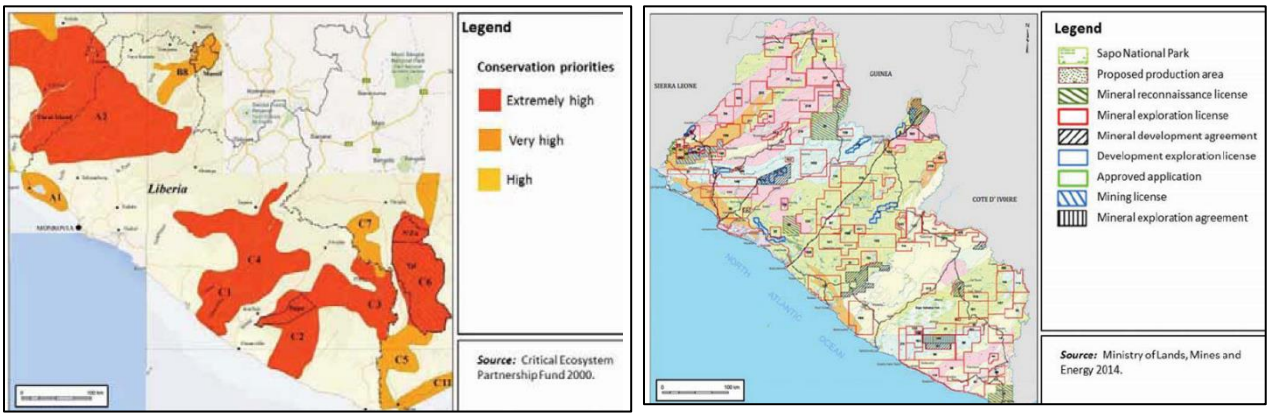


Figure 13: Liberia conservation priorities and mining presence.

1.6 When to use a Conservation Agreement

A CA is one of many tools that might be used to engage partners to achieve targeted conservation and development outcomes. When considering a CA, other conservation models should also be reviewed to determine the most suitable model for the situation. CAs can and are often used in concert with other conservation approaches and tools. The local context, the objectives, and the parties and their motivations need to be carefully assessed prior to embarking on the CA development process (Section 3).

CAs are entered into when there is a clear conservation goal, and one or more party can secure and incentivize conservation outcomes by working with one or more other parties.

NGOs considering facilitating or entering into a CA need to also consider:

- **Time.** CAs take time to establish, as it requires transparent consultation, free, prior, and informed consent (FPIC), and trust between all parties, development of partnerships, and delivery of the CA.
- **Cost**. The cost of setting up a CA, which may include a feasibility study, due diligence, consultative meetings, legal fees, and staff time.
- **Liability**. A CA is a legal agreement. The liability and risks of engaging in a CA need to be understood.
- **Implementation**. When the NGO is going to be part to the CA and take on implementation support, these costs also need to be considered

Considering the above, at a high level and prior to embarking on detailed review, if the following exist, a CA might be the most suitable mechanism:

a. a clear conservation target
b. willing partners that each bring different benefits to the partnership
c. threats that can be mitigated through the engagement of the partners
d. a shared vision between partners
e. absence of legal agreement determining roles and responsivities of partners

Section III outlines the steps an NGO will want to consider in establishing a CA.

1.7 Environmental and Social Standards

NGOs need to understand and ensure compliance with relevant social and environmental standards (ESS). This is not a onetime activity. ESS need to be embedded throughout the life of the CA conservation project, into each step outlined in Section 3, from project identification to establishing a partnership to management and monitoring. While each organization may have their own ESS policies and standards, an ESS checklist sample is provided in Figure 144. For example, FPIC (see Figure 15) needs to be obtained from the IPLC, and a grievance mechanism needs to be established to ensure communities, stakeholders and partners are aware of their ability and right to express concerns about a CA and the activities that result from that agreement (Figures 14).

ESS Checklist

- ☐ Recruit ESS technical expertise if not in place or if the NGO does not have access to ESS expertise
- ☐ Be clear on which national laws apply
- ☐ Understand ESS global best practice and rights-based conservation models
- ☐ Ensure all potential partners have an ESS policy and an appropriate system and attention on risk identification/mitigation
- ☐ Staff and partners sign a code of conduct annually
- ☐ Design and implement a stakeholder engagement strategy
- ☐ Identify stakeholders, including presence of IPLCs and any vulnerable or disadvantaged groups
- ☐ Complete environmental and social screening of the potential project
- ☐ Develop a risk management strategy that is routinely updated and includes emergency preparedness and response
- ☐ Design a grievance redress mechanism (See Figure 15)
- ☐ Build capacity and awareness around ESS requirements
- ☐ Ongoing reporting to IPLC and other relevant stakeholders
- ☐ Establish clear targets for monitoring
- ☐ Monitor, update, adapt, and educate

Source: (World Bank, Global Wildlife Programe, GEF, 2021).

Figure 14: Sample ESS checklist to be used when developing a conservation agreement.

Resource Box II. Environmental and social standards

- WWF note ESS provides an overview of existing ESS and use of ESS in WWF projects: http://assets.worldwildlife.org/publications/844/files/original/SafeguardsonepagerFINAL.pdf
- The World Bank latest ESS policy: https://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies
- World Bank guidance notes for Investment project Financing on the application of the ESS: https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards
- Example of EES reports for Green Climate Fund : https://www.greenclimate.fund/projects/safeguards/ess

Free, Prior, and Informed Consent (FPIC)

There is no universally accepted definition of FPIC. The circumstances in which FPIC applies and requirements for FPIC are outlined in the ESS of an organization. For example, IUCN defines FPIC as:

Free. Consent must not be imposed or manufactured but obtained through free consultation and voluntary expressions of the communities. Consensus should be reached in accordance with the norms of indigenous peoples or communities including customary law and practices, free from any intimidation, manipulation, or coercion.

Prior. Consultation requires time and an effective system for communicating among interest holders. The emphasis on "prior" underlines the importance of initiating consultations as early as possible and providing adequate time for the decision-making processes of indigenous peoples and communities to inform steps of the project cycle.

Informed. The principle requires that indigenous peoples or other affected communities are informed about the nature, duration, and scope of the proposed project, the location of areas that will be affected, potential impacts (positive and negative) on their lands and resources, and implications for their economic, social, and cultural rights and well-being. Communities should also be informed about their rights under national law and under the standards and procedures of all agencies involved in the proposed intervention.

Consent. Communities are asked to consent to a project or an activity, and have the right to give their consent, withhold it, or offer it conditionally. Consultation must be undertaken in good faith. The parties should establish a dialogue to find appropriate solutions in an atmosphere of mutual respect and full and equitable participation. Indigenous peoples and communities should be able to participate through their own freely chosen representatives and customary or other institutions, and access technical or legal services if needed. Consent should not be limited to individuals but should include the collective voice of indigenous communities through customary institutions, local authorities, formal organizations, or collective decision-making processes. If representation is questioned by communities, complementary processes may be needed; for example, grassroots consultations with affected groups taking into account both gender and age dimensions (IUCN 2013).

Grievance Redress Mechanisms

Early in the project development, the partner should set up a grievance redress mechanism that enables stakeholders to confidentially and confidently express concerns about the project. The specific requirements of a grievance mechanism will be determined by the relevant ESS framework that applies.

The grievance mechanism is designed to enable the receipt of complaints of affected people and public concerns regarding the environmental and social performance of the project. The aim of the mechanism is to provide people fearing or suffering adverse impacts with the opportunity to be heard and assisted without fear of retaliation. It is designed to address the concerns of communities with a particular project, identify the root causes of the conflicts, and find options for the resolution of grievances.

The grievance mechanism is an essential tool to foster good cooperation with project stakeholders and ensure adequate delivery of previously agreed results. The grievance mechanism needs to be easily accessible to stakeholders, and the partner needs to ensure that stakeholders are fully aware of the process (World Bank 2021).

Figure 15: FPIC and grievance mechanisms that should be used when developing a CA.

2. Steps to establishing a Conservation Agreement

The steps below are designed to help NGOs who are considering facilitating and / or entering into a CA. These steps will be taken after the NGO has at a high level assessed various conservation models that might be used to achieve a conservation target and has determined that a CA might be the most suitable mechanism for achieving targets.

While each CA is different, the following five stages will be followed when entering into a CA:

Figure 16: Five stages when entering into a conservation agreement.

These steps are further broken down further into 12 sub-steps. The incorporation of ESS is throughout the life of the project and all steps.

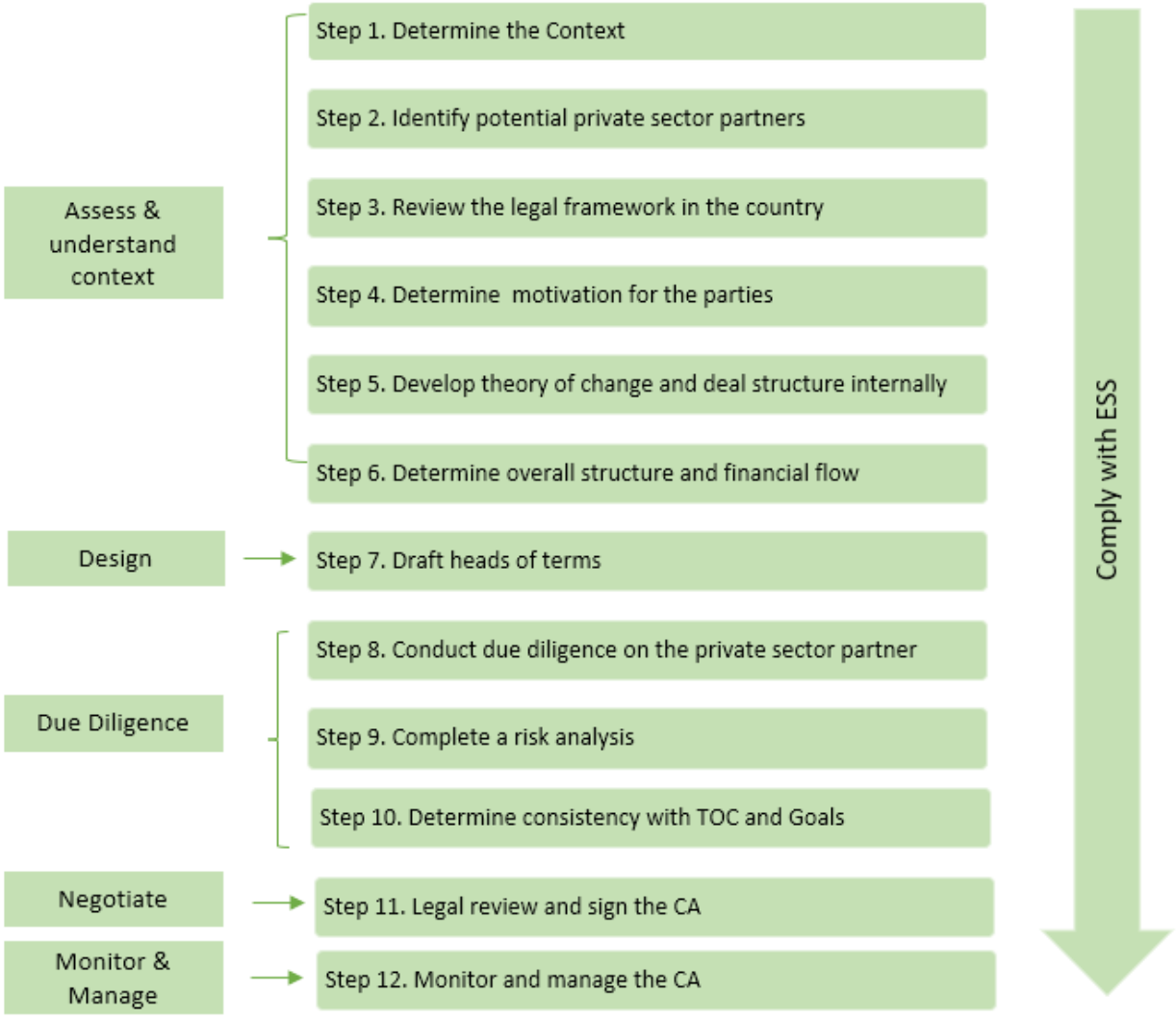


Figure 17: Twelve steps when entering into a conservation agreement.

Step 1. Determine the Context

This first step is fundamental to understanding the overall landscape context. This step involves the following (Conservation Getaway, 2018):

- identify the biodiversity targets and its current and desired status;
- identify the most critical threats currently or likely to degrade the conservation targets; and
- understand the social, economic, political and cultural factors contributing to the threats or representing opportunities to enhance the biodiversity.

These steps will then enable the development of strategies to mitigate threats and achieve conservation outcomes.

A. Ecological Context

When considering a CA, the very first step is to identify and understand the conservation targets, threats and drivers. To design an effective CA that mitigates key threats and achieves conservation outcomes, the conservation context needs to be well understood along with understanding what parties are best placed to mitigate threats and influence conservation outcomes (Figure 17).

Figure 18: Four steps when determining the local context of a conservation agreement.

There are several conservation tools that can be used to help understand the conservation context, such as Miradi[6] or Conservation Action Planning[7]. A threat assessment includes the direct threats as well as the drivers and contributing factors to those threats. Figure 18 depicts the complexity normally associated with understanding threats, the underlying drivers and contributing factors. Understanding this complexity is critical to designing the right incentives and solutions to catalyse change and the conservation outcome.

[6] Project management software for conservation projects. More info on: https://www.miradishare.org/

[7] Conservation Action Planning (CAP) is a ten-step tool developed by TNC for planning, implementing and measuring success for conservation projects/ More info on: https://www.conservationgateway.org/ConservationPlanning/ActionPlanning/Pages/conservation-action-plann.aspx

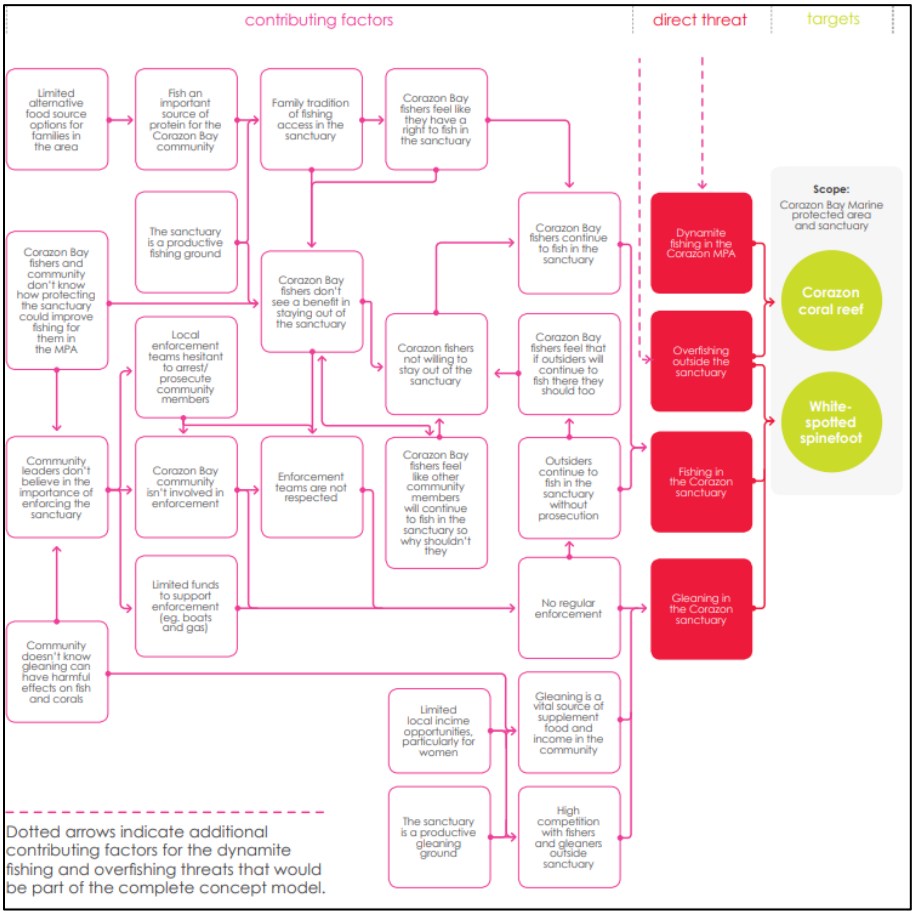


Figure 19: Threat analysis, Corazon Bay. (Rare, 2014)

B. Socio-economic Context

The next step is understanding the socio-economic context in the landscape. This involves identifying and understanding the IPLC, their customary and legal rights, how decisions are made, their livelihood systems, governance structures, needs and challenges. Part of the assessment will include how the IPLC influence – positively and negatively - the conservation targets and threats in the landscape, and what incentives might support more sustainable natural resource use. There are numerous tools used to assess the socio-economics of a landscape (Resource Box III).

Resource Box III. Socio-Economic Assessment Tools

Site-level assessment of governance and equity:
https://www.iied.org/site-level-assessment-governance-equity-sage

Social assessment for protected and conserved areas (SAPA)
https://www.iied.org/assessing-social-impacts-protected-conserved-areas-sapa

Understanding the socio-economic context in the landscape helps begin to shape how a CA might engage relevant stakeholders to achieve conservation and development outcomes. For example, **Erreur ! Source du renvoi introuvable.** outlines a very high-level scenario in the Lofa-Gola-Mano Complex to illustrate the logic behind the socio -economic analysis. In this case CA will reinforce legal obligations of each parties involved to ensure the desired conservation impact – alleviation of threats to the forest.

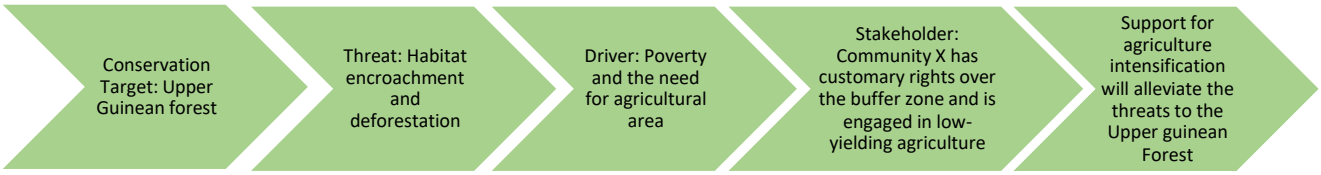


Figure 20: High level conservation context scenario for the Lofa-Gola-Mano Complex.

C. Stakeholder Analysis

This step involves completing a stakeholder analysis (Communities Reinvented, 2021), which includes understanding who is working in the landscape, the roles of each player, their resource and/or expertise, the duration of their involvement in the landscape, and their future plans. The stakeholder plan will also outline when to engage various stakeholders. Successful CAs are inclusive and transparent; therefore, when developing a process for stakeholder consultation consider how best to prioritize and include each relevant stakeholder. This links to Step 2, which focuses on the private sector stakeholder.

Figure 21: Stakeholder analysis, which will help determine who should be involved, why, how, and when. Source: World Bank 2020.

D. Build the budget

After determining the conservation goals, threats and stakeholders, the cost of implementing strategies that will mitigate threats and achieve conservation and development outcomes then needs to be established (see Resource Box III). The existing revenue sources should be considered so there is a clear

understanding of the funding gap. This will guide the resources required in a CA. Resource Box IV includes protected area business planning tools that can be used to NGOs with this process.

Resource Box IV. Protected Area Business Planning Tools
Source: World Bank 2021
https://www.worldbank.org/en/programs/global-wildlife-program/publication/collaborative-management-partnership-toolkit

1. MedPAN Protected Area Business Planning Tool
An online Excel planning tool for PAs was developed by the Network of Marine Protected Areas managers in the Mediterranean (MedPAN), WWF, UN Environment Programme, the Regional Activity Centre for Specially Protected Areas, and the Mediterranean Action Plan Barcelona Convention with Vertigo Lab and updated in 2020 by Blue Seeds.
https://drive.google.com/file/d/18ytAEWMCjbELggoAAFq5TOMsRSqSGBjC/view

2. Protected Area Business Plan Database
The government of Seychelles, UN Development Programme, Global Environment Facility Protected Area Finance and Outer Islands projects developed a database containing over 40 examples of terrestrial and marine protected area business plans from around the world and guidelines for their development.
https://www.dropbox.com/sh/h5xb8vql6tytvif/AABjU4MSEWqorDyqFlNO0RZMa?dl=0

3. Financial Planning Spreadsheet for Activity-based Costing in Protected Areas
The Nature Conservancy; Conservation Gateway
An Excel planning tool for PAs.
https://www.conservationgateway.org/Files/Pages/financial-planning-spread.aspx

4. Guide for Preparing Simplified Business Plans for Protected Areas
Benjamin Landreau and Charlotte Karibuhoye, 2012
http://www.nbsapforum.net/sites/default/files/Guidebook%20for%20the%20Development%20of%20Simplified%20Business%20Plans%20for%20Protected%20Areas.pdf

Step 2. Identify potential private sector partners with the potential ability to influence conservation objectives

In the stakeholder analysis (Step 1), some private sector partners will have been identified and prioritised. This step involves a more detailed assessment of which partners may engage in a CA (Section 1.5). Potential private sector partners for the MOON project include:

1. Mining companies
2. Infrastructure companies
3. Agriculture companies (cocoa, coffee, rice, palm oil, rubber)
4. Timber companies

Gather information on each of the companies that operate in the focal landscapes. In addition, information should be gathered on companies that operate outside the focal landscape, but with the potential to impact the conservation targets and threats. For example, a company mining outside of a priority conservation area may be interested in providing finance to support this priority landscape to mitigate its impact. Table 1 outlines information to consider for potential private sector partners.

1	**Name of company**
2	**Sector / principal activities**
3	**Type of Company (public / private)**
4	**Ownership dynamics**
5	**Areas of operation**
6	**HQ location**
7	**Company size**
8	**Market capitalisation / value**
9	**Scale of work**
10	**Existing or past CSR/ESG/Sustainability goals**
11	**Existing community engagement**
12	**Existing NGO partners**
13	**Certifications / Offsets**
14	**Key persons**

Table 1: Relevant information to consider when identifying potential private sector partners who might be interested in engaging in a CA.

Whether the NGO is facilitating an agreement or entering into it, they will want to ensure that the private sector partner has a positive reputation for engaging in social and environmental programs and private sector partners will want to ensure the NGO is credible, can deliver on their obligations, are well governed and fiscally responsible. For both parties, later in the process, a risk analysis will help them determine the level of risk and decide the level which with they are comfortable assuming. **Erreur ! Source du renvoi introuvable.** includes a due diligence tool that can used to vet the private sector partner.

Step 8 includes full due diligence of the private sector partner. This is recommended at a later stage because of the cost and time involved in doing proper due diligence. One may choose to complete the full due diligence earlier in the process, however, the risk is one invests in due diligence but the parties do not agree on the Heads of Terms (Step 7). For this reason and before engaging in full due diligence and accruing these costs, one may consider doing a high level due diligence screening to be fairly certain of moving ahead with the right partner.

Step 3. Review the legal framework in the country

Review the legal framework in the country to determine:

1. **Environmental rules and regulations**

Understanding how the conservation targets are regulated is important in designing the structure of a CA, which should be consistent with, and where possible bolster support for, environmental laws in the focal country, including sectorial regulations.

2. **Biodiversity offset requirements**

   If biodiversity offset requirements exist in country or through a donor / lender, it is important to understand the requirements (that can be also sector specific). The existence of such requirements provides the leverage to incentivise the engagement of a private sector partner in a CA. If offset regulations do not exist, one needs to understand how offsets can be voluntarily structured and the motivation for engaging in a CA (Step 4).
   It is also important to review the ecosystem services and REDD+ regulations (if existent) to understand the possibility of channelling resources to the targeted conservation project.

3. **Land tenure of the area impacted**

   Understanding who has legal, customary and traditional jurisdiction over land is vital to ensuring a successful CA. Ensuring the agreement is signed with the entity that has legal jurisdiction and customary rights over the focal land area and can make decisions over a particular area is vital.

4. **Nature resource rights**

   Understanding who has legal, customary and traditional jurisdiction over NR, who can sign a CA and who has rights over the management of NR is vital to ensuring a successful CA.

5. **Legal framework for CAs and contracts**

   Determining the best legal structure for executing a CA to ensure these agreements are legally binding and can stand the test of time.

Step 4. Determine the motivation for the parties

Section 1.5 outlines the various drivers for partners to engage in a CA. This step includes two key aspects:

a. Determine the incentives for all parties for engaging in a CA. What is their motivation, what do they hope to achieve, and what benefits will sustain the agreement?
b. What might be required to facilitate the CA? For example, if a coffee company is keen to enter into a CA with small farmers, but to do so they need to expand their storage facility, this may require up-front capital. In addition, it is important to consider the cost and time required to facilitate the CA. As noted above, properly developing a CA can be resource intensive and expensive. This needs to be factored into the transaction costs.

This will require desktop analysis, as well as discussions with all the parties, such as the companies, communities, government, and/or CBOs. It is critical when speaking with any of the partners to not raise expectations and to establish realistic goals.

Step 5. Develop the Theory of Change

Once the context is clear (Step 1), the parties identified (Step 2), the legal framework (Step 3) and the motivation of the parties (Step 4) understood, it is necessary to determine the ideal outcome of a CA. This can be done by developing the theory of change (ToC). It is likely that a high-level ToC was developed earlier in the process but this can now be properly developed using the information gathered. For example, using the example of the Upper Guinean forest already cited, a ToC is outlined in Figure 22 .

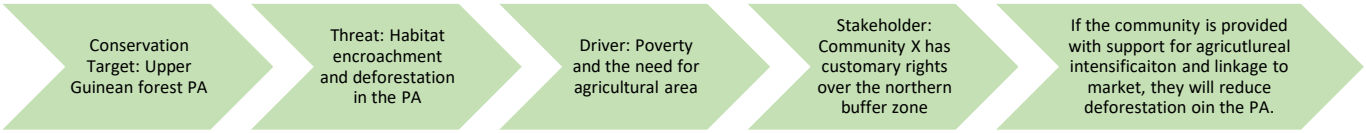


Figure 22: Sample high level theory of change for the Lofa-Gola-Mano Complex.

Example:
IF community X can increase their coffee yield and revenue within an area identified in a land use plan, *Then* they will stop cutting down the forest to expand agricultural production.

Coffee Company Y can enter into a CA with community X to guarantee agricultural capacity support and the acquisition of coffee from the community at a fixed rate, and the community in in exchange will agree to conservation covenants that bind conservation outcomes to benefits.

Part of this ToC will be the need to avoid the Jevons Paradox and that would be achieved by building covenants into the CA that would preclude Company Y from buying coffee from X that is grown outside the identified area and in the manner (optimum farming techniques) specified.

The assumptions used in the ToC need to be vetted and an assessment on the probability of success completed. For example, in the example provided in
Figure 23, what is the likelihood that the stakeholder community will stop cutting the forest down if they do not need expanded crop land. The assumption is that expansion of cropland is the primary driver for forest clearance. However, if the forests also serve as a source for cooking fuelwood and construction materials then even *IF* there is a revenue increase from enhanced coffee production, trees may continue to be felled to meet other essential needs. These assumptions need be vetted with information from Step 1, understanding the conservation context and the direct threats and drivers in consultation with stakeholders (Figure 18).

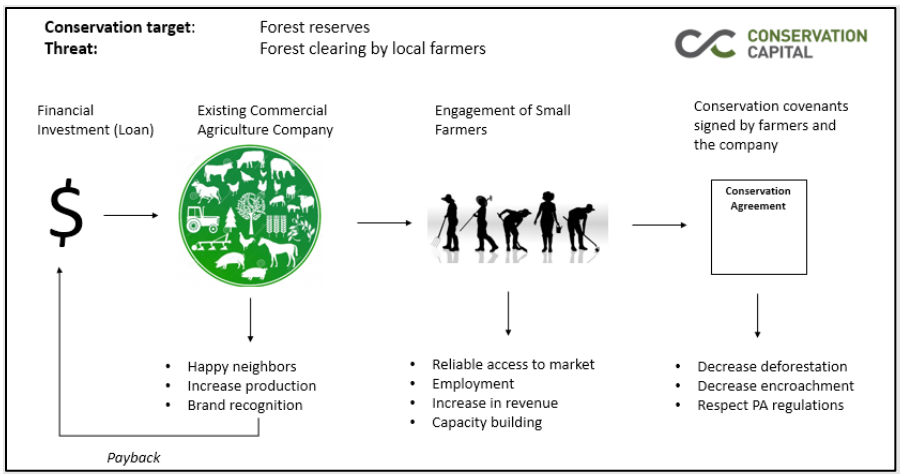


Figure 23: A conservation agreement between a private sector agriculture company and small farmers.

In this scenario, debt finance is provided to the coffee company to expand production capacity, the company agrees to purchase produce from the local community (their brand visibility is enhanced because of this community partnership), and the community enters into a CA with the company.

Step 6. Determine the overall structure and financial flows

A. Structure

Conservation Actions

Once the ToC is developed, the activities to achieve the TOC and the goals and objectives need to be clearly defined and costed.

In order to achieve the desired outcome:

- What activities are needed to achieve the conservation objectives?
- What capacities are required to deliver the planned activities? (Conduct a capacity needs assessment).
- What is the budget required to implement these activities?
- What is the timeline to implement these activities and to achieve the intended outcomes (noting that these may differ quite significantly)?
- Who is best placed to implement these activities and to monitor and evaluate progress towards agreed conservation outcomes?

Parties in the CA

Once the activities are identified, the overall structure of the CA needs to be considered and how funds will flow. Several permutations of possible CA structures were outlined in Section 1.3, including:

- Community – private sector conservation agreement
- Community – private sector – NGO
- Public partner – private sector – community
- Community – private sector – public partner

- Multiple private sector partners – community – public partner
- Multiple private sector partners – community – public partner -- NGO

To determine the optimal CA structure and who needs to be party to the agreement, the following should be considered:

- What are the conservation and development objectives (Step 1)?
- Who has the ability to influence conservation and development objectives, who has rights over natural resources, who governs the natural resources, who manages the natural resources (Step 1, 2 and 3)?
- Who needs to be involved to realize the Theory of Change (Step 5) and with what roles and responsibilities?
- Are there shared goals between the parties (Step 4)?
- What are the expected benefits for each of the parties and what are the potential risks?
- From an operational standpoint, does one CA make most sense given all the parties involved or multiple CAs?

Number of CAs

As noted prior, in some cases there will be one CA that brings together partners and in other cases there will be multiple CAs. This depends on the partners, the funding (Section B), the interlinkage between the parties, and the overlap of activities.

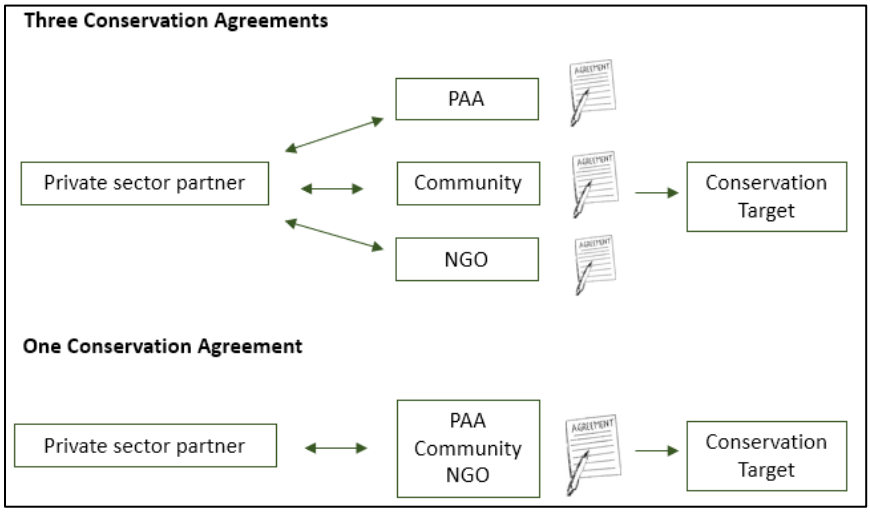


Figure 24: Top depicts three conservation agreements with three partners and a private sector partner and bottom depicts the same partners engaged on one conservation agreement.

These partnerships can be complicated, so where feasible, keep them as simple and clear as possible.

B. Financial Flow

In most cases, the allocation of funding to support conservation outcomes and implementation is part of a CA. How and when funding is allocated and under what circumstances will be clearly outlined in the CA. The following must be considered:

- What is the most appropriate and efficient way for the funding to be distributed (directly to the intended recipient, through a partner, into a fund)?
  - Does the intended funding recipient have the capacity and legitimacy amongst the stakeholders to manage funds?
  - Does the partner have the capacity to manage funds?
  - Is the fund well governed, transparent and able to manage the funding?
- What is the most direct and secure way to provide funding to the intended recipient?
- How often should funding be distributed (monthly, quarterly, bi-annually, annually) to achieve the intended objectives? Up-front financing (described in section 1.6) and any bridge financing required to support the interim period of the CA should be considered. Available working capital can be a huge issue for small NGOs, community organisation, and PAA.
- How will the funding be accounted for (audit, internal reporting)?
- What are the financial reporting requirements to the private sector partner (format and time)?
- Do the intended recipients have the capacity to manage, account and report on the funds?

Direct Funding

In some cases, funding might be provided directly from the private sector partner to the other party or parties in a CA. Below are just a few examples.

Example 1
Model: Private Sector – Community CA (Figure 4)
*Community Capacity to Manage Funds***:** Yes
Funding flow: Directly from the private sector partner to the community for implementation of specific activities outlined in the CA.

Example 2
Model: Private Sector – PA Authority CA
PA Authority Capacity to Manage Funds: Yes
Funding flow: Directly from the private sector partner to the PA Authority for implementation of specific activities outlined in the CA.

Example 3
Model: Private Sector – Community CA – NGO (Figure 5)
Community Capacity to Manage Funds: No
NGO Capacity to Manage Funds: Yes
Funding flow: Directly from the private sector partner to the NGO to implement specific activities outlined in the CA, and to support the development of community capacity.

Example 4
Model: Private Sector – Community CA – NGO – PAA (Figure 6)
Community Capacity to Manage Funds: Yes
PA Authority Capacity to Manage Funds: Yes
NGO Capacity to Manage Funds: Yes

Funding flow: In this case the private sector partner does not want to manage the funding to the three partners, and requests the NGO to do so. Funding goes directly from the private sector partner to the NGO who distributes funding to the PAA and community to implement specific activities outlined in the CA.

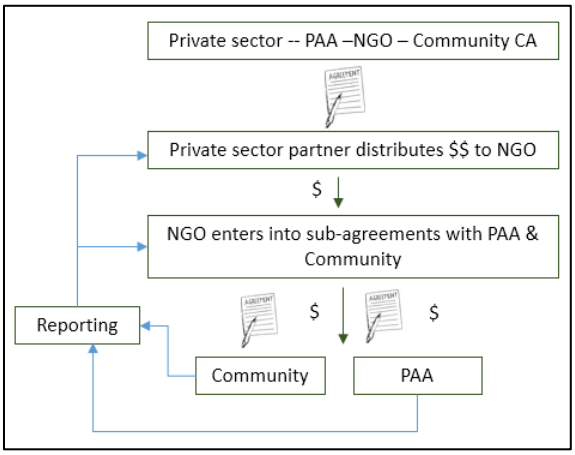


Figure 25: Private sector—PAA—NGO—Community CA where funding flows through the NGO, who then facilitates funding through sub-agreements to the community and PA Authority to achieve outcomes outlined in the CA.

Aggregate Agreements

In the case of aggregate projects, which involve multiple companies, and recipients, a centralized structure might be needed to oversee, coordinate and manage the funds. The most common structure used is a CTF (Figure 26). In this model, the funds (which may also include donor funding and other funding) goes into the CTF, and funding is used as per clear guidelines and CAs. A contracted fund manager is engaged to oversee the CTF funds on behalf of the Trust.

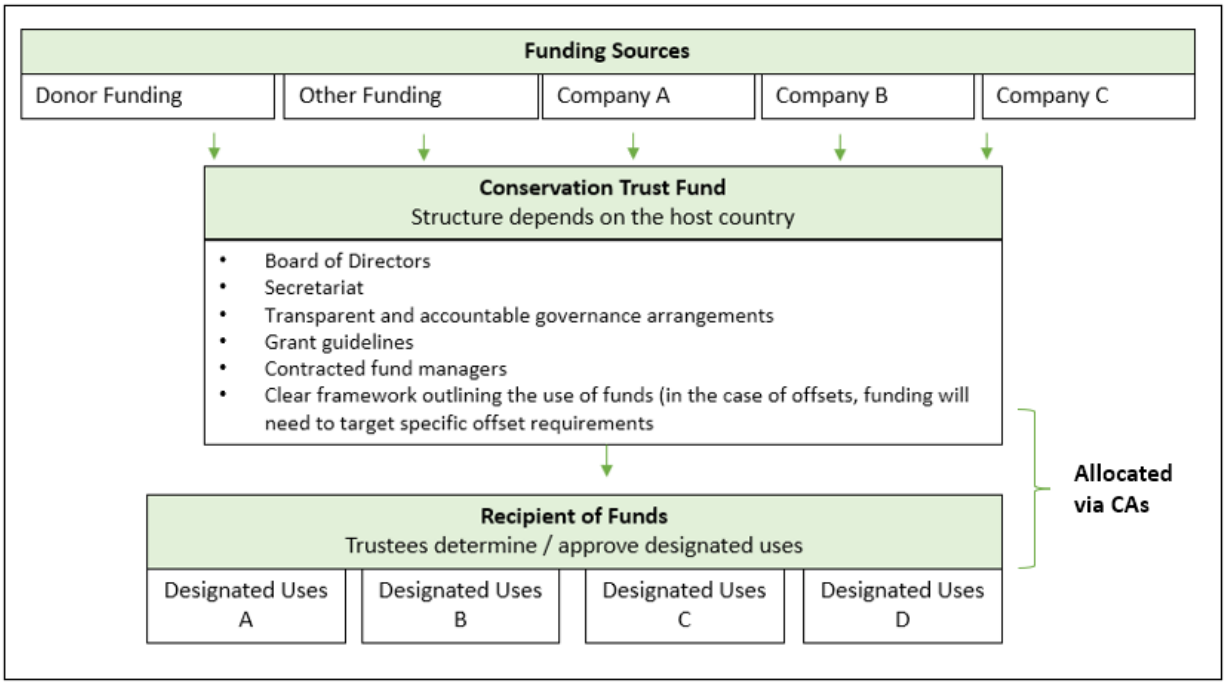


Figure 26: Sample aggregate CA structure using a conservation trust fund with multiple corporate partners.

There are numerous references resources on CTFs (Resource Box V):

Resource Box V. Conservation Trust Funds

Practice Standards for Conservation Trust Funds
https://www.conservationfinancealliance.org/practice-standards-for-ctfs-update

Conservation Trust Funds 2020
https://www.conservationfinancealliance.org/10-year-review

Consortium of African Funds for the Environment
https://www.conservationfinancealliance.org/cfapartners/2020/11/13/caf-consortium-of-african-funds-for-the-environment

In some countries national CTFs already exist. In the MOON landscapes, only one CTF at a national level exists in Ivory Coast, the Fondation pour les Parcs et Réserves de Côte d'Ivoire (FPRCI).

C. Partnership Management

Managing a CA entails overseeing the partnership, ensuring funding is being spent as per the agreement, mitigating any conflict, managing any adaptive management that is needed and monitoring targets. With CAs that involve two parties a simple structure might be created between the two parties to ensure regular communication, monitoring and compliance. Roles and responsibilities will be outlined in the contract.

For CAs that have multiple parties, committees will be needed to ensure the partnership is managed well. For example, if there is a CA between a private sector partner – public agency – community – NGO, an oversight committee comprised of representatives of all four parties will be created and meet on a quarterly basis. The chair can rotate between the parties and TORs should be established. As the implementing agents of the CA, the public agency, community and NGO may form a management committee that meets separately and reports into the oversight committee.

Step 7. Draft heads of terms

Before conducting full due diligence, which requires time and financial resources, understanding if all parties understand the proposed CA and want to proceed should be the next step. Draft the heads of terms to cover key aspects of the CA and then discuss this with each party to ensure support and interest. One needs to be cautious to not raise expectations during this process; however, the process should be inclusive so that all parties feel that are part of the discussion and development of the CA.

Heads of terms should include:

- Parties – name and description
- Definitions
- Purpose of the CA
- Duration of the CA
- Legal rights / jurisdiction for each party to enter into the agreement and execute the covenants contained in the agreement
- Obligations of each party
- Covenants that each party needs to uphold
- Monitoring process and responsibility
- Non-compliance and violation penalties and procedures
- Amendments – how are they made and who needs to approve this
- Exit clauses

Once the draft heads of terms are completed, these should be shared with the relevant parties. It is important to understand the decision-making authority for all parties so that the right individuals for each party are engaged. For example, for a company based in Liberia and headquartered in Europe, does the representative for the company in Liberia have the authority to advise on the CA. Likewise, for communities, understanding the community decision making structure is critical.

Step 8. Conduct due diligence on the private sector partner

Before entering into a legal agreement, proper due diligence on all parties will need to be done to determine their ability to meet obligations and sustain the partnership. The level of due diligence depends on the CA structure and the financial commitment made by each party. Annex I sets out some of the factors to consider in conducting due diligence. This should be adapted to each CA, depending on the context, duration, and level of investment.

Step 9. Complete a risk analysis

Before entering into or facilitating a CA, the NGO will want to think through challenges and risks, describe them and develop a risk mitigation plan. **Erreur ! Source du renvoi introuvable.** outlines some of the potential risks and mitigation measures.

CA components and stakeholders	Potential risks to all parties	Mitigation Measure	Risk Level
Enabling Environment	Political risk, general security issues, logistical challenges, supporting policy / regulatory environment etc.	Work with the government to develop an enabling environment for the CA	
Threat Analysis	CA does not properly target the conservation threats	Develop a clear threat analysis that identifies key threats and drivers of these threats	
	Third parties engage in unsustainable activities that threaten the conservation outcome	During the threat analysis, clearly identify the parties responsible for the threats and ensure the CA engages the parties with the ability to influence a CA	
Agreement Development	Community expectations high and not met	Be clear on potential outcomes	
	CAs are not complied with because communities do not understand the content	A clear consultation process must be undertaken to ensure that communities understand the CA. Keep them simple.	
Governance	Benefits not equitable distributed therefore the conservation impact not achieved	Assess the governance model early in the process and if the governance structure needs support, provide this.	
	Members of the community not adequately involved and feel excluded from the outcome	Follow accepted community consultation guidelines (FPIC) to ensure suitable identification and engagement of community members	
Private Sector Partner	Reputational risks for engaging with a private sector partner engaged in environmental degradation	Complete proper due diligence on the company to ensure commitment to conservation agreement and positive offsets	
	Competence, experience, completeness, motivation, alignment of goals etc.	Complete proper due diligence	
	Current and ongoing ability to service financial obligations of the CA	DD plus review of balance sheet and ownership structure.	
	Change of control results in change of policy / heart towards the CA	Negotiate strong and long contractual terms	
NGO Partner	Capacity to uphold obligations; full commitment all the way to headquarters; good governance model in place; solid understanding of CA and all the components; ability to monitor the CA	Proper planning, budgeting, and commitment by NGO at the appropriate level (HQ) and a clear understanding of the risk of defaulting	
Community	Ability to influence conservation outcomes; legal/traditional rights over natural resources; genuinely committed to making the CA work	Complete thorough analysis of the community context to understand legal rights motivations, governance and overall community dynamics	
Public Partner	Ability to uphold CA	Develop a clear understanding of what is needed for the PA Authority to achieve the CA objectives	
	Approval received at the appropriate level	Determine what level the CA needs to be approved and obtain this in writing	
Benefits	Insufficient benefits to communities to result in a conservation outcome or alternative	Determine the opportunity costs and understand what is required to incentivize a conservation outcome	
	Private sector partner unable to meet its financial obligations due to low profitability,	Complete due diligence on the private sector partner before entering into any kind of CA	

	shareholder demands and/or external factors		
Duration	Not long enough to achieve a sustainable conservation impact	Make sure agreements are long enough to create impact or to provide for a sustainable evolution	
Monitoring	Capacity not built into the CA to ensure that KPIs are measured	Determine how monitoring and evaluation will take place and build this into the model	
Legal Framework	The CA is not enforceable and/or cancelled because of lack of policy framework	Complete legal due diligence to understand the legal framework required to make the CA enforceable and effective	
Conservation Outcome	Ability of the CA to create conservation dynamic and result in concrete conservation outcomes	Complete thorough analysis of the context and a very clear theory of change grounded in a deep understanding of the landscape dynamics	
Social Impact	Number of households benefiting and relevant benefits with the ability to improve lives and meet opportunity costs	Complete thorough analysis of the community context and ROI of CA	

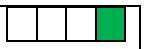
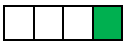
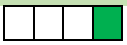
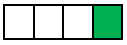
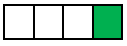
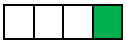
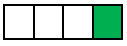
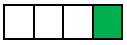
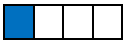
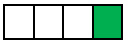
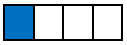
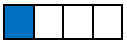
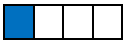
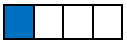
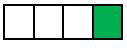
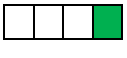
Table 2: Risk analysis for the proposed conservation agreement.

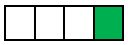
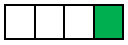
Lower Moderate / Variable Higher

Step 10. Determine consistency with the TOC and Organization Goals

NGOs engaging in a CA and/or helping to facilitate transactions will want to consolidate the due diligence to ensure consistency with the ToC and their organizational goals. Table 3 Table 3provides a sample tool that can be adapted and used to ensure consistency with the theory of change and organizational goals.

NGO Mission	
The facilitation and engagement in the CA are consistent with and supports the NGO's mission	
Engagement in this CA is an efficient way to achieve the NGO's conservation objectives	
The NGO has the ability to meet its obligations in the short, medium and long term	
Private Sector Partner	
Is operating within the bounds of all applicable laws	
Is a going concern i.e., has the ability or the potential for developing and managing business opportunities that are commercially successful and hence, financially robust	
Is committed to the principles of responsible 'global citizenship' – conservation related and/or otherwise	
Will not tarnish the reputation of the NGO	
Target Local Community / Government Authority Partner	
It is clear that the proposed Partner is the right entity to be involved in the transaction i.e., has the ability and rights to use the economic benefits / incentives derived from the partnership to positively influence and / or impact the conservation outcomes targeted by the transaction.	
There is an appropriate, functional, legal, transparent and well governed institutional structure through which the Partner can meaningfully engage in the conservation agreement.	

The Partner has demonstrated an active and voluntary willingness, as per global standards, to enter into the CA and to pursue its conservation, social and/or financial goals.	
For engagement of local communities, a transparent and fair engagement process following global best standards has been undertaken to ensure voluntary desire to engage in the CA.	
Conservation Logic / Theory of Change. The CA should achieve a clear conservation outcome in an important area.	
The proposed CA is in a priority location of high biological diversity and enhanced conservation will be achieved through the CA.	
The focal area has high conservation relevance i.e., supports specific, tangible ecological *values* (current or potential) and face specific, tangible but manageable *threats* (current or potential).	
Ideally, the CA has high conservation leverage potential i.e., it focuses on particular stress or opportunity points (e.g. a wildlife corridor) whose direct conservation will have an indirect and positive impact on a much wider part of the landscape concerned.	
The ToC has been properly vetted, includes drivers and externalities and is reflected in the CA.	
Outcomes: The CA should be designed to facilitate one or more of the following conservation driven outcomes:	
Enable, strengthen and/or financially sustain the effective management and conservation of an existing or proposed protected area.	
Increase and/or diversify the value of wildlife and other biodiversity within a target conservation area in a manner that increases incentives to conserve it.	
Increase and/or diversify the value of wildlife and other biodiversity within a target conservation area in a manner that incentivises the transfer of labour and capital from activities that threaten these values to conservation friendly alternatives.	
Modify systems of production so that current reliance on products extracted from the natural resource can be met through environmentally sustainable or alternative means.	
Increase the generation of sufficient income from productive 'buffer' landscapes to reduce the motivation or need to encroach into natural areas of high wildlife and other biodiversity value.	
Mitigate environment threat by providing innovative (technology / design based etc.) alternatives to the unsustainable use and / or pollution of natural resources.	
Address a major social justice issue or equity issue that is important for the social and political viability of a target conservation area.	
Break the perpetuation of a status-quo that is negatively impacting wildlife and other biodiversity conservation.	
Achieves a very clear offset.	
Can be meaningfully measured and monitored.	
CA Dynamics	
Financial: The private sector partner has the ability to support the commercial side of the transaction.	
Transaction Costs: The proposed CA can be executed and managed with very reasonable transaction costs.	

Risk / Security Management: Related risks can be identified and mitigated (Step 9).	
Active Engagement: The proposed conservation agreement will result in a formal, structured and timely communication structure that will result in clear communication and adaptive management.	
Conservation Security: The proposed conservation agreement provides for a sustainable 'quid quo pro' whereby one party is contractually and conditionally bound to target certain conservation outcomes in exchange for benefits.	
Wider Social & Developmental Dynamics Where possible, CAs should support the following dynamics.	
Employment (and Employment Leverage): Engagement with private sector partners that maximize the scale of (local) employment opportunities.	
Capacity Development (and Capacity Leverage): Engagement with private sector partners that provide employment opportunities where new and replicable skills (i.e., they are relevant to a wide range of other employment opportunities) are created.	
Related Enterprise Leverage: Engagement with private sector partners whose businesses will likely catalyze spin-off supporting enterprises – both vertically (i.e., supporting the enterprise's supply chain) and horizontally (where the enterprise has created new markets (from customers or employees) for products unrelated to the original target enterprise.	
Related Infrastructure Leverage: Engagement with private sector partners whose development and operation are likely to catalyze a variety of related infrastructure developments – e.g., development of roads, air access services, social services (clinics, schools etc.), rural electrification and water services etc. who's potential and benefit extend well beyond the immediate context of the original target enterprise.	
Systemic Change: Engagement with private sector partners whose development and operation might foster beneficial systemic change e.g., policy improvements, changes in legislation etc.	

Green	**Yes**
Orange	**Partially**
Red	**No**
Blue	**Not (Generally) Applicable**

Table 3: Sample tool to ensure consistency with the theory of change and organizational goals.
Source: Adapted from AWC Conservation Bonds I & II.

Step 11. Complete Legal Review and Sign the Conservation Agreement

Prior to signing the CA, each party should have their own legal representative review the agreement. If a local NGO or community does not have a legal representative or does not have a funding to pay for an advocate, the NGO or the private sector partner might consider providing financial support. This does not entail the NGO or the private sector partner to be present during the review, if not requested by the community, they have the right to legal representation without participation from other parties.

The signing of the CA should be recorded. If the CA involves communities, the signing should be done at a mutually convenient location, in local language, and in public. Ample notice should be provided in advance of the signing. The grievance mechanism will already be in place (Section 1.7) to manage any issues of grievance. All parties should receive a copy of the signed agreement.

Step 12. Monitor and Manage the Conservation Agreement

The CA will stipulate who is responsible for monitoring the CA. The CA will outline:

- Who is responsible for monitoring
- Who is responsible monitoring costs
- When is monitoring done
- What are the KPIs that are monitored
- Who receives monitoring reports
- Who has capacity to monitor

Monitoring might include:

- conservation targets (species, conservation areas, natural resources)
- community development projects
- progress in an annual workplan
- compliance with ESS
- financial management and spendings

Monitoring should focus on the conservation outcomes not the inputs. For example, rather than measuring the expenditure of the PAA, monitoring should focus on the decrease in poaching for example or the increase in wildlife numbers.

Monitoring should be done regularly, and monitoring forms and reports should be made accessible to all parties to ensure effective engagement in the process. A template should be developed by the party responsible for monitoring. Templates that make use of simple traffic lighting enables parties to get a quick sense of any issues. Parties may choose an annual self-assessment, i.e., they complete the form, and then the partner responsible with monitoring verifies the findings. This is strongly recommended as it is cheaper than external parties traveling to do a site visit, and it creates much greater levels of accountability and engagement than external audits / assessments. Any issues that arise as a result of monitoring should be recorded, the parties should be informed, the cause of the issue determined and then efforts made to swiftly rectify and adapt as needed.

For monitoring compliance with the contract, as opposed to meeting of conservation targets, external audits might be needed. In addition, if an issue is flagged in the regular monitoring process i.e. lack of compliance with the CA, a funding irregularity, or questions regarding outputs in the field that need verification from non-CA partner.

3. What to include in a Conservation Agreement

Each CA will be specifically tailored to the needs of the CA partners and the target landscape. While every CA is different, below are some of the core likely sections to include in a CA. This must be set within the legal framework of the country.

1. Description of parties

Name of the party, their contact information, and an individual representing the organization.

If a third party is referenced in the CA and any obligations are placed on that party, they need to be a signatory to the CA.

For example, if the CA is between Company X and the Y Community, and Biotope is going to monitor the Agreement, they need to be signatory as well. As noted in the Guidelines, understanding who has authority to sign the CA and their legal / customary / and traditional rights is key.

2. Background

The Whereas Clause sets the stage for the CA and provides background to the CA. This might include a description of the parties and their interest in the agreement, background on the conservation landscapes and the commonality that brings the partners together in the CA.

For example:

Whereas, Conservation Area X is a classified forest/forest reserve in country Y)[8] that provides important habitat for unique and threatened biodiversity;

Whereas the PA Authority manages the Reserve and is guided by the Conservation area X General Management Plan (PMG);

Whereas, the XYZ NGO has been working in the Conservation Area X and is providing technical support to PA Authority ;

Whereas, the XYX community lives on the northeast side of Conservation Area X and is reliant upon its natural resources;

Whereas, the XYX company wishes to provide financial support to the partners in the Conservation Area X to support the enhanced management of area;

Whereas all parties recognize the ecological value of Conservation Area X , the challenge of management ZBR due to a lack of adequate funding and herein agree to collaborate towards a common vision that

[8] Guinée forestière is a forested mountainous region in southeastern Guinea, extending into northeastern Sierra Leone. It is one of four natural regions into which Guinea is divided and covers 23% of the country.

includes the enhanced management of Conservation Area X, inclusion of local communities and development of community livelihoods.

3. Purpose statement

This is a clear statement that outlines very explicitly the purpose of the CA. This is important because should there be a point of query or dispute in the future, this section will be referred to for clarification and interpretation.

For example:

The Purpose of this Agreement is to catalyse financial, technical and capacity resources to enhance the conservation and management of the XYZ Landscape, to engage relevant local communities in a governance structure, to improve the lives of the communities living in and around the XYZ Landscape, and to develop sustainable financial models.

4. Description of specific area being protected, what are the ecological values

This is an explicit description of the area and what ecological features the agreement aims to protect. This should include a legal description of the target area as well as non-legal description and should include a map.

5. Definitions

Clear and concise definitions of all key terms used in the agreement to avoid any misinterpretation.

6. Term of Agreement (Duration)

Ideally, the CA should be long-term. Doing a one-year CA does not achieve a meaningful conservation outcome. There will be times when one needs to sign a short-term agreement because of a pilot phase and/or funding availability, but ideally, CAs should be not less than five years an ideally ten years.

When developing the duration of the agreement one needs to consider:

- How long will it take to achieve the desired outcomes?
- How long will the existing funding last?
- What is the likelihood of developing new revenue models and/or sustainable financing to replace the existing funding to support conservation objectives?
- How long are each party willing to engage?

7. Obligations of each Party

This includes a description of what each party commits to doing and the actions or activities that they have agreed not to do. This includes conservation covenants, which stipulate certain restrictions to achieve conservation outcomes, and the criteria required for attaining financial, technical and capacity building benefits.

8. Benefits / Incentives

A description of benefits—what they are, how they will be provided, when they will be provided, etc.

The benefits should be designed with the stakeholders to reflect their needs. Benefits should meet the opportunity costs and provide adequate incentives to influence conservation outcomes.

For example, if a company is providing financial benefits to a PAA, the CA should specify how much will be provided, when and how the funding is provided, how the funding should be used, and what reporting is needed by the PA Authority to the private sector partner.

9. Monitoring and reporting protocol

This includes a description of the monitoring and reporting that should include:

- Who is responsible for monitoring?
- Who is responsible for monitoring costs?
- When is monitoring done?
- When, how and by who will the KPIs be developed?
- Who receives monitoring reports?
- Who has the capacity to monitor?

The entity responsible for monitoring should have the resources and skills required to monitor (Step 12). Should the party identified for monitoring dissolve or be unable to uphold its responsibility, another party should be identified as a back-up. Should a back-up entity not be available at the time of the CA signing, a description of the type of party should be included, such as: knowledge of the area; experience in relevant monitoring and evaluation; ability to fulfil the requirements; and financial sustainability.

10. Procedures for enforcement and violations

The CA will outline clear obligations and penalties for not meeting these obligations.

Linked to the monitoring (Section 12), should any of the parties not comply with the CA or the covenants, clear and measurable measures need to be outlined in the CA for how this is handled. Clear procedures, roles and responsibilities, and timelines need to be outlined.

For example, in the event of a violation the following steps might be undertaken, with the following step only undertaken if the prior one is not successful:

1. **Discussion:** A good faith discussion should take place between the parties to discuss the violation, understand the reason behind the violation, provide adequate time for the resolving it, and outline the deadline and how the measure will be verified.
2. **Warning Notice:** A written notice should be provided to the offending party documenting the nature of the offence, the corrective actions required, the timeline, monitoring of the corrective actions to verify they have been implemented and the likely consequences of not complying.

3. **Suspension Notice**: Formal documented temporarily suspension of the CA for a certain duration. The nature of contractual default should be clearly explained, the expected remedial action and accompanying monitoring actions spelt out and the consequences of not complying explained.
4. **Termination Notice**: A complete withdrawal of any party from the CA, which occurs when any party defaults on the contractual requirements that attract this measure. The decision is written and communicated to the concerned party. The termination may not be permanent and can be reinstated depending on how the parties are willing to work in order to resolve the points of departure. Penalties may be included. If there are two parties in volved in the CA, this results in the termination of the whole CA. If there are multiple parties and one party withdraws, the other partners will end to assess their ability to fulfill the CA without the withdrawing partner.

The nature of penalties for non-compliance will vary depending on the partner. For example, if the private sector partner fails to provide the funding as per the CA on time, interest might be charged on the payment as a penalty after a certain period. If the IPLC participate in an activity that is restricted in the CA, funding may be suspended until such time that the action is remediated, or discussions have taken place to confirm their on-going commitment. It should be noted that violation scenarios should be carefully considered. Communities engaged in CA can be represented via different entities (associations, community management boards, Civil Society Organizations, small enterprises etc.) or individuals. Given this complexity, a CA should consider how violations of the terms of the agreement are treated depending on the type of violation, member(s) of the community who violates the rules (is this treated the same as if many break the conditions), etc.

11. Right to Assign

This section should outline when it is feasible to assign the CA and to whom. For example, if an NGO is a signatory to the CA and can no longer fulfil their obligations, they may opt to transfer their rights to another NGO. This generally requires the approval in writing by all parties to the CA.

12. Dispute Resolution

A clear process should be outlined for how disputes are resolved. In general, the first attempt should be good faith negotiations. Should this not work, both parties should agree to appoint a mediator. All parties should agree to work with the mediator in good faith and share the costs, which could be achieved by the reallocation of part of the project funding). Should this fail, parties should go to arbitration, and a process should be outlined for arbitration.

13. Amendment

Any amendment should require the signature of all parties in writing.

14. Other aspects to include in a CA

a. Re-entry
b. Force Majeure
c. Termination
d. Acceptance in Entirety
e. Governing Law
f. Map

4. Financing Conservation Agreements

The development of a CA takes time and resources. In developing a CA, an NGO will need to plan on the following costs:

CA Establishment, which will require upfront capital

- staff time and meetings
- legal and due diligence costs
- assessments, such as ecological and socio-economic
- registration costs for the CA
- community consultation costs (FPIC)

On-going Costs, some of these costs will be covered in the CA, but need to be factored

- monitoring costs
- partner meeting costs
- partnership management costs
- mediation / resolution costs should there be a violation and/or grievance
- audit costs

CAs are designed to catalyse resources for conservation and community development through engaging a private sector (or other) partner. Therefore, throughout the life of the CA, funding will be provided by the private sector partner to support activities stipulated in the CA, and ideally the parties to the CA (NGO, PA Authority, community organizations) use this private sector finance to leverage other funding. For example, the Legacy Landscape Fund is a donor fund specifically designed to match private sector capital.[9] Establishing sustainable financing and/or leveraging additional funding might be one of key components or conditions to be included in the scope of the CA.

There are many motivations for corporate partners to engage in a CA (Section 1.5). Private sector partners willing to enter into CAs may have the capital required. Other companies may struggle with the financial implications of sourcing up-front capital and on-going CA financial commitments, which may deter their interest in a CA. When up front capital is required for the private sector partner to stimulate their long-term engagement in a CA, there may be other options that might be explored if they do not have access to these funds:

Loan finance to incentivize private sector engagement

For example, in southern Tanzania, African Wildlife Capital (AWC) provided senior[10] unsecured loan finance to an avocado company to expand their production facility in exchange for the company entering into a CA with small farmers. The farmers fetched a higher price for their avocados and access to a market, and were provided technical support, in exchange for engaging in the conservation of a priority forest area (Section 6).

[9] https://legacylandscapes.org/

[10] Senior debt is borrowed money that a company must repay first if it goes out of business.

Corporate Biodiversity Bonds

One emerging mechanism under development by Conservation Capital in partnership with Conservation International is Corporate Biodiversity Bonds (CBBs). These are particularly suited to voluntary contexts. The bonds would be co-issued by a corporation and, typically, a conservation NGO. The balance sheet of the corporate (or its wider group) will guarantee the financing and the NGO will guarantee the use of the financing. Figure 27Figure 26: Sample aggregate CA structure using a conservation trust fund with multiple corporate partners. outlines the opportunity and proposed structure of CBBs.

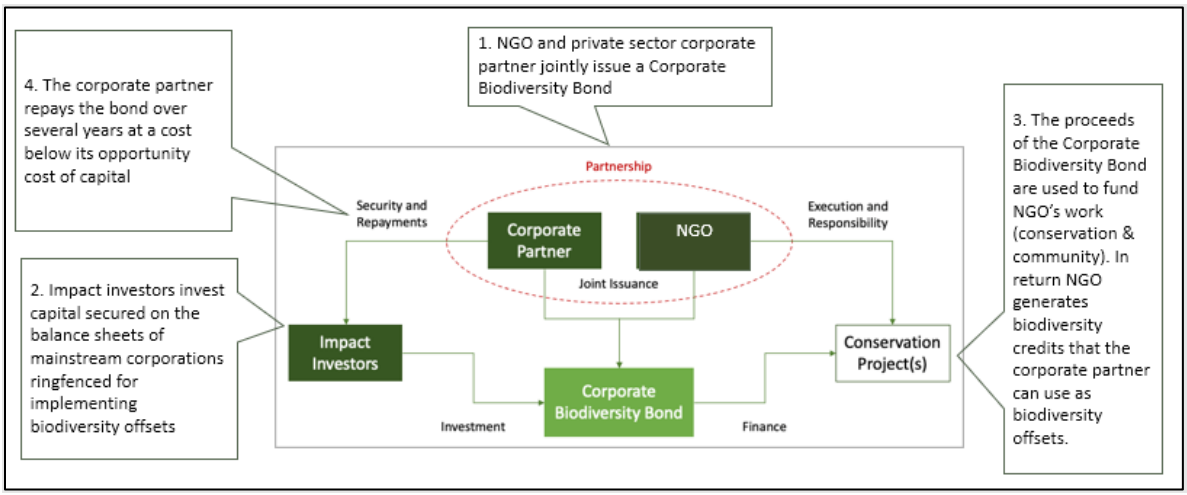


Figure 27: Corporate biodiversity bond opportunity and potential structure.

The CBB is attractive to investors and potential corporate partners for various reasons and could be used to stimulate private sector engagement in conservation agreements.

Most investments in conservation tend to be:

- **Indirect:** they are in businesses that support conservation, e.g., eco-tourism lodges, sustainable agriculture or energy businesses etc., rather than in *direct* conservation practices, e.g. securing land for conservation, conservation area operations (ranger support) or rewilding etc.

- **High-Risk**: they are in small and often high-risk businesses operating in complex frontier contexts.

In contrast, mechanisms such as a CBB could pay off private sector partners the following benefits, which would catalyse their engagement in a CA:

Lower Risk

Investor capital is secured against the cash flows and potentially the assets of a corporate partner, as opposed to those of an independent protected area or small and higher risk conservation enterprise.

Directness

Investor capital can be applied directly to conservation initiatives and operations in the field (e.g. anti-poaching, rewilding activities etc.) which are normally difficult to meaningfully fund with for-profit investment finance and are traditionally the preserve of grant giving, which is not sustainable.

Immediacy

Investor capital can be immediately applied to the conservation endeavour. There is no need to wait for a conservation enterprise or the suchlike to achieve maturity before the impacts are generated.

Figure 28: outlines the value proposition of these bonds for the issuer and subscriber.

The Corporate Biodiversity Bonds would have three compelling attributes to relevant corporates which in turn might serve to drive uptake and associated impact:

Low Cost of Capital: Given the compelling impact and risk attributes, strong potential may exist for raising capital in the emerging impact markets at a cost well below the typical opportunity cost of capital of the corporate concerned. This creates an attractive cost of capital spread which has the potential to drive more engagement in conservation agreements. The market demand for a lower risk sustainable biodiversity related 'product' would have strong appeal to potential investors, potentially further reducing the cost of capital.

Attractive Cash Flow Implications: Given the debt like nature of these corporate bonds the Principal Bond Issuer can settle its conservation obligations upfront, but amortise the actual cash settlement payments back to the Bond Investors over an extended period of time.

Powerful Optics: The very act of issuing a Corporate Biodiversity Bond will create very powerful PR optics for the Corporate Bond Issuer. Rapidly intensifying ESG (Environmental, Social, Governance) across the global corporate landscape is creating very strong push dynamics for corporations to engage creatively in these kinds of commitments, and this proposal will play very powerfully and directly to that. Partnering with one, or several, respected conservation partners in a conservation agreement in a landscape with high biological diversity would further aid this dynamic.

Figure 29: Key selling points of the biodiversity bond to potential corporate partners.

5. Lessons learned and Considerations

This section outlines some key lessons from CAs around the world. Information was gleaned from literature (Wildlife Conservation Society, Guatemala Program, 2016) (Conservation International, Global Environment Facility, United Nations Environment Program.) as well as practical experience from Conservation Capital[11] and partners.

For All Parties

- Identify an individual responsible for the CA process so that communication is clear.
- Follow international standards of consultation and transparent engagement (FPIC).
- Work to mitigate any challenges in good faith.
- Partnerships take time and trust. Be patient and make sure there is alignment of goals between all parties.
- Consider the risks associated with engaging in a CA.
- Respect that all parties enter the partnership voluntarily.
- Learn from the process, engage in adaptive management and share lessons learned with others.
- CAs work when there is a clear understanding of conservation threats that can be managed and influenced by the partners and the CA.
- If there is an entity facilitating the CA, make sure all parties are comfortable with the selected facilitator before engaging in the process.

[11] Conservation Capital has facilitated dozens of CAs in Africa and around the world.

- Emphasize the need for flexibility in the definition of the specific investments and outputs, listing instead some possible options as opposed to concrete results expected. Projects lacking flexibility to negotiate investment targets with local communities may not be viable due to the possibility of encountering competing community (and governmental) priorities prior to initiation.
- Make sure there is a shared vision, a clear understanding of the ToC and the financial requirements long-term.

For IPLC

- Communities should be part of the design of the CA. They are legitimate partners and should be treated as such.
- Negotiated commitments should be realistic and should not threaten the community economically or socially. This seems very self-evident, however there are cases where unrealistic promises are made to communities that are not met, which creates animosity. There are also cases where certain projects are established, which create burden on the community and/or result in unanticipated social consequences. Proper due diligence must be done.
- Benefits should prioritize the needs of the community. This too seems very self-evident however, many projects are developed without real consultation with the community, which results in benefits that do not adequately address the desire or the needs of the communities.
- Communities should consider, if needed, enlisting the aid of independent advisors and researchers to advocate on their behalf in negotiations with private sector partners.
- To avert false expectations, communities should be fully aware of the scope of the planned project's goals and its limitations in meeting the community's needs. It is important to reinforce the social viability of CAs over the long-term. It is recommended, if possible, to carry out house-to -house dissemination of information to ensure that households are and/or remain informed about the status of CAs, their benefits and impacts, associated local commitments, the roles of project partners and challenges over time.
- Communities should have access to legal representation prior to signing any kind of agreement and should have the ability to engage legal representation without influence or interference from other CA partners.

For private sector partners

- Set realistic conservation targets: targets realistic to achieve in a given context based on best available information, evidence and experience.
- Ensure compliance with government regulations.
- Recognize that community consultation takes time and rushing through a CA without proper regard to due process will not succeed in the long-term.
- Align incentives with needs of the CA partners such as community members and PAAs.
- Engage a neutral party, such as an NGO, to help facilitate a CA and provide technical support when needed.

For NGOs

- Establish environmental and socioeconomic baselines, as well as incorporate plans for periodic monitoring. Depending on the project area, this may also be done by the community, PA Authority or the consortium of partners engaged in a CA.
- Understand the broader conservation challenges faced by rural communities and the limitations that result from these obstacles—activities and expected outcomes should reflect local conditions.
- Ensure wide-range community participation by using consistent and systematic community outreach and globally accepted stakeholder consultation practices.
- Conduct evaluations, which involve the community, its advisors, the government, and CBO partners.
- Conduct consistent engagement with the community and provide a visible field presence to the extent possible.
- Calculate the cost of engaging in a CA, including staff time, management, monitoring and enforcement.
- Avoid signing CA with communities lacking interest in ecological stability or conservation goals. The challenge in this regard is the definition of a minimal threshold of community "support" for conservation goals.

For governments

- Establish rules of engagement in CAs under their mandate.
- Conduct (when engaged as direct partner in agreements) timely reviews at the end of each phase, allowing for appropriate and affirming renewals.
- Develop business plans for targeted protected area / community projects etc., when feasible, to inform CA needs.

For donors

- Invest in a CA feasibility study.
- Allow some flexibility prior to agreement negotiation.
- Commit to long-term investment in a CA.
- When providing short term funding, support partner in determining the long-term sustainability plan and use donor funding as a bridge to catalyse private sector support.
- Invest in established CBOs, if desired and appropriate within the community, to help facilitate decision taking and community benefits.
- Invest in monitoring of CAs.

Lessons Learned from Conservation International CA Models with Communities
From: Can CAs Catalyze Private Sector Support for Community Led Conservation?
Applying the CA model

- CAs are an effective tool for securing community commitments to conservation and achieving behavior change.
- NGOs gravitate towards alternative livelihoods interventions as their private sector strategy (relates to both local enterprise development and building supply chain links). There is a need to be very clear about where behavior change comes from and how it is maintained, and the place of alternative livelihoods (AL) in the ToC.
- Successful CAs benefit from strong community leadership/local champions; this can overlap with successful/entrepreneurial community membership, which aligns with private sector engagement (PSE) ambitions.
- Building trust with communities and assisting with conflict resolution is time consuming yet necessary; significant investment may need to occur before embarking on other project activities. (Closely related to the need to devote considerable attention to institutional capacity-building and governance strengthening as enabling conditions).
- Government perception of the CA can affect implementation; where government plays a role in conservation, government engagement and facilitating public-private relations is necessary for CA success.

Engaging the private sector

- Most NGOs need specific expertise to properly understand value chains, supply chains, market dynamics, and the real scope for interventions based on local enterprise development or purchasing agreements.
- When searching for/screening potential private sector partners, a key factor to include is values alignment (with respect to conservation, community development, gender issues, etc.).
- Engagement with a private sector partner that is purchasing fair trade, organic or otherwise certified products at a premium readily aligns with the CA model
- Building community business/enterprise capacity first depends on building institutional/governance capacity; CBOs are one example. This also can yield other benefits, as a CBO for example can serve more functions than just the initial roles (e.g. initial focus on buying agricultural/livestock inputs, then expanding to youth programs, micro-credit initiatives, etc.).
- To support local enterprise development and/or market participation, among the most powerful measures is the provision of market information that enables CA beneficiaries to better negotiate with buyers.
- Training people to do their own market research to enter into transactions with better information is even more powerful. In addition, a clear understanding of costs and how to produce for competitive markets is important for implementers and community enterprises.

Financing and replication

- Using PSE as the sole LTF strategy is unlikely to succeed in most cases; at a minimum, an ongoing need for NGO or government roles is pervasive (for technical support, monitoring, fundraising, etc., and/or to ensure that the actors do not lose sight of conservation objectives because of emphasis on market activities). This could be taken as a lesson that the conditions under which PSE can be a sufficient stand-alone financial sustainability strategy are not sufficiently understood. PSE is probably best seen as one component of a larger financial sustainability plan.
- PSE strategy that is built on CSR support needs to provide adequate opportunities for publicity in the form of compelling stories, photos and branding.
- When expanding to additional communities, note that every community is different, so NGOs need to apply the CA model from the first steps and different communities will progress at different speeds.
- It is easy to underestimate the time required for projects to bear fruit (in terms of showing impact, achieving sustained business capacity and beneficiary behavior change persisting with less emphasis on incentives.) For this reason, no-regrets scenarios where investments get communities to certain points of development where, even if they went no further, the benefits would be worth it, are a good way to structure project phasing.

Source: (Conservation International, Global Environment Facility, United Nations Environment Program.)

Figure 30: Lessons Learned from Conservation International CA Models with Communities.

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