

Sahelo-Saharan Megafauna

Sustainable Funding Mechanism Concept and Strategy

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Bundesministerium
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Table of Contents

- I. Executive Summary**
- II. Rationale**
 - A. BAU and Risk of Inaction
- III. Funding Option Analysis**
 - A. Funding Needs
 - a. Catalytic Funding
 - b. Self-sustaining Long-term Fund
 - Figure 1: Seed Grant Facility Model
 - c. Transformational Change
 - B. Global Funding Source Analysis
 - a. Required Internal Capabilities
 - b. Rationale for Selection
 - c. Global Funds or FIFs
 - d. Private Foundations
 - e. DFIs
 - f. Donor Countries
 - C. Best practices in Sustainable Financing and Private Sector Linkage
 - a. Nature-based Solutions (NbS)
 - b. Payments for Ecosystem Services (PES)
 - c. Natural Asset Valuation (NAV)
 - d. UN Ecosystem Accounting (SEEA EA)
- IV. Mechanism and Instrument Analysis**
 - A. Mechanism Types
 - a. Single Donor Trust Fund
 - b. Multi-Donor Trust Fund
 - c. Project Development Fund (PDF)
 - d. Debt Conversion for Conservation Trust
 - B. Potential Financial Instruments
- V. Mechanism (Fund) Governance Architecture**
 - a. Mechanism Entities
 - i. Fund Operations
 - ii. Fund Administration
 - iii. Fund Implementation
 - Figure 2: Governance Architecture:
 - iv. Legal Architecture
 - v. Manual of Operations
 - vi. Risk Management
- VI. Mobilization Roadmap and Strategic Recommendations**
- VII. Annex**
 - A. Table 1: Work Plan Budget
 - B. Table 2: List of Potential Fundraising Sources
 - C. Table 3: Questionnaire

Acronym Definitions

AfDB	African Development Bank
BAU	Business as Usual
CIF	Climate Investment Fund
COP	Conference of the Parties
DFI	Development Finance Institution
ESMS	Environmental and Social Management System
EU	European Union
FI	Financial Institution
FIF	Financial Intermediary Fund
GBF	Global Biodiversity Framework Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gases
ICA	International Cooperation Agency
IFI	International Finance Institutions
IO	Implementing Organization
IPLC	Indigenous Peoples and Local Communities
IUCN	International Union for Conservation of Nature
LDC	Least Developed Country
LOI	Letter of Intent
MDB	Multi-lateral Development Bank
MDTF	Multi-Donor Trust Fund
MOP	Manual of Operations
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
NAV	Nature Asset Valuation
NbS	Nature-based Solution
PDF	Project Development Facility
PES	Payment for Ecosystem Services
SDTF	Single Donor Trust Fund
SIDA	The Swedish International Development Cooperation Agency
SAA	Standard Administrative Agreement
SMART	Specific, Measurable, Attainable, Relevant, and Time-bound
SSMF	Sahelo-Sahara Megafauna
TNC	The Nature Conservancy
UNDP	United Nations Development Programme
UNEP FI	United Nations Environmental Programme Financial Initiative
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank
WWF	World Wildlife Foundation

I. Executive Summary

The purpose of this document is to take the initial step towards creating a sustainable funding mechanism that can finance a long-term intervention in the Sahelo-Saharan region to stop habitat and species loss and reverse current downward trends. This document's findings are a direct result of a thorough desk review to identify and analyze funding sources, funding mechanism modalities, and available fund architectures. A key priority is to inform the audience of the relevant and applicable financial tools for meeting the requirements of the intended intervention in the Sahelo-Saharan region and provide strategic recommendations for well-informed decisions in the development of an optimal funding mechanism.

Based on research and extensive experience in this field, it is clear that a new funding mechanism must be able to raise ample capital that can address the rapid loss of habitat and species over the long term. Interventions regarding nature or habitat are only effective if they have long-term funding sources that can re-align economic incentives from extractive and destructive to sustainable and regenerative, drive a paradigm shift, and reverse core drivers of loss and degradation. In addition to fundraising, this document will outline the key supporting factors that enable a funding mechanism to go from a seed funded or catalytic to a self-sustaining mechanism.

In conclusion of this exercise, the aim is not only to narrow down to key options and provide strategic recommendations, but also to provide the most suitable model and complementary analytic tools to assess and further refine the approach. It should be noted that this is a heuristic process meant to enable discovery or problem-solving through methods of evaluation, analysis, and a level of trial and error.

II. Rationale

A. Business as Usual (BAU) and Risk of Inaction for Habitats and Species

A number of Sahelo-Saharan Megafauna Range States, hosts of some of the most critically endangered populations of CMS-listed species in the world, are facing a medley of development challenges and are becoming increasingly fragile. Escalating insecurity, political instability including military takeovers, and overlapping economic shocks are making it even harder to achieve sustainable and inclusive development in one of the least developed parts of the world. The Sahelo-Saharan region critically needs support to implement essential reforms and complex investments to deploy best practices that can effectively address the contributing factors, threats, and drivers of habitat and species loss.

It is becoming noticeably clear amid growing evidence that the natural capital on which tens of millions of Africans depend is being lost due to **contributing factors including overexploitation, overpopulation, climate change, and land-use changes**. The value of the natural capital lost to Africa every year is estimated to be \$195 billion, according to the United Nations Environment Programme.¹

¹ Atani, Mohamed. UNEP, Is Africa's [Natural Capital the Gateway to Finance its Development?](#), 2016.

Current key indirect threats to development, habitat, and species loss:

- **Lack of institutional infrastructure**, and continued lawless activities carried out in critical species habitats of the Sahel-Sahara;
- **Increasing vulnerability to climate change, disaster risk, and biodiversity loss** via land degradation and ecosystem collapse;
- **Lack of adequate interventions to create pathways** to conserve and protect species and habitats that align with sustainable development goals.

Rapid and uncontrolled urbanization, increasing population growth, and lack of protection fuels environmental fragility in the Sahelo-Saharan region by causing large biodiversity losses while degrading ecosystem health as populations of species, both plant and animal, plummet at alarming rates.

- **The direct drivers of habitat degradation and species loss include illegal taking of animals, destruction of habitat, and climate change impacts.**

Business as Usual (BAU) risks SSMF species loss or extinction and the destruction of habitats that will only further decrease natural resources and contribute to the exacerbation of climate change impacts such as desertification and broader socio-economic instability.

Close to one-third of bilateral official development assistance in the region has climate and environment-related objectives, however this assistance is often based on an inadequate understanding of how those environmental risks affect the economic, political, security, societal and human dimensions of fragility. At present, none of the existing initiatives and interventions to stop habitat and species loss go far enough to stem the tide of frequent political changes that are contributing to the overall fragility of the region nor key drivers of loss. In a quick mapping of existing interventions within the region, there is an obvious lack of funding for projects in biodiversity, conservation, and long-term environmental sustainability. To be successful an intervention must address the problem in a holistic manner, thus requiring a significant capital investment over the long-term that can be self-sustaining.²

Based on CMS Resolution 9.21 (Rev. COP14) Sahelo-Saharan Megafauna Initiative, there is a strong initial rationale to mobilize financing with the development of a comprehensive Theory of Change (ToC) for a catalytic intervention that can mitigate the contributing risks and threats while actively reversing the key drivers of species loss to ultimately shift to a sustainable pathway for the long-term habitat management in the region.

III. Funding Option Analysis

A. Funding Needs

a. Catalytic Funding

An initial estimate sum of \$31 million in funding (see Annex Table 1: Work Plan and Budget) is required to launch a project that can put in place the reforms and define a pathway to sustainably

² OECD. [The Environmental Fragility in the Sahel](#). 2022

address the loss of habitat and species in the SSMF region. This estimate is based on the SSMF Regional and species-specific Action Plans (SSMF Action Plans) annexed to Resolution 9.21 (Rev. COP14) and comprises of 4 components or desired outcomes, outlined as follows:

Outcome 1: Institutional capacity with policy and legal framework is enabled;

Outcome 2: Best practice ecosystem management system is developed to protect both species, their habitats, and species biodiversity;

Outcome 3: Climate adaptation, mitigation, and biodiversity enhancement are accelerated; and

Outcome 4: Impactful financial mechanism capitalized for self-sustaining conservation is developed.

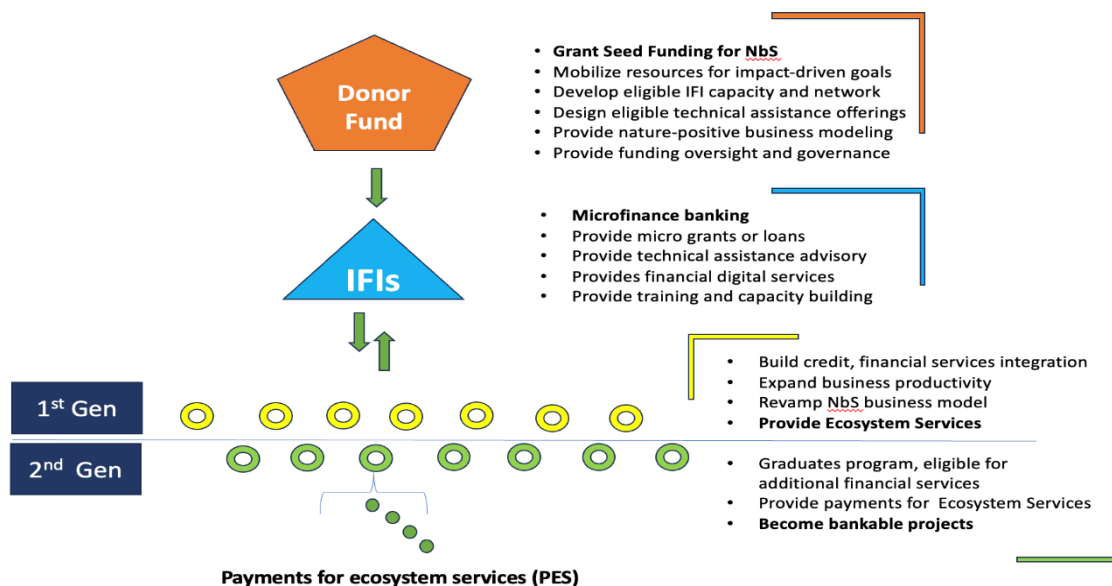
Each outcome is supported by SMART Outputs with detailed actions (from the SSMF Action Plans) that have been projectized as activities for achieving each output target. Costing estimates have been determined based on global development finance project averages for technical assistance, outreach, research, financial services, etc.

b. Self-Sustainable Long-term Funding

The catalytic capital (a) would essentially start capital flow, lay policy and capacity foundation, and then initially catalyze private sector linkages. For long-term impact, the follow-on capital flows would be required to power a self-sustaining transformation that would build on the initial gains of the catalytic injection of capital. **Otherwise, short-term intervention impacts would be erased, with nothing to show for the initial investment.**

Based on initial estimates, a long-term intervention would require a **long-term investment of \$100-150 million** in order to make the proposed intervention capable of becoming self-sustaining to see the intended impact that can last generations. (The only way that this would be possible is to finance and engender more long-term investments in sustainable economic activities that align with environmental impact objectives such as Payments for Ecosystem Services (PES), Nature Asset Valuation (NAV), and Nature-based Solution (NbS) as described in detail in following sections). An investment grant making arm of the mechanism could be set up to capitalize the entrepreneurs and companies Micro, Small, and Medium Enterprises (MSMEs) in the resource management and environmental development space. There are several financing models that can be assessed for SSMF purposes, but best practices for catalytic efficiency indicate that a Seed Grant Facility is the most apt for the business environmental context in the Sahel-Sahara.

Figure 1: Seed Grant Facility Model



c. Transformational Change

The overall aim of the SSMF Funding Mechanism is to trigger transformational change in the region to achieve the goals of the SSMF Initiative resulting in a shift to sustainable land and species management for protection where habitats and species can thrive. To have a lasting change in the target countries, addressing this sector requires structural reforms and direct investment to tackle the direct and underlying drivers of habitat and species loss. Structural reforms can take place in the form of technical assistance over the long-term that can address the institutional capacity and knowledge shortfalls. A Grant Facility can also finance grants to operators in the environmental conservation space that perform the vital services to protect and ensure the health of habitats and species. This 'investment' allows for the re-alignment of incentives and profit motives for both individual and state actors.

Only a transformational change in both the political and business infrastructure will directly contribute to a paradigm shift in the region towards a green economy development pathway. Addressing major public and private sectors and shifting to sustainable development pathways towards a green economy requires managing diverse and sometimes conflicting interests among various actors and stakeholders. It also requires complex coordination to realign and incentivize economic and political pathways that can drive land use change.

Currently within the international aid community there are large gaps in the multilateral system that have left specific SSMF issues, countries, and regions without adequate aid funding. Whether for the perceived considerable risk of action in these areas or the lack of priority given to this region, an aid gap exists for the countries of the Sahel and Sahara and its aforementioned issues. In other parts of the world donors have increasingly turned to trust funds, given their comparative advantages as opposed to other aid vehicles. **This has happened primarily because trust funds specialize in situational and thematic areas where multilateral institutions alone cannot be fully effective.** This is well worth considering with the design of a new SSMF funding mechanism to reverse habitat and species loss.

B. Global Funding Source Analysis

Primarily, potential funding donors must match the objectives of the SSMF Funding Mechanism. There should be clear policy and thematic linkage and alignment. Other general requirements include alignment with the United Nations Framework Convention of Climate Change (UNFCCC) mandates, and global standards in terms of risk management, gender, and labor requirements, Environmental and Social Management System (ESMS) (results frameworks), and other core UN frameworks.

Funding donors must have strong technical and financial teams able to carry out operations with large ticket projects and activities, generally with billions in funds namely mandated for Climate, Biodiversity, Peace and Security, Sustainable Development etc. Time is critical; thus, funders should be able to assess and deploy capital along clear guidelines.

Given that large global funds are sophisticated organizations with complex funding application processes, it is critical to obtain an internal fund contact that can aid in the application process to craft narratives that matches the organization's objectives and gain traction as a viable project.

a. Required Internal Capabilities

To successfully engage and negotiate funding there are a few required internal capabilities:

- Development finance acumen and experience negotiating funding agreements;
- Public and private sector finance experience, understanding of sustainable financial and business modeling;
- Technical expertise in thematic areas and latest development finance trends;
- Strong business development experience to form relationships and build a fundraising platform;
- Required familiarity with modalities and processes of major global funds;
- Strong experience in project design, financial structuring, operations, and implementation.

b. Rationale for Selection: Feasibility Ranking of Donor Sources

Of the many donors in the Biodiversity and Environmental Conservation space only a handful of funding sources have been chosen based on some key factors:

1. **Availability** of funds, including size (amounts) for thematic objectives;
2. **Alignment** with CMS thematic objectives and approach in the SSMF region as well as UNFCCC and UN Biodiversity goals and policies;
3. **Value-add** to project implementation in terms of technical expertise or Private Sector potential among other characteristics;
4. **Accessibility** (ease of) and/or proximity to funding sources such as having an application pathway as an accredited entity etc.;
5. **Analogous** funded projects, regional proximity and presence, and degree of successful interventions.

By ranking each option, CMS will be able to focus resources on most relevant funding sources while covering the breadth of available sources from Financial Intermediary Funds (FIFs) and Development Finance Institutions (DFIs) to private foundations. The results of the quick model with a feasibility ranking of each option are provided in Annex C. The ranking is an estimate to provide a rough indicator of best sources as supported by the underlying rationale for their selection. Note that unselected or unranked funding sources remain viable options to follow up on and should not be disregarded.

Two of the most relevant Global Funding Donors in the arena for SSMF are the Global Environment Facility (GEF) and the Green Climate Fund (GCF). There are several other relevant funders that can be analyzed in a follow-on assessment.

c. FIFs

- i. **GEF, The Global Environment Facility (GEF)** is a family of funds dedicated to confronting biodiversity loss, climate change, pollution, and strains on land and ocean health. Instruments include grants, blended financing, equity, and policy support to help developing countries address their biggest environmental priorities and adhere to international environmental conventions.

Pros:

- Active in Africa with strong mandate for Least Developed Countries (LDCs);
- Strong alignment with CMS mandate and intervention; biodiversity, environment, and core topics;
- GEF has strong emphasis on intervention science and impact with many safeguards that are best in class policy;
- Direct match with GEF with policy alignment for the funding mechanism (Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention to Combat Desertification (UNCCD);
- Strong systematic process for funding access, technical review, Scientific and Technical Advisory Panel (STAP) to ensure best in practice intervention and funding performance;
- Applicable Instruments for a complex intervention include grants, debt, equity and guarantees;
- Large pools of financing for CMS SSMF objectives, approximately \$5 Billion.

Cons:

- The Facility has excessive mission creep with a broad mandate with many environment specialists that generally lack of financial acumen and agility with financial instruments;
- Deploys mostly grants and less capable with complex financial instruments especially for the private sector such as equities and guarantees;
- With an enormous portfolio with operational bureaucratic lags often bogged down by poor implementation and processes can be delayed for extended periods;
- Access to funding is not always straightforward even though there is a lot of documentation and process transparency;
- Beneficiaries must be accredited.

Alignment analysis and suggested approach:

- Strong potential as co-financier for a Project Development Facility, see below this specific fund deployment vehicle;
- UNEP is a GEF Agency, so CMS must determine the possibility of applying via UNEP or other accredited agencies and determine how this might be feasible;
- The weaknesses of the GEF outlined above affect the approach in several ways. Clearly the time horizon for application and implementation will be much longer than with other funders;
- A resource mobilizing campaign should actively network to find the right internal contact and 'champion' for the SSMF funding mechanism;
- Work towards having a proposal document at the level of a 'Concept Note' or Project Identification Form ready to pitch prospective 'champions;'
- Given potential shortfall or lack of CMS funds for project preparation (SSMF Concept development) Enabling Activity or Project Preparation should be targeted.

Timeframe: 2-3 years; 6 months minimal for a preparation grant

- ii. **GCF, The Green Climate Fund (GCF):** The financial arm created by UNFCCC to respond to climate change, aims to mobilize funding at scale to invest in low-emission and climate-resilient development on our home planet. The Fund aims to support a paradigm shift in the global response to climate change through mitigation and adaptation.

Pros:

- Global focus with strong drive to fund projects in Africa with LDCs;
- Strong systematic process for funding access, technical review, Independent Technical Advisory Panel (ITAP) to ensure best in practice intervention and funding performance;
- Applicable Instruments for a complex intervention include grants, debt, equity and guarantees;
- Strong financial acumen (when compared with GEF) that moves closer to the speed of business for structuring complex projects with large pools with big tickets of financing for CMS SSMF objectives, approximately \$10+ Billion;
- Matching themes with GCF's main impact areas are:
 - Sustainable land use and forest management
 - Enhanced livelihoods of the most vulnerable people, communities, and regions
 - Resilient infrastructure
 - Resilient ecosystems

Cons:

- In the past, there has been a very tedious process for project development and negotiation with a less collaborative internal culture;
- Given Fund's relative new entry to global finance it lacks the network and potential projects especially in more challenging regions like the Sahel-Sahara;
- Beneficiaries must be accredited.

Alignment analysis and suggested approach:

- Strong potential as co-financier or to provide parallel funding for a PDF;
- UNEP is an Accredited Entity, so CMS must determine the possibility of applying via UNEP and determine how this might be feasible;
- CMS and the SSMF Concept Funding mechanism must align with GCF Priorities develop contacts to develop proposal and will likely be required to develop an internal relationship.

Timeframe: 1 – 1.5 years and 3-6 months minimum for an enabling activity grant.

- d. **Private Donor Foundations:** Private sector actors that deploy funds for the economic development and welfare of developing countries as their main objective along with other specific priority themes. In summary, the field is broad and does represent a good target for mobilizing capital.

Active Corporation and Foundation Examples:

- **Mastercard:**³ Focus on Africa with program called Young Africa Works, the Foundation's strategy for the next decade, reflects our optimism for Africa's future. It builds on Mastercard's experience in financial inclusion and education and training, using youth employment as an indicator of progress in improving lives.
- **Cartier:**⁴ Focus on Africa to eradicate extreme poverty to provide new opportunities for making a living that is economically, ecologically, and socially sustainable. Fund approaches that are proven to help those living in extreme poverty gain relevant skills and resources, achieve financial security, and improve their quality of life (9).
- **Financial instruments:** Grants and non-financial technical support and in-kind contributions.
- **Cross-cutting relevant themes:** Private foundations and corporate donors often have broad overarching themes and mandates for philanthropy. Increasingly, climate change is an explicit objective of corporate donations and projects with a focus on various thematic areas such as the Sustainable Development Goals (SDGs) and geographies. For CMS, the approach should be agile and endeavor to fit into these themes and highlight alignment.

Pros:

- Generally straightforward application and approval over a short timeframe, less stringent application, no-defined proposal process;
- Can provide early grants for project preparation with a straightforward application and approval process;
- Can leverage UN status for partnership, corporations are eager to brand themselves as UN partners.

Cons:

³ Mastercard, [Our Strategy](#), 2024

⁴ Cartier, [Philanthropy](#), 2024.

- Often involved in 'green washing' and sometimes not serious on impact so could be reputational risk that needs to be assessed and mitigated;
- Smaller donor amounts on average from \$100,000's to millions;
- Less stringent standards with respect to ESG with no technical acumen or capacity for in-depth project review and analysis.

Alignment analysis and suggested approach:

- Strong potential as co-financier or 'seed funding' for PDF or at least for a project development grant;
- Able to leverage UN brand for outreach, relationship building, and alignment on project objectives for funding;
- Need to scan the field for opportunities as they arise, monitoring a list of corporate/private donors and their priority themed areas of philanthropy for timely business development and application.

Timeframe: <1 year

- e. **Multilateral Development Finance Institutions (DFIs):** Specialized development banks that have been established by more than one country, shareholders are national governments but could also occasionally include other international or private institutions. These institutions finance projects in support of the private sector through equity investments, long-term concessional loans and guarantees. They usually have a greater financing capacity than bilateral development banks and act as a forum for close co-operation among governments.

Initial multilateral DFI Targets: African Development Bank, International Finance Corporation

Pros:

- Strong drive to fund projects in Africa and LDCs;
- Strong systematic process for funding access, technical review to ensure best in practice intervention and funding performance;
- Applicable financial instruments for a complex intervention include grants, debt, equity and guarantees;
- Strong financial acumen that moves closer to the speed of business for structuring complex projects with large pools with big tickets of financing for CMS SSMF objectives, funding sources in the \$Billions;
- Can provide guarantees (backed by strong government with credit ratings of AAA etc.) for refinancing debt of countries for Debt Conversions, see below for description;
- Matching themes in biodiversity, climate, land management etc.;
- Strong political clout and relationships with regional country governments;
- Strong collaboration opportunities (with internal units and teams) with the expertise and experience to become an implementing organization for the mechanism.

Cons:

- Can be subject to frequent political changes and burdensome bureaucracy;
- It is difficult to penetrate the bureaucracy and find the right cooperation partner/unit/team.

- f. **Bilateral DFI and Donor Countries:** Bilateral DFIs are either independent institutions, such as the Netherlands Development Finance Company (FMO), or part of larger bilateral development banks, such as the German Investment and Development Company (DEG), which is part of the German development bank KfW. 'Donor Countries' are often developed countries that leverage funds to finance policy initiatives like development or climate change projects through aid agencies or foreign ministries. Funding is deployed through various government agencies with a development finance focus for example United States has USAID, DFC, among other agencies and programs accessible for funding in Africa.

Active Countries: Norway, Sweden, Germany, UK, USA, France.

Background Example and Model: At the recent Africa Climate Summit, \$23 billion was pledged to green projects by governments, investors, development banks and philanthropists. The summit, which focused on driving green growth and climate finance solutions, concluded with the "Nairobi Declaration," a call from African leaders for urgent action on climate change. **Germany announced 450 million euros (about \$481 million) of climate finance pledges, and the US pledged \$30 million to support climate resilient food security efforts across Africa.** Hundreds of millions more were offered following an initiative to boost Africa's carbon credit production 19-fold by 2030.⁵

Pros:

- As with MDBs/DFIs these are usually majority-owned by national governments and source their capital from national or international development funds or benefit from government guarantees. This ensures their creditworthiness, which enables them to raise substantial amounts of money on international capital markets and provide financing on competitive terms;
- Some developed countries like Norway are mandated through national policies to finance development projects;
- Good thematic alignment with CMS objectives and most have focus on Africa and LDCs;
- Easier to approach for cooperation and project collaboration given size relative to MDBs.

Cons:

- Subject to bureaucracy and political moods or movements;
- Committed funds can come with strings attached or on rarer occasions get re-purposed for more pressing policy issues.

Alignment analysis and suggested approach:

- Rolling basis need to be opportunistic to tap into political mandates;
- Can leverage big political events like summits, COPs, programme launches etc. to find partnerships and funding opportunities;
- Strong potential as co-financier for PDF or at least for a project development grant;
- Able to leverage UN brand for outreach, relationship building, and alignment on project objectives for funding access;

⁵ Prisco, Jacobo. CNN, [\\$23 billion pledged at Africa Climate Summit](#) , 2023

- Need to remain vigilant for new policy programmes that align with SSMF objectives for direct funding applications.

** See List of additional potential fundraising sources in Annex C*

C. Best practices in Sustainable Financing and Private Sector Linkage

a. Nature-based Solutions NbS

Nature-based Solutions are actions to protect, sustainably manage, or restore natural ecosystems, that address societal challenges such as climate change, human health, food and water security, and disaster risk reduction effectively and adaptively, simultaneously providing human well-being and biodiversity benefits. For example, a frequent problem is flooding in coastal areas resulting from storm surges and coastal erosion. This challenge, traditionally tackled with manmade (grey) infrastructure such as sea walls or dikes, can also be addressed by actions that take advantage of ecosystem services such as tree planting. Nature-based solutions that can conserve an environmental ecosystem and simultaneously grow an economic ecosystem that supports the former. In the developing world context, entrepreneurs, micro-enterprises, SMEs etc. struggle in the vacuum of financial services, business ecosystems, and supportive policy infrastructures.

Estimates suggest that nature-based solutions can provide 37% of the mitigation needed until 2030 to achieve the targets of the Paris Agreement. How can this be done? If you plant trees, they are going to soak up carbon. For example, restoring native forests at the margins of the river to avoid landslides can also act as a carbon sink. Climate-smart agriculture is another example that enables farmers to retain more carbon in their fields as they produce crops. Decreasing deforestation is another way to benefit from nature-based solutions – for example, by paying farmers not to cut down the forest preserves ecosystem services such as carbon sequestration, provision of clean drinking water, and reduction of river sedimentation downstream.

b. Payment for Ecosystem Services (PES)

Ecosystems support plant and animal life by maintaining the overall balance in nature. When functioning well, ecosystems also bring multiple benefits to people. These benefits range from the provision of basic commodities, such as food and fuel, to spiritual benefits – for example, the aesthetically pleasing landscapes that we all enjoy. The benefits that people get from nature are known as ecosystem services. Ecosystem services can be roughly divided into:

- **Supporting services** – those services creating conditions necessary for the provision of all other ecosystem services, for example photosynthesis or soil formation.
- **Provisioning services** – all products coming from ecosystems, for example food, fiber, fuel, herbs and medicinal plants, genetic resources, drinking water.
- **Regulating services** – the capacity of ecosystems to regulate important natural processes, for example regulation of climate, quality, and quantity of water, etc.
- **Cultural services** – non-material benefits from ecosystems, for example the aesthetic and recreational value of landscapes.⁶

⁶ WWF, [Payments for Ecosystem Services](#), 2007.

Human economic activities often exploit natural resources, influencing the capacity of ecosystems to provide their beneficial services. Agriculture, forestry, fishing, and even tourism can be destructive for ecosystems impacting their capacity to provide the services humans rely on.

c. Natural Asset Valuation (NAV)

NAV also known as natural capital valuation or ecosystem services valuation, involves assessing and assigning economic value to the benefits that ecosystems provide to humans. This process helps policymakers, businesses, and communities make more informed decisions by considering the economic significance of natural resources and the services they provide. Here are some key aspects of valuation for nature assets, Methods of Valuation, several methods are used to value ecosystem services:

- **Market-Based Methods:** Valuing services based on market prices (e.g., timber, or agricultural products).
- **Replacement Cost Methods:** Calculating the cost to replace a service (e.g., cost of water treatment if wetlands are lost).
- **Shadow Pricing:** Incorporating the value of ecosystem services into decision-making by assigning monetary values.

d. UN Ecosystem Accounting (SEEA EA)

Healthy ecosystems provide fuel for energy, clean water, and productive soil—all essential for daily living and sustaining human life. However, in conventional national accounting, the environmental dimension is largely ignored; the contributions of natural capital to the economy are overlooked, as are the environmental costs of production and consumption decisions.

Natural capital accounting (NCA) provides a means to ensure that the contributions of nature and the detrimental environmental effects of economic activity appear on the ledger. Through the integration of environmental and economic information using a consistent accounting framework, NCA provides essential information for policymakers. It also supports key global policy frameworks, including the 2030 Agenda and the Paris Agreement.

The System of Environmental-Economic Accounting (SEEA) is the international statistical standard for NCA and provides a framework for organizing and presenting statistics on the environment and its relationship with the economy. It uses an internationally agreed set of concepts, definitions, classifications, accounting rules and tables to produce internationally comparable statistics.

The SEEA Ecosystem Accounting (SEEA EA) constitutes an integrated and comprehensive statistical framework for organizing data about habitats and landscapes, measuring the ecosystem services, tracking changes in ecosystem assets, and linking this information to economic and other human activity. The SEEA EA is built on five core accounts. These accounts are compiled using spatially explicit data and information about the functions of ecosystem assets and the ecosystem services they produce.⁷

⁷ UN, [System of Environmental Economic Accounting](#), 2021.

IV. Mechanism Analysis and Potential Instruments

A. Mechanism Types

- a. **Single Donor Trust Fund (SDTF):** Trust funds are vehicles for channeling aid resources from governmental and nongovernmental donors typically administered by a trustee organization such as the World Bank or other development organization. Trust funds are not programs in themselves; rather, they are dedicated sources of funding for programs and activities agreed between the donor(s) and the trustee organization.

Pros:

- Can provide co-financing to operation or lead/sole financing for an individual operation;
- Faster decision-making process, measures/proposals are selected faster in comparison with the Multi-Donor Trust Fund MDTF;
- Trustee or Administrative Agent can be external and managed with well-established fund management system and process. Set up with African Development Bank (AfDB) or other MDB;
- In comparison with MDTF, less complex processes and administration and much easier to set up given only involves single donor.

Cons:

- Limited funding resources and political influence as compared with MDTF.

- b. **Multi-Donor Trust Fund (MDTF):** pooled funding mechanism that is a powerful tool in response to development challenges and fits into the larger trend of issue-based financing. MDTFs are an important funding mechanism to channel and leverage resources in an effective and coordinated way with an emphasis on multi-stakeholder partnerships interested in innovative blended or pooled financing. In comparison with SDTF, tend to aim at broad outcomes based on a shared (multi-donor) theory of change, in pursuit of shared objectives. However, the diversified pooling of resources facilitates the mitigation of shared risks, increases the visibility and transparency for all development actors, and holds the potential to reduce transaction costs and thereby improve the value proposition.

Pros:

- Best option for long-term financing and intervention sustainability;
- Broadened funding base by pooling funding from different donors, far larger leverage of donor resources can be achieved when negotiating political roadmaps and specific milestones with a dedicated group of partner countries;
- Risks can be shared among several donors and donors' comparative advantages can be leveraged;
- More instruments, more integrated, self-sustaining, high impact.

Cons:

- With more stakeholders/donors/governments, the beneficiaries involved have less control and decision-making power as compared to a SDTF and more requirements for funding utilization.
- Very protracted timeline to set up an MDTF given breadth of stakeholders with their own bureaucracies and objectives.

Alignment analysis and suggested approach:

- Both the SDTF and MDTF offer good models for a sustained intervention in the Sahelo-Saharan region. However, both require extensive efforts, time, and resources to establish and operationalize.
- A trust fund could be a more long-term (or later stage) objective of CMS once there are some initial project execution successes that establish a track record as a basis to raise more 'permanent' funds.

- c. **Project Development Facility (PDF):** Generally, a first stage project facility to develop a phased (or multi-staged) programme to finance the development and preparation of public investment projects. The objective of the PDF is to act as a dedicated funding mechanism that finances project development, preparation and procurement of public investments financed through official development assistance, national budget, and the Public-Private Partnerships (PPP) mechanism.

Pros:

- Like a trust fund but without all the complexity and officialdom. It is, basically, a light version of a trust fund that is much more flexible;
- A PDF requires dedicated administration, but it is much less formalized and complex than SDTF and MDTFs. This fund administration can be both outsourced or in-housed depending upon internal capabilities;
- Allows the pooling of monies from co-financiers including parallel funding from both public and private sources even FIs and Private foundation to broaden project impact while building a coalition of donors and organizations to build a broad programme and funding mechanism;
- Represents a strong short-term intermediary aid vehicle for a phased project to bridge financing from project preparation to a catalytic intervention while creating a foundation for a more intensive capital deployment phase as typified by a SDTF or MDTF.

Cons:

- Lose the advantages of a Trust Fund modality like governance;
- Take on more risk for managing fund and implementation;
- Aggregates co-financiers for the same project but undergoes various application processes with varying proposals that are bespoke based on the specific mandates of the funders. Thus, fundraising is arduous and will require extensive support.

Alignment analysis and suggested approach:

- The PDF is most likely the best initial mechanism model for CMS purposes.

- The model is flexible and less inhibited to build a ‘starter fund’ while aggregated a diverse set of funding sources to deploy under one umbrella.
- d. **Debt Conversion Operation:** Financial institutions refinance outstanding country debt that reduces debt servicing costs, and then pools savings into a fund for sustainable conservation activities.

Background Example and Model:

Barbados completed a debt conversion for nature backed by a US\$150 million guarantee from the Inter-American Development Bank (IDB) and The Nature Conservancy (TNC), allowing the country to reduce borrowing costs and use savings to finance a long-term marine conservation program. The unique deal underscores the country’s innovation in mainstreaming climate sustainability and biodiversity into its fiscal management agenda. This operation comprised of a US\$100 million guarantee from IDB and another US\$50 million guarantee from TNC that enhanced a loan provided to Barbados (Blue Loan) to buy back existing debt. The savings generated by the operation will be used by Barbados to fund a conservation fund to achieve a conservation commitment, currently estimated at US\$50 million. **The transaction features the first-ever financial instrument to be guaranteed by both a multilateral institution and a non-governmental organization and provides the first ever sustainability linked debt framework focused on nature conservation** developed by the IDB and Barbados as part of this operation.

The debt conversion transaction supported by the IDB improves the financial terms and conditions of the financing obtained by Barbados due to the IDB’s AAA rating. **The IDB rating stance provides a credit enhancement that improves the overall transaction financial benefits thereby increasing savings for conservation that should benefit generations of Barbadians.** This transaction also finds an innovative solution that leverages the financial benefits of these type of operations and, in so doing, broadens the number of countries that could use them and increases the natural capital that could be protected in the Region.

The debt conversion is expected to provide an estimated US\$50 million in funding over the next 15 years for conservation. The unique value added of this transaction lies in the synergies required between the finance and environment government teams in Barbados as their collaboration strengthens the country’s fiscal management and drives their climate and biodiversity commitments. Barbados occupies an area of 432km², with 92 kilometres of coastline. The Government has set an aspirational target of 30% of Barbados ‘s coastline to be dedicated to conservation as a Marine Managed Area (MMA).⁸

According to the International Monetary Fund (IMF), for the countries in the Sahelo-Saharan region, public debt as a share of GDP has been increasing steadily since 2011 and is projected to average close to 51 per cent in 2023. With financial conditions likely to remain tight in the near term, there is limited scope for governments to borrow more. To meet pressing needs, SSMF countries must therefore focus on grants, highly concessional financing, domestic

⁸ IDB, [Barbados Places Climate Financing Firmly on Agenda with IDB, Nature Conservancy Support](#)

revenue mobilization, and private sector development efforts.⁹ In essence, countries of the Sahelo-Saharan region are strong candidates to participate in a Debt Conversion transaction that leverages the credit ratings of a DFI, combined with a Implementing Organization like TNC to design and implement a Debt Conversion model for the Sahelo-Saharan region.

Pros:

- Convert a negative into a positive (e.g., debt into conservation funds) by leveraging burdensome high interest rate debt into an instrument for change, refinancing and siphoning off savings to fund a conservation fund;
- Deploy best practices in conservation: PPP partnership leverages a DFI AAA credit rating guarantee, includes the planning expertise of NGOs like the WWF, and incentivizes private companies to protect and invest in the environment;
- Provides highly sustainable co-dependent relationships, combining most important stakeholders in mutually reinforcing relationships;
- Requires no budgetary allocation from countries and pays off sovereign debt.

Cons:

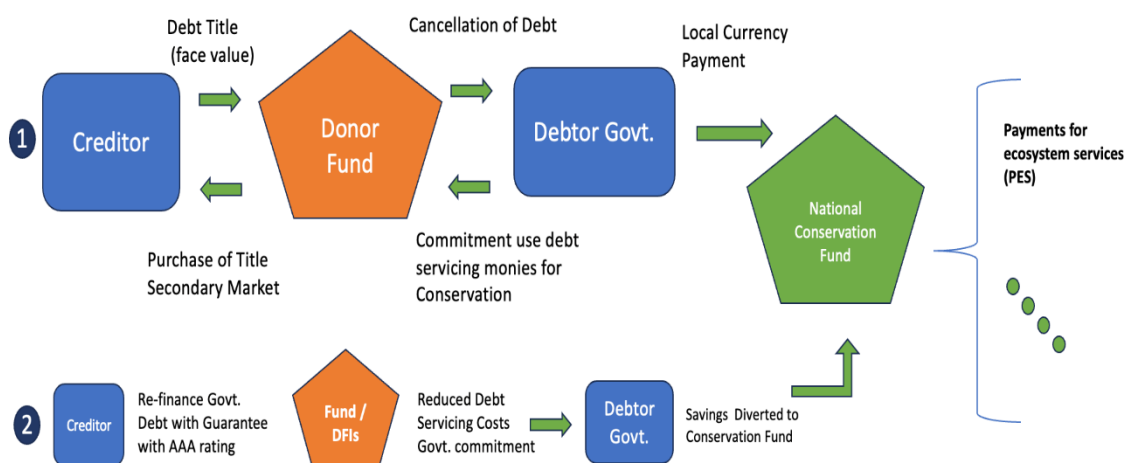
- A debt conversion can be a complex transaction with many stakeholders and requires a lot of coordination and collaboration over an extended period.

Timeframe: 2-3 years

Alignment analysis and suggested approach:

- On the face of it, with elevated levels of national debt for the countries of the Sahel-Sahara, a debt conversion could be a real option;
- To undergo an operation of this size, it will take much research and information gathering from practitioners. Thus, the best course of action is to probe possibilities with DFIs and NGOs like TNC to better understand the parameters and appetite for a debt conversion.

Figure 2: Debt Conversion Model



- e. **Potential Financial Instruments:** Instruments must match with intervention needs and be supported by a well-defined theory of change that links the inputs (financial instruments) through Implementing Organizations, such as IFIs and DFIs. Instruments must match with the proposed intervention to catalyze change and build a foundation for private sector activities thus promoting long-term sustainability by leveraging approaches like NbS and PES.
- i. **Technical Assistance:** Capacity building, studies, trainings, also known as “TA” and commonly referred to as consulting, is the process of providing targeted support to an organization with a development need or problem. It is an effective method for building the capacity of an organization. Expertise, knowledge transfer, feasibility, research studies, the development of tools, which support members’ implementation of the international standards, such as practical guidelines, work manuals and tracking systems.
 - ii. **(Micro) Grants:** Provide technical assistance and capacity-building programmes to improve governance, management, and operational capabilities, reducing operational risks. Reimbursable Grants provided to not overburden recipient cash flows and become repayable under certain conditions to enable growth or operating expenditure (Opex) capacity building etc., as recovered principal (reimbursable grants) re-flows back into the project fund for redistribution to additional sub-projects until the end of the investment period.
 - iii. **Guarantees:** Mitigate specific risks utilizing a credit guarantee issued to cover potential first-loss or default, reducing the overall project risk. Development of guarantee solutions within suitable local financial institutions to address risks typical of NbS projects. A guarantee instrument could give confidence to lenders when M/SMEs are short of adequate collaterals. Small-scale projects should also benefit from standardized procedures to access guarantee funds to reduce transaction costs. Exit strategies of principal funding provided will be executed at the end of guarantee tenor.
 - iv. **Concessional loans:** Provide loans at much lower interest rates, well-below market pricing, and structure with longer tenors, grace periods, and/or performance-based conditional repayment for strategic growth opportunities without burdening project cash flows. Grace periods are expected to be longer and will be designed on a case-by-case basis. An exit strategy will consist of recovering principal, plus interests and any fee at the end of the loan tenor.

- v. **Blended Finance:** Provide to combine public and private sector resources, mixing grants/loans, leveraging concessional finance while combining with commercial investments to help bridge funding gaps, lower overall project risk, and crowd-in the private sector.

V. Mechanism Governance Architecture: With the development of a PDF or MDTF, the funding mechanism will require the following framework. For a SDTF or Debt Conversion modality, the same components or entities of the governance architecture will exist but have different alignments and locations.

- f. **Mechanism Entities:** The management of the TF/Mechanism is carried out at three levels; Fund Operations, Fund Administration, and Fund Implementation.

i. Fund Operations:

- 1. **Oversight (Steering) Body or Committee:** Ideally membership in the Steering Committee will not exceed 9 members, and composition will vary depending on the scope and purpose of the fund. Responsibilities will include:

- Provide general oversight and exercising overall accountability of the Fund;
- Approve the strategic direction of the Fund and its overall results framework;
- Approve Fund risk management strategy and review risk monitoring regularly;
- Review and approve proposals submitted for funding, ensuring their conformity with the requirements of the Fund's Terms of Reference (TOR);
- Decide the allocation of funds;
- Review Fund status and oversee the overall progress against the results framework through monitoring, reporting and evaluation;
- Review and approve the periodic progress reports consolidated by the Administrative Agent and the Secretariat based on the progress reports submitted by the Implementing Entities;
- Commission mid-term and final independent evaluations on the overall performance of the Fund;
- Appointment of the auditor;
- Approve direct costs related to fund operations supported by the Secretariat;
- Approval of the annual financial statements;
- Develop and implement resource mobilization strategies to capitalize the Fund.

- 2. **Secretariat:** The entity will be responsible for the programmatic coordination and monitoring of the Fund. The unit provides technical and management support. Responsibilities will include:

- Take initiative in recruitment for fund design, implementation, partnership coordination, and administration;
- Draft Manual of Operations, define Country and Project eligibility and access;
- Advise the Steering Committee on strategic priorities, programmatic and financial allocations;
- Provide logistical and operational support to Oversight Committee;
- Organize calls for proposals and appraisal processes;
- Ensure the monitoring of the operational risks and Fund performance;

- Consolidate annual and periodic narrative and financial reports;
- Facilitate collaboration and communication between Participating Organizations to ensure programmes are implemented effectively;
- Liaise with the Administrative Agent on fund administration issues.

ii. Fund Administration

1. **Administration Agent or Trustee:** will administer the Memorandum of Understanding (MOU) with the Participating UN Organizations and Standard Administrative Arrangements (SAAs) with contributing partners or Implementing Organizations.
 - Hold and administer fund account for the receipt, administration, and disbursement of funds to the participating organizations;
 - Notify the Steering Committee of the amounts used for such purposes financial reporting;
 - Manage performance and financial reporting;
 - Manage legal and documentation of funding mechanism to ensure compliance with donor funds;
 - Implement Manual of Operations.

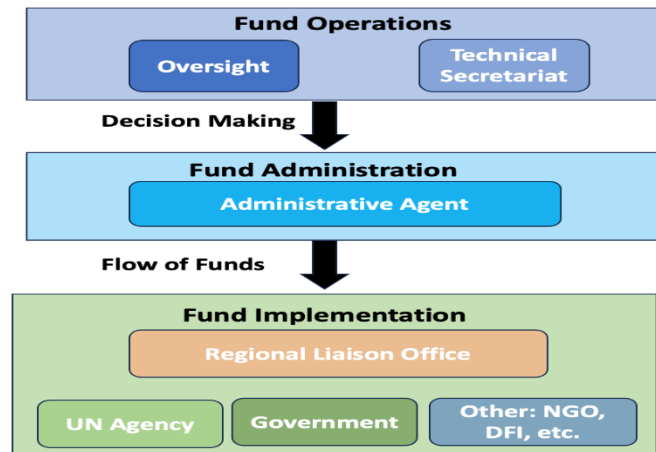
iii. Fund Implementation

1. **Regional and Country Liaison Office:** Leads on coordination between Secretariat and implementing organizations in the field for project implementation (implementing organizations and national governments). To ensure flexibility, the governance arrangements combine nimble oversight to the Fund or directly national coordination structures.
 - Project lifecycle implementation within the countries;
 - Coordination with governments;
 - Manage Implementation Organizations.
2. **The Implementing Organizations** could be among others the World Bank, International Cooperation Agencies (ICAs), UN agencies and international non-governmental organizations (IGOs).

The Funding Mechanism will be implemented through four types of fund implementation modalities, namely Participating UN Organizations like UNDP, UNEP FI, the World Bank, International Cooperation Agencies (ICAs); IGOs like TNC and WWF invited by the SSMF Fund Secretariat to sign an administrative support services agreement.

Each implementing organization shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent. Each implementing Organization shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent. This separate ledger account shall be administered by each Implementing Organization in accordance with its own regulations, rules, directives, and procedures. Specific provisions will apply to the IGO category which are detailed in the agreements and the Manual of Operations (MOP).

Figure 3: Governance Architecture:



iv. Legal Architecture:

1. Define legal relationships of the funding mechanism between funding mechanism entities including the Regional Countries, Oversight body, Secretariat, (Fund Operations), Regional Liaisons, and IOs;
2. Develop legal compliance framework to include Standard Administrative Agreement (SAA) with partner organizations, Memorandum of Understanding (MOU) with regional countries as well as Letters of Intent (LOI) with the countries with legally binding incentives that leverage and link monies to disbursement with performance targets and project compliance;
3. Include a legal mandate and backing for the Manual of Operations (MOP).

v. Manual of Operations (MOP):

The MOP should be developed by the Secretariat and approved by Oversight. The MOP should detail the operational guidelines of the funding mechanism to give clear guidance with the following attributes; describe the roles and responsibilities and be time-bound in an organized and structured way.

Integrate the following components:

1. Financial Management

- a) Management of the funds;
- b) Assurance of financial compliance, safeguarding against corruption, risk management, anti-money laundering (AML);
- c) Preparation of periodic and annual financial statements.

2. Organization and Operations

- a) Describe compliance framework with Donor Fund Regulations, Internal Policies, Relevant Laws;
- b) Results based framework, ESMS plus Reporting, Monitoring, and Evaluation;
- c) Reporting: Preparation of an annual report; Preparation of annual financial statements.

3. Programme/Project

- a) Describe in detail access to Funds or Eligibility requirements for both projects and countries;
- b) Allocation of funds;
- c) Monitoring and evaluation of performance;
- d) Project approval process.

vi. Risk Management Strategy

A risk management strategy will be developed by the Secretariat considering the nature of risks and extent of potential losses at all project levels. The Secretariat defines risk tolerance, establishes policies in relation to identified risks, and determines risk treatment through mitigation measures. Initial tasks for defining the risk management strategy are defined as follows:

- Identify potential risks and uncertainties and take steps to mitigate the risks in a systematic way with periodic assessments;
- Design risk management tool (with best practice ESG standards) and then establish the governance mechanism for risk review and reporting and/or Risk Committee with dedicated Risk and Security Officer;
- Design and implementation of technical assistance to fill informational risk gaps and undergo operational, financial, institutional, reputational risk identification and baseline assessments;
- Create risk ratings methodology and rating assignment for each risk category/sub-category to be updated during periodic monitoring and reporting;
- Deploy of mitigation analysis and strategies at all levels during implementation for example at the portfolio level, to understand the actual risks of these projects instead of relying on perceived risks;
- Consider Risk Insurance for managing heightened risk profiles of Sahel-Saharan regional countries that may include political violence, currency inconvertibility etc.;
- Form a Risk Committee and develop a Risk Dashboard for reporting to the Risk and Oversight decision-making body.

At the first level of risk management, the monitoring of risks will be done by the implementing organizations as part of their regular reporting to the Secretariat within the established framework, highlighting in particular the key mitigation measures taken in accordance with the risk management strategy and their direct influence on achieving the expected results. At the second level of risk management, the Secretariat will consolidate the risk mitigation measures and the reporting in a Risk Dashboard which will be presented to the Oversight Body for approval annually. On-going oversight from Risk Committee to approve governance structure and operations as well as monitor and decide on high-risk level events.

Particular attention will be given to risks arising from conflict situations and insecurity in several of the countries supported by project funding. The Fund's objective is not to resolve conflicts, so it is expected that activities will concentrate in areas where implementation is possible. However, security situations can be volatile and subject to abrupt changes.

Furthermore, in certain countries, it is the security situation that drives migration and puts pressure on nearby areas. Therefore, it is inevitable that certain programs will be affected by a conflict situation or its indirect impacts. As results at the program level, implementing

organizations are expected to ensure proper implementation arrangements in line with the capacities of local authorities and the security situation as well as exercise a duty of care to guarantee the safety and security of staff, suppliers and contractors involved in the implementation of programs in areas with volatile security situation.

Physical risk support for staff must be provided with government/official security forces and additional contractors. Mitigation strategies could entail outreach and awareness campaigns with training in situational awareness, emergency response, etc.

VI. Mobilization Roadmap and Strategic Recommendations

- 1. Hire a Consultant, Sr. Fund Advisor for a Design and Development Phase:** To continue the development of a funding mechanism, it will be necessary to hire a consultant to lead the transformation of the SSMF Mechanism Concept into a fully-fledged programme that can successfully raise and deploy \$30 Million and beyond. The Consultant would focus on four key areas: 1) Programme and Fund Design and Development; 2) Lead the direction of Research Support 3) Lead in the Fundraising and Outreach Activities; 3) Develop Donor Concept Notes and Project and/or Funding Proposals.

2. Programme and Fund Design and Development

- a. Conduct a thorough internal SWOT Analysis and Decision Tree:** There are many unanswered questions presented by this document that need to be considered in depth prior to the next stage of programme design. The Consultant with the Team will need to formulate the critical questions and outline the answers in a decision tree to determine the best course of action.

This exercise should be conducted in tandem with a SWOT analysis of the funding options as a tool to appropriately analyze the context, understand the trade-offs, and identify a strategic logic. The questions and decisions are to be made on funding options, the governance architecture, funding sources to target, the funding instruments, of which are all interlinked and must be understood and carefully considered before arriving at any conclusions. These initial questions will require Team analysis and brainstorming to define the best initial solution which will become the basic structure for targeting funding sources to raise funds, designing a Project Preparation Grant (PPG), preparing concept notes, and approaching initial donors.

- b. Select Funding Structure, Mobilization Plan, and Initiate Implementation:** Based upon analysis and design benefits, decide on plan and launch into obtaining the necessary funds to complete the design and development and ultimately obtain anchor funding. The next stage will demand 'seed' funding from an anchor donor. 'Anchor' in this context is initial capital provided by a known donor that provides seed funding for programme development, demonstrates the commitment of a serious donor which can then be leveraged to attract more capital for other similar-themed donors.
- c. Develop Project Preparation Grant (PPG):** In order to hire a consultant and undergo a design phase for the funding mechanism, it will likely require approximately \$150,000 to \$350,000 for the Consultant to conduct further analysis, attend events for fundraising and outreach, procure a regional security assessment and risk mitigation technical assistance (TA), and procure junior staff research support, etc. In addition to a rationale, program

conceptualization, specific Work Plan and Budget for each activity, the initial key components of PPG should contain the following:

- i. **In-Depth Security Assessment (or Feasibility Study):** Regional security is a major concern/issue requiring intensive research, consultation, and professional mitigation and planning for implementation in these fragile states.
- ii. **Develop a Theory of Change for the Funding Mechanism:** This section is critical and explains the objectives and the scope of the funding mechanism, which are usually based on/anchored in an existing strategic framework (national, regional or global) for the thematic intervention.
 - **The TOC describes the initial assumptions of the diagnosis and required inputs** to bring about a positive intervention that meets its stated Programme objectives;
 - **The TOC provides the basic structure and components** that map the root causes and threats to critical change path by linking the causal relationships to the inputs which can bring about the stated outputs and ultimately the outcomes;
 - **Critical Linkage between Species and Habitat Loss (and other critical SDGs):** **Species** loss as a standalone does not address the holistic nature of the problem, but it also limits access to broad funding availabilities. As an example, the keystone species concept could be leveraged as it has a strong scientific basis which is well-documented linking to habitat, climate change, species, and biodiversity themes.

3. Fundraising, Outreach, and Partnership Network

- g. **Develop Anchor Donor and/or Philanthropist Org.:** Leverage concept to find PPG donor for Design Stage development while building Programme based partners to develop more opportunities with co-financiers.

Below is an informal list of brainstorming ideas that should be considered for the next stage of Funding Mechanism design and development.

- i. **Identify potential Anchor Donor(s):** As described above, an Anchor donor is the initial donor that the Team can leverage to attract more donors. Start with known donors that are familiar with the Teams mandate and financial constraints.
- ii. **Create a Narrative:** Develop narrative based on a Theory of Change that matches themes, objectives, and outcomes for fund contributions. This should coincide with building out models for the funding mechanism backed by thematic research and data and refined by global policies and best practices.
- iii. **Promote a Sense of Urgency:** Frame the issues and leverage to its fullest extent the urgency required to take full advantage of the small window of time for action to prevent habitat and species loss or potentially extinction with the emphasis the severity of ramifications for Climate Change, Biodiversity, Desertification, and the eventual impact on security and human well-being (e.g. regional fragility and species that provide essential services on culture, health, food production like pollination, etc.).
- iv. **Leverage the Brand and Access:** UN affiliation will open doors with partners, co-financiers, and the like. It serves as a great platform to build strategic partnerships with top experts, donors, and local stakeholders.

- v. **Develop Pitchbook Deck:** Need to have a deck to shop around potential donors and cooperation partners for making pitches. Demonstrates capabilities, expertise, objectives, plan, and strategy to achieve CMS targets.
- vi. **Symbolic Iconic Animal and Habitat:** Consider development of iconic animal of the region to represent the Mechanism and to build support and drive consciousness leverage examples like the Rwandan gorilla or Chinese panda (WWF).
- vii. **Track record:** With a limited track record in deploying multi-million dollar funding mechanisms, the Team will need to have the right people in place with a strong track record. In addition, the Team will need to show a strong project pipeline and be able to demonstrate strong knowledge and expertise of species in this region, relevant research, and science-based approaches to both conservation and restoration, etc.
- viii. **Regional Dialogue and Stakeholder Participation.** Community or local participation will be essential to the intervention's success at every level. Broad consultations with a broad stakeholder participation should be integrated into the Programme to give a voice and create sustainable alliances to this transnational problem. Communication, cooperation, and aligned incentives will be the key to creating a diverse and sustainable stakeholder base while appeasing inherent conflicting interests.

h. **Identify and Develop Collaboration Partnership Network:** Further develop list of potential fundraising sources, FIFS, Countries, MDBs, Co-financiers, NGOs, Foundations, etc. Conduct the necessary analysis to analyze access and alignment feasibility to target best funding options and leverage existing relationships.

i. **Scan on Rolling Basis Funding Opportunities.**

4. **Develop in Parallel Concept Note to Full proposal with key Donor/Co-financier Consultations.**

a. **Develop and demonstrate indicative project pipeline.**

i. **Explore Revenue-generating Conservation Models (Brainstorming)**

- Release a Request for Applications (RFA) to identify projects including NbS Business Models for seed grants and PES;
- Animal Sanctuary for Orphan Animals and Nurseries for repopulation and habitat restoration with Ecotourism and Donation-funding NGO with local Board; -Identify Case Studies like Giraffe Center in Nairobi, Kenya etc.;
- Connect the Programme to broader economic picture of sustainable local economic growth, productive jobs, and sustainable livelihoods that can be linked to global ecotourism sustainable revenue generators that emphasize conservation.

ii. **Technical Assistance Projects**

- Current CMS Project Proposal Drafts

iii. **Develop Sub-Project Concept Notes** for 1-3 operational projects.

iv. **Phased Approach, from Catalytic to Sustainable:** The initial estimate for \$31M as outlined in the initial Work Plan and Budget while foreseeing that to have a lasting

change, a second-round donor contribution or investment, within a range of 3 to 5 times the initial catalytic amount.

Phases I-III: The first Phase will primarily consist of programme design, fundraising, and proposal development and approval, while developing a strong project pipeline. Phase II would consist of the official establishment of the Fund and operational entities and initiate capital deployment to projects. A phased programme must demonstrate scalability from Phase I onward for example, for Phase I and II to address 5-9 species and scale to even more categories and species over a longer (10-15 year) time horizon.

Funding Focus and Bootstrapping Strategy. Bootstrapping is the process of building a business (or Programme) from scratch with minimal capital. The concept is to leverage a strong strategy to piecemeal bring in capital via fundraising (or profit-driven business model in business) and parlay each gain into further building the Programme while constraining expenses effectively. This can be done with donor funding and successful but limited project execution.

Phase II will be crucial for transitioning the Fund from catalytic to sustainable (or evergreen), leveraging project execution success to further fundraising to set up legally permanent institutional structures in the form of foundations, trust funds, etc. Phase III will document comprehensive metrics, begin to see effects of intervention and report on them. Expand the scope of migratory species to birds like African raptors and other keystone species critical to combat habitat loss. By Phase III, the Programme should have a strong track record and will be able to access even more funding/revenue streams to expand the scope and take on more conservation themes.

VII. Final Summary: Current Best Feasibility Scenario

The initial task for creating a new mechanism is to first perform an analysis to find the most suitable donors with clear pathways to access funds within a reasonable timeframe. The strategy to obtain funding will be piecemeal, iterative, and based on methodically going through the first stages of the project (funding mechanism) design as laid out in the previous sections of this document.

At this point, the most feasible funding mechanism is a **Project Development Facility (PDF)**. Creating a new Trust Fund is an intensive process that requires substantial internal capacities as identified and explained in the Mechanism Governance Architecture section of this document.

It is fair to say that CMS does not currently possess the capacity to create a new Trust Fund but should focus first on current opportunities and build capacity over time. Creating a PDF works in tandem with fundraising as CMS will be required to first demonstrate project feasibility and initial execution success before it can raise the substantial amounts of funding for a major sustained intervention in the region.

The role of CMS must evolve over time in a way that best compliments its internal strengths and objectives. With a PDF configuration, CMS would take on the role of an implementing agency to

develop the underlying portfolio of projects that can be implemented and monitored by 3rd party consultants. The initial PDF architecture would consist of a project account with minimal internal custodial risk and governance (Fund Administration).

With a simplified operational funding structure in place, CMS will be able to concentrate its energies and capacity on fundraising by leveraging existing funding channels. To procure additional 'seed' funding in parallel CMS must develop other channels as identified in this document.

In short, the approach should be multi-pronged to diversify funding access and aid in the overall funding mechanism development. The interaction with donors and partners during this initial stage aids substantially in the formation of a funding mechanism given that in parallel, CMS will be developing internal capacities, refining the strategy, and defining the internal architecture.

One other particularly important attribute of a PDF is the ability to form a coalitional base that can unite a diverse set of donors with a broader thematic basis. Trust Funds are largely fixed thematically fixed and limited to a single donor or generally a small set of homogeneous donors. This should be interpreted to note that a PDF is more competitive in its ability to pool funding from a broader thematic spectrum and mix both public and private funds.

The PDF modality also allows for maximum flexibility in structure which is less formalized and a good starting point to allow for broader eligibility to funding from a diversity of donors. As the funding mechanism develops, the future role for CMS will become clearer, but it is important to have a target in mind for the future role of CMS within the mechanism. It is likely to assume that the most natural fit will be to take on the role of a Technical Secretariat and decide later whether to outsource or in-house the Fund Administration role.

Under the umbrella of a PDF, the Team could set up an initial seed grant facility to finance an underlying project portfolio and experiment with grant financing of both the public and private sectors in the resource management and environmental development space as explained in previous sections.

It should be noted that this is the best tentative recommendation at this stage and comes with a caveat that a deeper internal assessment and analysis is required to determine the optimal solution for a capital deployment to protect and support SSMF habitats and species.

VIII. Annex

A. Table 1: Work Plan Budget (Attached)

B. Table 2: List of Potential Fundraising Sources (Attached)

C. Table 3: Questionnaire
(Attached)

D. Proposal for the Continuation of the Concerted Action for Sahelo-Saharan Megafauna