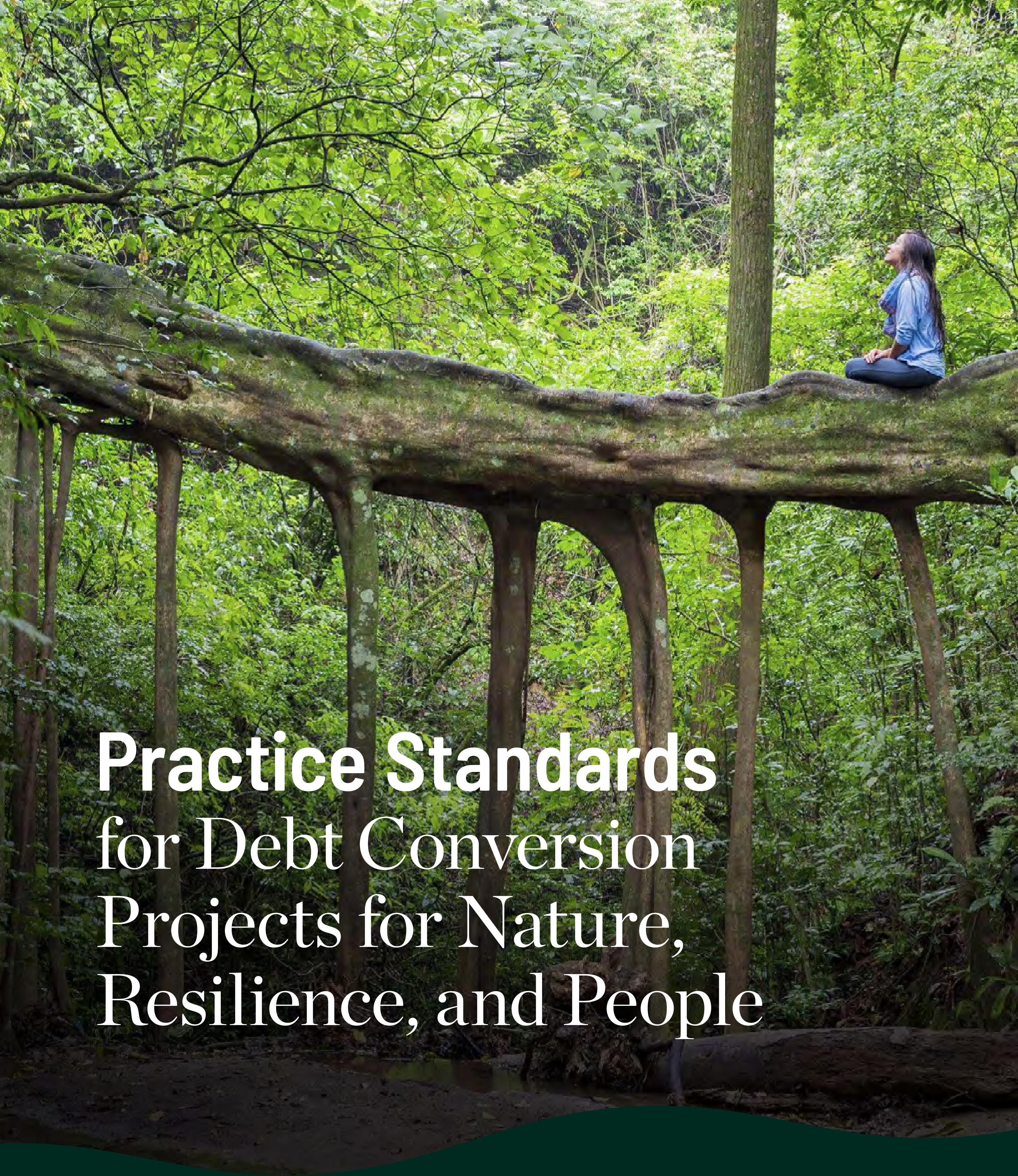

Practice Standards for Debt Conversion Projects for Nature, Resilience, and People

Prepared by Ximena Escovar-Fadul, Kat Griswold, Slav Gatchev, Camila Monteiro, Joanna Smith, Paolo Revellino and Melissa Garvey

VERSION 1.0 JUNE 2025

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Many thanks to all of the contributors listed for their commitment to making the Practice Standards a quality product, and everyone who provided input on the initial versions of the text; their support and guidance throughout the process were invaluable. The Practice Standards were principally drafted and edited by Ximena Escovar-Fadul, Kat Griswold, Slav Gatchev, Camila Monteiro, Joanna Smith, Paolo Revellino, and Melissa Garvey. Thanks to Nynke Humalda for her role as process coordinator. Thanks to Braeden Mayer and Ramzi Issa for their inputs to the first draft of the Practice Standards. A special acknowledgement to Sue Stolton and Nigel Dudley for their contributions to early drafting, process support, and guidance in developing the Practice Standards in alignment with the ISEAL Code of Good Practice for Sustainability Systems. A special thanks to Kevin Bender for his initial concept of the Practice Standards.

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Disclaimer

These Practice Standards were developed through collaboration among subject matter experts from various institutions and organizations, including members of the Advisory Group and Steering Committee. While the Practice Standards reflect a shared professional understanding, they do not necessarily represent the official views, positions, or endorsements of any individual, institution, or organization involved in their development. These Practice Standards serve as a general guide and should not be considered financial or legal advice. Individuals considering any subjects addressed in this document are strongly encouraged to seek consultation with their advisors.

Cover photo: Ancient forest, Monteverde, Costa Rica © Christopher Becerra / TNC Photo Contest 2019

Acronyms

CAFE: Consortium of African Funds for the Environment

CBD: Convention on Biological Diversity

CFA: Conservation Finance Alliance

CTF: Conservation Trust Fund

DFIs: Development Finance Institutions

ESMF: Environmental and Social Management Framework

ESMS: Environmental and Social Management System

ESS: Environmental and Social Safeguards

FPIC: Free Prior and Informed Consent

GBF: Global Biodiversity Framework

ILO: International Labor Organization

IPs and TCs: Indigenous Peoples and Traditional Communities

IPPF: Indigenous Peoples Planning Framework

ISEAL: International Social and Environmental Accreditation and Labelling

KPIs: Key Performance Indicators

MDBs: Multilateral Development Banks

M&E: Monitoring and Evaluation

MOU: Memorandum of Understanding

NBSAPs: National Biodiversity Strategies and Action Plans

NDA: Non-Disclosure Agreement

NGOs: Non-Governmental Organizations

PRI: Political Risk Insurance

RedLAC: Latin American and Caribbean Network of Environmental Funds (Red de Fondos Ambientales de Latinoamérica y el Caribe)

RFP: Request for Proposal

SDGs: Sustainable Development Goals

SPV: Special Purpose Vehicle

TNC: The Nature Conservancy

TOR: Terms of Reference

UN: United Nations

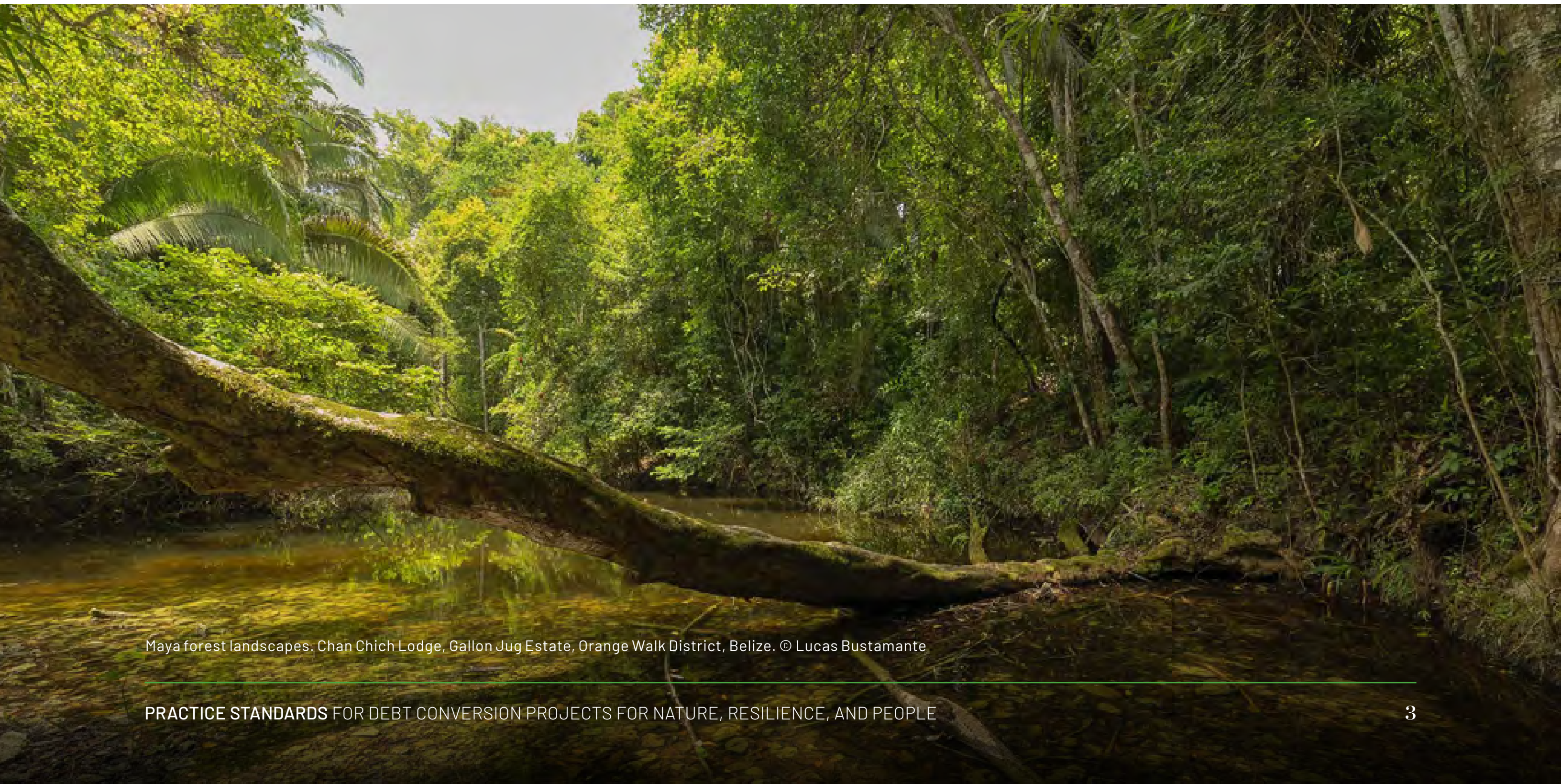
UNDP: United Nations Development Programme

UNDRIP: United Nations on Declaration of Rights of Indigenous Peoples

UNFCCC: United Nations Framework Convention on Climate Change

UDHR: Universal Declaration of Human Rights

WWF: World Wildlife Fund



Maya forest landscapes. Chan Chich Lodge, Gallon Jug Estate, Orange Walk District, Belize. © Lucas Bustamante

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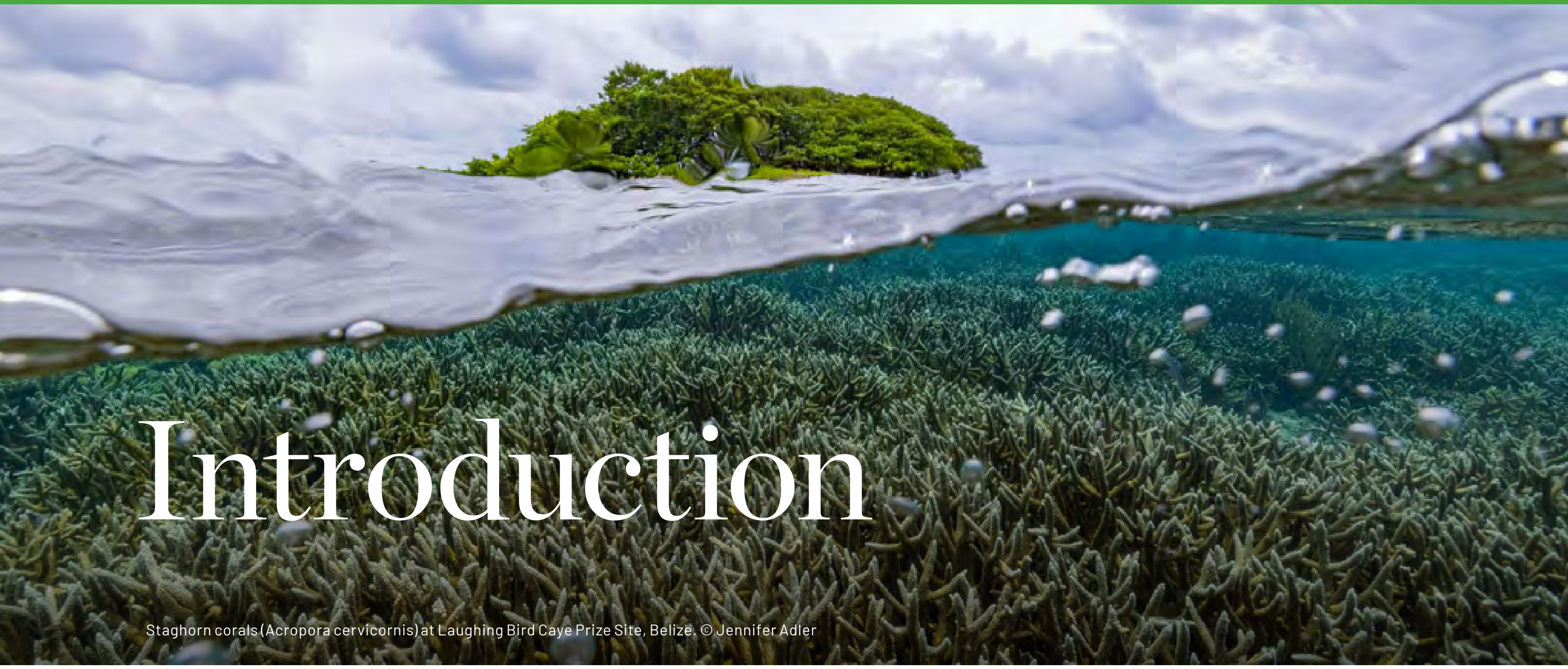


Introduction

Staghorn corals (Acropora cervicornis) at Laughing Bird Caye Prize Site, Belize. © Jennifer Adler

Today the world faces three interconnected crises: biodiversity loss, climate change, and unsustainable debt, each greatly exacerbating the other. Governments, Non-Governmental Organizations (NGOs), and Development Finance Institutions (DFIs) have increasingly focused on using commercial debt refinancing to simultaneously take action in support of conservation, build resilience to environmental change, and reduce or reprofile sovereign debt. As of June 2025, several large-scale Debt Conversion Projects for Nature, Resilience, and People ('Debt Conversion Projects') have achieved financial close and are under implementation.

These include Seychelles, Belize, Barbados, Gabon, The Bahamas, and Ecuador (all sponsored by The Nature Conservancy (TNC))[1], the Galapagos Islands, Ecuador (sponsored by Pew Bertarelli Ocean Legacy and Ocean Finance Company), El Salvador, and Barbados' Debt for Climate Resilience Operation.

Debt Conversion Projects aim to refinance some, or in certain occasions, all of a country's commercial debt to generate new funding for actions in support of conservation and resilience, thereby contributing to the achievement of a country's national and international goals, such as National Biodiversity Strategies and Action Plans (NBSAPs) and Nationally Determined Contributions (NDCs). These projects are led by governments, in collaboration with Stakeholders, Rightsholders, local and international NGOs, and development banks and/or finance institutions.

They facilitate the refinancing of debt using credit enhancements to unlock funding for initiatives that build resilience for nature and people. An independent Conservation Trust Fund (CTF) manages a conservation funding stream that the government commits to funding over the term of the new financing in a manner that ensures transparency, accountability, and compliance with the Project Agreements.

Throughout this document, we refer to 'Debt Conversion Projects for Nature, Resilience, and People' ('Debt Conversion Projects') as a general concept which applies to all such commercial debt conversions regardless of the Project Sponsor.

1 For more information specific to TNC's Nature Bonds Projects, please visit Nature Bonds Program website, or the Nature Bonds Toolkit.

What are Debt Conversion Projects for Nature, Resilience, and People?

Debt conversions allow a sovereign with a credit rating below investment grade to access international capital markets at a lower cost by directly and/or indirectly issuing debt with a higher credit rating than its own.

Fiscal savings are unlocked through one or more of the following:

(i) reduction in debt stock by buying back existing sovereign debt at a discount

(ii) lower interest rates compared to that of the refinanced debt, and/or

(iii) lower interest rates compared to the market rates available to the country

Such savings are then used to support the achievement of conservation and resilience outcomes without adding, or in some cases reducing, demands on national budgets and debt levels. Collaborations between international NGOs, development banks, and other development entities facilitate the provision of credit enhancements such as Political Risk Insurance (PRI) and Guarantees. The debt conversion transaction is not a purely financial proposition rather the transaction is paired with conservation science, policy, and planning to help countries deliver on their national and international priorities like NBSAPs and NDCs, close the nature-finance gap, and support local people.

Debt Conversion Projects vs Debt for Nature Swaps

'Debt Conversion Projects for Nature, Resilience, and People' are different structures from 'Debt for Nature Swaps' which historically refer to bilateral debt forgiveness offered by a creditor government to a debtor government.[2] Bilateral debt swaps, which have inspired the newer commercial structures and continue to unlock valuable conservation funding, are outside the scope of this document, which focuses on commercial debt conversions.

The Nature Conservancy (TNC) pioneered **Debt Conversion Projects For Nature, Resilience, and People**, starting with Seychelles, and continues to actively pursue such projects under its Nature Bonds Program.

Rain transforms the vast, dry Savannah of the Ngorongoro crater in Tanzania.
Sandesh Kadur/TNC Photo Contest 2022

2 Practice guidance for protected and conserved area finance.
Page 121. Citation: Monteiro, C., Hansen, A., Escovar-Fadul, X. & Gatchev, S. (2025). Debt Conversion, Factsheet 3.

How Do Debt Conversion Projects Work?

Debt Conversion Projects are developed through collaboration with governments and other key Stakeholders and Rightsholders to design actionable conservation and/or resilience programs that are both funded and feasible.

The government, the Conservation Organization(s), and the Project Sponsor assess the enabling conditions and identify the appropriate parties for a potential Debt Conversion Project. Credit Enhancers are essential to making Debt Conversion Projects happen[3]. The primary ways of enhancing the credit rating of the new issuance well above the credit rating of the government are through Political Risk Insurance and Guarantees; the two products can be deployed independently or combined in a single transaction. The new issuances that TNC and other sponsors have structured to date have obtained a high investment grade of AA or higher, compared to the sub-investment grade of partner governments in the CCC to B+ range.

After obtaining an initial government consent to proceed with the project, the government and Conservation Organization(s) co-develop the Commitments for Nature, Resilience, and People ('Commitments'), engaging with relevant Stakeholders and Rightsholders as soon as practically and legally possible. The parties then negotiate the Project Agreements with the lenders and Credit Enhancers, who have general requirements for every project they support, in addition to specific conditions related to the conservation, resilience, and/or financial provisions of a Debt Conversion Project.

All development activities before the execution of the Project Agreements and the funding of new loans, are referred to in this document as 'Pre-financial close', while all subsequent activities to implement the Debt Conversion Project are referred to as 'Post-financial close'.

A Debt Conversion Project typically has a term of 15–20 years Post-financial close, which matches the term of the new loan. During implementation, the Conservation Organization(s) works closely with the government, contributing technical assistance in science, conservation planning, CTF operation and management, and project management. The conservation funding generated by the Debt Conversion Project is received and disbursed by an independent CTF ensuring transparency, accountability, and compliance with the Project Agreements. The CTF may also invest in an endowment to provide sustainable funding after the loan matures. The government and CTF generate regular public reports on the progress and outcomes of conservation efforts, and share best practices, and lessons learned.

Like other national-scale investment programs, Debt Conversion Projects may face numerous risks throughout their lifecycles, including legal, political, reputational, financial, social, and environmental. Risks need to be assessed and mitigated throughout the life of the Project, proportionate to the scale/probability of potential risk and tailored to each parties' best practices, policies, and procedures for internal risk management and mitigation.

For a comprehensive walkthrough of a Debt Conversion Project as led by TNC, please download the Nature Bonds Toolkit.

3 Credit Enhancers provide Guarantees (or Credit Guarantees), insurance policies or other types of credit enhancements to increase the credit rating of the transaction to high investment grade, lowering the cost of capital and increasing the amount of savings (or value addition) available to be allocated to the Project Payments.

Key Roles under a Debt Conversion Project

For all other terminology, please see the Glossary.

Project Sponsor (see Practice Standard 2.4)	A credible and experienced entity (non-profit, public, or private organization) responsible for the development and aspects of the implementation of a Debt Conversion Project, including arranging the Project's financing. The Project Sponsor facilitates the involvement of financing parties, supports the negotiation and execution of the Project Agreements, and the establishment, operationalization, and/or strengthening of the CTF. The Project Sponsor may also support the implementation of the Debt Conversion Project.
Conservation Organization(s) (see Practice Standard 2.5)	One or more experienced philanthropic, public, or private institutions with proven expertise in conservation, ecological and community resilience, and nature-based solutions, as well as the ability to execute the Debt Conversion Project in the host country. Pre-financial close, the government and the Conservation Organization(s) co-develop the Commitments. The Conservation Organization may also work with the government and other parties to develop an Environmental and Social Management Framework (ESMF), collaborate with local Stakeholders and Rightsholders and assist the establishment, operationalization, and/or strengthening of the CTF. Post-financial close, the Conservation Organization(s) may act as a conservation advisor providing technical assistance to the government, and also as the Verification Agent (see Practice Standard 5.2). Conservation Organizations typically include an international NGO.
Government	The governing body of a nation, state, or community. In the context of this document, the government of the host country, typically represented by the Ministries of Finance and Environment (or the equivalents) at a minimum.
Verification Agent (see Practice Standard 5.2)	The party responsible for the Post-financial close Conservation Commitment Milestones verification, and reviewing project reporting from the government and CTF. This role can be played by the Conservation Organization(s) or another specially designated party possessing relevant capabilities and acceptable to the Project Sponsor, Conservation Organization(s), government, Credit Enhancers, and Lead Arranger(s).

Why Are Practice Standards for Debt Conversion Projects Needed?

The Practice Standards establish a common understanding of good practices for financing and implementing Debt Conversion Projects as they exist today. They support process and operational consistency to achieve high social and conservation impact, and encourage adaptive learning, development, and improvement over time.

These Practice Standards can support Stakeholders looking to develop new projects in their efforts to meet global targets including the Global Biodiversity Framework (GBF) and the Paris Agreement (in alignment with the Sustainable Development Goals (SDGs), related to conservation and climate), and demonstrate a commitment to a future with a livable environment, healthy communities, and thriving nature.

Given the keen global interest in Debt Conversion Projects following the successful financing of several high-profile projects to date, an expert group (see Box on page 11) developed these *voluntary* Practice Standards for Debt Conversion Projects For Nature, Resilience, and People, based on the group's practical experience in closing and implementing Debt Conversion Projects. The Practice Standards seek to ensure that future projects are of high quality, and are well understood by governments, Credit Enhancers and Investors, NGOs, advisors, and society at large. This document is intended to be a tool for supporting the development, implementation, and monitoring of high-quality projects. The authors recognize that as the market and projects evolve, there may be valid reasons to diverge from and/or update the Practice Standards.

These Standards are meant to be applied holistically with a focus on substance and not form; the fact that a particular project does not meet one or more specific Practice Standards does not necessarily imply a failure of that Debt Conversion Project or the Practice Standards.

The Practice Standards outline the internationally recognized best practices across topics related to Debt Conversion Projects. However, the Practice Standards cannot capture every applicable best practice required to accomplish these projects, nor do they replace existing practice standards (e.g., Conservation Finance Alliance (CFA) Practice Standards for CTFs) or general capital and loan markets standards and best practices. They can be applied alongside other relevant and institutionalized good practices on (among others) conservation planning, human rights/ safeguards, CTFs, financial transparency, and reporting. These Practice Standards serve as a guide to the development and implementation of Debt Conversion Projects, and as a basis for greater harmonization when parties collaboratively design and implement projects.

Who Should Use Them

These Practice Standards are intended to be a resource of common understanding of good practices for parties designing and implementing Debt Conversion Projects, including conservation institutions, typically NGOs, Credit Enhancers, philanthropic funders, Investors and investment banks, governments, advisors, Rightsholders and Stakeholders, among others.

At COP 16 in Cali, Colombia, a group of leading NGOs—Conservation International, The Nature Conservancy, The Pew Charitable Trusts, Re:wild, The Wildlife Conservation Society, and World Wildlife Fund US, plus ZOMALAB—announced a coalition (The Debt Coalition) focused on scaling Debt Conversion Projects, rooted in the belief that the magnitude of the opportunity for people, resilience, and nature requires radical collaboration among conservation NGOs. The Debt Coalition's work revolves around five main pillars: joint project development and support, the creation of a joint risk mitigation fund, policy efforts, knowledge sharing, and application and evolutions of the Practice Standards. The Debt Coalition members intend to use these Practice Standards to guide the development of future projects and hope that other sponsors will also use this document to guide their efforts.

How To Use Them

The Practice Standards have been written for the entire duration of a Debt Conversion Project, from initial scoping to the full implementation and completion of all Commitments, and addresses all stages of the project cycle.

The Practice Standards can be used as a guide for best practice and an annual (or more frequent) "health check" in relation to following best practices. The intention is not to replace but to complement existing standards and principles. It is advised that the Practice Standards are used as a companion piece to the Nature Bonds Toolkit, to other existing Practice Standards, and to other relevant guides and documents applicable to a project.

Jamal Galves, program coordinator for the Belize Manatee Conservation program at the Clearwater Marine Aquarium, flies his drone to look for manatees in Belize. © Jennifer Adler

Development Process

These are the first Practice Standards developed for Debt Conversion Projects. The development process has been convened by TNC, who established an Advisory Group and Steering Committee from many of the parties involved in Debt Conversion Projects to draft, review, and decide on the Practice Standards' process, and to provide subject matter expertise and high-level guidance related to the Practice Standards.

Practice Standards Steering Committee and Advisory Group

Members of the independent Advisory Group and Steering Committee are familiar with bilateral and commercial Debt Conversion Projects, and include representatives from global NGOs, Multilateral Development Banks (MDBs), DFIs, investment banks, Investors,and law firms. Agreed upon Terms Of Reference (TORs) were developed for each group.

The Practice Standards development process is based on international standards and global best practices (see Box on page 12). The process is designed to generate discussion, obtain significant input, and eventually create alignment on shared Practice Standards to be *voluntarily* adopted by NGOs, governments, Credit Enhancers, Investors, banks, CTFs, Rightsholders, Stakeholders, and others interested in pursuing best practices in Debt Conversion Projects. To inform the Practice Standards drafting, the Advisory Group used international guidebooks, global best practices, and globally recognized frameworks from published and authoritative sources (see Resources).

Future Evolution

The Advisory Group and Steering Committee will assess and review public comments, the Practice Standards' implementation, lessons learned, and improvements or changes to the Practice Standards. No independent verification or certification body is currently being proposed for these Practice Standards. Specific processes for assessing whether individual projects meet the Practice Standards may be considered in the future.

The Practice Standards will evolve as new projects are developed and implemented, following the internationally agreed and implemented ISEAL Code (see Box on page 12). After publishing version 1.0 of the Practice Standards, the Advisory Group and Steering Committee intend to continue to revise the Practice Standards based on project parties' experience. We encourage all readers of this document to share your thoughts with us; you can e-mail naturebonds@tnc.org.

The Practice Standards can be updated in two ways:

1. **Minor updates:** Corrections, minor additions, and new tools may be added to the Practice Standards periodically to ensure these stay up to date. These updates are suggested and developed by practitioners (e.g., the Practice Standards Advisory Group) and approved by the Steering Committee. Revised versions will be numbered 1.1, 1.2 etc.
2. **Consultation updates:** The Advisory Group and Steering Committee intend to put a system in place to obtain feedback from Practice Standards users and the public, with the aim of improving the Practice Standards and eventually incorporate major updates, if necessary. Feedback would be considered by the Advisory Group, approved by the Steering Committee, and incorporated every two to four years resulting in a new version of the Practice Standards numbered 2.0, 3.0 etc.

Practice Standard development process is based on international best practices

International Social and Environmental Accreditation and Labelling (ISEAL) has developed an internationally agreed and implemented Code of Good Practice for Sustainability Systems which includes good practices on standard-setting. Although developed for market-driven practice standards (e.g. Forest Stewardship Council), the ISEAL code includes many principles and practices that provide a robust overarching framework for other development processes. It has been used to guide these Practice Standards; in particular the following recommendations:

- The Advisory Group and Steering Committee review the Practice Standards at least every five years.
- There is clarity on who Stakeholders are and how they provide input.
- The Practice Standards' development and the revision of Practice Standards follows a consistent and robust process, including:
  - developing, reviewing, and revising the Practice Standards, including the processes for Stakeholder engagement;
  - establishing decision-making roles, responsibilities, and procedures; and,
  - creating protocols for changes in the Practice Standards, including mechanisms to communicate those changes to affected Stakeholders.
- Stakeholders have sufficient time and opportunity to contribute to the Standards' development and revision, including:
  - at least two rounds of input on initial Practice Standards development; and
  - at least one round of input on Practice Standards revision.
- Stakeholders can see what input was received and how it has been considered.
- Decision-making processes about the content of the Practice Standards are transparent and aim for consensus.
- Processes regarding changes to the Practice Standards are agreed and can allow:
  - minor updates, or non-substantive changes, to the Practice Standards to be easily made; and
  - consultation, or major, updates via a robust approach developed to urgent substantive changes to the Practice Standards.

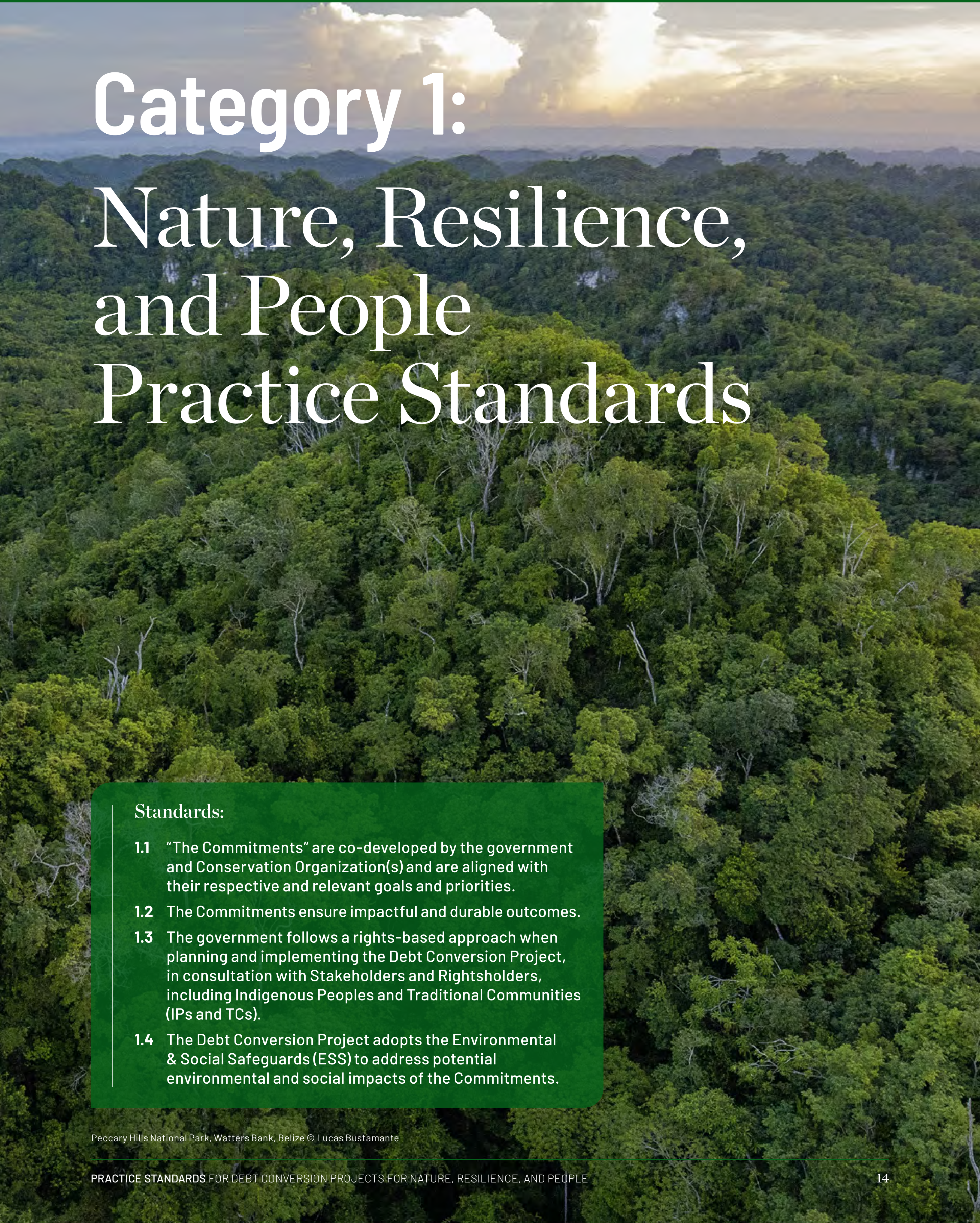
Practice Standards Outline

The Practice Standards are organized around five categories:

Category 1	Nature, Resilience, and People
Category 2	Governance and Operations
Category 3	Financial Transaction
Category 4	Conservation Trust Fund Management
Category 5	Monitoring and Reporting

Each category has several Practice Standards within it, presented in the following format:

- The standard **title**.
- **Summary** of the Practice Standard.
- **Context** with more information about the Practice Standard including the background and rationale.
- **Practical considerations** outlining what to consider when applying the criteria that make up the Practice Standard.
- **Criteria** as the specific requirements that together are needed in order to reach a Practice Standard.
- **Evidence base** documents or relevant to demonstrate criteria have been met. Not all evidence is required.
- A collected **Resources** section appears at the end of this document.



Category 1:

Nature, Resilience, and People Practice Standards

Standards:

1.1 "The Commitments" are co-developed by the government and Conservation Organization(s) and are aligned with their respective and relevant goals and priorities.

1.2 The Commitments ensure impactful and durable outcomes.

1.3 The government follows a rights-based approach when planning and implementing the Debt Conversion Project, in consultation with Stakeholders and Rightsholders, including Indigenous Peoples and Traditional Communities (IPs and TCs).

1.4 The Debt Conversion Project adopts the Environmental & Social Safeguards (ESS) to address potential environmental and social impacts of the Commitments.

Peccary Hills National Park, Watters Bank, Belize © Lucas Bustamante

Category 1 addresses how Commitments for Nature, Resilience, and People ('Commitments') are developed for a Debt Conversion Project. It also outlines the responsibilities of the project's parties to uphold human rights and safeguard the rights of Indigenous Peoples, Traditional Communities (IPs and TCs), and other Rightsholders and Stakeholders.

Category 1 Practice Standards focus on the development of the Commitments of Debt Conversion Projects, to be co-developed with the government and the Conservation Organization(s), which support the country's existing nature, resilience, and people priorities (Practice Standard 1.1), while capturing the government's legally binding commitments to ambitious conservation, sustainable development, and/or climate outcomes (Practice Standard 1.2). The section also addresses how these Commitments are designed, managed, and implemented by the government following a participatory, rights-based approach and how to develop and apply communication and engagement plans to collaborate with Stakeholders and Rightsholders, including IPs and TCs (Practice Standards 1.3). In addition, the Conservation Organization(s) develops an ESMF to address the potential impact of the Commitments (Practice Standard 1.4).

Practice Standard 1.1

The Commitments are co-developed by the government and Conservation Organization(s) and are aligned with their respective relevant goals and priorities.

Summary

The government and Conservation Organization(s) co-develop the Commitments to align with their respective nature, resilience and people priorities, and with the engagement of relevant Stakeholders as soon as practically possible.

Context

Commitments are co-developed for each project and tailored to support meeting the conservation goals and priorities of the individual country, while aligned with international, regional, and sub-regional agreements, commitments, and policies, including, but not limited to the Global Biodiversity Framework (GBF), the Paris Agreement, the United Nations (UN) 2030 Sustainable Development Goals (SDGs) related to conservation and climate, the Universal Declaration of Human Rights (UDHR), and the United Nations on Declaration of Rights of Indigenous Peoples (UNDRIP). In addition, the Commitments can be aligned with the Conservation Organization(s)'s priorities and best practices in the country and region, usually informed by NBSAPs, NDCs, and UN SDGs.

Co-development of the Commitments is an iterative process by the parties, involving drafting, reviewing, and editing to reach an approved text to be included as part of the Project Agreements. The co-development process includes applicable government consultations with relevant Stakeholders and Rightsholders, as soon as practically and legally possible.

See Nature Bonds Toolkit Section 4.3. How are Conservation and Climate Commitments Co-developed?

Practical considerations

- The Commitments must align with the government's priorities, be within the ability of the government to implement, have support from the responsible agencies at the time of Project Agreements signing, and be realistic to achieve within the timeframe and available resources (both existing and funded by the cash flows generated by the transaction) (Practice Standards 1.2, 3.1, and 3.6).
- Government consultations with relevant Stakeholders and Rightsholders consider equitable access to participating in the co-development process.
- Both the government and the Conservation Organization(s) conduct a desktop review of the Commitments during the co-development process to consider environmental, legal, social, cultural, and economic requirements and factors, as well as existing and potential benefits, risks, threats, and impacts to Rightsholders, including IPs and TCs (also see Practice Standards 1.3 and 1.4).
- When necessary, the Conservation Organization(s) engage local independent counsel to clarify laws and regulations, including due diligence on customary and legal rights of IPs and TCs (Practice Standard 1.3).

Criteria

1.1.1	The government and Conservation Organization(s) co-develop the Commitments through regular meetings and engagement with working groups to align with their respective priorities.
1.1.2	The Commitments' co-development and implementation includes a consultation process in which the government and the Conservation Organization(s) engage with relevant Stakeholders and Rightsholders, as soon as practically and legally possible.
1.1.3	The Commitments consider environmental, legal, social, cultural, and/or economic requirements, and factors, as well as existing and potential benefits, risks, threats, and impacts to Rightsholders, including IPs and TCs, when applicable, in the specific context of the country.

Evidence base

- Commitment drafts with comments from parties (e.g. redline edits with explanatory footnotes).
- Commitments co-developing working group minutes and reports.
- "Ways of working" agreements between the government and the Conservation Organization(s).
- Non-disclosure agreements (NDAs) as permissible among parties participating in the co-development of the Commitments.
- Internal scoping documents and processes to assess the enabling conditions for achieving the Commitments in the country, as well as potential factors, benefits, and potential risks, threats, and impacts when implementing them.
- The Commitments that refer to and show alignment with the government's published national and international commitments and priorities.

For more, see Resources.

Practice Standard

1.2

The Commitments ensure impactful and durable outcomes.

Summary

The Commitments are ambitious, measurable, feasible, unambiguous, flexible, and additional. These guiding principles establish trust with all key parties including Credit Enhancers, funders, and Investors, ensure accountability and result in durable, meaningful, and impactful outcomes, in alignment with international best practices and numerous goals outlined by the GBF, UN 2030 SDGs related to conservation and climate, and the Paris Agreement.

Context

The Conservation Organization(s) and government enter into a long-term Conservation Funding Agreement. The Commitments therein must result in durable, meaningful, and impactful conservation and resilience outcomes. Designing the Commitments in accordance with the following guiding principles provides clarity on required actions, helps maximize the long-term benefits realized by a Debt Conversion Project, and ensures that the legally binding actions supporting conservation and resilience of people and nature are verifiable.

The Commitments guiding principles are:

- **Ambitious:** The Commitments set challenging and substantial outcomes for the country, representing long-term ambitions, ensuring commitments are material, substantive, impactful, and aligned with the UN 2030 SDGs related to conservation and climate, the Convention on Biological Diversity (CBD), and the Paris Agreement.
- **Measurable:** Milestones within the Commitments are easily assessable to report on progress and objectively verifiable through documentation and available data. Commitments must clearly define how the action will be measured and validated, given the potential challenges to measure conservation success and impact.
- **Feasible:** The Commitments, while ambitious, are realistic and achievable within designated timeframes, and with projected resources and technical capacity (Practice Standard 2.6).
- **Unambiguous:** The Commitments' language is clear and the meaning is easily understood by all key parties without room for misinterpretation. The Commitments must contain unambiguous language and terminology so that they are well understood by all parties and can be validated by subject matter experts to verify whether Milestones have been met. Unambiguous Commitments are key to maintaining clear information over the term of the project, when structural and staffing changes can be expected to occur within organizations, and institutional knowledge can be lost or reduced.

- **Flexible:** While the Commitments are unambiguous and the outcomes clearly defined, the path to achievement is not prescriptive. A country has the flexibility to meet the Commitments in changing contexts over the typical 15 to 20-year term of a Debt Conversion Project, while also leaving room for changes, consultations, or advances in science, information, and techniques that could be used to achieve the commitment. In other words, while Milestones achieve the expected outcomes, the processes undertaken to achieve them are flexible. Adaptive management is encouraged, particularly in response to monitoring and reporting outcomes and evolving international best practice.
- **Additional:** The Commitments result in additional positive outcomes, surpassing what a country could achieve without the combination of financial resources and technical support resulting from a Debt Conversion Project (Practice Standard 3.6).

Practical considerations

- The Commitments include Milestones, specific legally-binding requirements, which must be achieved by the government within a specific time period; and may also include additional aspirational, non-binding outcomes with no required deadline to align intentions around activities that are not included in the Milestones. The due dates for Milestones in the Commitments are spaced across the timeline of the Debt Conversion Project using practical considerations to achieve each Milestone.
- To ensure the additional benefits as per the principles above, it is important to consider prioritizing Commitments that address landscapes and seascapes at high risk of conversion, loss of species, fragmentation, and/or degradation, where a lack of intervention is likely to result in biodiversity losses and/or higher greenhouse gas emissions. However, it is also possible to achieve ambitious and additional conservation and resilience benefits in landscapes and seascapes of high ecological integrity that face fewer immediate threats, or where degradation has already occurred. For instance, activities related to habitat protection, connectivity, restoration, adaptation, etc. may occur in less threatened landscapes and seascapes while still achieving additional benefits for conservation and resilience.
- With reference to the above, the Commitment co-development process and subsequent implementation uses internationally recognized best-practice approaches to conservation planning, such as, but not limited to, the application of the spatial conservation planning, conservation practice standards, ecosystem-based adaptation, marine spatial planning, and the mitigation hierarchy.
- The Commitment co-development process includes discussions on reporting, and the development of reporting templates, to increase clarity of reporting expectations.

- The funding generated by the Debt Conversion Project transaction is not to be expected to fully cover the cost of implementing the Commitments, and the Milestones can be written with sufficient flexibility where possible to enable the project's success under different financial scenarios (Practice Standards 3.1 and 3.6).
- Although the Commitments may require resources beyond those provided by the transaction, each Milestone takes into consideration the resources unlocked from the Debt Conversion Project. To ensure an optimal balance between ambition and feasibility, the government may opt to undertake a cost assessment of the Commitments in relation to the funding generated by the transaction, as well as an assessment of additional financial flows or savings that could support the Commitments.

Criteria

1.2.1	The Commitments result in additional conservation, resilience, and people outcomes surpassing what a country could achieve without the combination of financial resources and technical support resulting from a Debt Conversion Project.
1.2.2	If there are any Commitments related to climate mitigation, they are additional to a business-as-usual baseline, resulting in measurable reductions and/or removals of greenhouse gas emissions beyond what would occur without human intervention, and exceeding a country's existing mitigation efforts that already have received designated funding.
1.2.3	Commitments, and the implementation thereof, are realistic and achievable within designated timeframes, and given the financial and technical resources projected to be available.
1.2.4	Each Milestone needs to be unambiguous and include: (i) the standard by which it will be judged, (ii) how the Verification Agent will determine whether it has been met and adheres to the Commitments, and (iii) a glossary of terms to ensure understanding.
1.2.5	Throughout the project cycle, the government will demonstrate adaptive management to meet changing circumstances.

Evidence base

- The Commitments show alignment with the government's priorities (e.g. NDCs, SDGs, and national workplans).
- Conservation reporting templates (see Category 5).
- Globally recognized planning tools have been used and referenced to shape the Commitments (see Resources).
- Glossary for all defined terms included in the Commitments.
- Archive of documents relating to desktop and/or legal review to inform the Commitments.

For more, see Resources.

Practice Standard
1.3

The government follows a rights-based approach when planning and implementing the Debt Conversion Project, in consultation with Stakeholders and Rightsholders, including Indigenous Peoples and Traditional Communities (IPs and TCs).

Summary

The government follows a rights-based approach when planning and implementing the Debt Conversion Project. This approach entails a transparent, inclusive, equitable, evidence-based, knowledge-based, and participatory process that includes Stakeholders and Rightsholders and meets global best practice guidelines.

Context

The government follows a rights-based approach when co-developing the Commitments and ensures human rights principles, other rights, and global best practices when considering new policies and practices, in which Stakeholders and Rightsholders, including IPs and TCs, are a key part of the conservation and resilience planning and decision-making process. This includes evidence of Free, Prior and Informed Consent (FPIC) of Rightsholders.

In general, a rights-based approach entails a process that is:

- **Transparent:** Widely communicated and understandable by Rightsholders and Stakeholders, including IPs and TCs, with honest and accountable governance.
- **Inclusive:** Governance, data collection, consultation, and decision-making accounts for the full diversity of people and different types of knowledge present in the area, impacted by the project.
- **Equitable:** Actions are taken to ensure fair opportunities and benefits for Rightsholders and Stakeholders. Specific actions may be needed to bring equity to groups who historically or typically have had less access to opportunities and benefits.
- **Evidence and Knowledge-based:** Decisions are informed by evidence and facts, including from multiple knowledge sources such as local knowledge, peer-reviewed scientific research, and traditional knowledge.
- **Participatory:** Rightsholders and Stakeholders are included in conversations and decision-making related to conservation, adaptation, and resilience. Participatory processes are consent-based, where Rightsholders, such as IPs and TCs, are empowered to give or withhold consent on actions or aspects of plans that affect them.

Practical considerations

- Stakeholders and Rightsholders may be required to sign non-disclosure Memoranda of Understanding (MOUs) or agreements (NDAs) to enable engagement Pre-financial close; and some participatory planning processes, including consultation, may need to happen Post-financial close (Practice Standard 2.1).
- To follow a rights-based approach, the government and Conservation Organization(s) endeavor to apply known and clear national processes, understand the applicable rights and customary authority systems of Stakeholders and Rightsholders, including IPs and TCs, and account for the specific timelines and consultations needed to meet this approach in different contexts. In addition, the Conservation Organization(s) and government allocate sufficient budget, time, and capacity to enable a rights-based approach when planning and implementing the Debt Conversion Project in consultation with Stakeholders and Rightsholders.
- All planning processes are guided by international best practices on human rights, including principles outlined by UDHR, UNDRIP, and International Labor Organization (ILO) Convention No. 169. Stakeholders and Rightsholders, including IPs and TCs, are widely engaged by the government and related parties throughout the design and implementation of the Debt Conversion Project, to reach agreements in accordance with best practices for rights-based conservation and resilience planning. Any outcomes or actions taken by any party in the Debt Conversion Project that may pertain to the lands, waters, territories, or resources of Indigenous Peoples (IPs) are subject to their full and formal FPIC, to reach agreements in accordance with best practices for rights-based planning for conservation and community resilience.
- When national laws and regulations do not follow global best practices and frameworks (i.e. UN guidance on human rights), a framework that follows global best practices and standards needs to be included as a requirement in the Project Agreements (see Practice Standard 1.4).
- Conservation Organization(s) may develop and apply their own frameworks on human rights-based approaches to meet global best practices (see Resources).
- The government, in collaboration with the Conservation Organization(s), maps all potential Stakeholders and Rightsholders, including IPs and TCs, involved in the Debt Conversion Project, and their benefits, risks, and opportunities.
- The government, in collaboration with the Conservation Organization(s), creates a communication working group or designates a point of contact that develops and applies public communication and engagement plans tailored to address Stakeholders' and Rightsholders' needs and realities. Potential funding opportunities and planning updates follow easily digestible formats and be available in local and Indigenous languages and channels, when applicable.
- The government, in collaboration with the Conservation Organization(s), creates a communication strategy to build capacity about the Debt Conversion Project, the CTF, and to manage expectations in terms of the timing for funding disbursement.

- Pre-financial close, the government, in collaboration with the Conservation Organization(s), creates an Indigenous Peoples Planning Framework (IPPF) or Indigenous Peoples Plan, when IPs and TCs are present in the projected area. The FPIC process, where required, is to be started by the government Pre-financial close and finalized Post-financial close, prior to the legalization and enforcement of conservation and resilience plans.
- For successful engagement, it is important to maintain ongoing (project deadline-agnostic), high-quality, rights- and trust-based relationships with Stakeholders and Rightsholders, including IPs and TCs. These relationships are a priority in and of themselves, not a means to an end. This means the practices will reflect the priorities of IPs and TCs – and the diverse social identities who comprise them, including women and youth – and will be in service of their self-determination.

Criteria

1.3.1	The government, in collaboration with the Conservation Organization(s), conducts a Stakeholders' and Rightsholders' mapping effort Pre-financial close, to identify who may be impacted by the Debt Conversion Project.
1.3.2	The Commitments are drafted allowing time and capacity for Post-financial close Stakeholders' and Rightsholders' consultation processes (Practice Standard 1.2).
1.3.3	The Commitments include language that requires evidence of a transparent, inclusive, equitable, evidence-based, and participatory conservation planning process that follows global best practices, in which Stakeholders and Rightsholders, including IPs and TCs, are part of the planning and decision-making process for conservation and community resilience.
1.3.4	Any Commitments that address adaptation also enable policies and systems necessary to ensure local Rightsholders and Stakeholders, including women and historically excluded groups, can directly access necessary resources, including for ecosystem-based adaptation.
1.3.5	A full and formal documented FPIC process needs to be completed by the government, with support from the Conservation Organization(s), for any outcomes of the Debt Conversion Project that could affect the lands, waters, territories, or resources of TCs.
1.3.6	The government publishes timely and relevant information about funding and planning in easily digestible formats, available in local and Indigenous languages and channels.

Evidence base

- Commitment text demonstrating adequate timing for a rights-based participatory process for the Debt Conversion Project.
- Comprehensive Stakeholders' and Rightsholders' mapping exercise with input from representative groups, including IPs and TCs.
- An IPPF or Indigenous Peoples Plan, when IPs and TCs are present in the area of the project.
- Workshop minutes and reports.
- Participatory logbooks recording public feedback and how the government incorporated feedback into the conservation planning and implementation processes.
- Project implementation reports with evidence of a transparent, inclusive, equitable, evidence-based, and participatory process with inclusion of Stakeholders and Rightsholders, including IPs and TCs, when applicable.
- Documentation of the FPIC process completed prior to the legalization and enforcement of conservation and resilience plans.

For more, see Resources.

Practice Standard

1.4

The Debt Conversion Project adopts Environmental & Social Safeguards (ESS) to address the potential environmental and social impacts of the Commitments.

Summary

The Conservation Organization(s), in collaboration with the government, adopts ESS and develops an ESMF for each Debt Conversion Project that seeks to manage potential adverse impacts when implementing the Commitments.

Context

Applying ESS is an important opportunity for engaging Stakeholders, avoiding, mitigating, and/or compensating adverse impacts, enhancing the quality of project proposals, and increasing ownership over objectives and plans related to Commitments. Debt Conversion Project parties can start applying ESS processes Pre-financial close through risk screening and categorization, an Environmental and Social Safeguards Management Framework (ESMF), and initial Stakeholder mapping and engagement. Post-financial close, the CTF applies ESS through the Environmental and Social Management System (ESMS), before disbursing funding from the Debt Conversion Project.

The Conservation Organization(s) carries out an initial screening of the project to identify the main environmental and social risks, and assigns the project a risk category. The risk screening and categorization of the Debt Conversion Project determines the scope and depth of the ESMF, which assesses the potential environmental and social impacts associated with the Commitments and identifies any relevant mitigation measures.

The Conservation Organization(s) develops the ESMF Pre-financial close, to be agreed by all Debt Conversion Project parties. A fully scoped ESMF normally includes:

- An assessment of the country's environmental and social legal framework to identify gaps against minimum international standards (i.e. those followed by DFIs).
- A mapping of the Stakeholders who might be affected, directly and indirectly, by the Debt Conversion Project.
- A list of the expected impacts (through e.g. an Environmental and Social Impact Assessment, a Socio-Economic Assessment, or any other assessments required).
- The identification of measures aimed at avoiding and reducing negative impacts while maximizing the potential for positive impacts.

If adverse impacts are unavoidable, the ESMF defines how to mitigate sufficiently, and/or compensate for them, and outlines systems of accountability such as grievance mechanisms.

Typically, the ESMF will also outline the structure of an Environmental and Social Management System (ESMS) to be designed and implemented by a designated CTF, Post-financial close (Practice Standard 4.6).

Practical considerations

- Post-financial close roles and responsibilities related to ESS for all parties are determined by the Project Agreements and may include:
  - The government bears a duty to uphold human rights during all activities that are part of the Commitments.
  - The CTF drafts, designs, and manages the ESMS that is applied before disbursing funds for activities (Practice Standard 4.6). The Conservation Organization may support the CTF on the drafting of the ESMS to mitigate potential delays (Practice Standard 4.2).
  - The Verification Agent and/or the Conservation Organization(s) monitors and reports on CTF compliance and the government's fulfilment of the Commitments and ESS (Practice Standards 5.1 and 5.2).
  - The Conservation Organization(s) may provide additional technical assistance to support ESS (Practice Standard 2.5).

The ESS application is tailored wherever possible to the realistic size of the project and capacity of IPs and TCs, as well as domestic institutions. It ensures that the application and reporting procedures are culturally appropriate and are accessible across any significant communication barriers (including language and, wherever possible, access to technology).

- The Debt Conversion Project also needs to meet any Credit Enhancers' due diligence and ESS requirements (and meet the thresholds of widely accepted international frameworks).
- When national laws and regulations do not follow global best practices and widely accepted frameworks, such global best practices and standards need to be included in the ESMF and as requirements in the Commitments.
- When applicable, the ESMF includes mitigation, redress, and compensation measures to manage potential impacts caused by the Debt Conversion Project.
- The ESMF is normally complemented with additional and more specific plans, such as a Stakeholder Engagement Plan or Framework, an IPPF or Indigenous Peoples' Plan, and a Gender Action Plan (Practice Standard 1.3).
- Usually, the development of the ESMF is carried out by safeguard specialists / consultants hired by, and in coordination with, the Conservation Organization(s)'s safeguards team that also provides technical assistance to the CTF to implement its ESMS (Practice Standard 4.6).

Criteria

1.4.1	The Conservation Organization(s), carries out an initial screening and categorization of the project to identify the main environmental and social risks, and assigns the project a risk category.
1.4.2	The Conservation Organization(s) develops an ESMF Pre-financial close for the Debt Conversion Project, based on internationally accepted safeguards systems, and/or the Conservation Organization(s) safeguards framework, and in compliance with Credit Enhancers' requirements.
1.4.3	Risk management frameworks and systems Post-financial close are applied under the CTF's ESMS for different types of risk, with appropriate mechanisms to avoid, reduce, and mitigate risk, and compensate for harm. (Practice Standard 4.6).

Evidence base

- Debt Conversion Project screening and categorization.
- ESMF developed for the Debt Conversion Project.

For more, see Resources.

Category 2:
Governance and Operations Practice Standards

Standards:

2.1 The Debt Conversion Project parties maintain clear communication and agree to keep sensitive information confidential.

2.2 The Debt Conversion Project has clear institutional arrangements and structures for governance and operations.

2.3 The Debt Conversion Project designates an independent CTF to manage the conservation funding.

2.4 The Debt Conversion Project has a Project Sponsor supporting the government in arranging the financing.

2.5 The Debt Conversion Project has a designated Conservation Organization(s) who provide technical assistance to the government and CTF during the development of the Commitments and the implementation of the Debt Conversion Project.

2.6 The Debt Conversion Project has the resources for governance systems and operational structures, with the relevant expertise hired throughout its lifecycle.

The great barrier reef of Belize. © Alejandro Velasco/TNC Photo Contest 2019

This set of Practice Standards focuses on the functions, operational structure, expertise, and resources needed to design and implement a Debt Conversion Project.

Category 2 Practice Standards ensure a governance and operational structure with appropriate and adequate capacity to lead the Debt Conversion Project, Pre- and Post-financial close. A Debt Conversion Project requires confidentiality Pre-financial close, with the need of clear communication procedures among parties throughout the project's lifecycle (Practice Standard 2.1). Project execution is led by the government concerned, with formal institutional arrangements in place (Practice Standard 2.2), including an independent CTF (Practice Standard 2.3). To complete the governance and operational structure, technical assistance is provided by a Project Sponsor (Practice Standard 2.4) and a designated Conservation Organization(s) (Practice Standard 2.5), which can be the same institution.

All participants in the governance and operations structure ensure the necessary resources to support their involvement in the project, and to hire professionals with the expertise required for the Debt Conversion Project's design and implementation (Practice Standard 2.6).

Practice Standard **2.1**

The Debt Conversion Project parties maintain clear communication and agree to keep sensitive information confidential.

Summary

All parties are expected to maintain ongoing communication about responsibilities, commitments, and expectations throughout the project lifecycle. Communication agreements require all parties to keep sensitive information confidential, especially Pre-financial close, as knowledge of the potential transaction and/or disclosure of financial information can alter market conditions consequently impairing the economics of the project.

Context

There is often considerable interest by the press, and market coverage of Debt Conversion Projects. Investors' knowledge or belief that a debt repurchase is coming could raise the price of the debt in the market, thereby potentially decreasing the financial feasibility of a project and reducing the funds which are to be unlocked. Such effects are temporary, premature disclosures of a project under development – which may or may not ultimately achieve financial close – and can lead to market fatigue and make the financing more difficult to execute. Projects need to balance the need for confidentiality during the Pre-financial close negotiations, with the need for consultation and Stakeholders' and Rightsholders' engagement (Practice Standards 1.3 and 1.4).

Clear expectations regarding confidentiality with all parties need to be established early in the process and revisited throughout the Pre-financial close steps especially if new parties join the project, to avoid unintentional disclosure of sensitive information.

Practical considerations

- What is possible in terms of communications with Stakeholders and Rightsholders, including IPs and TCs, Pre-financial close varies greatly. It is crucial to seek appropriate communications' expertise and legal counsel to help plan communications approaches based on expert input, and in close coordination with all parties, to proactively develop a rights-based communications process while respecting confidentiality needs. (Practice Standards 1.3 and 1.4).
- Parties (including potential Investors) involved in the transaction sign mutual confidentiality or non-disclosure MOUs or agreements. Any Investors included need to follow internal arrangements of their own firm.

- As soon as practically and legally possible, the government and Conservation Organization(s) consults Stakeholders and Rightsholders in the co-development of the Commitments without disclosing that negotiations around a Debt Conversion Project are taking place.
- Although confidentiality may raise concerns, it is important to ensure that the Commitments will not violate any of the countries' or other parties' policies, rules, or laws regarding decision-making and consultation (Practice Standard 1.3). A rights-based approach also means that Rightsholders and Stakeholders are considered, and integrated, in all phases of the project.
- The government, in collaboration with the Conservation Organization(s), creates a communication strategy to build capacity about the Debt Conversion Project to Stakeholders and Rightsholders, the role of the CTF, and to manage expectations in terms of the timing for funding disbursement.

Criteria

2.1.1	Parties involved in the transaction sign mutual binding confidentiality or NDAs (which may be contained within an MOU).
2.1.2	The parties involved in the transaction agree on guidelines and a plan for responsible communication, while clearly designating focal points and communication channels.

Evidence base

- Non-disclosure agreements.
- Communication guidelines and plans.

For more, see Resources.

Practice Standard

2.2

The Debt Conversion Project has clear institutional arrangements and structures for governance and operations.

Summary

A Debt Conversion Project is implemented under the leadership of the government, in collaboration with other parties. Project governance and operations must establish strong coordination and institutional arrangements across the relevant government agencies, working groups, and other relevant parties, both Pre- and Post-financial close. Clear institutional arrangements include decision-making, and roles and responsibilities for all organizations in the project.

Context

Effective governance structures ensure well-established coordination across agencies and ministries, and include decision-making, roles, and responsibilities. To create impactful and durable outcomes for nature and people, it is important to clarify and agree on roles and responsibilities Pre-financial close and transfer this knowledge to the implementing entities.

Governance and coordination may include the following arrangements:

Pre-financial close

- Internal government coordination working group to facilitate communication between ministries and enable coordination and governance before the project reaches financial close.
- Conservation working group to agree on Commitments and align with relevant ministries, Stakeholders, and Rightsholders.
- Transaction working group to agree on the financial transaction terms.
- CTF working group to agree on the conditions to use an existing CTF, in case there is a suitable CTF already operating or agree on establishment of a new CTF, if necessary.

Post-financial close

- An oversight and coordination implementation unit is established by the government as a formal task force, or other structure, to oversee delivery of the Commitments, ensure government compliance with all agreements and reporting obligations, coordinate the various government agencies that need to be engaged in program delivery, and develop funding requests to submit to the CTF throughout the term of the Debt Conversion Project. The implementation unit ensures there is dedicated capacity expressly for the execution of the Debt Conversion Project.
- A CTF, through the CTF Board of Directors, acts as the non-government counterpart to the oversight and coordination implementation unit. The CTF Board of Directors may establish a specific committee for technical oversight and advice. The Board of Directors is the ultimate decision-making body that selects and approves funding requests and grant awards.
- A communication unit to facilitate communication related to the implementation of the Commitments.

Practical considerations

- All governance and coordination structures include active participation of key government decision-makers, represented and consulted in the governing structures and processes of the Debt Conversion Project, both Pre- and Post-financial close, as permitted by confidentiality constraints.
- Working groups may be comprised of technical and subject-matter experts and advisors such as but not limited to, conservation, environmental, climate, and social sciences (as relevant to the Commitments), transaction, and the CTF.
- Working groups created Pre-financial close may be maintained Post-financial close to enhance knowledge transfer and continuity.
- The Post-financial close governance and coordination structure needs to include Rightsholders, including IPs and TCs where applicable, and reflect the principles of inclusion and equity (Practice Standard 1.3).
- Depending on the context, the government may designate the CTF or an existing unit within the government to facilitate communication.
- Each Debt Conversion Project may differ in terms of their governance, institutional structures, and capacity, so institutional arrangements and structures for Pre-financial and Post-financial close governance and operations are expected to be flexible to accommodate the needs, and Stakeholders, of each Debt Conversion Project. Regardless, governance and operations Post-financial close need to include Rightsholders, reflecting the principles of inclusion and equity.

Criteria

2.2 .1	The government establishes an internal governance coordination working group to advance Pre-financial close negotiations.
2.2.2	The government establishes working groups for conservation, transaction, and the CTF to advance Pre-financial close negotiation.
2.2.3	The government establishes governance and operations units to support the implementation (Post-financial close) of the Debt Conversion Project, including Rightsholders, reflecting the principles of inclusion and equity.

Evidence base

- Technical working group ToRs or similarly applicable documents.
- Technical working group meeting minutes and/or reports.
- Implementation unit (or relevant task force or other structure) ToR or a similarly applicable document.

For more, see Resources.

Practice Standard
2.3

The Debt Conversion Project designates an independent Conservation Trust Fund (CTF) to manage the conservation funding.

Summary

The designated CTF managing the conservation funding stream generated as part of the Debt Conversion Project is independent and adopts institutional policies and procedures allowing it to operate independently. The CTF is expected to follow the CFA Practice Standards for Conservation Trust Funds (updated in 2020) as detailed in Practice Standard 4.1.

Context

CTFs have proven to be effective governance and funding mechanisms to provide financing for the implementation of large programs. While working closely with, and having representation from the government, CTFs are independent to provide continuity in the long term as they operate outside of political change. In a Debt Conversion Project, the CTF's role is to manage the conservation funding stream generated by the transaction, award grants to government and non-government grantees following procedures agreed with parties, prepare aggregated annual reports, including financial audits, and provide transparency and accountability to the implementation of the program. Each Debt Conversion Project needs to create or designate (and adapt policies if necessary) an independent CTF that can operate in-country. While the CTF needs to be able to function and operate legally in-country, it does not necessarily need to be incorporated in-country.

Pre-financial close, the Conservation Organization(s) will assess if there is an existing CTF meeting the expected requirements (Category 4). If the country already has a suitable independent CTF, the parties need to assess if the CTF has, or will have, the adequate capacity and resources to manage the conservation funding stream from the transaction in support of conservation projects.

If, after an evaluative process, the Conservation Organization(s) finds that there is no suitable existing CTF, a new CTF will be needed. If it is, the Conservation Organization(s) and Project Sponsor will support its creation and operationalization in an expedited timeline. In the case of new CTFs, it will be key to have CTF specialists working with the new Board and staff of the CTF. Specialized consultants will also be needed to develop the different institutional policies and frameworks, such as the first Strategic Plan, the initial Operations Manual, the CTF Monitoring and Evaluation (M&E) Framework, the CTF ESMS, and organizational development expertise (such as human resources, communications, IT). The Conservation Organization(s) may support the CTF on the drafting of these institutional policies and frameworks (Practice Standard 4.2).

Practical considerations

- The CTF governance structure has a Board (or equivalent), with a majority of non-government representatives (multi-stakeholder representation, e.g., government, academia, NGOs, private sector, and IPs and TCs). Where the Debt Conversion Project may significantly impact IPs and TCs, they are included in the CTF's governing structure. Ad-hoc committees are established to support Board decisions.
- The Conservation Organization(s) carries a capacity assessment and prepares a capacity building plan for the CTF to manage the conservation funding stream generated by the Debt Conversion Project.
- The agreements outline that the CTF will need to be replaced if expropriated by the government or if it fails to operate according to the expected standards; government expropriation of the CTF would also trigger a default under the conservation and financing agreements.
- The CTF establishes its own policies, including administrative, operational, and financial procedures that ensure independence and comply with the requirements of main international funders (Practice Standard 4.2).
- Given that the time between financial close and the CTF beginning to award grants and disburse funds can present significant reputational and operational risks to the implementation of a Debt Conversion Project (Practice Standard 4.2), the Debt Conversion Project parties may consider identifying early funding Post financial close in support of the CTF operations and procedures. The Conservation Organization(s) may also support the CTF with templates and/or draft versions of the ESMS, to accelerate the disbursement of funds and mitigate potential delays in grant awards.
- The CTF, in collaboration with the Conservation Organization(s) builds capacity for local Rightsholders and Stakeholders, including IPs and TCs, to participate on the CTF Board and access financing for a portfolio of programs and projects (Practice Standard 4.3).

Criteria

2.3 .1	The Conservation Organization(s) creates or designates a CTF during the Pre-financial close, adapting its policies, operations, and frameworks as necessary to align with the CFA's Practice Standards for CTFs.
2.3.2	The CTF is established as an independent legal entity (not controlled by government or any third party), with full legal recognition in-country, and is positioned to achieve its outcomes over time through disbursement of grants, technical assistance support, and capacity building.
2.3.3	The CTF has a fully functioning governance structure with a Board (or equivalent), with the majority of non-government representatives (at least more than one vote of difference, but preferably more), which meets as required and all meetings have minutes.
2.3.4	The CTF governance structures have Stakeholders and Rightsholders representation, including IPs and TCs, with no one sector controlling the entity.
2.3.5	The CTF has an operational structure that has a CEO and a secretariat team with technical support from conservation experts.
2.3.6	The CTF has its own policies, including administrative, operational, and financial procedures that ensure independence and comply with the requirements of main international funders, captured in an Operations Manual.
2.3.7	The CTF maintains a fiscal status that ensures tax-efficiency (maximizing resources for conservation purposes).
2.3.8	The CTF has the legal authority to raise and receive funds from multiple sources, supporting the long-term financial sustainability of conservation activities.

Evidence base

- CTF founding documents (bylaws and Certificate of Incorporation, with Board composition and governance functioning).
- CTF capacity assessment and capacity building plan, when applicable.
- CTF Operations Manual(s).

For more, see Resources.

Practice Standard **2.4**

The Debt Conversion Project has a Project Sponsor supporting the government in arranging the financing.

Summary

A Project Sponsor for the Debt Conversion Project is an organization that has long-term dedicated capacity and expertise, and legal responsibilities to design the financial structure, arrange key financial parties, and provide technical expertise to the government related to the financial structure of the Debt Conversion Project transaction.

Context

The Project Sponsor and associated advisors play a pivotal role in the Debt Conversion Project by guiding and coordinating the various parties involved in the financial structure Debt Conversion Project. Their expertise is essential for effectively linking different parties involved in the financial structure process and negotiating the Project Agreements, while also identifying and facilitating the involvement of the Credit Enhancers and Lead Arranger(s).

The Project Sponsor may also support the implementation of a Debt Conversion Project, the operationalization of the CTF, provide technical assistance to the government, and partner with the Conservation Organization(s) and/or Verification Agent to provide technical support in the operations of validation and reporting. The Project Sponsor could be the same organization as the Conservation Organization(s) and/or Verification Agent. In cases where the Project Sponsor is not involved in the implementation of the Debt Conversion Project, it must identify one or more credible Conservation Organization(s) and other parties to fulfill all required roles.

The Project Sponsor needs to possess or bring key expertise and capacity to design a successful Debt Conversion Project, including experience in-country, or region of operation; capacity to convene key parties, provide technical assistance on the structure of the transaction and project, and support the implementation of the Debt Conversion Project.

The Project Sponsor role may include:

- Providing information to governments related to process and potential financial structure.
- Convening relevant and appropriate parties to establish and advance the financial transaction.
- Providing technical assistance to design and close the financial transaction, at the country's request. This will include orchestrating the moving parts of the financial structure, bringing together the different parties for the negotiation of the terms.
- Identifying and facilitating the involvement of the Credit Enhancer(s) and Lead Arranger(s) for the Debt Conversion Project's financing.
- Providing technical assistance to establish a new CTF or assess and help strengthen, as needed, the capabilities of an existing CTF, based on input from, and in collaboration with, the Conservation Organization(s), legal, and other advisor(s).
- Ensuring that an appropriate capacity is in place to support project implementation for the duration of the project. The Project Sponsor may provide this implementation support in collaboration with the Conservation Organization(s).

Practical considerations

- The Project Sponsor is appointed by the government in writing, setting out any terms necessary to take on this role.
- The same institution can act as both the Project Sponsor and Conservation Organization(s) (Practice Standard 2.5); however, if an institution is the Project Sponsor, and a different institution is the Conservation Organization(s), there needs to be a document setting out the roles, responsibilities, and coordination for both Pre- and Post-financial close.
- Given the financial outlay in developing these large-scale and impactful Debt Conversion Projects, the Sponsor needs access to sufficient financial resources to fund the Pre-financial close project expenses (Practice Standard 3.3).
- The experience and capacity of a Project Sponsor can be supported through external resources such as advisors and consultants.

Criteria

2.4 .1	A Project Sponsor has been formally appointed by the government.
2.4.2	The Project Sponsor has proven to be an institution, or has been able to convene an experienced team with capacity and funding, to play its role of designing the financial structure and convening key financial parties of a Debt Conversion Project, including supporting its implementation.
2.4.3	If the Project Sponsor and Conservation Organization(s) are different entities, there is written documentation clarifying roles, responsibilities, and coordination Pre- and Post-financial close.

Evidence base

- Written documentation by the government appointing the Project Sponsor.
- Written documentation clarifying roles and responsibilities among parties.
- Documentation demonstrating Project Sponsor's experience and capacity to fulfill the role.

For more, see Resources.

Practice Standard 2.5

The Debt Conversion Project has a designated Conservation Organization(s) who provide technical assistance to the government and Conservation Trust Fund (CTF) during the development of the Commitments and the implementation of the Debt Conversion Project.

Summary

A Conservation Organization(s) is designated for the Debt Conversion Project, co-develops the Commitments with the government, and may provide technical assistance to the government and CTF during implementation. The technical assistance during implementation is agreed with the government upon transaction close, based on capacity needs and the scope of the Commitments.

Context

The Conservation Organization(s) plays a key role in co-developing the Commitments with the government (Practice Standard 1.1) ensuring the inclusion of guiding principles so they are durable and impactful (Practice Standard 1.2), and the development of the ESMF (Practice Standard 1.4).

The Conservation Organization(s) may provide technical assistance in the implementation of the Debt Conversion Project. In cases where the Conservation Organization(s) is not involved in the implementation of the Debt Conversion Project, it must identify one or more credible organizations with the ability to support the government in the Debt Conversion Project implementation.

The Conservation Organization(s) may also play a role supporting the operationalization of the CTF, providing technical assistance to the government and CTF Pre-financial and Post-financial close, and partnering with the Project Sponsor (when not the same institution) and/or Verification Agent to provide support in the operations of validation and reporting. The Conservation Organization(s) may be the same organization as the Project Sponsor and/or Verification Agent.

The Conservation Organization(s) is one or more experienced entities (nonprofit, public, or private institution) with proven expertise in conservation, ecological and community resilience, and nature-based solutions projects similar in scope, scale, and complexity to the Debt Conversion Project. The Conservation Organization(s) is responsible for working with the government in support to the achievement of the Commitments alongside the Project Sponsor (if still involved Post-financial close) and advisors to the government.

The Conservation Organization(s) role may include:

- Co-develop and negotiate the Commitments with the government and Project Sponsor (Practice Standard 1.1).
- Support the government, Project Sponsor, Credit Enhancers, and other relevant parties on ensuring the inclusion of durable and impactful Commitments, as part of the negotiation of the Project Agreements for the Debt Conversion Project (Practice Standard 1.2).
- Provide technical assistance related to the development of the Commitments process and inclusion in the Project Agreements, in collaboration with the Project Sponsor.
- Provide technical assistance to establish a new CTF, or assess and help strengthen, as needed, the capabilities of an existing CTF, based on input from, and in collaboration with, the Project Sponsor, legal, and other advisor(s).
- Support the government with building capacity and other technical assistance for successfully implementing the Debt Conversion Project.
- Provide technical assistance to the Verification Agent, when not the same institution, in terms of the Commitments and Milestone reporting and compliance (Practice Standards 5.1 and 5.2).

Practical considerations

- The Conservation Organization(s) is appointed by the government, in writing, setting out any terms necessary to take on this role.
- The Conservation Organization(s) role can be shared across different institutions if the government and parties involved agree to this Pre-financial close.
- The Conservation Organization(s) need access to sufficient financial resources to fund their activities related to the project before financial close (Practice Standard 3.3).
- A portion of the funding generated by the Debt Conversion Project transaction may be allocated to the Conservation Organization(s) to support the provision of technical assistance to the government Post-financial close. Alternatively, technical assistance could be covered by funding from another source.
- If the Conservation Organization and the Verification Agent are the same entity, clear documentation regarding potential conflicts of interest is to be established and be made transparent to all parties.

Criteria

2.5 .1	One or more Conservation Organization(s) have been formally appointed by the government.
2.5.2	The Conservation Organization(s) has the experience, capacity, and funding to play its role in the co-development of the Commitments and to provide technical assistance to the government throughout the Debt Conversion Project.
2.5.3	If there is more than one institution playing the role of Conservation Organization(s) or if the Project Sponsor, Verification Agent and Conservation Organization(s) are different entities, there is written documentation clarifying roles, responsibilities, and coordination Pre- and Post-financial close.
2.5.4	Systems are in place and functioning (Post-financial close) for the Conservation Organization(s) to provide technical assistance to the government (e.g., through technical assistant letters, partnership agreements, MOUs, or other mechanisms).
2.5.5	A portion of the funding generated by the Debt Conversion Project transaction is allocated to the Conservation Organization(s) to finance technical assistance that will support the Debt Conversion Project implementation, if technical assistance is not covered by another source of funding.

Evidence base

- Written documentation by the government appointing the Conservation Organization(s).
- Written documentation clarifying roles and responsibilities among parties.
- Documentation demonstrating Conservation Organization(s)'s experience to fulfill the role.

For more, see Resources.

Practice Standard

2.6

The Debt Conversion Project has the resources for governance systems and operational structures, with the relevant expertise hired throughout its lifecycle.

Summary

Each Debt Conversion Project allocates resources to maintain the functioning of its governance systems and operational structures, including dedicated capacity and multidisciplinary expertise, in relevant areas, such as in the government, the CTF, the Conservation Organization(s), Project Sponsor, and Verification Agent.

Context

All institutions and functions amongst the government, CTF, and other parties (including the Project Sponsor, Conservation Organization(s), and Verification Agent) involved in the Debt Conversion Projects, both Pre-financial and Post-financial close, have the resources needed to hire, build the capacity, and maintain governance structures to design and implement the Debt Conversion Project.

Expertise is provided by consultants and staff from each of the appropriate institutions across the following areas:

- Conservation, environmental, and social sciences resilience, and people.
- Environmental and Social Safeguards (ESS) and human rights.
- The CTF.
- Sovereign financial transactions.
- Legal expertise related to Debt Conversions.
- Investment financial management.
- Monitoring & Evaluation (M&E).
- Local, regional, and international public policy, public administration, and government relations.
- Representation and understanding of legal rights of IPs and TCs, including tenure rights.
- Impact reporting and communications.

The Debt Conversion Project allocates time and funding to build capacity in-country, including but not limited to:

- Understanding among government technical groups and relevant parties of the Debt Conversion Project's conservation goals, structure, timeline, and reporting, among others.
- Building systems and operational structures for the design and implementation of the Debt Conversion Project.
- Hiring staff across parties with the right skillset and capacity to support the implementation of the Debt Conversion Project.
- Building the capacity of CTF Board members and staff on the Project Agreements and an Operations Manual.
- Building the capacity of local organizations to apply for funding, including the CTF's monitoring and reporting requirements.

Practical considerations

- It is recommended that efforts for the operationalization of the CTF start Pre-financial close, to ensure funding disbursement soon after Post-financial close.
- Conservation funding allocations include resources to maintain operational structures and the capacity needed to manage the Debt Conversion Project.
- A CTF administrative cap defined as a percentage of the conservation funding is commonly established during negotiations. The specific percentage depends on the amount of funding managed annually and the services expected to be delivered by the CTF.
- Commitments, CTF, ESS, and sovereign financial transactions expertise are among the essential capacities needed to design and implement a Debt Conversion Project.
- Local, regional, and international public policy, public administration, and government relations are key to ensuring alignment with policies, coordination in engaging with different ministries and agencies across the government in the appropriate sequencing, building the right relationships at the right time, and understanding local government systems for both the Pre-financial close co-development process, and the Post-financial close implementation of the project.
- The Project Sponsor and/or the Conservation Organization(s) provides technical assistance to the government and the CTF, and supports the operationalization of new and established CTF, when applicable.
- The Debt Conversion Project parties may consider identifying early funding Post-financial close in support of the CTF operations and procedures (Practice Standard 2.3).

Criteria

2.6.1	If a new CTF has to be created, the Project Sponsor and Conservation Organization(s) have clear and sufficient budget for the establishment process and operationalization.
2.6.2	Budget and resource allocations are proven sufficient (as demonstrated through budgeting and auditing processes) to operationalize governance systems and operational structures within the government and the CTF for each Debt Conversion Project.
2.6.3	The Conservation Organization(s) and Project Sponsor have multidisciplinary expertise in relevant areas to provide technical assistance to the government for both Pre-financial and Post-financial roles.
2.6.4	Post-financial close, the government hires the required expertise to implement the Debt Conversion Project, across project management, conservation, financial management, and reporting, either directly or through a separate entity.
2.6.5	The CTF has a technical secretariat with permanent staff in essential positions, including financial management, technical management of conservation projects, environmental and social safeguards, monitoring and reporting, administration, and communications.

Evidence base

- Documents clarifying roles and responsibilities related to the different parties involved in the Debt Conversion Project.
- Governance structures TORs.
- CTF Operations Manual(s) annexes with TORs for different positions.
- CTF secretariat organizational diagram ("organigram").
- Job descriptions for staff at the government's implementation unit.
- TORs for external specialists required for technical assistance.

For more, see Resources.

Category 3:

Financial Transaction Practice Standards

Standards:

3.1 Project Agreements must require that the government make Project Payments with the objective of maximizing such conservation funding while promoting debt sustainability.

3.2 Project Agreements are structured to incentivize compliance with the Commitments.

3.3 Pre-financial close transaction costs are as transparent as possible.

3.4 Post-financial close transaction costs are as transparent as possible.

3.5 Lead Arranger(s) are engaged through a competitive process.

3.6 The Debt Conversion Project funding is additional to the baseline public budget.

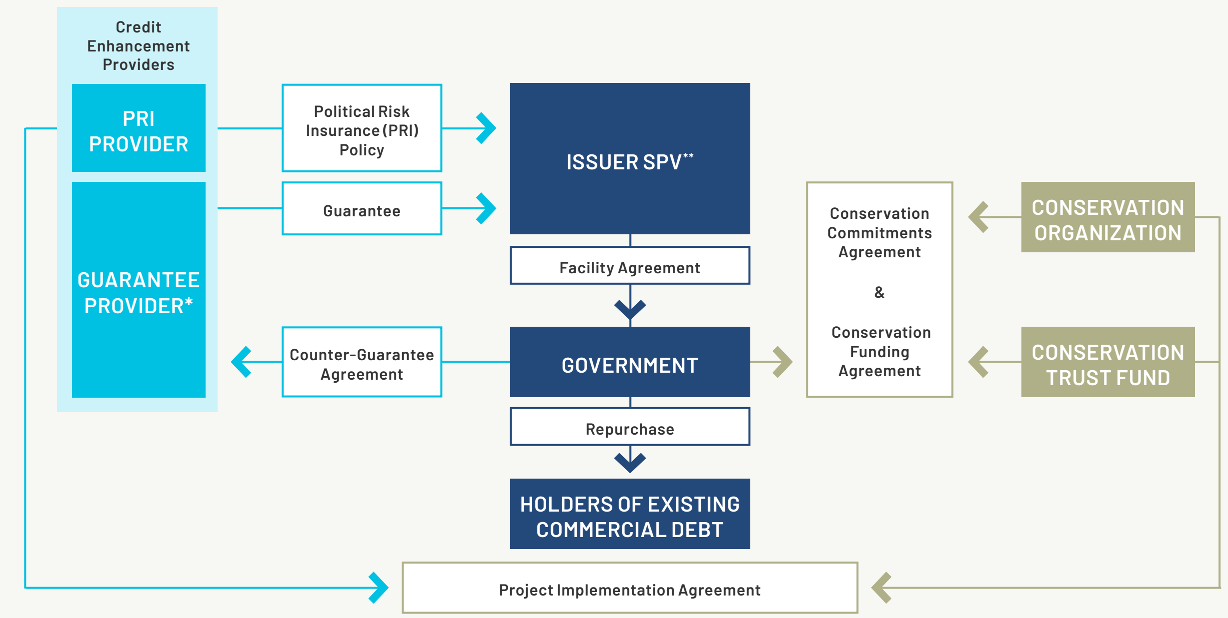
The Sierra Gorda de Querétaro, Mexico. © Mariana Meztli Ramírez/TNC Photo Contest 2021

This section considers key components of the debt conversion transaction structure, key parties, funding allocations and use, Credit Enhancements, Project Agreements, and transaction close.

These Practice Standards seek to ensure that the financial transaction associated with a Debt Conversion Project provides the necessary funds to repurchase existing sovereign debt and thus unlock large-scale funding to support the implementation of the Commitments. Project Payments that support the Commitments are generated from the refinancing of pre-existing sovereign debt, with the objective of maximizing such conservation funding while promoting debt sustainability (Practice Standard 3.1). Project Agreements must be structured to incentivize compliance by the government with the Commitments, and specify meaningful consequences for noncompliance (Practice Standard 3.2). This category also addresses the transparency of the Pre-financial and Post-financial transaction costs (Practice Standard 3.3 and 3.4). In addition, the Lead Arranger(s) are engaged through a competitive process (Practice Standard 3.5), and lastly the Debt Conversion Project needs to be additional to current government budgets (Practice Standard 3.6).

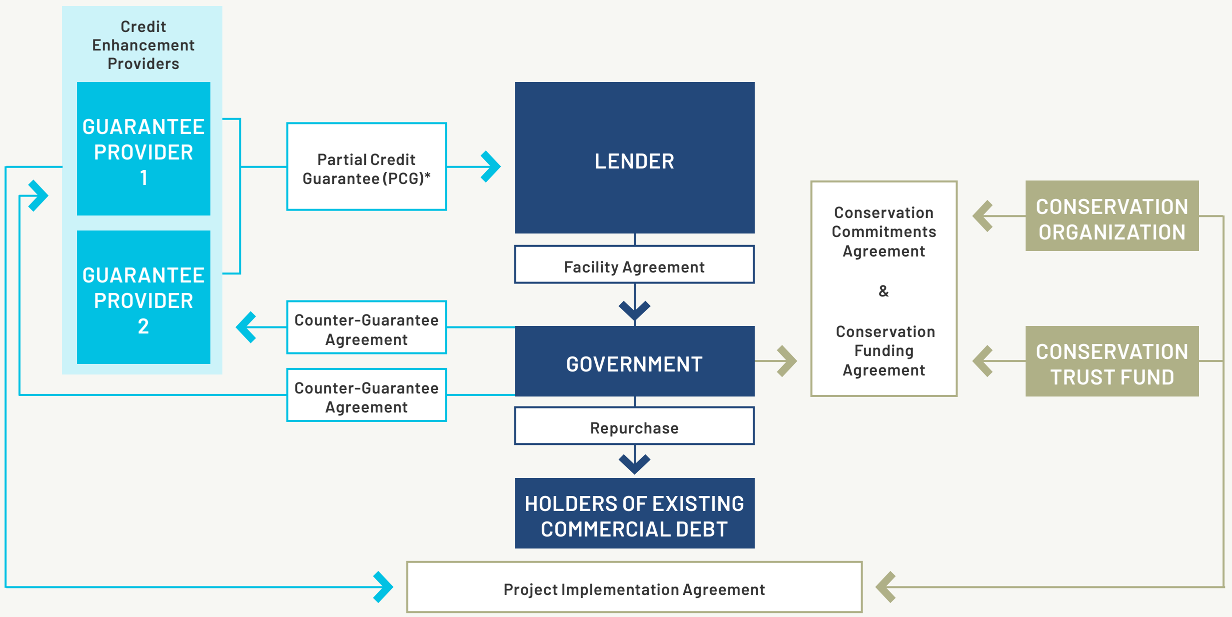
TNC's Nature Bonds Toolkit Section 5 covers the debt conversion transaction process and includes brief case studies.

Transaction Structure: Political Risk Insurance



*Guarantee for liquidity reserves, otherwise cash debt service reserve account. Can be a Multilateral Development Bank (MDB), Development Finance Institution (DFI), private investor, or other financial institution.
**SPV: Special Purpose Vehicle.

Transaction Structure: Partial Credit Guarantee



*Can be a Multilateral Development Bank (MDB), Development Finance Institution (DFI), private investor, or other financial institution.

Practice Standard
3.1

Project Agreements must require that the government make Project Payments with the objective of maximizing such conservation funding while promoting debt sustainability.

Summary

Project Payments that support the Commitments are generated from the refinancing of pre-existing sovereign debt, with the objective of maximizing such conservation funding while promoting debt sustainability. Project Agreements require the government to make Project Payments that flow to an independent CTF. The CTF manages the designated conservation funding stream to support the Debt Conversion Project, through the funding of governmental and non-governmental activities to support the Commitments.

Context

Through a liability management[4] process, the Project Sponsor assists the government in refinancing pre-existing debt to maximize conservation funding while promoting debt sustainability. The liability management process conforms to a country's liability management strategy and requirements.

Project Payments are determined in relation to the principal and interest savings (or other fiscal value addition) to the government generated from the transaction and are required to be paid by the government under the Project Agreements.

In situations, where the pre-existing debt has a short maturity and/or has significantly lower interest rates than what the sovereign could obtain in the market currently, it would not be appropriate to use the terms of the pre-existing debt as a reference point to calculate savings. Instead, the terms of the new debt issuance can be compared with an estimate of what it would cost to refinance maturing debt, i.e., the government's cost to raise financing in current market conditions.

While Project Payments are not the sole funding source for meeting the Commitments, they provide a meaningful financial contribution towards them. The Project Payments are deployed via an independent CTF (Practice Standard 2.3) and typically divided into two categories:

1. Near term funding needs: Regular periodic payments over the term of the new financing funds a grants program aligned with the Commitments. This typically includes:

- An allocation to the government implementing the Commitments, including monitoring and reporting.
- An allocation to civil society (i.e., for non-government grantees) to support objectives within the scope of the Commitments.
- The CTF's operating expenses.

4 Liability management refers to the repurchase and retirement of pre-existing debt through the proceeds of the new Government Loan Agreement.

2. Long-term funding needs: Capitalize an investment account, to serve as an endowment over time so that the CTF can support future conservation and resilience efforts after the term of the financing transaction.

Determining the amount of Project Payments requires close coordination between the Project Sponsor, Conservation Organization(s), the government, and the Lead Arranger(s) using a methodology that is logically sound and readily understood by Investors and other Stakeholders.

See Practice Standard 3.4 for information on the Post-financial close costs which are typically reimbursed through the transaction structure, which includes technical assistance and Milestones' validation.

Practical considerations

Structure and legal treatment of Project Payments

- In most cases, it is good practice for the loan to have a long tenor of 15-20 years, with an appropriate initial Grace Period (e.g., 5 years), followed by principal repayments. In most cases, a reasonable amortization schedule exposes the government to lower financial risk compared to a bullet repayment at term. Also loans and associated credit enhancements are subject to acceleration to increase the efficiency of the credit enhancements and the overall impact of the transaction.
- It is good practice not to increase the percentage of foreign currency denominated debt as a result of the transaction. Most debt conversions likely will involve the refinancing of international bonds (Eurobonds) with new dollar-denominated issuances. Local currency debt is generally refinanced through local currency debt.
- Special care must be taken before any decision to refinance local currency loans with US dollar- or Euro-denominated loans and to refinance longer dated liabilities with shorter loans.
- The Project Payments schedule (i.e., the required amounts for each period) is set in US dollars in the Project Agreements[5]. However, all or some of the Project Payments may be paid in a local currency, rather than the currency of the interest and principal payments (which is typically US dollars). If Project Payments are made in the local currency, they may need to be adjusted based on the exchange rate between the local currency and the US dollar or local inflation rates to safeguard their purchasing power.

Long-term financing

- To ensure sustainable financing over the long term, a portion of the Project Payments can be invested in an endowment rather than disbursed as received. The endowment proportion of the Project Payments is specified in the Project Agreements upfront and is generally calculated so that the CTF's long-term operations can continue at the same level beyond the term of the Government Loan Agreement (ideally adjusted for anticipated future inflation), with only investment returns used to fund grant-making and the CTF's operating costs.[6]

5 Typically, Project Payments are structured in equal quarterly or semi-annual installments over the term of the new financing.
6 A key variable for this calculation is the predicted investment return, which needs to be reasonable and conservative in line with long-term historical performance of similar investment portfolios.

- To maximize the positive impact of compounding returns, the government can consider a partial upfront funding of the endowment from the transaction proceeds.
- In some instances, the need for current spending on government and non-government grants to support the Commitments may not permit a sufficient endowment allocation. If so, the key Stakeholders (government, Project Sponsor, Conservation Organization(s), CTF) agree and implement alternative plans for the long-term financial sustainability of the CTF.
- Project Sponsors may quote the total funding unlocked by a Debt Conversion Project as the sum of legally committed Project Payments plus expected return on the CTF endowment over the term of the financing.

Calculating the Project Payments

- Project Payments are a function of the savings from the transaction and are informed by the anticipated funding that the government and other parties will require to comply with the Commitments.
- There is no single formula for determining the savings from a debt conversion transaction. A basic approach is to compare the debt service of the new issuance with the debt service (including principal and interest payments) of the pre-existing debt, assuming it is repaid in accordance with its original amortization schedule rather than refinanced[7].
- The Project Agreements determine the Project Payments' allocation to be managed by the CTF. Credit Enhancers may require a cap on the government strategic allocation to ensure that sufficient funding goes to civil society.
- Certain Credit Enhancers may in addition require a minimum level of Project Payments expressed as a percentage of the new debt raised (e.g., payments in the aggregate need to equal at least 30% of the new debt). In addition, Credit Enhancers may require a minimum percentage of the overall savings (e.g., at least 50%) to be allocated towards Project Payments. Minimum percentages (and how they are calculated) may vary, but such rules of thumbs serve as a floor and not a ceiling for the Project Payments in the negotiations between the government and Project Sponsor.
- Well in advance of going to market, the government, Project Sponsor, Conservation Organization(s), and Credit Enhancers agree on a minimum level of Project Payments. Project Payments are commensurate with the size of the financing, the scale of the Project, and the scope of the Commitments. If such a breakeven level is not likely to be achieved, e.g., because the new loan would be too expensive at current market rates, the transaction can be delayed until market conditions improve.

7 Special care is needed when the tenor of the refinanced debt is much shorter than that of the new financing as that would unfairly reduce the calculated savings. In those instances, the parties should agree on appropriate refinancing assumptions for the pre-existing debt assuming the proposed Project does not happen. Calculations may account for the time value of money by discounting future cash flows with an appropriate discount rate, such as the expected interest rate on the new financing.

Criteria

3.1.1	The government signs Project Agreements committing to direct all, or some, of the savings from the transaction to fund an independent CTF.
3.1.2	The Project Agreements specify that a government's failure to make the Project Payments would have the same effect as a failure to make principal or interest payments, i.e., it is an event of default potentially triggering acceleration of the Government Loan.
3.1.3	The Project Agreements specify that Project Payments are directed to achieve conservation outcomes and not be pledged to Investors or diverted for other non-conservation purposes.
3.1.4	A portion of the Project Payments are channeled into an endowment account to support future nature, resilience, and people efforts, or alternate credible arrangements are made to ensure the post-term financial viability of the Debt Conversion Project.
3.1.5	Project Payments over the life of the Debt Conversion Project are a function of the savings from the refinancing transaction. While Project Payments are not the *sole funding source* for the Commitments, they provide a meaningful financial contribution for those.
3.1.6	The government, Project Sponsor, Conservation Organization(s), and Credit Enhancers agree on the minimum level of Project Payments before going to market.
3.1.7	The government chooses the target debt to be refinanced by the transaction to maximize the amount of funding available for the Commitments, consistent with the government's liability management strategy.

Evidence base

- Project Agreements.
- Project Payments allocations within Project Agreements.
- Estimated budget related to the Commitments.
- Cash tender offer document.

For more, see Resources.

Practice Standard 3.2

Project Agreements are structured to incentivize compliance with the Commitments.

Summary

The government commits to comply with the Commitments in the Project Agreements. Non-compliance of Milestones triggers consequences such as a requirement to make additional payments and/or an event of default under the Government Loan Agreement that may result in an acceleration of the loan.

Context

The Project Agreements must incentivize the achievement of the Commitments over the entire term of the Debt Conversion Project. Given the extended time horizon, which can span elections, market cycles, and other potentially disruptive events, it is important that a Debt Conversion Project has a robust legal and financial framework to ensure long-term compliance with the commitments. All Parties must agree to the consequences of the government's failure to meet these commitments before financial close, and all arrangements must be clearly documented in the Project Agreements.

The overarching goal is to ensure compliance with the Commitments while allowing for flexibility in how the government meets those commitments (Practice Standard 1.2).

The compliance regime that has evolved to date is centered on two main types of breaches and corresponding remedies:

1. **Milestone Breaches** that trigger Incremental Payments.

   Incremental Payments are associated with breaches of the Commitments (e.g., failure to meet a Milestone when due, or to remain in compliance with a previously achieved Milestone (Practice Standard 5.2) and result in Incremental Payments (Practice Standard 3.1) to the CTF. This Incremental Payment is usually held in a separate account and returned to the government if the Milestone has been achieved during a predefined period.

2. **Major Commitment Breaches** that could result in the acceleration of the loan and the Project Payments commitment.

   A **Major Commitment Breach** is a significant breach of the Commitments that has not been cured over a pre-agreed period and threatens the integrity of the entire Debt Conversion Project (e.g., the prolonged failure to meet a key Milestone). The Verification Agent (Practice Standard 5.2) is responsible for monitoring progress against the Commitments, reviewing reporting from the government and CTF, and notifying the Project Sponsor, Credit Enhancers, and Investors in the case of missed Milestones and/or a Major Commitment Breach.

Practical considerations

- Milestones included in the Project Agreements are defined clearly (Practice Standard 1.3), and need to be met on, or before, fixed dates during the term (e.g., Milestone 1 is due within two years from financial close) (Practice Standard 1.2).
- A breach occurs if the government does not meet a Milestone by such date or having met it falls out of compliance in the future. It is good practice to allow for a potential grace period after the Milestone date to allow the government to achieve the Milestone.
- Incremental Payments are sized appropriately relative to the size of the financing, the level of savings/value addition and other relevant factors. They are large enough to incentivize government performance while not being overly punitive or excessive. There may be a predefined period in the Project Agreements where the government is given an opportunity to cure a non-compliance. If remedied within the term, then all or part of the Incremental Payment linked to the commitment breach may be returned to the government.
- Non-payment of Incremental Payments has the same consequences as non-payment of Project Payments, interest, or principal.
- Any Incremental Payments in Debt Conversion Projects, if not repaid to the government upon compliance with a Milestone, will ultimately flow to the CTF and not to Investors. This feature aligns the financial transaction with its purpose – namely, it gives the CTF incremental resources on the ground that can help offset against the impact of a commitment breach.
- While an Incremental Payments structure provides important and appropriate incentives for government performance, additional provisions for Major Commitment Breaches are needed in the Project Agreements to incentivize compliance with the Commitments and that safeguard the principal purpose of the Debt Conversion Project.
- The parties will need to negotiate how to incorporate Credit Enhancement requirements in the relevant project documents.
- Debt Conversion Project parties consider whether, in the context of the particular transaction, the Commitments, and certain Project Agreements are made public for transparency purposes.
- While major public-sector Credit Enhancers endeavor to align their products and processes through the Task Force on Credit Enhancement for Sustainability-linked Sovereign Financing and otherwise, each has its own requirements that must be incorporated into the Project Agreements' conditions. Many refer to implementation-stage compliance with policies and safeguards such as ESS and combating corruption and money laundering, etc. Others require periodic disclosures and reports to evidence the project's progress and ensure compliance with said safeguards. The Project Sponsor (with the assistance of qualified advisors) may facilitate all parties (government, CTF, and others) to be aware of these requirements.

Criteria

3.2.1	The Project Agreements specify that non-compliance with the Commitments will trigger specific consequences.
3.2.2	The Project Agreements specify that failure to meet certain Milestones - that do not give rise to a Major Commitment Breach - triggers Incremental Payments. Project Agreements specify that if the government cures a commitment breach within a given time frame, all or part of the associated Incremental Payment(s) are returned to the government.
3.2.3	If Commitment breaches are not cured within the agreed upon timeframe, then funds from Incremental Payments ultimately flow to the CTF and not to Investors or other third parties. Incremental Payments (like Project Payments) are not pledged to Investors or Credit Enhancers.
3.2.4	The Project Agreements specify that breaches of certain key predefined Milestones ("Major Commitment Breaches") have additional consequences, including resulting in an event of default under the Government Loan Agreement.
3.2.5	The Verification Agent is responsible for notifying key parties (e.g., the Conservation Organization(s), Credit Enhancers, Project Sponsor, Issuer Special Purpose Vehicle (SPV)/Investors etc.) upon the Agent's determination that Commitment breach has occurred.

Evidence base

- Project Agreements.

For more, see Resources.

Practice Standard
3.3

Pre-financial close transaction costs are as transparent as possible.

Summary

It is customary for certain Pre-financial close transaction costs to be recouped at financial close, typically from the proceeds of the Government Loan Agreement. Reimbursed costs must be reasonable, to maximize the refinancing capacity of the transaction and the savings associated with it. They must be as transparent as possible, subject to compliance with relevant legal requirements.

Context

As is common with any new debt issuance, several Pre-financial close transaction costs are recovered at financial close (e.g., legal fees, SPV set-up costs, rating agency fees, etc.). It is the responsibility of all parties, with input from the Project Sponsor, to ensure that their Pre-financial close transaction costs are reasonable. Costs are "reasonable" when they are consistent with market practice and industry norms, "arm's length" commercial arrangements, and can be expected to be incurred in transactions of similar size and complexity.

Practical considerations

Transaction costs are typically settled on financial close from the proceeds of the new financing. Alternatively the government can reimburse some, or all, of the expenses out of its own funds, which increases the net transaction proceeds and the amount of pre-existing debt refinanced. Typical recoverable costs include:

- Closing fee, which is typically expressed as a percentage of the Government Loan raised and any refinanced pre-existing debt for the Lead Arranger(s). The banks will quote their fees and cost reimbursement expectations (usually subject to caps) as part of the Request for Proposal (RFP) process and these are then documented in a Mandate Letter (Practice Standard 3.5). The Lead Arranger(s) is expected to carry these costs until financial close. Any break fees if financial close is never achieved are subject to negotiation both in terms of caps and parties responsible for payment.
- Legal fees for counsel representing the Lead Arranger(s), government, Credit Enhancers, Project Sponsor, and other parties. NGO Project Sponsors may benefit from pro bono international legal support, which reduces transaction costs.
- Other costs associated with the Credit Enhancers (e.g., underwriting fee, other expenses). These costs are usually due before financial close so a party – typically the Project Sponsor – must front them and seek to be reimbursed at financial close.

- Costs for the Project Sponsor and the Conservation Organization(s) (without duplication) incurred in the developing, structuring, and closing the transaction.
- Rating agency fees.
- Closing fees and expenses associated with any Issuer SPV, Noteholder Representatives, collateral/Facility Agents, trustees.
- Credit enhancement fees for the initial period due in advance.
- Fees for the government's financial advisors.
- Miscellaneous out-of-pocket expenses (e.g., printing or virtual data rooms).

Criteria

3.3.1	Pre-financial close transaction costs subject to reimbursement at financial close are documented in a closing statement, in-line with prevailing market rates and are consistent with commercial arrangements.
3.3.2	Reimbursement of Pre-financial close transaction costs and other closing fees and expenses are disclosed by the Project Sponsor and/or government, subject to relevant requirements, and market practice. Whenever certain costs (e.g., Lead Arranger(s') fees) may not be disclosed, they can be included in aggregate disclosures (i.e., total closing costs and fees expressed in dollars and in the all-in cost of the financing expressed as a percentage).
3.3.3	Project Sponsors and the government account for closing costs and expenses when calculating the savings (or value addition) from the Debt Conversion Project transaction.

Evidence base

- Documents listing Pre-financial close costs and other closing fees.
- Project disclosures (such as case studies) disclose closing costs and expenses individually and/or in the aggregate.

For more, see Resources.

Practice Standard

3.4

Post-financial close transaction costs are as transparent as possible.

Summary

Post-financial close transaction costs, which are funded through the transaction, must be reasonable as to maximize savings and, in turn, CTF grant funding. They must be as transparent as possible, subject to compliance with relevant legal requirements. The Project Agreements documents these costs.

Context

Similar to Pre-financial close transaction costs, it is common for certain bona fide Post-financial close transaction costs to be reimbursed through the transaction structure and recovered through the Project Payments. The main categories are Guarantee fees and/or insurance premiums to Credit Enhancers, the cost of technical assistance to the government with respect to the Commitments, and the costs associated with monitoring/reporting on those commitments, as well as some other running costs such as audit and other operating costs for the Issuer SPV. Costs are "reasonable" when they are consistent with market practice and industry norms, arm's length commercial arrangements, and can be expected to be incurred in commercial arrangements of similar size and complexity.

Practical considerations

As an added measure of accountability and support, the Conservation Organization(s) may work with the government to help achieve the Commitments by advising on conservation planning, assisting with stakeholder engagement, providing additional capacity to field teams, and more. The advisory payments are reasonable and transparent.

Approved costs are then covered through payments under the Project Agreements and may include:

- Guarantee fees and/or PRI premiums payable to Credit Enhancers (by far the largest line item).
- Any other insurance premiums, e.g. for parametric and other policies that are integrated into the transaction.
- Advisory costs and fees to the Conservation Organization(s) and Verification Agent (if separate entities).
- Ongoing costs (audit, professional fees for trustees, etc.) associated with any Issuer SPV and agents (e.g., Noteholder Representative, trustees, etc.).

The scope of work of the Conservation Organization(s) and Verification Agent related to Post-financial close must be customized given the needs of the Debt Conversion Project but generally includes:

- Transaction management, compliance and reporting.
- Project Agreements compliance (including Milestone verification) and reporting.
- Capacity building for the CTF, government, and other Stakeholders.
- Technical assistance and guidance on global practice standards and best practices.

Criteria

3.4.1	Expected Post-financial close costs are agreed among the relevant parties and are documented in the Project Agreements.
3.4.2	Post-financial close transaction costs are disclosed, subject to compliance with relevant legal requirements. Whenever certain costs (e.g., PRI premiums) may not be disclosed due to Credit Enhancers' policies, they can be included in aggregate disclosures, i.e., all-in cost of the financing.

Evidence base

- Transaction Agreements.
- Project disclosures (such as case studies) disclose closing costs and expenses individually and/or in the aggregate.

For more, see Resources.

Practice Standard **3.5**

Lead Arranger(s) are engaged through a competitive process.

Summary

The government or the Project Sponsor, depending on the structure, engages one or more investment banks as Lead Arrangers through a competitive RFP process.

Context

Lead Arranger(s) play an important role in structuring, arranging, and sourcing financing for the market financing that funds the transaction at attractive interest rates and tenors. Such financing can be in the form of a capital market issuance (such as a bond) or a loan. Lead Arranger(s) can also fund some or all of the new issuance on the balance sheet or offer full or partial underwriting in conjunction with a market-based bookbuilding.

Investment banks also lead the tender offer process of buying back pre-existing debt (to the extent such debt is publicly traded). The government or Project Sponsor engages a Lead Arranger(s) at a point of the development process when there is a conceptual agreement on the Commitments and basic financial architecture for the transaction. It is important for the Credit Enhancer to also have successfully completed its initial project due diligence prior to initiating the RFP. Lead Arranger(s) are engaged through a competitive process to ensure that their services match the needs of the Project Sponsor and government, and that their fees are not above market rate.

Practical considerations

The party running the process (e.g. government) aligns with the other party (in this case, the Project Sponsor) on all aspects of the process as described below:

1. **Shortlist:** A shortlist of banks to receive the RFP must be developed. There is no specific rule on the number of banks but it is good practice for the pool to be sufficiently deep. A reasonable number in most cases is approximately six institutions. Each shortlisted bank must demonstrate sufficient experience and resources to undertake the transaction.
2. **Request for Proposals:** An RFP is a formal, questionnaire-style document designed to gather information from banks in a standardized and organized format to enable efficient and informed decision-making to select the best candidate. The RFP process ensures objectivity across decision-making processes through the collection of consistent data from all prospective banks. It provides clear, auditable documentation of how decisions have been made.

3. **Evaluation:** The evaluation process needs to be based on a pre-defined scoring matrix. The composition of the matrix and its relative weights for pricing, experience, team composition etc. aligns with the requirements of the project. Often Project Sponsors or governments choose to engage one or all bidders in a series of clarification calls.
4. **Decision:** Once the Project Sponsor or government selects a preferred bidder, it is good practice to let unsuccessful bidders know promptly. If a second-ranked bidder is asked to extend the validity of its offer, this is also made clear.
5. **Mandate Letter:** The preferred bidder is asked to promptly negotiate and sign a Mandate Letter for the financing that reflects its bid.

Criteria

3.5.1	The government or the Project Sponsor issues an RFP to hire investment banks.
3.5.2	The government or the Project Sponsor runs the evaluation of RFP respondents.

Evidence base

- RFP.
- Criteria to run RFP evaluation.

For more, see Resources.

Practice Standard 3.6

The Debt Conversion Project funding is additional to the baseline public budget.

Summary

A Debt Conversion Project generates additional funding to complement public funding, which helps the country achieve additional conservation objectives as part of the Debt Conversion Project. The Debt Conversion Project funding does not replace current government budget allocations for conservation but aims to increase the amounts dedicated to conservation in-country.

Context

Globally, the funding gap to finance the nature, resilience, and people agenda is significant, especially in low- and middle-income countries, and it grows with the accumulated impacts of environmental change and degradation. A Debt Conversion Project is one mechanism to help close this funding gap by generating additional financial and technical resources for countries to fulfill their national and international commitments and priorities, like NBSAPs and NDCs. It is not designed to replace the current public budget for these matters, but to increase the resource allocation for these commitments.

Practical considerations

- Government grantees apply to the CTF for funding, completing project proposal forms and following specific procedures established by the CTF. The government applies to the CTF for the funding generated by the Debt Conversion Project, even when the funding is earmarked to the government.
- Confirming funding additionality requires tracking efforts dependent on a country's budget systems, transparency, and accountability.
- As part of the granting process, the CTF may request co-funding documentation from the government to confirm that the Debt Conversion Project funding is additional to the government baseline and is not replacing current public expenditures.
- Government representatives that are part of the CTF Board may support tracking that ensures the funding disbursed as part of the Debt Conversion Project is additional to the baseline government budget.

Criteria

3.6.1	The government does not replace its current public budget with the Debt Conversion Project funding.
3.6.2	The CTF establishes procedures as part of the process of granting of the Debt Conversion Project funding to confirm government funding additionality.

Evidence base

- CTF Operations Manual.
- CTF Annual reports.

For more, see Resources.

Category 4:

Conservation Trust Fund (CTF) Management Practice Standards

Standards:

4.1 The CTF complies with the CFA's Practice Standards for CTFs.

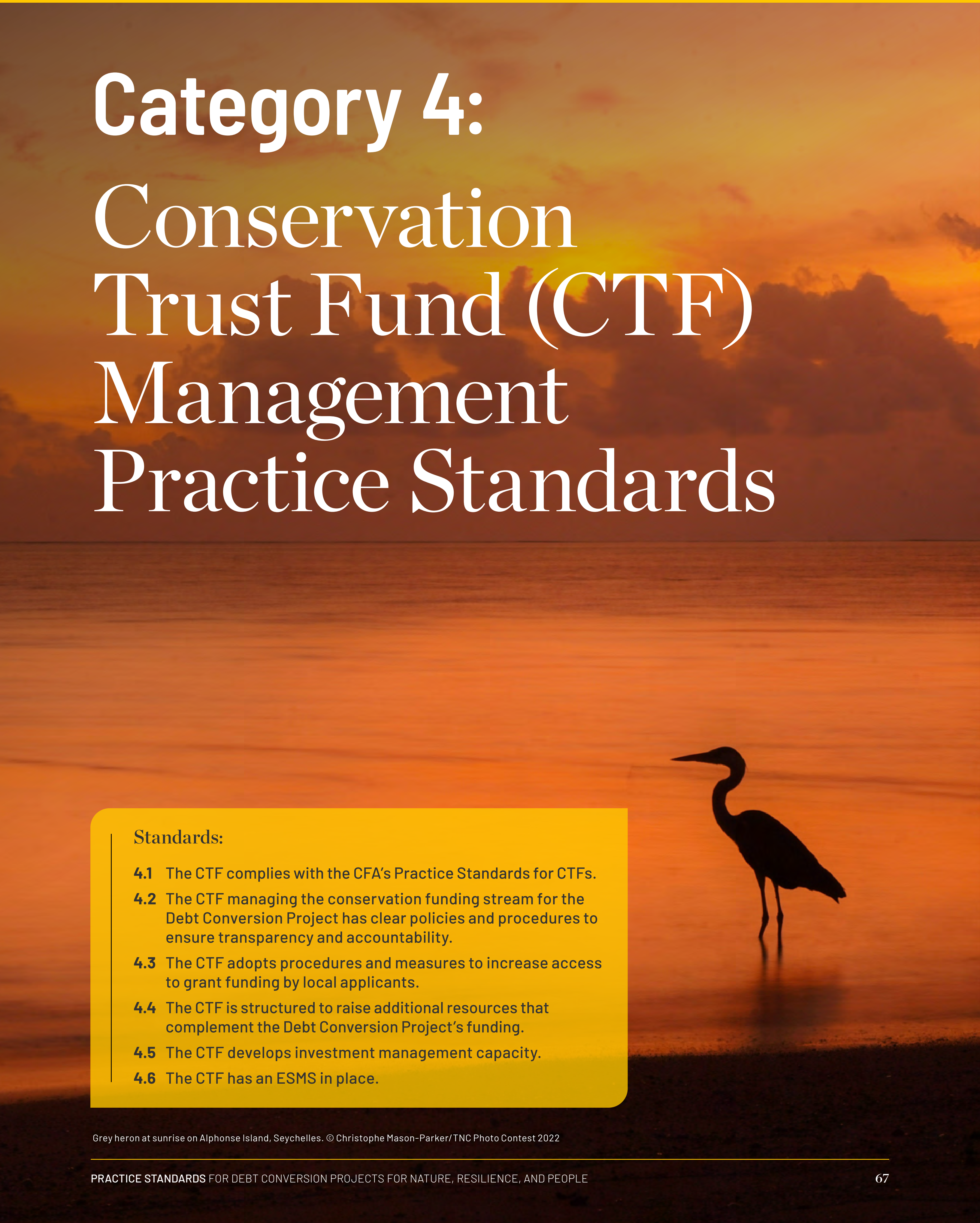
4.2 The CTF managing the conservation funding stream for the Debt Conversion Project has clear policies and procedures to ensure transparency and accountability.

4.3 The CTF adopts procedures and measures to increase access to grant funding by local applicants.

4.4 The CTF is structured to raise additional resources that complement the Debt Conversion Project's funding.

4.5 The CTF develops investment management capacity.

4.6 The CTF has an ESMS in place.



Grey heron at sunrise on Alphonse Island, Seychelles. © Christophe Mason-Parker/TNC Photo Contest 2022

This category addresses key elements of how the CTF is designated to facilitate the implementation of the Debt Conversion Project and is expected to manage a conservation funding stream generated by the transaction that the government commits to funding.

Category 4 Practice Standards address the CTF's management of a conservation funding stream generated by the Debt Conversion Project. They reference other existing Practice Standards specific to CTFs (Practice Standard 4.1) and highlight the main policies and procedures expected to be in place for the project's implementation (Practice Standard 4.2). This category also addresses potential roles played by the CTF in the implementation of the Debt Conversion Project, including building the capacity of local organizations to receive funding (Practice Standard 4.3), raising additional funding (Practice Standard 4.4), managing investments (Practice Standard 4.5) and managing risk, including environmental and social potential impacts (Practice Standard 4.6). These Practice Standards may be applied to new and existing CTFs and they mainly focus on project implementation, Post-financial close. CTFs also play an important role in monitoring and reporting, but this role is covered by Category 5: Monitoring and Reporting Practice Standards.

Practice Standard

4.1

The Conservation Trust Fund (CTF) complies with the Conservation Finance Alliance (CFA)'s Practice Standards for CTFs.

Summary

Conservation funding generated through a Debt Conversion Project is managed and disbursed through a CTF, which operates independently and follows the CFA's Practice Standards for Conservation Trust Funds.

Context

All CTFs that manage the conservation funding stream for a Debt Conversion Project need to align with global practices and have capacity to receive and disburse funding from different programs and financial mechanisms. Funding from the Debt Conversion Project, which is disbursed by the CTF, complements the government's budget and supports the country to achieve its Commitments. The CFA's Practice Standards for CTF encapsulate these global practices, developed through the last 30 years of CTF operations.

The CFA's Practice Standards for CTFs were created in 2014 and updated in 2020 by a group of CTF international donors and the CTFs' networks, Latin American and Caribbean Network of Environmental Funds (Red de Fondos Ambientales de Latinoamérica y el Caribe) (RedLAC) and Consortium of African Funds for the Environment (CAFE). They establish a set of best practices that CTFs are expected to follow for the management of any conservation project or program. There are a total of 68 Practice Standards grouped in 7 core areas: Governance, Institutional Effectiveness, Administration, Programs, Asset Management, Resources Mobilization, and Risk Management and Safeguards. The Practice Standards in this document focus specifically on what is expected from the CTF in a Debt Conversion Project context, with reference to the CFA's Practice Standards for CTFs.

Practical considerations

- CTFs are expected to be independent, with clear governance bodies and documents. These aspects are covered by the Governance core area of the CFA Practice Standards for CTFs (Practice Standard 2.3).
- CTFs are expected to have clear policies, procedures, plans, and systems to properly manage the conservation funding stream the government commits to fund Post-financial close. They are expected to have operation manuals and institutional documents publicly available, including annual audit reports, ensuring their transparency and accountability (Practice Standard 4.2).
- CTFs are expected to support local grantees, monitor funded initiatives, and produce regular Impact Reports (Practice Standards 5.3, 5.4, and 5.5).
- CTFs are expected to manage risks throughout their portfolio, setting-up internal controls for risk management, and adopting an ESS (Practice Standard 1.4 and 4.6).

Criteria

4.1.1	The Project Sponsor and/or Conservation Organization(s) completes the CFA's Practice Standards for CTFs' assessment to ensure the designated CTF will comply with the expected practices.

Evidence base

- CTF assessment based on CFA's Practice Standards for CTFs.

For more, see Resources.

Practice Standard

4.2

The Conservation Trust Fund (CTF) managing the conservation funding stream for the Debt Conversion Project has clear policies and procedures to ensure transparency and accountability.

Summary

The CTF, which receives and disburses the funding stream for the Debt Conversion Project, has clearly defined policies and procedures to apply and award grants from governmental and non-governmental entities.

Context

The CTF managing the conservation funding stream for the Debt Conversion Project issues grants to disburse the funding. Grantees may include government[8] entities and non-government organizations, which may include academic and research centers, small and medium enterprises, Indigenous Peoples' organizations, community groups, and individuals. The CTF provides clear requirements and processes to apply and receive these grants. There may be differences in the type of templates and procedures to receive funding depending on the type of grantee, but all grantees need to experience the same level of scrutiny, in terms of monitoring and compliance. All grantees, government and non-government, need to:

- Apply for funding with clear workplans, budgets and timelines.
- Sign grant agreements with the CTF before receiving funding, which include reporting requirements and other obligations.
- Receive the grant funding in tranches according to pre-determined reporting requirements.
- Follow the CTF's ESMS.

The CTF develops and applies its own policies and procedures to manage the funding generated by the Debt Conversion Project. The CTF must meet high standards for transparency and accountability (e.g. annual external audits and activity reports published).

If the CTF managing the funding generated by the Debt Conversion Project is a newly established entity, the Project Sponsor and/or Conservation Organization(s) support the operationalization of the CTF, by developing an operationalization plan. In the case of an existing CTF being linked to the Debt Conversion Project, the Project Sponsor and/or Conservation Organization(s) work with the existing CTF in a capacity building assessment and plan given the new project.

8 The El Salvador Debt Conversion Project (2024) does not allow CTF grant funding to go to government entities.

Practical considerations

- The Project Sponsor and/or Conservation Organization(s) support the CTF to develop the Operations Manual.
- The CTF's Operations Manual includes templates to be used for grant-making, including the "grant-making framework", detailing grant-making policies, procedures, and templates.
- The CTF Board develops and adopts a Strategic Plan that sets organizational and programmatic priorities that serve as the basis for the development of the CTF's M&E Framework. The Conservation Organization(s) support the development of the M&E Framework.
- The CTF makes all reasonable efforts to ensure that the grant-making framework and the M&E Framework take into account the operational and logistical challenges IPs and TCs face when accessing finance, and builds inclusive processes to address these.
- The CTF's process for evaluating proposals ensures that any potential conflict of interest is effectively managed and that all funding decisions are transparent and follow operational procedures.
- The CTF discloses the results of the calls for proposals including the names of grantees, amounts awarded, time period of projects, and summaries of expected results. The CTF also makes audit reports publicly available. (Practice Standard 5.5)
- The CTF develops an ESMS as part of its policies and procedures, to assess and manage the potential negative impacts of the projects it will finance (Practice Standard 4.6). The ESMS manual needs to be publicly available on the CTF's website. The Conservation Organization(s) may support the CTF with templates and/or draft versions of the ESMS, to accelerate the disbursement of funds and mitigate potential delays in grant awards.
- The time between financial close and the CTF beginning to award grants and disburse funds can present significant reputational and operational risks to the implementation of a Debt Conversion Project, especially if it is a new CTF that has been recently established (Practice Standard 2.3). This risk may be mitigated by the Conservation Organization(s) or Project Sponsor working with the CTF on building its operational capacity and developing or adjusting the CTF's policies and procedures during Pre-financial close, as well as clearly communicating the steps that need to be taken and the time estimated to start grant-making.

Criteria

4.2.1	The CTF creates or adjusts an Operations Manual that conforms to the requirements of the Project Agreements.
4.2.2	The CTF Board adopts and keeps an updated Operations Manual.
4.2.3	The Project Sponsor and/or Conservation Organization(s) develops an operationalization plan (in case of new CTFs) and/or a capacity building plan.
4.2.4	The CTF makes the grant-making framework publicly available to potential applicants.
4.2.5	The CTF Board leads the development and adopts a Strategic Plan and related M&E Framework and uses them to guide what is required from grantees in the reporting requirements.
4.2.6	The CTF Board adopts a disclosure policy that includes the Calls for Proposals results and ensures that annual activity and audit reports are made publicly available.

Evidence base

- CTF Operations Manual.
- CTF grant-making framework.
- CTF strategic plan.
- CTF M&E Framework.
- CTF ESMS.
- CTF operationalization plan.
- CTF capacity building plan.

For more, see Resources.

Practice Standard
4.3

The Conservation Trust Fund (CTF) adopts procedures and measures to increase access to grant funding by local applicants.

Summary

The CTF invests in streamlining its procedures and building the capacity of local grantees to ensure equitable funding access, and improves long term funding absorption capacity.

Context

Although the intention is to ensure transparency and accountability, the procedural requirements of a CTF can be cumbersome to local organizations with limited capacity, including IPs and TCs. Because they have more capacity to implement CTF procedures, large NGOs may be able to more easily access CTF funding and then provide sub-grants to smaller organizations. This increases administrative costs and reduces the amount of funding being invested in on-the-ground activities.

The CTF community is aware of this common challenge and has tested different methodologies to improve direct access to funding by local organizations, including consultations with Stakeholders and Rightsholders when funding the design of projects and additional communication and engagement with IPs and TCs (Practice Standards 1.3). Collaborating with these audiences can help develop more accessible templates and procedures.

Practical considerations

- Pre-financial close, part of the ESMF effort (Practice Standard 1.4) is to develop a Stakeholder engagement plan, which guides the CTF in communicating with different audiences, including the local IPs and TCs based organizations. This allows the CTF to take measures to prepare local organizations for calls for proposals.
- The CTF's eligibility requirements need to consider the condition of small and medium sized organizations, including organizations led by IPs and TCs.
- The governance of the CTF needs to also consider local Stakeholder and Rightsholder representation, including IPs and TCs, to enhance consideration of challenges in access to finance in the CTF's disbursement processes and procedures (Practice Standard 2.3).
- CTFs invest in preparation activities before launching a call for proposals, for example, reaching out to potential applicants to learn about their profile, understand their current situation, help them get formalized, and/or open bank accounts etc.

- The CTF can create a specific grants program so that small and medium sized organizations do not have to compete with large well-structured international NGOs for the same funding. It is a way of adopting specific formats and procedures tailored to the audience.
- Depending on the context of the country or the program, funding may be earmarked to specific organizations, such as Indigenous or community-led organizations, where they don't have to compete for funding but still have to comply with the CTF's requirements. In this model, CTF staff may play a key role in helping the organizations prepare their proposals and reports for approval.

Criteria

4.3.1	The CTF develops stakeholder mapping, including an assessment of potential applicants and their current organizational capacity.
4.3.2	The CTF designs adequate funding application procedures and adopts specific procedures to enable IPs and TCs to access funding from the transaction.
4.3.3	The CTF's staff includes personnel or hires external contractors to support local applicants from small and medium sized organizations to prepare their funding applications.

Evidence base

- Stakeholder mapping as part of the ESMF.
- Stakeholder Engagement Plan.
- CTF application documents and templates that are iterative (allowing for proposal improvement), have accessible formats (e.g., oral, SMS), and are available in local languages.

For more, see Resources.

Practice Standard

4.4

The Conservation Trust Fund (CTF) is structured to raise additional resources that complement the Debt Conversion Project's funding.

Summary

The CTF is structured to attract additional resources in support of the country's relevant priorities that complement the Debt Conversion Project's funding.

Context

A CTF has proven to be a good financial management solution as it can attract new, additional resources while administering funding to a portfolio of projects. This requires flexibility and expertise by the CTF Board and staff to fundraise.

The CTF managing the conservation funding stream for a Debt Conversion Project is able to run efforts to mobilize new funding, expecting that the Debt Conversion Project funding is one of the multiple sub accounts or programs managed by the CTF. The CFA's Practice Standards for CTFs Resource Mobilization section details how a CTF can be positioned to serve as a permanent government partner for raising funds.

Practical considerations

- The CTF is designed to receive funding from multiple sources, with flexibility to create new sub accounts or programs and accommodate new donors and parties. This may include creating new committees to oversee different sub accounts or programs.
- The CTF may position itself as a management solution for different sustainable finance mechanisms.

Criteria

4.4.1	The CTF's organizational documents allow for the CTF to receive funding from sources other than the Debt Conversion Project.
4.4.2	As soon as feasible, the CTF's organizational and operational documents (Operations Manual) include permanent fundraising and resource mobilization as part of the Board and CEO's core functions.

Evidence base

- CTF Bylaws.
- CTF Operations Manual.
- CTF CEO TORs.
- CTF investment policy.

For more, see Resources.

Practice Standard

4.5

The Conservation Trust Fund (CTF) develops investment management capacity.

Summary

The CTF's core function within a Debt Conversion Project is to provide sustainable finance to support the conservation program. Investment management capacity will be required to maintain the funding flows in the long term and manage different financial sources and mechanisms, including endowments.

Context

The CTF may generate additional funding by professionally investing certain available resources in the financial markets before they need to be transferred to grantees. Investment vehicles may include sinking funds (where funds are invested before being disbursed); endowment funds (where the principal is always invested and only the earnings are used for disbursements); and revolving funds (where there is a replenishment mechanism feeding the fund while resources are also being withdrawn to be used for disbursements).

The CFA's Practice Standards for CTFs in its section on "Asset Management" details adequate investment management capacity in a CTF.

It includes:

- Having investment expertise on the Board.
- Having an active Finance Committee to provide specialized advice to the Board and help oversee the professional asset manager.
- Having a professional asset manager hired through a transparent and competitive selection process.
- Having clear agreements with the professional asset manager.
- Detailing responsibilities and oversight, as well as a clear investment policy and guidelines to determine investment objectives and requirements.

In many Debt Conversion Project transactions, a new CTF or pre-existing CTF may not have investment management capacity. In these cases, the Project Sponsor, the Conservation Organization(s), or a third party can hold and manage the endowment until it is transferred to the CTF at the end of the loan term. New CTFs that are not managing the endowment, still need to build their investment management capacity and hire investment professionals as soon as the Board, committees, and staff are in place to oversee them.

Practical considerations

- Debt Conversion Project transactions may include an endowment fund to be capitalized during the Project period (typically 15 to 20 years). This includes reinvesting the earnings to grow the size of the endowment during the loan term, so that the endowment achieves a principal amount that is sufficient to generate earnings that keep providing the CTF with a similar level of annual resources after the debt payments cease.
- The Project Sponsor, Conservation Organization(s) or third party managing the investment of the endowment will aim to provide periodic information to the CTF on the performance of the investments, contributing to the CTF's long-term capacity on investment management.
- It is fundamental that the CTF has enough resources to invest in its own capacity building for investment management.

Criteria

4.5.1	The Project Agreements clearly state the sustainable finance mechanisms to be implemented (e.g., funding of an endowment) and how they will be managed in the long term.
4.5.2	The CTF's founding documents include investment management as part of the Board's functions and qualifications, and include the possibility of creating specialized committees with this purpose.
4.5.3	Where the CTF manages an endowment or otherwise invests funds, the CTF's Operations Manual includes clear procedures for hiring investment professionals and an investment policy and guidelines to determine how investments are managed.
4.5.4	The CTF Board and/or Finance Committee select an asset manager and oversee that investments are made with the resources received and not disbursed yet, to generate earnings and increase available amounts to actions that support nature, resilience, and people.

Evidence base

- Project Agreements.
- CTF Bylaws.
- CTF Operations Manual.
- CTF Investment Policy and Guidelines.
- CTF finance committee TORs.
- CTF Asset Manager TORs.
- Asset Manager contract.

For more, see Resources.

Practice Standard

4.6

The Conservation Trust Fund (CTF) has an Environmental and Social Management System (ESMS) in place.

Summary

The CTF's ESMS provides the policies and procedures to identify, assess, manage, and monitor the potential environmental and social impacts of the conservation activities, identified under the Debt Conversion Project, before any funding is disbursed and to identify specific measures to avoid, reduce, mitigate, and/or compensate for such negative impacts. The ESMS is fully aligned and integrated into the CTF project funding cycle.

Context

In the Debt Conversion Project, an ESMF is developed Pre-financial close to identify and mitigate risks (Practice Standard 1.4). The CTF implements the measures identified in the ESMF through the adoption of an ESMS, which is a systematic approach to manage environmental and social risks through a set of policies, procedures, and tools detailed in a publicly available ESMS Manual. Whilst the ESMF provides strategic guidance, the ESMS is the operational system.

A CTF's risk management and safeguards procedures are clearly outlined in the CFA's Practice Standards for CTFs, and include screening processes, impact assessment, mitigation measures, risk monitoring, Stakeholder consultation, and consent and issues raised during project implementation.

Practical considerations

- In the last 10 years a CTF is eligible to be accredited with agencies of global funds, such as the Green Climate Fund and the Global Environment Facility, which require them to adopt a full-fledged ESMS. Recently, it has become a common requirement by donors to have an ESMS and all CTFs are expected to have this type of system in place. As such, Credit Enhancers and other partners to the Debt Conversion Project require an ESMS.
- The ESMS is built to protect Rightsholders and Stakeholders that might be affected by adverse impacts of funded projects. However, the application of these requirements makes it more difficult for small local organizations to access CTF funding directly. The CTF must support local or small and medium sized organizations with funding applications and the ESMS, even adapting or simplifying the requirements related to the ESMS where possible (Practice Standard 4.3).
- Gender mainstreaming is part of the ESMS and requires that potential grantees assess and monitor gender-related indicators, contributing to equitable, inclusive, and impactful outcomes for resilient nature and people.

- The CTF must have enough resources to develop and implement an ESMS, including staff (e.g., a full-time ESMS Officer), capacity building to the Board and staff, as well as potential grantees.
- The CTF's ESMS requires that the Debt Conversion Project implements FPIC before financing activities that affect IPs and TCs (Practice Standards 1.3 and 1.4).
- Grievance Redress Mechanisms (GRM) in the CTF include not only communication channels available to receive complaints, but also the procedures to deal with different types of complaints and how to resolve them. They need to be available in local languages and communicated widely to reach parties that are potentially affected by the project.

Criteria

4.6.1	The CTF details how the ESMS is part of the project funding requirements in its Operations Manual (Practice Standard 4.2).
4.6.2	The CTF develops its ESMS Manual based on the project ESMF (Practice Standard 1.4) and makes it publicly available to potential applicants.
4.6.3	There is capacity to develop and implement the ESMS, including staff, capacity building, the Board, staff, and potential grantees.
4.6.4	The CTF's ESMS is in place before the CTF starts disbursing funding from the Debt Conversion Project.
4.6.5	A CTF-level GRM is in place - as part of the ESMS - and the CTF website has a page with communication channels and procedures that any party can use to file a complaint about any funded activity.

Evidence base

- ESMS developed for the project.
- CTF Operations Manual.
- CTF ESMS Manual.
- CTF GRM (including webpage).
- CTF ESMS Officer Job Description.
- CTF ESMS capacity building material or/and workshops.

For more, see Resources.

Category 5:
Monitoring and Reporting Practice Standards

Standards:

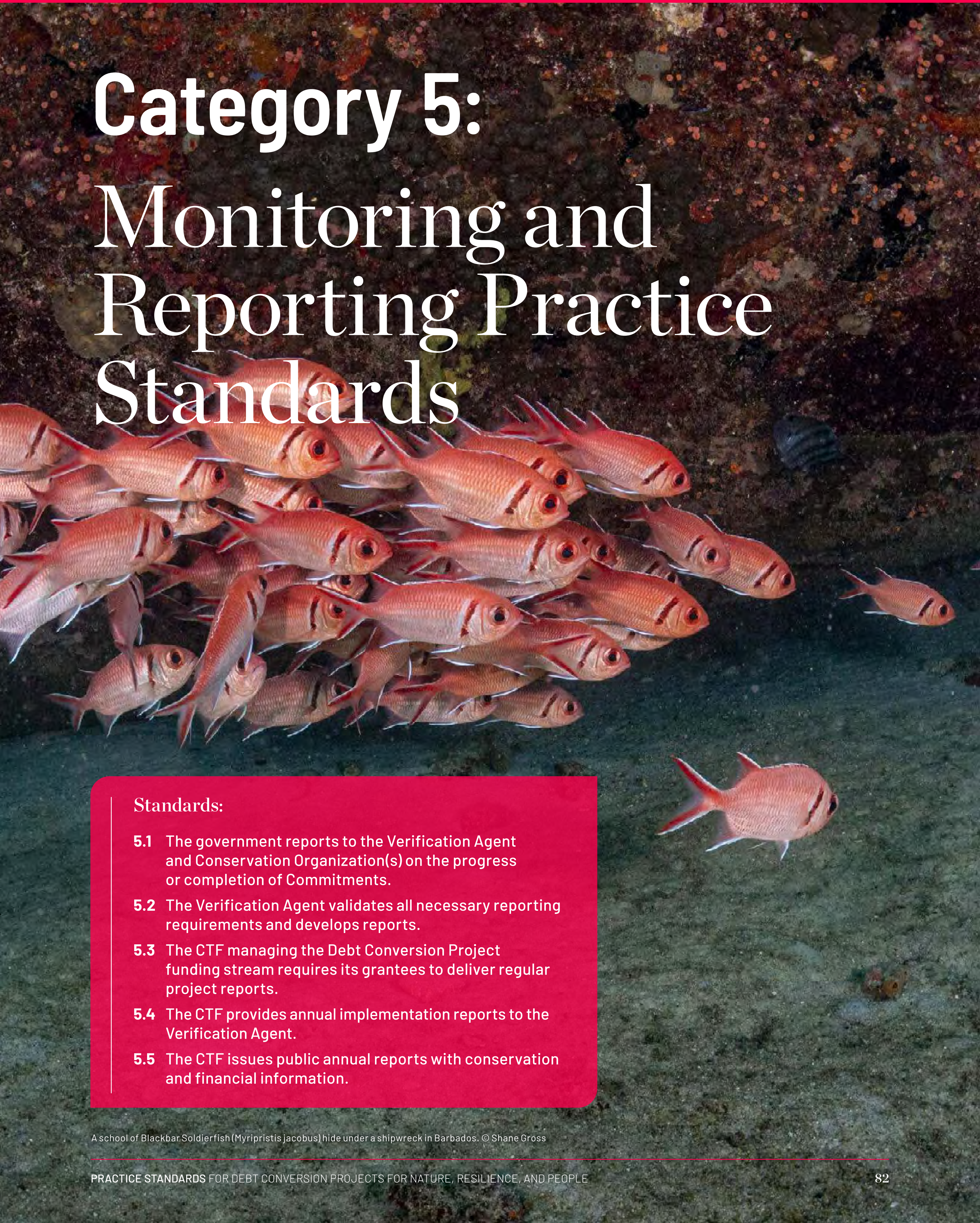
5.1 The government reports to the Verification Agent and Conservation Organization(s) on the progress or completion of Commitments.

5.2 The Verification Agent validates all necessary reporting requirements and develops reports.

5.3 The CTF managing the Debt Conversion Project funding stream requires its grantees to deliver regular project reports.

5.4 The CTF provides annual implementation reports to the Verification Agent.

5.5 The CTF issues public annual reports with conservation and financial information.

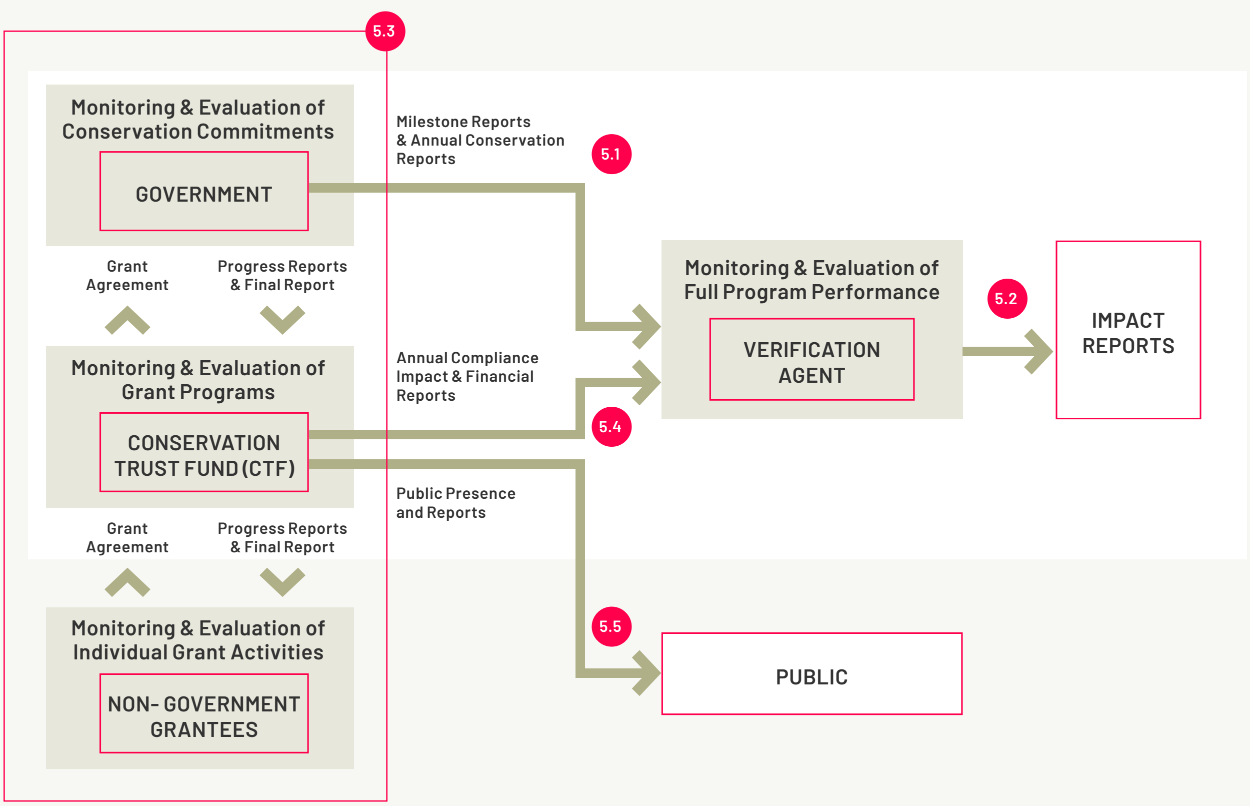


A school of Blackbar Soldierfish (Myripristis jacobus) hide under a shipwreck in Barbados. © Shane Gross

Category 5 addresses all aspects of monitoring, validating, and reporting on the Debt Conversion Project, the Commitments, and their impact.

For a Debt Conversion Project, the role of monitoring and reporting is fundamental as it demonstrates compliance with the Project Agreements and the achievement of the Commitments. This category addresses monitoring and reporting from the government to the Verification Agent and the Conservation Organization(s) (if different entities) on the progress and achievement of the Commitments (Practice Standard 5.1), while the Verification Agent receives and reviews reporting information, and produces reports (Practice Standard 5.2). Also, the CTF monitors the progress of grantees' compliance (Practice Standard 5.3), provides implementation reports to the Verification Agent (Practice Standards 5.4), and issues public annual reports with conservation and financial information (Practice Standard 5.5).

Debt Conversion Projects Reporting



Practice Standard

5.1

The government reports to the Verification Agent and Conservation Organization(s) on the progress or completion of Commitments.

Summary

As specified in the Project Agreements, the government reports at least annually to the Verification Agent and Conservation Organization(s) (if different entities) on the progress or completion of the Commitments and confirms their ongoing commitment to the project, including evidence when Milestones were, or will be, met on the dates due.

Context

Detailed reporting requirements in the Project Agreements enumerate the government's long-term obligation to report on progress of the Debt Conversion Project. Governments need to establish the operations and capacity to meet the reporting requirements of the Project Agreements (e.g., dedicated staff to process, share, communicate, and archive the reported information). Reporting could be coordinated by the same unit within the government that oversees the Debt Conversion Project throughout its lifecycle (i.e. the implementation unit, body, or structure referenced in Practice Standard 2.2). As part of its reporting requirements, the government develops and implements a M&E Framework to collect data and report on the progress, and impact of the Debt Conversion Project.

Practical considerations

- A copy of the executed Project Agreements, in particular the clauses for the reporting requirements, Commitments, and templates, is provided to government staff that are assigned and responsible for reporting to the Verification Agent and Conversation Organization(s) (if different entities).
- When the Conservation Organization(s) and the Verification Agent are different entities, the Verification Agent may need to be engaged early in the Debt Conversion Project, ideally Pre-financial close, in order to align on the Commitments and its role in the Debt Conversion Project.
- The Project Agreements provide templates for the minimum reporting requirements for the government, including the required evidence base for Milestone reports, without being overly prescriptive.
- Reporting is timely, provides sufficient quantitative, and qualitative information and is provided through agreed templates to enable impact reporting.

- The government staff responsible for reporting need to be resourced to ensure they can successfully collect the necessary information and data, as well as coordinate the reporting process across multiple ministries, agencies and/or key parties, where needed. To ensure data is consistently collected and retained, it is recommended that a reporting process is operationalized by the government.
- The government's M&E Framework could be based on the Theory of Change, where governments use baseline information (if available) to set informed targets and activity plans to achieve desired intervention outcomes for nature and people.
- The M&E Framework covers project strategy and operations, including but not limited to Milestones met, funds dispersed, the CTF established, projects supported, and legal or financial obligations met. When data is available or can be obtained, the M&E Framework also covers intervention outcomes and related metrics, such as but not limited to changes and trends to biodiversity, ecosystem condition, adaptation, carbon counting for ecosystem services, and social and economic benefits to Rightsholders and Stakeholders, including benefits to IPs and TCs. Minimum reporting requirements may need to align with Credit Enhancers' reporting requirements.
- The CTF, Verification Agent, and Conservation Organization(s) may also have their own M&E Frameworks, and these could be consulted and linked to the government's M&E Framework.
- Depending on the Milestone and associated text in the Commitments, many documents may be needed to support the evidence that a Milestone was completed. Developing a system to create reference numbers for all documents referred to in the government report, and other file management steps, can assist with timely verification efforts.
- The Verification Agent and the Conservation Organization(s) can provide training on the reporting requirements to government staff before the due date, ensuring they understand the minimum requirements and templates needed to meet reporting deadlines.

Criteria

5.1.1	Minimum reporting requirements are specified in the Project Agreements and in institutional working arrangements for partners.
5.1.2	The government ensures compliance with its reporting obligations by having the operations and capacity to meet minimum reporting requirements.
5.1.3	The government develops and implements a M&E Framework to collect data and report on the progress and impact of the Debt Conversion Project.
5.1.4	Data and document storage, management, and maintenance systems are developed to support successful reporting throughout the project.

Evidence base

- Reporting requirements are specified in the Project Agreements.
- Evidence of government capacity on reporting - relevant TORs, working group meeting minutes, etc.
- M&E Frameworks for the government, linked or consulted with the CTF, Verification Agent, and Conservation Organization(s).

For more, see Resources.

Practice Standard

5.2

The Verification Agent validates all necessary reporting requirements and develops reports.

Summary

The Verification Agent reviews all reporting information from the government and CTF, validating it against the reporting requirements, and producing reports, including Impact Reports, when possible. These reports measure progress towards conservation goals and provide an overview of the project's implementation progress and impact. The Impact Report is typically shared with Investors and Credit Enhancers and made publicly available as permissible.

Context

The Verification Agent is a technical advisor selected by transaction parties for its expertise both technically, and in-country, to receive and review all reporting information from the government and the CTF, and measure and report on progress towards conservation goals. It may be the same entity as a Conservation Organization(s).

The Verification Agent receives the official reporting documents from the government on or before the due date and is responsible for reviewing, validating and responding to the government on the completion of the legally-binding conservation and reporting requirements. Templates, where needed, are co-developed and agreed on as part of the Project Agreements. The Project Agreements contain the due dates as well as any optional preliminary report due dates (Practice Standard 5.1).

Evidence is required that the Commitments have met the international standards and best practice guidance provided as examples in that section of the Projects Agreements. Depending on the Commitments, significant technical expertise may be needed to review, analyze, and validate Milestones. Analysis and validation conclusions are carefully reviewed by the Verification Agent and Conservation Organization(s) (if different entities). A rigorous system of approvals is developed that includes technical, legal, and program staff. Clear and concise conclusions related to meeting, or not meeting a Milestone, can be provided in the response to the government, including any deficiencies to be corrected before the next reporting due date.

The Verification Agent creates reports, which are shared as required by the Project Agreements, unless confidentiality rules apply, or the parties agree otherwise. For impact reporting to be viable, the Verification Agent needs to verify that the government and the CTF's reporting is credible, sound, scientifically informed, and based in fact. If information or data is lacking, the Verification Agent will require clarification, more details and/or data from the government and/or the CTF.

Practical considerations

- The Verification Agent provides guideline documents (e.g., report outlines, report templates) to the government and CTF for them to determine their own M&E Framework and capacity needed to comply with reporting. Reporting templates will be most useful if they clearly indicate what is required and what is optional. The design of reporting templates can be such that they provide checklists, tables, and specific items for the government's reporting staff to select and match with their data, information, and documents.
- For the conservation and Milestone reporting to be validated, data and information needs to be provided by the government in a form that the Verification Agent can open and review.
- The purpose and form of reporting, monitoring, and evaluation are frequently codified in the CTF's governing documents or donor agreements and are articulated in the CTF's Operations Manual (Practice Standard 5.4). The Verification Agent includes clear expectations in all replies, including if a follow up report or document is requested, and by what date and/or what methodologies or approaches are recommended to ensure compliance.
- Effectively validating conservation reporting documents relies on well-defined and unambiguous language for the Commitments and best practice methodologies, and international standards to achieve Milestones. When issues arise due to ambiguous language, additional technical, or legal expertise may be required to advise the staff responsible for validation (Practice Standards 1.2).
- The verification process could be undertaken by a third party if they bring strong conservation and/or expertise, experience in validation and reporting, and on the ground capabilities. If a third party, the Verification Agent must be acceptable to the Conservation Organization(s), Project Sponsor, government, Credit Enhancers, and Lead Arranger(s).

Criteria

5.2.1	The Verification Agent develops reporting templates with agreement from the Conservation Organization(s) (if different entities), the government, and the CTF before financial close.
5.2.2	The Verification Agent develops strong administrative and technical processes to receive, review, validate, and respond to reports from the government and the CTF in a reasonable and timely manner, ensuring compliance with the Project Agreements.
5.2.3	Unbiased reports developed by the Verification Agent, are reviewed by the Conservation Organization(s) (if different entities), and shared with the relevant parties.

Evidence base

- Reporting templates.
- Project reports.
- Validation process(es) in place.
- Impact Reports.
- M&E Frameworks.

For more, see Resources.

Practice Standard
5.3

The Conservation Trust Fund (CTF) managing the Debt Conversion Project funding stream requires its grantees to deliver regular project reports.

Summary

The Conservation Trust Fund (CTF) managing Debt Conversion Projects funding monitors the progress of CTF-funded grantees' compliance with grant conditions by requesting narratives and financial reports as appropriate before additional disbursements.

Context

The CTF managing the Debt Conversion Project funding is responsible for the monitoring of their portfolio of projects. The CTF signs grant agreements with government and non-government grantees before providing funding to these projects, which include reporting requirements, and include key performance indicators (KPIs) and the ESMS, based on the CTF's own M&E Framework. The M&E Frameworks make reasonable efforts to harmonize with IPs' and TCs' knowledge and worldviews, as appropriate. The CTF provides reporting templates to grantees in accessible formats so that it is able to aggregate the results of the portfolio, and grantee reporting is standardized to the extent possible, while ensuring that Rightsholders and Stakeholders, including IPs and TCs, have equal opportunity to participate. The reporting procedures and templates are part of the CTF's Operations Manual.

Practical considerations

- The CTF provides clear narrative and financial reporting templates to the grantees, in languages, formats, and channels most accessible to Rightsholders and Stakeholders, including IPs and TCs, and ensures grantees have capacity to complete them (e.g. oral narratives and text messages may be appropriate). It provides training and additional support, alongside reasonable accommodations, if needed, so that the grantee organization builds its reporting capacity. The CTF updates its reporting templates so that grantees can use them easily, allowing the CTF to quickly gather and combine results.
- The M&E Framework of each CTF-funded project is part of the grant agreement between the CTF and the grantee, and based on the CTF's M&E framework. The grant agreement also contains clauses about the periodicity of reports.
- Reports need to be approved by the CTF before the next tranche of funding is disbursed to the grantee. The reports allow the CTF staff to provide constructive feedback to the grantee, carry out adaptive management of the project, and provide additional technical assistance if needed.

- The CTF's reporting templates track the environmental and social risks identified by the ESMS before the project is approved for funding (Practice Standard 4.6). Mitigation measures included in the project to deal with potential impacts are monitored and reported in the reporting cycles, so that the CTF can keep track of safeguarding implementation in each project.
- As part of the granting process, the CTF may request co-funding reporting from the government grantees to confirm that the Debt Conversion Project funding is not being replaced by the funding disbursed by the CTF (Practice Standard 3.6).

Criteria

5.3.1	The CTF's grant agreements include reporting requirements as a disbursement condition and have a M&E plan as an annex for each funded project.
5.3.2	The CTF's reporting templates include narrative and financial reports and high-level indicators that are part of the CTF's M&E Framework, so that the CTF can aggregate results from its portfolio.
5.3.3	The CTF has the capacity, including staff and financial resources, to support grantees in completing the reporting templates, providing constructive feedback, capacity building, and adaptive management measures and formally approve the reports.

Evidence base

- CTF grant agreement template.
- CTF M&E Framework.
- CTF Operations Manual (reporting procedures and templates).

For more, see Resources.

Practice Standard
5.4

The Conservation Trust Fund (CTF) provides annual implementation reports to the Verification Agent.

Summary

The CTF provides annual implementation reports to the Verification Agent and Conservation Organization(s) (if different entities), about their progress executing the funding generated by the project, including challenges, lessons learned, and remediation actions for the following period.

Context

Based on the reports received from grantees (Practice Standard 5.3) and the review of its own operations, the CTF prepares implementation reports for the Verification Agent and Conservation Organization(s) (if different entities), which can also be shared with the government (Practice Standard 5.2). The CTF implementation report is an annual deliverable by the CTF to Debt Conversion Project partners, focusing on implementation aspects and planned actions for the next period. These reports support the development of the CTF's annual workplan and budget for the following year. The CTF summarizes results achieved in a period but also highlights challenges, learnings, and required adaptive management measures. In addition to summarizing results, learnings and adaptive management actions, the implementation report also justifies any necessary changes to administrative costs. It may highlight challenges that may require technical support from the Conservation Organization(s).

Practical considerations

- The Project Agreements includes clear CTF reporting requirements, deadlines, and templates for the implementation reports.
- The implementation report template considers what the CTF already needs to report in terms of public reports and considers the timeline followed by the CTF for reporting, including the annual audit timing, so that it does not become an additional burden to CTF staff.
- The CTF implementation reports are approved by the CTF Board before being delivered to partners.
- The CTF implementation report compiles and summarizes the ESS implementation and highlights any grievances received and the outcomes. The Verification Agent and Conservation Organization(s) (if different entities) provide constructive feedback to the CTF about the implementation reports, so these reports improve over time and provide what the partners need for their reporting in a format that allows verification. The Verification Agent and Conservation Organization(s) (if different entities) may require raw data from the CTF to validate the implementation reports, such as a project database and financial statements.

Criteria

5.4.1	The Debt Conversion Project Agreements include CTF reporting requirements and have a template for the implementation report.
5.4.2	The CTF delivers annual reports to the Verification Agent and Conservation Organization(s) (if different entities).

Evidence base

- Project Agreements with CTF reporting requirements.

For more, see Resources.

Practice Standard
5.5

The Conservation Trust Fund (CTF) issues public annual reports with conservation and financial information.

Summary

The CTF publishes annual reports with aggregated financial and conservation information from the reports received from their grantees.

Context

In alignment with the CFA's Practice Standards for CTFs, a CTF that is part of a Debt Conversion Project maintains a public presence through a website and social media to communicate its work to donors, partners, beneficiaries, and the public. It is also an effective way to demonstrate transparency and accountability. The CTF also reports to different audiences, to build its credibility as an effective, efficient, transparent, and accountable entity.

Practical considerations

- The CTF's annual public reports combine conservation and financial information aggregated from grantee reports. The public annual report details the list of projects in the portfolio, the implementation partners (grantees), the amounts provided by the CTF, the main objectives of each project, and their current status. It includes case studies to highlight success stories and learnings.
- The CTF's annual public reports include the audited financial statements, detailing the CTF's financial situation, and its admin costs.
- The CTF's annual public reports include clear information about the Board's current composition, Committees' composition, and staff members. It also includes a summary of organizational development of the CTF and perspectives for the next year. It includes an institutional contact (email, address, phone number) and a list of donors and partners.
- The CTF's annual public reports can be multilingual when needed, using the local language(s) and English for an international audience. They can be printed or digital.

Criteria

5.5.1	The CTF has a clear timeline and the resources to produce its public annual report as part of its annual workplan and budget.
5.5.2	The CTF's audited financial statements are published with the annual public report.
5.5.3	The CTF's annual reports are made available on its website.

Evidence base

- CTF Operations Manual (annual reports and audit procedures).
- Annual report (print and/or digital).

For more, see Resources.

Appendix

Glossary

Resources

The Caribbean Sea from a dock on Tobacco Caye, Belize. © Kevin Wells/TNC Photo Contest 2019

Glossary

Note: *Specific terminology, such as Conservation Organization(s) or Project Sponsor, may change from project to project. However, the specific roles they play remain consistent with the definitions below and in the roles outlined in the Practice Standards and criteria presented in this document.*

Commitments for Nature, Resilience, and People ('Commitments'): Legally binding commitments made by governments under Debt Conversion Projects, aimed at achieving ambitious outcomes for nature, resilience, and people.

Conservation Organization(s): A Conservation Organization is an experienced philanthropic, public, or private institution with proven expertise in conservation, ecological and community resilience, and nature-based solution projects similar in scope, scale, and complexity to the Debt Conversion Project. The Conservation Organization(s) plays a key role Pre-financial close on the co-development of the Commitments for Nature, Resilience, and People ('Commitments') with the government, the inclusion of guiding principles so they are durable and impactful, and the development of the ESMF, among others. The Conservation Organization(s) may assist the establishment, operationalization, and/or strengthening of the CTF. Post-financial close the Conservation Organization(s) may act as a conservation advisor to the government. Typically, the Conservation Organization(s) is an international Non-Governmental Organization (NGO) with a field team and experience in the country. In cases where two or more organizations are involved as the Conservation Organization(s), there needs to be a clear delineation of roles and responsibilities. In many cases a designated Conservation Organization will also act as the Project's Sponsor and/or the Verification Agent (Practice Standard 2.5).

Conservation Trust Fund (CTF): A private, legally independent, mission-driven institution that provides sustainable financing for nature conservation. It operates as a conservation financing institution rather than an institution that directly implements biodiversity conservation projects. As such, its core business is to mobilize resources from diverse sources — including international donors, national governments, and the private sector — and to direct these resources, primarily through grants, to multiple programs and projects via NGOs, community groups, small and medium productive enterprises, government agencies (such as national protected areas agencies), Indigenous Peoples' organizations, academic and research centers, and individuals (Practice Standards 2.3 and 4.2). In the context of a Debt Conversion Project, a CTF is established or designated to receive, among other resources, funds unlocked from debt conversions to support conservation and resilience goals and manages the conservation funding stream for the Debt Conversion Project.

Convention on Biological Diversity (CBD): The CBD was established as an international convention at the Earth Summit in Brazil in 1992. To date, there are 196 participating parties and 168 signatories to the CBD, including all UN member states apart from the United States. The CBD has three main objectives: the conservation of biological diversity; the sustainable use of the components of biological diversity; and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources.

Credit Enhancers: Public or private-sector credit guarantors or insurers that provide credit enhancement for a transaction.

Environmental and Social Safeguards (ESS): Environmental and Social Safeguards provide an institutional mechanism to identify, prevent, minimize and/or mitigate environmental and social risks, together with the impacts from conservation activities, helping deliver better conservation outcomes, and contributing to the well-being of Indigenous Peoples and Traditional Communities (IPs and TCs). Some organizations may choose to cover potential safeguard topics as separate policies rather than list them as safeguards. Safeguards address a broad range of environmental and social risks, support accountability and transparency for those who may be affected by conservation work, and ensure that projects are designed and operated in ways that protect both people and the environment. The process of applying ESS policies is an important opportunity for Stakeholder engagement, enhancing the quality of project proposals, and increasing Stakeholder ownership.

Environmental and Social Management Framework (ESMF): An Environmental and Social Management Framework (ESMF) is a tool to identify potential environmental and social concerns or impacts across all stages of a project from planning through implementation and sets out high-level measures to mitigate adverse impacts from projects. The ESMF serves as a guide to the implementation phase of projects, including the operations of the CTF.

Environmental and Social Management System (ESMS): The Environmental and Social Management System (ESMS) is designed and operated by the CTF and builds on the guidance from the ESMF. It is made up of policies, procedures, and templates to screen, assess, manage and monitor the potential environmental and social impacts and to identify the specific required mitigation measures of project activities financed by the CTF. The ESMS complements the CTF Operations Manual.

Facility Agent (or Paying Agent): Independent payment service provider that receives payments under the loan agreement and allocates them appropriately to Investors pursuant to relevant documentation.

Free, Prior and Informed Consent (FPIC): FPIC is a principle embedded in international human rights law that states 'all peoples have the right to self-determination' and – linked to the right to self-determination – 'all peoples have the right to freely pursue their economic, social and cultural development' (International Covenant on Civil and Political Rights). Backing FPIC are the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), the Convention on Biological Diversity (CBD) and the ILO Convention No. 169 treaty, which are the most powerful and comprehensive international instruments that recognize and defend Indigenous Peoples (IPs)' rights. FPIC is a requirement for IPs but can be applied to any group. It is an ongoing process to protect the right of IPs to self-determination, enabling meaningful discussions and the freedom to make decisions without intimidation. FPIC is both a process and an outcome. FPIC, and the consultation of Rightsholders, needs to begin as early as possible in the Debt Conversion Projects process. The FPIC process involves the exchange of information, consultation, internal conference, and negotiation conducted with the aim to seek consent of IPs and TCs prior to implementing activities. The process may result in unqualified consent, conditional consent, a modified proposal, or it may result in the absence of consent.

Global Biodiversity Framework (GBF): The Kunming-Montreal Global Biodiversity Framework (GBF) is a set of 23 action-oriented targets and four goals aimed at conserving and sustainably managing biodiverse natural resources. The GBF was agreed under the auspices of the Convention on Biological Diversity (CBD) in December 2022. Global targets for 2030 under the GBF include commitments to effective conservation and management of at least 30% of the world's lands, inland waters, coastal areas, and oceans, with emphasis on areas that are particularly important for biodiversity, and areas critical to ecosystem functions, and services (commonly referred to as 30X30).

Government: The governing body of a nation, state, or community. In the context of this document, the government of the host country, typically represented by the Ministries of Finance and Environment (or the equivalents) at a minimum.

Grievance Redress Mechanisms (GRM): A Grievance Redress Mechanism (GRM) is an accessible and inclusive system, process, or procedure that receives and acts upon complaints and suggestions for improvement in a timely fashion, and facilitates resolution of concerns and grievances arising in connection with a project without risk of negative repercussions for the person lodging legitimate complaints.

Guarantees / Credit Guarantees: Guarantees or Credit Guarantees are financial contracts under which a third-party institution pledges to repay some or the entire loan amount to the lender in the event that a borrower defaults, with the intention to reduce the risk associated with the debt conversion transaction. It involves a third party, such as a multilateral organization, development bank, or private entity, guaranteeing all or part of the debt repayments. The Guarantee provides assurance to creditors that the guarantor will meet its financial obligations.

Impact Report: The Verification Agent compiles all information into holistic Impact Reports that cover all aspects related to transaction performance and conservation impact. This Impact Report is typically shared with Investors and Credit Enhancers and made publicly available as permissible (Practice Standard 5.2).

Indigenous Peoples and Traditional Communities (IPs and TCs): Indigenous Peoples (IPs) are people whose rights are legally affirmed by the United Nations Declaration on the Rights of Indigenous Peoples and the ILO Convention No. 169 treaty, which includes a definition of what constitutes "Indigenous Peoples" and guarantees them the right to self-determination and Free, Prior and Informed Consent (FPIC). Traditional Communities (TCs) are other groups who are usually descended from and identify with the original inhabitants, but are not judged as Indigenous, and therefore have different official or legal rights to safeguarding procedures like FPIC, but nonetheless in practice are often treated as equivalent. This document acknowledges that distinct historical and political contexts may make terms other than IPs and TCs more appropriate for some Debt Conversion Projects. Some communities use other terms to describe themselves, such as ethnic, tribal, or native. Governments in different countries may also use different legally recognized terminologies. For the purpose of this document, Tribal Communities, as communities that may be ethnically, culturally and linguistically diverse, could be considered either Indigenous Peoples or Traditional Communities depending on their status in the country. While most tribal peoples are also Indigenous, there are some tribal peoples who are not Indigenous to the areas where they live. Tribal Communities can have special legal recognition in countries and face particular challenges in addition to those faced by Indigenous Peoples at large. Respecting and promoting the human rights of IPs and TCs (inclusive of all related terms) is a moral obligation and an enabling condition for sustainable conservation and human wellbeing.

Indigenous Peoples Planning Framework (IPPF) or Indigenous Peoples Plan: The main objective of an Indigenous Planning Framework (IPPF) or Indigenous Peoples Plan is to guide the Debt Conversion Project to enhance the engagement of IPs and TCs, increase resources and benefits available to IPs and TCs as a result of the project, and minimize and mitigate any adverse impacts to their livelihood and customary institutions. An IPPF is prepared when ESMS screening (such as a Pre-financial close Stakeholder and Rightsholder mapping exercise) indicates that IPs and TCs may be present in or have a collective attachment to the area where the Debt Conversion Project is taking place. These plans are developed by the government in collaboration with the Conservation Organization(s) according to International Union for Conservation of Nature (IUCN) guidance.

Incremental Payments: Payments made by the government pursuant to the Project Agreements following the failure to meet a Milestone that is due or the failure to remain in compliance with a Milestone that was previously met.

Investors: The ultimate holders of the loan or bond (also see Issuer Special Purpose Vehicle definition) whether they are institutional Investors (insurance companies, pension funds) or banks, and other lenders. Typically, Investors are large and sophisticated institutional Investors and not individuals (retail Investors).

Issuer Special Purpose Vehicle (SPV): Particularly in the context of PRI-backed structures, a financing vehicle that raises funding from capital market Investors through the issuance of a bond, loan, or another fixed income instrument, typically established by a financing party (e.g., the Lead Arranger(s)). The Issuer SPV uses the proceeds from the market issuance to make a new loan ("Government Loan") to the government. The principal and interest payment of the Government Loan flow to the Issuer SPV and allow it to repay the market issuance. The Issuer SPV is typically managed by an independent board of directors and/or a Noteholder Representative.

Lead Arranger(s): There are typically major international investment banks who place the new instruments (bonds, loans) with Investors and/or hold some or all of the assets on their balance sheets temporarily, or for the term of the new financing. Often the Lead Arranger(s) is also responsible for organizing the liability management portion of the transaction, i.e., the repurchase of pre-existing commercial debt. Sometimes Lead Arranger(s) are the original funders at financial close. Thereafter, they may sell (or syndicate) some or all of their exposure Post close.

Major Commitment Breach: Failure to meet certain key conservation Milestones beyond a cut-off date may trigger a loan default, which could result in the acceleration of the loan. Triggers for a Major Commitment Breach are individually defined and agreed upon for each Debt Conversion Project in the Conservation Project Agreements.

Milestones: Specific contractually-binding goals or targets within the Commitments for Nature, Resilience, and People ('Commitments'), which must be achieved by the government within a specific time period.

Multilateral Development Banks (MDBs): An international financial institution chartered by two or more countries that provides financial and technical support to low- and middle-income countries to encourage economic development, strengthen economic management, and reduce poverty.

National Biodiversity Strategies and Action Plans (NBSAPs): A National Biodiversity Strategy and Action Plan is a country's internationally recognized and comprehensive strategy, plan, and program to address threatened species and habitats with the objectives of protecting and restoring biological diversity. NBSAPs are one of the most important ways for countries who have signed the Kunming-Montreal Global Biodiversity Framework (GBF) to fulfill their international commitments to integrate conservation and sustainable use of biological resources into national decision-making across all policies, programs, and sectors of the national economy, as far as it is possible and appropriate according to the county's particular conditions and abilities. The GBF requests governments to update their NBSAPs by the end of 2024.

Nationally Determined Contributions (NDCs): Nationally Determined Contributions (NDCs) are internationally recognized commitments from countries to reduce national greenhouse gas emissions and adapt to the impacts of climate change, according to their conditions and abilities. NDCs lay out how each country will contribute to the Paris Agreement, with the aim of keeping global temperature rise below 1.5 °C (2.7 °F) above pre-industrial levels. Within the NDCs, countries clarify the actions they intend to take to mitigate and adapt to climate change across all sectors, including the land use, land use change, and forestry sector.

Nature Bonds Program/Project: Nature Bonds Program is TNC's strategy for Debt Conversion projects for Nature, Resilience, and People. It is a holistic approach utilizing debt refinancing coupled with ecological and social science, policy, and conservation planning to help countries deliver on their nature and climate international and national commitments, close the nature-finance gap, and support local people. Nature Bonds *projects* under the TNC's Nature Bonds Program should not be confused with Green Bonds, which are "use of proceeds" capital market instruments aligned to the Green Bond Principles (GBP). When financing specific projects such as those for the ocean or nature-related projects, Green Bonds may be given a secondary designation or label such as Blue Bonds or Nature Bonds. See also the Principles developed and maintained by the International Capital Market Association (ICMA), including GBP and Sustainable Bonds for Nature, a Practitioner's Guide.

Noteholder Representative: An independent entity responsible for lifecycle transaction management as an interlocutor between the government and key transaction participants (e.g., Investors, Credit Enhancers, etc.), monitoring covenants and payments, organizing corporate actions, etc. It is authorized to act independently for certain matters defined in the transaction documents or as directed by Investors to take various actions including declaring defaults and accelerating the Government Loan. The Noteholder Representative is also responsible for receiving and sending notices and reports to Investors.

Operations Manual: In the context of the CTFs, an Operations Manual is a collection of policies and procedures that details how the CTF operates. Several CTFs prefer to have separate Operation Manuals for different projects or accounts. The CTF Operations Manual covers administrative, financial, and operational policies and procedures that are institutional and apply to all programs managed by the CTF and are revised regularly. See also: CFA's Practices Standards for CTFs (Box 8, Page 107).

Paris Agreement: The UNFCCC Paris Agreement (also known as Paris Accords, Paris Climate Accords) is an international treaty on climate change signed in 2016. It covers climate change mitigation, adaptation, and, finance with a goal to keep the rise in global surface temperature to well below 1.5 °C (2.76 °F) above pre-industrial levels. The Paris Agreement was agreed at the 2015 United Nations Climate Change Conference with 198 members of the United Nations Framework Convention on Climate Change (UNFCCC) having since ratified the agreement. The Paris Agreement requires each signatory country to prepare, communicate, maintain, and periodically update Nationally Determined Contributions (NDCs).

Political Risk Insurance (PRI): Specialized insurance covering pre-defined government actions or inactions that result in harm to projects and their Investors. Historically, debt conversions have benefited from PRI policies covering denial of recourse arbitral award default.

Post-financial close: Post-financial close refers to the period of the Debt Conversion Project after the debt transaction closes and project implementation commences.

Pre-financial close: Pre-financial close refers to the period of the Debt Conversion Project before the debt transaction closes and Project Agreements are signed.

Project Agreements: The legal agreements entered into by the various parties to a Debt Conversions Project. Project Agreements will vary according to the specific transaction structure and will typically (but not always) include, among others the following or an equivalent:

- **Government Loan Agreement.** Agreement between Investors and government for the new financing used to repurchase the government debt subject to the debt conversion.
- **Credit Enhancement Agreement(s).** Agreement to provide credit enhancement, resulting in a reduction of credit risk borne by Investors that results in the below market cost of financing for the host government. Typically consists of:
- **Political Risk Insurance Policy:** Agreement between insurer and lender with respect to the Government Loan Agreement; and/or
- **Guarantee Agreement.** Agreement between credit guarantor and lender.
- **Conservation Funding Agreement.** An agreement pursuant to which the government funds conservation-related amounts, if such payments are not made under the Government Loan Agreement.
- **Project Commitment Agreement (also known as the Conservation Agreement or Conservation Funding Agreement).** The agreement pursuant to which the government agrees to meet a set of timebound Milestones associated with the Project. Failure to meet Milestones may result in Incremental Payments and/or Major Commitment Breaches.
- **Project Implementation Agreement.** Credit Enhancers typically requires this agreement when involved in a Debt Conversion Project, pursuant to which the Conservation Organization, the CTF and the insured party will give certain representations, warranties, and covenants to Credit Enhancers.

Project Payments: Project Payments are monetary transfers made by a government for conservation and resilience efforts, in consideration of the principal and interest savings (or other value addition) generated from the debt conversion transaction. Project Payments typically fund an independent CTF (including its endowment), and support the implementation of the Commitments for Nature, Resilience, and People ('Commitments').

Project Sponsor: A credible and experienced entity (nonprofit, public, or private organization) responsible for key elements of a Debt Conversion Project Pre- and Post-financial close. The Project Sponsor will have the resources and capacity to arrange the financing of the Debt Conversion Project. Typically, the Project Sponsor will be a major international NGO, in which case it may also serve as a Conservation Organization(s). If the Project Sponsor is not a Conservation Organization(s) for the Debt Conversion Project, it needs to identify a credible institution to fill that role. Among other activities, the Project Sponsor will identify and facilitate the involvement of the Credit Enhancer(s) and Lead Arranger(s) for the Debt Conversion Project's financing. Based on input from, and in collaboration with, the Conservation Organization(s), legal and other advisors, the Project Sponsor will also help negotiate Project Agreements, execute agreements to which it is a party, support and strengthen the establishment and operationalization of a CTF. It may also remain involved in implementation of the Debt Conversion Project.

Rightsholders: Rightsholders share many of the same characteristics as Stakeholders, though not all Stakeholders may have the same rights. Rightsholders will have constitutional and other rights that are protected and enforceable by law. For example, Constitutional rights apply to all citizens of a country, Access rights are specific rights granted to harvest natural resources such as fishing or hunting rights often through a permit or agreement, private property rights can be held by deed holders, and the legal rights of IPs may be specific to national or sub-national legislation. Other rights are not legally binding and affirmed by agreement internationally. The rights of Rightsholders are mutually complemented by national and international customary law. A rights-based approach includes constitutional rights as well as other rights conferred on the public or Stakeholders because of other legal statutes (e.g., license holder for a fishery). For example, human rights are the universal rights for all persons on the planet. In the context of Debt Conversion Projects, Indigenous People's rights are safeguarded in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and other international agreements. The UNDRIP outlines Indigenous rights to their lands, territories, and resources, including but not limited to the right to uphold traditional ties to land and territories, right to redress land expropriation; and right to prohibit military activities and the storage of hazardous waste on Indigenous territories. Traditional Communities and other Stakeholder groups do not automatically share the same legally defined rights as Indigenous Peoples.

Rightsholder and Stakeholder Mapping: Rightsholder and Stakeholder Mapping are strategic processes to identify and analyze all the Rightsholder and Stakeholder groups that may have a stake in any particular Debt Conversion Project. These groups are engaged according to international best practices, such as following a transparent, inclusive, equitable, science-based, and participatory process for conservation planning.

Stakeholders: A Stakeholder is an individual or group that maintains an interest or concern in any particular Debt Conversion Project. They are affected by and can in turn affect the outcomes, decisions, and/or, actions related to the Debt Conversion Project. This can include community members, government agencies, NGOs, businesses in various sectors, and other relevant parties. Stakeholders involved in conservation and resilience efforts often have diverse perspectives that need to be addressed to reach satisfactory compromises, in order to achieve realistic, durable, and impactful conservation and resilience outcomes.

Sustainable Development Goals (SDGs): 17 goals set by United Nations members as part of the 2030 Agenda for Sustainable Development, covering environmental, social and economic aspects of sustainable development. The 17 SDGs address: poverty (SDG1), hunger (2), health and well-being (3), education (4), gender (5), water and sanitation (6), clean energy (7), work and economic growth (8), industry and infrastructure (9), socioeconomic inequality (10), cities and communities (11), responsible consumption and production (12), climate (13), life below water (14), life on land (15), peace and justice (16) and partnerships for the goals (17). Current progress suggests few, if any, will be achieved by 2030. In the context of Debt Conversion Projects, we focus particularly on supporting SDG goals 13, 14, and 15 but also support interrelated goals.

United Nations on Declaration of Rights of Indigenous Peoples (UNDRIP): A legally non-binding resolution passed by the United Nations in 2007. It delineates and defines the individual and collective rights of Indigenous Peoples, including ownership rights to cultural and ceremonial expression, identity, language, employment, health, education, and other issues. Ownership extends to the protection of intellectual and cultural property. The declaration "emphasizes the rights of Indigenous Peoples to maintain and strengthen their own institutions, cultures and traditions, and to pursue their development in keeping with their own needs and aspirations." It "prohibits discrimination against Indigenous Peoples," and it "promotes their full and effective participation in all matters that concern them and their right to remain distinct and to pursue their own visions of economic and social development".

Universal Declaration of Human Rights (UDHR): The Universal Declaration of Human Rights (UDHR) is a milestone document in the history of human rights. Drafted by representatives with different legal and cultural backgrounds from all regions of the world, the Declaration was proclaimed by the United Nations General Assembly in 1948 as a common standard of achievements for all peoples and all nations. It sets out fundamental human rights to be universally protected. UDHR is widely recognized to have paved the way for the adoption of more than seventy human rights treaties, applied today on a permanent basis at global and regional levels (all containing references to it in their preambles). UNDRIP and FPIC expand on the foundational principles of this universal document in the specific context of IPs and TCs.

Verification Agent: The party responsible for the Post-financial close Commitment Milestones verification, and reviewing project reporting from the government and CTF. This role can be played by the Conservation Organization(s) or another specially designated party possessing relevant capabilities and acceptable to the Project Sponsor, Conservation Organization(s), government, Credit Enhancers, and Lead Arranger(s).

Resources

Category 1

- Conservation and Human Rights, WCS, 2024
- Designing and managing protected and conserved areas to support inland water ecosystems and biodiversity, IUCN WCPA, 2024
- Ecosystem-based Adaptation Handbook, IUCN, 2016
- Free Prior and Informed Consent: An Indigenous Peoples' Right and a Good Practice for Local Communities, UN FAO, 2016
- Global Biodiversity Framework , CBD
- Guidance from the Taskforce on Nature-related Financial Disclosures, TNFD, 2024
- Guidance Notes to Performance Standards on Environmental and Social Sustainability, IFC , 2012
- Human Rights Policies, WWF, 2021
- Environmental and Social Policy Framework, IDB 2021
- IFC Performance Standards on on Environmental and Social Sustainability, IFC 2012
- Indigenous and Tribal Peoples Convention No. 169, ILO, 1989
- Integrated Spatial Planning Workbook, UNDP, 2022
- IUCN Environmental and Social Management System, IUCN
- Marine Spatial Planning: A Step-by-Step Approach toward Ecosystem-based Management, IOC-UNESCO, 2009
- MSP Global: International Guide on Marine/ Maritime Spatial Planning, UNESCO and EC, 2021
- National Biodiversity Strategies and Action Plans (NBSAPs), CBD
- Nature Bonds Toolkit, TNC, 2024
- Open Standards for the Practice of Conservation 4.0, Conservation Measures Partnership (CMP), 2020

  In Pre-publication: Open Standards for the Practice of Conservation 5.0, CMP, 2025
- Paris Agreement, UNFCCC, 2015
- Practice guidance for protected and conserved area finance. Page 121. Citation: Monteiro, C., Hansen, A., Escovar-Fadul, X. & Gatchev, S. (2025). Debt Conversion, Factsheet 3.
- Principles of Natural Climate Solutions, Nature4Climate, 2024
- Recognising Territories and Areas Conserved by Indigenous Peoples and Local Communities (ICCAs) Overlapped by Protected Areas, IUCN, 2024
- Revised Environmental and Social Policy, Green Climate Fund 2021
- Risk Assessment taxonomy, World Bank, 2016
- Science Based Target Network Stakeholder Engagement Guidance, SBTN, 2023
- Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets, IFC, 2007
- The Voice, Choice, and Action Framework: A Conservation Practitioner's Guide to Indigenous and Community-Led Conservation, Version 2.0.,TNC, 2022
- TNC's Human Rights Guide for Working with Indigenous Peoples and Local Communities, TNC, 2020
- UN 2030 Sustainable Development Goals, UN, 2015
- Understanding the Indigenous and Tribal Peoples Convention No. 169, ILO, 2013
- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), United Nations, 2007

Category 2

- Establishing a Conservation Trust Fund, Online course on Conservation Training, TNC, 2024
- Nature Bonds Toolkit, TNC, 2024
- Practice Standards for Conservation Trust Funds, CFA, 2020

Category 3

- Blue Bonds Loan Act, Government of Belize, 2021Blue Bonds Loan Act, Government of Belize, 2021
- Conservation Funding Agreement, Government of Barbados, 2022Conservation Funding Agreement, Government of Barbados, 2022
- EIB Guarantees, EIB
- IDB Guarantees, IDB
- Invest Procurement Manual, IDB, 2023
- Nature Bonds Toolkit, TNC, 2024

Category 4

- Building Bridges: Innovations and Approaches to Increase Financing to Indigenous and Afro-Descendant Peoples and Local Communities for Climate and Conservation Goals, RRI, 2022
- Conservation Financing for Conservation Programs with Indigenous Peoples and Local Communities, EcoAdvisors, 2020

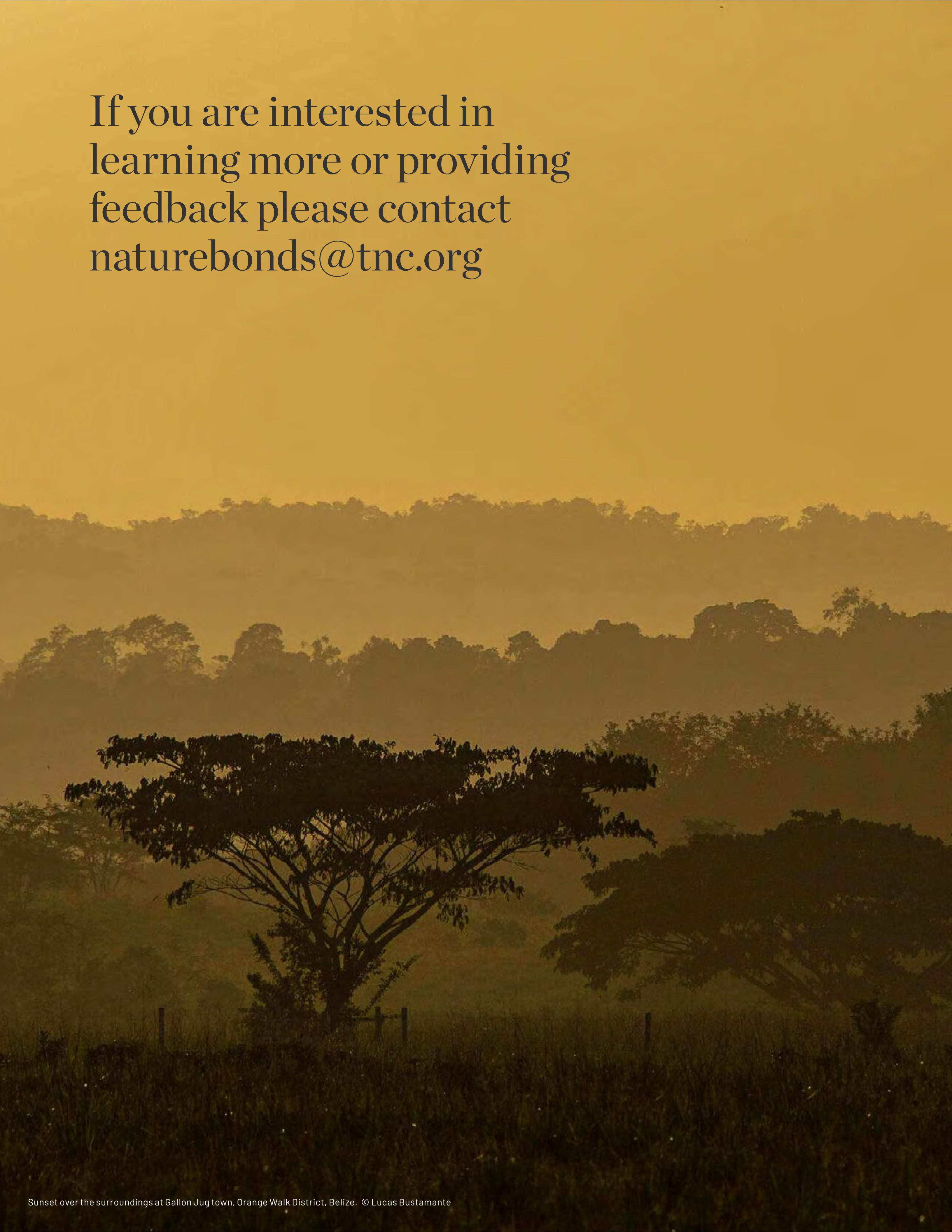
  In pre-publication: Advancing CTF access to finance for Indigenous Peoples and Local Communities, TNC and EcoAdvisors, 2025
- Establishing a Conservation Trust Fund, Online course on Conservation Training, TNC, 2024
- Nature Bonds Toolkit, TNC, 2024
- Practice Standards for Conservation Trust Funds, CFA, 2020
- Resources Mobilization Mechanisms for Environmental Funds, RedLAC-CAFE, 2013

Category 5

- Designing and managing protected and conserved areas to support inland water ecosystems and biodiversity, IUCN WCPA, 2024
- Ecosystem-based Adaptation Handbook, IUCN, 2016
- Free Prior and Informed Consent: An indigenous peoples' right and a good practice for local communities, UN FAO, 2016
- Revised Environmental and Social Policy, Green Climate Fund 2021
- Guidance Notes to Performance Standards on Environmental and Social Sustainability, IFC , 2012, IFC Performance Standards on on Environmental and Social Sustainability, IFC 2012
- Belize Fund for A Sustainable Future (BFSF) Annual Impact Report, BFSF, 2023
- Caribbean Impact Report, TNC, 2022
- Seychelles' Third National Communication Under the UN Framework Convention on Climate Change, Government of Seychelles, 2024
- Integrated Spatial Planning Workbook, UNDP, 2022
- IUCN Environmental and Social Management System, IUCN
- Marine Spatial Planning: A Step-by-Step Approach toward Ecosystem-based Management, IOC-UNESCO, 2009
- MSP Global: International Guide on Marine/ Maritime Spatial Planning, UNESCO and EC, 2021
- Nature Bonds Toolkit, TNC, 2024
- Open Standards for the Practice of Conservation 4.0, Conservation Measures Partnership (CMP), 2020

  In Pre-publication: Open Standards for the Practice of Conservation 5.0, CMP, 2025
- Practice Standards for Conservation Trust Funds, CFA, 2020
- Recognising territories and areas conserved by Indigenous peoples and local communities (ICCAs) overlapped by protected areas, IUCN, 2024

If you are interested in learning more or providing feedback please contact naturebonds@tnc.org



Sunset over the surroundings at Gallon Jug town, Orange Walk District, Belize. © Lucas Bustamante