NIGER DELTA CLIMATE RESILIENCE INITIATIVE –

PHASE 1 CONCEPT SCOPE: 16 JULY – 31 DECEMBER, 2014

REPORT OF FINDINGS AND RECOMMENDATIONS

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SUMMARY

Stakeholder Democracy Network and Carbon-Plus Capital have completed a 6-month project scoping the potential for an innovative development finance concept based on the UN-recognised Reduced Emissions from Deforestation and Forest Degradation plus conservation of forest carbon stocks (REDD-plus) mechanism, the first phase of the Niger Delta Climate Resilience Initiative. This has resulted in the interest of both the Federal Ministry of Environment, which hosts the National REDD Secretariat and the National Climate Change Unit, the UN-recognised National Designating Authority for REDD-plus activities, and the governments of Bayelsa State and Rivers State to support a pilot project to test the efficacy of the mechanism in the context of the Niger Delta with a view to its eventual establishment on a Delta-wide scale. This report sets out the recommendations for Phase 2 of the Initiative, which is focussed on the design and launch of a pilot project, including the estimated budget of $1,278,800 to establish the project structure and complete the design process.

1. INTRODUCTION

1.1 The Project – Scoping a New Concept of Development Finance for the Niger Delta

This report sets out the findings and recommendations of a scoping project undertaken by Stakeholder Democracy Network (SDN) and Carbon-Plus Capital (CPC) (the Partners) with support from Cordaid, the Dutch development agency, and a range of technical specialists between July and December 2014.

The aims of the Scoping Project were three-fold:

- First, to set out the challenge of sustainable forest and ecosystem services management in the context of development priorities and risks including from climate change in the Niger Delta;
- Second, to propose the scope of a pilot to test and develop an alternative concept of development financing in the Niger Delta capable of delivering more socially productive, environmentally sound and economically sustainable results and outcomes;
- Third, to suggest an activity plan, timeline and budget for setting up and establishing such a pilot

To fulfil these aims, the Partners carried out a review of existing initiatives and consulted widely with a range of stakeholders both internationally and in Nigeria including in the Niger Delta. The outcome was a clear commitment by government at both federal-level and state-level to work with the Partners to test and develop the concept on-the-ground. This included a Letter of Intent signed by the Government of Bayelsa State and formal expressions of interest on the part of the Federal Ministry of Environment and the Government of Rivers State to work with the Partners to host a pilot initiative. This report sets out the Partners' overall findings and their recommendations for how to proceed with a second phase of work with the aim of designing and launching a concept pilot.

1.2 The Challenge – The Ecological and Social Costs of Business-as-usual Development in the Niger Delta

A pre-occupation with upstream oil and gas development has resulted in massive under investment in other sectors of the economy of the Niger Delta. This has been a major factor in the large-scale loss of natural forests in recent years, including the region's globally-important mangrove forests, the third-largest mangrove system in the world. Regulation and institutional capacity has been insufficient to contain oil and gas activities and their impacts including from emissions to air from gas flaring within sustainable environmental limits. For the vast majority of the people of the Niger Delta, lack of investment in non-oil and gas sectors restricts livelihoods to subsistence-level forms of farming to meet basic needs. As rural populations and the number of mouths to feed grows so levels of food production must increase but based on traditional forms of agriculture this leads to pressure on land supporting forests and vital ecosystem services. Lack of alternative livelihoods is also leading traditional, forest-dependent communities increasingly to to pursue short-term needs at the expense of the long-term health and viability of their environment including through the highly

destructive practices of bunkering and artisanal oil refining. Despite having some of the highest levels of GDP performance in Africa, the Niger Delta has some of the worst macro-economic indicators and is presiding over the loss of biodiversity values and ecosystem services functions that are globally significant as well as locally critical. Without a different approach, this cycle of restricted economic opportunity, frustrated social aspiration and growing environmental risk, particularly from climate change, is set to continue. A summary of some of the key drivers of deforestation in the Niger Delta is given in Table 1.

Table 1: Some key drivers and causes of deforestation in the Niger Delta

DIRECT CAUSES	Illegal commercial wood extraction	Pollution		Forest clearance for construction and access to upstream oil and gas infrastructure	Non-commercial wood extraction Including Fuelwood collection	Small-scale agriculture taking place nearby or within tropical, swamp or the mangrove forests
		Gas Flaring	Oil Theft Illegal Refineries Oil Spills			
ACTORS	Primarily out-of-state illegal logging organisations hiring local communities	(Inter) national Oil Companies	Oil bunkerers and artisanal oil refiners International Oil Companies	International Oil Companies	Local communities	Local communities
UNDERLYING CAUSES	Poor law enforcement Limited livelihood options	Commercial interest Ageing infrastructure Poor law enforcement	Economic marginalisation of communities Limited livelihood options Ageing oil and gas infrastructure	Commercial interest	Limited household income Lack of alternative livelihood options	Limited livelihood options Food insecurity

The Federal Government of Nigeria and the governments of states in the Niger Delta clearly recognise that investment in rural economic diversification coupled with the development of economic measures that directly incentivise land owners and users to practice responsible environmental stewardship plus significant strengthening of environmental policy, legislation and regulatory enforcement are keys to the state's long-term transition to sustainable development. At state-level, plans for rural economic diversification as part of a long-term sustainable development strategy have been underway for some time. These are focused on the commercial development of a range of certified commodities and agricultural products for both local and export markets including the development of indigenous species of plant with economic value. Commercial development of sustainable fish farming also shows significant potential.

However, these opportunities alone lack the critical mass required to achieve the shift in performance that is clearly required. A combination of weak legislation and regulatory capacity, independent oil spill monitoring arrangements conflicted by financial dependence on the oil industry and poor compensation rates that do not take into account either the local or global economic loss of forest damaged,. Low levels of environmental awareness, a lack of alternative livelihood options at community-level and, above all, a lack of investment in non-oil sectors, particularly in the rural countryside, severely limits the ability of the state governments on the Niger Delta to manage this state of affairs. Apart from the threat this poses to the integrity of the Niger Delta's environment, the health of the population and to security in the region, an inability to deal with these challenges also poses an economic threat by limiting its resilience and adaptability to climate change.

Looking ahead, the Partners have identified six bottlenecks where significant movement is required:

1. ***Trust:*** Past practices and combined with continuing examples of poor performance and inadequate accountability have undermined trust between governments, companies and communities across the Niger Delta;
2. ***Vision:*** There is little collective vision in government, the private sector and civil society of the relative contributions that each sector can make separately and together to achieve sustainable development in the Niger Delta;
3. ***Capacity:*** government agencies, private sector firms and civil society organisations in the Niger Delta often lack the wherewithal particularly in non-oil and gas sectors of the economy to fully realise their sustainable development objectives;
4. ***Investment:*** a pre-occupation with upstream oil and gas development in the Niger Delta has constrained the competitiveness of non-oil economic sectors, particularly agriculture, restricting wide-scale economic progress and driving unsustainable;
5. ***Time Horizons:*** there is little agreement between key actors in the Niger Delta on how to deal with the legacy of past development efforts, how to plan ahead for sustainable development and how understanding and responsibility for sustainable development is shared across different sectors – the government sector, the private sector and local communities, and between different levels – global, national and local;
6. ***Knowledge:*** the knowledge base to inform decision-making and design effective strategies has many gaps and is untested – the means to collect and analyse relevant social, environmental and economic data to set targets and measure progress needs significant work.

1.3 The Concept – Delivering Pro-poor, Ecologically-sustainable Development in the Niger Delta Using Market-based Finance

To address these shortcomings, Stakeholder Democracy Network and Carbon-Plus Capital have formed a partnership to test and develop a rural economic development finance concept based on the growing international markets for ecosystem services, such as climate change-mitigating carbon offsetting, and environmentally-responsible, land-use-based commodities such as agronomy-based raw materials, eco-tourism and renewable energy. Provisionally called the Niger Delta Climate Resilience Initiative, the broad focus is the creation of a model of development that can address

economic stagnation in non-oil sectors in the Niger Delta, particularly in the rural countryside, and place its development trajectory on a more just, fair and sustainable footing.

The concept is predicated on the recognition that if economic actors are to adopt practices that protect rather than convert land supporting high biodiversity value and ecosystems services functionality, including the region's globally-important and highly-imperilled mangrove, swamp and tropical forest systems, there must be an economic incentive to do so. At present, such incentives are largely absent from the economic development financing and decision-making process in the Niger Delta. At the commercial level, where economic development is largely pre-occupied with upstream oil and gas development, there is not the strength of regulatory safeguards, and at the subsistence level, where most of the growing numbers of Niger Deltans eke out a living, lack of investment in non-oil areas of the economy means there is little choice other than direct exploitation of their immediate environment including clearing more land for agriculture and participating in artisanal oil refining to meet basic needs.

Underlying the concept of the Niger Delta Climate Resilience Initiative is the application of market-based finance which leverages the economic value of the Niger Delta's highly productive forest ecosystems to create a sustainable financial incentive to both large-scale and small-scale landowners and users to protect rather convert land supporting high-biodiversity value and ecosystem services function. While there are a number in development, by far the largest payment-for-ecosystem-services market in operation today is the trade in the climate change mitigation service provided by project implementers that work in partnership with governments and forest-based communities to deliver reduced emission from deforestation and forest degradation plus the conservation of forest carbon stocks, a practice otherwise known as REDD-plus. Developed under the UN, the REDD-market permits a number of methodologies to address the drivers of deforestation and thus reduce emission to air of climate-changing carbon dioxide from avoided deforestation through activities ranging from improved forestry and agricultural practices to the replacement of collected firewood as a household and industrial fuel and the development of alternatives to traditional heating and lighting technologies to improve the efficiency of use of firewood as a fuel and thus the burden of fuelwood collection on forests.

A rapidly evolving market, REDD-plus carbon credits are sought after by organisations that have voluntarily agreed to manage their carbon footprints and offset their unavoidable emission-to-air. They are also increasingly been seen as a way for developed world nations to reward developing world nations with significant forest assets for implementing long-term forest conservation, for example, through the work of the World Bank Forest Carbon Partnership Facility's Carbon Fund. By placing REDD-plus at the heart of development finance and employing a cross-sector partnership model, the Niger Delta Climate Resilience brings market-based, private capital alongside activities that simultaneously build environmental, social and economically providing a development model that is both financially scalable and durable in the long-term.

The concept of sustainable development finance underlying the Niger Delta Climate Resilience Initiative relies on more than just payment-for-ecosystem-services-based finance. Being relatively nascent, the REDD-plus is likely to perform less predictably than more established markets. For both

the private investor and the local community member involved on-the-ground, sole dependence on the REDD-plus market for generating revenues and making a return on investment would represent a high-risk strategy. Markets go up and down but young markets can be particularly volatile. Also, given their relative complexity and often challenging operating environments, dependency on a forest-based climate change mitigation methodologies alone to generate and sell a tradable commodity is also potentially high risk for all involved. For this reason, the Niger Delta Climate Resilience Initiative has a blended approach to financing, combining payment-for-ecosystem-services-based finance, namely REDD-plus, with finance secured through joint ventures based on trading in the markets for sustainably-produced commodities, for example, Fair Trade cocoa. In this way, exposure to the relatively high market and production risks associated with finance of pro-poor, ecologically-sensitive development can be spread and mitigated fairly and effectively between and to the benefit of all the stakeholders concerned.

To deliver its risk-adjusted, sustainable development finance proposition, the Niger Delta Climate Resilience Initiative model is structured on three pillars, each of one which represents a different type of development finance. Each pillar is characterised by activities that are exposed to different types and levels of finance, opportunity and risk:

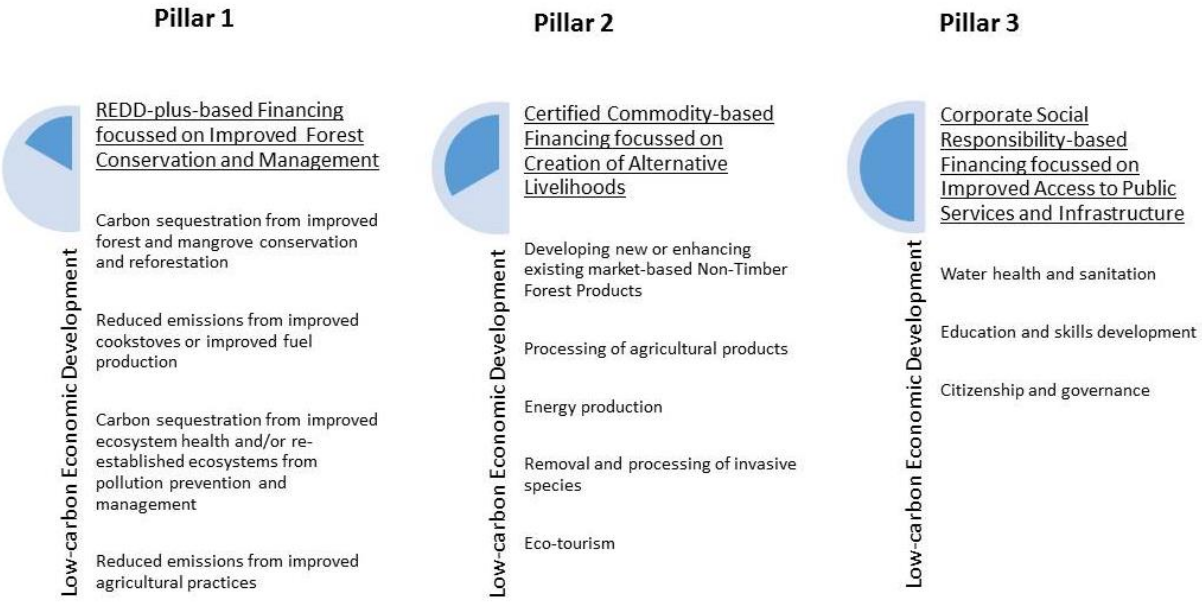
- ***Pillar 1 - Enhanced Forest Conservation and Management:*** using REDD-plus-based financing, the density and total spatial extent of tree cover in the project area is increased through the implementation of various forest management interventions. The resulting carbon credits are marketed to high emitting organisations that have voluntarily agree to offset their unavoidable emissions to air.

- **Pillar 2 - *Creation of Alternative Livelihoods:*** using joint venture-based financing, commercial enterprises are developed. Focussed on local and international markets for certified commodities, they use inclusive business models to diversify and strengthen livelihood options, particularly for low-income communities.

- ***Pillar 3: Improved Access to Public Services and Infrastructure:*** using Corporate Social Responsibility-based financing derived from the revenues generated under pillars 1 and 2, multi-sector partnerships with government, members of the donor community and philanthropic foundations enhance access to key public services. This enhances the enabling environment and institutional framework for sustainable and helps mitigate key investment and operational risks.

By building an investment on all three pillars simultaneously, the risk to the project of any one activity or one type of finance failing is reduced. At the same time, exposure to multiple income streams significantly increases the likelihood of achieving competitive returns on investment and thus sustaining the flow of development benefits to all the stakeholders concerned. Examples of the type of activity that might be developed under each pillar of the Niger Delta Climate Resilience Initiative concept design are illustrated in Figure 1:

Figure 1: The three development finance pillars comprising the Niger Delta Climate Resilience Initiative concept design



1.4 The Opportunity – The Niger Delta: An Emerging Enabling Environment for Globally-competitive, Locally-Inclusive, Low-carbon Economic Development

Notwithstanding the constraints facing the people of the Niger Delta, the results of the Scoping Project suggest there is a gradually emerging enabling environment for a new approach to development in the Niger Delta based on lower-carbon, more equitable economic development, as follows:

1. ***Desire for Change:*** across government, at both federal and state level, civil society, the private sector, the multilateral and bilateral donor community and local communities, the sentiment is similar – the business-as-usual approach to economic development in the Niger Delta is not working and something new is needed; without significant investment, the economic stagnation that characterises non-oil sectors of the region will persist, limiting opportunities for economic diversification and perpetuating livelihoods such as "slash and burn" agriculture and artisanal oil refining that increasingly threaten the region's globally-important and highly-imperilled forests including mangrove and the vitally important ecosystem services they provide including the mitigation of climate change.

2. ***Readiness for Change:*** as Africa's most populous nation, and possessing one of the world's highest deforestation rates, Nigeria is implementing a nationwide forestry management strategy including measures to address the impact of forest loss on livelihoods and economic development across the country; since 2009, with financial support from the UN system and the World Bank, the Federal Government of Nigeria in implementing a national strategy to

prepare the country for participation in the world's developing payment-for-ecosystem-services markets including the development of appropriate policy, regulatory and incentive frameworks, market standards and technical capacities at national-level and institutional, strategy-building and demonstration activities at state-level.

3. ***Opportunity for Change:*** the emergence of global markets for ecosystems services and certified commodities in recent years provides a growing opportunity to attract investment into the non-oil sectors of the Niger Delta economy and to place its development onto a much more just, fair and sustainable footing utilising the region's highly-productive, biologically-diverse and environmentally-imperilled natural landscapes. The recent drop in the price of oil since mid-2014 also provides an opportunity as economic planners and investors alike seek alternatives to upstream oil and gas to generate economic value. In partnership with the Government of Bayelsa State and the Government of Rivers State and with the support of the Federal Ministry of Environment and the Government of Cross Rivers State which hosts the official pilot of the national REDD-plus Readiness Preparation Strategy, the Partners identified a range of development finance opportunities for further scoping in Phase 2 of the Initiative. These are illustrated in Table 2:

Table 2: Development finance opportunities for further scoping in Phase 2

LOCATION AND SCALE	PILLAR 1: REDD-PLUS-BASED FINANCING	PILLAR 2: CERTIFIED COMMODITY-BASED FINANCING	PILLAR 3: COPORATE SOCIAL RESPONSIBILITY-BASED FINANCING
BAYELSA STATE: A state-wide project based on a public:private partnership with an emphasis on avoided deforestation through enhanced management of protected areas	Potential opportunities include: • Enhanced management of the State's protected areas system including through strengthened Forest Guard and Wildlife Ranger outreach services • Intensification of commercial farming and farming by communities in close proximity to protected areas through strengthened agricultural outreach services • Reduced demand for fuel wood collected from forests by industrial and local community actors by promoting more fuel efficient heating and lighting technologies and energy efficient fuels	Potential opportunities include: • Timber - Construction timber - Specialised timber, e.g. Rosewood used in the manufacture of musical instruments • Non Timber Forest Products: - Fruits - Medicinal plants • Agricultural crops & agronomy-based raw materials: - Staples, e.g. Yam, Plantain, Cocoyam, Cassava - Fruits, e.g. Guava, Oranges, Banana - Nuts, e.g. Coconut - Crops, e.g. maize (seasonal), sugarcane • Aquaculture:	Potential opportunities include: • Water and Sanitation • Energy • Education • Healthcare • Financial services, e.g. banking, • Insurance services • Housing
RIVERS STATE: A state-wide project based on a public:private partnership focussed on avoided deforestation through enhanced	Potential opportunities include: • Enhanced regulation of commercial forestry and agroforestry and community-based		

management of forestry and agroforestry	forestry through strengthened Forest Guard and Wildlife Ranger outreach services • Intensification of commercial forestry and agroforestry and community-based forestry through strengthened Forest Guard and Wildlife Ranger outreach services • Reduced demand for fuel wood collected from forests by industrial and local community actors by promoting more fuel efficient heating and lighting technologies and energy efficient fuels	- Fin fish production, e.g. catfish farming - Shell production, e.g. periwinkle farming • Agricultural/aquacultural processing: - Milling, e.g. cassava flour - Smoking, e.g. catfish • Biofuels: - Crops, e.g. ethanol from maize - Biomass, e.g. gas from animal waste, briquettes from collected invasive species (e.g. water hyacinth). • Eco tourism: - Adventure Tourism - Community-based Tourism - Research Tourism	

1.4 The Proposal – A 12-month Concept Pilot Design Project

As a result, the Partners believe the time is ripe for a new concept of economic development financing in the Niger Delta that can achieve real breakthroughs. To take up this challenge, the Partners propose the partnership between the Partners and the Federal Government of Nigeria and the governments of Bayelsa State and Rivers State to carry out a one-year process of participatory analysis and engagement with the aim of design and establishing an on-the-ground pilot for launch in early 2016.

A wide-range of actors across government at both federal-level and state-level, the private sector, civil society and academia were consulted during the scoping phase. Many signalled their willingness to provide support. Bringing a wide range of stakeholders inside the project will be critical to ensuring the concept pilot has credibility and weight.

2. THE SCOPE

The global scale of the markets for environmental services and environmentally-certified commodities, their relative immaturity and the complexity and range of issues that fall under the sustainable development umbrella make it critical to be clear in setting out the scope of pilot initiative. The Partners asked five key questions to guide the scoping process:

- What are the desired ***objectives*** and ***outcomes***?
- Which ***stakeholders*** should be involved?
- What ***issues*** should be tackled?

- Which ***environmental services*** and ***environmentally-certified commodities*** should be covered***?***
- What ***business models*** should be assessed?

Above all, our conclusion is that as many stakeholders as possible should be invited to play a part in the concept design process. This includes government at federal- and state-level, local communities, civil society, the private investment community, academia, the media and industrial manufacturers and supply chain operators that are in the market for high-quality environmental services and environmentally-certified.

2.1 Key Lessons

Five key lessons have emerged from the concept scoping process that suggest broad answers to these questions:

1. ***A Landscape-level Approach:*** forests, farms, and settlements are not isolated elements but part of a wider landscape in which all land uses are integrated; a landscapes approach entails viewing and managing multiple land uses in an integrated manner, considering both the natural environment and the human systems.
2. ***A Community-based Approach:*** changes in behaviour at the level of the local community-level are key to addressing sustainable land-use issues; without a bottom-up approach with local communities involved from the outset, the concept of an integrated landscape approach to development is unlikely to work.
3. ***A Partnership-based Approach:*** it is clear that a solely business-led venture would fail to win support and have sufficient independence to deliver the breakthroughs that are needed. The structure and governance of the concept design process will be key;
4. ***A Market-based Approach:*** unless placed on a commercial footing, social and environmental capital-building processes will always be dependent on public and/or philanthropic financing which is relatively limited and ultimately short term.
5. ***A Risk-sensitive Approach:*** while ethical considerations are integral to sustainable development finance and decision-making, effective management of market-based processes requires close alignment of strategy with a thorough assessment of potential threats – social, political, technical and financial.

2.2 Guiding Principles

For these reasons, we believe that the concept design process will need to be guided by a set of operational principles that all subscribe to. The process should strive to be:

- ***Strategic:*** addressing long-term issues, including past inheritances and future challenges;
- ***Balanced:*** tackling issues of environment and development equally, and ensuring that the needs and priorities of local communities are fully represented
- ***Comprehensive:*** tackling the full range of land uses and taking a life cycle perspective to the costs and benefits of land-use-based development

- ***Inclusive:*** involving a range of representative stakeholders (including community-based organisations) in its design, implementation and governance
- ***Reinforcing:*** consolidating existing work and adding to the capacity, knowledge and desire for change

2.3 The Objectives:

On this basis, the Partners propose a three-fold objective for the concept design process:

- To elaborate the key elements of a concept design for development and piloting;
- To build a partnership-based management vehicle to launch and implement the concept pilot;
- To create a multi-stakeholder platform for ongoing analysis and engagement and to share lessons learned from the concept design and piloting process.

2.4 Critical Themes

From the consultations conducted during the scoping project, stakeholders view sustainable development as a strategic objective that sits on four pillars:

- ***Economy:*** the creation of wealth and livelihoods;
- ***Society:*** the elimination of poverty and the improvement of quality of life; and,
- ***Environment:*** the enhancement of natural resources for future generations.
- ***Governance:*** in the public sector, private sector and society more broadly to achieve a more balanced and integrated approach to development.

The scoping project has highlighted 25 critical themes that will need to be addressed at different level of resolution under these four headings. Underlying this list of themes they have identified two overriding imperatives: improving the contribution that development finance makes to eliminating poverty; and, ensuring that the costs and benefits of change are fairly spread, both within and between generations.

Creating Wealth and Livelihoods – the Economic Pillar

- ***Scale and ownership:*** What is the best structure for Initiative to optimise the performance of the different actors in the value chain – government, investors, suppliers, managers and employees, customers and local communities – bearing in mind the long-terms perspective of sustainable development?
- ***Corporate responsibility:*** How can the Initiative ensure the principles of sustainable development are embedded in its own management culture and in the decision-making systems and process of its partners, suppliers, sub-contractors and the communities in which it operates to mitigate social and environmental risk, promote stable operating conditions and enhance long-term sustainability?

- ***Access to finance:*** How can the Initiative attract investor support bearing in mind the financial risks associated with investments in certified commodities and environmental services markets and the returns on offer from competing investment opportunities?
- ***Access to markets:*** How does the Initiative meet the terms of access to certified commodities and environmental services markets and best manage the dynamics of these markets in terms of pricing, economies of scale and geography?
- ***Access to skills:*** How does the Initiative ensure access to the skills – technical, operational, managerial, financial and administrative – required to deliver its objectives against global best-practice standards of performance from the outset, and what measure need to be put in place to ensure a ready supply of such skills in the future?
- ***Technological innovation:*** What role can technology play in enhancing the quality, performance and sustainability of the Initiative, for example, in managing the flow of data – both technical and financial?

Improving Infrastructure and Access to Public Services – the Societal Pillar

- ***Human Rights:*** How best can the Initiative human rights in the workplace and in the local community, in particular the specific rights and traditions of indigenous peoples and of women?
- ***Community Empowerment:*** What critical factors will enable communities to play an effective role in the Initiative (e.g. decision-making, benefit sharing) so that community-based infrastructure, livelihoods and quality-of-life become resilient, adaptable and sustainable in the long-term, including beyond the Initiative's life time?
- ***Security and stability:*** What are the terms for improved social cohesion between different economic and development actors across the Niger Delta and how can these be reflected in the Initiative's design and implantation processes?
- ***Health and Safety:*** What process should the Initiative use to assess and reduce risk for workers, communities and consumers alongside the positive promotion of benefits and well-being?

Enhancing Forest and Ecosystem Services Management – the Environmental Pillar

- ***Benchmarks and Standards:*** What global benchmark should the Initiative use to measure the delivery of environmental benefits and sustainability objectives in both the production of certified commodities (e.g. Fair Trade) and environmental services (e.g. Verified Carbon Standard and the Climate, Community and Biodiversity Standard) to ensure consistency across activities?
- ***Baseline reference levels:*** What baseline methodology should the Initiative employ to measure and report environmental performance, for example, in ways that reflect historical deforestation rates and at the same time take account of current national circumstances in terms of the rate of economic growth and agricultural expansion and the scope and effectiveness of environmental regulation?

- ***Permanence and Leakage:*** How can the Initiative ensure that activities within its boundaries result in a permanent net benefit and do not cause negative changes outside its boundaries, for example, in order to avoid displacing negative changes in anthropogenic emission reductions from unsustainable agriculture or forest use outside the accounting system boundary?
- ***Competing land uses:*** Under what circumstances should the Initiative consider forests as 'no go' areas for cultural or environmental reasons? How can the Initiative reconcile the demands of multiple land governance systems including those based on communal land rights and on statutory land rights?
- ***Risk Management:*** How can the Initiative best manage the law of unintended consequences, for example, in order to avoid improved access to public services in a project area driving inward migration and undermining sustainability through causing increased pressure on local forest resources and ecosystem services?
- ***End-use:*** What processes are available to resolve controversial end-uses of certified commodities or environmental services, for example, the use of carbon credits by industrial off-takers to offset avoidable emissions?

Strengthening Transparency and Accountability – the Governance Pillar

- ***Free, Prior and Informed Consent:*** ensuring the local communities directly affected by the pilot project fully understand the implications and likely of becoming involvement, are fully supportive and have fully agreed the terms of their participation.
- ***Consolidating and scaling up:*** building on and consolidating existing research and development and adding to existing capacity, knowledge and the desire for change
- ***Capture and distribution of rents:*** what are the models of best practice for ensuring the efficient and equitable capture and distribution of rents from activities based on the production and trade of certified commodities and environmental services between host countries, local communities and investors?
- ***Grievance mechanism:*** What complaint processes does the Initiative need to put in place for individuals, workers, communities and/or other actors that believe they are being negatively affected by activities?
- ***Transparency:*** How will the concept pilot ensure all the actors involved in its implementation are accountable for their decisions, for example, in order to avoid opportunities for corruption?
- ***Regulation:*** How can the concept pilot support better designed and enforced regulation to ensure sustainable development, control 'free riders' and remove 'perverse subsidies'?
- ***Time horizons:*** How can the long-term perspective of sustainable development be built into the design of the concept?
- ***Historical legacy:*** How does the concept tackle the inherited liabilities of economic development, for example, abandoned and derelict oil infrastructure and plantations, and how does it avoid leaving its own liabilities in the future?

- ***Stakeholder participation:*** How can the concept pilot ensure full stakeholder participation in decision-making and a genuine partnership-based approach, including with the government and local communities?

This list is indicative and will be refined in the light of further discussion between the Partners and local stakeholders. During the first stage of the concept design process, there will be a need to prioritise these questions so that the work programme of analysis and sub-studies can be finalised.

2.5 Outputs and Outcomes

The work undertaken during the concept design phase in 2015, leading up to the launch of a concept pilot in early 2016, will be geared to building a critical mass of support and understanding for the concept and its piloting. This will be achieved by:

- Building ***trust*** between key stakeholders in the Niger Delta through a fuller understanding of positions and perceptions;
- Developing a clear ***vision*** of the role that payment-for-ecosystem-services and environmentally-certified commodities markets and landscape-level economic planning can play in a sustainable, de-carbonised future in the Niger Delta;
- Creating a ***mechanism*** by which investor capital can be brought into the Niger Delta alongside activities that build social, environmental and economic capital at scale at the same time as delivering competitive, risk-adjusted investment returns;
- Identifying key ***standards and benchmarks*** for the implementation of activities based on payment-for-ecosystem-services and environmentally-certified commodities markets in the context of the Niger Delta;
- Contributing to improved ***decision-making*** by identifying where policy changes are required at Federal-level and State-level ;
- Promoting greater ***transparency*** in development financing and decision-making;
- Encouraging ***innovation*** by recognising existing successful approaches;
- Enhancing the ***commitment*** for change by engaging actors across different sector in the concept evaluation an process;
- Facilitating ***continuous learning*** on the part of all stakeholders; and,
- Encouraging new ***partnerships*** to assist in execution and delivery of the concept pilot.

Overall, the 9-month process will be designed to build a trusted platform for the establishment and launch of a project to test and demonstrate an alternative model of development in the Niger Delta that can deliver robust economic benefits and at the same time build social, environmental and trust capital both within and between generations while at the same time delivering competitive risk-adjusted returns for local and global investors.

Outputs

The work undertaken during the concept design phase during 2015 will result in the production of a comprehensive business plan and investment prospectus for the concept pilot, supported by a thoroughly researched evidence-base. The key outputs will be as follows:

- ***A fully-developed business plan:*** a formal statement of concept pilot goals, reasons they are attainable, and plans for reaching them including detailed financial forecasts underpinned by agreements with all counterparties including government and local community licensors, investors, suppliers, contractors and off-takers;
- ***A fully-licensed operational plan:*** a detailed description of the key activities to be delivered to achieve the business plan objectives over the term of the concept pilot and beyond including quality standards, desired outcomes, personnel and other resource requirements, implementation timetables and monitoring processes;
- ***A fully-capitalised special purpose vehicle:*** a locally-registered management company holding all the agreements with counter-parties required to achieve the concept pilot's goals and objectives;
- ***A fully-independent foundation:*** a not-for-profit charitable trust set up for the purpose of applying business thinking to major social and environmental issues linked to the payment-for-ecosystem-services and certified commodities sectors;
- ***A public:private partnership****:* agreements between the special purpose vehicle and the governments of Bayelsa State and Rivers State to deliver a suite of market-based solutions to key state-level natural resource management and sustainable development challenges; and,
- ***A multi-stakeholder engagement platform:*** a coalition of interested actors from across government, civil society and business for mutual advice and support, critical analysis and evaluation and shared learning.

Outcomes

The concept design process over the course of 2015 will comprise a suite of participatory analysis, stakeholder engagement, training and institutional capacity-building activities leading to the launch of a fully-invested concept pilot. A successful pilot project will lead to the following outcomes in Phases 3 and 4:

- Improved ***legislation***, particularly at state-level, governing the management and use of land supporting high ecosystem services and biodiversity value, particularly the Niger Delta's divers and highly imperilled native forests and biodiversity;
- Enhanced ***monitoring*** of the social, environmental and economic impacts of industrial activity and land-use changes in the Niger Delta, particularly in relation to low-income communities and high-value biodiversity landscapes;
- Strengthened ***regulation*** of the impacts of economic activity and land-use changes on forests and the ecosystem services and biodiversity and human needs they support;
- Improved flows of ***investment*** into non-oil sectors of the economy of the Niger Delta particularly in the rural economy in support of improved land-use practices, access to technology and diversified livelihood options;

- Greater ***diversification*** of economic activity the Niger Delta allowing more equitable spread of development risks and benefits within and between generations.

3. GOVERNANCE

The potential scale of the concept pilot and the stakeholder sensitivities involved demands that the governance structure is beyond doubt. Three critical objectives should be fulfilled:

- ***Integrity:*** The structure of the concept design process must inspire the confidence of key stakeholders and encourage their participation. The integrity of the process needs to be secure and will require an open approach.
- ***Accountability:*** The institutional arrangements and contractual and management relations have to ensure that the concept design process is accountable to the sponsors and the wider community. This requires clarity and transparency.
- ***Effectiveness:*** The overall result must be practical and workable and deliver worthwhile results for all involved including the local communities and private investors whose combined commitment will be critical to the concept pilot's success.

To fulfil these objectives, the following steps are recommended to establish and structure the concept design process:

3.1. Project Establishment

- The Partners, Stakeholder Democracy Network and Carbon-Plus Capital, set up a Special Purpose Vehicle (SPV), a locally-registered limited company or limited liability partnership.
- On registration of the SPV, each Partner appoints a representative to sit on a Management Team.
- The Management Team commissions Phase 2 Concept Design according to the proposed Work Plan.
- The Management Team undertakes the task of raising the funds required to implement the various elements of the Work Plan and, as appropriate, recruits the various actors – additional partners, consultants, sub-contractors – that are required to deliver it.
- The Management Team appoints a Project Coordinator to oversee the implementation of the concept design and pilot launch phase and a Programme Manager to facilitate the smooth working of the process throughout.

3.2. The Governance Structure

It proposed that the Management Team put in place two programmes to implement the concept design phase and launch the pilot:

- ***A Sponsorship Programme*****:** The aim will be to recruit support from a broad-based group of development finance actors including multilateral and bilateral donors, governments, leading non-governmental organisations, corporate and private philanthropic foundations and private

investors that have expressed interest in principle in supporting the Initiative. The key responsibility of this programme would be *project financing.* Supporters of the Sponsorship Programme will have priority access to its outputs and will be in a position to endorse its findings.

- ***A Work Programme*** will comprise participatory analysis, stakeholder engagement, capacity-building and knowledge sharing activities required to complete the concept design process and launch the pilot. Its key responsibility is therefore *project implementation.* The Work Programme will be coordinated by the Project Manager and will managed on-the-ground by the Programme Manager. It will be delivered by existing and potential Partners, policy institutes, research centres, and consultants as required. The aim would be to build a partnership approach to the work. The work content and methods would be the responsibility of an Assurance Programme (see below). The intellectual property of the Initiative will belong to the local management company. The outputs of the Work Programme will be presented to Management Team via the Project Coordinator and the Programme Manager.

- ***An Assurance Programme:*** This would comprise engagement with recognised individuals from key stakeholder groups. Its key responsibility would be *project assurance,* guaranteeing the quality and integrity of the work by way of peer review. It would be asked to support the Management Team in its role overseeing the content, conduct and design of the project and to provide advice to the Project Team. It would report to the Management Board via the Project Coordinator and the Programme Manager.

4. PROCESS AND TIMELINES

To ensure the design and of the pilot and its launch benefits as much as a possible from the views perspectives and support of key stakeholders, the implementation process and timings need to be carefully planned and clear to everyone.

4.1 Process

Experience suggests that multi-stakeholder processes work best when they fulfil certain design and implementation criteria. The concept design process will comprise the following:

- The process is inclusive and all those with an interest are invited to participate at an early stage;
- Everyone involved is committed to the vision and the process;
- All participants feel that their views will be considered equally;
- There is continuity in the process and in the representation from each group;
- The process is facilitated with the help of individuals that are known and trusted;
- There is clarity at the outset on how the outcomes will be followed up;

The corollary is that problems may arise if:

- There are conflicting expectations about the purpose and outcomes of the process;
- Unrealistic deadlines are set;

- Lines of accountability and decision-making processes are unclear; and,
- One type of stakeholder feels they have less influence than the others.

Importantly, whilst the success of the Phase 2 will depend on the combined commitment of stakeholders at the global and local level, the process must not be and be seen to be dominated by people from outside the project area, whether in-country or globally. Every effort will be needed to draw in the experience of local stakeholders.

4.2 Timeline

The following is an indicative timeline for a four-phase process over 10 months, concluding in December 2015 with the launch of a concept pilot project.

Part 1: Fundraising and setting-up (Feb–Mar '15)

Following a decision by the Partners to go ahead with Phase 2, work would commence to:

- Build on the commitments already secured, begin the process of attracting sponsors;
- Commence the licensing process for the concept pilot by producing a Project Ideas Note (PIN), staging a National Multi-stakeholder PIN Consultation Workshop and conduct a PIN Field Inspection, in close collaboration with the Federal Department of Forestry, the National REDD-plus Secretariat, and the Federal Department of Climate Change, the Designated National Authority for licensing carbon finance-based investments in Nigeria;
- Refine the concept design work plan and budget including communications plan in the light of feedback and comment from the licensing process consultation and incorporate in the sponsorship programme;
- Commence the process of raising the sponsorship required to carry out the individual elements of the finalised work programme, then recruiting the partners and / or sub-contractors to deliver them and, at the same time, recruit the advisors required to deliver the assurance programme.

Part 2: Researching and Analysing (Apr – Jul '15)

Once finalised and assuming sufficient funding is secured, the focus will be on carrying out the work programme. Three main tracks are envisaged:

- ***Analytical:*** research to address critical themes and ensure quality of project design;
- ***Engagement:*** consultations with key stakeholders to secure license-to-operate, to ensure the consent of key stakeholders including the government and affected local communities through the Free, Prior and Informed Consent process and to build support amongst potential investors and certified commodities and environmental services off-takers;
- ***Knowledge-sharing:*** a process of capturing and sharing lessons learned between the key actors involved in the Initiative and with interested parties beyond.

Part 3: Designing and Financing (Aug – Sep '15)

This phase will focus on the production of a Business Plan for the Initiative and raising the finance required to start the Pilot Project with the help of an Investment Prospectus setting out the nature

of the project, its financial forecasts and the potential risks and benefits – economic, social and environmental – and how these will be managed.

Part 4: Preparing and Launching (Oct – Dec '15)

On completion of the financing exercise, launch preparations will commence. This would include completing the business set-up arrangements including registration of the management vehicle, securing agreements with key counterparties – government licensors, local communities, investors, suppliers, managers and employees, sub-contractors, consultants and customers, professional services, quality and performance management standards, e.g. Verified Carbon Standard. This occasion of the launch could be marked in the form of a conference to share the elements of the business plan to a wider audience[1].

5. BUDGET

While it is difficult to estimate the total budget required to deliver Phase 2 before the work programme has been finalised in the light of feedback and comment from stakeholders, initially through the National Multi-stakeholder PIN Consultation Workshop, it is possible to identify the potential scale of the work and the organisation of the budgeting process that will be needed. The authors have broken down the budget to cover the Core Costs of the overall project structure, essentially covering the operation of the three key programmes, and the budget to cover the Variable Costs of delivering the work programme.

5.1 Core Costs

It is proposed the personnel and expenses costs associated with managing the overall project structure are borne by the work programme in the form of a 15% project management fee. This will include project coordination and programme management personnel, office costs, IT, finance and administration. Until the SPV is fully established, this function will be shared between CPC and SDN.

5.2 Variable Costs

To these core costs there will be variable costs to support the studies and stakeholder engagement activities that will be undertaken under the work programme. These items will be finalised once they have been further scoped and reviewed through the stakeholder consultation process. An estimate of the variable costs for delivering the works programme is set out in the table below:

ITEM	PROJECT PERSONNEL & EXPENSES ($)	PROJECT MANAGEMENT, 15% ($)	TOTAL ($)
TRACK 1: ANALYTICAL			
Establish of baseline levels of deforestation and carbon	120,000	18,000	**138,000**

[1] The International Conference on Deltas in Africa: Practical Steps from Vulnerability to Sustainability, being organised by the University of Port Harcourt in partnership with Niger Delta University amongst other academic institutions, 14-16 October, 2015, in Port Harcourt, offers a possible platform for the Partners to announce the launch of the Niger Delta Climate Initiative Phase 3 Concept Pilot.

emissions including acquisition and analysis of satellite imagery			
Analysis of Environmental Policy and Regulatory Context	17,000	2,550	**19,550**
Analysis of Socio-economic Context of Project	75,000	11,250	**86,250**
Assessment of Social and Environmental Impacts	18,000	2,700	**20,700**
Assessment of Sustainability Risks	22,000	3,300	**25,300**
Business Planning	45,000	6,750	**51,750**
TRACK 2: ENGAGEMENT			
Pilot Project Licencing			
Project Idea Note: including stakeholder consultation, field work and fees	75,000	11,250	**86,250**
Free, Prior and Informed Consent: including community-based awareness meetings	250,000	37,500	**287,500**
Project Design Document: including stakeholder consultation, field work and fees	100,000	15,000	**115,000**
Pilot Project Financing: including face-to-face meetings and document preparation	60,000	9,000	**69,000**
Pilot Project Sales and Marketing: including face-to-face meetings	75,000	11,250	**86,250**
Multi-stakeholder Engagement: consultation workshops	70,000	10,500	**80,500**
Special Purpose Vehicle set-up & registration: including counter-party agreements	80,000	12,000	**92,000**
TRACK 3: KNOWLEDGE-SHARING			
Participation in sector and thematic conferences, local and global	30,000	4,500	**34,500**
Compilation of lessons-learned into case study	20,000	3,000	**23,000**
Pilot Project Launch Conference including Webcast	55,000	8,250	**63,250**
TOTAL	*$1,112,000*	*$166,800*	***$1,278,800***

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