

RIGHTS AND RESOURCES INITIATIVE | DECEMBER 2022

## *Building Bridges*

INNOVATIONS AND APPROACHES TO INCREASE FINANCING  
TO INDIGENOUS AND AFRO-DESCENDANT PEOPLES AND LOCAL COMMUNITIES  
FOR CLIMATE AND CONSERVATION GOALS

DISCUSSION PAPER FOR THE PATH TO SCALE INITIATIVE





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## Contents

Introduction .....	4
Challenges .....	7
Emerging solutions and good practices .....	11
Changes in the design of funding programs.....	12
Creation of bridging institutions and structures .....	18
Responsive fund management and administration practices.....	24
Recommendations .....	29

## Introduction

Indigenous Peoples, local communities, and Afro-descendant Peoples (IPs, LCs, and ADPs) must be recognized and supported as key actors and leaders in combatting climate change and conserving the Earth's natural diversity to have any hope of reaching global climate and biodiversity goals. The men and women in these groups have long stewarded their lands, territories and resources, across an estimated 50% of the global land area.<sup>1</sup> Scientific studies and local experience have increasingly demonstrated that IPs, ADPs, and LCs with secure tenure and support are often highly effective stewards of forests and other natural ecosystems, with high levels of ecological intactness and low levels of deforestation in their lands relative to other areas.<sup>2</sup>

However, in many parts of the world, the necessary conditions to enable rightsholders to steward their natural resources – such as secure land and resource rights – are not yet in place. Financial support to IP, LC, and ADP rightsholders' organizations and communities for their ongoing climate and conservation efforts has formed a very small fraction of global environmental finance to date.<sup>3</sup>

Indigenous and community leaders have increasingly advocated for scaled up direct financing to their organizations and communities, highlighting the tremendous efforts they continue to invest with limited means, the acute threats they face, and their need for significantly higher funding to maintain and advance their contributions to the health of the planet.

In this context, the Rights and Resources Initiative (RRI) convened the Path to Scale (P2S) network in 2020 as an informal initiative that aims to scale up global ambition to legally recognize the land and resource rights of Indigenous Peoples, local communities, and Afro-descendant Peoples as a necessary condition for achieving the 2030 global climate and biodiversity targets.<sup>4</sup> RRI is a global coalition of rightsholders' organizations and their allies.

The targets established through the Path to Scale include mobilizing \$10 billion by 2030 to secure at least 400 million hectares of tropical forests for IPs, LCs and ADPs.<sup>5</sup> The critical need for these targets was reaffirmed by Rainforest Foundation Norway's 2021 *Falling Short* analysis, which demonstrated that community tenure and forest management has received far less funding than other environmental objectives—less than 1 percent of Official Development Assistance for climate change mitigation and adaptation over the last decade.<sup>6</sup>

Not only has investment in securing collective land tenure and supporting community governance been lower relative to other priorities, only a small fraction of this funding has actually reached rightsholders' organizations and communities themselves.

These findings of the *Falling Short* research, in conjunction with coordination undertaken by the Path to Scale network, contributed to catalyzing the significant donor commitments announced in 2021 to support Indigenous and community tenure as a key pathway to achieving global climate and conservation goals. Acting together as the Protecting Our Planet Challenge, a group of private

philanthropies pledged \$5 billion in 2021 to support the protection of at least 30% of the planet by 2030, including by “prioritizing investment in the customary tenure of Indigenous Peoples and their guardianship of territory.”<sup>7</sup> This was followed by a commitment announced at the UNFCCC CoP26 by a group of bilateral donors and philanthropic funders who collectively pledged \$1.7 billion for the period 2021-2025 to advance “Indigenous Peoples’ and local communities’ forest tenure rights and greater recognition and rewards for their role as guardians of forests and nature.”<sup>8</sup> This IP and LC Forest Tenure Funders Group further pledged to “include, consult and partner with [IPs and LCs] in the design and implementation of relevant programmes and finance instruments” and to channel “support to Indigenous Peoples and local communities, including through capacity building and financial support for group activities, collective governance structures and management systems, and sustainable livelihoods.”<sup>9</sup>

While these and related donor commitments represent important progress towards the Path to Scale targets, donors, NGOs, CSOs, and communities themselves are now challenged to translate new ambitions for scaled up financing into action to support rights on the ground. A critical aspect of this change must be an increase in financing to Indigenous and local community organizations to support the leadership roles they continue to play -- and have historically played with very limited outside support.

To date, however, there are relatively few direct funding relationships between global donors and IP and LC rightsholders. Most current funding to advance tenure reforms and strengthen community governance of rural lands and forests goes to governments or NGOs, with only small amounts reaching the IP and LC actors closest to the ground. For communities to meaningfully contribute to the achievement of global climate and conservation goals, improved systems and concrete practices must be advanced to ensure that more resources reach them and their organizations.

Responding to this need, a series of Path to Scale dialogues in 2022 convened leaders from public and private donors, financial mechanisms, multilaterals, intermediaries, and rightsholder organizations to explore experience with alternative arrangements to channel more funds to rightsholders. The dialogues revealed key challenges that create barriers to the flow of support to local organizations. At the same time, they identified emerging innovations and good practices that could be further developed, spread and/or adapted to enable scaled up financing to IP and LC organizations and communities to conserve forests and biodiversity, in ways that are acceptable to all parties.

These discussions led to the use of the term “fit for purpose” to refer to approaches that channel increased climate, conservation and rights funding in ways that are relevant and appropriate for IPs and LCs and ensure funding engagements that are led by their own organizations, flexible and long-term, gender-inclusive, timely and accessible, and mutually accountable.<sup>10</sup>

**This paper provides an initial overview of emerging experience with “fit for purpose” approaches to channel resources at scale to collective rightsholders and their supporting organizations to conserve and manage forests and rural landscapes.** It draws on presentations

and discussions from Path to Scale dialogues, a review of recent, relevant literature, public events and further inputs from Path to Scale participants and RRI coalition members.

This paper is intended to serve as discussion input for the Path to Scale initiative, documenting emerging experience as a basis for discussion, feedback, and prioritization of next steps to advance the initiative's goals and targets. More generally, it aims to contribute to the growing body of work seeking rights-based and practical solutions to the challenge of scaling up climate and conservation finance to Indigenous and local community organizations and communities, including relevant work from RRI and its partners and other organizations.<sup>11</sup>

Towards these ends, the following sections discuss:

- Key challenges and barriers to fit for purpose financing
- Emerging innovations and good practices towards fit for purpose financing
- General recommendations and steps to advance fit for purpose approaches, and
- Specific recommended roles and actions for the Path to Scale initiative

Some caveats to keep in mind in relation to this work are:

- IP, LC, and ADP organizations are highly diverse – in particular, the needs of grassroots organizations differ from national and regional organizations; women's organizations face particular challenges; and needs may also differ across regions. Some of these differences are noted in the discussion of specific issues or examples; however, a deeper consideration of these differences should be a focus of further work.
- Donor organizations are also diverse – in particular, there are significant differences among the requirements and flexibility of bilateral, multilateral, and private foundation donors. While some of these differences are brought out in discussion of specific issues or examples, they should also be a focus of further work.
- Examples of emerging good practice are reported as received – from organizational representatives or in published materials. Evaluating or triangulating perspectives on these examples is important for future learning but outside the scope of this initial review.

Advancing fit for purpose arrangements will require coordination and interventions at multiple levels. This means that donors, NGOs, governments, community organizations and their members will be challenged to find ways to connect and work with one another to ensure that increased funding is channeled directly to IP, LC and ADP rightsholders to meet 2030 climate and conservation goals.

## Challenges

The overall challenge that fit for purpose funding arrangements aim to overcome is that there is currently a mismatch between the cultures, capacities, and modes of work of many donors, especially larger public donors, and those of most rightsholders' organizations. This mismatch both limits the amount of funding going to IP and LC organizations for initiatives they lead and risks placing excessive burdens on them as funding is increased.

The nature of this challenge varies across different types of rightsholders' organizations at different levels. For example, women's Indigenous, Afro-descendant and local community organizations continue to be relatively under-funded,<sup>12</sup> and grassroots organizations face particular funding challenges relative to larger national or regional organizations. While keeping in mind these differences, the following points summarize a range of commonly noted barriers and challenges to fit for purpose funding, many of which are interrelated:

- **Donor-driven priorities:** Much international climate and conservation finance operates without local actors' engagement in project design and implementation, or control over activities that affect them.<sup>13</sup> This lack of engagement often creates a disconnect with communities' priorities and ways of working. As one example, collective rightsholder organizations tend to think and act holistically, pursuing diverse actions to advance tenure reform processes or effectively managing forests and rural landscapes to achieve interrelated environmental and social benefits. Donor support, by contrast, tends to be "siloed," or more narrowly focused on specific themes or objectives, which can constrain the modes of work that have enabled local groups to succeed as environmental stewards. Where donor funding is granted to NGOs for work on Indigenous and community issues, they may also insert their own priorities for rightsholder groups.
- **Inflexible funding:** Accessing donor funding generally requires preparation and approval of detailed activity plans and budgets which, while intended to justify resources provided, also constrain the ability of rightsholders' organizations to respond to evolving contexts and needs. Experience shows that securing land rights and protecting territories requires flexibility and adaptive responses to changing conditions that are often difficult to anticipate fully. Pervasive threats to IPs, ADPs and LCs as environmental defenders also mean that they too often face urgent, existential threats requiring resources for safety and security, legal defense and other protective measures. Where fixed funding agreements do not anticipate these needs, they risk missing opportunities for change or generating conflicts around the use of funds to combat existential threats.
- **Short-term funding:** Success in securing land tenure and governance can take 8 to 10 years of sustained effort, or longer. Yet donor funding tends to be "projectized" into shorter timelines. These shorter timeframes can interrupt progress and divert attention from

sustained implementation to fundraising, thereby increasing the difficulty of working towards longer-term results.

- **Limited core institutional support:** A related challenge is funding tied strictly to specific activities and objectives that does not sufficiently cover or invest in the core operating costs needed for strong institutions. The constituency-based structures and challenging working contexts that compel support to rightsholders' organizations as key actors make this core institutional support particularly important. For example, many community rightsholder organizations are membership based, with obligations to support, coordinate across, collectively learn and build capacities of their members. Organizations working in remote and/or restrictive political contexts must take extra time- and resource-consuming steps to transfer funds to local partners. And across these challenges, IP and LC organizations are also working to strengthen their own institutions, including for management of donor funds.
- **Complex grant management requirements:** One major set of challenges surrounds donor project management and accountability requirements. Particularly for public donors who are accountable to taxpayers, these requirements are often quite heavy and have increased with growing political scrutiny of foreign assistance over time. While not specific to rightsholders' organizations, these requirements combine with other challenges facing them to block their access to funding opportunities. In general, donor requirements are designed to be fulfilled by NGOs or governments and are not well adapted to rightsholders' organizational capacities and strengths.

Grant management requirements span a range of issues including:

- Project preparation involves heavy due diligence processes and difficult requirements that create barriers to access. Results frameworks, theory of change and other specific formats may not be familiar to local organizations. Rightsholders' organizations also face language barriers in preparing proposals in donor languages. The lack of financial support for proposal preparation time and activities is especially challenging for these organizations.
- Risk management compliance, often required by donor governments, is costly and time-consuming – such as for anti-trafficking, countering violent extremism and fiduciary risks. Social and environmental safeguards have generally been developed for external proponents and are not well adapted to IP and LC processes.
- Financial management and reporting generally requires specific procedures and formats for procurement of goods and services using project funding, sub-granting, budgeting, documentation of expenditures and other steps. Public donors have a commitment to communicate to their taxpayers about how and where their money is being allocated. However, many of these procedures are not well-suited to the conditions in which rightsholders' organizations and communities are working. For example, procurement



procedures requiring multiple bids may not work in local areas where very few people are available to provide needed services. There are also specific challenges associated with transferring funds in conflict areas and to grassroots organizations that are not legally registered. In remote areas with limited financial systems and capacities, requirements like detailed receipts may not be feasible.

- Technical reporting and monitoring: Donor funding generally comes with requirements for lengthy narrative reports, whereas the cultures of rightsholder communities tend to be more oral and visual. Preparation of reports in donor languages, particularly English, creates further challenges. Monitoring and evaluation systems also tend to require specialized technical expertise and often miss community priorities such as cultural indicators.

Experience shows that IP, ADP, and LC organizations and communities find it difficult to comply with these types of donor requirements and balance the work required to respond to them with work to advance their own priorities and agendas. At the same time, rightsholders have their own solutions and ways of working that current donor requirements miss connecting with.

- **Challenging local conditions:** The inherent challenges of meeting heavy donor administrative requirements are compounded by the challenging local conditions in which many IP, ADP, and LC organizations work. Remote locations and underinvestment in services often mean that there is limited internet connectivity, limited presence of banks, inability to use credit cards and other financial challenges. Physical challenges include the need for long-distance travel by boat and limited availability of both technical and physical resources, such as spare parts for equipment. Donor requirements tend to be based on assumptions that certain types of physical infrastructure and financial services are in place, without plans for alternative solutions that take these realities into account.
- **Donor capacities:** Many donors, especially government bilateral donors, do not have the capacity to manage multiple smaller grants or to provide in-depth technical assistance or capacity-building support to grantees. Accordingly, they tend to provide very large-scale grants (e.g., USD 20-100M) which only large organizations with existing systems to manage this scale of funding can access. As a result, even funding that is intended to support IP, ADP, and LC tenure reforms or resource management tends to pass through intermediary organizations. Another aspect of donor capacities is limited interagency coordination within donor organizations, both across thematic areas and across technical and operational units. Limited technical coordination contributes to siloed grant schemes while limited coordination with operational units misses opportunities to adapt administrative requirements – which have not been set up for rightsholders to date – to the needs of a more diverse range of grant recipients. Donors also tend to have few or no Indigenous staff, while some lack staff with extensive experience working with rightsholders and their organizations. Service providers

such as auditors hired by donors are even less likely to have IP, ADP and LC staff or experience, or familiarity with the contexts in which rightsholders' organizations operate.

- **Rightsholders' organizational capacities and priorities:** IP, ADP, and LC organizations find it challenging to meet donor project management requirements for a variety of reasons. Often, these organizations have developed organically to advance agendas around political rights, territorial governance and defense and cultural resilience, as opposed to mobilizing and securing funds. Their primary orientation and accountability are "downward" to their communities and base organizations, rather than "upward" to sources of financial support. Communities and organizations may also lack formal management skills due to limited access to education, historical discrimination, and cultural differences in work processes.

For some IP and LC organizations, taking on donor funding generates risks that attention is diverted from political advocacy and governance agendas to grant management and from their own constituents to donors.<sup>14</sup> For others, capacities to effectively manage donor grants, especially at larger scales and from public sources, are still in the process of being developed or strengthened. Some community leaders note limited opportunities to date to build such capacities, meaning that organizations are "learning by doing" as they have taken on more grants with more complex and formal project management and accounting requirements.

- **Challenges of working with some intermediary organizations:** Many donors rely on intermediary organizations such as national or global NGOs to bridge the capacity gaps between donors and rightsholders' organizations. However, the flow of funds through intermediary organizations can create other challenges, depending on how these intermediaries approach and exercise their roles. For example, barriers are created when intermediaries insert their own priorities or absorb disproportionate shares of funding vis a vis Indigenous and community partners. Administrative barriers also occur where intermediaries pass complex donor requirements on to rightsholders' organizations rather than using their position to simplify and adapt project management and reporting systems to the target communities' strengths. While some rightsholder representatives see these as reasons to reduce the role of intermediaries, others note that they value these relationships where they open opportunities for increased funding and strategic partnerships rather than diminishing them.
- **Lack of communication, relationships, and mutual understanding:** Another commonly reported challenge is the lack of communication, relationships and mutual understanding between donor and rights-holder organizations, at multiple levels. Where communities are remote and isolated, potential supporters may not be aware of their initiatives or consider the areas too remote for donor follow up and results monitoring. Initiatives led by women's organizations often struggle for visibility. Lack of national recognition of IP, LC and particularly women-led initiatives also creates barriers as financing tends to benefit formal programs that are part of national frameworks such as protected areas.

The tendency for donor funding to flow through intermediary organizations can also create barriers to relationships and mutual understanding between rightsholder and donor organizations. The lack of a direct relationship makes it harder for donors to get to know IP and LC organizations, see how funds are spent and receive feedback on their own systems, including operational policies, eligibility criteria and tools such as results frameworks.<sup>15</sup> As reported in *Greening the Grassroots*, some African CSOs note racial and cultural biases in donors' selection of intermediaries and funding partners, with organizations led by white executives receiving more funding.<sup>16</sup>

Overall, barriers to direct relationships reduce trust and the increased and more adaptive funding arrangements that can flow from two-way understanding of one another's priorities, capacities, constraints, and common interests.

## Emerging solutions and good practices

These challenges demonstrate that there is a critical need to build new relationships, institutions, dynamics and practices that bridge current gaps between donor organizations and the IP, LC, and ADP organizations and communities who are leading conservation and climate action on the ground.

These needed changes share much in common with wider movements to shift traditional power relationships between donors and grantees towards more equitable and trust-based practices, such as the initiative to develop principles for trust-based philanthropy<sup>17</sup> and the recent Catalyst 2030 principles.<sup>18</sup> At the same time, changes to increase the scale and relevance of funding to rightsholders' organizations and communities must take account of their specific situations, rights and governance contexts. In November 2022, a large caucus of Indigenous Peoples from around the world issued a set of principles and guidelines to guide direct access funding for their actions to combat climate change, biodiversity loss and desertification.<sup>19</sup>

In the context of Path to Scale discussions, fit for purpose financing to enable increased climate and conservation donor support to rightsholders' organizations has been defined to include that funding should be led by IPs and LCs; mutually accountable; flexible and long term; gender-inclusive; and timely and accessible (see Box 1). These definitional elements can be considered as cross-cutting considerations that should be reflected in practical innovations and solutions.

With these cross-cutting elements in mind, this section reviews a range of emerging opportunities and solutions to build bridges and more equitable partnerships between donors and rightsholder groups. They are organized into clusters of innovations focused on:

- Changes in the design of funding programs
- Creation of bridging institutions and structures
- Responsive grant management and administration practices

### Box 1. Key Elements of “Fit for Purpose” Financing

The key elements of “fit for purpose” financing are that it is:

1. **Led by IPs and LCs:** Funding prioritizes initiatives and projects that are led by IPs and LCs themselves, and executed with their Free, Prior and Informed consent (FPIC). For donors and intermediaries, this means including IPs and LCs at every stage of the process, from design of funding strategies to the governance of funding mechanisms.
2. **Mutually accountable:** Systems of accountability are mutual, where donors are accountable to IP and LC organizations and their communities—with full transparency of completed, active, and planned programming—and IP and LC organizations are accountable to both donors and the communities they represent.
3. **Flexible and long-term:** Flexible funding enables IP and LC organizations to capitalize on moments of opportunity to secure tenure and to rapidly respond to and mitigate emerging threats to their lands and lives. Long-term and predictable funding builds the capacity of the implementing organizations and enables them to effectively represent their communities, manage funding on their own behalf, and maintain their engagements with communities and government actors.
4. **Gender-inclusive:** Donors promote a gender-inclusive lens for all funding across the IP and LC tenure and forest management sector, ensuring that the rights of Indigenous and community women are recognized and protected and that they have a voice in resource management decisions.
5. **Timely and accessible:** Funding is delivered quickly and accessed with few administrative hurdles. It takes account of the conditions, capacities and modes of work of IP and LC organizations and communities and adapts requirements accordingly.

**Source:** Adapted from Rights and Resources Initiative & Rainforest Foundation Norway 2022. *Funding with Purpose: A study to inform donor support for indigenous and local community rights, climate, and conservation.*

### *Changes in the design of funding programs*

One cluster of innovations focuses on changes in how funding programs are designed, in terms of their thematic priorities as well as the structure of grant allocations. Overall, these changes reflect shifts towards a more equitable partnership approach in relationships between donors and rightsholders, including by enabling increased leadership by IPs and LCs in determining funding



priorities and defining the actions to achieve them. Some experiences that aim to make program design more fit for purpose include:

→ **Establishing mechanisms for Indigenous and community leadership in design of funding programs**

A critical aspect of making financing more fit for purpose is establishment of institutional mechanisms that enable Indigenous and community leadership in the design of funding programs. Joint dialogue and decision-making between donors and rightsholders organizations on funding priorities is needed to ensure that these priorities align with rightsholders' holistic perspectives and strengthen community ownership. Greater voice from rightsholders in program design can also help shape grant management and administrative practices in ways that reduce burdens on their organizations and communities.

Some approaches to promote Indigenous and community leadership in the design of funding programs include:

- Establishing rightsholder-led Steering or Advisory Groups to guide the design of funding programs. One example is the establishment of National Steering Committees to oversee implementation of the World Bank Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities in each country (see Box 2). The International Fund for Agricultural Development's Indigenous Peoples' Assistance Facility also has a board composed mostly of Indigenous members and is co-managed at the regional level by three Indigenous peoples' organizations.<sup>20</sup> At the Global Environment Facility, the Indigenous Peoples' Advisory Group (IPAG) has shaped the design of the Inclusive Conservation Initiative, a pilot GEF initiative to provide increased direct support to IP and LC organizations for their conservation initiatives.
- Supporting co-creation of initiatives with Indigenous and community organizations. For example, USAID's Indigenous Peoples Alliance for Rights and Development (IPARD) program was co-created with a group of implementing partners including the Mesoamerican Alliance of Peoples and Forests, ACOFOP, Hivos, UNDP and FAO, resulting in additional USAID funding for IPARD's objectives of gender-inclusive Indigenous capacity development, effective participation, and economic empowerment.<sup>21</sup>
- Establishing dialogue processes with Indigenous and community leaders to inform the design of programs and monitor donor commitments. For example, a sub-group of donors participating in the Forest Tenure donors pledge from CoP26 are supporting the facilitation of a broad, inclusive, and participatory process with representatives of Indigenous Peoples, donors, funders and relevant support organizations to discuss operationalization of the Pledge in the best possible way.<sup>22</sup>

### **Box 2: IP and LC led National Steering Committees in the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities**

The Dedicated Grant Mechanism (DGM) is an initiative of the World Bank's Forest Investment Program that works to enhance the roles of Indigenous peoples and local communities in forest management and climate action through support to IP and LC-led projects and capacity-building. In each country where the DGM operates, a National Steering Committee (NSC) composed of IP and LC members oversees and leads the country project, serving as principal counterpart to the World Bank. An important part of the NSC role is selection of sub-projects for DGM funding, including assessing them to ensure that they are IP and LC-led. A National Executing Agency (NEA), generally an NGO, provides fiduciary and administrative support for sub-grants on behalf of the NSC. These arrangements, in effect, reverse more traditional relationships where international donor funds pass through an NGO before reaching IPLC organizations.

A Learning Review of the DGM published in 2019 found that these arrangements contributed to improved outcomes for IPs and LCs. In countries where sub-granting was active, respondents felt that community needs were better met because the sub-projects were developed by representative organizations with good knowledge of their local context and needs. Other improved outcomes were greater inclusion of marginalized groups, particularly women, more efficient delivery of project results and improvements in IP and LC rightsholders' organizations' capacity to manage funds.

**Source:** A Learning Review of the Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities in the Forest Investment Program (FIP) of the Climate Investment Funds (CIF). [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/knowledge-documents/dgm\\_learning\\_review\\_jan26\\_final\\_withmanagementstatement.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/dgm_learning_review_jan26_final_withmanagementstatement.pdf)

- Ensuring participation from women leaders and their organizations in donor advisory groups, project co-creation and dialogue processes. This is necessary to help address persistent gaps in funding for women's organizations, women leaders and gender inclusion in projects.<sup>23</sup>

#### **→ Building flexibility into funding agreements**

Donors want to partner with IP, LC, and ADP organizations and communities because they have in-depth knowledge of their national and local contexts, maintain key relationships and traditional ecological knowledge and have demonstrated effective climate and conservation solutions. These strengths also call for placing greater trust in rightsholder-led processes and decision-making regarding the best means of reaching agreed goals, through funding agreements that provide greater flexibility for adaptive management and innovation. Pervasive threats to rightsholders also call for flexible mechanisms to respond to emergencies.

Approaches and experiences that build greater flexibility into funding agreements include:

- Focusing on results over process. Establishing agreements based on strategic results rather than the process for achieving them provides greater flexibility for communities and rightsholder organizations to pursue their own holistic and adaptive solutions. This can be done by focusing on strategic discussions and shared understanding of results, rather than pre-defined frameworks or processes.<sup>24</sup> Government Payments for Ecosystem Services programs in several Latin American countries provide examples of results-focused initiatives with greater flexibility for communities to define how to achieve those results (see Box 3).
- Providing allocations for emergency funds. Emergency funds enable IP, ADP, and LC communities to respond to unexpected – but foreseeable – costs such as safety and legal defense for environmental defenders and actions to address urgent threats of land encroachment. For example, AMAN has established a general practice of allocating 2.5% of all project funds to emergency responses, including for security of environmental defenders.<sup>25</sup>
- Enabling rapid and flexible adaptation of planned activities and budgets. For example, a review of Sida's risk management mechanisms found that partners saw Sida as flexible and open to negotiated changes in plans and budgets, enabling partners to manage change and uncertainties.<sup>26</sup> In 2020 and 2021, Norad issued temporary COVID-19 exemptions that allowed civil society partners to reallocate funds up to 20 percent per budget line, adjust timelines, and adapt the scope of projects without written approval.<sup>27</sup>

### **Box 3: Results-focused approaches in Payments for Ecosystem Services initiatives in Latin America**

Payments for Ecosystem Services (PES) programs in Costa Rica, Ecuador, Guatemala, Mexico, Peru and other countries in Latin America have funded hundreds of indigenous and tribal communities to conserve more than four million hectares of forest. Within the scope of agreed results, these programs allow for greater flexibility in terms of what money can be spent on and how it is accounted for. In Ecuador, for example, communities participating in the Socio Bosque program promise not to farm, log, or hunt in agreed areas for twenty years in exchange for payments that can be used for a wide range of community activities – ranging from territorial management activities to social support (such as for health, education and the elderly) and cultural activities. The program has had positive environmental results, reducing deforestation, and has received positive feedback from participants for its benefits to their communities.

**Source:** FAO and FILAC. 2021. Forest governance by indigenous and tribal peoples: An opportunity for climate action in Latin America and the Caribbean. Santiago. FAO. <https://doi.org/10.4060/cb2953en>

## → **Providing longer-term and core institutional support**

Another fit for purpose approach is to structure financing in ways that invest in the long-term sustainability of rightsholder organizations. One aspect of this is longer-term support, given that achieving key priorities of rightsholders – such as legal recognition of land and resource rights and strengthening of gender-inclusive territorial governance – generally takes many years. Longer-term support also reduces the bureaucratic demands of more frequent fundraising, which takes time and capacity away from work towards substantive goals. Experience shows that shifting towards longer-term and more predictable funding of 10 years or more enables time and resources to achieve community-led results and contributes to strengthening national and local IP and LC institutions and relationships.

Another aspect is increasing the proportion of funding allocated to core institutional support. It was noted in the Path to Scale dialogues that donors consistently underpay for the administrative costs of doing business. Higher allocations of funding to institutional support allow for investments in the capacity and sustainability of organizations themselves, rather than only as delivery partners for a specific donor initiative. Approaches to core institutional support include:

- Providing unrestricted operational support. For example, American philanthropist MacKenzie Scott recently provided significant and entirely unrestricted grants to multiple organizations, following a due diligence process.<sup>28</sup> Through its BUILD program, the Ford Foundation provides grantees with five years of general operating support for organizations to invest in their institutional strengthening priorities (See Box 4).
- Including higher levels of unrestricted overhead/indirect costs in project grants – without requiring that it be itemized.
- Building a standard line item into grants to cover the costs of donor compliance requirements.
- Investing directly in fixed operational costs. For example, in the context of an institutional strengthening project for COICA (2003-2005), the German development cooperation agency purchased and donated a house in Quito as permanent office space for COICA, in order to reduce dependency on external funding for office costs.
- Supporting the establishment of endowment funds for key partners. By joining together to support creation of endowment funds for rightsholders' organizations or networks, donors can create a more permanent base of resources to cover core institutional and capacity strengthening costs.



#### **Box 4: The Ford Foundation's Building Institutions and Networks (BUILD) initiative**

The BUILD initiative was launched by the Ford Foundation in 2016 to strengthen the long-term sustainability and capacity of over 300 social justice organizations around the world. BUILD provides grantees with five years of general operating support as well as targeted support for organizational strengthening, with grantees in control of how funds are used. Key areas of investment by BUILD grantees have included institutional growth and sustainability, strategic clarity, governance, communications, human resources and diversity, equity and inclusion.

[AMAN](#), which represents over 2,000 Indigenous communities across Indonesia, received a BUILD grant in 2017. AMAN invested in communications systems for its members, providing computers and internet access to branches in remote areas – thereby strengthening internal communication and cohesion across the organization. These important investments became critical during the Covid-19 pandemic, enabling AMAN to host a virtual version of their national meeting, conduct regular training seminars, host cultural celebrations and maintain solidarity despite restrictions on movement. BUILD's flexible support for AMAN as an organization has also further strengthened its ability to implement projects with other donors.

Five years in, Ford conducted a global evaluation of BUILD which found that multiyear, unrestricted funding combined with dedicated institutional development has led to stronger, more resilient organizations with improved programming and impact – evident in “an increased number of programs and/or improvements in their quality, strategic relevance and adaptability.”

Sources: Ford Foundation [Our Village Flash Talk with Rukka Sombolinggi](#) (Secretary-General of AMAN) and [BUILD developmental evaluation report](#).

#### **→ Investing in capacity-building of rightsholders' organizations**

One good practice to increase the scale of financing to Indigenous and local community organizations is to accompany activity funding with support for institutional strengthening to increase relevant capacities in project and financial management. In addition to strengthening capacities for management of a particular grant, this support should better position the organization to directly secure and manage larger scales of funding in the future, such as through capacity building on preparation of funding proposals and navigating application processes.

Emerging practices to build capacities of rightsholders' organizations in project management and administration roles include:

- Supporting organization assessments and self-diagnosis of institutional strengthening needs.

- Based on institutional assessments, starting funding relationships with smaller grants that are accompanied by capacity building and gradually increasing funding levels in line with enhanced institutional capacities.
- Taking a “learning by doing” approach to building capacities through project management experience and capturing lessons learned.
- Including funding to help obtain legal status for organizations that do not yet have it.
- Supporting Indigenous and community membership organizations to build project management capacity among their members.
- Supporting project intermediaries or dedicated institutions to play capacity-building roles in relation to rightsholder partners. For example, capacity building is a main component of USAID’s IPARD initiative, to directly support community partners in figuring out how to expand capacity to manage regulatory requirements.
- Supporting independent training initiatives for rightsholders’ organizations (beyond direct grant recipients), with particular attention to women-led organizations. For example, the GEF Inclusive Conservation Initiative includes a dedicated global capacity building component consisting of courses to be designed with and for IP and LC organizations.<sup>29</sup>
- Facilitating connections to other service providers.

### ***Creation of bridging institutions and structures***

Another cluster of innovations consists of new institutional structures that create bridges between the cultures, requirements and practices of donors and those of rightsholder groups. In recent years, NGOs, donor institutions, and organizations led by IPs and LCs have innovated with a range of new organizational forms and capacities that serve to create bridges towards more equitable partnerships. These include new structures and capacities within donor institutions, rightsholder funds, intermediaries and fiscal sponsors. Along with the new types of bridging institutions discussed here, collaborations among and across organizations are also critical, as discussed further in the recommendations section below.

#### **→ Donor dedicated capacities**

Some donor institutions have enhanced their own institutional capacities to provide more fit for purpose financing for Indigenous and local community organizations by establishing dedicated units. These include dedicated global units focused on engagement with rightsholders’ organizations at global levels as well as dedicated programs within country missions, which can scope, develop, and manage projects based on local relationships rather than from donor capitals. Capacities in these dedicated programs are enhanced by hiring Indigenous staff or, at minimum, staff with extensive

experience working with communities and their organizations. Establishment of dedicated units is particularly relevant for bilateral government donors due to their large size and often broad geographical and thematic scope – though it may also be relevant for larger foundations.

Examples of experience with donor capacity strengthening include:

- Establishing global programs or hubs dedicated to engagement with Indigenous and Afro-descendant Peoples, local communities, and the women within these groups. Dedicated programs can serve as institutional focal points for community relationships, lead and coordinate the development of institutional policies and strategies and provide technical advice and training across units on IP, LC, and ADP issues and engagement. For example, USAID established an Indigenous Advisor Unit – mandated by the US Congress – in 2012. It has focused on developing USAID's PRO-IP Policy and mobilizing USAID funding to develop IPARD as an independent initiative focused on securing Indigenous Peoples' rights, strengthening capacities, and catalyzing economic self-development.
- Leveraging in-situ missions, embassies, and local operational staff to engage with rightsholders. In-country units are closer to the ground, able to build and maintain relationships with national and local actors and can mobilize and support country or region-specific initiatives. For example, the government of Norway has long maintained dedicated in-country capacity focused on work with Indigenous Peoples organizations as part of its development cooperation in Brazil. This dedicated capacity has enabled sustained support to strengthen Indigenous representative associations and networks, including women's networks, as well as to the development of Indigenous-led financing mechanisms such as the Podaali and Rio Negro funds.<sup>30</sup>

#### → **Rightsholder-led funding mechanisms**

Rightsholders' organizations are increasingly establishing their own dedicated funding mechanisms to mobilize, manage and re-grant financial resources to local organizations and communities. They aim to channel funds directly to representative rightsholder institutions, in keeping with recognition of their rights to and collective governance of lands, territories and resources. Rightsholder-led funds consolidate administrative and reporting functions, position IP and LC organizations in leadership roles in climate and conservation funding and help ensure that initiatives emerge from rightsholder priorities. They also provide opportunities to adapt fund management procedures to be more accessible to local constituencies.

Several local institutions in Brazil pioneered the establishment of rightsholder funds in the early 2000s. Movements representing local peoples and traditional communities (Indigenous Peoples, local communities, extractivists, Afrodescendants, *quilombolas* and riverine communities) created community funds, including the Podaali, Dema, Babassu, Rio Negro, Cese and Baobá Funds.<sup>31</sup> Learning from these "frontier funds" and related experiences in other countries, IIED has identified a set of

good practices that enable trust building, direction and rule setting, aggregation of local action and long-term capabilities. Progress through the four common phases of fund development – from initial collective action to mature funds – is faster when frontier funds have early-stage finance from risk-tolerant donors as well as ‘translators’, who help adapt bureaucratic requirements into understandable processes and language.<sup>32</sup> Building on this experience, other Indigenous funds include the AYNÍ Fund – a philanthropic arm of the International Forum for Indigenous Women (FIMI) and the first ever fund directed by and for Indigenous Women<sup>33</sup> – and the Pawanka Fund – established in 2014 to provide direct support to community led organizations for the recovery and revitalization of Indigenous knowledge and learning systems in seven sociocultural regions of the world, through grants ranging from \$15,000 to \$50,000.<sup>34</sup>

Increased awareness of funding gaps and needs has spurred development of a range of new rightsholder-led funds to receive and channel scaled up climate and conservation financing.

Examples of these new and emerging funds include:

- **The Mesoamerican Territorial Fund (FTM)** – a funding mechanism created by the Mesoamerican Alliance of Peoples and Forests (see Box 5)
- **The Nusantara Fund** – developed in Indonesia by AMAN (the Indigenous Peoples Alliance of the Archipelago), the KPA (Consortium for Agrarian Reform), and WALHI (Friends of the Earth Indonesia). The Fund aims to support IP and LC-led initiatives to protect and manage their lands, territories and resources to reduce emissions related to deforestation and forest degradation, increase carbon stocks and improve people’s quality of life.<sup>35</sup>
- **The Indigenous Amazonian Fund** – created by COICA as a regional financing mechanism to support Indigenous organizations in the nine countries of COICA’s membership. It aims to enable Amazonian organizations to defend their territorial and life plans, including by building their capacity to access international financing.<sup>36</sup>

In September 2022, the Global Alliance of Territorial Communities (GATC) launched the Shandia platform as a new mechanism to facilitate access to financing for IPs and LCs in Mesoamerica, Amazonia, Africa and Indonesia.<sup>37</sup> Governed by IP and LC representatives from the GATC, the platform will work to guarantee timely and sustainable financing for actions to secure tenure rights, strengthen territorial management, promote community-based economies and combatting climate change and biodiversity loss. The Shandia platform is initiating work immediately, with support from fiscal sponsors and implementation partners, where needed, while further readiness and fundraising activities proceed in parallel. A major focus of the platform is to help mobilize financing for regional IP and LC funds led by GATC members and partners, such as the Mesoamerican Territorial Fund, Podaali Fund, Amazon Fund, and Nusantara Fund.



### **Box 5: The Mesoamerican Territorial Fund**

The Mesoamerican Territorial Fund (Fondo Territorial Mesoamericano - FTM) is a funding mechanism created by the Mesoamerican Alliance of Peoples and Forests to respond to climate change through direct financing for local communities and indigenous peoples with full respect for their rights and priorities. It takes an approach focused on: deciding investment priorities together with local organizations, strengthening rights and territorial governance, reducing intermediation costs, and ensuring investment efficiency and transparency.

AMBP began developing the FTM in 2010 to address the lack of climate finance investment in community territories and forest management, with a preparatory focus on project management, organizational strengthening, climate policy engagement and learning from existing IPLC financing experiences. In 2020-21, FTM began pilot implementation with a \$800,000 grant from CLUA, supporting 10 projects on strengthening organizational governance, defending rights and territories and local economic activities. FTM will further develop, diversify and consolidate its operations between 2022 and 2025/2030, including by establishing an independent legal entity and governance structure.

Towards this end, the FTM is preparing its governance design and operational manuals, conducting baseline studies, developing its communications strategy and pursuing alliances and additional fundraising.

**Source:** *El Fondo Territorial Mesoamericano y el desafío de la inversión territorial comunitaria*. Presented by Gustavo Sanchez, AMPB, Path to Scale meeting, April 2022.

Ensuring support for the establishment and scaling up of these initiatives, with funding that is scaled to match the magnitude of needs on the ground, will be critical for IP and LC-led climate and conservation action in coming years.

### **→ Intermediary organizations**

The term “intermediaries” is used here to refer to a wide range of organizations that bridge relationships between donor organizations and implementing rightsholder groups. Intermediaries provide opportunities to increase the flow of donor funds to IP and LC organizations where the current capacities of both donors and local groups create barriers to a direct relationship. Large, bilateral donors especially see the value of working through intermediaries who can support IP and LC organizations in achieving their objectives without being undermined by heavy donor requirements.<sup>38</sup> While there have been significant challenges with roles of intermediary organizations where NGOs have used these roles to dominate decision-making and shares of resources (see Challenges),

respondents also note that intermediaries can play helpful roles depending on the practices they adopt.

Good practices for intermediaries highlighted in P2S dialogues, interviews and literature include:

- Building trust and long-term strategic partnership with rightsholder organizations, including by getting to know the people and the challenges each organization is facing and openly discussing those challenges.
- Serving as a “buffer” by taking on and simplifying the complex procedures and compliance requirements of some donor financing for rightsholder recipients (for example, see Box 6).
- Including capacity building of recipient IP and LC organizations as part of services accompanying sub-grants – such as teaching local partners how to prepare due diligence forms and reports.
- Being transparent about the scope of projects and providing clear guidance on relevant procedures.
- Adapting internal administrative systems to increase transparency and support IPs and LCs.
- Minimizing the number of layers between donors and rightsholder recipients.
- Understanding the political dynamics among IP and LC organizations – including to avoid generating competition or exacerbating differences.
- Facilitating dialogue between IP and LC organizations and donors on funding priorities and experience.
- Supporting networking and the ability of diverse organizations to act together.
- Where intermediaries are also project implementers, agreeing on coordinated, complementary roles (who handles what type of activity).
- For donors, enabling IP and LC organizations to select the intermediaries they will work with.

### **Box 6: Making Tenure Facility Grant-making “Fit for Purpose”**

The Tenure Facility, a financial mechanism focused on securing land and forest rights for Indigenous Peoples and local communities, has taken a systematic approach to ensuring that its grant making is fit for the purpose of supporting IPs and LCs. It prioritizes a holistic approach to tenure security, includes organizational strengthening as a regular component and builds continuity by investing in longer term projects and relationships. To ensure Free, Prior, Informed Consent, TTF has adapted its grant agreements to be shorter and clearer and requires up-front consultations and a higher burden of proof regarding consent for non-IP and LC partners.

TTF has also prepared a *“Model” Operations Manual for Indigenous Peoples’ and Local Communities’ (IPLC) Participation in Procurement and Financial Management* to enable management of project funds by IP and LC communities using their customary decision-making and rules. The manual was recently adopted and will be used for new projects going forward. The section for use by project partners (or fiscal sponsors) provides a simple and practical framework for documenting activities to be implemented by communities, eligible and non-eligible expenses, agreed procurement methods, how payments will be made and risk and monitoring actions. Procurement methods specifically provide options for culturally-appropriate appreciation for contributions of Indigenous cultural knowledge and sole sourcing of trusted technical advice, based on community consensus, where sources of such assistance are scarce.

Another section designed for use by IP and LC communities provides space to document the community procurement team and how it was selected, community protocols for the safety and security of cash and procurement methods agreed by the community, and provides simple budget, financial reporting and procurement record templates. The manual emphasizes that community procurement is based on the principles of transparency (collective decision-making and wide sharing of decisions among community members) and accountability (accountability of those nominated to manage funds to the wider community).

**Source:** The Tenure Facility *“Model” Operations Manual for Indigenous Peoples’ and Local Communities’ (IPLC) Participation in Procurement and Financial Management* (internal working document).

### → **Fiscal sponsors**

Another institutional mechanism that has been used to help bridge funding relationships between donors and rightsholder organizations is a “fiscal sponsor” – defined here to refer to an organization that handles administrative management of donor funds on behalf of an IP or LC organization. Fiscal sponsors are especially useful in cases where rightsholder organizations are not set up as a legal entity or where they determine that fund administration would distract from their primary political or other

roles. IP and LC organizations must have the flexibility to choose these partners based on relationships of trust.<sup>39</sup>

Fiscal sponsors differ from intermediaries in that they are not re-granters but rather work alongside a lead organization – responsible for design, decision-making and implementation – to handle administrative functions such as bank transfers, processing of receipts and financial reporting. As such, fiscal sponsors should be willing to limit their roles to administration only, without seeking to design or exercise authority over funded activities. Where rightsholder organizations so desire, fiscal sponsors should also support capacity-building to enable partner rightsholder organizations to take on administrative functions themselves over time.

In one relevant experience from the DGM, the Brazil National Executing Agency took on responsibility for part of the financial execution of the sub-projects, recruiting additional technical and administrative staff to manage the volume of work required. This helped the DGM support more subprojects than in any other country and reach indigenous and traditional communities that had not had previous opportunities to receive support.<sup>40</sup>

### ***Responsive fund management and administration practices***

This cluster of solutions consists of concrete management and administrative practices that can be built into financing relationships with IP and LC organizations to increase accessibility and responsiveness. The overall focus is on simplifying and adapting donor requirements to better connect with the cultures, solutions and capacities of IP and LC organizations and communities across multiple aspects of project management, from preparation stages to technical and financial management to reporting. While relevant for all donors, these solutions are particularly important for bilateral donors and multilateral institutions, as they are identified by IP and LC organizations as having more rigid rules and requirements that act as a barrier to accessing funding and meeting reporting requirements.<sup>41</sup>

#### **→ Simplifying and supporting application processes**

A key area of needed innovation in grant management and administration are practices to ease the burdens associated with preparation of detailed funding proposals. Proposal development tends to require significant up-front investment of time and resources that many rightsholder organizations are not in a position to take on, due to constraints on time, capacity and/or resources.

Some emerging and proposed practices include:

- Conducting phased processes that enable rightsholders' organizations to submit shorter, simpler concept notes in a first stage, and then receive financial and technical support to prepare full proposals once selected. For example, USAID's Acquisition and Assistance Strategy notes that the agency will give priority to these and other methods requiring "less than full" proposals.<sup>42</sup> The GEF Inclusive Conservation Initiative also began with an Expression



of Interest phase for initial selection, to be followed by full project preparation supported by funding from the GEF-approved project.<sup>43</sup>

- Increasing the use of oral and video applications and presentations<sup>44</sup>
- To improve transparency and accessibility, moving away from funding processes that are invitation-only and accompanying calls for proposals with consultation with potential local partners.<sup>45</sup>
- Avoiding narrowly defined or prescriptive calls, to enable ideas to emerge from rightsholders' needs and priorities.
- Finding alternatives to calls for proposals in situations where an open call would risk generating conflicts among rightsholder organizations or increasing their reliance on external actors (and the latter's priorities).<sup>46</sup>
- Accepting proposals in multiple languages (avoiding dominance of English).

One persistent gap is financial support for IP and LC participation in project design and co-design processes or for the preparation of project proposals. Across many of the practices described above, there remains a need to allocate funds for community organizations to participate in co-design processes or provide preparation funds (and technical support where requested) for detailed proposals, to strengthen and expand rightsholder engagement in the design of funding initiatives.

#### → **Adapting and “stepping down” donor operational requirements**

Another key area of innovation needed for fit for purpose financing is to adapt donor operational requirements to the situations of IP and LC organizations, in line with the principle of proportionality. Indigenous and community-based organizations that receive funds share responsibility for adherence to donor policies; however, the application of these policies can be scaled to the situation, cultures, capacities and needs of local organizations and the activities they are implementing.<sup>47</sup>

Often, adapting donor requirements means translating the bureaucratic controls set up by donor agencies into the social controls more common and familiar to IP and LC organizations and communities. It means working with the governance systems within organizations and communities, building on local practices for accountability. Donors can create flexible mechanisms adjusted to local realities and ensuring transparency and accountability at the level that communities can account for, as demonstrated in experience with DFID's Multistakeholder Forestry Program Phase I (2000-2006) in Indonesia (see Box 7).

Practices to support this adaptation of requirements include:

- Enhancing dialogue and creative problem-solving across program and operational staff within donor agencies to clarify and confirm what are core requirements versus common practice, and the scope for flexibility.
- Building capacity of donor agency operations staff to understand the cultural contexts of grants to IPs and LCs and create culturally sensitive approaches to finance and administration.
- Dialogue and understanding between donors and IP and LC organizations on the existing governance and accountability systems that provide a foundation for locally-led controls.
- Adapting the implementation of environmental and social safeguards to align with rightsholder-led processes and contexts.

#### **Box 7: Social controls in DFID's Multistakeholder Forestry Program**

Since 2000, the UK-funded Multistakeholder Forestry Program (MFP) in Indonesia has supported actions to strengthen forest governance, tackle illegal logging and improve livelihoods for forest-dependent people. Phase 1 of the MFP (2000-2006) advanced several innovations to facilitate funding to local community groups without undue administrative burdens.

A key area of innovation was clarifying and relying on social controls carried out by community stakeholders. For example, community leaders signed up to a “code of conduct” before participating in the project and community governance systems and responsibilities for the project were clarified. Financial controls included presentation of records of expenditure to village assemblies – with photo evidence where possible – and having at least two people count cash before it was transported and again on arrival. These social controls were annexed to MFPs own financial reports.

As the MFP involved transfers of funds to community groups with and without legal status, an individual with a bank account was confirmed as the legitimate recipient by signature of 3 community leaders. Instead of detailed receipts, the MFP accepted a single invoice of the overall activity delivered (such as a community workshop or map), supported by lists of participants (with their mark and gender), description of the activity, and a list of expenditures by simple categories (e.g., food, travel). This acceptable evidence was documented and approved in the project manual and MFP also carried out periodic spot checks by local facilitators, complemented by independent audits every two years. Due to these internalized controls, the MFP Phase 1 was considered a low risk despite multiple stakeholders and high corruption rankings in the wider context.

**Source:** Penny Davies, *Multistakeholder Forest Program (MFP I): Indonesia*. Path to Scale meeting presentation, March 2022.

### **Box 8: World Bank Guidance on Procurement in Community-driven Development Projects**

Community-driven development (CDD) is an approach to development that gives control of decisions and resources to community groups, treating local people as partners and building on their institutions and resources. To provide operational support for CDD projects, the World Bank in 2012 developed a *Guidance Note for Design and Management of Procurement Responsibilities in Community-Driven Development Projects*. The guidance note begins by highlighting that Bank policies apply to all projects but must be scaled to the project's requirements and community capacity. Community-driven projects, in particular, benefit from a high degree of flexibility in procurement procedures, as procedures developed for larger institutions often are not appropriate in CDD project conditions. Procedures should be kept simple and take local culture, norms and capacity into account, while maintaining a high degree of transparency and accountability.

Good practice steps recommended in the Guidelines include:

- Capacity and risk assessment: based on a sample of communities to gain an overall picture of how communities are organized and will carry out procurement, with minimum capacity requirements documented in a project Operations Manual
- Financing agreement: in a simple format listing activities and estimated costs, and who is responsible for each
- Appraisal of community groups and subprojects: ensuring efficient, fair and transparent processes by considering, for example, how representative the project team is of intended beneficiaries, mechanisms such as procurement committees and bookkeeping skills
- Payments: preferably based on delivery of the overall end products as described and budgeted in the financing agreement, thus keeping documentation and reporting to a minimum
- Procurement methods: defining thresholds and including simplified procedures such as simple tenders, shopping, off the shelf purchase and direct contracting.
- Mitigating risks: empowering community members to exercise fiduciary controls such as through public announcements of activities and funds spent, having more than one person sign off on all transactions and establishing a complaints mechanism.

**Source:** World Bank 2012. *Guidance Note for Design and Management of Procurement Responsibilities in Community-Driven Development Projects*.

- Preparing IP and LC project-specific operations manuals documenting the “translated” procedures and requirements. These manuals should be designed with and agreed by the donor’s financial-administrative team to define acceptable document evidence and deliverables. For example, the *World Bank Guidance on Procurement in Community-driven Development Projects* (see Box 8) provides guidance on development of project operational manuals detailing requirements appropriate to the situation of community-driven projects.

Operations manuals can encompass the range of issues and practices described in the sections that follow (i.e., procurement, risk management, reporting). These manuals then streamline audit requirements as they provide the basis for audits; auditing is to verify compliance with requirements defined in the manuals.

#### → **Adjusting financial management and reporting**

Financial management is a key area of accountability for donors, especially public donors in relation to their governments and citizens, and thus subject to extensive controls. At the same time, there are many ways to adapt financial controls in ways that adhere to donor policies but scale implementation to project contexts and partner capacities. As part of overall adaptation of project requirements, specific practices regarding financial management include the following (also see Boxes 6, 7 and 8 for examples):

- Preparation and use of simple budget and financial reporting formats
- Procurement rules adapted to local cultures and markets. As indicated in the examples in Boxes 6, 7 and 8, donors and intermediaries can simplify procurement practices to buffer between institutional requirements and local conditions. Practices include setting reasonable thresholds for procurement requirements and allowing flexibility for direct contracting and “off the shelf” purchases where there are few sources of goods and services or cultural considerations (such as payments to local holders of specific knowledge).
- Changing requirements related to receipts and proof of purchase. For example, rather than individual receipts for each relatively small expenditure, a packaged receipt consists of just one combined receipt for a full activity like a workshop, in line with the activity budget.
- Empowering IP and LC partners to exercise fiduciary controls – such as through procurement committees, co-signatures for expenditures and complaints mechanisms.
- Conducting culturally sensitive and proportional auditing. For example, this may include defining minimum numbers of years for audits and training culturally sensitive auditors.

## → **Creatively rethinking technical reporting**

Technical reporting is another area where there are multiple opportunities to adapt donor requirements to the cultures, situations and capacities of IP and LC partners. Practices to simplify and adapt technical reporting include:

- Developing and using simpler reporting formats.
- Diversifying reporting formats. For example, as the cultures of many IP and LC partners are more oral and visual than written, sending a video report instead of a document.
- Changing the frequency of reporting – such as from quarterly to bi-annual or annual reports.
- Simplifying monitoring and evaluation frameworks – for example by reducing the number of indicators – and including indicators prioritized by communities (such as cultural indicators).
- Coordinating and harmonizing reporting requirements, where several donors are engaged.

## **Recommendations**

The following recommendations outline key activities and next steps to advance fit for purpose financing distilled from Path to Scale dialogues, relevant literature, inputs from RRI partners and the Path to Scale participants, and drawing on the analysis above. While multiple actors can contribute their knowledge and capacities towards realizing these recommendations, they are primarily directed towards donors, both for changes they can adopt and for the roles they can play in supporting wider efforts.

### **General recommendations:**

- Expand fit for purpose funding – both by increasing the scale of funding to IPs, LCs and ADPs and by adapting policies, capacities and practices to ensure that it is led by their organizations, flexible and long-term, gender-inclusive, timely and accessible, and mutually accountable. Innovations such as those described in this paper only beginning to be adopted and need to be much more widely shared, implemented and supported.
- Convene direct dialogues between donors and rightsholder groups to enhance mutual understanding, especially to increase donor understanding of the perspectives and needs of rightsholders' organizations and communities on the ground.
- Conduct further research on the specific funding challenges facing diverse types of IP, LC, ADP and women's organizations and ways to overcome them. Conduct further research on the differences in requirements and flexibility among donor organizations (such as public and private funders) and provide further, more tailored recommendations.

- Document and increase the visibility of IP, LC and women's organizations and their experience as leaders in climate and conservation action to attract and inform increased donor financing.
- Monitor change by continuing to track funds going to rightsholders' organizations, in relation to the *Falling Short* baseline. If possible, measure both from top down (donor reporting) and from bottom up (how rightsholder organization funding is increasing).
  - As part of this monitoring, report regularly on progress in implementing the Forest Tenure Funders Pledge, and establish an independent monitoring mechanism for it with full participation of Indigenous Peoples.<sup>48</sup>

### **Recommendations for strengthening relevant institutions and capacities of all actors:**

- Increase donor capacities to provide fit for purpose financing by expanding dedicated programmatic capacities and building capacity of operations staff in culturally appropriate finance and administrative practices.
- Coordinate across different types of donors (bilaterals and foundations) in order to make best use of their comparative advantages in increasing the scale and flexibility of funding to rightsholder organizations.
- Increase direct investment in and support for the development of rights-holder funds and associated mechanisms.
- Facilitate learning from the experience of rights-holder funds and share lessons to advance their development.
- Convene dialogues among intermediaries, rightsholders' organizations and donors on the positive attributes of good intermediaries and ways to build these attributes and measure results.
- Survey existing capacity-building initiatives for IP and LC organizations on project management and administration (such as courses, exchanges and internships) to build cross-connections, increase efficiencies and expand their reach. Ensure culturally adapted training.
- Expand longer-term, culturally pertinent technical and professional training programs for Indigenous and community accountants, auditors, and similar finance and administration staff.

### **Recommendations to deepen reforms in donor grant management and administrative practices:**

- Conduct an in-depth review of major donor requirements and how they can be simplified for grant-making to rightsholders' organizations. Engage donor procurement and audit experts



to develop more simplified procedures – such as a workshop bringing together donor program staff and F&A specialists with counterparts from Indigenous and community organizations.

- Harmonize requirements across donors to the extent possible, to reduce the burdens of multiple compliance and reporting systems.
- Assess needs and ensure appropriate training is provided for rightsholders' organizations in donor procedures, to enhance their funding access and management.

In relation to the broader set of priority actions and next steps to advance fit for purpose financing, the Path to Scale initiative is particularly well-placed to contribute specific lines of work that involve convening and engagement across constituencies, including rightsholders' organizations, donors, NGOs, and civil society organizations.

### **Recommendations for the Path to Scale:**

1. As a foundation for further work, expand the Path to Scale platform to bring together donors, rightsholders' organizations and progressive intermediaries around fit for purpose financing goals.
2. Convene Path to Scale workshops and/or dialogues to gather feedback on emerging approaches and fit for purpose practices to date (drawing on this discussion paper), including to refine strategic next steps.
3. Develop a matrix comparing the main bilaterals and multilaterals in terms of their key relevant policies related to funding of grassroots organizations (such as audits, procurement, contingencies, requirements to qualify for funding, free, prior and informed consent, etc.) and use this to identify and promote innovations (adaptation and simplification).
4. Organize a workshop bringing together donor technical and finance/administration staff with rightsholders' organizations to define general operations guidance for funding to Indigenous and community-led initiatives.
5. Conduct a study of existing capacity building initiatives for rightsholder-led grant management and ways to synergize and strengthen them.
6. Support the continued development and implementation of rightsholder-led platforms and associated mechanisms for direct financing to local organizations, including through convening to increase their visibility, engage donors facilitate cross-learning.
7. Facilitate learning and dialogue on intermediary roles – enhancing positive attributes and promoting strategic coordination.

## Endnotes

<sup>1</sup> Rights and Resources Initiative. 2020. Estimate of the area of land and territories of Indigenous Peoples, local communities, and Afro- descendants where their rights have not been recognized. Washington, DC: RRI.

<sup>2</sup> WWF, UNEP-WCMC, SGP/ICCA-GSI, LM, TNC, CI, WCS, EP, ILC-S, CM, IUCN. 2021. The State of Indigenous Peoples' and Local Communities' Lands and Territories: A technical review of the state of Indigenous Peoples' and Local Communities' lands, their contributions to global biodiversity conservation and ecosystem services, the pressures they face, and recommendations for actions. Gland, Switzerland. Available at: [https://wwfint.awsassets.panda.org/downloads/report\\_the\\_state\\_of\\_the\\_indigenous\\_peoples\\_and\\_local\\_communities\\_lands\\_and\\_territor.pdf](https://wwfint.awsassets.panda.org/downloads/report_the_state_of_the_indigenous_peoples_and_local_communities_lands_and_territor.pdf); FAO and FILAC. 2021. Forest governance by indigenous and tribal peoples: An opportunity for climate action in Latin America and the Caribbean. Santiago. FAO. Available at: <https://doi.org/10.4060/cb2953en>; IPBES. 2019. "Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services." In Report of the Plenary of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services on the work of its seventh session. Edited by M. Carneiro da Cunha, G. M. Mace, and H. Mooney. Bonn: IPBES. Available at: [https://ipbes.net/sites/default/files/ipbes\\_7\\_10\\_add.1\\_en\\_1.pdf](https://ipbes.net/sites/default/files/ipbes_7_10_add.1_en_1.pdf).

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<sup>3</sup> Rainforest Foundation Norway. 2021. Falling Short: Donor funding for Indigenous Peoples and local communities to secure tenure rights and manage forests in tropical countries (2011-2020). Oslo: Rainforest Foundation Norway. Available at: <https://www.regnskog.no/en/news/falling-short>.

<sup>4</sup> RRI uses the term Indigenous Peoples, local communities and Afro-descendent Peoples (IPs, LCs and ADPs) to refer to groups that traditionally hold and use lands and resources collectively under customary and/or statutory tenure. The term rightsholder is also used for these groups. However, it is important to recognize that their rights are distinct. Indigenous Peoples are recognized in international law as holding customary rights to lands, territories and resources, under the International Labour Organization (ILO) Convention No. 169 and United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). While "local communities" are not formally defined under international law, their rights are also affirmed by ILO Convention No. 169 (applicable to "tribal peoples") and the United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas. Afro-descendant Peoples' refers to individuals, groups and people descended from African persons who traditionally and primarily hold resource rights at the community-level. The UN human rights system has elaborated on the rights of these individuals, groups, and peoples through a dedicated Working Group on Persons of African Descent, among other processes. RRI advocates for the land and resource tenure rights of all types of communities that exercise community-based tenure, and the women within those communities, regardless of whether they self-identify as Indigenous or are legally acknowledged by the national government of the country where they reside. The term Indigenous Peoples and local communities (IPs and LCs) is also sometimes used here, in keeping with many source materials.

<sup>5</sup> Path to Scale website. Last accessed on 11/22/22 at <https://www.pathtoscale.org/targets>.

<sup>6</sup> Rainforest Foundation Norway. 2021.

<sup>7</sup> Protecting Our Planet Challenge Statement. 2021. Available at: <https://www.rainforesttrust.org/our-impact/rainforest-news/cop26-partner-statement/>

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## About the Rights and Resources Initiative

The Rights and Resources Initiative is a global Coalition of 21 Partners and more than 150 rightsholders organizations and their allies dedicated to advancing the forestland and resource rights of Indigenous Peoples, Afro-descendant Peoples, local communities, and the women within these communities. Members capitalize on each other's strengths, expertise, and geographic reach to achieve solutions more effectively and efficiently. RRI leverages the power of its global Coalition to amplify the voices of local peoples and proactively engage governments, multilateral institutions, and private sector actors to adopt institutional and market reforms that support the realization of their rights and self-determined development. By advancing a strategic understanding of the global threats and opportunities resulting from insecure land and resource rights, RRI develops and promotes rights-based approaches to business and development and catalyzes effective solutions to scale rural tenure reform and enhance sustainable resource governance.

RRI is coordinated by the Rights and Resources Group, a non-profit organization based in Washington, D.C. For more information, please visit [www.rightsandresources.org](http://www.rightsandresources.org).

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