Governance of Carbon Projects

INTERNAL TNC Tools and Guidance

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This document provides guidance on designing equitable and effective governance structures for carbon projects. It describes the main actors likely to be involved in the governance of a carbon project and the main decision points that those actors will be engaging on, and provides some example governance structure options for you to consider. In the Appendix, we provide a template for you to use when designing your project's governance structure.

Document Outline

- What is a governance structure & governance principles
- Main carbon project actors
- Key points of decision-making & best practice guidance
- Governance structure options & how to evaluate the best one for your project
- Appendix: (I) Governance Structure Template; (ii) Governance Structure Discussion Facilitation Guide

What is a Governance Structure?

The governance structure of a carbon project identifies the **roles** of each actor, their **responsibilities**, and the process for making key **decisions** throughout the project lifetime. The governance structure also serves to **adaptively manage** the flow of project resources, risks, and benefits between actors. Because carbon projects are very long-term, defining the governance structure is critical to effectively managing the project over multiple decades – it ensures that each actor fulfills their responsibilities at each stage and continues to be sufficiently incentivized to maintain project activities. The governance structure must be designed through a transparent and participatory process with all key actors following the Governance Principles.

Governance Principles

- The governance structure must be designed and agreed upon through a **participatory** process among all relevant actors.
- The governance structure must be **transparent** – roles, responsibilities, costs, and benefits must be clearly defined and understood by all actors with a material role in the project.
- The governance structure must be **equitable** – benefits to each actor must be commensurate with their level of cost, effort, rights, and risk; decision-making power is defined based on rights and responsibilities; participants must be representative (including considerations for women, youth, or other traditionally marginalized groups).
- The governance structure must be **effective** – communication, management activities, and benefits must flow smoothly and be sufficient to incentivize all actors to fulfill their responsibilities over the project lifetime.

The Nature Conservancy

Main Carbon Project Actors

Entity	Definition	Roles	Critical Capabilities	Notes
Project Developer	The entity responsible for the design and development of the carbon project.	Designs the key elements of the project and describes them within the Project Design Document (PDD) and other technical documents. Registers the project with the standard. Manages project validation and verification processes, and periodic monitoring and reporting per the methodology. Often, maintains the communication with the Standards and is responsible for contracting the Verification and Validation Bodies (VVBs)	Solid technical expertise and experience in carbon projects Dedication to high quality	The project developer and project proponent can be (and often are) the same entity.
Project Proponent	The entity that obtains the rights to the carbon credits from the owners of the physical carbon.	Holds the legal rights to the carbon credits and transacts them in the market. Responsible for then distributing the benefits equitably to the other project participants, according to pre-agreed terms. Responsible for overseeing or facilitating implementation, development, and required reporting of carbon project, as well as mitigating any non-conformance with the protocol or contracts. May be responsible for project communications (internal and external). Ultimately holds the risk for ensuring successful implementation, long-term maintenance of the carbon project, and conformance with the carbon program standards and methodologies.	Access to buyers Financial management Dedication to equity Trust Communications Contracting capacity Project Management skills Legal review Risk planning & mitigation	
Implementing Partner(s)	The entity or entities that implement part or all of the project activities.	Implements climate mitigation activities (e.g. tree planting, forest management, land protection, etc). Implements relevant social activities (e.g. new sustainable livelihoods, education and capacity building, etc). Implements monitoring activities.	Technical expertise in the specific land management activities Technical expertise in social aspects Strong relationships with landowners / manager	One of the implementing partners may also be the project developer and/or proponent. Implementing partners may also be the landowners/managers or rightsholders.

Interested Parties	The full suite of individuals, groups, and/or institutions that have an interest in the system who can potentially affect or be affected by the carbon market project/program, and/or will have something to gain or lose if conditions around the natural features change or stay the same.	May provide technical expertise or support (academic or NGO partners). May be neighboring communities who utilize the project area. May be buyers of goods or services produced in the project area. May be faith-based groups	Brings existing information, relationships, or expertise to the project	Interested Parties will include Government, Rightsholders, and Beneficiaries, but may also include a broader suite of people.
Government	Local, sub-national (e.g., jurisdiction or state), or national government entities with authority over climate, land use, or other relevant issues.	Increasingly, national governments are regulating carbon market projects. Governments may set rules related to who maintains the rights to carbon, how benefits are distributed (including whether the government will get a portion of the revenue), how projects are included or excluded from the national GHG accounting and NDC (Nationally Determined Contribution) reporting, what standards are acceptable, and other aspects. Sub-national or local governments may also have a role.	Monitoring and enforcement capacity Technical expertise in GHG accounting Negotiations skills	May also be a project proponent in some cases.
Rightsholders	Individuals or communities who have rights relevant to the project/program. These can include use rights, access rights, and/or control rights (management, ownership, and exclusion) over land, resources, and/or carbon. They can include legally defined or customarily held rights. In particular, the United Nations and other constitutions and treaties recognize Indigenous Peoples as specific political entities that have definite reserved rights around resource ownership, access, and harvest.	Often the rightsholders own or manage the land where the carbon project takes place. They often have a key role in project implementation, including tree planting, forest management and protection, monitoring, etc. Rightsholders play a key role in design of the carbon project and in the decision-making processes.	Local understanding and expertise on land and resource management Considerations need to be made for ensuring rights of women, youth, or marginalized groups Understanding of cultural and social organizations and norms	For further definition of rights, particularly related to IPLCs, please refer to Appendix 1 of TNC's Human Right Guide. May also be Project Proponent or Implementing Partner. Will be one of the project Beneficiaries Rights over carbon are often legally transferred to project proponent (if different entities)

Project Beneficiaries	The sub-set of stakeholders, rightsholders, and interested parties who will receive direct material benefit from the project.	Often the project beneficiaries own or manage the land where the carbon project takes place. They often have a key role in project implementation, including tree planting, forest management and protection, monitoring, etc. They may also be neighboring the project area and impacted by the project and therefore entitled to benefits.	Local understanding and expertise on land and resource management Considerations need to be made for ensuring rights of women, youth, or marginalized groups	
Buyer	Entity that buys the carbon credit.	Purchases the carbon credit from the project proponent. Could be an end user who retires the credit or could be an entity who re-sells the credit. Should undertake some of their own due diligence to ensure credit quality.	Should have a rigorous plan in place to reduce own emissions first	See TNC's Carbon Transaction and Engagement Requirements for more information
Investor	Entity that provides project financing	Provides up-front finance to design and develop the project and implement the initial activities. May seeks a financial return on the investment May provide philanthropic or grant funding. May support some enabling activities to facilitate the development of carbon projects.	Interest in climate, environmental, and/or social returns as well as financial returns	

We cannot list all of the possible actors in carbon market projects here, though the table details the principal ones. There are also standards bodies and 3rd party auditors/verifiers who play an important role in establishing the standards and ensuring projects are meeting standard requirements. There is also the registry which publicly tracks the project, holds some credits in buffer pools, and charges credit issuance/transaction fees. While these entities are critical to the overall success of the market as they ensure the rigor, credibility, and accountability of the credits, they are likely not directly engaged in the governance structure of any given carbon project.

Similarly, it's worth mentioning that projects often engage a number of specialized contractors to undertake certain elements of the project design and development (e.g. spatial mapping, financial modelling, collection of baseline data, etc). While it's important to understand the need for contractors and choose qualified contractors based on their expertise and skillsets, these contractors usually engage with the project on a limited-time and limited-scope basis and are not usually part of the long-term governance structure of the project.

Finally, it's worth noting that many of the actors listed may play multiple roles. We have noted this in some instances, but there may be others as well.

Key Points of Decision-making

The actors defined above all have a role in making critical decisions related to the carbon project. The governance structure defines who has the authority to make which decisions and who needs to be consulted and informed about those decisions. The table below describes some key decision points related to carbon projects and some best practice guidance for making those decisions. Depending on the decision to be made, the actors may play a different role; for example, an actor that might need to be fully engaged in designing the climate mitigation practices, may only need to be consulted about the credit buyer.

Please refer to other documents in our carbon project toolkit, such as our feasibility template, for more details on the key information, decisions, and documentation required in project feasibility and design.

Decision Point	Best Practice Guidance
Is a carbon project feasible in this area?	The Project Developer and/or Proponent (whether that's an external third party or the landowner/community themselves) should undertake a feasibility assessment before delving into project design and development. The feasibility assessment analyzes the drivers of carbon emissions or barriers to increased carbon sequestration in the project area and begins to identify options for how to address them, including which climate mitigation activities could be well-suited to the area. The assessment identifies whether there are standard methodologies that would be appropriate for the climate mitigation activities, and estimates rough potential carbon outcomes for the project (removals or reduced emissions), the potential costs, and the minimal carbon price. The assessment broadly maps out the full suite of Interested Parties to get a better understanding of who needs to be engaged, how, and when.
Is a carbon project desirable in this area?	If the feasibility assessment deems the project to be technically feasible, the Project Developer and/or Proponent will need to reach out to the Interested Parties, with particular attention to the Rightsholders and the relevant government agencies. They will need to develop a comprehensive engagement plan that will likely include capacity building and awareness raising as a first step. Interested Parties need to first understand the carbon project and be informed of the potential risks and benefits before they can indicate interest in moving forward. The decision to move forward must be made between the Project Developer, Project Proponent, Implementing Partners, and the Interested Parties who could be materially impacted. This decision to move forward should be documented and should be considered an expression of interest in proceeding but not a final consent to the project.
Defining key elements of project design (social):	There are several key social aspects that need to be defined as part of the project design process. First, there needs to be clarity on who owns the land. This may be legally defined and recognized/upheld by both government(s) and community(s). If not, the Project Developer will need

-Land ownership/use rights **-Carbon rights** **-Theory of Change / Project activities**	to understand customary land tenure and/or use or management rights. Effort should be made, together with the Rightsholders and relevant authorities, to clarify and document land tenure and rights in favor of those who have customarily used or managed the land. Carbon rights also need to be defined according to the existing law and policy. If laws are unclear relating to carbon, the Project Developer, together with Rightsholders and the relevant government entity may need to define the carbon rights for the project. Rightsholders and the Project Proponent will need to discuss and agree to the terms under which the carbon rights holder transfers those rights to the Project Proponent. Another key social aspect of the project is the Theory of Change – a clear description of the problem and how the proposed interventions will address the problem. Project interventions need to be defined together between the Project Developer, Implementing Partners, and the Rightsholders/ landowners/managers. Project activities represent a specific set of technologies, measures, and outcomes specified in a methodology applied to the project, that alter the baseline scenario activities and generate GHG emission reductions or removals. This includes decisions like: What trees should be planted, where, how, and how many? Can some trees be used for other purposes (timber, firewood, non-timber forest products)? How long must those trees stay in place, and what inter-generational education/commitment is needed to ensure their protections? How will they be managed and monitored? What specific forest management or grassland management activities will be implemented? Who is responsible to implement and maintain those activities, how much do they cost, and who is responsible for bearing the costs? How does the project team respond if a natural disaster or bad actor causes a reduction in carbon stocks? All of these decisions are both technical – they have an implication for the carbon outcomes – and social – they need to be culturally appropriate and responsive to the various needs of the community or landowner. They cannot be defined by the Project Developer alone, based on their desire to optimize carbon outcomes; they must be defined in partnership with the Rightsholders and Implementing Partners.
Defining key elements of project design (technical): **-Methodology selection and applicability conditions** **-Project boundary** **-Baseline** **-Additionality**	The Project Developer will likely play a lead role in defining the key technical aspects of the project. However, they should discuss these with the Project Proponent, Implementing Partners, and Rightsholders, and revise these elements based on input from those actors. All actors share the responsibility to ensure development of authentic, high-quality carbon projects.

-Permanence **-Leakage** **-Carbon calculations** **-Monitoring**	
Defining key elements of project design (financial): **-Cost estimates** **-Revenue estimates** **-Timeline**	The Project Developer will likely play a lead role in creating a financial model for the project in order to estimate the costs and revenues. However, it is critical that they discuss this model with Implementing Partners and Rightsholders to ensure that the full costs of the project are included. Some costs that are often overlooked are capacity building and participation costs (travel and time in design and consultation meetings), labor costs for implementing project activities, costs for maintaining project activities over the long-term, foregone profit from other land-uses, etc. It's critical that the full costs borne by each actor is captured clearly. The Project Developer will also want to discuss revenue estimates with the Project Proponent, who will have a better understanding of potential buyers and their price points. Special consideration should be made to the timing of outgoing costs vs incoming revenue (including weighing the pros & cons of verification/sales timing), and what financial arrangements can be made to have liquid capital at the time it's needed. Revenue estimates must also be clearly communicated to all parties.
Benefit-sharing arrangements	One of the most critical decision points for the project governance will be how to distribute the benefits from the project. More detailed guidance on defining equitable benefit-sharing arrangements is forthcoming, but for the purposes of this document it is critical note that all project actors (Project Developer, Project Proponent, Implementing Partners, Rightsholders, and other Beneficiaries) need to discuss and formally agree to the benefit-sharing arrangement. This agreement should be revisited over time as carbon prices or other project factors change. Please see TNC's Beyond Beneficiaries Report for additional guidance.
Free, prior and informed consent (FPIC)	Formal consent for the project (which must be unforced (free), in advance to project start (prior), and well understood (informed)) must be obtained and documented before the project can begin implementation. The Project Developer must obtain FPIC from the Rightsholders in particular, but should also have formal agreement from all other participants. Note that FPIC should be considered an on-going process and should be obtained for any major changes throughout the life of the project. The FPIC should be accompanied with a communication plan that lays out the culturally appropriated mechanism and process to maintain the actors informed.
Choosing a buyer	The Project Proponent will lead the process to identify and select a buyer for the carbon credits. However, the Rightsholders should be able to

	define (in advance) any criteria related to the buyer. For example, some Rightsholders may not want to sell to buyers from particular industries. Rightsholders should also have a say on the carbon price they are willing to accept.
Communications	The Project Proponent will likely lead on any public communications related to the project. They should discuss and get approval on those communications with the Rightsholders and Implementing Partners. Particularly, use of logos, names, quotes, and photos will likely need to be defined in a formal agreement.
On-going Monitoring and Implementation	The governance structure should define responsibilities for the on-going monitoring and implementation over the ~40-year lifespan of the project. Typically, the Project Developer will be responsible for the monitoring and the management of the periodic verifications. The Implementing Partners and Rightsholders need to clearly understand and agree to on-going project implementation activities.
Conflict Resolution / Grievance Mechanism & Adaptive Management plan	The governance structure needs to define an accessible, effective, and culturally responsive conflict resolution process, including roles and responsibilities and timelines for addressing conflicts, and how the program can adapt to incorporate actionable feedback from stakeholders and on-the-ground operations.

Governance Structures: Options

This section provides some examples of governance structures for carbon projects. It is by no means exhaustive and there will be more nuanced details to consider when designing the governance structure for a specific project.

In addition to defining the specific roles and responsibilities of each actor, each project should establish a governance body that brings together representatives from each main entity on a regular basis to discuss and make decisions. That governance body should develop a charter that establishes the norms around participation, meeting frequency and format, decision-making processes, and documentation and communication of decisions to the broader set of actors.

Each of the arrows between the actors may represent a legal agreement (e.g., services agreement, sales contract, Memorandum of Understanding, consent agreement, and so on), and therefore it is important to have the legal team supporting the design of the governance structure.

Please note that for any project in which TNC has a material contribution (i.e. over US$350K), there are some key requirements that must be met, regardless of our formal place in the governance structure:

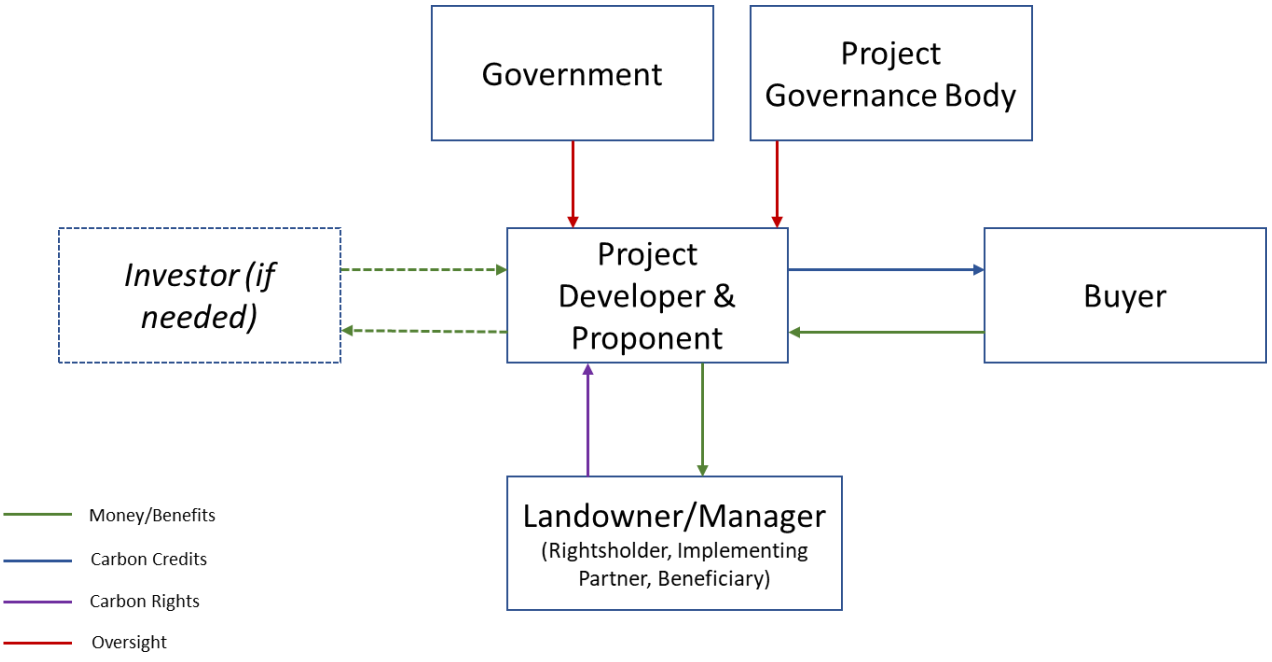
- TNC's philanthropy cannot be used for private benefit.

- The project has to meet TNC's Bar of Excellence and Carbon Transaction and Engagement Requirements
- TNC must be able to review performance of the project and effect meaning full changes in the project operation where it is found not to be in compliance.

Option 1: Third party Project Developer/Proponent

This option is a very common structure currently in the market. A third-party (often for-profit) Project Developer will approach a community or landowner (Rightsholder) and propose a carbon project on their land. The Project Developer will propose the project design, choose the methodology, develop all the technical documents, register the project with the standard, and manage the validation and verification process. The Project Developer, in many cases, is also the Project Proponent and they will obtain the rights to the carbon from the Rightsholder(s) and transact the carbon credits. They may have their own project financing or may need an outside Investor.

Under this scenario, the Community or Landowner/land manager (Rightsholder) will often serve as the main Implementing Partner and Project Beneficiary. They are responsible for implementing the climate mitigation activities (e.g. tree planting, land management, etc), and in exchange, a benefit-sharing agreement is negotiated with the Project Developer, usually for a set percentage of the revenue or profit.



Option 2: Non-profit (TNC or local NGO) project proponent

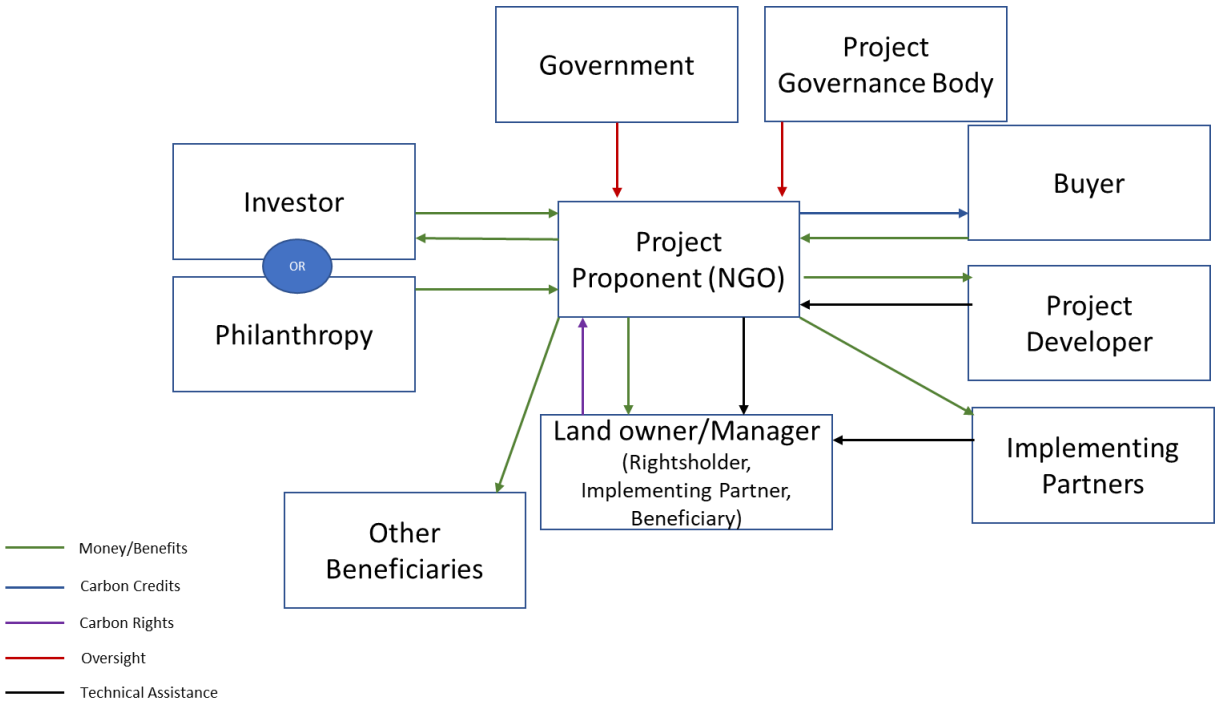
In this option, the Project Proponent is a non-profit entity (e.g., TNC or a local NGO). The non-profit entity will often have existing conservation or social projects in the project area or with the local communities, and this entity's objectives are related to climate mitigation, environmental conservation,

and/or social impact rather than profit. The NGO may contract a fee-for-service Project Developer to support the technical design of the project and development of the Project Design Document and other technical requirements (this is the current arrangement between TNC and TerraCarbon, for example). Alternatively, the NGO may enter into a revenue-sharing agreement with a third-party (usually for-profit) Project Developer (note: the TNC Global Carbon Markets Team does not recommend this option).

The NGO may be able to access philanthropy for the up-front financing of the project, or may need to obtain favorable investment terms from an outside Investor.

The NGO may bring in other Implementing Partners to provide capacity building or other technical assistance related to areas outside of their expertise (e.g. social enterprise development, gender equity, education, etc).

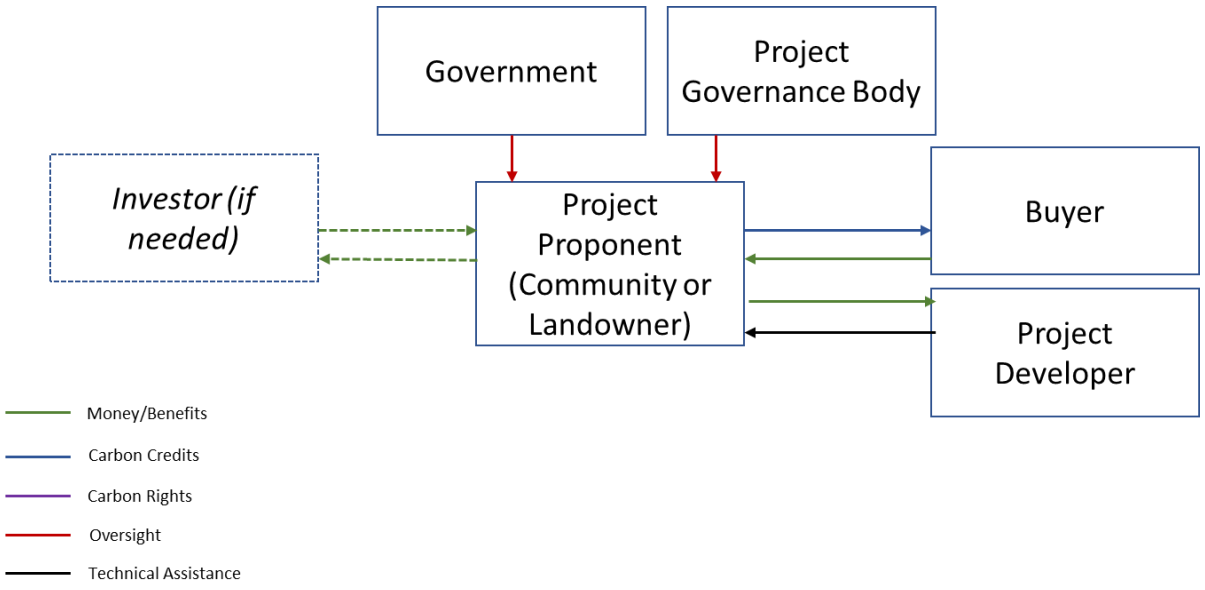
The Community or Landowner/land manager (Rightsholder(s)) is responsible for implementing the climate mitigation activities, often with technical assistance from the Project Proponent NGO and/or other non-profit Implementing Partners. Sometimes, there may be an entity that helps to aggregate and coordinate communities if the project area encompasses a large number of communities. A benefit-sharing agreement is negotiated with the Project Proponent and may include both monetary and non-monetary benefits. There may be other beneficiaries who are outside the project area, but are impacted by the project and must also receive compensation for the impacts. Since the Project Proponent is non-profit, the carbon revenues will be used to cover their project development and implementation costs, but any profit should be predominantly accrued by the landowner/manager and other project beneficiaries.



Option 3: Community or Landowner Project Proponent

Another option is for the community or landowner themselves to act as the Project Proponent. In this case, they do not transfer their carbon rights to any outside actor; they retain ownership of the carbon credits. Given the complexity and novelty of carbon projects, many communities or landowners will often need to contract a Project Developer on a fee-for-service basis. (In the case of TNC projects, this could be internal – the Global Carbon Market Team and TerraCarbon can act as Project Developer.) The Project Developer can develop all the technical documents, register the project, and manage the validation/verification process. The community or landowner may need to take out a loan to pay for the up-front costs of the project or may have their own financing.

The Community or Landowner is responsible for implementing the climate mitigation activities. They will need to identify a credit buyer and transact the credits themselves, though they could also contract outside assistance for this process as well.



Determining the Right Structure for your Project

The most appropriate governance structure will depend on the specific context of each project. Ideally, projects will center the leadership of the Communities or Landowners and build their capacity over time to lead and manage much of the project. As the owners of the physical *(in situ*) carbon and the main implementers of the climate mitigation activity, it is critical that they receive sufficient incentives to maintain the results over the long project period. Bringing in outside technical expertise (e.g. a Project Developer, Project Proponent, Implementing Partners, etc) is expensive and reduces the share of the

carbon revenue that communities receive; as such, outside expertise should only be brought in to fill gaps that the Community or Landowner cannot fill themselves. As part of the feasibility assessment, you should analyze existing capacity and relationships in the project area to assess what the communities may be able to lead on and where additional technical capacity or expertise is needed. TNC's Global Carbon Markets Team recommends reaching out to us first (through your Regional Carbon Lead) for technical assistance from our internal team and/or TerraCarbon. You should only seek third-party project developer involvement if our internal support is unavailable.

Below we provide a high-level assessment of some of the advantages and disadvantages of the various options.

Governance Structure	Advantages	Disadvantages
Option 1: For-profit Project Developer	-Likely to move faster than other options -Project developers may have a lot of experience and expertise to bring -Less effort and responsibility required by others	-Communities and Landowners may receive less benefit from the project -Higher risk of adverse social and long-term financial outcomes -May be resistant to transparency and accessibility (e.g. use proprietary tools, withhold editable versions of final documents, skimp on sharing written processes, modeling assumptions, and decisions) -Variable project quality: some developers may be more driven by profit than quality -May not meet TNC's internal standards -May be expensive -Usually there is no existing relationship or trust between the project developer and the community
Option 2: NGO Project Proponent	-Project proponent has climate, conservation and/or community impact as primary goal -Likely to meet TNC internal standards for quality -Existing level of relationship and trust with community or landowners -May be able to access more favorable financing terms	-Communities and Landowners receive a medium amount of benefit (more than option 1 but less than option 3) -May move slowly
Option 3: Community or Landowner Project Proponent	-Communities and Landowners receive more of the carbon revenue (and all of the profit) -Communities or landowners retain their carbon rights -Lower risk of adverse social outcomes -Often greater trust, commitment towards a shared goal, and smoother adaptive management process	-Very few Communities or Landowners have the technical capacity to lead carbon projects -Likely to move slower-Quality is likely to be variable: dependent on the Community/Landowner's existing carbon education, comfort, and capacity, or quality of contracted technical assistance -There is little buffer/support against price volatility – community or landowner bears full risk

Appendix

Carbon Project Governance Structure Template

The template below is a tool you can use to define your project's governance structure. It should be adapted to your project context as needed. Please note that the process for defining the structure is often more important that having this template nicely completed – you must undertake a participatory process with all actors involved to design your governance structure together.

Please read and delete the instructions (in italics) as you go.

Project Name:

Project Roles and Responsibilities

Instructions: Fill in the table below to define the key actors in the carbon project. Add or delete roles as relevant to your project. Only include actors who have an active role in the project governance.

Role	**Organization/Entity**	**Specific Roles and Responsibilities** Indicate the role this entity plays in the project and define if this entity will participate in decision-making or will simply be consulted or informed	**Relevant Expertise**
Project Developer			
Project Proponent			
Implementing Partner (1)			
Implementing Partner (2)			
Rightsholder (1)			
Rightsholder (2)			
Project Beneficiary (1)			
Project Beneficiary (2)			
Government Agency (1)			
Government Agency (2)			
Interested Party (1)			
Interested Party (2)			
Investor			
Buyer			

Project Organizational Chart

Instructions: Include a diagram of the various actors, indicating flows of 1) carbon credits, 2) money/benefits, 3) technical assistance, 4) oversight, etc as applicable.

Governance Body Charter

Project Governance Principles and Norms

[Name of Carbon Project] will meet the governance principles of participation, transparency, equity, and effectiveness through the following norms:

- **Participation:** *Describe how the project will ensure decision-making is participatory. This could include norms around quorums, processes for ensuring each actor's voice is heard in the discussions, accommodations for participation of specific groups (e.g. provision of child care at meetings so women can participate, discussions held in Indigenous language, etc), respect for different viewpoints, etc.*
- **Transparency:** *Describe how the project will make key project information and decisions visible to the broader set of project actors. This could include norms around capturing and disseminating meeting notes; frequency, content, and format of information shared out of the governance body; vehicle for publication of project documents; etc.*
- **Equity:** *Describe how the project will ensure equity in its governance structure. This could include ensuring representation of vulnerable or marginalized groups, rotating responsibilities for chairing the meetings, ensuring that decision-making authority is based on rights and representation rather than an existing power dynamic, etc.*
- **Effectiveness:** *Describe how the project will ensure effectiveness. This could include using a RACI chart (defining who is Responsible, Accountable, Consulted, or Informed for each decision), defining meeting frequency and agendas clearly and concisely, removing intermediaries in communication flows as much as possible; etc.*

Governance Body Participants

Instructions: Provide names of each person participating in the Governance Body. This should be a representative from each of the main actors in the project organizational chart. If the project chooses to have rotating participation, define the rotational schedule here as well.

Name, Title	**Organization**	**Role in the Governance Body** (Chair, Secretary, Participant, etc)	**Contact Information**

Governance Body Meeting Norms

Instructions: Describe agreed upon rules for meetings. Add or delete lines as needed.

Meeting Frequency and Duration:	
Meeting Location:	
Meeting Language(s):	
Quorum requirements:	
Specific accommodations:	*Meeting time, is food provided, is childcare provided, are there accommodations for special needs, etc*
Consultation:	*Define additional actors (who are not part of the governance body) who may need to be consulted on specific aspects of the project before the Governance Body can make a decision*
Communication of Meeting Minutes, Decisions, and Next Steps:	*Define where meeting minutes and other key documents will be stored and organized; define who has access to what information; define who will be informed of key project information, how, and with what frequency*

Decision-Making Process

Instructions: Define how decisions will be made – e.g. voting, consensus, discussion followed by one person making the decision, etc. We recommend defining who is the decider for various decisions, versus who needs to be consulted or informed. There will likely be culturally established decision-making processes in the project area that you will want to understand and consider.

Conflict Resolution

Instructions: Define the mechanism/process for resolving conflicts. TNC's Human Rights Guide Module 3 provides guidance on developing conflict resolution mechanisms as well as a template.

Facilitation Guide: Preliminary Discussions on Governance Structures

This guide describes an interactive exercise for teams to start thinking about the roles and responsibilities of various carbon project actors and how they fit together. It can be used to start to describe different options for governance structures, which should then be discussed in depth with the participants themselves.

Step 1: Ask project teams to answer ten questions about who might play key roles in the project. Teams should answer to the best of their ability and include multiple options where they exist. If they are unsure of a particular role, that is where more research and discussion may be needed.

1. **Who are the owners of the land? Who are the owners of the natural resources?**

2. **Who develops the management plan for the land and natural resources (e.g. the forest management plan, grazing plan, life plan, etc)? Who implements the management plan? Who monitors the compliance with the management plan?** (These may be all the same people, or they could be different people. For example, the elder men of the community may develop a forest management plan, but the young men implement it, and the Governmental Forestry Department monitors compliance.)

3. **Who implements other project activities (aside from those in the management plan)** (e.g. education and training, extension services, sustainable business development, gender mainstreaming, etc)?

4. **Who does the technical carbon accounting work (e.g. collecting necessary data, establishing the baseline, determining the appropriate methodology, estimating carbon reductions/sequestrations, etc)?** (This could also be multiple people. For example, you may work with a governmental or academic institution to gather necessary data, a carbon project developer to determine the methodology and the baseline, and the community to monitor the impacts of the project going forward).

5. **Who does the validation and verification? Who oversees/coordinates that effort?**

6. **Who owns the credits? Who sells the credits?** (These may be the same people or they could be different. For example, the community may own the credits, but they cede the rights to sell the credits to TNC or another external expert).

7. **Who are the project beneficiaries?** Do project beneficiaries receive carbon credits, carbon revenue, profit share, or some other form of benefits?

8. **What role does the government have (local, state, national)?**

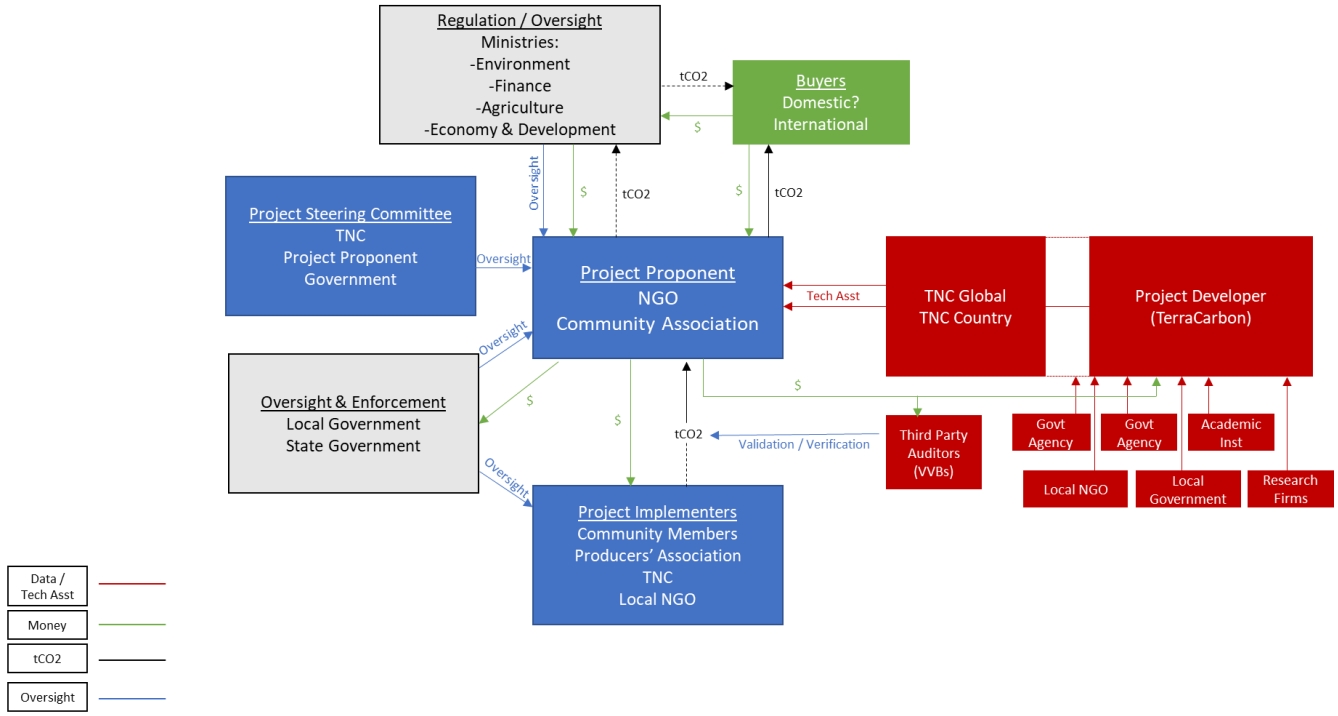
9. **Who makes major project decisions? Is there a specific project governance body?**

10. **Are there any additional roles to consider?**

Step 2: Once the teams have answered the above questions, they can start to put those roles into a very preliminary governance structure diagram. The diagram below may serve as a good starting point. The teams can put the name of the entity (or entities) playing each role in the boxes, according to how they answered the questions:

- Question 1: project implementer
- Question 2: project implementer
- Question 3: implementing partners
- Question 4: project developer (and/or new boxes of technical support entities)
- Question 5: Third Party Auditors
- Question 6: Project Proponent
- Question 7: Project proponent, project implementers and/or new box(es) of additional project beneficiaries
- Question 8: Regulation / oversight; and/or technical support
- Question 9: Project steering committee

Example



Once teams have completed one or more possible governance structure options, they should look at the flow of resources among actors – data/technical assistance, money, carbon credits, and oversight and have a discussion. It's important to keep in mind that most of the flows indicated in the structure will require a formal (often legally binding) agreement between actors.

Some prompting questions could be:

- Now that you see specific entities interacting in this way, does that seem right to you? Is it making the best and most appropriate use of people's rights, skills, and responsibilities?
- Are there laws dictating who manages particular parts of the project? Does this structure comply with those laws and regulations?
- Do the indicated people have capacity to manage the flows of those resources?
- Are the flows equitable and inclusive?
- Are resources concentrated in the hands of one actor?
- Are there opportunities for corruption or a lack of transparency that need to be mitigated?
- Might there be inefficiencies or bottlenecks in the structure? If so, how can those be mitigated?
- Are there other roles that you need to add to the generic structure above?