

Step 6: Designing and agreeing on the instrument

In order to be approved by the key actors, the instrument needs to be feasible and acceptable to stakeholders. This step involves presenting a convincing model of how the instrument would work, clarifying institutional and administrative details, and confirming the feasibility and effectiveness of the design.

As a result you will have:

- *Finalised a design document for the instrument*
- *Clarified institutional and administrative modalities*
- *Confirmed feasibility and obtained agreement to proceed.*

Once you have received the results of the additional studies, your team (ideally with the active participation of key stakeholders) should be able to decide which instrument or package you want to develop.

Task 6 A. Elaborating the basic design and architecture of the instrument

At the end of task 6A you will have prepared a well-structured document that brings together the outcomes of the earlier steps of the assessment process in order to convey the basic design and architecture of how the selected instrument will work.

What this task is about

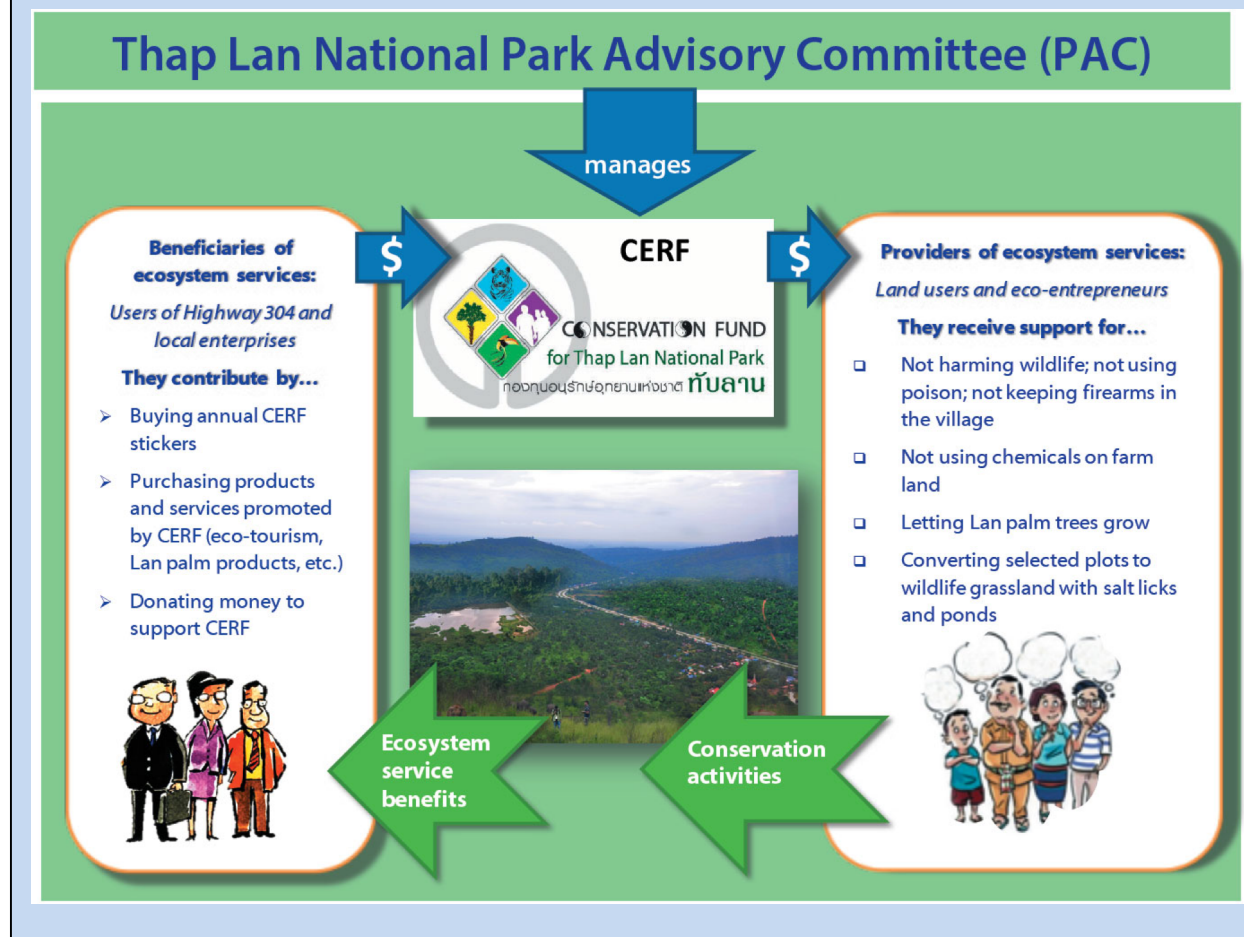
The objective of this task is to put together a design document which

- 1) describes the rationale and objectives of the new instrument,
- 2) lays out its architecture and delivery mechanisms,
- 3) clarifies who would participate and what their role would be, and
- 4) summarises how costs and benefits would be shared and key risks and impacts managed.

The table of contents in Template 6A suggests the minimum content of the design document. The design document should serve several purposes. Its overall aim is to convey what the instrument is all about. As such, it can be used to communicate aims and outcomes to its intended participants, potential donors or funders, and other interested parties. The design document also provides information necessary for institutional and administrative modalities (see [Task 6B](#)), a way to double-check feasibility and acceptability (see [Task 6C](#)), and the basic elements of a contract or agreement for implementing the instrument (see [Task 7C](#)).



A graphical model can help illustrate the basic design!



How to go about Task 6 A

By now, most basic aspects of the design document will have been generated. You may have already tried to tie it all together within a conceptual model or a complete description. Meet with your team, use your notes from earlier steps and Templates 8 and 9 (actors, roles and enabling conditions) and start linking it all together. Write up the design document following the structure of Template 11. Approach this task with the clear intention to come up with a proposal that outsiders will easily understand and find sensible. A diagram might help you understand the links and/or to communicate the design to stakeholders.

While drawing up your draft proposal and writing the design document it is important to remember that your next step is likely to include testing your proposal with stakeholders, usually in a workshop setting. **Tasks 6B** and **6C** will clarify specifics and will serve as a basis for contractual arrangements in Step 7. In order to get the most out of this opportunity for testing, it is worth emphasising areas of uncertainty or where you perceive risks. Be aware also that your proposal may not be as easy to grasp as you think. Before you release it, check whether it is easily comprehensible to a wider group of stakeholders. You don't want them to react negatively to your proposal just because it isn't clear enough.

Template 6A: Table of contents for designing the document

Chapter	Content	Comes from...
1. Executive summary	In one page, what is the aim of the instrument, how would it be implemented, and what would it achieve? This may be presented via a table, flowchart or other type of graphic.	N/A
2. Context & rationale	What situation is the instrument being introduced into, what ecosystem management or conservation/development issues does it endeavour to address, and why is it necessary?	Step 1
3. Objective and intended results / outcome	What does the instrument intend to achieve, for whom, and what change will it bring about?	Step 3 & 4
4. Architecture & delivery mechanisms	What are the key steps and actions required to establish and operate the instrument, what are the organisational and administrative modalities by which this will be accomplished, and how will it be funded?	To be defined now...
5. Administrative and economic feasibility and efficiency	What are the specific administrative modalities? Is economic feasibility and sustainability ensured?	To be added after Task 6B
6. Key participants, roles & responsibilities	Who will coordinate and oversee the operation of the instrument, who are its primary participants and what are their roles? Which other groups or sectors might feel knock-on effects or impacts?	Task 5A
7. Economic feasibility	What tangible revenues, income or other proceeds does the instrument generate? What (transaction) costs need to be covered?	Task 5B
8. Cost & benefit sharing arrangements	How will additional costs and benefits generated by the instrument be shared between different groups? If there are potential doubts about this, are they explicitly recognised and how will they be resolved?	Task 5B
9. Other necessary and supporting conditions & means of securing them	What additional legal and capacity conditions are required for the instrument to be effective and successful, and how will these be provided?	Task 5B
10. Management plan (including monitoring mechanism and impact mitigation measures)	What measures will be set in place to avoid, minimise or remediate any negative social, environmental or livelihood impacts, and/or to maximise positive impacts? What processes and mechanisms will be set in place to deal with disputes? How will the need for change be identified and responded to (i.e. what kind of adaptive management process will be in place)?	To be added in Step 7...

Task 6 B. Clarifying institutional and administrative modalities

At the end of Task 6B you will have specified institutional and administrative modalities for the instrument design, based on consultation with the actors and institutions involved. You will have added this information to the design document and could use it to draw up formal arrangements or contracts.

What this task is about

The premise of this task is that the design and architecture of the instrument as mapped out in **Task 6A** was quite general, so you now need to specify more detailed modalities and procedures within the relevant institutions. The questions are summarised in Template 12, distinguishing between administrative modalities and financial aspects that determine the economic feasibility and sustainability of the arrangement. The questions are actually very basic (who would do what, how often, in what format, for how much, how is it managed, what if they fail to comply? etc.) but will supply the level of detail required to finally discuss a concrete design with the relevant institutions and, in many cases, to prepare a contract or formal agreement.



Voluntary schemes are a way to apply the ‘beneficiary pays’ principle!

In Thailand there is no legal basis yet for applying the Beneficiary Pays principle by which authorities could collect and allocate funds from beneficiaries of ecosystem services. Although legal advisors recommended taking advantage of legal loopholes, the local authorities did not want to do anything that might go against (or beyond) the law. Both in Thadee and in Bu Phram, part of the solution was to rely on a system of voluntary payments and to register independent associations for collecting and distributing funds.

How to go about Task 6 B

Template 6B presents a checklist with questions to address. A number of points will have emerged from formulating the overall mechanism and writing the document in **Task 6A**. It is best to discuss directly with the stakeholders and institutions involved what they will be expected to do, which modality works best for them, their fears and concerns and how modalities might be changed to address these. It is essential that the functioning of the instruments fits into the normal procedures of the institution or the individuals expected to participate. For instance, a voluntary charge should be added to a regular payment that people already make, not treated as a separate administrative step. In **Task 6A**, formulating the overall mechanism involved thinking about governance structure and financial flows. However, when you go through the checklist and discuss it with stakeholders, you may feel a need for additional information: e.g. to estimate administrative costs, to construct a more detailed governance model, or to clarify the legal basis for the instrument. In that case, you might want to go back to the guidance provided in **Task 5C**.



Many economic instruments have been implemented which in the end did not work effectively because they had been copied from elsewhere or designed at a desk. It is essential to adapt any instrument to the local situation it is to operate in. Even its name can affect its acceptance and implementation. Involving local people as much as possible is the best way to avoid overlooking important details: both those directly affected and those who can provide an impartial perspective on social and cultural requirements but from an insiders' point of view.

Template 6B: Checklist for institutional and administrative modalities

administrative modalities	
What are the concrete modalities for the effective functioning of the instrument within the relevant governmental or non-governmental institutions?	
What are the capacity needs? Is adequate capacity and funding available from government and other groups to implement the instrument?	
What happens in the case of non-compliance?	
economic feasibility and sustainability	
Financial feasibility	
What are the expected costs of <ul style="list-style-type: none"> - Design - Implementation - Operation - Monitoring and enforcement 	
Who bears the costs? Are necessary funding streams and investments secured?	
How will payments be made? How often, where and by whom?	
Can costs be reduced by adapting the design?	

Template 6B: Checklist for institutional and administrative modalities**Financial and institutional sustainability**

Is the instrument self-financing, at least in the long-term?
Do the contractual arrangement have a limited time span and, if so, what might happen afterwards?

Adaptability

Will the instrument still work if circumstances change (e.g. prices, climate, technology, government)?
If not, can it be easily adapted?

Task 6 C. Double-checking feasibility, acceptability and buy-in

At the end of Task 6C you will have confirmed that the instrument is feasible and acceptable, based on the checklist in Template 6C. You will have adapted the proposal where this was not the case.

What this task is about

This task has three main aims:

- (i) to double-check feasibility – can it really work or have we overlooked any decisive detail?
- (ii) to make sure that the design and framing including the wording is acceptable in the social and cultural context
- (iii) to confirm that key actors are committed to participating in and supporting the implementation of the instrument.

Most of the work to achieve these three points has already been done in previous steps. In **Task 4B** you checked whether specific opportunities are compatible with and appropriate to the context at hand. This should have been a good first safeguard against proposing anything completely unacceptable or infeasible. Then in **Tasks 5A and B** and **6A and B** you defined and refined most crucial aspects. The task here is to double-check you haven't missed anything and to address any remaining doubts. The questions in Template 13 serve as guidance for this purpose.

At this stage it may also be necessary to carry out a more formal assessment of social, environmental and/or livelihood impact. Whether or not this is required depends on the significance of the effects that you noted in the feasibility check in **Task 6B**. The laws and administrative/financial systems where the instrument is being implemented may also determine its necessity, as well as the requirements of any donor or funding institutions; and, if needed, what level of detail and response is required. Depending on the results of the feasibility and impact assessments, it may then be necessary to go back to **Task 6A**, and modify the instrument design. Usually, this requires adding appropriate response measures: in other words, planning how to deal with the issues encountered.



Appropriate wording can make a difference!

For negotiations and contractual arrangements in ECO-BEST, culturally appropriate wording was important. The term 'ecological fee' was acceptable but 'water fee' was not, since historically (by royal decree and national law) people have a right to water.

How to go about Task 6 C

Template 6C presents a checklist of questions that address the different criteria for feasibility and suggests how to test for them. Some aspects of the feasibility check will require deskwork and discussion within the team, to make sure that all aspects have been covered. You can then make a list of points that require further stakeholder consultation. Importantly, broad social and cultural acceptability will have to be confirmed with stakeholders, e.g. key resource persons such as religious or community leaders, or teachers who know the local people and the norms, attitudes, and beliefs governing social life.

Key stakeholder commitment requires direct and intensive contact, either by individual consultation or in a workshop setting. The general objectives of a workshop at this stage might be:

- to present the draft proposal for economic instrument(s) and the rationale behind it
- to present results of additional analyses that help demonstrate the rationale and feasibility of the proposal
- to receive feedback on feasibility and needs for adjustment
- to ensure buy-in and agreement to proceed with the planning and implementation.

The design document developed in **Task 6A** and amended in **Task 6B** serves as the basis for discussion, but make sure that it is presented in a format that participants understand. If possible, it could help to provide draft proposals prior to the workshop, so that they can organise their thoughts beforehand. Participants should be encouraged to think critically about risks and bring their perspectives on things that might go wrong and changes that should be considered.

Template 6C: Checklist for assessing the feasibility and acceptability of the instrument

Ecological effectiveness	
Criteria	How to address this?
How exactly and in what time frame can the ecological objectives be realised?	
How can we ensure that the achievement of ecological objectives (e.g. specific biodiversity conservation targets) will be effective, timely, and enduring?	
Could the instruments have serious negative consequences in the case of changing conditions and uncertainties?	
Is there a risk that current (intrinsic) motivation for protecting biodiversity (e.g. cultural norms, spiritual or emotional connection) could be undermined by an economic incentive ('motivation crowding')? If so, how could this be avoided? (in-kind "payments", technical assistance, awareness raising, etc.)	
Is there a risk that actors have wrong incentives, or that there are negative spill-over effects (e.g. neighbouring communities protest or if production processes in agricultural sectors suffer)? How could they be avoided or minimized?	
Social effectiveness, equity, and social justice	
Criteria	How to address this?
Are the expected consequences for all stakeholders perceived as fair? Who would gain from successful implementation of the economic instrument? Who stands to lose?	
What negative effects on stakeholder groups might be expected, including future generations? What mechanisms could mitigate them?	
What vulnerable or marginalized groups might be unduly affected (e.g. women, the poor, the landless, indigenous minorities)?	

Template 6C: Checklist for assessing the feasibility and acceptability of the instrument

What formal or informal rights of stakeholders groups might be affected (e.g. access rights, land use rights)?

Is the instrument acceptable in the local socio-cultural conditions?
This includes issues of framing and wording (e.g. changing the name may make a difference).

Political and legal viability**Criteria****How to address this?**

Is the economic instrument acceptable to different stakeholders (political decision-makers, administrative authority, company owners, environmental conservation groups)?

Do the decision-makers have the authority to establish the instrument or does a government body need to be involved? If so, how will this be managed?

Is the decision-making process behind the instrument transparent enough to be understood by all parties?

Is the instrument in line with relevant legal and financial frameworks (both national and federal)?

Selected references and further guidance for Step 6

Guidance on planning and testing the feasibility of economic instruments

Chapter 6 of Young et al. (1996) provides design principles for policy instruments (Task 6B).

Chapter 3 of the Conservation Finance Guide (CFA 2008) describes business planning for protected areas (Task 6A).