



Department  
for Environment  
Food & Rural Affairs

# The United Nations Development Programme Biodiversity Finance Initiative (BIOFIN), Phase II, Extended

Working with countries to create sustainable finance solutions to  
protect and increase biodiversity.

An [Official Development Assistance/International Climate Finance] Business Case  
Department of Environment, Food and Rural Affairs

## COVER SHEET

<b>PROGRAMME SUMMARY</b>	<p>Defra will provide £2m as a Voluntary Contribution to the second phase of the UNDP's BIOFIN (2018-2025) Initiative. BIOFIN is already operational and accepts funding on a rolling basis from multiple donors – it currently has funding from 8 partners of around \$65m, providing a budget of \$9-10m p.a. It is a portfolio initiative encompassing a number of different projects delivered through different methods all contributing to common objectives and results.</p> <p>BIOFIN Phase II is a global knowledge network, supporting low- and middle-income countries to develop and implement evidence-based Biodiversity Finance Plans. As such it aims to: i) realign expenditures towards biodiversity goals, ii) generate additional resources for biodiversity conservation, and iii) improve the effectiveness of available resources.</p> <p>Defra's contribution will support ODA eligible countries to accelerate the implementation of the emerging CBD (Convention on Biological Diversity) post-2020 Global Biodiversity Framework, and support a green and fair recovery from the Covid-19 pandemic by:</p> <ul style="list-style-type: none"> <li>• Sharing knowledge for biodiversity finance planning via a BIOFIN 'Regional Nodes platform';</li> <li>• Supporting a global campaign to repurpose harmful subsidies;</li> <li>• Developing a biodiversity expenditure taxonomy to support biodiversity finance planning;</li> <li>• Accelerating the implementation of national biodiversity finance plans via grants; and,</li> <li>• Accelerating financial innovation through feasibility studies for new financial tools and frameworks.</li> </ul> <p>BIOFIN aligns with the Government's commitment to support a transition to a nature positive economy, as well as one aligned with net zero. As such, it supports the delivery of the Integrated Review, HMG's Response to the Dasgupta Review and COP26 commitments including the Glasgow Leaders Declaration. It will be delivered as part of the Prime Minister's commitment that at least £3 billion of the UK's climate finance be spent on nature and biodiversity from 2021 – 2025.</p>
<b>COUNTRY / REGION</b>	<i>Global – ODA eligible countries only</i>
<b>PROGRAMME VALUE</b>	<i>£2m</i>
<b>START DATE</b>	<i>31 March 2022</i>
<b>END DATE</b>	<i>31 March 2023</i>
<b>OVERALL RISK RATING</b>	<i>Low</i>

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## GLOSSARY

<b>AFOLU</b>	Agriculture, forestry and other land use
<b>CBD</b>	Convention on Biological Diversity
<b>CBG</b>	Consolidated Budget Guidance
<b>COP</b>	Conference of the Parties
<b>CSF</b>	Critical Success Factors
<b>CSO</b>	Civil society organisations
<b>Defra</b>	The Department for the Environment, Food and Rural Affairs
<b>FCDO</b>	Foreign, Commonwealth and Development Office
<b>FAO</b>	Food and Agriculture Organisation of the United Nations
<b>FI</b>	UNEP's Finance Initiative
<b>FY</b>	Financial Year
<b>GBF</b>	Global Biodiversity Framework
<b>GDP</b>	Gross domestic product
<b>GESI</b>	Gender equality and social inclusion
<b>GLD</b>	Glasgow Leader's Declaration on Forest and Land Use
<b>GPN</b>	Global Policy Network
<b>GPS</b>	Global Programme on Sustainability

<b>HMT</b>	Her Majesty's Treasury
<b>IATI</b>	International Aid Transparency Initiative
<b>IBCD</b>	The International Biodiversity and Climate Directorate
<b>ICF</b>	International Climate Finance
<b>KPI</b>	Key Performance Indicator
<b>LIMC</b>	Lower to middle income countries
<b>LPN</b>	Leader's Pledge for Nature
<b>LULUCF</b>	Land use, land-use change, and forestry
<b>M&amp;E</b>	Monitoring and evaluation
<b>MCA</b>	Multicriteria analysis
<b>MDBs</b>	Multilateral development banks
<b>MIC</b>	Middle income countries
<b>MOOC</b>	Massive Open Online Course
<b>MPM</b>	Managing Public Money
<b>NbS</b>	Nature based solutions
<b>NBSAP</b>	National Biodiversity Strategy and Action Plans
<b>NCA</b>	Natural capital accounts
<b>NCE</b>	Nature, Climate and Energy
<b>NDC's</b>	Nationally Determined Contributions
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ONS</b>	Office for National Statistics
<b>PES</b>	Payments for Ecosystem Services
<b>SDG's</b>	Sustainable Development Goals
<b>SEEA</b>	System of Environmental Economic Accounting
<b>SRM</b>	Stakeholder Response Mechanism
<b>SRO</b>	Senior responsible officer
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UN-REDD</b>	United Nations Reducing Emissions from Deforestation and Forest Degradation Programme
<b>VfM</b>	Value for Money
<b>WAVES</b>	Wealth Accounting and the Valuation of Ecosystem Services
<b>WCMC</b>	UNEP's World Conservation Monitoring Centre

## 1. INTERVENTION SUMMARY

### 1.1 SUMMARY OF PROGRAMME OBJECTIVES

Protecting and restoring biodiversity is essential to long term global resilience both economically and physically, including mitigating and adapting to the effects of climate change. Biodiversity is being lost at an unprecedented rate<sup>1</sup> and the effects of this loss are predicted to be most pronounced in lower income countries, undermining their development and poverty reduction goals<sup>2</sup>. The problem is compounded as lower income countries face distinct structural political and economic barriers that means halting biodiversity loss cannot be addressed solely by filling finance gaps<sup>3</sup>.

<sup>1</sup> IPBES-IPCC (2021) CO-SPONSORED WORKSHOP REPORT ON BIODIVERSITY AND CLIMATE CHANGE

<sup>2</sup> World Bank, 2021, The Economic Case for Nature

<sup>3</sup> Dempsey et al. (2022). Nature Ecology and Evolution. Biodiversity targets will not be met without debt and tax justice

The United Nations Development Programme's (UNDP) Biodiversity Finance Initiative (BIOFIN) provides technical assistance and capacity building to support long term policy solutions that enable Official Development Assistance (ODA) eligible countries to overcome those barriers, and secure an equitable nature-positive economic transition. Their Methodology and materials support work at a global and national level to contribute to the achievement of UN's Sustainable Development Goals (SDGs) focussing on poverty reduction, climate change and gender equality.

This Business Case supports a contribution of £2 million under the UNDP 'Nature, Climate and Energy' (NCE) funding window, to support Phase II of the BIOFIN programme.

The objectives of BIOFIN are to:

- support countries<sup>4</sup> to develop evidence-based Biodiversity Finance Plans;
- enable stakeholders to increase resources and reduce needs by greening sectoral budgets;
- identify areas where available resources can be used more effectively to protect and restore natural capital; and,
- support countries to implement finance solutions to meet their national biodiversity targets.

Phase 1 of BIOFIN (2013 - 2018) developed and piloted the [BIOFIN Workbook](#), to help countries design strategies to mobilise the finance needed to implement their national biodiversity policies. **National level implementation is at various stages in forty-one<sup>5</sup> participating countries, with more expressing interest. Several teams successfully moved biodiversity finance towards the forefront of national policy and fiscal agendas.** See Annex 1 for examples of implementation.

BIOFIN Phase II (2018 – 2025) is focused on supporting countries to **implement Biodiversity Finance Plans and finance solutions, so translating plans into action.** The particular focus is on financing interventions that: (1) help to reduce or redirect resources causing harm to biodiversity, (2) generate additional resources and (3) enhance the effectiveness of existing investment. The approach has been updated and tailored to take account and accelerate the implementation of the emerging CBD Post-2020 Framework and address the impacts of COVID-19 and its response measures.

Most finance solutions for nature require sustained engagement (for example, the establishment of common finance mechanisms such as conservation trust funds, biodiversity offsets or Payments for Ecosystem Services (PES) commonly takes between 2-5 years). Phase II has been designed to ensure that countries can benefit from the sustained support needed to develop and implement the necessary legislative frameworks, collect data, and design and deliver the right mechanisms for implementation. The programme has been designed and built to support sustainability of activities through a results-based, participatory and adaptive management approach that focuses action on learning and capacity building and national-level ownership of activities and results. Networking, close cooperation, and showcasing of results and good practices will continue to help institutionalise several processes by governments in different countries. Therefore, we expect our contribution to this work to have an impact beyond the outcomes set out here.

## 1.2 MAIN PROGRAMME ACTIVITIES

This Business Case supports BIOFIN to deliver the following activities:

### 1. 'Regional Nodes Platform':

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<sup>4</sup> Developing countries or countries with economies in transition that are not already implementing the BIOFIN process are eligible for support through BIOFIN

<sup>5</sup> This number does not include the GIZ implemented programme following the BIOFIN Methodology in Namibia

A new target to have all countries design national biodiversity finance plans is under discussion for the post-2020 Global Biodiversity Framework. BIOFIN can use its experience and expertise in developing these plans to: 1) provide a steady stream of information for all CBD parties during 2022-3 about the concepts and steps to develop and implement national biodiversity finance plans; 2) actively support countries that aim to design national biodiversity finance plans; 3) train other organisations supporting countries with biodiversity finance plans (training of trainers).

The Regional Nodes Platform will provide access to information and knowledge on the BIOFIN methodology and biodiversity finance sources, providing the data and evidence needed to drive policy and practice to all Convention on Biological Diversity (CBD) parties, and allowing an open 'library' of resources for all countries, not only those engaged in BIOFIN programmes.

One aspect of the platform will address a specific gap in our knowledge of biodiversity finance sources around the world. BIOFIN will therefore **design a database of biodiversity finance sources**, and produce a global map of biodiversity finance, fulfilling the need to understand and make accessible all sources of funding to be used for biodiversity conservation. This would support delivery of Target 19 of the CBD post 2020 Framework 1<sup>st</sup> draft by enabling governments, particularly in low- and middle-income countries to better navigate biodiversity finance.

## 2. Global campaign for governments working to repurpose subsidies harmful to nature:

Despite moving up the global agenda, awareness of the impact of subsidies on natural capital and how they can be realigned or redirected to benefit nature is generally insufficient. According to a conservative estimate the cost of global subsidies that damage nature amounts to around US\$4 to 6 trillion per year<sup>6</sup>. BIOFIN is already working with 27 countries to apply a new tool that will generate more in-depth analysis of the real impact of subsidies on nature and identify options to repurpose them to become more nature positive to address this damage. Building on this experience, BIOFIN will develop a package of support for governments. This will include new information materials (including a harmful subsidies guidebook, animations and digital content), high-level sessions at the 5<sup>th</sup> Global Conference on Biodiversity Finance with the Organisation for Economic Co-operation and Development (OECD), and promotion of the use of the new subsidy screening and repurposing tool. Key partners will include the OECD, the United Nations Environment Programme (UNEP), the Food and Agriculture Organisation (FAO) of the UN, and others. The package will be disseminated to key decision-makers but also a broader group of stakeholders and be shared with UNDP offices globally to be used beyond BIOFIN's core programme at national, regional and global level with the aim of engaging both key stakeholders and the wider general public.

## 3. A biodiversity expenditure taxonomy:

To develop Biodiversity Finance Plans, countries must first examine their current levels on spending on nature. At present, this is not straightforward as there is no shared definition and because not all spending of a budget item may be directed towards biodiversity objectives, so it is important to be able to attribute the proportion which does. To guide governments' plans and to enable comparison across different jurisdictions, BIOFIN will **develop a biodiversity expenditure taxonomy**, to classify expenditure data. This will be a comprehensive listing which addresses existing global and national frameworks, and which provides suggested ranges for appropriate attribution.

This workstream is highly relevant due to the upcoming focus areas on removal/repurposing of harmful subsidies, working with the finance sector, and results-based budgeting; all of which will require clear guidance on what may or may not constitute a "biodiversity expenditure". BIOFIN will build on its previous work on Biodiversity Expenditure Reviews done by core countries during Phase I and the current and future crop of countries who will test and apply the methodology. The

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<sup>6</sup> Dasgupta Review (2021), OECD work in support of biodiversity, p 2.

classification will build on an earlier version of biodiversity expenditures already widely consulted and integrated into the BIOFIN Methodology, utilised in thirty-five countries.

#### 4. Grants for implementation of Biodiversity Finance Plans:

BIOFIN helped a total of thirty countries develop Biodiversity Finance Plans in Phase I, with a further eleven in the design stage. Of these, 27 countries now have funding, teams and programmes in place to implement selected priorities from their Biodiversity Finance Plans, however not all countries are able to implement all identified priorities. To ensure they are, BIOFIN will **accelerate implementation of Biodiversity Finance Plans with priority grants** of \$100,000 each, to enable 10 selected ODA-eligible countries to implement solutions from their Biodiversity Finance Plan, such as design of a national action plan to repurpose harmful subsidies in Botswana; developing a Bio-business finance platform with Nature and Gender considerations in Costa Rica and mainstreaming biodiversity in Local Government Units across the Philippines (See Annex 3 for full details). Finance solutions are selected tentatively and may be revised upon further national consultations. These options were identified as part of BIOFIN's previously undertaken Biodiversity Expenditure Review: the scoping process has resulted in products that target key decision makers and stakeholders and generate the greatest possible ownership and impact within a one-year timeframe, to ensure sustainability beyond end of funding.

#### 5. Finance Sector Innovation Grants:

The finance sector and financial products shape incentives for the protection and restoration of biodiversity. Finding ways to change these incentives requires development and piloting of innovative approaches in finance, complementing the more established work on climate finance. BIOFIN will provide **Finance Sector Innovation Grants**, through strategic support in three areas:

- **Country readiness to initiate disclosure of nature-related financial impacts and risks**, for five to six selected countries. Several frameworks and partnerships, driven by demand from governments, financial institutions and civil society, are concentrating on advancing nature-related disclosure by financial institutions, the largest being the Taskforce on Nature-related Financial Disclosures (TNFD). To be effective, disclosure frameworks will need to be aligned with national systems and implemented consistently in different countries. BIOFIN will provide a series of 5-6 country reports with in-depth analysis of (1) regulatory and institutional readiness for nature disclosure, and (2) nature data availability. The objective is to analyse to what extent disclosure might already exist and identify pathways for capacity building and support to regulators with respect to uptake of disclosure principles, e.g., uptake of instruments such as the TNFD Framework (See Annex 2). It will be implemented in partnership with UNEP Finance Initiative (FI) and UNEP World Conservation Monitoring Centre (WCMC).
- **Feasibility studies for nature performance bonds and other financial instruments.**
  - i. Performance bonds, contrary to more traditional green bonds and other similar SDG bonds, allow for funding to be spent on a broad range of purposes, while offering a significant reduction in the outstanding debt upon the achievement of an agreed conservation goal, but these instruments need to be more widely tested. To examine the potential and to sensitise national stakeholders to the idea of creating nature positive performance bonds, **BIOFIN will carry out feasibility studies in two countries: Costa Rica and Ecuador.**



- ii. Private sector demand for carbon offsets through the voluntary market has boomed, and several site-based projects are in motion to finance and generate emission reduction, including through the United Nations Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) programme. However, the long-term impact of site-based carbon-alone projects has remained questionable. It is broadly accepted that carbon offsets or, broadly, the monetization of emission reduction and carbon sequestration, can provide much needed resources to address threats that drive ecosystem degradation and biodiversity loss. However, no mechanism so far ensures long term broader positive outcomes at the jurisdictional level in terms of combined climate, biodiversity and community benefits. **A feasibility study is proposed to be explored jointly with UNEP and Bankers without Boundaries for a new debt-based financial instrument** to raise financing for investment that can return “inclusive climate + biodiversity + communities” benefits which, if translated into saleable units could be offered by tropical countries to private sector buyers, working towards marketable deals with private sector.
- **Measuring exposure of banking portfolios to nature-related risks.** Mapping nature-related risks is foundational to informing central banks’ and governments’ strategies on the path to net-zero or positive climate- and nature-development. The first and only study focusing on the emerging economy’s banking system has been carried out in Brazil by the World Bank (WB). While full portfolio reviews produce a good overall picture on nature related risks, BIOFIN will focus on sub portfolios, on investments in sectors critical for developing economies, and on the most risk prone. A discussion between UNDP, TNFD and WB in late 2021 showed interest from WB for a tentative partnership. The selected country is yet to be determined, as several are under consideration (Indonesia, Mexico, India, Sri Lanka).

## 1.3 EXPECTED RESULTS

### 1. Regional Nodes Platform

The platform will deliver: An updated E-learning module on designing national Biodiversity Finance Plans in four languages; an update of the Massive Open Online Course (MOOC); at least five website articles on designing national Biodiversity Finance Plans; and technical support to at least 40 countries designing biodiversity finance plans. The technical support is connected to the database of biodiversity finance sources, of which the expected results are a web-based version of the database, comprehensive data quality check and improvement of the existing 320 entries, increasing the number of entries to 500, a launch event, and regular support to national stakeholders with queries.

### 2. Global campaign for governments working to repurpose subsidies harmful to nature:

A dissemination plan and guidance for country teams including key messaging and channel identification; sessions at the 5<sup>th</sup> Global Conference on Biodiversity Finance in February 2023 making biodiversity -harmful and -positive subsidies the central theme to the meeting; a Harmful Subsidies Guidebook for decision makers and other stakeholders; an animation to explain subsidies in an engaging way for online and events use; digital content for the BIOFIN website and social media on subsidies, and photo stories in three key countries for online and publications.

### 3. Biodiversity Expenditure Taxonomy

A peer reviewed and widely consulted version of the classification of Biodiversity Expenditures, including a comprehensive listing which addresses existing global and national frameworks, and which provides suggested ranges for appropriate attribution.

#### **4. Grants for implementation of Biodiversity Finance Plans:**

The implementation of ten specific finance solutions from individual country's Biodiversity Finance Plans where further support is required for which no or insufficient funds are available, and in which the countries' have a good track record of past results and implementation can take place within a one-year term. The countries are:

- |               |                |
|---------------|----------------|
| 1. Botswana   | 6. Mexico      |
| 2. Costa Rica | 7. Nepal       |
| 3. Ecuador    | 8. Philippines |
| 4. Georgia    | 9. Sri Lanka   |
| 5. Guatemala  | 10. Tanzania   |

Full details of each selected finance solution can be found in Annex 3.

#### **5. Finance sector innovation grants:**

- a. Nature related disclosure readiness studies for five to six countries (to be selected) in partnership with UNEP FI and UNEP WCMC.
- b. Three feasibility studies completed at the country level on nature performance related debt-based financial instruments; and,
- c. One screening study conducted at country level measuring exposure of banking portfolios to nature-related risks.

## **2. STRATEGIC CASE**

### **2.1 CONTEXT AND NEED FOR A UK INTERVENTION INCLUDING MARKET, GOVERNANCE AND INFORMATION FAILURES**

The Dasgupta Review on the Economics of Biodiversity articulated a simple truth: our economies are embedded in nature, not external to it. This has implications for UK commitments to build resilience at home and overseas through international development and poverty reduction in lower income countries, which could be seriously undermined if we do not act urgently to address the interconnected crises of climate change and nature loss. As such nature and climate are among the UK's top international priorities<sup>7</sup> and the UK Government has committed to delivering a nature positive future internationally.

Nature and the goods and services we derive from it deliver significant value to the global economy. By one estimate, US\$44 trillion – over half of global gross domestic product (GDP) – is moderately or highly dependent on nature<sup>8</sup>. Delivery of 14 of the 17 SDGs affects or is dependent on biodiversity<sup>9</sup>. However, the global stock of natural capital, and the biodiversity that underpins it, has declined to its

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<sup>7</sup> HMG Integrated Review 2021

<sup>8</sup> WEF, 2020, Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy

<sup>9</sup> EMG, SUPPORTING THE GLOBAL BIODIVERSITY AGENDA a United Nations System Commitment for Action to assist Member States delivering on the post-2020 global biodiversity framework

lowest levels in human history and this decline continues at an unprecedented rate<sup>10, 11</sup>. Nature's degradation is contributing to greenhouse gas emissions, undermining efforts to address climate change, whilst in a vicious cycle, climate change is expected to become the biggest driver of biodiversity loss within this century.<sup>12</sup> Such degradation undermines nature's productivity and resilience, posing serious risks to our economies. A collapse in ecosystem services such as pollination and the provision of food, clean water and timber could result in a significant decline in global GDP: \$2.7 trillion in 2030, with relative impacts most pronounced in low and lower middle-income countries where drops in GDP could be more than 10% by 2030.<sup>13</sup> The costs will mount over time if we fail to address the problem; ten years could more than double the social cost to US\$15 trillion (17% of global GDP in 2019).<sup>14</sup>

This problem has resulted from institutional and market failures which undervalue nature and the goods and services it provides and incentivises unsustainable production and consumption. While an estimated \$124-143 billion is spent annually on protecting and restoring nature, current estimates suggest that to rebalance our demands on nature, this would need to increase by between US\$ 598-824 billion per year<sup>15</sup>. The COVID-19 pandemic put further strain on nature through loss of revenue for protected areas, reduced public budgets, and an increase in potential harmful impacts to biodiversity through response and recovery measures, as well as an increase in poverty.

As with the transition to net zero, financing the transition to a nature positive future and addressing the institutional and markets failures will require a range of actions. That includes changing systems and institutions to ensure that the value of nature, and exposure to nature risk, is accounted for in economic and financial decision-making, as well as mobilising additional resources to protect and rebuild global natural capital. To do so we need to develop and adopt new measures of success.

### **Ambition and targets for halting and reversing biodiversity loss**

The Convention on Biological Diversity COP15 will see the negotiation of a new set of international biodiversity targets later this year through the Post-2020 Global Biodiversity Framework (GBF). Parties to the CBD will have to update their biodiversity assessments and implement their Biodiversity Finance Plans to deliver the targets and longer-term goals of the GBF to halt biodiversity loss. Now more than ever parties need to ensure that countries can deliver the goals of the GBF and learn from the Aichi Biodiversity Targets (2011-2020) that the GBF will supersede.

The emerging GBF places increased attention on mainstreaming nature into economic and financial decision-making specifying four targets including on integrating biodiversity economic values into policies (Target 14), the business sector (15), repurposing harmful subsidies and increasing positive incentives (18), and resource mobilisation (19). Biodiversity Finance Plans (a component of target 19) will be critical to resource mobilisation and delivery of all four targets. The CBD process also emphasises the need to reflect the pressures created by the global COVID-19 pandemic within Biodiversity Finance Plans.

Nature is also becoming more important for reaching climate targets through Nationally Determined Contributions (NDCs), which has been further cemented by the Glasgow Leaders Declaration on Forests and Land Use (GLD), which 35 out of the 41 countries BIOFIN work with have signed. According to the United Nations Framework Convention on Climate Change (UNFCCC) Synthesis, the types of cross-cutting measures put forward include expanding the national protection system for both forest

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<sup>10</sup> Managi and Kumar (2018) Inclusive Wealth Report 2018: Measuring progress towards sustainability.

<sup>11</sup> UNEP, Inclusive Wealth Report 2018

<sup>12</sup> Newbold, 2018, Future effects of climate and land-use change on terrestrial vertebrate community diversity under different scenarios

<sup>13</sup> World Bank, 2021, The Economic Case for Nature

<sup>14</sup> Vivid Economics and Natural History Museum, 2021, The Urgency of Biodiversity Action

<sup>15</sup> Paulson Institute, Financing Nature: Closing the Global Biodiversity Financing Gap

and wetlands or developing a capacity-building plan for institutions responsible for monitoring forest and land-use change.

The most common options highlighted in the NDCs are afforestation, reforestation, revegetation (52%) and sustainable forest management (31%). These mitigation options were the most frequently indicated mitigation options for land use, land-use change, and forestry (LULUCF) in the first NDCs as well. At the same time, over 95% of countries strengthened the adaptation component; biodiversity and ecosystems are represented in 77%, with other sectors like agriculture, fisheries and forests represented in 46%. Many countries are also looking to aligning efforts with the Sendai Framework for Disaster Risk Reduction and the 2030 Agenda for Sustainable Development.

In addition to formal UN process of the CBD and UNFCCC, countries are raising their ambitions higher by making further pledges to an equitable nature positive future recognising the importance of halting biodiversity loss to future prosperity. Out of the 41 countries BIOFIN has worked with, 20 are members of the High Ambition Coalition for Nature and People, 18 endorse the Leaders Pledge for Nature (LPN), and 12 are members of the Global Ocean Alliance.

### **Implementation of nature and biodiversity targets in lower income countries**

While ambition is growing, to deliver the benefits to biodiversity envisaged, targets and commitments must be coupled with effective implementation. Lower income countries face distinct structural challenges that mean financing biodiversity and shifting financial incentives and practices away from harms and towards nature-positive practices will not be addressed through a sole focus on ‘gap-filling’<sup>16</sup>. A recent survey of 22 countries of the Global South, including several considered to have ‘mega biodiversity’ such as Ecuador and Peru, found that budget limitations and state capacity were primary barriers to achieving biodiversity targets<sup>17</sup>. These findings parallel the barriers to NDC implementation where countries cited a lack of technical, human and financial capacity to put in place a financing strategy, investment plan or undertake analysis of costs or financial flows<sup>18</sup>.

Therefore, addressing the issue of nature finance through a systems approach which includes mainstreaming and better-quality information and decisions will be essential to LMICs delivering on their CBD biodiversity targets, National Biodiversity Strategy and Action Plans (NBSAPs), and their climate targets through NDCs.

The approaches taken by BIOFIN have been shown to be effective. A recent evaluation concluded that it had been able to support countries in achieving the targets set in the CBD’s Resource Mobilisation Strategy as well as develop capacities to design and implement their Finance Plans and finance solutions to “close the gap” of their finance needs<sup>19</sup>. Under the CBD Framework BIOFIN is widely recognised as a critical platform to achieve national level resource mobilisation. The High-Level Panel on Global Assessment of Resources recognised the importance to implement the BIOFIN Methodology.<sup>20</sup> National governments universally endorsed BIOFIN during the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> Conference of the Parties (COP) to the CBD, resulting in formal recommendations to apply the methodology, and a specific call to finance the second phase<sup>21</sup>. The recent (2020) CBD Expert panel reports built strongly on BIOFIN learning. Their proposed concept is much inspired by the BIOFIN Methodology of pursuing a comprehensive vision on financing to tackle both negative and positive expenditures under a single framework.

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<sup>16</sup> Dempsey et al. (2022). Nature Ecology and Evolution. Biodiversity targets will not be met without debt and tax justice

<sup>17</sup> United Nations Development Project (2021). Understanding Mainstreaming as a Finance Solution: Survey Results from 22 BIOFIN Countries

<sup>18</sup> United Nations Development Project (2021). Climate Promise. Global Outlook Report 2021: The State of Climate Ambitions

<sup>19</sup> EU/UNDP (2017) PROJECT ON BUILDING TRANSFORMATIVE POLICY AND FINANCING FRAMEWORKS TO INCREASE INVESTMENT IN BIODIVERSITY MANAGEMENT THE BIODIVERSITY FINANCE INITIATIVE (BIOFIN) FINAL EVALUATION

<sup>20</sup> <https://www.cbd.int/financial/hlp/doc/CBD-HLP-FullReport-EN.pdf>

<sup>21</sup> In total 21 countries and the European Commission mentioned BIOFIN in plenary statements, including South-Africa speaking on behalf of all African countries. WWF included a similar suggestion in their official position towards the COP.

## 2.2 WHAT SUPPORT WILL THE UK PROVIDE?

The UK will commit to funding up to £2 million to BIOFIN Phase II through the UNDP Nature Climate and Energy funding window in financial year 2021/2022. The funding source is the UK's ODA budget through a voluntary contribution. Legal powers are in place through the International Development (ODA Target) Act 2015.

BIOFIN Phase II is already operational and accepts funding on a rolling basis from a range of donors. It is a portfolio initiative encompassing a number of different projects delivered through different modalities all contributing to common objectives and results. As a donor to the programme the UK would sit on the Advisory Board, enabling us to monitor and influence our investment strategically.

Phase II builds on the established a network of countries, partners, and products developed during Phase I, and so the infrastructure is already in place for effective delivery. Given the long-term nature of the policy transitions the programme is enabling, this is a timely opportunity for the UK to begin a partnership with BIOFIN.

## 2.3 HOW WILL THIS PROGRAMME CONTRIBUTE TO DEFRA AND OTHER POLICY OBJECTIVES?

This programme supports the UK's domestic and international policy objectives. The Integrated Review made climate change and biodiversity loss our top priorities internationally. Through the 25-year Environment Plan the UK is committed "to provide international leadership and lead by example in tackling climate change and protecting and improving international biodiversity". In its response to the HM Treasury (HMT) Dasgupta Review (February 2021), the UK Government agreed with the Review's conclusion that nature, and the biodiversity that underpins it, ultimately sustains our economies, and committed to delivering a 'nature positive' future. This programme specifically sets out to build capacity in developing countries to integrate biodiversity into economic and financial decision making, delivering for the objective of a nature positive future.

It also supports UK commitments to international agreements including the UN SDGs and targets adopted by all members states in 2015. The conservation, protection and restoration of terrestrial habitats is integral to the achievement of the relevant goals and targets under the 2030 Agenda for Sustainable Development, supporting the UN Decade of Ecosystem Restoration (2021-2030), and the Convention on Biological Diversity. In January 2021, at the One Planet Summit the Prime Minister announced a £3 billion commitment to climate change solutions that protect and restore nature and biodiversity over the next five years. This supports the UK's commitment to doubling our International Climate Finance to £11.6 billion in the same timeframe. Through our COP26 and G7 Presidencies, the UK showcased global leadership, using our influence to build momentum and advocate for greater action, championing global collaboration. The UK, together with 140 leaders representing over 90% of the world's forests, endorsed the GLD at COP26, pledging to halt and reverse forest loss by 2030.

The programme will directly build on UK leadership in mainstreaming nature, as the largest donor to the TNFD with £2.8m invested to date. Under the financial sector innovation objective, BIOFIN plans to support 5-6 countries to ensure their readiness to uptake and adopt nature related risk and disclosure frameworks and instruments.

## 2.4 RISKS

### *Constraints*

The programme may be constrained by the ability of countries to prioritise their Biodiversity Finance Plans and delivery of biodiversity targets. This is especially acute given the pressure placed on government finances and capacity in the wake of the COVID-19 pandemic. The risk is mitigated by prioritising specific interventions in countries BIOFIN have already worked with to co-create

Biodiversity Finance Plans that are in line with country strategies, and have been able to demonstrate feasibility of implementation.

#### *Feasibility*

Support for biodiversity targets and implementation is being provided by a range of actors and partners in developing countries, all of which are contributing to the same goals. While UNDP is one of the largest actors providing support to developing countries, supporting countries to meet their biodiversity targets will require a broad coalition of partners, including a whole-of-government and whole-of-society approach.

In addition, as a multi-donor concept the overall achievement of Phase II depends on the scope of donor support, in terms of implementing biodiversity finance plans in countries and contributing to broader goals such as identifying and repurposing harmful subsidies. Interventions pursued require a long period to implementation, which could face political and legislative challenges. Phase II was designed to ensure the required support is provided to develop and adopt the necessary legislative frameworks and have adequate implementation mechanisms in place, building on the progress of Phase I to institutionalise results already achieved. The programme also takes a portfolio approach with multiple programmes at global and country-specific level.

#### *Gender and equality*

There is a risk that in a programme such as this that is more indirectly addressing biodiversity and nature, that gender and equality aspects won't be considered. BIOFIN will specifically target gender considerations both as part of safeguarding where any activity involving local communities, a detailed risk analysis will be applied, and through programmatic activities to identify areas where financing solutions can have a positive impact on the reduction of income and gender inequality and the empowerment of local communities. An example is the acceleration grant to develop a Bio-business finance platform with nature and gender considerations in Costa Rica. However the extent to which BIOFIN has been able to target gender and equity as part of programming has been constrained by funding available. Outside of direct programmatic activity to target gender, each finance solution is subject to UNDP's Social and Environmental Screening Procedures to prevent and reduce any negative socio-economic impacts, within this Gender Equality and Women's Empowerment is one of five key programming principles.

For specific programme-related risks see section 6.3 below.

## **3. APPRAISAL CASE**

### **3.1 ECONOMIC RATIONALE**

Biodiversity is a global public good as people cannot be excluded from consuming it and the consumption by one person does not necessarily reduce another person's ability to consume it. This gives rise to the free-riding problem and therefore biodiversity is underprovided by the market and suffers from overexploitation. Biodiversity decline is exacerbated by gaps in our knowledge and understanding on the specificity of how to value, measure and address biodiversity loss. Knowledge is also a public good and, therefore underinvested in by the market. There is therefore a robust economic rationale to investing in programmes to address these two issues<sup>22</sup>.

There has been insufficient effort to address these market failures. For example, little progress has been made towards achieving Aichi Target 3 on subsidy reform in the past decade, as the magnitude of nature harmful subsidies is still too high. This highlights governance failure to re-direct the market towards addressing nature loss as awareness around biodiversity harmful subsidies and how they can be realigned or redirected to benefit nature is insufficient.

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<sup>22</sup> Dasgupta Review, 2021, The Economics of Biodiversity

The COVID-19 pandemic has inevitably reduced global financial flows for biodiversity and its associated revenues in part due to government cuts and the halt of many income streams such as tourism<sup>23</sup>. This has negatively impacted both habitats and the livelihoods of those who work to protect them. All this presents a formidable challenge to continue championing biodiversity as a financing priority, but it also represents an opportunity as these types of global shocks are exactly the kind of trigger that can act as catalyst for *major reform processes*<sup>24</sup>.

### 3.2 APPRAISAL SUMMARY

The HMT Green Book guidance for programme appraisal recommends options are assessed against key critical success factors. The appraisal therefore evaluates four options against the Critical Success Factors (CSF) for the programme. These cover the strategic outcomes, value for money (VfM) and supplier capacity. The links between these outcomes and the measurable impact in terms of better outcomes for poverty, biodiversity and climate are highly complex and uncertain. Therefore, a qualitative evaluation has taken place as a quantified or monetised assessment of the value of the benefits has not been possible.

### 3.3 APPRAISAL DESIGN AND SHORTLISTED OPTIONS

The CSF's have been scored on a scale of 0-3, and then each CSF is weighted. VfM was assessed using the 4 E's framework recommended by the Foreign, Commonwealth and Development Office (FCDO) for ODA programming.

#### Impact criteria

- 1 Strategic fit and ambition:** To what extent does this fit with our nature finance and overarching goals, to deliver a nature positive future and align economic and financial decision-making with that future, and to increase our ODA support for biodiversity, and achieve the UN SDG's?
- 2 Delivery:**
  - Supplier capacity and capability – Are we confident in the expertise and capability of the delivery partners in delivering this ambitious and technically challenging programme of work?
  - Potential achievability – To what extent can the programme of activities deliver the proposed impacts/transformational change?

#### Value for Money criteria

- Economy - Are we (or our agents) buying inputs of the appropriate quality at the right price?
- Efficiency – How well are we (or our agents) converting inputs into outputs? ('Spending well')
- Effectiveness – How well are the outputs produced by an intervention having the intended effect? ('Spending wisely')
- Equity – To what extent are Gender Equality and Social Inclusion (GESI) considerations incorporated into the intervention?

The four options assessed are to i) do nothing; ii) invest in BIOFIN; iii) fund the World Banks' Global Platform on Scaling Finance for Nature; or iv) fund the UN Statistical Division to provide technical

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<sup>23</sup> BIOFIN, 2021, The Biodiversity Finance Initiative (BIOFIN)

<sup>24</sup> BIOFIN, 2021, The Biodiversity Finance Initiative Progress Report

assistance and support to develop Natural Capital Accounts (NCA). These options are briefly described below. Note that for each option Defra's contribution is £2m.

### OPTION 1: DO NOTHING

This is the benchmark against which all costs and benefits of the other options are articulated and compared. The 'do nothing' option presents what we expect to happen without this programme.

### OPTION 2: INVEST IN THE UNDP BIODIVERSITY FINANCE INITIATIVE (BIOFIN)

This option would invest into BIOFIN Phase II, to:

- Provide access to information, knowledge and technical support on the BIOFIN Methodology and biodiversity finance sources to all CBD parties;
- Support for governments working to repurpose subsidies harmful to nature;
- Develop the biodiversity expenditure taxonomy to harmonise knowledge and classify expenditure data;
- Accelerate national implementation through priority grants and finance sector innovation grants to deliver nature aligned financial plans.

### OPTION 3: INVEST IN THE WORLD BANK'S GLOBAL PLATFORM ON SCALING FINANCE FOR NATURE AND CLIMATE VIA THE GLOBAL PROGRAMME ON SUSTAINABILITY

This option would see the UK funding the World Bank's proposed 'Global Platform on Scaling Finance for Nature and Climate' to support the scoping phase and launch of this Platform with an uplift to existing funding in Global Programme on Sustainability in which this Platform is incubating. It would support the World Bank in developing and scaling a collaborative platform that takes a multi-partner and multi-instrument approach to remove barriers at the global level and deploy resources at the national level to deliver:

- Accepted metrics and standards that are measurable, comparable, and usable by multilateral development banks (MDBs), public and private sectors;
- Increased capacity of client countries to design and make use of concessional and innovative financing instruments;
- Scaled up finance for nature and climate action that is consistent with a country's macro-fiscal stability.

Defra's funding would contribute to the development and scaling of this platform, including four country pilots, capacity building on and development of financial instruments, and work to crowd in finance from other donors and multilateral financial institutions, creating a baseline for eventual involvement of the private sector.

### OPTION 4: FUND THE UN STATISTICAL DIVISION TO PROVIDE TECHNICAL ASSISTANCE AND SUPPORT FOR COUNTRIES TO DEVELOP THEIR NATURAL CAPITAL ACCOUNTS (NCA) UNDER THEIR SYSTEM OF ENVIRONMENTAL ECONOMIC ACCOUNTING (SEEA), THE INTERNATIONALLY AGREED FRAMEWORK OF NATURAL CAPITAL ACCOUNTING.

This option would fund technical assistance for countries to develop their NCA under UN Statistical Division's SEEA. This option would:



- Bridge the current gap in adoption, availability, and quality of natural capital accounts; and,
- Provide countries, businesses, and other entities with a standard approach to monitor their impact on nature.

### 3.4 APPRAISAL OF SHORTLISTED OPTIONS

#### Multicriteria analysis

The four options have been appraised qualitatively against the CSFs using the following scoring system. The three CSFs were weighted equally to produce the total score:

- Red – does not achieve CSF at all – 0
- Yellow – minimal achievement of the CSF - 1
- Amber – some achievement of the CSF – 2
- Green – substantial achievement of the CSF – 3

**Table 1 - Multicriteria analysis of four assessed options**

Option	Critical Success Factors							
	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%
Option 1: Do nothing	Low (0)	Low (0)	Low (0)	Medium-low (1)	Low (0)	Low (0)	Low (0)	3%
Option2: BIOFIN	High (3)	High (3)	Medium-high (2)	High (3)	High (3)	High (3)	High (3)	95%
Option 3: Global Platform on Scaling Finance for Nature and Climate Action	High (3)	Medium-high (2)	Medium-high (2)	Medium-high (2)	Medium-low (1)	Medium-low (1)	Medium-high (2)	72%
Option 4: Natural Capital Programme	Medium-high (2)	High (3)	Medium-high (2)	High (3)	High (3)	Medium-low (1)	Medium-low (1)	73%

### 3.5 CRITICAL SUCCESS FACTORS APPRAISAL

#### OPTION 1: DO NOTHING

**Table 2 - Multicriteria analysis of option 1**

Option	Critical Success Factors
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	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%
Option 1: Do nothing	Low (0)	Low (0)	Low (0)	Medium-low (1)	Low (0)	Low (0)	Low (0)	3%

### Strategic fit & Ambition and Delivery

Strategic fit ambition and delivery would not be achieved, as no additional, real-world change would be generated in terms of nature's contribution to meeting the objectives of the Paris Agreement.

### Economy

For this option, Defra would not invest in an existing initiative nor develop a similar standalone initiative. Do nothing would result in no direct costs to Defra and there would be no resource costs of time associated with managing the programme. There would however be wider climate and biodiversity indirect costs as those existing initiatives seeking to improve nature's role in financial solutions would not be able to fund all their ambition.

### Efficiency

A lack of actions would also result in low efficiency of scale as less technical assistance to fewer developing countries will be provided with this option, reducing nature finance scale up and ultimately nature's potential contributions to tackling climate change.

### Effectiveness

No action in this area would also damage the UK's reputation following COP26, where nature has been given a prominent role. There are high expectations on the UK to follow through on nature-related efforts deployed at COP26 and a lack of action in this area would ultimately result in a misuse of that momentum gained from COP26 to call for more ambitious actions, making this a low effective option.

### Equity

This option would result in no action to address and improve GESI. Thus, option 1 is not achieving any CSF at all.

Given no money is spent under this option, economy is high, but overall VfM is low.

## OPTION 2: INVEST IN THE BIODIVERSITY FINANCE INITIATIVE (BIOFIN)

Table 3 - Multicriteria analysis of option 2

Option	Critical Success Factors							
	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%

Option2: BIOFIN	High (3)	High (3)	Medium-high (2)	High (3)	High (3)	High (3)	High (3)	95%
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### Strategic Fit & Ambition

In terms of strategic fit and ambition, this option scores highly as BIOFIN objectives are closely aligned to our own in the context of mainstreaming nature into economic and financial decision making, and scaling up biodiversity finance. BIOFIN's holistic approach means they operate to accelerate national implementation through activities related to the impact of finance on biodiversity and financial solutions whilst addressing synergies for actions in nature/climate. BIOFIN also invest in building long-term objectives such as upskilling and knowledge sharing in this area. Defra's contribution would primarily go towards implementing solutions as this is an existing initiative. Thus, a greater proportion of Defra's funds will directly support developing countries' needs, in line with our strategic priorities.

According to BIOFIN, as a result of the initiative's actions, by 2023 there will be:

- 40 countries to have improved their biodiversity finance capacity index;
- 120 new and improved finance mechanisms in place/operation with \$100m aligned towards biodiversity at national level;
- 20 policy proposals influenced by new data on biodiversity finance, economic valuation and natural capital accounting; and,
- Increased numbers of government officials and experts with enhanced skills to design, implement and advocate for biodiversity solution by approximately 40% compared to 2020 level.

All this shows their strategic alignment with Defra's objectives and high ambition.

### Delivery

BIOFIN collaborates with an extensive network of global leading experts on biodiversity finance and use a global platform to disseminate their knowledge and skills to support countries outside BIOFIN's core programme optimising their outreach. The UNPD BIOFIN Progress Report (2021) shows that BIOFIN's network of government officials and leading experts in biodiversity finance advocacy and implementation has increased by roughly 733% in 2020 since 2017 and is expected to double by 2025 compared to 2020 target<sup>25</sup>.

Under the CBD Framework BIOFIN became widely recognised as a critical platform to achieve national level resource mobilisation. BIOFIN Methodology was acknowledged by the High-Level Panel on Global Assessment of Resource. More evidence on this can be found on CBD website<sup>26</sup>. Based on past results this supporting evidence shows that this investment option is fit to fully deliver the proposed BIOFIN Phase II programme activities.

BIOFIN has allocated roughly 14% of the overall budget to monitoring and evaluation (M&E), in line with International Climate Finance (ICF) programme guidelines (see Finance Case below). Part of this share will fund an updated, fit-for-purpose M&E framework, as well as funding monitoring and evaluating progress on country and global level by the BIOFIN global team, the global Advisory

<sup>25</sup> BIOFIN, 2021, The Biodiversity Finance Initiative, Progress Report

<sup>26</sup> see CBD/SBI/3/5/ADD1, CBD/SBI/3/5/ADD3 at <https://www.cbd.int/meetings/SBI-03>

Committee and the NCE Unit. The update of the M&E framework started in 2021 and is not complete yet, hence the medium-high score on the achievability criterium.

### Economy

There will be financial costs of £2m in the 2021/2022 Financial Year (FY), and Defra staff time for policy engagement and programme management estimated at a combined 0.56 FTE over one year amounting to roughly £46,840. Defra's funds will finance tools and evidence-based knowledge products to value nature and ecosystems, and support UNDP parties in delivering on their climate commitments. UNDP staff/admin costs are 8% + 1% UN levy, which amounts to roughly £166k.

The Defra investment in Option 2 will help to both scale up and deepen support at both country and global level, with a focus on developing and expanding knowledge, resources and implementation of Biodiversity Finance Plans and finance solutions; ultimately delivering sustainability by building long-term capacity. At the country level, ten countries have been selected to propose finance solutions to accelerate implementation for biodiversity finance plans requiring further support for which little or no funds are currently available. The selection of countries is based on a good track record of past results. More specifically, each of the financial solutions proposed at national level will be scrutinised, by examining a wide range of issues including their specific impact on biodiversity and financial potential and feasibility. Each finance solution will be subject to UNDP's Social and Environmental Screening Procedures<sup>27</sup>. This procedure is composed by various standards such as the Gender Equality and Women's Empowerment and Community Health, Safety and Security principles. These principles focus on enhancing gender equality and women's empowerment whilst preventing and reducing negative socio-economic impacts.

At the global level, this option will add to the knowledge generation through production of **at least 4 knowledge products** such as updated Regional Nodes Platform available in 4 languages, an updated web-based version of a global mapping of financial sources for biodiversity, a peer reviewed classification of Biodiversity Expenditures and a campaign to increase global awareness on harmful subsidies and how they can be re-designed and re-directed to nature positive investments. The campaign will also build knowledge on how we can establish a mechanism to screen any future subsidies to prevent and mitigate the impact on biodiversity. As part of these products there will be innovation in research and data collection. BIOFIN Phase II is implemented in partnership with other donors including but not limited to the Government of Flanders, Germany and Norway, making this option cost effective due to cost-sharing. More information about donors is available on BIOFIN website<sup>28</sup>.

### Efficiency

There are efficiencies of scale which occur because of Defra investing in BIOFIN. As mentioned above, BIOFIN collaborate with an extensive network of global leading experts on biodiversity finance and use a global platform to build on knowledge and skills sharing to support countries outside BIOFIN's core programme optimising their outreach. Additional efficiencies could be gained by establishing a close working relationship with BIOFIN, pooling intelligence on country needs, plans and gaps. This would enable Defra to develop relationships with the other donors (listed in 6.1), helping to gain an understanding of what they are doing, open up opportunities for influence, contribute to aligning efforts, and avoid any duplication of work.

### Effectiveness

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<sup>27</sup> See <https://www.undp.org/publications/undps-social-and-environmental-screening-procedure-sesp#modal-publication-download>

<sup>28</sup> [Donors & Partners | BIOFIN](#)

As knowledge, tools and evidence developed by Defra funds will be used and taken up by a greater number of countries than if Defra were to create a project on its own or work directly with a few countries in a bilateral approach. BIOFIN is an existing and widely recognised initiative being taken forward by the UNDP, and there are no equivalent interventions that will help Defra achieve the same or similar outcomes across depth and range within the timescales, nor over the lifetime of the programme. efficiency than what Defra could do by doing nothing.

An integral part of this programme is the participatory, results based and adaptive management approach and localised ownership of results. This puts stakeholder engagement with key experts and representatives from the private sector, academia, civil society organisations and technical experts from relevant government agencies at the heart of the programme governance, while using participatory approaches to bring in representatives of indigenous groups, youth and women into decision-making processes<sup>29</sup>. These participatory approaches include capacity building activities, tailored geography and technical aspects, strategic events, workshops and direct funding support through grants based on innovation, need and/or previous results.

### Equity

The equity of the BIOFIN impact is likely to be high given its current plans, as well as its wider focus as an initiative. BIOFIN's latest evaluation shows that gender equality has been included in all country plans, however plans are at different development and implementation stages, and so outcomes have not materialised in all countries yet.

As mentioned above, all ten countries selected for the acceleration grants will have their financial plans subject to detailed screening process which focuses on principles such as Equality and Women's Empowerment and socio-economic standards to reduce poverty. Inclusion is integrated across many aspects of the BIOFIN program: women, youth, indigenous people, local communities, and the poor disproportionately shoulder the burden of climate change and the biodiversity loss that aggravated these impacts, and evidence from 2019 and 2020 evaluation reports and The BIOFIN Progress Report (2021) show that BIOFIN fully recognises this aspect and acts to bridge the inequality gap between these groups and society<sup>30</sup>.

Overall, our assessment of this option highlights greater VfM than the other options.

### OPTION 3: FUND THE WORLD BANK'S GLOBAL PLATFORM ON SCALING FINANCE FOR NATURE AND CLIMATE VIA THEIR TRUST FUND; THE GLOBAL PROGRAMME ON SUSTAINABILITY.

Table 4 - Multicriteria analysis of option 3

Option	Critical Success Factors							
	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%
Option 3: Global Platform on	High (3)	Medium-high (2)	Medium-high (2)	Medium-high (2)	Medium-low (1)	Medium-low (1)	Medium-	72%

<sup>29</sup> BIOFIN, 2021, The Biodiversity Finance Initiative, Progress Report (2020).

<sup>30</sup> BIOFIN, 2021, The Biodiversity Finance Initiative, Progress Report (2020).

Scaling Finance for Nature and Climate Action							high (2)	
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### Strategic Fit & Ambition

The programme provides strategic and economic value as it integrates into a single initiative: (i) nature, climate, and macro-fiscal stability; (ii) takes a holistic approach to address synergies for actions in nature/climate; (iii) enables life-cycle deployment of solutions including knowledge, country engagement through technical assistance and the deployment of financing to expedite deployment of solutions; and (iv) innovative financing guided by explicit linkage to standards and country-level support propelled by multiple stakeholders. As our financial contribution would primarily go towards developing and launching this platform, there may be limitations on what a contribution could deliver for our strategic priorities in the short term. The platform would be implemented in a phased approach with a UK contribution supporting and accelerating the first phase, this work provides the basis for what could potentially provide the basis for more transformative change. For example, initial analytical work on results-based instruments and analysis of the potential of a dedicated financing facility would provide the groundwork for other donors, MDBs and private sector finance to be crowded in the medium term to support the achievement of medium to long term climate and nature goals.

### Delivery

While this is a new initiative, funding it would allow us to draw on the existing World Bank (WB) networks, country relationships and expertise following on from the Global Program on Sustainability (GPS) and the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) programme, and bring together both the environmental and finance focused global practices within the WB to enhance the delivery. The WB have both the convening power necessary to bring together a group of stakeholders under this platform and are a trusted partner capable of delivering technically challenging programmes.

### Economy

A limited share of the costs will go towards set up costs, as this is a new initiative within an existing one. This would reduce the share of the investment directly funding developing countries' needs.

### Efficiency

Efforts are VfM aligned as the goals of this platform is to help countries maximise use of existing financial mechanisms and explore new instruments. Potential instruments for consideration could also include outcome-based financing (i.e., program-for-results) and blended finance instruments that use limited concessional donor funds to mitigate investment risks and crowd in private finance to support government climate and nature programs.

### Effectiveness

The project would likely be effective in its aims over the longer term, however the establishment of the platform, has the potential to be less effective due to risks of delay related to alignment with CBD and the capacity of the World Bank. We have previously provided the World Bank GPS with £20 million in funding and of this transferred £0.5 million to support the development of this platform and it therefore may be more effective to continue to utilise this funding in the short term.

As this would sit under GPS there are limited set up costs beyond costs of contributing to set up of the four pilot countries (Grenada, Barbados, Kenya and Jordan). The programme would and has drawn on the World Bank Group's extensive network including country offices and technical experts. Of these pilots two are currently active so there would be additional costs in hiring consultants in and to expand to the further two pilot countries.

### Equity

This programme would be compliant with the World Bank's safeguarding procedures and wider mandate to end poverty within a generation, and to boost shared prosperity. The aims of the platform to scale finance for climate and nature in line with countries' macro-fiscal stability including the potential to provide affordable financing that would either reduce or stabilise debt-levels, would support equity at a global level but the extent to which specific GESI considerations would be included is dependent on the instrument used and country contexts.

As the funding would go toward the establishment of a platform, the development of technical instruments and options analysis for pilot countries, a direct positive impact on nature and biodiversity in this time period would be highly unlikely. Early signs of transformational change could instead be seen via the development of financial instruments with impacts being felt over a longer timescale due to the need to develop, trial and build confidence in these instruments and actions.

## OPTION 4: FUND THE UN STATISTICAL DIVISION TO PROVIDE TECHNICAL ASSISTANCE AND SUPPORT FOR COUNTRIES TO DEVELOP THEIR NATURAL CAPITAL ACCOUNTS (NCA) UNDER THEIR SYSTEM OF ENVIRONMENTAL ECONOMIC ACCOUNTING (SEEA), THE INTERNATIONALLY AGREED FRAMEWORK OF NATURAL CAPITAL ACCOUNTING

Table 5 - Multicriteria analysis of option 4

Option	Critical Success Factors							
	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%
Option 4: Natural Capital Programme	Medium-high (2)	High (3)	Medium-high (2)	High (3)	High (3)	Medium-low (1)	Medium-low (1)	73%

### Strategic fit

Advancements in Natural Capital Accounting would provide an important source of information that would enable countries, businesses and any other entity to better account for and monitor their impact on the natural world and biodiversity and to adjust their impact accordingly so that their outputs maintain a sustainable impact on nature. Many countries do not currently do this, and countries that do so have a variety of gaps in their accounts, so their natural capital is not fully accounted for. Funding technical assistance for countries would go towards addressing those gaps.

This option fully fits with the goals of the UK government, down to the Nature Mainstreaming team in the International Climate and Biodiversity Directorate (IBCD) in Defra.

In the Dasgupta Review it is detailed that that natural capital accounting is a necessary step towards the creation of inclusive wealth accounts, whereby produced, human and natural capital are accounted for collectively. Compiling NCA would enable countries to understand and appreciate nature's services as part of our economies, would include services that are often overlooked (such as hydrological cycles), enable us to track the movement of natural capital over time, and offers us a way to estimate the impact of policies on natural capital.

Supporting the development and use of natural capital accounts globally, for example under the SEEA, including through international cooperation and increased investment is also a policy recommendation in the OECD Policy Guide 'Biodiversity, Natural Capital and the Economy', prepared for the G7 Presidency of the UK in 2021.

### Delivery

As the UN Statistical Division already compiles global natural capital accounts and supplies tools, learning and knowledge, and originated the internationally agreed framework for NCA, it is highly likely that it already has the capability to deliver an effective programme. Funding such a programme would go towards further capacity to be able to deliver a programme effectively.

For potential achievability, given the amount of funding available, there would be limited impact. The options would be to work directly with a smaller number of key countries to provide direct technical assistance to develop their NCA, to work with a larger number of countries to provide less tailored technical assistance, to further expand the SEEA tools, learning and knowledge base for any country to use those resources, or a combination of all. All options can be achieved; however, the scope of transformational change would be very limited due to the limited funding available, and direct positive impact on the nature and biodiversity would be highly unlikely, and if any, very limited, with impacts likely not being felt for years, and, because of the nature of natural capital accounting, any impact is not guaranteed.

### Economy

This is an existing initiative and therefore the majority of funding would be for the programme activities. There would however be administration fees, and the UN Levy (1%) to fund.

### Efficiency

It is thought that the project would deliver good value for money. As said the SEEA is an existing programme and therefore the expertise and capability are pre-existing. As the SEEA is the internationally recognised framework for NCA it could be suggested that the system is also a monopoly, however the UN Statistics Division are a trusted organisation for delivering effective programmes globally, and already deliver many previous and current programmes for Defra and the UK government.

### Effective

The programme would likely be effective in its aims, in that the UN Statistics Division would be able to identify gaps in knowledge, capacity and reporting (if not already aware), be aware of what would address those gaps, and be able to work towards addressing those gaps, again due to pre-existing knowledge and capacity building work they do. However, any programme would be limited in direct positive impact on nature and biodiversity in the short to medium term, therefore its impact on the urgent global and country-specific nature and biodiversity crisis would be lacking, which needs immediate attention.



## Equity

The extent to which GESI considerations could be included as part of the programme are likely limited. As this would be direct funding of the UN Statistical Division to then build capacity and knowledge for other country-specific statistical agencies, GESI considerations would be limited to how they are considered as part of that capacity building. It could be a requirement as part of capacity building in for other countries that any additional personnel recruitment would need to adhere to gender recruitment rules, but this is likely the extent of the GESI inclusion for this programme, having no direct impact for biodiversity or nature on the ground.

NCA is a key area of a shift towards global and country specific Inclusive Wealth thinking, as recommended by the above reports. This is a vital area that requires development, capacity and knowledge building and technical assistance, which Defra, in conjunction with our national statistical service, the Office for National Statistics (ONS) should be leading on.

## In Summary VfM assessment

The preferred option is Option 2. As set out on the table below, an investment in BIOFIN is seen as providing the greatest value for money and impact. Through efficiency of scale and a trusted delivery partner the programme will be able to deliver impact in its ambitions and support developing countries to better integrate nature into their financial plans while potentially also building working relationship with BIOFIN and other key donors, pooling intelligence on country needs, plans and gaps.

Table 6 - Multicriteria analysis of option 2

Option	Critical Success Factors							
	Impact			Value for Money				Total
	Strategic Fit & Ambition	Delivery		Economy	Efficiency	Effectiveness	Equity	Weighed Total
		Capability	Achievability					
% Weighting	33.3	16.65	16.65	8.325	8.325	8.325	8.325	100%
Option2: BIOFIN	High (3)	High (3)	Medium-high (2)	High (3)	High (3)	High (3)	High (3)	95%

Data collected during monitoring and evaluation will be crucial to ensure VfM, given that a quantitative assessment at this stage is not possible, along with the robust governance structures outlined in the Management Case.

Assumptions were made when conducting the multicriteria analysis (MCA). If these assumptions fail to hold true, then the risks they pose, and subsequent mitigating actions, are considered in the risk assessment (see section 6.3 below).

## 3.6 MECHANISMS TO ENSURE VFМ

Table 7 - Mechanisms to ensure VfM for all options

	Assumptions	Costs	Benefits
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<b>Do nothing</b>	Similar funding contribution isn't provided by other donors.	No direct costs to Defra. Reputational and wider climate and biodiversity indirect costs as a result of reduced ambition.	No additional, real-world change would be generated in terms of scaling up biodiversity finance at global level.
<b>OPTION 2: BIOFIN</b>	No set up costs required given funds will provide a contribution to an existing initiative. BIOFIN'S holistic approach to biodiversity finance promotes transformational changes in in the short, medium and longer term. Increase in the number of countries that have financial plans designed and/or implemented is at least partly a result of BIOFIN's work in this space. BIOFIN would still exist but would not be as extensive without UK support.	Investment of £2m into the BIOFIN, Phase II, specifically Defra staff time for policy engagement and programme management.	Investment would contribute to provide access to information, knowledge and technical support on the BIOFIN Methodology and biodiversity finance sources to all CBD parties, increase awareness on harmful subsidies through the global dissemination campaign and they can be repurposed, develop the biodiversity expenditure taxonomy to harmonise knowledge and classify expenditure data and accelerate national implementation through priority grants and finance sector innovation grants to deliver nature aligned financial plans.
<b>OPTION 3: GLOBAL PLATFORM ON SCALING FINANCE FOR NATURE AND CLIMATE</b>	<p>Limited set up costs required given funds will provide a contribution to a new programme within an existing initiative. This option focuses on upskilling and its impacts are long-term.</p> <p>The project would likely be effective in its aims over the longer term, however the establishment of the platform, has the potential to be less effective due to risks of delay related to alignment with CBD and the capacity of the World Bank and may not be able to deliver the proposed outcomes within Defra's timeframe. Evidence and tools created by Defra funding will be used to operate in two additional countries.</p>	Invest of £2m into the global platform on scaling finance for nature and climate.	Defra's funding would contribute to the development and scaling of this platform, including four country pilots, capacity building on and development of financial instruments, and work to crowd in finance from other donors and multilateral financial institutions, creating a baseline for eventual involvement of the private sector.

<b>OPTION 4: DEVELOP THEIR NCA UNDER THE UN's SEEA</b>	No set up costs required given funds will provide a contribution to an existing initiative. This option focuses on upskilling and its impacts are long-term.	Investment of £2m on developing NCA under SEEA, the internationally agreed framework of NCA.	Investment would contribute to fund technical assistance for countries to develop their NCA, bridge the current gap in natural capital accounting and provide countries, businesses and other entities a standard approach to monitor their impact on nature.
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## 4. COMMERCIAL CASE

### 4.1 COMMERCIAL APPROACH

BIOFIN is an existing initiative being taken forward by the UNDP, and there are no equivalent interventions that will help Defra achieve the same or similar outcomes across depth and range within the timescales, nor over the lifetime of the programme. Thus, UNDP is in a unique position to deliver the programme.

Defra Finance has provided assurance that a voluntary contribution is appropriate. BIOFIN does not aim to generate revenue, but rather deliver access to information, knowledge and technical assistance. This comprises activities such as advocacy, capacity building, technical support, and grant finance for and with a range of stakeholders, which a voluntary contribution is appropriate for.

This was deemed the most appropriate due to where a programme is funded by multiple donors, where funds are pooled and therefore there is no set time when they will be spent. A Voluntary Contribution Letter of Agreement including Terms of reference will be agreed between Defra and the UNDP. This outlines special requirements such as Defra's position on the Steering/Advisory Committee.

The programme aligns with Defra's departmental objectives.

The majority<sup>31</sup> of the outputs being developed will be made publicly available, which means the voluntary contribution will not distort or threaten to distort competition. The provision of information, knowledge and technical assistance, including research and analysis, will not affect trade between member states. Confirmation has been given that this intervention falls outside of state aid regulations.

### 4.2 ENSURING VALUE FOR MONEY THROUGH PROCUREMENT

Having considered the alternative options to deliver the desired outcomes of this business case, the conclusion was that the UNDP is the optimal delivery partner due to their specialised offering and established programme, and that BIOFIN is the optimal programme again due to being an established programme, and its alignment with the UK's nature mainstreaming goals. The UNDP are in a strong position to deliver on our shared vision, and UN agencies have a strong track record in this area, including other previous and current projects funded by Defra.

<sup>31</sup> Not all outputs will be made publicly available due to some country specific data being owned by that country.

As part of the terms of reference in the Voluntary Contribution Letter of Agreement, it has been agreed that the funds will only be spent on BIOFIN, of which the programme budget is listed in the Financial Case below. Therefore, we are assured of where the funds will be spent.

Any risks associated with Defra's investment in BIOFIN are outlined in **Section 6**.

#### **4.3 COMPETENCY OF DELIVERY ORGANISATION AND ABILITY OF PARTNERS TO DELIVER**

The UNDP is the global development network of the UN and works in 177 countries and territories around the world with its headquarters based in New York. It is a leader in sustainable development in the UN development system, and serves as the integrator for collective action to realise the SDGs. The UNDP's policy work, carried out at headquarters, regional and country office levels, forms a complimentary spread of deep local knowledge to cutting-edge global perspectives and advocacy.

BIOFIN is overseen by the UNDP's NCE team as part of the Bureau for Programme and Policy Development (BPPS). The global BIOFIN team continues to oversee the development of global and national work. The NCE team supports countries to promote and scale up integrated whole-of-governance approaches and nature-based solutions to mitigate the impact of climate change, conserve biodiversity and ecosystem services, promote the energy transition, and reduce the use of harmful chemicals, while simultaneously reducing poverty, strengthening livelihoods, promoting gender mainstreaming and inclusive growth.

The UNDP adheres to Financial Rules and Regulations as per Executive Board decision 2011/33. All management and expenditures will be governed by the rules, regulations, policies and procedures of the UNDP and, where applicable, the rules, regulations, policies and procedures of the implementing partner.

#### **4.4 SAFEGUARDING AND EQUALITY**

The UNDP's Social and Environmental Standards (SES) are applied to ensure social and environmental safeguards are in place in all UNDP programming. The SES objectives are to:

- Strengthen the quality of programming by ensuring a principled approach;
- Maximise social and environmental opportunities and benefits;
- Avoid adverse impacts to people and the environment;
- Minimise, mitigate, and manage adverse impacts where avoidance is not possible;
- Strengthen UNDP and partner capacities for managing social and environmental risks; and,
- Ensure full and effective stakeholder engagement, including through a mechanism to respond to complaints from project-affected people.

The SES are an integral component of UNDP's quality assurance and risk management approach to programming. This includes the project-level Social and Environmental Screening Procedure (SESP). The SESP objectives are to:

- Integrate the SES Programming Principles to maximise social and environmental opportunities & benefits, and strengthen social and environmental sustainability;
- Identify potential social and environmental risks and their significance;
- Determine the project's risk category (low, moderate, substantial, high); and,
- Determine the level of social and environmental assessment and management required to address potential risks and impacts.

The SES are underpinned by an accountability mechanism with two key components: (i) A Stakeholder Response Mechanism (SRM) that ensures individuals, peoples, and communities affected by UNDP projects have access to appropriate grievance resolution procedures for hearing and jointly addressing project-related disputes; and (ii) A Compliance Review process to investigate and respond to claims that UNDP is not in compliance with the SES.

The finance for this project will be accountable as ICF. Biodiversity loss is the central theme of BIOFIN, and biodiversity loss mitigation and will be reported on within the programme's reporting framework. As ICF, the funds will need to prioritise livelihoods, poverty alleviation and biodiversity loss.

#### 4.5 APPOINTMENT AND COMPETENCY OF SUBCONTRACTORS

The BIOFIN programme will be delivered by the UNDP. In the unlikely case that subcontractors will need to be recruited, they will be so through a competitive process as stated by UNDP's procurement policies.

#### 4.6 COMPLIANCE WITH GENDER SECTIONS OF 2002 INTERNATIONAL DEVELOPMENT ACT

The BIOFIN Methodology and additional guidance materials produced by the programme will continue to support the work at global and national level contributing to the achievement of the SDGs, with a focus on poverty reduction, climate change and gender inequality.

Addressing gender inequality is among the key deliverables of BIOFIN, and all interventions will be implemented with gender considerations.

For development of any countries' Biodiversity Finance Plan, gender analysis will shape the final version.

#### 4.7 STATE AID

The funding delivered in this programme needs to ensure compliance with the following three regimes:

1. World Trade Organisation (Agreement on Agriculture);
2. New subsidy controls under the EU-UK Trade and Cooperation Agreement (Chapter 3);
3. Northern Ireland Protocol Article 10.

Relevant WTO and UK subsidy colleagues have been consulted and provided the following advice:

- The programme **does not** provide support to agricultural producers or processors, so it is outside the scope of the WTO Agreement on Agriculture.
- The programme **will not** provide an economic advantage to any economic undertakings in the UK as there are no grants being made in the UK, so there is no possibility of economic advantage to UK countries as no subsidy exists under regimes 2 or 3.

#### 4.8 COMMERCIAL RISKS

As a multi-donor fund, resources will be pooled, and as funding will be supplied by a Voluntary Contribution, Defra will have less control over funding. However, this will be mitigated against as Defra will have appropriate oversight over the funds of the programme through membership of the Advisory Committee, which implements the programme globally. The Advisory Committee consists of delegates from the European Union and the governments of Flanders, Germany, Norway, Switzerland and

Belgium. The members provide recommendations on the strategic direction of the global programme including major events, knowledge products, and the M&E framework that will be agreed upon for follow up by the programme.

## 5. FINANCIAL CASE

### 5.1 ACCOUNTING OFFICER TESTS

The intervention has been assessed against the four primary Accounting Officer tests, as set out in Chapter 3 of HM Treasury guidance Managing Public Money (MPM):

1. **Regularity:** the intervention is regular being compliant with legislation and MPM.
2. **Propriety** (including **Affordability**): the intervention is proper as it meets the standards in MPM and accords with the generally understood principles of public life. The intervention is affordable, as it relies on the use of existing and available funds (£2 million) from this financial year's ICF budget, and doesn't involve further financial commitments beyond this financial year.
3. **Value for Money** (for the public sector as a whole): as assessed in the Economic Case, the intervention provides good value for money against what is being delivered.
4. **Feasibility:** the intervention is feasible, being delivered as an extended component of a currently running initiative.

### 5.2 NATURE AND VALUE OF THE EXPECTED COSTS

Funding will be provided through a voluntary contribution in one instalment to be made in March 2022.

BIOFIN Phase II is funded by multiple donors, of which Defra would be one contributor. The total anticipated spend for BIOFIN Phase II covering the period 1 April 2021 to 31 March 2022 is c. \$12.8m (including Defra funding if approved). An investment of £2 million (\$2.695m) is therefore lower than the total expected spend for FY21/22, with Defra's investment constituting c. 21% of the total expected spend. This aligns with the requirement for a voluntary contribution to be lower than the expected spend so Defra's investment can ultimately be "spent first." Defra Finance has provided assurance that this approach is appropriate.

Activities facilitated by Defra's investment will run for 1 year (to April 2023). This investment is affordable in FY21/22.

Defra Finance has reviewed this Business Case and consulted the Consolidated Budget Guidance (CBG) to ascertain the classification of spend. CBG states that capital spend (CDEL) is unrequited transfer payments which the recipient must use to buy capital assets, buy stocks or repay debt. Of the programme outcomes set out above, none of the spend meets the definition for CDEL and therefore, the full spend is classified as resource spend (RDEL).

### 5.3 SCHEDULE OF FUNDING / COSTS (I.E. HIGH-LEVEL BUDGET)

The overall cost of the investment to HMG is forecast as follows:

Table 8 - BIOFIN budget breakdown

Description	Spend in USD	Spend in GBP
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<b>National</b>		
Disclosure frameworks	\$200,000.00	£148,400.00
Review of central bank exposure to biodiversity risks	\$100,000.00	£74,200.00
Nature performance bonds	\$100,000.00	£74,200.00
Priority grants for finance solutions	\$1,000,000.00	£742,000.00
<b>Global</b>		
Conferences and workshops	\$150,000.00	£111,300.00
Database of financial solutions and biodiversity expenditure taxonomy: Web designer, research assistant and technical review committee meeting	\$125,000.00	£92,750.00
Subsidies guidance and guidebook - animation video + guidebook (consultant)	\$125,000.00	£92,750.00
Regional nodes support team	\$300,000.00	£222,600.00
<b>Monitoring, evaluation, oversight</b>	<b>\$371,046.75</b>	<b>£275,316.69</b>
<b>Subtotal programmable contribution</b>	<b>\$2,471,046.75</b>	<b>£1,833,516.69</b>
General management services (8%)	\$197,683.74	£146,681.33
<b>Subtotal contribution</b>	<b>\$2,668,730.49</b>	<b>£1,980,198.02</b>
UN Levy (1%)	\$26,687.30	£19,801.98
<b>Total</b>	<b>\$2,695,417.79</b>	<b>£2,000,000.00</b>

## HMG FRONT-LINE DELIVERY COSTS

Within HM Government, managing the UK's contribution, as well as influencing and participating in key decisions, will require the below staff dedication (full time equivalent (FTE)) from Defra:

Table 9 - HMG front line costs breakdown

Internal HM Government staff dedication (FTE)	
Grade	DEFRA
SCS	0.01 over one year
G6	0.05 over one year
G7	0.2 over one year
SEO	n/a
HEO	0.3 over one year
<b>Total</b>	<b>0.56 over one year</b>

## ADMINISTRATIVE COST

The administrative costs (stated as General management services in Table 8 above) are 8% of the total programme costs. There is also a 1% Coordination UN Levy as part of the funding, which is mandatory for all UN programmes.

The cost of M&E will be carried out at the country level by UNDP country offices and national steering committees, and at the global level by the BIOFIN global team, the global Advisory Committee and the

NCE Unit. This is estimated at £275,316.69; 14% of the overall budget, and so within the 10-15% range expected for ICF programmes. The programme will be delivered through a combination of country specific and financial sector grants, direct delivery via the delivery partner, and a hybrid approach whereby the delivery partner and subgrantees work together.

## 5.4 PROVISIONS FOR DEFRA TO CLAWBACK FUNDING

The table below shows the scenarios of potential suspension of funding, termination and returns to Defra and how they might be triggered, including by the monitoring and reporting cycle:

Table 10 - Scenarios for potential suspension of funding or termination and returns to Defra

Scenario	Timing and reporting trigger (if relevant)
Occurrence of any illegal or corrupt practice	Regular updates (from delivery partner), regular monitoring and evaluation (from delivery partner), any other communication that illegal or corrupt practice has occurred
Extraordinary circumstances that seriously jeopardise the implementation, operation or purpose of the programme  This is primarily designed to cover instances of force majeure. We assess this may also provide some cover in extreme cases of under-delivery.	Immediate contact from Global Programme Manager to all Advisory Committee members  Informal updates to the Advisory Committee of any risks that may be occurring
If UNDP does not fulfil its commitments according to the cooperation contract	At the time if/when this happens or if identified through regular updates or annual reviews.

## 5.5 POWERS FOR SPENDING

The UK will commit to the Funding Window of the programme in financial year 2021/2022. The funding source is the UK's ODA budget, for which there is £2 million allocated to BIOFIN for FY21/22. Legal powers are in place through the International Development (ODA Target) Act 2015.

The finance for this project will be accountable as ICF. Biodiversity loss is the central theme of the programme, and biodiversity loss mitigation and biodiversity recovery will be reported on within the ICF's Climate Finance Key Performance Indicator (KPI) framework.

# 6. MANAGEMENT CASE

## 6.1 WHAT ARE THE MANAGEMENT AND GOVERNANCE ARRANGEMENTS FOR IMPLEMENTING?

### PROJECT GOVERNANCE

BIOFIN is overseen by the UNDP's NCE team as part of the Bureau for Programme and Policy Development (BPPS). The Global BIOFIN team continues to oversee the development of global and



national work. It consists of the Global Manager, an Associate Coordinator, a Programme Analyst, three Programme Associates, a Programme Officer, a Communications Specialist, five Technical Advisors, and a Knowledge Management Expert. Project assurance will be provided by the UNDP's NCE Team, including oversight and monitoring. Additional quality assurance will be provided by the UNDP Regional Technical Advisors as needed.

As a multi-donor and multi-year initiative, BIOFIN teams are in place in target countries providing management and technical services to ensure a fast start and implementation of the project with a focus on results. Multi-year annual work plans are fully developed at global and country levels linking results, activities and inputs through a result-based and participatory process.

The governance and management structures are active at two levels: Global and National.

#### *i. Global:*

A **Project Board** consisting of representatives from the senior supplier (CBD), beneficiary countries and UNDP senior management, meeting at a minimum once a year. The project board sets the direction of the overarching programme.

The **Programme Manager** (Global BIOFIN Manager) is responsible for day-to-day project management and regular monitoring of global results and risks, including social and environmental risks. They ensure all staff maintain a high level of transparency, responsibility and accountability in implementation, M&E and reporting results. The manager will inform the project board of any delays or difficulties as they arise during implementation so that appropriate support and corrective measures can be adopted.

Additionally, an **Advisory Committee** will provide strategic guidance and advice to the global management team. This includes representatives from the project board, across the programme and includes donors to BIOFIN. In 2021 the Committee consisted of delegates from the European Union, and the governments of Flanders, Germany, Norway, and Switzerland. Belgium will join from 2022. This group is focused on strategic level discussions and global level issues and the members provide recommendations on the strategic direction of major events, knowledge products, the M&E framework and programming directions that will be agreed upon for follow up by the programme (including M&E, engagement with CBD process, global flagship products and other decision-making advice). Further contributions at the county and global level were provided by France, AFD, SIDA, UNDP, the GEF, and private sector entities but these do not sit on the Committee. In addition, National Steering Committee members may attend on an ad hoc basis to present activities and showcase good practice.

The Programme Manager will report twice a year to the Advisory Committee and to solicit potential strategic partnerships and coordination opportunities. The meetings will also be used to provide updates on project progress and apprise donors of emerging technical assistance needs and gaps. BIOFIN have agreed that if we wish, Defra can maintain a seat on this Advisory Committee/Steering Group after the end of our funding to allow for strategic-level input beyond the duration of our financial contribution; this has been done by other donors and found to be beneficial for the programme. The Programme Manager will inform the project board of any delays or difficulties as they arise during implementation so that appropriate support and corrective measures can be adopted.

#### *ii. National:*

A significant portion of the overall BIOFIN budget will be utilised at the national level, through National Management Arrangements and **National Steering Committees (NSC)**. This is the formal national decision-making body, overseeing planning and results of the project including at the policy level. The

NSC will meet at minimum once a year to assess the progress report prepared by the country team and the work plans for the forthcoming period.

These National Steering Committees are usually complemented by a **Technical Committee**. These Technical Committees provide in-depth technical inputs into the work and include partners from relevant government agencies, academia, civil society organisations (CSOs), and other technical experts. In countries with ongoing implementation, the composition may be re-calibrated to fit emerging strategic priorities.

**UNDP Country Offices** act as the main implementing party at the country level, leading and monitoring the implementation of the country activities at national and local levels under the Direct Implementation Modality. They coordinate the work for the implementation and supervise national teams. UNDP Country Offices are responsible for complying with all UNDP national project-level M&E requirements as outlined in the UNDP rules and procedures. The Country Offices will also support efforts to ensure donor visibility, encourage donor participation in national project events, and ensure that donors are updated regularly on national project progress.

**National Project Coordinators** are responsible for the overall management of in-country activities, ensuring a proper workplan and budget is in place and implemented within set timelines, with an effective national team and strong partnerships. The coordinator will ensure implementation mechanisms such as a National Steering Committees and technical working groups are established and meet regularly, that all planned workshops, technical studies and other activities are organised in a timely manner, and that they meet expected quality standards.

Table 11 - Breakdown of BIOFIN management/oversight structure

Group	Membership	Role	Level
<b>Project Board</b>	<ul style="list-style-type: none"> <li>• CBD</li> <li>• Beneficiary countries</li> <li>• UNDP Senior Management</li> <li>• UNDP Programme Manager</li> </ul>	Overall strategic direction and accountability for programme delivery and obligations including M&E	Global
<b>Advisory/Steering Committee</b>	<ul style="list-style-type: none"> <li>• UNDP Programme Management</li> <li>• Donors (from Germany, Norway, Switzerland, Flanders, European Commission, Belgium)</li> </ul>	Provide strategic guidance and advice to the global management team on coordination, partnerships, M&E and other global matters.	Global
<b>National Steering Committees</b>	<ul style="list-style-type: none"> <li>• UNDP Country Office</li> <li>• National Project Coordinators</li> <li>• Technical committee members</li> </ul>	Main implementing party at the country level, lead M&E	National
<b>Technical Committee</b>	<ul style="list-style-type: none"> <li>• Government agencies,</li> <li>• Academia,</li> <li>• CSOs,</li> <li>• Other technical experts,</li> </ul>	Supports National Committee with technical expertise.	National

	<ul style="list-style-type: none"> <li>Wider stakeholders as necessary/relevant to country context</li> </ul>		
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## ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES

Table 12 - Breakdown of BIOFIN roles, responsibilities, and accountabilities

Role	Responsibility	Accountabilities	FTE (if applicable)
<b>BIOFIN Programme Manager</b>	Day-to-day project management and regular monitoring of global results and risks, including social and environmental risks. ensure all programme staff maintain a high level of transparency, responsibility and accountability in implementation, M&E and reporting results.	Risks, M&E, transparency, implementation	N/A
<b>Defra Mainstreaming Team Leader</b>	Senior responsible Officer for Defra's contribution. Will maintain oversight to ensure the programme is appropriately monitored throughout the year. The SRO will oversee the annual review process and Monitoring and Evaluation with support from a Programme Manager. Oversight of Defra Programme Manager	Defra reporting, ODA transparency, risks	0.2
<b>Defra Programme Manager</b>	Main Defra point of contact, day-day running, M&E and annual review/close of programme report.	Defra reporting, ODA transparency, risks	0.3

As this a pre-existing initiative, Defra resource requirement will be minimal; the programme will not require initial set up. A Grade 7 from the International Nature Finance team will act as Senior Responsible Officer (SRO). Day to day management of the programme will be the responsibility of the BIOFIN Team. 0.3 FTE HEO is expected to be required to manage the programme over the course of this financial year, and out to 2023 in order to ensure fiduciary responsibilities and policy engagement. This includes 0.3 HEO FTE, 0.2 G7 FTE and 0.01 G6 FTE within the International Nature Finance team in IBC.

**Communication between Defra and BIOFIN will be streamlined via the BIOFIN Global Programme Manager unless otherwise specified.** The Defra Project Manager and Global Manager will communicate as necessary via virtual meetings, to track progress against the workplan; the regularity will be monitored and adapted depending on need.

## ODA BOARD

The role of the ODA board is to provide accountability and assurance for Defra's ODA budget and to provide strategic direction for Defra's ODA spend. The ODA board meets quarterly and consists of senior civil servants from the FCDO and Defra. Within Defra the ODA Board has a remit to:

- Monitor the strategic direction for ODA spend in Defra
- Monitor the implementation of Defra's ODA strategy and policy priorities
- Clear business cases for ODA spend above £5 million
- Monitor progress against the results set out in business case
- Monitor and advising on significant risks to implementation

- Recommend remedial actions to the SRO if operational or financial performance is off track
- Ensure ODA rules are met
- Ensure consistency with government ODA rules.

## 6.2 MONITORING, EVALUATION AND LEARNING

All Defra ODA programmes are designed to ensure that Defra ODA monitoring and evaluation activities are consistent with the requirements of the UK International Development Act 2015, while maximizing opportunities for learning and providing accountability.

**BIOFIN are currently undergoing a process to re-establish and enhance their entire M&E framework, with external expert input to enhance both the global results framework and all national frameworks.** This is in late stages of development and expected to be utilised for 2022 onwards. The proposed changes include, in addition to the updated theory of change, an elaborated system of standardised indicators, more streamlined reporting and potentially a new information management system. **Defra will have a role in steering M&E strategies and ensuring continued value for money in M&E practices from our seat on the Advisory Board and regular contact with the Global Manager.**

The table below shows the monitoring, evaluation, and oversight costs, which fall between 10-15% of Defra's contribution:

Table 13 - Monitoring, evaluation, and oversight cost

	BUDGET in USD	Budget in GBP
Monitoring, Evaluation, Oversight	\$371,046.75	£275,316.69

## WORKPLAN / DELIVERY PLAN

BIOFIN's M&E framework is centred on the updated theory of change and guided by the BIOFIN Workbook. At the global level, the results framework outlines the priority indicators and targets to be monitored at both the global and national level. Countries have dedicated national workplans and for each finance solution specific targets and indicators are being formulated and tracked.

## THEORY OF CHANGE

The proposed activities that will be funded by Defra contribute to BIOFIN's Theory of Change, promoting transformational change through: (1) analysing drivers of biodiversity loss/gain, harmful subsidies and existing financing mechanisms; (2) calculating biodiversity expenditures and future financial needs; (3) enhanced stakeholder awareness of biodiversity finance mechanisms, improved biodiversity finance coordination mechanisms led by finance ministries; and (4) the development and implementation of national biodiversity finance plans, a new action agenda to transform financial systems to re-align finance toward biodiversity goals and improve effectiveness of spending.

## LOGFRAME

Defra will use a logical framework (logframe) as a key means of holding delivery partners to account and measuring the effectiveness of the contribution. As BIOFIN are undergoing a review and rehaul of all M&E products to ensure their entire M&E framework is of a high standard following feedback in their evaluation of the project year 2020, a logframe will be developed in slower time. **Defra will work with BIOFIN to agree a logical framework within 1-3 months of transfer of funds based on the Results Framework that BIOFIN are set to share as part of the new M&E framework.**

The updated results framework will be presented to the BIOFIN Advisory Committee in April 2022, after which it will be considered formally adopted. BIOFIN are in discussions with country teams to apply the new framework and these will continue in-country up to June 2022.

Potential indicators based on existing results frameworks and will include (also see table 14 below):

- *Percentage of participants in global BIOFIN events (e.g., webinars, workshops, MOOC and other events) that indicates the event to be a significant learning experience.*
- *Improved Biodiversity finance capacity index score of BIOFIN countries.*
- *Number of new and improved finance mechanisms in place and/or operational.*
- *Number of entries to the global database of biodiversity finance increased [from 320] to 500.*
- *Number of feasibility or readiness studies completed for innovative financial solutions.*

## ICF KEY PERFORMANCE INDICATORS

All ICF projects and programmes are required to report against at least one of the ICF KPIs, but ideally against all relevant KPIs.

This intervention will target ICF KPI15: **transformational change**. “The extent to which the ICF intervention is likely to have a transformational impact”. According to the UK Government Climate Change Compass, “Transformational Change is ‘change which catalyses further changes’”, enabling either, “a shift from one state to another” or “faster change (e.g., speeding up progress on cutting the rate of deforestation)”.

Recognising that transformation takes time and as this is an ongoing project, in several cases, transformational change may happen beyond the duration of our financial contribution or the duration of the programme. However, based on existing examples and the design of the programme, the achievement of certain indicators and targets have the potential to show early stages of transformational change in several areas including at country level. Examples from BIOFIN’s work to date includes:

1. In **Costa Rica**, women have structural barriers to access incentives to protect and restore forests and to integrate trees into their farms such as those provided by the PES programme. BIOFIN has supported the democratization and creation of financial schemes and development of financial instruments for women and nature via ‘+Women +Nature’ credit schemes and integrated this into national PES planning.<sup>32</sup> Three financial instruments worth around USD\$30 million per year have been launched supporting biodiversity-related activities such as tourism, forestry, agriculture and fishing (activities traditionally disproportionately undertaken by men) contributing to transformational change to close the gender gap and support a nature positive future.<sup>33</sup>
2. In **Georgia**, the Environment Ministry saw a budget increase for biodiversity conservation from US\$30,000 to US\$270,000 after making a better investment case through work with BIOFIN.<sup>34</sup>
3. **Mexico** successfully re-designed two major environmental funds so that they are now (i) a national climate fund (previously not operational and not focusing on biodiversity) that since saw a turnover exceeding US\$3 Million, with US\$ 2 million directed to NbS for ecosystem

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<sup>32</sup> UNDP (2021) BIOFIN 2020 Progress Report

<sup>33</sup> [+Women +Nature Programme: putting women at the heart of biodiversity finance in Costa Rica | BIOFIN](#)

<sup>34</sup> UNDP (2021) BIOFIN Progress Report, June 2021

resilience, and; (ii) a green fund of Mexico City, resulting in a saving of US\$ 3 million per year through efficiencies identified by BIOFIN and a more articulated focus on biodiversity.<sup>35</sup>

4. In the **Philippines** BIOFIN helped fill gaps in legislation on protected areas leading to increases in funding for and lasting benefits for biodiversity and sustainable action across the country.<sup>36</sup>

See Annex 1 for more examples.

We expect to draw evidence of transformational change from proxies highlighting early evidence of transformation.

**Table 14 - Examples of transformational change indicators and approaches**

<b>Criteria &amp; Outcomes</b>	<b>Approach or Example indicators in BIOFIN</b>
<p><b>Political will and local ownership:</b> Policy makers use quality data on natural capital and biodiversity finance to inform policy and investment decisions.</p> <p>Policies, plans and data are led nationally and locally.</p>	<p><i>Number of government officials and experts with enhanced skills to design, implement and advocate for biodiversity finance solutions.</i></p> <p><i>Number of policy proposals influenced by new data on biodiversity finance, economic valuation and NCA.</i></p> <p><i>Technical support to at least 40 countries designing national biodiversity finance plans.</i></p>
<p><b>Capacity and capability increased:</b> Public and private actors are developing capacity to generate information on biodiversity finance which could be used to inform decisions.</p> <p>Capacity building and promotion of innovation, exchange of experiences and leveraged partnerships through technical/regional workshops, biennial conferences, and strategic events to ensure the lessons learned, new knowledge and enhanced skills are transmitted to national stakeholders (including further countries).</p>	<p><i>Percentage of participants in global BIOFIN events (e.g., conference, webinars, workshops, MOOC, other events) that indicates the event to be a significant learning experience - as measured by evaluations of the event, disaggregated by gender.</i></p> <p><i>Number of trained individuals on the BIOFIN methodology obtaining e-learning certificate.</i></p> <p><i>Increased number of entries to Global database of biodiversity finance up [from 320] to 500.</i></p> <p><i>Improved Biodiversity finance capacity index score of BIOFIN countries.</i></p> <p><i>Improved biodiversity finance capacity index score of BIOFIN countries (in capacity assessments).</i></p> <p><i>At least 5 website articles on designing national biodiversity finance plans.</i></p>
<p><b>Innovation:</b> Countries are enabled to better explore more innovative finance mechanisms for biodiversity</p>	<p><i>Number of new and improved finance mechanisms in place and/or operational.</i></p> <p><i>Improved mechanisms with increase in finance aligned towards biodiversity.</i></p>

<sup>35</sup> UNDP (2021) BIOFIN Progress Report, June 2021

<sup>36</sup> UNDP (2021) BIOFIN Progress Report, June 2021

<p>and integrate biodiversity into decision making through Biodiversity Finance Plans.</p> <p>Countries are testing innovative financial products and knowledge that increase the level of financial flows and access of countries to finance.</p>	<p><i>Number of trained individuals on the BIOFIN on new finance solutions.</i></p> <p><i>Number of feasibility or readiness studies completed for innovative financial solutions.</i></p>
<p><b>Evidence of effectiveness is shared:</b></p> <p>High level of transparency with majority of products and results are published and publicly available.</p> <p>Learnings and outcomes shared with a range of national and global stakeholders (including further countries) to build capacity and promote innovation.</p>	<p><i>Number of knowledge products:</i></p> <p><i>a) uploaded on BIOFIN Platforms (BIOFIN Website, BES-Net)</i></p> <p><i>b) downloaded from BIOFIN platforms (BIOFIN Website, BES-Net)</i></p> <p><i>c) Number of positive practices collected, disseminated, replicated (including gender and indigenous communities case studies).</i></p> <p><i>Networking, close cooperation, and showcasing of results and good practices will continue to help institutionalise several processes by governments in different countries. Existing good practice drawn on for this set of activities include such as the establishment of Biodiversity Finance Offices in the Seychelles, Belize; replication of the BIOFIN methodology process at local level; integration of the BIOFIN methodology in periodic expenditure reviews as done in Cuba and Costa Rica.</i></p>
<p><b>Leverage/incentives for others to act is created:</b></p> <p>Actors are enabled to better integrate sustainability considerations in the functioning of economic systems through policy incentives and provision of improved sustainability information.</p>	<p><i>Number of government officials and experts with enhanced skills to design, implement and advocate for biodiversity finance solutions (disaggregated by gender).</i></p> <p><i>Development of the biodiversity finance capacity development index.</i></p> <p><i>Number of new and improved finance mechanisms in place and/or operational.</i></p> <p><i>Mechanisms with increased finance aligned towards biodiversity.</i></p> <p><i>Number of policy proposals influenced by new data on biodiversity finance, economic valuation, and natural capital accounting.</i></p>
<p><b>Sustainability:</b></p> <p>The sustainability of finance for biodiversity and climate is supported in countries.</p> <p>Finance solutions have dedicated sustainability or exit strategy, tailored to the context.</p>	<p><i>Number of government officials and experts with enhanced skills to design, implement and advocate for biodiversity finance solutions.</i></p> <p><i>Number of policy proposals influenced by new data on biodiversity finance, economic valuation and NCA.</i></p>



	<i>Sustainability of data, knowledge and implementation through country level ownership.</i> <i>Governance through a participatory, results-based and adaptive management approach.</i>
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As well as Defra, BIOFIN will be monitored by UNDP's own global Results Framework. For BIOFIN Phase II this framework has been the most important reference to estimate progress. Based on this, each country has its own results framework per finance solution, including baseline information, indicators, and targets. For each target, supporting documents will be provided to demonstrate results, such as published budgets or the formal publication of laws and regulations.

## REPORTING

**UNDP will actively monitor and track delivery at all levels (country, regional, and global) aligned to its policies and procedures.** BIOFIN follows an integrated reporting structure, producing:

- a mid-year report covering January – June (shared at the latest by 31 August of each year)
- a full year report covering the contributions from all donors for a specific year January-December (sent at the latest by 28 February of each year).

This reporting will follow the UNDP donor reporting template and include at a minimum an annual Executive Summary, Background, Progress Review (output level results corresponding to agreed-upon portfolio indicators), Project Risks and Issues, Lessons Learned, Conclusions & Way Forward, and are combined with a financial status at the portfolio level, and are usually released to donors in February. Additional reporting inputs can be requested on a needs basis.

The Global BIOFIN Team develops frequent news items on the global website at [www.biofin.org](http://www.biofin.org) covering national and global results, and all major reports are posted there. Additional communications products can also be developed on a needs basis.

In addition, BIOFIN produce **country level reports** for each of the active implementing countries, overseen by the National Project Coordinators and Committee. A UNDP NCE funding window report is also produced annually and gives insights into the various programmes funded under this window.

Internally, results from individual workplans developed at each national level will be fed upwards and aggregated from all associated projects in line within the agreed global, portfolio-level results framework. The Global Support Unit based at UNDP headquarters will assess national and global expenditures on a quarterly basis to ensure adequate delivery and to advise and course correct when needed.

## EVALUATION AND LEARNING

All UNDP programmes and projects are evaluated in accordance with UNDP Evaluation Policy. UNDP, in consultation with all relevant stakeholders including the donors, will jointly agree on the purpose, use, timing, financing mechanisms and terms of reference for evaluating a project including an evaluation of its contribution to an outcome which is listed in the Evaluation Plan. UNDP shall commission the evaluation, and the evaluation exercise shall be carried out by external independent evaluators. The Donor shall have the right to request or initiate an interim or final evaluation of the Project, in consultation with UNDP and to be carried out in accordance with UNDP evaluation policy.



As the vast majority of the reporting and data from BIOFIN are published publicly we will be able to draw on these outputs to inform on learning on areas of biodiversity finance, including innovative tools such as performance bonds and risk analysis.

### 6.3 WHAT ARE THE KEY RISKS AND HOW WILL THEY BE MANAGED?

BIOFIN overall risk is rated at Low. The programme faces four key categories of risk: (i) programme demand; (ii) delivery; (iii) financial; and (iv) political/context. A detailed summary of risks and mitigation measures are outlined in Table 15 below. For each risk we describe the mitigations that are in place or planned. The 'level' of each risk is based on its probability and the magnitude of potential impact if realised. The 'residual' risk is the remaining level after mitigations have been put in place.

Table 15 - Key risks, impacts and mitigations

KEY RISKS/ISSUES	PROBABILITY <sup>37</sup>	IMPACT <sup>38</sup>	COMBINED	OWNER	MITIGATION/ MEASURES
<b><i>Programme Demand</i></b>					
Lack of demand from governments for implementation of Biodiversity Finance Plans.	Low	High	Low	BIOFIN Global Project Manager	The programme has built in capacity building and communication to increase knowledge, awareness, and technical expertise around biodiversity finance. The CBD Framework has also recognised BIOFIN as a critical platform to achieve national level resource mobilisation and encouraged uptake to support implementation. UNDP Country Offices, National Steering Committees and BIOFIN teams continually engage to track engagement, country appetite and implementation.

<sup>37</sup> Rated from Extremely Likely, Likely, Possible, Unlikely, Impossible

<sup>38</sup> Rated between: Low, Moderate or Major

International developments (caused by continued spread of COVID-19, other major humanitarian crises or natural disaster) may lead to shifting priorities of government and stakeholders.	Moderately likely	Moderate	Medium	BIOFIN	<p>Biodiversity is increasingly a high priority for countries and high donor ambition at CDB COP15 can support prioritisation and more ambitious implementation of biodiversity plans in recipient countries.</p> <p>Can apply flexibility in timelines if needed.</p> <p>Programme is need/results led and can allow for potential changes in some actions or country-level projects while remaining true to the underlying intent of the action/programme intervention.</p>
Lack of willingness of developing country governments to implement ambitious Biodiversity Finance Plans and incorporate best practice examples.	Possible	Major	Medium	BIOFIN National Steering Committees	Co-creation of Plans, active support in implementation, demonstrate that the benefits of more ambitious targets will accelerate development initiatives and processes (e.g., climate goals, women's empowerment, youth employment, health improvements, etc).
Change of government sector policies risk changes to Biodiversity Plans and country ambition.	Unlikely	Medium	Low	BIOFIN National Steering Committees	<p>BIOFIN will and has secured strong support of biodiversity finance plans from government, general population and private sector through information and awareness campaigns and sustained stakeholder engagement.</p> <p>UNDP Country Offices, National Steering Committees and BIOFIN teams continually engage to track engagement appetite and implementation.</p>
<b>Delivery</b>					

Continued spread of Covid-19 creates delays in implementation and other finance, economic, and biodiversity types of regression.	Likely	Low	Low/Medium	BIOFIN Global Project Manager	<p>Flexibility has been built into implementation of BIOFIN, we can also apply flexibility in timelines if needed.</p> <p>BIOFIN undertook a series of reviews, analysis of COVID-related risks and response along with the provision of webinars and other guidance notes. As a result it has been able to build pandemic response into their activities. In 2020, BIOFIN launched a global campaign called 'Keep Conservation Heroes in their Jobs' to support local communities and rangers who lost their income due to COVID-19.</p>
New countries starting the process face capacity constraints to implement the BIOFIN Methodology. Due to the approach of BIOFIN to rely mainly on national expertise for implementation, this is likely to be a challenge for some countries.	Likely (for new countries only)	Low	Low	BIOFIN Global Manager & National	<p>Additional international expertise and training programmes are to be built into national workplans, and plans are designed for maximum ownership.</p> <p>Lessons learned from existing countries has been shared and discussed in workshop sessions and webinars. The global BIOFIN team offers ongoing technical support from international experts.</p> <p>Experience from implementation in 38 existing countries has demonstrated this challenge can be largely overcome.</p>
Implementation delays caused by limited capacity of government or BIOFIN national team(s).	Possible	Moderate	Low	BIOFIN Global Manager	BIOFIN are set up with national level Steering Committees and BIOFIN teams, and can draw on UNDP Country Offices for additional capacity needs.

					They have also secured strong support of biodiversity finance plans from government and ensured capacity building and targeted technical assistance are at the core of the BIOFIN programme to mitigate these issues.
<b>Financial</b>					
Fiduciary risk/funding not effectively managed.	Unlikely	Major	Low	Defra	The UK has low tolerance of fiduciary risk in ODA spending. The UNDP is a trusted partner. We have several levers where we can influence and seek assurances – at the board, and as a donor on the Advisory Committee.
Defra are not able to transfer the committed funding before the end of the financial year.	Possible	Low	Low	Defra	Defra have agreed the funding and worked with commercial and finance throughout this process to ensure the process is underway including setting a date in advance of end of financial year.

## 6.4 AVOIDING FRAUD AND CORRUPTION

The UNDP and Defra agree as part of the Voluntary Contribution Agreement that it is important to take all necessary precautions to avoid corrupt practices. To this end, UNDP shall maintain standards of conduct to govern the performance of its staff, including the avoidance of corrupt and fraud practices in connection with the award and administration of contracts, grants, or other benefits, as set forth in the Staff Regulations and Rules of the United Nations, the UNDP Financial Regulations and Rules, and the UNDP Procurement Manual.

## 6.5 TRANSPARENCY

Defra requires all its partners to meet the International Aid Transparency Initiative (IATI) standard that aims to ensure that organisations publish information to ‘improve the coordination, accountability and effectiveness to maximise their impact on the world's poorest and most vulnerable people’. This includes information on the organisation, funds, and planned activities. This intervention will generate significant outputs including logframes, annual reviews, programme/project proposals and technical reports which will be of interest to other countries and stakeholders. All outputs should be published on IATI, free to users whenever possible. Most agencies are now following this standard.

Defra also uploads relevant programme outputs to the [UK Development Tracker](#).

## 6.6 SAFEGUARDING

All BIOFIN partnerships are subject to UNDP safeguards, highlighted by a due diligence process to ensure potential partners are in line with UNDP corporate principles, especially on environmental sustainability and human rights. This is enforced at the national level.

## ANNEX 1: EXAMPLES OF PREVIOUS BIODIVERSITY FINANCE PLANS IMPLEMENTATION

Taken from the BIOFIN Progress Report, June 2021.

In the **Philippines**, BIOFIN helped fill a gap in protected area legislation (2018) and supported the formulation of a US\$ 40 million budget proposal for protected areas, adopted late 2019 for the 2020 budget. A new app 'GCash Forest' was launched with payment platform GCash/Alipay, combining incentives for sustainable behaviour with payments for tree planting, raising over US\$ 500,000 in a year and already planted 650 000 trees.

New legislation was formally adopted on multiple finance solutions in **Kazakhstan** in 2017 and 2021, including a definition for ecosystem services and natural capital, first time legislation on biodiversity offsets and PES, and an improved law on protected areas<sup>39</sup>.

In **Georgia**, the Environment Ministry saw a budget increase for biodiversity conservation from US\$30,000 to US\$270,000 after making a better investment case.

In **Guatemala** five coastal municipalities increased the funds available for coastal and marine biodiversity conservation and management by over 50% from 2018 to 2019 using results-based budgeting.

**Mexico** successfully re-designed two major environmental funds: (1) a national climate fund (previously not operational and not focusing on biodiversity) that since saw a turnover exceeding US\$ 3 Million, with US\$ 2 million directed to NbS for ecosystem resilience, and; (2) a green fund of Mexico City, resulting in a saving of US\$ 3 million per year through efficiencies identified by BIOFIN and a more articulated focus on biodiversity.

**Sri Lanka** adopted a sustainable finance sector policy and sustainable tourism certification in 2019.

**Zambia** enacted a national framework for green bonds early 2020 and successfully removed a barrier to unlock investments for conservation by reducing the investment threshold to qualify for incentives from \$500,000 to \$50,000 at the end of 2021.

The **Seychelles** parliament formally adopted all the finance solutions and launched the first ever Biodiversity Finance Unit in 2019.

**Sri Lanka** and **Cuba** are implementing Payments for Ecosystem Services for the first time.

**Kyrgyzstan** was the first country to set an official reform agenda to revisit agriculture subsidies with a negative impact on biodiversity.

**Indonesia** helped secure a US\$ 2.7 million investment for a bird conservation centre in the Maluku Islands from *Sukuk* finance (type of Islamic bond).

**Ireland** became the first West-European country to implement the BIOFIN methodology, completing the Biodiversity Expenditure Review and Policy and Institutional Review.

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<sup>39</sup> See <http://www.biodiversityfinance.net/news-and-media/new-laws-pave-way-innovative-finance-protect-biodiversity-kazakhstan>

## ANNEX 2: FULL DETAILS OF COUNTRY GRANT FINANCE SOLUTIONS

### **Botswana – design of a national action plan to repurpose biodiversity harmful subsidies**

Botswana revised its NBSAP to align it to the United Nations Convention on Biological Diversity 20 Aichi Biodiversity Targets in 2016. The NBSAP highlighted “that by 2025, incentives and subsidies across all sectors are revised, designed or introduced to improve support for sustainable consumption and production and promote biodiversity conservation”.

The overall objective of this finance solution is to identify, assess, and quantify the value and the cost of subsidies likely to have an impact on biodiversity for each of the 8 prioritized sectors (water, agriculture, tourism, energy, forestry, mining, protected areas, and fishing).

BIOFIN will then design reform options and prioritize efforts that take into consideration social, environmental, economic, and political economy concerns. An action plan will be developed and support for the implementation will be provided. To reach the desired impact, a dissemination and communication plan will be designed and implemented.

### **Costa Rica – Bio-business finance platform**

The Bio-Business Funding Platform develops a project portfolio with emphasis on bioeconomy for the mobilization of investments through grants, preferential green credits, seed and risk capital. For this purpose, a national bioeconomy pipeline of projects has been identified as well as a list of prioritized finance mechanisms.

The long-term objective is to mobilize and catalyse at least US\$ 20 M of resources for bio-businesses that apply sustainable use of biodiversity.

BIOFIN in Costa Rica has delivered an initiative promoted by BIOFIN called the +Women+Nature Program. In 2021 the More Women More Nature program placed US\$ 1,405,000 (in 120 loans) in women led green enterprises. BIOFIN has also partnered with the Development Bank System (SBD) to deliver a Biobusiness Acceleration Program, through which funds from the SBD such as the National Fund for Development (FONADE), will be allocated. The forecast of funding mobilization for this financial mechanism is at least \$350 K/year for the years 2022-2025.

BIOFIN also delivered an 80+ project portfolio within the scope of the National Bioeconomy Strategy (ENBE) in the context of a partnership with various public institutions (Ministries of Science and Technology, Environment and Energy, Agriculture and Economy) and other organizations.

Additional funding would be used to deliver the following outputs:

1. Develop business concept model with nature and gender considerations. While traditional business plan considers activities and value proposition, a strategic model that relates biodiversity and gender gaps is not available or used in Costa Rica businesses
2. Test Nature and Gender Business Model instrument with at least 3 Bio-business portfolio projects
3. Develop guidelines and potential training program content for 1) private sector to assess nature and gender equality considerations into businesses models 2) finance entities to identify nature and gender related impacts/KPIs.

### **Ecuador - Finance sector for biodiversity conservation**

BIOFIN started the work with the National Finance Corporation for the Popular Economy (CONAFIPS) at the end of 2020 supporting the initial design and execution of green credit/loans lines for the Popular Economy (Credit Unions). In 2021 and 2022, BIOFIN was able to support the implementation of Green Credit Lines in Credit Unions at national level, in coordination with CONAFIPS. In this context,

the Ministry of Environment, Water and Ecologic Transition (MAATE) is interested in adopting a legislation for the green credit lines at national level and develop green finance mechanisms.

This Finance Solution looks for a coordinated work with the finance sector to promote more sustainable practices and the development of financial tools (such as green bonds, taxonomy for green loans) in Ecuador.

Ecuador is expecting to receive at least US\$ 200M (from the Inter-American Development Bank - IADB - and the Latin American Bank CAF) in order to promote a sustainable economic recovery after the COVID19 pandemic. Green credit lines and green financial mechanisms represent an important opportunity to promote a greener economy in key sector such as agriculture, energy, transportation, among others.

With additional funds, BIOFIN would be able to support the design and implementation of a national “taxonomy” for green credits/loans in the financial system in coordination with the Ministry of Environment, Water and Ecologic Transition (MAATE), promote the usage of financial resources coming from the multilateral banking system towards green activities, prepare a “Green Finances Strategy” with the MAATE and initiate a feasibility study for green finance sector mechanisms such as green bonds.

### **Georgia: Catalysing reforestation and forest conservation activities through participation of private sector and general public**

Forests occupy 40% of Georgia’s territory and 98% of forests have natural origins. However, Georgian’s forest face multiple threats among which the unsustainable forest management practices, illegal logging, poverty level, lack of awareness, lack of financing, etc.

The forest Sector in Georgia is undergoing a reform and there is a growing interest/demand from both private companies and general public to be involved in forest restoration and conservation activities. The National Forestry Agency (NFA) wishes to catalyse private sector and general public involvement in forest restoration and develop financing opportunities for sustainable forest management.

Since 2016 BIOFIN created strong links with the Ministry of Environmental Protection and Agriculture of Georgia (MEPA), the NFA, and the Ministry of Finance. This collaboration led to finance solution implementation in the forest sector resulting in significant tangible results such as *‘Improving ecotourism offerings in state forest areas’* and *‘Reviewing and updating existing fees and new opportunities of fees for the use of non-timber forest products.’* Today, BIOFIN is supporting the government with the Forest Sector reform.

This finance solution envisages the introduction of a platform allowing interested parties to get engaged in various forest conservation activities: private sector companies will be able to donate for forest restauration projects designed by the NFA or directly support their implementation, crowdfunding options will be provided to citizens, voluntary activities will be proposed, planting events will be organized. BIOFIN will also support the NFA in the design of pilot projects for forest restoration.

The implementation of this finance solution will increase the involvement of private companies and general public in sustainable forest management; raise awareness on the importance of forest ecosystem services and sustainable forest management practices; increase funding for sustainable forest management.

### **Guatemala - Updating the finance mechanisms which determine the National Council of Protected Areas' (CONAP) income**

Public funding is insufficient to finance the National Biodiversity Strategy goals. Therefore, the National Council of Protected Areas (CONAP) developed a series of mechanisms to increase institutional revenues.



The tariff guidebook establishes prices for goods derived from the national protected area system and services provided by CONAP. BIOFIN found that the tariff guidebook is not up to date, and the payments' procedures are complex and cumbersome, making it complicated to collect funds and comply with the national legal norms.

Under this finance solution, BIOFIN will update, automatize, and modernize the procedures for collecting the National Council of Protected Areas' (CONAP) resources. Ensuring increased resources for CONAP and a capacity to deliver better the existing funds.

BIOFIN is already working on the design of a financial mechanism for the modernization and institutionalization of the National Fund for the Conservation of Nature (FONACON). This finance solution will create synergies with the fund and reduce the existing finance gap to meet the National Biodiversity Strategy goals.

CONAP's own funding in 2020 was US\$ 1.7 million. With the implementation of this finance solution, it is expected that the amount could increase by 10 to 20%.

The activities would include the development of a study to update the tariff guidebook and improve the administrative procedures and formalities to pay for the assets and services provided by CONAP. BIOFIN Guatemala will be able to rely on the BIOFIN experience in Costa Rica, Cuba, and Mexico for best practices that will facilitate the design and implementation.

### **Mexico - Financing Sustainable Forest Management through Carbon Compensation Credits**

Mexico's land tenure distribution is complex. More than 52% of the land is owned by communities and communal properties called *ejidos*. These properties are distributed along the country, covering country's most important land biodiversity hotspots and protected areas.

Interest in forest carbon in Mexico is growing at a fast pace, with a growing demand for forest credits but the supply is still very limited. This is due to two main factors: firstly, communities do not have capacities and knowledge about how the market operates. Secondly, these asymmetries are worsened by the lack of economic incentives needed to develop and certify carbon projects.

The *ejido* El Salto, covers 588,000 ha. (approx. the size of Trinidad and Tobago) from which 226,000ha have a potential to be included in carbon compensation schemes. El Salto has been working to develop a big scale carbon project that could generate additional resources, support sustainable forest management, climate mitigation and conserve one of Mexico's most important conifer forests. The community has already built the bases of a 12 thousand ha. project based on the Climate Action Reserve Mexico Forest Protocol by strengthening governance, raising funds (200k USD), and drafting the technical aspects to quantify the potential CO<sub>2</sub> that could eventually be commercialized in the voluntary market.

BIOFIN is looking to support the *ejido* El Salto as a laboratory to inform public policy, outreach for private involvement, integrate strong biodiversity criteria and build capacities. The lessons learned from this intervention would then help to scale up in other regions.

BIOFIN Mexico has already generated information regarding the national emission trading system (ETS) and its relationship with forest compensations, has drafted proposals to create climate taxes that could finance NbS at the subnational level, and has also supported the strengthening of the national Climate Change Fund. Particularly, the initiative has already made a diagnostic about the potential of forest compensation schemes in the regulated ETS, including policy recommendations to improve the role of communities, accelerate the creation of a project pipeline and address market failures that have presented in other ETS around the world.

The expectation would be that by March 2023, El Salto community has leveraged the necessary resources to develop, certify and commercialize carbon offset credits in the national and international market for the first 12 thousand ha. and has built a progressive financial and technical proposal to increase the number of hectares over the years up to a potential 226 thousand ha.

Additionally, specific recommendations would be made to the Ministry of Environment and the Forestry Commission to improve the ETS, reform positive subsidies that could partially fund project

development and provide the elements to support community capacities to eliminate information asymmetries.

### **Nepal - Accounting biodiversity expenditure of community-based conservation initiatives in the national system**

Nepal initiated the decentralized conservation and forestry initiatives in the late 1970s. Nearly half of the national forest area (2.1 million ha) is managed by community institutions. According to the national legislation, these community-based institutions can generate revenue by selling the forest products and services according to the management plan and mobilizing fund for conservation and development activities. Though these institutions must submit the annual financial audit report every year to the concerned government offices. As of January 2022, there is no comprehensive system developed at the national level to understand the current level of biodiversity expenditures by community-based organization and support them on mainstreaming biodiversity management at local management level. BIOFIN aimed to operationalize the system to improve community institutions' accountability, efficiency and resource mobilization towards biodiversity management.

This will be achieved through a pilot of an operational decentralized database system on biodiversity expenditure assessment of community institutions. Strengthening institutional capacity of the national and sub-national government offices to operationalize the database will be needed as well as building capacity of community institutions on mainstreaming biodiversity conservation in the operational and annual plans.

BIOFIN- Nepal estimated the community forestry institutions' current level of biodiversity expenditure at 15.8 billion (US\$ 133.9 million), or nearly 1.5 times higher than the budget of the forest ministry. However, there is no system for recording such expenditure, making them accountable for biodiversity management. The study recommended developing a system for accounting income and expenditure of community institutions in the national accounting systems and supporting the community institutions on mainstreaming conservation in their periodic and annual plan.

The finance solution will support the effective fund mobilization and re-orienting existing financial flows towards biodiversity management.

### **Philippines - Mainstreaming Biodiversity in Local Government Units**

The Local Government Code of 1991 provided a shift between the national and local governments and defined their roles in pursuit of development. The law envisioned the local government unit (LGU) to become autonomous, self-reliant, and effective partners of attaining the national goals. With the implementation of the Mandanas ruling in 2022, LGUs will have at least a 27% increase in their total internal revenue allotment.

The finance solution seeks to direct a part of this increased LGU budget towards investments in biodiversity conservation.

BIOFIN already assisted the municipality of Sablayan, Occidental Mindoro in developing its conservation programs and a finance plan which was approved by its Local Legislative Council through Resolution No. 2018-GGM056. The municipality developed several proposals and has accessed funding from national government agencies.

In 2018, BIOFIN supported the preparation of the Negros Island Biodiversity Strategy and Action Plan as well as a Biodiversity Finance Plan covering two provinces. In relation to this, the governor of Negros Oriental issued Executive Order No. 12 S. 2021 creating the Wildlife and Biodiversity Conservation Management in charge of developing and implementing programs and projects. A draft ordinance on Tourism Ecological Fee has also been developed and submitted to the Negros Oriental Provincial Legislative Council Environment Committee Chair for consideration.

In 2021, BIOFIN assisted the Biodiversity Management Bureau in developing 3 biodiversity indicators for inclusion in the Department of Interior and Local Government's (DILG) Seal of Good Local

Governance, a progressive assessment system that gives distinction to remarkable local government performance across several areas.

In order to direct LGU's new budgets towards investments in biodiversity conservation, increased advocacy and capacities for biodiversity conservation financing will be needed at the LGU level as well as an improved alignment of local, provincial and regional plans. BIOFIN will also increase communities' awareness and seek blended finance opportunities to improve private/public collaboration at the local level.

### **Sri Lanka - Supporting the establishment of National Sustainable Tourism Certification Scheme**

According to the expectations of the Tourism Promotion Bureau of Sri Lanka, around 4 million international tourists will travel to Sri Lanka by 2030. With annual earnings of 4,400 million USD in 2018, it has become the third highest foreign exchange earner of the country and has a very high potential to contribute towards mobilizing resources for sustainable use of biodiversity in the country.

BIOFIN project initiated the National Sustainable Tourism Certification (NSTC) for accommodation sector in 2018 and for destination management in 2020 in collaboration with the Ministry of Tourism and Sri Lanka Tourism Development Authority. The certification system was developed under the technical guidance of the Global Sustainable Tourism Council (GSTC) to ensure that the certification will have a global recognition. The first round of certification for accommodation providers was completed in 2019 with 37 large hotels being certified and the first round of destination management is currently underway.

The objective of the financial solution is to expand the National Sustainable Tourism Certification scheme established in Sri Lanka to include tour operators, launch the second round of accommodation certification and incentivizing the certified sustainable destinations as well as launching the second round of destination certification programme. Further it will build the capacity of the government to establish a certification institute within the country. These three certification programmes will enable the tourists to select service providers with high commitment towards sustainability. Sustainable Tour Operations certification would focus the attention on introducing new routes with higher number of sustainable destinations and accommodation providers for tour operators among other objectives. Further a new online biodiversity expenditure tracking platform will be introduced and promoted amongst all key stakeholders enabling the national focal points to estimate the actual level of investments and prioritize areas that need government investments.

With the additional investment on the sustainability certification, number of accommodation providers certified could be increased to a minimum of 125 and the number of tour operators certified will be minimum of 10 by April 2023. New investments will enable the stakeholders to institutionalize the certification schemes and ensure the sustainability of the finance solution. With more accurate tracking of biodiversity related expenditure, national biodiversity focal points will be able to request additional funding generated through the private sector to invest on high priority areas.

### **Tanzania - Mainstreaming Biodiversity in the Climate Change Fund and the Blue Economy Revolving Fund in Zanzibar**

The development of blue economy and addressing the impacts of climate change are at the top of the development agenda for the Revolutionary Government of Zanzibar (RGZ). The Zanzibar Blue Economy policy of 2020 aims to ensure environmental sustainability of oceans. The policy proposed to establish a blue economy revolving fund to finance the development of the blue economy. In parallel, the Zanzibar Climate Change Strategy (2014) includes a proposal to establish a Climate Change Fund (currently at advanced stage of development). In the context of Zanzibar, climate change impacts, biodiversity loss and blue economy challenges are interlinked and must be addressed collectively. In this context, it is critical to mainstream biodiversity into the proposed funds. In this

regard, establishing the appropriate mechanisms will enable the RGZ to mobilize required resources and provide stable, reliable, long-term funding sources for the protection and sustainable management of natural resources.

The main objective is to conduct a study on the establishment and operationalization of the climate change fund to take into consideration biodiversity conservation and blue economy in Zanzibar. The study will be accomplished through the analyses of relevant policy, legal, fiscal, and institutional frameworks, and the development of fund mobilization strategies as well as investments options. The study will suggest operationalization model of the fund including management structure and other standard operating procedures.

Currently, the BIOFIN project is supporting the development of the national Biodiversity Finance Plan, which is nearly completed. The process has created a good momentum and involves the Ministry of Finance and Planning, the Department of Environment in the 1<sup>st</sup> Vice President Office, the Ministry of Blue Economy and Fisheries, other sector ministries.

The following impact is expected once the fund is set up and operational: sustainable utilization and conservation of marine resources; enhancement of livelihoods of people depending on marine resources; build climate resilience and empowerment of women involved in the blue economy-related sectors.