



Department  
for Environment  
Food & Rural Affairs

# **Global Biodiversity Framework Fund UK Investment**

## **Full Business Case (FBC)**

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# 1. Executive Summary

## Summary

1. This Full Business Case seeks clearance to invest up to £100m from Defra's Official Development Assistance (ODA) budgets over four years in the newly established Global Biodiversity Framework Fund (GBF Fund).
2. The Convention on Biological Diversity (CBD) COP15 in 2022 agreed to create a new nature fund in 2023 to support countries to implement the Kunming-Montreal Global Biodiversity Framework (KMGBF). The GBF Fund's unique remit is to provide grant finance for biodiversity projects and programmes in up to 143 ODA-eligible countries to halt and reverse biodiversity loss through achievement of the KMGBF. The fund will focus on countries with high biodiversity and those with the greatest need/least capacity.
3. The GBF Fund will sit under the well-established Global Environment Facility (GEF) and complement and extend existing sources of biodiversity funding to help cover costs across the full scope of the ambitious goals and targets of the GBF.

## Context and Strategic Fit

4. Nature is being degraded at an unprecedented rate and there is a significant and urgent need to scale up action and resources to address biodiversity loss. Nature loss disproportionately harms the world's poorest, and action to address nature loss may help to alleviate global poverty. Success relies on a substantial increase in investment for biodiversity from all sources to support developing countries to meet the cost of implementing the KMGBF. Without additional finance, the goals and targets of the KMGBF will not be met by 2030.<sup>i</sup>
5. Timely UK investment this year is important. The UK has already made a public commitment to the Fund, approved by Investment Committee, of £10m, conditional on an approved business case. Activities funded through the GBF Fund will support a number of HMG's international priorities on nature, climate and poverty reduction, including the Integrated Review and Integrated Review Refresh, the International Development Strategy and the Strategic Framework 2030. A significant contribution to the GBF Fund will demonstrate continued UK leadership in the international nature finance space and increase our ability to influence how both the UK's contribution, and wider global funding, is allocated.
6. The design of the GBF Fund also supports wider UK and development objectives, including to prioritise support towards Small Island Developing States and Least Developed Countries, including through Indigenous and Local Communities. The UK investment will be pooled with other donors' contributions, and the GBF Fund is designed to maximise funding leveraged from the private sector to further boost investment to biodiversity and create sustainable financial flows.
7. The activities to be funded by the GBF Fund are demand-led, with projects determined through a bottom-up approach to deliver on national biodiversity priorities. Together, these projects will deliver the strategic objectives of the GBF Fund, which have been agreed multilaterally by the GEF Council and Assembly, in line with UK positions and objectives – largely, and uniquely, to deliver the goals and targets of the KMGBF. Outputs and benefits to countries and communities across the globe will vary, though for instance could include expansion of conservation areas, protection of species, enhancement of ecosystem functions and connectivity or new approaches to pollution management.
8. The investment will not realise cashable benefits to the UK. UK investment in the GBF Fund is intended to deliver two key aims: to ensure that the GBF Fund is launched successfully (delivered largely through the £10m already announced but which now needs approval); and to support the ongoing achievement of the goals and

targets of the KMGBF (delivered largely through the bigger contribution sought by this business case).

### Cost and Status of funding

9. Finance for the UK investment will be classed as 80% International Climate Finance for nature and come from Defra’s ODA budget, in line with the following *indicative* spend profile in Table 1 of amounts up to:

Annual spend profile	FY23/24 (Yr 1)	FY24/25 (Yr 2)	FY25/26 (Yr3)	FY26/27 (Yr4)	Total
Defra Funding					
Official Development Assistance	£10m	£10m	£40m	£40m	£100m
Of which ICF Funding (80%)	£8m	£8m	£32m	£32m	£80m
<b>TOTAL Programme Costs</b>	<b>£10m</b>	<b>£10m</b>	<b>£40m</b>	<b>£40m</b>	<b>£100m</b>

Table 1. Indicative spend profile.

10. Funding the indicative amounts in financial years 23/24 and 24/25 will come from unallocated funding in Defra’s existing ODA budget. The balance of funding in 25/26 and 26/27 is unsecured and subject to HMT approval in the next spending round.
11. Ministerial responsibility and Accounting Officer Accountability will sit with Defra. Defra and FCDO will jointly resource the project from existing admin and ODA programme budgets to support GBF Fund governance structures, financial and project management. Defra’s ODA Board will provide oversight and approval for the phased release of additional funds once total contributions reach £50m, based on the performance of the GBF Fund.
12. An MoU will be agreed which will formalise these roles further.

### Options

13. Seven investment options were considered in the Economic Dimension, these are:
- **Option 1 (Do Nothing):** No contribution is made to the proposed programme. This provides a preliminary assessment of what the counterfactual option implies and why this option has been discounted. This supports the case for the UK to contribute up to £100 million to one of the other options.
  - **Option 2 (Do minimum):** Contribution to GBF Fund of £10m
  - **Option 3:** Contribution to GBF Fund of £100m
  - **Option 4:** Additional Investment in BioFin
  - **Option 5:** Additional investment in Biodiverse Landscapes Fund
  - **Option 6:** Additional investment in the GEF Trust Fund
  - **Option 7:** New/additional investments in a portfolio of bilateral blended finance programmes
14. Following a qualitative assessment of the longlist against the Business Cases’ Critical Success Factors it was determined that Option 1 “Do nothing” and Option 3 “Contribution to the GBF Fund” should be analysed in further detail at the shortlist appraisal.
15. A cost-benefit analysis of a £100 million UK contribution to the GBF Fund indicates investments could represent very good value for money. The GBF Fund is housed under the Global Environment Facility (GEF), which delivers comparable (though not identical) programme activity and has done so for more than 30 years. Based on expected GEF-7 results, each pound of UK taxpayers’ money invested in the GBF Fund is expected to generate global benefits of about between £11 - £213 over a 20-year appraisal period. As the BCR estimated is based on GEF-7 expected results the

range should be interpreted as an indication of value for money of the GBF, rather than expected results of the programme. To mitigate risk associated with using GEF-7 results to determine the value for money of the GBF Fund, a low, central, and high scenario were estimated by varying ecosystem and carbon values and expected performance of the GBF. The wide range of BCR estimates is the result of several key variables being changed in each scenario.

16. If 80% of the estimated results are achieved, it is estimated that the UK's proposed £100 million contribution to the GBF Fund will create or restore approximately 200,000 hectares of ecosystems and mitigate 145,000 metric tonnes of CO<sub>2</sub>e.
17. A switching value analysis was undertaken which found that even using low estimates for the value of the environmental benefits, only 5% of the expected results need to be achieved for the project to break-even over the 20-year timeline appraised. This provides confidence that the UK's contribution to the GBF Fund could represent excellent value for money.
18. These results are uncertain. GBF Fund funding will be allocated on a demand-led, competitive basis, and we cannot formally predict exactly which projects will be offered or supported. Given our inability to predict future country priorities and the resulting funding distribution across GBF Fund indicators, we have tried to mitigate this risk through scenario analysis.

### **Delivery**

19. Like its parent fund, the GEF Trust Fund, GBF Fund projects and programmes will be developed and delivered through 18 accredited agencies. These agencies are the multilateral development banks, UN agencies, and international NGOs who work with developing countries to design and implement programmes.
20. Given the good track record of the GEF, and our assessment of their processes and policies, the risks of this programme are considered moderate and within Defra's risk appetite. Risk will be actively monitored and reported against as projects get underway.

### **Evaluation plan**

21. Given the speed with which the GBF Fund has been established by the GEF and its multilateral partners, a full GBF Fund Results Framework has not yet been developed by the GEF. The UK will align the current draft project logframe with the full set of GBF Fund indicators when finalised after CBD COP16 in 2024, and will use this monitoring to inform annual reviews and ODA and ICF reporting.
22. Evaluation of the UK investment will be carried out through Annual Reviews and a Terminal Evaluation at the end of the four-year investment period. Data and information will be gathered from the annual reporting from the GEF secretariat and Implementing Agencies.

## 2. The Strategic Dimension

### 2.1. Strategic Context

23. **Nature is being degraded at an unprecedented rate<sup>ii</sup>.** This degradation undermines nature's productivity and resilience which constitutes a systemic risk to our economic and financial security, as well as to wellbeing and food security. Loss of forests, peatlands and other critical ecosystems poses a direct threat to economic development, particularly in low and lower-middle income countries. Biodiversity sustains our economies, livelihoods, and well-being and is seen as critical to achieving all the Sustainable Development Goals (SDGs)<sup>iii</sup>.
24. **The global demand on nature exceeds supply, leading to the declines in nature we see today<sup>iv</sup>.** Despite some weaknesses in models and tools to measure the value of natural capital, researchers have estimated that \$44 trillion, around half of global GDP, is highly or moderately dependent on nature. For example, the worldwide loss of natural pollinators would lead to a drop in annual agricultural output of about \$217bn<sup>v</sup>.
25. **Nature loss disproportionately harms the world's poorest people and marginalised groups, women and indigenous peoples and local communities.** These groups depend disproportionately on biological resources<sup>vi</sup>: 70% of the world's poor live in rural areas and derive 80% of their living requirements from natural resources<sup>vii</sup>. The poverty faced by these communities is exacerbated by the degradation of their environment, the loss of productive farmland, a reduction in food availability, exacerbation of environmental and weather shocks, and health risks from disease. Therefore, action to tackle nature loss may benefit the world's poorest and help to alleviate global poverty.
26. **Evidence is also emerging that environmental degradation can have a negative effect on economic growth.** The Dasgupta Review<sup>viii</sup> argues that the failure to address environmental degradation results from several market and governance failures that prevents us realising the full economic values of nature that will help manage it as an asset. At the same time, the growth in environmental goods and services provides a major economic opportunity. Well-managed ecosystems provide economic opportunities. World Bank modelling suggests that 'nature smart' policy solutions, such as incentivising land conservation through forest carbon payments and investing in agricultural research and development, can provide GDP benefits of up to \$150 billion and avoid up to 50% of land conversion, when compared to a business-as-usual scenario<sup>ix</sup>.

#### Global Biodiversity Framework

27. **In 2022, the Convention on Biological Diversity (CBD) COP15 agreed the Kunming-Montreal Global Biodiversity Framework (KMGBF).** This framework is an ambitious set of 4 goals and 23 targets designed with the aim of halting and reversing biodiversity loss by 2030<sup>x</sup>. It is action- and results-oriented, requiring a whole-of-government and whole of society approach, and adequate, predictable and easily accessible financial resources.
28. **There is a significant and urgent need to scale up action and resources to deliver the GBF.** The Paulson Institute suggest that to halt and reverse the decline of biodiversity globally we need to spend between \$722-967bn each year out to 2030<sup>xi</sup>. Currently, only an estimated \$124-143bn is spent on protecting and restoring nature, leaving the gap in the region of \$700bn per annum.
29. **Successful delivery of the targets by countries requires an increase in public and private investment for biodiversity,** including an urgent step up in international public finance being provided to developing countries. The KMGBF has set an ambitious global target to increase finance for biodiversity to \$200bn by 2030, with a

sub target of at least \$20bn of international public funding by 2025, and at least \$30bn by 2030.

## Global Biodiversity Framework Fund

30. **To support the mobilisation of financial resources required to deliver the KMGBF, COP15 agreed to establish a new Global Biodiversity Framework Fund (GBF Fund).** The GBF Fund will help fill the financing gap and support implementation of the KMGBF by providing grant funding to ODA eligible recipient countries to deliver biodiversity projects. It is unique in the current development finance landscape in that it is the only multilateral ODA fund focussed exclusively on delivering nature outcomes – but is able to deliver those outcomes through achievement of any of the wide-ranging goals and targets of the KMGBF.
31. **The GBF Fund will be managed by the Global Environment Facility (GEF).** The GEF is the largest and most established multilateral fund dedicated to addressing global environmental degradation. The GEF Instrument<sup>xii</sup> explicitly establishes the GEF Trust Fund to promote “environmentally sound and sustainable economic development”. The GEF works with developing countries and a set of 18 accredited agencies, predominantly the multi-lateral development banks (MDBs) and UN agencies, to develop and implement projects and programmes. The World Bank is the Trustee and GEF trust funds are governed by a balanced board of developed and developing country representatives. GEF’s work is coordinated by a permanent Secretariat.
32. **The GBF Fund was ratified at the GEF Assembly in August 2023 and will be formally launched in December 2023.** Following 8 months of intensive negotiations, all 196 Parties to the CBD agreed to the documents establishing the GBF Fund and its operating procedures. The detailed instructions on fund governance<sup>xiii</sup>, operating modalities and funding priorities<sup>xiv</sup> were ratified by global Ministers in August 2023. Capitalisation of the GBF Fund can commence once fully established by the World Bank in late 2023/early 2024. Project funding will flow to recipient countries from June 2024 following approval of the first round of projects.

## 2.2. Case for change

### Current Arrangements

33. **The GEF is the financial mechanism of the CBD, as well as the two other UN Rio Conventions, providing ODA funding to recipient countries to deliver the objectives of the CBD.** Recognising the overlap between nature, climate and land degradation, the GEF Trust Fund provides funding that prioritises action that deliver outcomes integrated across the three themes. The UK has provided over £1bn in financial contributions to the GEF since its inception over 30 years ago. Most recently, the UK contributed £330m to the eighth GEF Trust Fund replenishment for the period 2022-2026. Over 60% of the GEF-8 \$5.33bn Trust Fund will directly or indirectly support biodiversity and the implementation of the KMGBF and will leverage 7 times its original value through other funding sources.
34. **Despite the known and well understood urgency of addressing biodiversity loss, multilateral funding is not getting to where it is needed.** Feedback from recipient countries of ODA funding for nature, including from the GEF, indicates that it is difficult to prioritise biodiversity projects from multilateral funding pots, and countries cannot access the support they need to deliver on the CBD through domestic projects. The need has increased given the ambitious and urgent need to implement the GBF. COP15 agreed that this financial barrier may be best addressed in the short to medium term by establishing a dedicated fund for biodiversity within the

GEF that could be established and operationalised quickly and be focused specifically on implementing the GBF.

## Future Needs

35. **Public money alone will never be enough to reach the scale of financing required to halt and reverse biodiversity loss.** There is a need to secure finance from all sources and make funding easily available to those most in need. Future funding for biodiversity needs to be drawn from all sources of finance and be made easily accessible to recipient countries.
36. **The GBF Fund is being established to fill a niche that does not otherwise exist,** as a mechanism to direct funding from both public and private sources to specifically initiate or scale up support for biodiversity-related projects in developing countries globally. The GBF Fund aims to reduce the administrative processes and timeline for funding applications, whilst ensuring existing financial safeguards to protect the use of public money, as approved and embedded under the GEF Trust Fund, are maintained in the delivery of the GBF Fund. The GBF Fund is the only multilateral public finance fund to prioritise the delivery of nature objectives, through the delivery of the goals and targets of the KMGBF.
37. **The protection and restoration of nature is a core development issue, especially for rural livelihoods.** Evidence suggests that it is critical to work in partnership with people in at-risk areas to deliver sustainable solutions that reflect how they will be affected by outcomes<sup>xv</sup>. In line with the GEF remit to deliver poverty reduction benefits through environmental programmes, activities funded through the GBF Fund will have benefits to poverty alleviation. A UK contribution to the GBF Fund, which aims to work closely with local communities, will address this development need and help to prevent further nature degradation and halt and restore biodiversity loss.

## Investment Objectives

38. **A UK investment of £100m to co-finance the GBF Fund will provide grant financing for projects and programmes in up to 143 eligible developing countries to support implementation of the KMGBF and address poverty.** Based on results from the 7th replenishment of the GEF Trust Fund, the environmental outputs attributable to the UK investment in the GBF Fund are expected to be approximately:
  - 7.4Mha of terrestrial protected areas created or under improved management
  - 1.4Mha of marine protected areas created or under improved management
  - 0.12Mha land restored
  - 9.8Mha of landscapes under improved practices (excluding protected areas)
  - 6.5Mha of marine habitat under improved practices to benefit biodiversity
  - 45Mt of CO<sub>2</sub>e Greenhouse gas emission mitigated
  - £550m of public and £150m of private finance mobilized for biodiversity projects

## Main benefits, outcomes and dis-benefits

39. **The GBF Fund will support international development by providing grant finance to protect and improve global biodiversity.** Investments will help close the biodiversity finance gap of \$700bn and support efforts to halt and reverse biodiversity loss by 2030. Project funding will help people manage risk and build resilience to the effects of climate change now and in the future, promote sustainable economic development to reduce poverty, tackle deforestation and build good governance of natural resources. It will support the development and implementation of sustainable



biodiversity-based products, services and activities that enhance biodiversity, to generate social, economic and environmental benefits.

40. **The GBF Fund will deliver additionality over and above existing investments and programmes.** No other UK funded programme has the global reach of the GBF Fund, combined with thematic scope to cover the diverse range of action areas and targets agreed in the KMGBF, alongside the ability to be responsive enough to deliver against the range of domestic biodiversity priorities of recipient countries.
41. **All outcomes and benefits will be tracked at a project level and consolidated and reported to the GBF Fund Council.** UK attribution to these outcomes and benefits will be subsequently reported at a programme level as part of the ODA annual reporting cycle.
42. **The GBF Fund is anticipated to have direct benefits to developing countries and communities across the globe,** contributing to the delivery of KMGBF targets, in areas such as:
  - Delivery of domestic priorities in National Biodiversity Strategies and Action Plans (NBSAPs) (All targets);
  - Expanded spatial and land/sea-use planning (Target 1);
  - Identification and restoration of national-level priority areas to enhance biodiversity and ecosystem functions and services, ecological integrity and connectivity and ensure the persistence of globally significant biodiversity (Target 1);
  - Expanded conserved areas and enhanced effective management (Target 2 and 3);
  - Support for implementation of comprehensive Invasive Alien Species management frameworks (Target 6);
  - Reducing pollution risks to levels not harmful to biodiversity and ecosystem functions (Target 7);
  - Implementing nature-based solutions to minimise the impact of climate change on biodiversity and increase its resilience through mitigation, adaptation, and disaster risk reduction actions (Target 8);
  - Sustainable trade, use and management of wild species to provide social, economic and environmental benefits for people (Target 4, 5 and 9);
  - Policy analysis and research to develop new policies, legislation and strategies to eliminate, phase out, or reform incentives including subsidies harmful to biodiversity (Target 18);
  - Implementation of financial mechanisms identified in National Biodiversity Finance Plans and NBSAPs (Target 19).
43. **The GBF Fund will provided targeted finance, quickly mobilised to complement existing sources of funding.** Recognising the existing sources of multilateral and bilateral development funding for biodiversity projects, funding will aim to be made quickly to support the targets most in need of financial or technical support. The GBF Fund will use a streamlined project proposal cycle approach to support improve access to finance.
44. **The GBF Fund will provide a route for consolidating finance from all sources to support biodiversity projects and implement the KMGBF globally.** International public finance for nature will leverage private and other non-sovereign contributions and investments, necessary to help reach the scale of finance flows required to contribute to implementation of the KMGBF in recipient countries. The GBF Fund will

also target 25% of allocated funds to be programmed through MDBs and other IFIs, with the aim to increase the leverage of private sector funding at a project level.

45. **The GBF Fund will deliver nature finance that is weighted towards those countries with the lowest capacity to deliver and the greatest need.** This approach was agreed at COP15 and represented in the GBF Fund documentation, negotiated and agreed multilaterally, including by the UK. The KMGBF recognises the additional needs of certain countries to help implement the targets, and in recognition those countries will be provided with additional financial support. Small-Island Developing States and Least Developed Countries will be allocated a ring-fenced portion of 39% of the GBF Fund, and those countries with the greatest environmental assets will be granted the highest % of funding.
46. **The GBF Fund will provide finance for the rights-based and gender-responsive implementation of all GBF targets.** Successful delivery of the KMGBF will depend on sustainable socioeconomic development, the empowerment of women and girls, and on reducing inequalities. It will also support the delivery of the 2030 Sustainable Development Goals, including the goals to end poverty and reduce inequality.
47. **Recognising the important roles and contributions of indigenous peoples and local communities as custodians of biodiversity, the KMGBF will be implemented and evaluated in accordance with the rights and practices of those peoples and communities.** The benefits of supporting those countries most in need to protect and restore biodiversity should therefore accrue at local and regional levels and help to support local communities and indigenous peoples. The GBF Fund will support its approach by setting an aspirational target of 20% to be allocated to IPLCs. Projects that restore degraded ecosystems that are crucial habitats for biodiversity and livelihoods. By enhancing ecological connectivity and reducing exploitation on nature, wildlife can thrive, improving the resilience of local communities. An example of a GEF project that works through institutional and local capacity development to improve land management, scale up protected areas and increase ecological integrity is given in **Error! Reference source not found.**
48. **There are two principal aims of a multi-year UK contribution to the GBF Fund.** Firstly, a smaller upfront contribution will establish the GBF Fund alongside a small number of other global leaders, demonstrating UK leadership in nature finance by honouring the agreement reached on finance at COP15. It will help build political soft power across all negotiations and relationships, especially with middle ground powers in future CBD negotiations. Secondly, a larger contribution will help embed the GBF Fund to deliver the ambitious goals and targets of the KMGBF over the coming years, through the GBF Fund work programme. Urgent mobilisation of resource is critical to meeting the goals and targets of the KMGBF and the longer-term credibility and success of the GBF Fund to deliver relies on ongoing support. It will also bolster the GEF as the financial mechanism for the CBD (as opposed to creating entirely new funds), supporting the UK position to limit further fragmentation of the multilateral climate and nature development finance system.
49. **Any UK investment in the GBF Fund will be core programme funding, pooled with contributions from other donor countries and non-sovereign entities,** that will contribute to delivery of the GBF Fund's overall objectives. Given the multilateral nature, the UK's investment cannot be directly attributed to any one particular project, benefit or outcome.

50. We do not anticipate there to be any disbenefits with the functioning of the GBF Fund, though a fuller assessment will be conducted as the target benefits are further defined.

**Land/Seascape planning and restoration to improve ecosystem services and livelihoods, and expand protected areas**

*The Gambia's rural development and poverty reduction strategies emphasize the need to reverse stagnating agro-sylvo-pastoral productivity while safeguarding its rich natural resource base and unique biodiversity assets. Ecosystem degradation and conversion, unsustainable agricultural practices, including overgrazing and bush burning are the main threats, completed by the increasing pressure on coastal and marine areas.*

*To address the challenges, GEF provided USD\$5.6m in 2020, with additional co-financing of USD\$19.8m, to increase protected areas and ecological connectivity, and improve human and institutional capacity development. By 2023, protected areas have increased by 13500 Ha and around half of local land users in the project area now employ agroecological methods, with an equal gender balance of uptake in training.*

Figure 1. GEF Project Case Study: The Gambia

**The Global Environment Facility and the GBF Fund**

51. **The GBF Fund will be a distinct fund sat within the GEF family and use the same delivery mechanisms.** All programmes administered by the GEF aim to deliver environmental benefits that deliver sustainable economic development. The UK has provided over £1bn in financial contributions to the GEF since its inception over 30 years ago. Most recently a £330m contribution to GEF-8 replenishment predicts a strong return on investment of between £10 and £70 for every pound invested.
52. **Projects and programmes supported by the GEF are developed and delivered through 18 accredited Implementing Agencies.** These agencies are the multilateral development banks, UN agencies, and international NGOs who work with developing countries to design and implement programmes.
53. **GEF has consistently improved its performance over time,** responding to UK priorities on strengthening its policies, strategies and operational processes, for instance on maintaining and reporting on gender equality and social inclusion (GESI) and safeguarding policies, or monitoring of gender impacts at a project level. It invests in monitoring and evaluation and has a well-regarded and Independent Evaluation Office (IEO). It has a CEO who brings strong capability and experience from his previous post of Environment Minister in Costa Rica and Lead Negotiator for the CBD. The World Bank acts as the Trustee, meaning the GBF Fund will be implemented using the Bank's fiduciary standards and controls.
54. **The GEF has a focus on mobilising additional funds from both public and private sources to maximise impact.** The benefit of a centralised multilateral fund developed and managed by the GEF is the ability to build on the GEF's experience of delivering the biodiversity focal area under the main GEF Trust Fund and leverage private sector capital to further boost finance for nature. Co-financing across the GEF-6 period (2014-2018) averaged 7:1, which was incorporated into the ambition for the GEF-7 period (2018-2022). The GEF also uses relatively small amounts of funding (<0.5% of global spend on nature) strategically to create a multiplier effect by leveraging private sector capital, facilitated by a Private Sector Engagement Strategy. This has been found to deliver greater added value and most likely to deliver transformational change. The GEF also targets its funding on supporting policy coherence across government departments to ensure the creation of regulatory and

policy environments that discourage harmful practices which reduce the need for nature finance while simultaneously encouraging large-scale finance for nature.

## Why should the UK invest?

55. **A UK contribution to the GBF Fund will support poverty reduction alongside environmental benefits.** The Integrated Review and Integrated Review Refresh<sup>xvi</sup> are both clear that tackling climate change and biodiversity loss is the UK's number one international priority in 2021 and beyond. The recent International Development White Paper<sup>xvii</sup> is the principal strategic framing for all UK ODA, which aims to ensure that everyone has the opportunity of a good life, including by tackling climate change and nature loss. The establishment and approach of the GBF Fund aligns with the UK's White Paper. The supporting Strategic Framework 2030<sup>xviii</sup> states that Government will halt and reverse global nature loss, by increasing the protection, conservation and restoration of nature and tackling the key drivers of nature loss. Investment in the GBF Fund would demonstrate continued UK leadership in the international nature finance space and would also contribute to our 2020 UNGA Leaders' Pledge for Nature commitments on enhancing the mobilisation of finance for biodiversity.
56. **A cost-benefit analysis of a £100 million UK contribution to the GBF Fund indicates investments in the GBF Fund could represent very good value for money.** Based on expected GEF-7 results, each pound of UK taxpayers' money invested in the GBF Fund is expected to generate global benefits of about between £11 - £213 over a 20-year appraisal period.
57. **The GBF Fund is designed to support the leveraging of private sector investment using public sector donations,** with target leveraging ratios in line with co-financing during the GEF-7 replenishment period of 7:1<sup>xix</sup>. The GBF Fund will also be open to contributions from non-sovereign entities. Therefore, a UK contribution to the GBF Fund will do more to support biodiversity projects globally than the face value of the contribution.
58. **At initial capitalisation of the GBF Fund, there is no direct precedent on which to base assumptions on the scale of total capitalisation.** The minimum capitalisation threshold set by the World Bank (the Trustee) is \$200m. In consultation meetings with GEF members, other donor countries have voiced a target capitalisation of \$1bn. The CBD Secretariat has indicated they are targeting \$2bn. Our current assumption, based on informal discussions with other major donors, is that the initial GBF Fund capitalisation will land between \$300m and \$1bn.
59. **Other donor countries' have or intend to make financial contributions.** At COP15 Canada announced a CAD\$350m funding pot to support the KMGBF and pledged CAD\$200m of this to put towards the GBF Fund. Following the UK's announcement to contribute £10m to support the launch of the GBF Fund (subject to approvals), Germany pledged €40m at UNGA in September and Japan pledged ¥650m at UNFCCC COP28 in December. Other donors, including the US, France, Luxembourg and New Zealand, have all signalled that they intend to make a contribution, but scale and timings have not been shared publicly.
60. There is no set metric according to which the size of the UK's contribution will be determined, but historic burden share is useful as a context setter. The burden share for the UK under the recent GEF8 replenishment was 9.7%, putting the UK as the 5th largest donor (behind German, Japan, US and Sweden).

Donor ranking	Donor (G7 countries in bold)	GEF8 contribution (2023-27) (USD\$m) *	GEF8 burden-share
1	<b>Germany</b>	765	17.5%
2	<b>Japan</b>	504	13.8%
3	<b>US</b>	600	13.0%
4	Sweden	384	10.2%
5	<b>UK</b>	421	9.7%
6	<b>France</b>	338	7.8%
7	<b>Canada</b>	165	3.9%
8	Switzerland	173	3.6%
9	Netherlands	110	3.1%
10	Denmark	117	2.8%

Table 2. GEF-8 Donor burden share.

*\*USD equivalents correct at time of analysis (July 2023). Variation to burden share is due to currency exchange rate fluctuations % burden share based on differing exchange rates at time of the conclusion of the replenishment negotiations.*

61. **The UK's historic burden share of around 10% suggests that we should be targeting a £100m investment, given that most donors expect the GBF Fund initial capitalisation to land at around \$1bn.** However, the GBF Fund will accept rolling contributions, including those from the private sector, therefore the GBF Fund burden shares will continually change, rather than being a fixed value, and so will not be directly comparable to other GEF funds.
62. **Politically, there is a sense from other donors and developing countries that we are expected to contribute around £100m.** A contribution below this level could be seen as the UK not giving its full support to the GBF Fund, which would have reputational impacts.
63. **The GBF Fund will focus on providing financial support that is additional to the support available under the GEF Trust Fund.** The GEF is the main agency in the international development architecture that is focused on nature and tackling biodiversity loss. The new GBF Fund will be pivotal in focusing financial support to help deliver the goals and targets of KMGBF and for scaling up support for nature finance. The ambitious targets in the KMGBF go beyond the level or scope of the GEF Trust Fund; the GBF Fund will aim to fill these gaps. Projects will be able to further benefit from this additionality by submitting proposals for joint funding from the GEF and GBF Fund, providing the proposal meets the funding criteria for both funds.
64. **Voting power in the governance of the GBF Fund is linked to cumulative contributions to the GBF Fund.** Decisions at the GBF Fund Council will be made via consensus, with double majority voting used if required (60% of GBF Fund Council Members, representing 60% of contributions to the GBF Fund). The UK is likely to maintain a seat on the GBF Fund Council through strong contribution to the GEF Trust Fund, and can have a voice in decisions to approve projects and programmes to receive funding and can direct GBF Fund investments. The larger the UK contribution, the greater weight a UK vote would have in any voting scenario. A small contribution relative to other donors would limit our ability to influence the governance and direction of the GBF Fund.

## Main Risks

65. **The overall residual risk of this programme is considered moderate.** The programme faces five key categories of risk: (i) Operational; (ii) Programme; (iii) Financial; and (iv) Safeguarding. There are risks to successful delivery of the GBF Fund from a lack of funding demand, inadequate monitoring and reporting of impacts, potential fraud and financial mis-management, the future inclusion of private contributions and potential safeguarding concerns at the point of project delivery. Risk is discussed more in-depth in the Management Case.
66. **The risk profile aligns with Defra's ODA risk appetite.** The UK is willing to embrace and encourage the GEF to adopt innovative approaches in challenging places and therefore it is receptive to high strategic and contextual risks but has a minimum appetite for fiduciary and safeguarding risks, which are mitigated against through GEF's fiduciary monitoring and reporting requirements.
67. **FCDO undertook a Central Assurance Assessment of the GEF in November 2023.** The assessment considered GEF's governance and internal control, ability to deliver, financial stability and downstream delivery - all of which directly affect the management and delivery of the GBF Fund. The assessment will stand for 3 years until 2026. All findings and recommendations from the assessment will be discussed and agreed with the GEF Secretariat. The full set of findings will be considered by the Defra Programme Team when made fully available, with relevant findings shared with the ODA Board.

## Constraints

68. **There is limited in-year funding available in the short term.** Following the GEF-8 replenishment last year and wider draws on ODA support, across donor countries there is generally limited immediate funding available for another multilateral biodiversity funding mechanism. The GBF Fund has been agreed and established in very short time, and within multi-year budget cycles, so there is limited in-year budget available to access.
69. **The availability, timing and transfer of funding following any announcement of a UK contribution should align with the GBF Fund timelines.** Funds must be available at the point of project approval by the GBF Fund Board. The GBF Fund Council will review and approve project proposals on a 6-monthly basis.

## Dependencies

70. **Available budget and funding profiles.** Availability of funding for a UK contribution is dependent upon existing ODA budgets in 23/24 and 24/25. It is also dependent on sufficient budget allocation for the next Spending Review period. The ODA funding will be allocated under Section 1 of the International Development Act 2002 and expenditure will be in accordance with this legislation and all ODA requirements, and expected standards of Managing Public Money. The programme will follow the expected assurance processes for expenditure of this nature and value as outlined in Defra's Integrated Assurance and Approvals Strategy
71. **International Climate Finance (ICF) eligibility.** The planned UK contribution falls within the ICF3 period out to 25/26. Eligibility of a UK contribution to the GBF Fund to be counted as ICF for nature will also determine prioritisation of departmental and wider HMG spend.
72. Development and delivery of ambitious projects is dependent on the ability of Implementing Agencies and capacity of recipient countries. The GBF Fund will use existing delivery channels and entities and success is therefore dependent on the ability of those entities to identify suitable projects that support delivery of the GBF.

## Gender Equality Statement

73. **Men and women use natural resources differently and as a result, they are affected differently by changes to these resources.** Women and girls, and other groups that face marginalisation including people with disabilities and indigenous people and local communities are disproportionately affected by the triple crises of climate change, pollution and biodiversity loss. Evidence shows that involving women and girls in decision making leads to better climate and environment outcomes, but women and girls' voices are too often excluded<sup>xx</sup>. Despite encouraging policy and legal reforms, persistent gender-discriminatory social and cultural norms, unequal access to land, water and productive assets, and unequal decision-making continue to limit opportunities for women and men to equally participate in, contribute to, and or benefit from environmental policies, projects, and programmes.
74. **The Convention on Biological Diversity (CBD) highlights the clear link between nature degradation and poorer outcomes for women<sup>xxi</sup>.** It details how women are more dependent on their natural environments owing to the role they play in managing biological resources in many countries. This dependency means that biodiversity loss and degraded ecosystems perpetuate gender inequalities by increasing the time spent by women and children in performing certain tasks, such as collecting valuable resources including fuel, food, and water, and reducing time for education and income generating activities.
75. **The GEF Gender Policy is consistent with international best practice<sup>xxii</sup>.** The GEF policy on gender equality sets mandatory requirements for mainstreaming gender across all GEF governance and operations and will apply to the operations of the GBF Fund. The policy aims to promote gender equality and the empowerment of women and girls in support of GEF's mandate to achieve global environmental benefits. It requires more pro-active and robust gender integration approach and is complemented by a GEF Gender Implementation Strategy and accompanying Gender Guidance document for implementing partners.
76. **The latest GEF-8 Corporate Scorecard from June 2023 highlights that 100% of projects now consider gender issues in the original project design.** The GEF policy requires implementing agencies to provide gender analysis and the implementation of gender responsive measures to address any identified risks and opportunities through a gender action plan. If gender responsive measures have been identified the logical framework needs to include actions, gender sensitive indicators and sex-disaggregated targets. Depending on the final agreement of the KMGBF Monitoring Framework at COP16, the GEF will incorporate relevant additional indicators on gender into reporting requirements of the GBF Fund. This will improve the GEF's ability to report on gender impacts.
77. **The GEF secretariat will provide portfolio level gender information to the GBF Fund Council and will actively generate knowledge and share best practice.** Further improvements planned include ongoing discussions to undertake a gap analysis to identify areas that GEF may need to strengthen its approach and further guidance, for example people marginalised by virtue of their sexual orientation or gender identity and provisions to protecting the rights of LGBTQ+ persons. In addition, the CBD Gender Action Plan (2023-2030)<sup>xxiii</sup>, adopted at COP15, invites the GEF to "*provide technical and financial support, as well as capacity-building and development, for implementation of the Gender Plan of Action*". We would wish to see how the CBD Gender Action Plan will be integrated into the results of the GBF Fund and enhance the existing policy to consider gender equality in project and programme design.

## Counter Terrorist Financing and anti-money laundering

78. **The risk of programme resources being diverted for terrorism or for money laundering is considered low.** The funds will be directly managed by GEF's

accredited Implementing Agencies who must align with GEF's Anti-Money Laundering and Countering the Financing of Terrorism Policy. FCDO posts will be invited to review GBF Fund project proposals and identify any risks associated with projects working with particular countries or regions. GEF's Minimum Fiduciary Standards<sup>xxiv</sup>, updated and approved by the GEF Council in 2019, requires GEF agencies to demonstrate that they have in place the necessary policies, procedures, systems, and capabilities to:

- Systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism.
  - Effectively address risks when identified, based on standard decision-making procedures.
  - Prevent GEF funds being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.
79. The GEF investigates allegations of fraud, corruption, misconduct, and other prohibited practices which are reported to the UK through GEF's reporting to the GBF Fund Council. The GBF Fund Council can instruct and direct action where necessary.

### Climate and Environment

80. **The GBF Fund is a multilateral financial instrument to support developing countries to implement the KMGBF.** It will have a significant role protecting and restoring biodiversity and ecosystems, with the aim to halt and reverse biodiversity loss. There is a close link between ecosystems and climate. The KMGBF has a broad scope, therefore the GBF Fund will predominately contribute to meeting the Nature for Climate and People theme in the ICF Strategy<sup>xxv</sup> but will also support the Adaptation and Resilience and Sustainable, Cities, Infrastructure and Transport themes. We have assumed that 80% of contributions to the GBF Fund will score as ICF and will support delivery of the £3bn for nature target by the end of the ICF period in 2025/26.
81. **In helping to implement the GBF, the GBF Fund is aligned with Paris commitments.** Any UK contribution will help countries tackle climate change and protect the environment. By protecting ecosystems and building capacity, the GBF Fund will address needs in developing countries to support the transformation to a climate-resilient pathway.
82. **GEF's safeguards are broadly in line with well-developed safeguard policies of multi-lateral development banks<sup>xxvi</sup>.** The GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards does not have an explicit policy that prohibits support to fossil fuels. However, the GEF has not supported and will not support fossil fuels through its programmes, projects, and investments in line with its Environmental and Safeguarding policy.

### Public Sector Equality Duty

83. **GEF's policies on ethics and conflict of interest prohibit discrimination of any form, including based on gender, race, colour, disability, age, or sexual orientation.** HMG has a commitment to embed disability considerations in the International Climate Finance portfolio and a requirement to provide evidence consideration of impact on disability inclusion. Although GEF does not have a specific disability policy, GEF's Environmental and Social Safeguards (GESSS) policy<sup>xxvii</sup> sets out minimum standards on assessment, management and monitoring requirements for disadvantaged, vulnerable individuals, and groups (including disabled groups) that any unavoidable adverse impacts of GEF activities do not fall disproportionately on



these groups. GEF works to ensure that they do not face discrimination or prejudice in accessing resources and benefits. Any concerns with compliance will be reported back to the GBF Fund Council.

84. **The KMGBF includes commitments to ensuring that Indigenous Peoples and Local Communities (IPLCs) will be active decision makers in implementing the targets of the framework.** The KMGBF commits to recognising indigenous and traditional territories in nature protection goals and protecting the customary use of natural resources. The GBF Fund, in supporting implementation of the GBF, will need to support that commitment, and will do so by streamlining procedures to improve access to funding and adopting a target of 20% of funding to go to or through IPLCs. Progress towards meeting this target will be reported to the GBF Fund Council annually.

### Safeguarding

85. **The GEF has a Sexual Exploitation and Abuse and Harassment policy based on international best practice as well as GEF Minimum Fiduciary Standards for GEF agencies.** These policies will apply to the GBF Fund. All agencies must carry out stakeholder consultation across all safeguard standards, including with affected groups, local civil society, and indigenous peoples. Agencies are also required to have effective accountability and grievance systems in place.
86. **GEF policy states that when engaging with indigenous peoples, there must be adherence to a standard of free, prior, and informed consent.** For other projects, the agencies “rely on their systems for consultation with Indigenous Peoples and will ensure that such consultations result in broad community support for the GEF-financed operation being proposed.”
87. **All significant safeguarding risks and complaints must be reported to the UK by the GEF Secretariat through the GBF Fund Council.** An Independent Commission for Aid Impact review<sup>xxviii</sup> found GEF to have good policies on social safeguarding and engaging well with indigenous peoples’ organisations, although there was less evidence on engagement with people affected by its programmes. The UK will address this gap through ongoing engagement at the GEF Council and GBF Fund Council.

### Conflict and Fragility

88. **Conflict, fragility and the environment are often inter-linked.** Environmental interventions can interact in three ways:
- interventions can be negatively affected by conflict and fragility;
  - the intervention can inadvertently worsen conflict and stability; and
  - the intervention may help to address the drivers, dynamics and impacts of conflict and build peace.
89. **Understanding these linkages and their implications is important to effective environmental programming.** As of 2020 one third of GEF’s portfolio, amounting to \$4bn, was invested in countries affected by armed conflict. While individual projects and some GEF Implementing Agencies have started to account for fragile and conflict-affected contexts in their design, implementation and monitoring and evaluation the GEF does not currently have a definition, policy, or procedures for designing and implementing projects in fragile and conflict affected states.
90. In 2020, the IEO recommended that the project review process should provide feedback to agencies to identify conflict and fragility related risks, develop guidance, and use existing platforms for learning. The GEF secretariat has committed to work jointly with Implementing Agencies to develop GEF guidance and build learning into

its knowledge management work. The UK will follow up on this work through the GEF Council.

## 3. The Economic Dimension

### 3.1. Introduction

91. **There are several market failures which exacerbate the loss of global ecosystems and biodiversity.** The economic dimension assesses how the UK's £100 million funding can help address these market failures.

#### Public Goods

92. **Critical ecosystems such as forests provide valuable ecosystem services including carbon sequestration and habitat provision.** These ecosystem services are both non-excludable and non-rivalrous therefore there is not an economic incentive for businesses to supply them on a commercial basis.
93. **Other activities such as agriculture, timber or mineral extraction are common and private goods, which are valued and supplied by markets.** Consequently, markets are incentivised to clear ecosystems such as forests to produce goods with marketable economic value. Without government intervention there is likely to be an undersupply of these vital ecosystem services. Government intervention through the creation and improved management of protected areas and the restoration of depleted ecosystems can help address this market failure.

#### Negative externalities

94. **Negative externalities occur when an activity imposes costs on economic agents not directly involved in the transaction.** In this policy context, goods produced using resources from critical ecosystems have a higher cost to society than is captured within market prices. The costs imposed are borne by society at large rather than by producers, whilst the economic benefits flow directly to producers, leading to depletion of critical ecosystems. For example, increased carbon emissions and reduced carbon sequestration through the burning of forests places an external cost on society through the global impacts of climate change.
95. Possible solutions to correct the market failure include creating protected areas with the aim of regulating economic activity in areas which provide critical ecosystem services. In addition, the provision of information and technology can encourage better management of ecosystems.

#### Appraisal Outline

96. The appraisal first undertakes a longlist appraisal against the Critical Success Factors (CSFs) as recommended by the HMT Green Book, before undertaking a more detailed analysis on the shortlisted options. Given this is a Final Business Case the focus of the analysis is of the shortlisted option.
97. Options are compared against the "Do Nothing" option where no contribution is made to the proposed programmes. This provides a high-level assessment of the counterfactual. Proceeding with the "Do Nothing" option would result in deforestation and ecosystem degradation continuing at a higher rate compared to a scenario where a contribution is given to the GBF Fund to create and improve the management of protected areas.
98. The longlist appraisal has considered seven options:
- **Option 2 (Do minimum):** Contribution to GBF Fund of £10m
  - **Option 3:** Contribution to GBF Fund of £100m
  - **Option 4:** Additional Investment in BioFin
  - **Option 5:** Additional investment in Biodiverse Landscapes Fund

- **Option 6:** Additional investment in the GEF Trust Fund
  - **Option 7:** New/additional investments in a portfolio of bilateral blended finance programme
99. **The CSFs are the attributes that any successful proposal must have if it is to achieve successful delivery of its objectives.** The following CSFs have been adapted from the recommended HMT Green Book CSF<sup>1</sup>.
- Strategic alignment with UK priorities
    - To what extent does the investment fit Defra and HMG international nature and climate objectives? Does the investment support global delivery of the goals and targets of the GBF?
  - Supplier Capacity and capability
    - Does the option have the capacity and capabilities to deliver the required services? Does the program have the ability to spend the investment well?
  - Value for Money
    - Is the investment considered value for money? Will the spend deliver a suitable level of results?

### Long-list appraisal

100. The full detail of the longlist appraisal is contained within Annex F and is summarised in Table 3 below.
101. **The options have been appraised qualitatively against the CSFs.** This assessment uses the following scoring system to help inform whether the options should be carried forward to the shortlist appraisal or rejected:
- Red: does not achieve CSF at all
  - Yellow: minimal achievement of the CSF
  - Green: substantial achievement of the CSF
102. See Annex F for a qualitative appraisal of the longlist options appraised against the critical success factors. A summary scoring assessment is given in Table 3 below.
103. Shortlisted options need to score at least an Amber against each CSFs and therefore Option 2 (Do minimum) “Contribution to GBF Fund of £10 million” and Option 3 (Preferred Option) “Contribution to GBF Fund of £100 million” were shortlisted for the shortlist appraisal. Section 3.3 presents the cost benefit analysis where the benefits of up to a £10 and £100 million contribution to the GBF Fund by the UK are estimated against the counterfactual of no contribution.

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<sup>1</sup> The affordability factor was not considered as that is covered in the financial case

	Description	Strategic alignment with UK priorities	Supplier Capacity and Capability	Value for Money	Reason for short list or rejection
1	<i>Do Nothing</i>				<i>Rejection</i> - Failing to invest in one of the programmes would represent failure to act in strategic alignment with UK priorities. The latest international science highlights the urgency of finding global solutions to tackle environmental threats and the KMGBF calls on developed countries to take more ambitious action to provide financial support to developing countries to fully implement the GBF.
2	<i>Do Minimum: Contribution to GBF Fund of £10m</i>				<i>Recommend shortlisting</i> – This option has high benefits in terms of its potential to deliver on UK objectives with high alignment with the CSF criteria. However, the low anticipated burden share this would represent on the part of the UK creates a risk of a negative impact .
3	<i>Contribution to GBF Fund of £100m</i>				<i>Recommend shortlisting</i> – This option has high benefits in terms of its potential to deliver on UK objectives. High alignment with CSF criteria. Would likely ensure continued UK influence in allocation of GBF Fund funding overall and is in line with historic burden share.
4	<i>Additional investment in BioFin</i>				<i>Recommend rejection</i> – Aims are in line with UK strategic objectives, but programme currently has sufficient funding and would struggle to absorb any more at pace. Scope currently limited to only under a third of recipient countries.
5	<i>Additional investment in Biodiverse Landscapes Fund</i>				<i>Recommend rejection</i> – Despite the potential for this option to deliver high benefits in terms of delivering biodiversity projects on the ground in line with UK objectives, it is currently at the early implementation stage and therefore cannot absorb significant new funding at present.
6	<i>Additional investment in GEF Trust Fund</i>				<i>Recommend rejection</i> – The UK is already one of the largest donors to the GEF Trust Fund during its record-breaking replenishment round. Although GEF investment delivers high vfm, there is a high risk that contributions towards the end of this replenishment period may not be spent given existing funding availability.
7	<i>New/additional investments in a portfolio of bilateral blended finance programmes</i>				<i>Recommend rejection</i> – Few programmes can spend new contributions in the short available timeline, and new programmes would take too long to establish.

Table 3. Summary of long-list appraisal scoring

## 3.2. GBF Fund Operational Model

104. **Developing countries lack the necessary scale of biodiversity-focused finance to successfully contribute to delivery of the goals and targets of the KMGBF.** Defra’s GBF Fund Operational Model (Figure 2) outlines the key elements of addressing this problem, primarily based on the GBF Fund establishment documents and programming architecture agreed by the GEF Council.
105. **We anticipate that a UK contribution to the GBF Fund of £100m, combined with work to influence delivery of the GBF Fund through GEF policies, will lead to the funding of biodiversity projects that deliver tangible results for biodiversity over the lifetime of the business case.** These projects will mobilise additional public and private investment in nature during their lifetime, improving and strengthening local and regional biodiversity and putting the international community on track to deliver against the goals and targets of the KMGBF by 2030.
106. **The indicators for measuring the outputs, outcomes and impact statements below are set out in the draft logical framework in Annex D.** Both the GBF Fund Operational Model and logical framework will be made more specific to any funding or output/outcome scenarios when the GBF Fund results and monitoring frameworks have been developed and finalised in 2024.

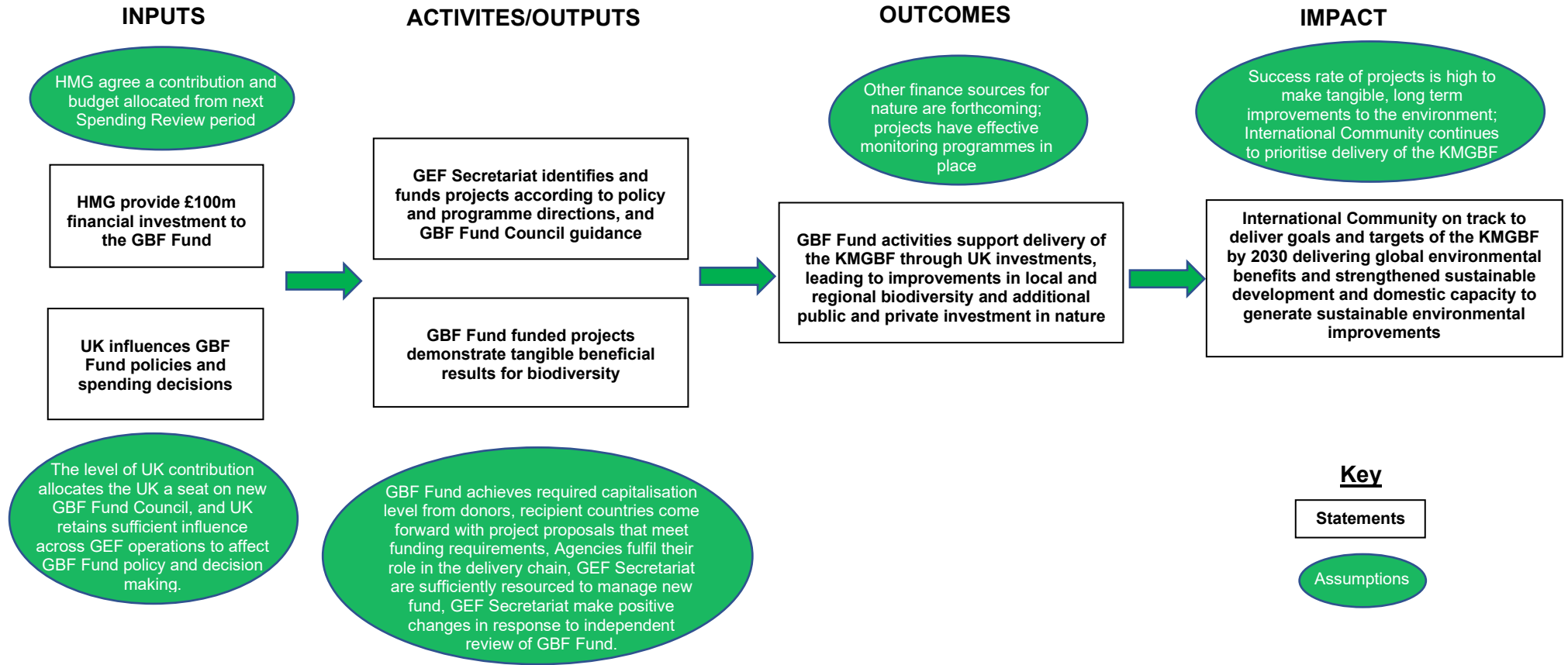


Figure 2. GBF Fund Operational Model

107. The following section provides greater detail of the evidence underpinning the assumptions made in the GBF Fund Operational Model. The majority of assumptions are internal to the project context. The exception is the extent to which the international community focus continue to focus on the delivery of the GBF, which will, in part, be influenced by the success of the GBF Fund.

## Inputs

108. **There is some evidence to support the Input assumption and context.** The UK is likely to contribute to the GBF Fund and should have the ability to influence the GBF Fund policies and spending decisions.
- **HMG Funding:** The UK has already announced a contribution of £10m to the GBF Fund (subject to internal clearances), and there is sufficient anticipated budget available across 2023/24 and 2024/25 to cover this. Additional spend from the next spending review period requires HMT approval. Given the high proportion of International Climate Finance (80%) and the UK's commitment to support nature-based solutions through our ICF spending by the end of 2025/26, there is good reason to believe that this spend will be supported.
  - **GBF Fund Council Membership:** The GBF Fund Council will initially be established as a direct copy of the GEF Council, with the UK as one of the 32 members. Council member seats for the 14 donor constituencies will then be allocated based on cumulative rolling contributions to the GBF Fund. Based on historical Council seat allocation within the GEF Trust Fund, a contribution of c.5% of the total pot is likely to be enough to secure a seat, and the £10m already committed would meet that requirement.
  - **UK influence:** In addition to providing finance to the GEF, the UK has built up a strong influence in GEF over many years of strong engagement in the governance of the fund. This is referenced in the recent Independent Commission for Aid Impact (ICAI) review on halting deforestation and preventing irreversible biodiversity loss where it indicates *the UK influenced GEF allocating a greater share of its funding to biodiversity and to low-income countries and introducing rules requiring middle income countries to contribute relatively more co-finance to projects supported by GEF<sup>xxix</sup>.*

## Activities/Outputs

109. **There is strong evidence to support the Activities and Outputs assumptions.** Countries are likely to fulfil their pledged contributions, and based on experience in the GEF Trust Fund, that the GEF and the wider delivery chain is likely identify suitable projects for funding.
- **GBF Fund Capitalisation:** The minimum required capitalization is \$200m from three donors. As of September 2023, three donors totalling just over \$200m had been secured (UK, Canada, Germany), and based on previous GEF replenishments we do not anticipate any of those pledges being withdrawn. Defra understands that several other donor countries are also close to making financial pledges.
  - **Project Proposals:** The GBF Fund will use existing GEF machinery of Implementing Agencies and in-country GEF Focal Points to scope and develop projects. As the GBF Fund closely resembles the GEF Trust Fund, the success of this delivery mechanism to date indicates that the GBF Fund projects will meet the expected standards.

- **Agencies are fit for purpose:** The eighteen implementing agencies are required to make annual self-assessments of their compliance with GEF’s Minimum Fiduciary Standards, and then once every four years a third-party review is required as stipulated by GEF’s Policy on Monitoring Agency Compliance with GEF Policies. These reports are reviewed for action where required by the GEF Council<sup>xxx</sup>. Any agency not meeting the standards will undergo additional assessment or reporting requirements.
- **GEF Resourcing:** FCDO’s draft Central Assurance Assessment (2023) highlights current resourcing difficulties within the GEF due to restructuring of the GEF’s operations and GEF mandate increasing with the additional requirements of taking on GBF Fund and Biodiversity Beyond National Jurisdiction. Recruitment to increase capacity and facilitate the restructure is ongoing and we anticipate this to be completed and embedded ahead of the first round of project approvals for the GBF Fund in June 2024.
- **GEF Improvement:** At the end of each four-year replenishment period the GEF’s Independent Evaluation Office (IEO) produces an Overall Performance Study (OPS). This has been produced since the pilot phase of GEF in 1994, and every subsequent replenishment. These overall studies include sections on GEF’s business model and whether this is fit for purpose and delivering efficiently and effectively. For example, OPS7 in 2021<sup>xxxii</sup>, indicated that GEF’s indicators for tracking biodiversity mainstreaming did not focus sufficiently on quantitative measures, outcomes, and impacts – the proposed link to indicators based on the Global Biodiversity Framework Monitoring Framework will improve the quantitative tracking of project outputs.

## Outcome

110. **There is strong evidence to support the Outcome assumptions.** Projects are likely to secure additional finance and that the monitoring and evaluation of projects will likely be sufficient to track project success, including biodiversity impacts.
- **Additional Finance:** The GEF’s Independent Evaluation Office’s (IEO) Overall Performance Studies are each based on over 30 evaluations. The most recent OPS7 indicates that recent improvements in the GEF operations include a focus on private sector engagement and monitoring and evaluation of projects<sup>xxxii</sup>. Although private finance for nature is still a novel area of investment, investment levels are increasing year on year<sup>xxxiii</sup>, and concessional financing by GEF grants has a high investment ratio of over 7:1, exceeding ambition<sup>xxxiv</sup>.
  - **Project Monitoring:** All Implementing Agencies are required to submit data extracted from GEF’s standardised monitoring tools: the project tracking tool, project implementation reports (PIRs), mid-term reviews (MTRs), and project completion reports or terminal evaluations (TEs). This information is then included within GEF’s Annual Monitoring Report (AMR) which provides: (i) an overview of cumulative project approvals; (ii) detailed information on the projects approved in the year in question; (iii) a breakdown of the GBF Fund’s active portfolio including performance ratings for each Implementing Agency; and (iv) information on management effectiveness and efficiency indicators.

## Impact

111. **There is some evidence to support the Impact assumptions.** A large proportion of projects should successfully achieve their objectives, supporting international ambition to address biodiversity loss.
- **Project Success:** The IEO have produced independent studies of the achievements of the GEF since the pilot phase of GEF in 1994, and at the end of every subsequent replenishment period. The latest Overall Performance Study 7 at the end of GEF-7 replenishment period (2022) concludes that at a project level



the GEF performs impressively very well, with over 80% of projects are considered good for meeting outcomes and that the sustainability of those outcomes is improving.

- **International priority:** The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) report of 2019 finds there is currently inadequate global action to tackle biodiversity loss and that there is growing consensus for action to tackle the biodiversity loss and climate crisis, requiring transformative change across a range of economic, social, political and technological factors. The recent agreement of ambitious goals and targets within the KMGBF by 193 countries at COP15 indicates that actions to halt and reverse biodiversity loss should remain an international priority.

### 3.3. Cost-benefit analysis

#### Option 2 (Do minimum) “Contribution to GBF Fund of £10 million”

112. **The ‘do minimum’ option assumes the UK contributes £10 million to the GBF Fund.** This level represents the UK pledge to provide £10 million in funding made at the GEF Assembly in August 2023, which was subject to an approved business case.
113. The full methodology for the cost-benefit analysis is contained within the analysis for the preferred option – only the key results are summarised here.
114. In the absence of expected results for the GBF, the outcomes have been taken from analysis for the GEF7. The results which most closely relate to the outcomes which are anticipated for the KMGBF are then divided by the cost of delivering these outcomes. This results in a range of outcomes per £m figures. These are then applied to the UK’s contribution to the KMGBF under this option of £10m. In effect, it has been assumed the KMGBF will deliver the same expected results for these indicators as the GEF7 per £ million invested, see Table 4 below.
115. The results of the cost-benefit analysis, presented in Table 5 below, suggest that each £1 invested in the GBFKM generates global welfare benefits values ranging between £11 and £213 depending on whether low or high ecosystem service and carbon values are used.
116. We do not anticipate that varying levels of funding between £10m and £100m will result in decreasing returns to scale considering there is an annual global nature finance gap estimated at \$711 billion<sup>xxxv</sup>. In addition, resource allocation is not fixed with resources likely to be allocated to developing countries where economic benefits will be maximised.
117. As in other multilateral institutions, donors to the GBF Fund will be concerned to maintain their ‘burden share’ of the total funding pot. The burden share for the UK under the recent GEF8 replenishment was 9.7%, putting the UK as the 5<sup>th</sup> largest donor. Whether or not to maintain this level of burden is a policy decision.
118. As outlined in the Case for Change, a definition of the minimum size of the UK contribution to the GBF Fund to maintain the UK’s 10% burden share could be \$20m (£15m). A contribution well below this level may be seen as the UK not giving its support to the GBF Fund and taking the capitalisation seriously, which would have reputational impacts for the UK.
119. A contribution of £10m would be sufficient to demonstrate support and help launch the GBF Fund. However, given the scale of finance required to close the biodiversity finance gap to implement the goals and targets of the GBF, this level of contribution will be inconsequential for delivering the scale of finance required globally.
120. At COP15 Canada announced a CAD\$350m funding pot to support the GBF and pledged CAD\$200m of this to put towards the GBF Fund. Germany pledged €40m at

UNGA in September 2023 and Japan pledge ¥650m at UNFCCC COP28 in December 2023.

121. Considering the negative implications for the UK's reputational and strategic position, **the do minimum option of a £10 million contribution to the GBF Fund has been rejected.**

Option 3 (Preferred option) "Contribution to GBF Fund of £100 million"

122. **In line with the GEF Trust Fund, the GBF Fund will invest in projects that support two broad outcomes:** protection and restoration of ecosystems and biodiversity, and mitigation of greenhouse gases to combat climate change. However, the GBF Fund will go beyond the GEF by providing enhanced funding and supporting projects that cover the full scope of the GBF. This includes new funding towards addressing nature risks and national level land/sea use planning and restoration to enhance biodiversity and ecosystem connectivity.
123. **The cost-benefit analysis for the GBF Fund follows a similar methodology used by FCDO for GEF7 and GEF8 replenishments.** To understand what the outcomes could be seen from the GBF Fund, the GEF Secretariat has shared expected results for GEF7 investments using the indicators which most closely match the GBF Fund's Programming Directions. An estimate of the total size of ecosystems protected and restored from the UK's £100 million contribution to the GBF Fund is achieved using the adjusted GEF expected results for the size of ecosystems restored, see Table 4.
124. **Estimating GBF Fund results using GEF7 expected results poses several challenges** related to predicting country demand and outcomes of the GBF Fund competitive selection rounds. Programming under the GBF Fund, like for the GEF, will be country driven. Resource allocations, and ultimately, project results, will reflect country priorities with respect to, for instance marine vs terrestrial ecosystems, or interventions with direct impact on the ground vs upstream policy work.
125. In addition, compared to the GEF-7 period, the GBF Fund is expected to report progress against the following additional indicators for which we do not have expected results, and have therefore not been able to include these indicators in the cost-benefit analysis. It is important to caveat that as the GBF Fund is still being established it is not guaranteed in practice the GBF Fund will deliver against the additional indicators outlined below.
126. Additional expected indicators for the GBF Fund:
- Percent of land and seas covered by biodiversity-inclusive spatial plans.
  - Services provided by ecosystems.
  - Number of countries with policy and legislation created and under implementation to mainstream biodiversity into production sectors.
  - Number of countries implementing reform of subsidies harmful to biodiversity.
  - Number of countries taking legal, administrative or policy measures to ensure target 15 is achieved.
  - Value of subsidies and other incentives harmful to biodiversity that have been eliminated, phased out or reformed.
  - Positive incentives in place to promote biodiversity conservation and sustainable use.
  - International and domestic public funding and private funding raised, including official development assistance (ODA), for conservation and sustainable use of biodiversity and ecosystems.
  - Benefits from the sustainable use of wild species.

- Nationally over-exploited fisheries moved to more sustainable levels.
  - Number of countries with comprehensive IAS prevention, early detection, control, and management frameworks created and under implementation.
  - Nagoya Protocol: Number of countries with legislative, administrative and policy frameworks in place and under implementation to support objectives of the Nagoya Protocol.
  - Cartagena Protocol: Number of countries with biosafety legal and administrative measures in place and under implementation to support objectives of the Cartagena Protocol.
127. Considering the caveats highlighted, the results presented in the cost-benefit analysis are uncertain given our inability to predict future country priorities and the resulting funding distribution across GBF Fund indicators. Therefore, the results of the cost-benefit analysis should only be interpreted as illustrative estimates of potential value for money.

## Methodology

128. **Costs:** We have assumed the UK's contribution to the GBF Fund will be distributed over a 4-year period consistent with the profile in the Financial Dimension to obtain a present value, these costs are discounted by the 3.5% discount rate outlined in The Green Book.
129. **Benefits:** The monetised benefits include increases in ecosystem service provision and carbon mitigation.
130. Sub-indicators 1.1 and 2.1, in Table 4 represent the area of protected areas created. The ecosystem service benefits for these indicators are valued by multiplying the indicative hectares of protected areas created by per hectare values of ecosystem services. The values of ecosystem services are determined by multiple variables and heavily influenced by variables such as context. This limits the potential of deriving global values. To fill this gap, we used the Ecosystem Services Valuation Database, commissioned by Defra. The study collates values based on 4042 value records, of which 2917 records have followed a standardisation process to generate an internationally comparable value per ecosystem service and biome. We use global average values from the ESVD as an estimate for ecosystem service values. For carbon prices, we use the ICF revised lower and central carbon shadow prices.
131. Sub indicators 1.2, 2.2, 3.1, 3.2, 3.3, 3.4, 4.1, 4.2, 4.3, 4.4 and 5 represent the area of ecosystems under improved management and practices. In the absence of more complete information on the baseline condition of the ecosystems we have conservatively estimated the value of ecosystem services by assuming the value of these ecosystems improves by ten percentage points only<sup>2</sup>. This assumption is in line with emerging evidence from the GEF demonstrating a 10% improvement in measured biodiversity. This adjusted value is then multiplied by the indicative hectares of areas under improved management and practices to obtain the value of the additional ecosystem services provided after improved management and practices are implemented.

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<sup>2</sup> ie a tenth of the full value for these ecosystems  
 Full Business Case  
 Date 2 January 2024  
 Status: Final – Approved

<b>INDICATOR</b>	<b>Indicative results from the UK's £100 million contribution to the GBF fund</b>
<b>1. Terrestrial protected areas created or under improved management (ha)</b>	<b>9,190,315</b>
1.1. of which newly created (ha)	431,765
1.2. of which under improved management effectiveness (ha)	8,758,549
<b>2. Marine protected areas created or under improved management (ha)</b>	<b>1,737,929</b>
2.1. of which newly created (ha)	226,214
2.2. of which under improved management effectiveness (ha)	1,511,715
<b>3. Area of land restored (ha)</b>	<b>150,471</b>
3.1. of which degraded agricultural land under restoration (ha)	49,087
3.2. of which forest and forest land restored (ha)	47,267
3.3. of which natural grass and shrublands restored (ha)	34,867
3.4. of which wetlands (including estuaries, mangroves) restored (ha)	19,251
<b>4. Area of landscapes under improved practices (excluding protected areas) (ha)</b>	<b>12,207,723</b>
4.1. of which under improved management to benefit biodiversity (ha)	11,459,588
4.2. of which that meet national or international third-party certification that incorporates biodiversity considerations (ha)	8,299
4.3. of which of landscapes under sustainable land management in production systems (ha)	703,693
4.4. of which of High Conservation Value Forest loss avoided (ha)	36,143
<b>5. Area of marine habitat under improved practices to benefit biodiversity (ha)</b>	<b>8,184,244</b>
<b>6. Greenhouse gas emission mitigated (metric tonnes of CO<sub>2</sub>e)</b>	<b>56,255,796</b>

Table 4. Expected results from GEF-7 indicators closest to GBF Fund programming

132. The expected results for ecosystem service provision are divided on an annual basis over a 7-year period, assuming an equal linear distribution. This is in line with evidence provided by the GEF suggesting on average it takes 7-years for projects to reach the Terminal Evaluation stage. This is a conservative estimate given the benefits of ecosystem restoration may be sustained over a longer time period.

133. **Greenhouse Gas (GHG) emissions:** The estimated GHG emissions mitigated in Table 4 were multiplied by the shadow carbon values from BEIS<sup>xxxvi</sup>. The expected results for GHG emissions mitigated are assumed to be achieved over a 20-year period based on recommendations from the GEF supported by evidence from previous GEF funded projects. These estimates are further adjusted to account for additionality, and carbon leakage.
134. **Additionality:** It is important to account for additionality to acknowledge that there are benefits that would occur irrespective of the GBF's intervention. We adjust the value of ecosystem benefits by the same additionality factor calculated for the GEF8 business case. This was calculated using global and GEF specific evidence on deforestation. GEF additionality factor considered the difference in deforestation in and outside GEF sites, using information from FAO and various GEF independent impact studies. It estimated that ecosystems were degraded at a rate of 0.57% per year without GEF protection, and 0.143% with GEF protection, so GEF Project Areas have a degradation rate that is lower by  $0.57\% - 0.143\% = 0.428\%$ . This factor was then applied to the value of restored ecosystems. Coastal biomes were an exception to this as an additionality factor of 20% was applied to these biomes in line with figures used for Seascapes which is a similar transboundary MPA network program<sup>xxxvii</sup>.
135. The 0.428% additionality factor was also applied to the expected results for GHG emissions mitigated. In addition, this figure was also adjusted for carbon leakage where it was assumed an additional 25% of emissions mitigated would be lost to leakage based on ICF Appraisal Guidance<sup>xxxviii</sup>. It is important to account for leakage as reducing deforestation and mitigating emissions within a protected area can encourage deforestation to instead occur in a non-protected area. If we did not account for this, we may overvalue the benefits of emission mitigation.
136. **Sensitivity analysis.** To attempt to account for uncertainty in achievement and the value of outcomes we have undertaken a sensitivity analysis. We estimate three scenarios (High, Central and Low), as well as conducting sensitivity analysis on valuations. The high scenario uses high carbon values, mean ecosystem service values, and assumes 100% of expected results are achieved. The central scenario uses central carbon values, mean ecosystem service values, and assumes 80% of expected results are achieved in line with previous performance by the GEF7. The low scenario uses low carbon values, low ecosystem service values (assumed 10% of the mean) and assumes 50% of expected results are achieved.
137. **The Central Scenario is the most likely to be realised considering expected results match previous performance by the GEF7.** The Low scenario is unlikely to be realised considering only 50% of expected results are estimated to be achieved and the scenario also likely undervalues ecosystem service benefits by using values equal to 10% of the mean. The 50% expected results figure was determined in line with UK ICF guidance which suggests applying a 50% adjustment factor when there is a high level of uncertainty surrounding the additionality of results<sup>xxxix</sup>. The high scenario likely represents a slightly overestimated BCR considering it is unlikely that 100% of expected results will be realised based on previous GEF7 performance.
138. **Results:** The results of the cost-benefit analysis, presented in Table 5 below, suggest that each £1 invested in the GBF Fund generates global economic benefits values ranging between £11 and £213 depending on whether low or high ecosystem service and carbon values are used.

<b>Scenario</b>	<b>Low Scenario</b>	<b>Central Scenario</b>	<b>High Scenario</b>
Ecosystem Service Values	Low	Mean	Mean
Carbon values	Low	Central	High
% of expected results achieved	50%	80%	100%
<b>Total Present Value cost (£m)</b>	<b>93</b>		
<b>Total Present Value benefit (£m)</b>	<b>998</b>	<b>15,800</b>	<b>19,800</b>
o/w Ecosystem restoration and creation (£m)	988	15,800	19,700
o/w GHG emissions (£m)	10	33	62
<b>Net Present Value (£m)</b>	<b>905</b>	<b>15,700</b>	<b>19,700</b>
<b>Benefit Cost Ratio</b>	<b>11</b>	<b>170</b>	<b>213</b>

Table 5. Benefit cost assessment summary. Represented in 2023 prices, rounded to 3 significant figures.

### Treatment of other finance

139. The GEF8 replenishment period aims to leverage co-finance equal to 7 times the value of contributions to the fund. Using the indicative ratios of resources mobilised for GEF8 project financing, we have estimated that the UK's £100 million contribution to the GBF Fund could contribute to £700 million of co-financing, broken down into £550m of public and £150m of private finance mobilized for biodiversity projects. These figures assume GEF8 co-financing ratios of public:private are representative for the GBF Fund.
140. This £700 million estimate is to be treated as a social cost during the economic appraisal. In absence of data from the GEF on expected benefits arising from this co-financing we have conservatively assumed benefits are equal to 0. Once the £700 million of co-financing is included in the appraisal as a social cost, we estimate that the GBF Fund's BCR lies between 1.3 and 26 for the low and high scenarios described above. These figures provide further confidence that the UK's contribution to the GBF fund represents good value for money.

### Non-monetisable benefits and costs

141. Although we have included a broad range of ecosystem services in our value of ecosystems, the literature for some ecosystem service values is still in its infancy. For example, there is little evidence on the existence and cultural values associated with ecosystems. If these values were included, it is likely our estimates of ecosystems would be greater.
142. We do not have sufficient data from the expected results reported for the GEF7 to produce a more detailed appraisal that includes the gains or losses to any groups across different societies, or any potential impacts on equality, diversity and inclusion. However, the creation and effective management of protected areas following the establishment of the GBF Fund will result in IPLC's having long-term, secure funding to protect areas that supports their needs and respects their rights. A key aspect of the GBF Fund is that it has an aspirational target to allocate 20% of the total funding directly to IPLCs to support initiatives to conserve biodiversity. By working with IPLC's to support the sustainable management of natural resources it is possible that local communities will experience improved livelihoods. Considering nature loss disproportionately harms the world's poorest people and marginalised groups, who

also depend disproportionately on biological resources, it is expected that action by the GBF Fund to tackle nature loss may also benefit the world's poorest and help to alleviate global poverty.

143. There is no evidence suggesting there are additional costs which have not been included in the cost-benefit analysis.
144. The above indicates that the non-monetisable benefits and costs are likely to be positive on balance.

### Optimism Bias

145. Having reviewed Green Book guidance we have made a judgement that it is not necessary to account for optimism bias when conducting an appraisal for a contribution to a multilateral fund. Our appraisal has already applied conservative assumptions to account for a potential risk of overestimating the benefits of the GBF Fund. For example, we applied a low, central and high scenario that adjusts ecosystem and carbon values as well as achievement of expected results. We have also conservatively assumed that no further ecosystem service benefits are realised after the 7-year target period is achieved.

### Switching value analysis

146. Using low carbon values and low ecosystem service values it was determined that only 5% of the expected results need to be achieved for the project to break-even over the 20-year timeline appraised. This provides strong confidence that the UK's contribution to the GBF Fund represents very good value for money.

### Summary of Value for Money Statement

147. **The review indicates investments in the GBF Fund represent very good value for money.** Based on expected GEF7 results, each pound of UK taxpayers' money invested in the GBF Fund is expected to generate global benefits of about between £11 - £213. As the BCR estimated is based on GEF-7 expected results the range should be interpreted as an indication of value for money of the GBF, rather than expected results of the programme. To mitigate risk associated with using GEF-7 results to determine the value for money of the GBF Fund, a low, central, and high scenario were estimated by varying ecosystem and carbon values and expected performance of the GBF. The wide range of BCR estimates is the result of several key variables being changed in each scenario.
148. If 80% of expected results are achieved, it is estimated that the UK's proposed £100 million contribution to the GBF Fund will result in:
  - 7.4Mha of terrestrial protected areas created or under improved management
  - 1.4Mha of marine protected areas created or under improved management
  - 0.12Mha land restored
  - 9.8Mha of landscapes under improved practices (excluding protected areas)
  - 6.5Mha of marine habitat under improved practices to benefit biodiversity
  - 45Mt of CO<sub>2</sub>e Greenhouse gas emission mitigated
  - £550m of public and £150m of private finance mobilized for biodiversity projects.

## 3.4. Sustainability Impact Assessment.

149. **Predictability of resources and geographic reach.** The GBF Fund provides predictable and consistent funding to countries to help the long-term sustainability of environmental projects and programmes. The GBF Fund system for allocating resources to eligible countries, based on the System for Transparent Allocation of Resources (STAR), uses a formula based on the global value of environmental

assets in that country, the GDP of the country and the success in delivery results through GEF projects.

150. The GBF Fund was designed to focus specifically on the delivery of biodiversity projects in support of KMGBF implementation, therefore the GBF Fund has sustainability built into its remit. The GBF Fund will be delivered through the established range of accredited agencies including UNDP, UNEP, World Bank, FAO, as well as several regional development banks. GEF's network offers a balance of functions, country coverage and network of providers. The UK and other donors prioritise an allocation of GBF Fund resources that increases the proportion of funds to the poorest and most vulnerable countries.
151. GEF Procurement guidelines encourage the consideration of sustainability concepts in the procurement of goods.
152. The GBF Fund is administered by the GEF, so the Defra Sustainability Strategy for the sustainable impact of Defra Group is not relevant and has not been considered further.



## 4. The Commercial Dimension

### 4.1. Introduction

153. **The GBF Fund investment does not fall under commercial delegations of approval** because of the following characteristics:
- It is not subject to procurement legislation under PCR 2015 or Defra Procurement policy;
  - It is not subject to Government Functional Grants Standards six step processes;
  - It is a CBD commitment to provide financial support to developing countries to assist in the full implementation of the GBF.
154. This Commercial case complements the value for money/cost benefits analysis set out in the Economic case, and the management and financial considerations set out in their respective cases. For this reason, and because it does not fall under commercial governance or approval, this case is consciously minimalist to avoid repetition with those other parts of the Business Case.

### 4.2. Procurement (Commercial) Strategy

155. Should the UK wish to directly invest in the GBF Fund, the only route is to invest through the World Bank, as the Trustee of the Fund. Once the GBF Fund is established, the GEF Secretariat will run the competitive process for projects to bid for a portion of the Fund, with final project approval being given by the GBF Fund Council.
156. **The GEF will manage the GBF Fund's procedures and processes**, including evaluation methodology, commercial risks, approach to risk management, contract structure, performance management and efficiency/savings opportunities. The application of any previous lessons learnt will be managed by GEF, with reporting to GBF Fund Council members in accordance with established GEF protocols.

#### GEF Capability and Delivery Chain

157. **There is good evidence that the GEF is a strong multilateral institution, which works effectively to deliver sustainable results.** The UK has funded the GEF since its inception and worked closely with the GEF to develop and improve delivery. The GEF has consistently performed well in Project Completion Reports (PCRs) of previous GEF Trust Fund replenishments, consistently scoring A for the programme overall. The GBF Fund will be based on the same approach and policies as the GEF Trust Fund, therefore we anticipate a similar standard of programme management and level of results.
158. **Eighteen accredited GEF Implementing Agencies<sup>xi</sup> form the implementation modality of the GEF and are in effect GEF's lead suppliers.** These agencies include multi-lateral development banks (MDBs) and UN agencies. The GEF uses a strict accreditation<sup>xii</sup> process that ensures each agency application is assessed to determine the value-added of each partnership and whether they provide a good strategic fit with GEF, based on criteria agreed by the main GEF Council. Following an initial review, a further assessment is carried out to ensure all new agencies meet fiduciary standards, environmental and social safeguards standards and the GEF policy on gender mainstreaming.
159. **GEF Implementing Agencies contract and/or partner with executing agencies (downstream suppliers) to deliver projects.** These downstream entities include

government agencies, civil society organisations, private sector companies and research institutions, who help design, develop and implement GBF Fund projects and programmes in recipient countries.

160. The GEF secretariat supports GEF Operational Focal Points within country governments with the decision-making process to choose between Implementing Agencies to partner with. During the GEF-7 replenishment the GEF Secretariat was asked to develop updated guidelines on the comparative advantages of the Implementing Agencies in order to facilitate the selection process at country level<sup>xlii</sup>.
161. A diagrammatic representation of the delivery chain is set out below in Figure 3 .

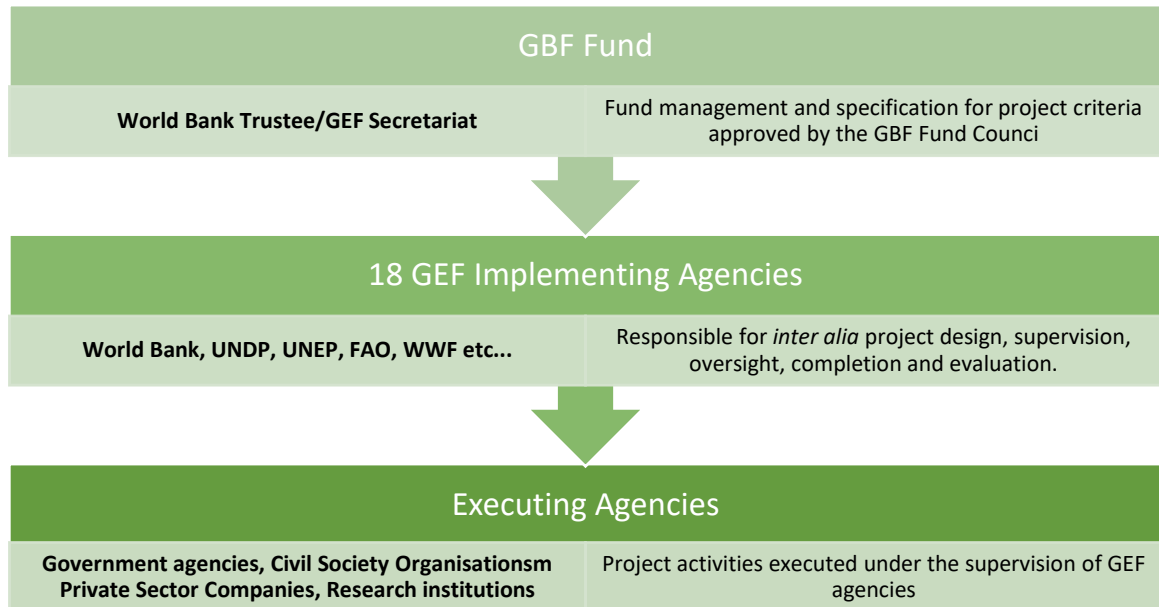


Figure 3. GBF Fund delivery chain

## GBF Fund Standards

162. **The GEF holds a set of minimum fiduciary standards for Implementing Agencies.** All Implementing Agencies are required to provide evidence confirming adherence to these standards in the form of self-assessments which are independently audited. See the Management case for more information.
163. The *Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies* state that GEF Implementing Agencies are required to adhere to specific policies and guidelines that promote economy, efficiency, transparency, and fairness in procurement through written standards and procedures that specify procurement requirements, accountability, and authority to take procurement actions. As a minimum, these policies and guidelines provide for:
- Open competition and define the situations in which other less competitive methods can be used; and
  - Wide participation through publication of business opportunities; descriptive bid/proposal documents that disclose the evaluation criteria to be used; neutral and broad specifications; non-discriminatory participation and selection principles; and sufficient time to submit bids or proposals.
  - Procurement guidelines are in place with respect to different types and categories of procurement, including the recruitment of consultants, managed by the GEF Implementing Agency.
  - Procurement guidelines provide for security and confidentiality of information during the bidding, opening, evaluation and debriefing phases of procurement.

- Procurement guidelines provide for a procurement protest mechanism whereby bidders have a right to complain during the bidding process about non-compliance with procurement policies and guidelines and irregularities in the process; are informed of this right; and there is a clear process whereby complaints are received and addressed.
  - Standard contracts include dispute resolution procedures that provide for an efficient and fair process to resolve disputes arising during the performance of the contract.
  - General Conditions of Contract and tender conditions provide for contract awardees to adhere to anti-fraud and corruption policies<sup>3</sup> and provide access to GEF Partner Implementing Agency investigators to bidder/contractor records relating to bids and contracts if this is needed to support investigations of complaints of fraud or corruption.
  - Procurement guidelines encourage the consideration of sustainability concepts<sup>xliii</sup> in the procurement of goods.
  - Specific procedures, guidelines, and methodologies of assessing the procurement procedures of executing entities are in place.
  - Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.
  - Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed.
164. The terms and conditions of all Memorandums of Understanding (MoU) with Implementing Agencies include adherence to all GEF policies and processes. GEF's IEO provides a summary evaluation of the performance of all GEF Implementing Agencies, with most agencies rated as satisfactory. This evaluation looks specifically at results, factors affecting results, and the efficiency and quality of monitoring and evaluation (M&E). The GEF's Annual Monitoring Report (AMR) also includes details of the administration costs of each agency.
165. **The donor community has sought a reduction in GEF delivery chain costs and overheads.** Over the eight replenishments of the main GEF Trust Fund, donors have insisted on ongoing efficiencies, requesting the GEF Secretariat to operate with due regard for value for money and with timely updating of procedures and processes to ensure best practice is maintained. The changes and improvements made by GEF overall will positively affect delivery of the GBF Fund. On average, around 10% of funds go towards administrative costs within the GEF and Implementing Agencies.
166. **The UK has a close working relationship with the GEF Secretariat and is an influential voice on the GBF Fund Council in upholding the minimum standards.** The UK's seat on the Council gives us significant influence over Council discussions and decisions. FCDO has been a member of the main GEF Council since its inception, and the UK has strong and positive relationships with other Council members.

### 4.3. Contractual terms & risk allocation

167. **Donors to the GBF Fund will need to sign and comply with a Contribution Agreement with the World Bank.** This document outlines the terms and conditions concerning contributions and payment, as well as how the World Bank will use the funds and for what purpose, financial management and reporting, and arrangements

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<sup>3</sup> Implementing and Executing Agencies must also adhere to minimum fiduciary standards on due diligence, supply chain and fraud protection standards, as well as other separate GEF policies on safeguarding, branding and communications and gender.

for withholding of payments. A draft Agreement is currently being produced by the World Bank for review. The terms of the Agreement will be reviewed and negotiated with the World Bank and other donors by Defra and FCDO, including Legal and ODA teams.

168. **Defra intends to sign the Contribution Agreement with the World Bank.** This Agreement is not legally binding, but not fulfilling it will have practical ramifications on cutting funding for projects and the UK's relative burden share amongst other donors. It would be a break of UK support to the GBF Fund decision as agreed by the UK's signing of the Contribution Agreement. The UK contribution will be subject to an indicative schedule and method of payment, which Defra will agree with the World Bank separately.

#### 4.4. Procurement route and timescales

169. **The timing of any UK contribution to the GBF Fund is flexible.** Funding will be transferred to the GEF via a designated GBF Fund bank account held by the World Bank (see Financial Management chapter for details).
170. No additional procurement route is required.

#### 4.5. Commercial Resource

171. **Defra's Commercial Team and legal team have provided advice and support in the development of this business case and documentation with the World Bank.** On-going management of the Agreement will be light touch but required to fulfil the agreed payment schedule. Support from the Commercial Team will be considered as business as usual and covered by in-year budgets. Should the UK's decide to increase the level of contribution, a notice of additional contribution can be submitted to the World Bank.

#### 4.6. Fraud Risk Assessment

172. **The risk of fraud is considered moderate.** The delivery chain described above presents opportunities for fraud at all levels, although this is most likely in the context of delivering development programmes in fragile environments. There are risks that localised fraud, bribery and corruption undermine project outputs, reducing value for money on the proportion level of UK investment in the project, or that a serious fraud or corruption scandals challenges the overall credibility of the GBF Fund, and therefore the whole UK investment.
173. The risk of fraud throughout the delivery chain is mitigated by the GEF Secretariat through active and appropriate management of risk controls and policies. Effective implementation is evidenced through supporting documentation and third-party review of Implementing Agencies. The UK has been involved in the GEF Council since its inception and the FCDO have supported the development and GEF's policies to mitigate against financial fraud in the delivery chain. Details of how the UK can assure the implementation these policies are provided in the Management Case.
174. The GEF Independent Evaluation Office (IEO) Ethical Guidelines provide guidance to its staff and consultants on ethical behaviour. This increases the likelihood that evaluations of project proposals are free of bias, transparent and considerate of stakeholder rights and interests. The guidelines contain specific provisions to prevent conflict of interest on three levels: institutional, staff and consultants hired to contribute to evaluations.
175. The GEF *Minimum Fiduciary Standards* outlines the minimum expected standards to agencies and requires agencies to report on compliance. These standards include recommendations for an internal audit in line with internationally recognised standards, a hotline to report incidents and a whistle-blower protection policy. The GEF Council reviews these standards every four years. While existing policies require

GEF agencies to have and maintain safeguard policies in force, together with FCDO, we will consider the extent to which they actively seek out malpractice, other than through audits, and whether more proactive approaches are warranted.

176. **Every Implementing Agency is required to submit an annual financial report**, audited by the agency's independent auditors as evidence that the resources of the GBF Fund are being used in line with GEF procedures. The Trustee will also have a responsibility to monitor the application of budgetary and project funds to ensure that the resources of the GBF Fund are being used in accordance with the GEF Instrument and the decisions of the GBF Fund Council. If the Trustee has reason for concern that GEF resources provided to an Agency for a project may not have been used in accordance with the GEF Instrument and decisions taken by GEF Council, it will ask the Agency to provide it with information concerning the use of the resources, and undertake further scrutiny as required. A further full external review is required by every Implementing Agency every 4 years, in line with the GEF Trust Fund replenishment period.
177. **Since 2012, the GEF has introduced stronger policies regarding misappropriation of fraudulent use of funds.** All 18 GEF Implementing Agencies have formally agreed to the provision on misuse of funds by either signing Financial Procedures Agreements or through amendments to existing Agreements with the Trustee. The Agreements explicitly address the aspect of return of funds that have not been used by a GEF Agency for the intended purposes. In May 2019, GEF updated its minimum fiduciary standards policy, with more immediate alerts to the GEF Council when formal reviews of allegations are initiated. This enables the UK to be kept abreast in real time.
178. **One Implementing Agency, the United Nations Development Programme (UNDP), is currently undergoing additional scrutiny.** Due to GEF's strong minimum fiduciary standards and the requirement for timely reporting from Implementing Agencies, at the 59<sup>th</sup> Council meeting in December 2020 a process was initiated for an independent third-party review of UNDP compliance with GEF Policies, considering audit reports and findings previously reported to Council. This review is ongoing, and the Secretariat is providing monthly updates on matters relating to this process to GEF Council. The UK considers UNDP to be in full compliance with the standards, and that all action plans have been completed satisfactorily. The remaining additional scrutiny activities relate to enhanced levels of reporting to the GEF Council on the management of GEF resources.

## 4.7. Due Diligence

179. **FCDO have conducted due diligence assessments of the GEF, which form a good basis on which to assess the GBF Fund.** FCDO's February 2020 Internal Due Diligence Assessment for GEF and subsequent enhanced due diligence on Safeguarding judged GEF's funding and financial stability to be 'low risk'. A November 2023 Central Assurance Assessment of the GEF (currently in draft) reviewed governance and internal control, ability to deliver, financial stability and downstream delivery – all of which guide the management and delivery of the GBF Fund. All findings and recommendations from the assessment will be discussed and agreed with the GEF and Defra will work with FCDO to monitor the recommendations and risks annually and at informal points throughout the year. GEF's financial management was also reviewed as part of the 2016 Multilateral Development Review and was assessed as being satisfactory.

## 4.8. Commercial Governance and Approvals

180. This transaction is not subject to Commercial Governance or Approvals.

## 5. The Financial Dimension

### 5.1. Financial summary

#### Funding sources

181. **The total maximum cost of the UK contribution envelope is up to £100m over 4 years.** Further ODA Board approval will be sought for disbursement of approved funding over £50m, subject to demonstration of need and impact of previous contributions. The spend profile is indicative as flexibility in both scale and timing is required.
182. **The source of funding for the contribution is Official Development Assistance (ODA) from Defra budgets.** Budget in 23/24 and 24/25 will be shared amongst other Defra priority projects and programmes. In line with ODA Board and Ministerial steers, Defra adopts a policy of overprogramming our ODA budget to ensure that we have strong vfm spend options available. Spend in 23/24 and 24/25 is therefore indicative and subject to affordability.
183. **We anticipate a budget allocation of up to £20m – £30m for any GBF Fund contribution across the next two years.** Any further budgets for 25/26 and 26/27 to increase the investment would be subject to Defra’s allocation in the next Spending Review period. All contributions will be from ODA resource budgets (RDEL) as the GEF provides grant funding that meets the definition of RDEL and will be classed as 80% International Climate Finance (ICF).
184. An *indicative* profile of spend across the four financial years is shown in Table 6:

Annual spend profile	FY23-24 (Yr1)	FY24/25 (Yr2)	FY25/26 (Yr3)	FY26/27 (Yr4)	Total
Defra Funding					
Official Development Assistance	£10m	£10m	£40m	£40m	£100m
Of which ICF Funding (80%)	£8m	£8m	£32m	£32m	£80m
<b>TOTAL Programme Costs</b>	<b>£10m</b>	<b>£10m</b>	<b>£40m</b>	<b>£40m</b>	<b>£100m</b>

Table 6. Indicative spend profile

#### Affordability

185. **Funding in the first two years will come from Defra’s existing ODA programming budget in 23/24 and 24/25.** Following approval by Investment Committee, Defra announced a £10m UK contribution to the Fund in August 2023 that will need to be honoured. There is also the opportunity that additional funding arises in-year which allows for a redistribution of funding levels between financial years.
186. **We will need to bid for most of the funding for this business case in the next Spending Review period.** Funding from the Defra ODA budget in 25/26 and 26/27 is dependent on agreement with HMT to allocate funding for the next Spending Review period. The GBF Fund would therefore add to the first call on any future ODA budget for Defra. This uncertainty will be managed through any necessary qualification of UK contributions and sequencing payments over the next four years.

#### Scale of the GBF Fund

187. **At initial capitalisation of the GBF Fund, there is no direct precedent on which to base assumptions on the overall scale.** The minimum capitalisation threshold

set by the World Bank (the Trustee) is \$200m. In consultation meetings with GEF members, other donor countries have voiced a target capitalisation of \$1bn. A £100m UK contribution will match the relative burden share of our existing contribution to the main GEF trust fund of around 10%, though this is not an exact corollary.

## Funding Disbursement

188. **The UK will sign a Contribution Agreement for £10m in 2023/24 (subject to ODA financial position).** The payment profile and timings of this contribution are flexible across financial years to match available budgets, with the schedule being finalised with the World Bank separate to the Contribution Agreement.
189. Any additional contributions made over the next 4 years up to a cumulative total of up to £100m are subject to additional budget becoming available or budgetary approval for further spend. This approach provides the budgetary flexibility required to maintain Defra's overall ODA position within and across financial years. Any reprofiling of spend has a negligible impact on the value for money of the UK investment.
190. **At the point at which UK contributions to the fund would move past a threshold of £50m, further approval will be sought from ODA Board,** and subject to a demonstration of impact of the funding already allocated, and to a demonstration of future need.
191. The Contribution Agreement has been drafted by the World Bank and reviewed and approved by the current country donors to the GBF Fund. The terms and conditions of this Contribution Agreement have been scrutinised by Defra and FCDO legal teams. Any qualifications or additional clauses by the UK will be provided in the form of any accompanying letter to the signed Contribution Agreement.
192. **Payments will be made in the form of Promissory Note (PN) deposits.** Subject to the necessary approvals for the UK contribution, the UK deposits will be made in Great British Pounds via the Bank for England and encashed by the World Bank at designated intervals to provide the GBF Fund with sufficient liquidity. The PN deposits will create a short-term liability on Defra's balance sheet up until the point of encashment by the World Bank.
193. **The UK has used Promissory Notes (PN) in previous GEF funding contributions.** PN help to avoid payment in advance of need and mitigate the risk that excessive UK cash balances build up while allowing the GEF to make the necessary funding commitments and approve projects. Defra regards this as expenditure when the PN is deposited. Promissory Note encashment by the World Bank will be via one or two instalments each year from 2023/24 – 2026/27 to align with GBF Fund Council meetings. The timing and level of the PN and encashment will be agreed between the World Bank and Defra and provide for flexibility depending on available budgets. We expect the full amount of the PNs to be encashed.
194. **It is anticipated that the first PN will be laid in March 2024, and drawn down in June 2024.** The World Bank may also agree to encash promissory notes on a basis other than that of the indicative schedule as long as the revised (customised) encashment schedule is no less favourable to the GBF Fund than the standard schedule, in present value terms, and is agreed in writing in advance.
195. **An indicative full payment schedule is outlined below in Table 7.** A refined schedule will be developed in consultation with the World Bank to maintain full flexibility, but will subject to amendment as required. The indicative schedule allows for budgets to be consolidated towards the end of the financial year to determine how much Defra can commit and deposit in March. This will give certainty to the GBF Fund of forthcoming contributions ahead of the GBF Fund Council meeting each June.

Financial Year 2023/24	Financial Year 2024/25		Financial Year 2025/26		Financial Year 2026/27		Financial Year 2027/28
PN deposit March 2024: £10m*	Encashed £10m June 2024	PN deposit March 2025: £10m*	Encashed £10m June 2025	PN deposit March 2026: £40m	Encashed £40m June 2026	PN Deposit March 2027: £40m	Encashed £40m June 2027

Table 7. Indicative promissory note schedule

\*flexibility within Financial year on the value of the Promissory Note deposit depending on ODA financial position.

## Staff Resources

196. **Small ongoing Defra staff resource requirement for programme and financial management, which will be considered BAU.** FCDO's Climate and Environment Directorate will also provide existing staff on FCDO departmental pay budget to represent UK as the Council Member on the GBF Fund Council and support policy review of project proposals. See the Management Case for further information.

## Expenditure monitoring, reporting and accounting

197. **Following the UK's initial contribution, authorisation will be obtained from Defra's ODA Board for gated release of funds.** Once the GBF Fund is fully operational, the ODA Board will be asked to approve the release of funding above £50m. This is expected around January 2026. The decision will be based on, *inter alia*:
- Anticipated results and Results Framework,
  - Annual review outcome,
  - The quality and quantity of GBF Fund projects (approved and in pipeline),
  - The size of the GBF Fund and the level of funding from other donors and non-sovereign entities.
198. **Before any encashments are authorised, Defra will seek assurance from the World Bank that there is an appropriate project pipeline and that payments will not be in advance of need.** Defra will only approve a PN encashment request from the World Bank when it has secured an appropriate work programme expenditure figure showing that the Secretariat anticipates approving a work programme that exceeds the encashment of UK funds requested. We request that the Trustee provide us with a table showing disbursements to date and balance remaining, together with a list of commitments over the next 6 months.
199. **The Defra GBF Fund programme team will engage regularly with Defra Finance leads to manage the encashment schedule as required.** GEF expenditure is routinely reported upon at the six-monthly GBF Fund Council meetings, where the World Bank, as the Trustee, prepares Status Reports. The FCDO Council Member and Alternate Member represent the UK at these meetings and can raise any issues here or bilaterally with the World Bank.
200. **The World Bank will carry out annual financial audits.** The results will be published and include a management report and financial statement. These reports will be reviewed by the Defra Programme Team. Additional audits may be requested on an exceptional basis should it be deemed necessary. Information on the status of projects (concept, pipeline, approved) is available on project score cards on the Project Management Information System (PMIS).

## What is the assessment of financial risk and fraud?

201. **Financial and fraud risk is assessed as low.** The World Bank has a robust framework in place to mitigate risks of fraud and corruption. In particular, the Bank has established since 2008 the Integrity Vice Presidency (INT), which is an



independent unit within the World Bank Group that investigates allegations of fraud and corruption in World Bank Group-financed contracts and by World Bank Group staff and corporate vendors. INT supports the main business units of the World Bank Group and external stakeholders, mitigating fraud and corruption risks through sharing investigative findings, advice, prevention and outreach efforts.

202. **We do not consider that there will be a risk of non-encashment of the PN.** The GBF Fund sunset clause is to 2030, unless otherwise determined by the CBD Conference of the Parties. Given the substantial biodiversity financing gap and the remit of the GBF Fund to support implementation of the GBF, demand for funding will remain high.

## 5.2. Accounting Officer Assessment

203. **The UK contribution to the GBF Fund passes the Accounting Officer Assessment,** subject to available funding during the current Spending Review period and funding for future years being agreed by HMT at the next Spending Review. The contribution has been assessed against the four primary Accounting Officer tests by the proposed Programme Responsible Officer, as set out in Chapter 3 of HM Treasury guidance Managing Public Money (MPM):
- **Regularity:** the programme is regular being compliant with legislation and the expectation to deliver existing policy
  - **Propriety (including Affordability):** the intervention is proper as it meets the standards in Managing Public Money and accords with the generally understood principles of public life. The programme is affordable subject to budget availability, as it will use existing ODA budgets for 23/24 and 24/25 and will request any funding that extends beyond the current Spending review period ahead of Spending review 2025. If this funding is not secured, then no further contribution would be made beyond 24/25 and in that case the total contribution would be below the £100m anticipated in the business case. Funding will only be released to the GBF Fund once budget availability is confirmed.
  - **Value for Money (for the public sector as a whole):** The proposal has been assessed as high value for money in comparison to a do-nothing option and that assessment is robust to sensitivity analysis which explored ranges of values for environmental impacts and achievement of environmental outcomes. On monetised impacts alone, the benefit to cost ratio is estimated to lie between 11 and 213 with further non-monetised benefits. There are a range of uncertainties however, principally that the assessment is based on the outcomes achieved by a similar programme - the Global Environmental Facility rather than the expected outcomes from the Global Biodiversity Framework
  - **Feasibility:** the UK contribution is flexible and the programme will be delivered by GEF and its Implementing Agencies.
204. The total UK contribution has a lifetime cost greater than £10m RDEL and requires Accounting Officer approval following Investment Committee approval.
205. The total lifetime cost is less than £110m RDEL, therefore HMT approval is not required. HMT views will be sought, given that the fund is new.
206. The full Accounting Officer Assessment can be found in **Annex A**.

## 6. The Management Dimension.

### 6.1. GEF Organisational Structure, Governance and Assurance

207. **The GEF Council is the main governing body of the GEF, under which the GBF Fund has been established.** The UK has had a GEF Council seat since the inception of GEF: we have a close working relationship with the GEF Secretariat and other Council members and are an influential voice on the GEF Council.
208. **The GBF Fund Council is the governing body of GBF Fund, comprised of members of the GEF Council.** Upon inception of the GBF Fund Council, the UK will take up its seat. Through this membership, the UK can carry out full assurance of processes and reporting and can undertake scrutiny and approval of projects.
209. Figure 4 provides an overview of the GEF governance structure that will apply to the GBF Fund Council.

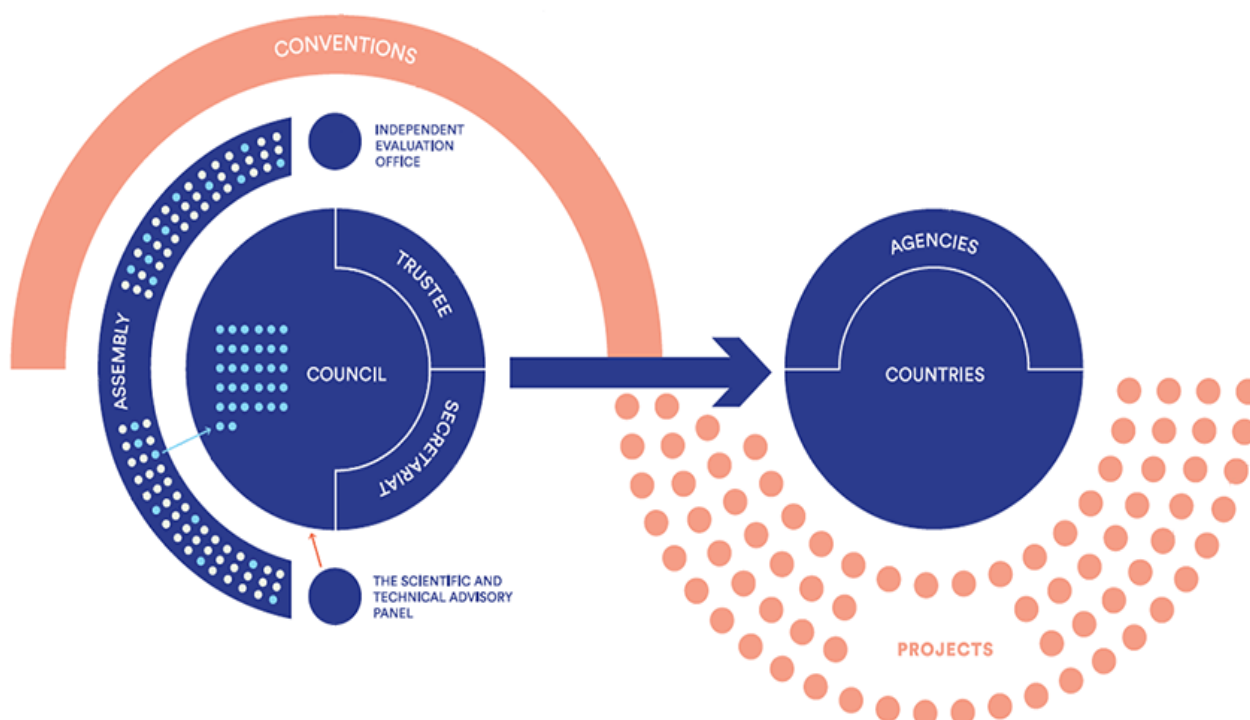


Figure 4. GEF Governance Structure

210. **The GBF Fund Council comprises members representing 32 constituencies:** 16 from developing countries, 14 from developed countries, and two from countries with transitional economies. Council Members rotate every three years or until the constituency appoints a new Member, though Council Members can be reappointed for further terms. The UK is in a single country constituency. The GBF Fund Council, which meets twice annually, develops, adopts, and evaluates the operational policies and programmes for GBF Fund-financed activities. Currently, all GBF Fund policies have been adopted directly from the GEF Trust Fund. There is provision to make decisions by a formal vote (with an affirmative vote representing 60% of the participants and a majority of 60% of total contributions). However, in practice, decisions are largely made through consensus. It also reviews and approves the work programme (projects submitted for approval). The Council has standing observer representatives from the private sector, non-governmental organisations and wider civil community. With respect to decision making, the Council meets twice a year, though where required project approval by the GBF Fund Council can be made on a rolling basis via correspondence to avoid delays between Council meetings.

211. **The GEF Secretariat coordinates the overall implementation of GBF Fund activities and services and reports back to the GBF Fund Council.** The Secretariat is headed by the Chief Executive Officer (CEO) who implements decisions of the GEF Assembly and the GBF Fund Council. The CEO is appointed to serve for three years and may be reappointed by the GEF Council. Recruitment is through an open, competitive process where Council members can engage at all stages of the process with the Council making the final decision. The World Bank is the GEF Trustee and provides a range of standard fiduciary, risk and legal services.
212. The Scientific and Technical Advisory Panel (STAP) provides independent advice to GEF on scientific and technical aspects of programmes and policies. The members of STAP are appointed by the Executive Director of UNEP (United Nations Environment Programme), in consultation with GEF's CEO, the Administrator of UNDP (United Nations Development Programme), and the President of the World Bank.
213. **GEF's Independent Evaluation Office (IEO) provides analysis and evaluation to support the basis for decision-making** on amendments and improvements of policies, strategies, programme management, procedures, and projects. It promotes accountability for resource use against project objectives; documents and provides feedback on subsequent activities; and promotes knowledge management on results, performance and lessons learned. The IEO Director is recruited through an open, competitive process and appointed by the Council for a five-year term and can be reappointed once.
214. **The GEF Assembly is composed of all 184 member countries.** It meets every three to four years at the ministerial level to review general policies – usually at the completion of the GEF Trust Fund replenishment process. The Assembly reviews and evaluates the GEF's operation based on reports submitted to GEF Council. It reviews the membership of the Facility, and considers, for approval by consensus, amendments to the Instrument for the Establishment of the Restructured Global Environment Facility on the basis of recommendations by the GEF Council. Parties to the UN Convention on Biological Diversity (CBD) broad strategic guidance to the relevant governing bodies of the GEF: the GEF Council, the GBF Fund Council and the GEF Assembly. The GBF Fund Council converts this broad guidance into operational criteria (guidelines) for GBF Fund projects.
215. **The eighteen GEF Implementing Agencies are the operational arm of GEF.** They are primarily the multilateral development banks and UN Agencies. As part of the GEF7 replenishment the Secretariat presented an updated analysis on the possible need to accredit additional Implementing Agencies. The Secretariat concluded that the latest data did not point to a clear need to expand accreditation of new Agencies, and – based on criteria of coverage, efficiency, and effectiveness, as well as the quality of engagement– that the potential cost of accrediting a limited number of additional Implementing Agencies would appear to outweigh the potential benefits.
216. **Recipient countries have operational focal points who are responsible for operations and projects within their own countries.** This includes working with the Implementing Agencies, to review and endorse project proposals to ensure they are in line with national priorities and strategies.

## 6.2. Management of funds

217. **The GBF Fund programme is managed jointly by Defra and FCDO.** Defra hold the financial management and policy responsibility, and FCDO conduct the governance arrangements connected with the wider GEF Organisation and Trust Fund programme and hold the formal seat on the GBF Fund Council. The share of responsibilities and the overall governance and decision-making arrangements will be agreed in writing between Defra and FCDO.
218. The split in responsibilities between the two departments is summarized in Table 8.

	Defra	FCDO
<b>Senior Responsible Officer (SRO)</b>	Yes	
<b>GBF Fund Council Member and Alternate</b>		Yes
<b>Programme Responsible Officer (PRO)</b>	Yes	
<b>Programme team responsibilities</b>	<ul style="list-style-type: none"> <li>• GBF Fund Council attendance as an Observer (in-person/virtual)</li> <li>• Financial management and approvals</li> <li>• Policy review of project proposals</li> <li>• GBF Fund Annual Review</li> </ul>	<ul style="list-style-type: none"> <li>• GBF Fund Council Member</li> <li>• Policy review of project proposals (alongside post)</li> <li>• GEF reviews and Central Assurance Assessments</li> <li>• GEF Annual Review and Project Completion Review</li> </ul>

Table 8. Cross-Whitehall share of management responsibilities

219. **The FTE requirements of the programme are within current FTE levels.** A resource plan is included in **Annex E**. In addition to the core programme team, FCDO and Defra will draw on specialist advice from across FCDO and Defra to help inform the approach to the GBF Fund, including risk and fraud specialists, analysts/monitoring and evaluation specialists at the time of ICF reporting and conflict advisers to contribute to annual reviews of the GEF.
220. **Ministerial responsibility and Accounting Officer Accountability will sit with Defra, and Defra’s ODA Board will act as the formal gateway on financial decision making.** To enhance oversight of Defra’s investment in the GBF Fund, the GBF Fund Council Member, working with the Defra programme team, will sight the ODA Board ahead of GBF Fund Council meetings on the UK position for each GBF Fund work programme.
221. **The pace of programme management and UK decision-making is driven by GEF and GBF Fund Council meetings (two a year).** The GBF Fund Council will decide on GBF Fund governance and projects, with UK positions informed by consultation across relevant HMG departments and agreed by FCDO and Defra Ministers ahead of each Council meeting, as required. Project proposals will be shared with relevant FCDO country posts for any in-country comments prior to a GBF Fund Council decision on project approval. Defra’s ODA Board will also be kept informed. FCDO will lead on the GEF Council and decisions relevant to the GBF Fund, but which apply to the GEF as a whole. Defra will lead on decision making regarding GBF Fund allocations and programming and will work with FCDO to represent the UK as the GBF Fund Council member.
222. **FCDO conducts an internal due diligence assessment of GEF every three years and, this includes a pillar on safeguarding.** FCDO assessments will be reviewed by the Defra programme team to avoid duplication with any gaps concerning the GBF Fund considered. Due diligence actions will be regularly monitored, including at formal review points. For instance, the Defra Programme team will coordinate with FCDO as part of the GEF Annual review including on any impact on the GBF Fund. Programme assurances are covered in more detail in the Strategic Case (including safeguarding, gender, counter terrorist financing and anti-money laundering).
223. **GBF Fund investment is monitored through mandatory Defra tools and processes** set as set out in Defra's Operating Manual based on the FCDO’s Programme Operating Framework (ProF). This includes ensuring funding meets ODA requirements, maintaining a risk register, writing annual reviews, updating the theory of change (as set out in the Strategic Case) and the logical framework (which sets out the programme results and how they will be achieved). The logical

framework will be reviewed and finalised upon completion of the GBF Fund's results framework and will form the basis of the project's Annual Review.

### 6.3. Communications and Stakeholder engagement

224. **The GEF Secretariat engaged extensively in the design and development of the GBF Fund.** The GEF considered the mandate given to them by Parties to the CBD at COP15, and GBF Fund proposals were reviewed and discussed by GBF Fund Council Members and other GEF Parties, Implementing Agencies, as well as Philanthropic and private sector organisations. This approach developed a strong, coherent and negotiated outcome.
225. **Defra will coordinate announcements surrounding UK contributions to the GBF Fund.** £10m has already been announced at the GEF Assembly in Vancouver in August 2023. Additional contributions may be announced at UN CBD COP16 in late 2024, or another suitable moment in 2024. Defra and FCDO will work together on developing appropriate proactive communications plans and will learn from delivery of the GEF Trust Fund in further developing the GBF Fund.
226. **Defra ODA requires all of 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. The World Bank is signed up to IATI, and the annual reviews, programme/project proposals and technical reports will be of interest to other countries and stakeholders. Defra will publish information such as business cases and annual reviews on the UK Development Tracker (DevTracker).
227. All project-level communications and stakeholder management will be conducted by the GEF Secretariat, Implementing Agencies and Executing Agencies.

### 6.4. Benefits realisation

228. **The GBF Fund will support delivery of the KMGBF.** It will provide grant funding to those countries most in need of support to develop nature-based projects that will benefit biodiversity. These projects are developed bottom-up and determined based on alignment with national biodiversity strategies and deliver of the KMGBF, therefore the UK control over the scope of project proposals is through our role on the GBF Fund Council.
229. Benefits will be valued through improvement across a range of output indicators that will be finalised once the GBF Fund is fully operational. The environmental outputs attributable to the UK investment in the GBF Fund are expected to be approximately:
- 7.4Mha of terrestrial protected areas created or under improved management
  - 1.4Mha of marine protected areas created or under improved management
  - 0.12Mha land restored
  - 9.8Mha of landscapes under improved practices (excluding protected areas)
  - 6.5Mha of marine habitat under improved practices to benefit biodiversity
  - 45Mt of CO<sub>2</sub>e Greenhouse gas emission mitigated
  - £550m of public and £150m of private finance mobilized for biodiversity projects.
230. **Benefits are expected to be sustainable, disbursed globally, and accrued over a multi-year period.** The first projects will receive funding in 2024, with further funding dispersal each year of the UK contribution, meaning a multi-year project may result in benefits accruing out to 2030.

231. **Benefits will not be directly managed by Defra Group, therefore a Benefits Realisation Plan has not been developed.** Assessments of project delivery will be monitored and reported to the UK through the GBF Fund Council. Project level data will be used to assess direct outputs and outcomes from projects and consolidated at a GBF Fund level to determine overall impact and benefit in an annual “scorecard”. See the Monitoring, Measurement and Evaluation section for further information on the GBF Fund Results Framework, indicators and project reporting.
232. **The UK can influence the realisation of benefits and provide oversight and scrutiny through a seat on the GBF Fund Council.** Assurance of benefits will be achieved through a combination of top-down and bottom-up related actions throughout the delivery chain:
- A Defra Programme team to manage UK financial contributions and ensure alignment with the programme needs assessment.
  - FCDO expertise on the GBF Fund Council, and Defra expertise in a strategic and delivery advisor, acting in observer status at GBF Fund Council meetings.
  - A competitive funding window that will priorities projects with the greatest impact on halting biodiversity loss,
  - Specific funding eligibility criteria for recipient countries, including a funding floor for SIDS and LDCs and target for IPLC funding,
  - Eligibility criteria for projects to enhance impact on biodiversity,
  - A specific focus on in-country delivery of projects, not international preparatory groundwork;
  - GEF’s experience of funding biodiversity projects through the GEF Trust Fund to target GBF Fund funding to those GBF targets that require additional financial support to be achieved, and improve efficiency,
  - The use of a demonstrably successful delivery chain with robust and implemented policies for project development, funding allocation and monitoring and evaluation.

## 6.5. Risk, Assumption, Issues and Dependency Management

### UK Risk appetite

233. **Defra’s risk appetite for its contribution to the GBF Fund is aligned to the wider ODA portfolio risk appetite.** GEF works in challenging contexts on complex issues and has opportunities to push and test innovative solutions. The following sets out Defra’s level of risk appetite for our contribution to GBF Fund against the six relevant risk categories:
- **Strategic and Context: Open.** Defra is investing through the GBF Fund, to both address the global challenges of biodiversity loss and environmental degradation, as well as piloting and testing innovative solutions to these challenges. Defra is looking for balance of successful delivery against achieving high benefit and impact.
  - **Delivery and Operational: Cautious.** Defra expects HMG teams across Defra and FCDO, the GEF secretariat, agency staff and downstream delivery partners to have sufficient leadership, capacity and capability to fully implement the delivery chain successfully. Mitigations are in place but Defra faces an inherent level of unavoidable risk in the delivery chain.

- **Project/Programme: Open.** Defra is working through the GBF Fund investment to deliver global environmental benefit and may involve working in challenging contexts and addressing complex issues.
- **Safeguarding: Cautious.** Defra will be investing in projects that may work with and affect the most vulnerable members of communities, including Indigenous People and Local Communities (IPLC) as well as focusing on those with least capacity to deliver, including SIDS and LDCs.
- **Financial and fiduciary: Cautious.** Through due diligence checks, Defra understands that the GEF has strong financial policies in place, and grievance reporting systems, such as commissioning 3rd party reviews of compliance that consider internal audit findings identifying signs of fraud. Defra will ensure GEF are implementing these processes and policies effectively and consistently across geographical areas.
- **Reputational: Cautious.** Defra’s investment in the GBF Fund will fund projects in some high-profile and contentious areas in relation to protected areas and forests e.g., Congo basin. Given the high-risk appetite levels for strategic and delivery risks we must accept a level of reputational risk if some projects fail to deliver or take innovative approaches which are unsuccessful.

234. There are risk policies and relevant assurance and reporting processes (which can provide confidence that there are appropriate checks in place throughout the delivery chain, and that the UK investment is being well managed and will lead to successful outcomes. These are summarised in Table 9.

235. **As Trustee of the GEF, the World Bank provides a range of standard services that help to manage risk at a fund level:** financial and risk management; investment and cash flow management; management of GEF partner relationships and transactions; accounting and reporting; legal services; commitment and disbursement of trust fund resources; systems infrastructure and maintenance; and resource mobilisation. The Independent Evaluation Office provides a key function in terms of preparing the Annual Performance Review (APR), which provides a detailed overview of the performance of GEF activities and processes, key factors affecting performance, and the quality of Monitoring and Evaluation systems within the GEF partnership. The APR provides GBF Fund Council members, countries, agencies, and other stakeholders with further information on the degree to which GEF activities are meeting their objectives and areas for further improvement.

236. **The UK is actively pushing for the GEF to adopt a fund level risk appetite for its portfolio of projects.** The UK has been invited to sit on the working group to develop this further alongside other GEF Council members. We will continue to make progress and monitor how the risk will be managed to ensure alignment with the risk appetite.

Entity	Assurance
World Bank	<ul style="list-style-type: none"> <li>• Annual financial management external audit, report and financial statement</li> <li>• Biennial progress reports referencing the results framework</li> <li>• World Bank fraud investigation process updates shared with Donors</li> <li>• Due diligence procedures on potential donors, covering exposure to the financial, operational, stakeholder, strategic and reputational risks.</li> </ul>

	<ul style="list-style-type: none"> <li>• Due diligence requirements on assessing Implementing Agencies</li> </ul>
<b>GEF Secretariat</b>	<ul style="list-style-type: none"> <li>• Annual preparation of administrative budget and business plan for review by GBF Fund Council.</li> <li>• Biennial Report to the GBF Fund Council on funding allocation towards the 23 KMGBF targets.</li> </ul>
<b>Independent Evaluation Office</b>	<ul style="list-style-type: none"> <li>• Annual Performance Review (APR) of GEF activities and processes, including monitoring and evaluation</li> </ul>
<b>Implementing Agencies</b>	<ul style="list-style-type: none"> <li>• Annual self-assessment and full external review every four years on compliance and systems to meet the Minimum Fiduciary Standards and policies on environmental and social safeguards, gender equality and stakeholder engagement, backed up by supporting documentary evidence (eg external audits, third-party review, evidence of policy implementation and controls, internal control reports and data, annual reports, financial statements, action plans) managed and facilitated by the GEF Secretariat in consultation with impartial expert assessment.</li> <li>• Due diligence requirements on assessing partner agencies</li> </ul>
<b>Projects</b>	<ul style="list-style-type: none"> <li>• Project Implementation Reports, Midterm Reviews and Terminal Evaluations</li> </ul>

Table 9. Assurance processes across the delivery chain

## Defra Risk Management

237. The nature of multilateral funding programmes means that the sources of assurance we can obtain across the delivery chain may lead to a high residual risk than our risk appetite. The establishment of the GBF Fund relies on the existing GEF delivery chain. However, the introduction of a new funding stream for all entities in the delivery chain means we will need to reassess the programme's risk appetite and assurance processes once the GBF Fund is fully operational. We can identify how much weight to attach to each of the sources of assurance and whether any additional assurance is required. We will review this on an annual basis.
238. **Defra will maintain a risk register for its contribution to GBF Fund.** The programme team will develop, track and review the programme risk register, including fraud risk, reporting and escalating any risks emerging through department and directorate wide risk registers as necessary. Regular discussions will be held with the FCDO and World Bank to monitor and manage risk.

## Risk Assessment

239. **The programme team's view of the Defra's overall risk in investing in the GBF Fund is moderate.** The programme faces five key categories of risk: (i) Operational; (ii) Programme; (iii) financial and (iv) safeguarding. A summary of risks and mitigation measures is outlined in Table 10 below.
240. **Firstly, there are operational risks.** At an organisational level, there is a low risk to Defra's investment and the unsuccessful operation of the GBF Fund resulting from GEF work to diversify delivery across implementing agencies. Though this process is ongoing and UK involvement in GBF Fund Council can help mitigate the risk. There is



a moderate risk that Defra's investment is not matched by project demand. The UK will develop a lobbying strategy to promote the fund, that works alongside GEF's formal Fund launch and call for projects.

241. **Secondly, there are risks to successful programme delivery.** Defra is currently not able to track programme delivery as a results framework and full suite of indicators has not yet been developed. There is a risk the framework may be delayed further, affecting the UK investment through limiting project proposals or reducing donor contributions. We understand that a full results framework will be developed during the first year of operation and updated following agreement of the KMGBF Monitoring Framework at COP16. There is also a risk to Defra funding that projects do not support poverty reduction alongside their environmental focus, and the impact is not measured. Although the main Implementing Agencies (UNDP, FAO, UNEP) have poverty reduction within their remit, given GEF-funding is aimed primarily at addressing global environmental issues the two mandates may not overlap. The UK will seek to address this through our role on the GBF Fund Council.
242. **Thirdly, there are financial risks.** There is a risk the UK cannot contribute funding to meet the demands of project approval. To address this the UK will finalise a funding Contribution Agreement with the World Bank in preparation for ministerial approval. There is also fiduciary risk to Defra's investment if the GEF and Implementing Agencies do not manage contributions effectively. However, GEF and the World Bank have robust fiduciary policies and assurance procedures which reduce such risks, and also help to mitigate the risk of downstream fraud.
243. **Finally, there are safeguarding risks.** Non-sovereign entities are able to contribute to the GBF Fund, which places a risks Defra's investment. The World Bank has due diligence processes for assessing potential private donors, including assessing reputation, conflict of interest. There is also a downstream risk presented by the Implementing Agencies compliance with the GEF Safeguarding policies, which includes environmental standards, as well as sexual exploitation. Self-assessments of compliance are third-party verified.
244. The GBF Fund will operate and fund projects in recipient countries globally, with each country limited to a designated proportion of the total funding available. This will diversify and spread the operational and financial risk inherent when operating in the most high-risk countries.

Key Risks	Risk Category	Gross Likelihood	Gross Impact	Risk rating	Mitigation/ Measures	Residual Likelihood	Residual Impact	Residual Risk Rating
Investment is not well spent due to GEF Policies to diversify programme delivery across the full range of implementing agencies affects project proposals	Operational	Medium	Medium	M	FCDO are already managing this risk of through GEF Council, and Defra will support. The GEF Secretary will report to the GBF Fund Council twice yearly, where course correction through amending GBF Fund policies, processes or funding allocations is possible.	Low	Low	L
Investment is not matched by funding demand, reducing investment size and value for money.	Operational	Medium	Medium	M	UK develop lobbying strategy for recipient countries to develop and bring forward project proposals. GEF will advertise formal fund launch and a call for projects with first project approvals at the second GBF Fund Council in June 24. UK do not pay in advance of demonstration of need.	Very Low	Medium	L
Defra cannot track and evidence investment impact due to delay in developing a Results Framework with suitable monitoring indicators.	Programme	High	Medium	H	The GBF Fund has an overall aim established with select GEF Core indicators ready and fit for purpose. A specific results framework will be developed following Fund launch and the first projects are approved. Additional GBF Fund Indicators to be developed in line with GBF Monitoring Framework, supported by the UK and finalised at COP16 in late 2024.	Medium	Low	M
Projects do not track contribution to poverty reduction or social inclusion, undermining ability to meet UK investment objectives	Programme	Medium	Medium	M	UK representation on GBF Fund Council supports move towards better integration of poverty reduction into project assessment criteria. The main GEF Implementing Agencies (UNDP, UNEP, FAO) all have poverty reduction pillar to their remit. FCDO conduct central assurance assessments on GEF and main IAs	Low	Medium	M
Defra not able to transfer the committed funding to meet delivery need, affecting the GBF Fund's ability to deliver project funding, causing reputational damage to UK	Financial	Medium	High	H	Defra develop approved business case for Ministerial and HMT approval, Contribution Agreement and payment schedule with World Bank prepared in advance.	Low	Medium	M
ODA portfolio and spending focus following next Spending Review does not align with GBF Fund	Financial	Low	High	M	GBF Fund aligns with the recent International Development White Paper. Scheduling of UK contributions over 4 years allows for UK to withdraw future funding ahead of the payments in 26/27 and 27/28.	Very low	Medium	L
Investment not effectively managed by GEF resulting in weak value for money and failure to deliver on UK objectives	Financial	Low	High	M	The UK has low tolerance for fiduciary risk in ODA spending. GEF (and World Bank group) is a trusted and established partner in delivering multi-lateral environment funds successfully. UK influence through good relationship with GEF and through GBF Fund Council.	Very Low	Medium	L
Fraud allegations come to light with agencies, undermining delivery and causing reputational damage to UK and undermining UK investment	Financial	Medium	Medium	M	GEF Secretariat has strong policies including third-party review of agencies, with a good recent track-record of following through where concerns are flagged. The GBF Fund Council is kept up to date in real-time of Fraud allegations.	Low	Medium	M
UK investment impacted by contributions from non-sovereign entities that cause financial, operational, stakeholder, strategic or reputational damage.	Safeguarding	Medium	Medium	M	World Bank has a due diligence process it follows for each potential private donor, taking into account <i>inter alia</i> the purpose of the fund, the reputation of the entity, potential or perceived conflicts of interest, and other benefits or unfair advantages to the entity	Low	Low	L
Concerns come to light on specific agencies or stakeholders in fragile contexts regarding sexual exploitation abuse or harassment in projects where GEF is involved causing reputational damage to UK	Safeguarding	Medium	Medium	M	GEF Secretary has strong policies, and a good track-record of following through where concerns are flagged. The GBF Fund Council is kept up to date in real-time and takes immediate remedial action. The UK follow-up when issues rise, coordinating between FCDO and Defra	Low	Medium	M

Table 10. Project risks

## 6.6. Contract management

245. The Defra Programme team, along with Defra Finance and Defra Commercial, will manage the Administration Agreement. For relevant contract terms see Contingency Plans below.
246. **Each of the Implementing Agencies are required to submit annual reports:** a financial report, audited by the agency's independent auditors, alongside project level reporting on outputs an annual basis, as evidence that the resources GEF resources are being used in line with GEF procedures.
247. The GEF will collate these reports on an annual basis to provide an overall assessment GBF Fund delivery. This information will be used to complete Defra's logframe, which will inform Defra's Annual Review.
248. **The Trustee also has a responsibility to monitor the application of budgetary and project funds** to ensure that the resources of the GBF Fund are being used in accordance with the GEF Instrument and the decisions of the GBF Fund Council.

## 6.7. Monitoring, Measurement and Evaluation

249. **The GBF Fund Monitoring Framework will be finalised with indicators and populated with expected results in 2024**, once the first projects are approved and funding allocation begins. The UK will work with the GEF Secretariat and GBF Fund Council Members to agree the Monitoring Framework.
250. **The GBF Fund Monitoring Framework is based on existing GEF Indicators for monitoring global environmental benefits and tracking performance.** Not all of the full suite of core indicators are relevant to the scope of GBF Fund projects, so a subset of core indicators will be used. These are provided in the draft log frame (Annex D).
251. **An additional set of results indicators will be introduced to monitor policy elements of projects supported by the GBF Fund to complement the GEF Core Indicators.** These sub-indicators draw on previous GEF experience in monitoring policy development and implementation in the biodiversity focal area and will be based on target indicators agreed for the KMGBF Monitoring framework. The KMGBF monitoring framework will be agreed at CBD COP16 in 2024.
252. **GBF Fund projects will adhere to the current GEF policies on project monitoring and evaluation.** All Implementing Agencies are required to submit data extracted from GEF's standardised monitoring tools i.e., project tracking tool, project implementation reports (PIRs), mid-term reviews (MTRs), and project completion reports or terminal evaluations (TEs) on an annual basis. This information is then included within GEF's Annual Monitoring Report (AMR) which provides: (i) an overview of cumulative project approvals; (ii) detailed information on the projects approved in the year in question; (iii) a breakdown of the GBF Fund's active portfolio including performance ratings for each Implementing Agency; and (iv) information on management effectiveness and efficiency indicators. Should Agencies be deemed to not be meeting the requirements, there is an option to perform enhanced due diligence on their processes and reporting, to be sure of their impact generated from funding.
253. **The GEF has effective mechanisms and systems to track and manage poorly performing projects and programmes.** These include a Project Management Information System (PMIS) which contains data of all GEF projects. The GEF Independent Evaluation Office will produce an Overall Performance Study (OPS), which will provide an independent assessment of the achievements of the GEF up to the time of the study. For reference, OPS7 was published in September 2021<sup>xviii</sup>.

254. There are no GEF indicators that directly track poverty reduction or the development of sustainable livelihoods at a project level. There is an assumption that addressing environmental degradation will intuitively lead to a reduction in poverty. Although this is likely for smaller GEF projects, it is not a guaranteed outcome<sup>xliv</sup>. Therefore, currently it is not possible to track the impact that a UK investment has on poverty reduction through GEF systems. The UK will address the risk of lack of demonstrable poverty reduction impact by taking a leadership role on this issue through our membership of the GBF Fund Council, for instance by potentially assimilating the UK ICF indicator on the “number of people with sustainable livelihoods created or protected”, including relevant disaggregation’s into the GEF reporting framework.

#### **UK Contribution: ODA and ICF Reporting**

255. **The UK will measure the overall performance of the GBF Fund using the GBF Fund Reporting Framework.** The project’s logical framework (logframe) will be completed in 2024, firstly following the development of the GBF Fund Results Framework in June 2024, and secondly in conjunction with the finalisation of the KMGBF Monitoring Framework at COP16 later in 2024. A draft logframe is provided in Annex D.
256. **The draft logframe contains relevant ICF KPIs and GEF core indicators and anticipated results where available.** Baseline values and draft expected milestones for these indicators have been populated in line with the economic assessment and will be finalised following the development of the GBF Fund Results Framework. The GEF will use the anticipated results of the first round of approved projects to scale up and develop programme level results projections. Additional KMGBF indicators from the KMGBF Monitoring Framework will be added into the logframe if incorporated by the GEF into their GBF Fund reporting requirements.
257. UK reporting on GBF Fund performance will be by Annual Review, based on the logframe. A concluding assessment will be undertaken through a Project Completion Report.
258. **UK reporting includes data on ICF Key Performance Indicators (KPI).** These are the primary way in which the UK measures results from across the whole of its portfolio of ICF investments. The approach helps HMG to demonstrate what it is achieving with its ICF investments and fulfil its accountability functions. For the GBF Fund, Defra will report lifetime expected results attributable to its investment for five ICF KPIs:
- people supported to cope with the impacts of climate change (KPI 1),
  - amount of greenhouse gas emissions reduced (KPI 6),
  - amount of public finance mobilised (KPI 11)
  - amount of private finance mobilised (KPI 12)
  - the amount of land under sustainable management (KPI 17).
259. HMG will work with GEF secretariat to enable the continued ICF KPI reporting for the GBF Fund for the above indicators and look for opportunities to report on other ICF KPIs, where methodologies align.
260. **In addition, Defra will need to map the GBF Fund indicators onto the new streamlined ODA Reporting Framework.** An initial assessment of the ODA Reporting Framework indicates that alongside the ICF KPIs, there are some Defra development Indicators which can be mapped. DI1a (Area improved through restoration) and DI1b (Area newly designated as protected areas or other effective conservation measures (OECM’s)) can be reported against with a combination of GEF Core indicators.

261. Defra Indicators on People and Poverty do not easily disaggregate from GEF Core Indicators on the number of direct beneficiaries. The UK will work with the GEF Secretariat to support in translating the indicators and will push for expanding poverty reduction indicators through the GBF Fund Council.
262. Reporting against the UK Green Financing Framework has been judged as not required.

## 6.8. Contingency plans

263. **Contributions to the GBF Fund are voluntary.** Following this initial UK investment into the GBF Fund, no further investment is mandated. The UK will not incur any further financial liabilities and will not realise any benefits of future biodiversity projects. If no further contributions are made, the UK would likely lose its seat on the GBF Fund Council in due course as a result of cumulative contributions from other donors.
264. **The UK can exit before completion of the payment schedule.** The Contribution Agreement with the World Bank is not legally binding, and can be exited with sufficient notice. However, there is an expectation on the UK as a donor to fulfil our agreement. Should the UK wish to exit before completion of the payment schedule proposed in the Financial Management case and not provide the full level of payment expected by the World Bank. Contractual arrangements allow for this, as future payments are qualified, being subject to budgetary approval.

## 6.9. Equality Impact Assessment

265. Equity relates to how benefits are distributed amongst the population.
266. **GEF has established rules and requirements for stakeholder engagement which will apply to the GBF Fund.** These are outlined through, amongst other things, its Agency Minimum Standards on Environmental and Social Safeguards<sup>xlv</sup>, Policy on Gender Mainstreaming<sup>xlvi</sup>, and Guidelines for Engagement with Indigenous Peoples<sup>xlvii</sup>. All agencies must carry out stakeholder consultation across all safeguard standards, including with affected groups, local civil society and indigenous peoples. Agencies are also required to have effective accountability and grievance systems in place. GEF policy also states that when engaging with indigenous peoples, there must be adherence to a standard of free, prior and informed consent (FPIC). For other projects, the GEF Agencies “rely on their systems for consultation with Indigenous Peoples and will ensure that such consultations result in broad community support for the GEF-financed operation being proposed.”
267. **GEF adopted a new Policy on Gender Equality in November 2017<sup>xlviii</sup> that will apply to the GBF Fund.** The policy marks GEF’s increased ambition to address gender equality and promote women’s empowerment across its operations and in its projects and programs. It translates into concrete mandatory requirements that move GEF from a “do no harm” approach to a “do good”, gender-responsive approach. The new policy requires a gender analysis as part of project design to ensure that GEF projects are designed with a better understanding of gender differences, roles and needs, and identify opportunities to address gender gaps critical to achieving global environmental benefits. The policy also provides for improved monitoring, reporting and learning of gender-responsive measures in GEF-financed projects and programmes.
268. **The GBF Fund Programming Directions outline efforts to improve equality<sup>xlix</sup>.** These include a ring fence of 39% for SIDS and LDCs, and an aspirational target of 20% of funding to flow through IPLCs. The approach is in line with the GBF, which specifically recognises the needs of SIDS and LDCs to support delivery of the GBF,

and acknowledges the important roles and contributions of indigenous peoples and local communities as custodians of biodiversity and as partners in its conservation, restoration and sustainable use.

## 6.10.Data Protection Impact Assessment

269. No data collected therefore no Data Protection Impact Assessment required.

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