Department
for Environment
Food & Rural Affairs

International climate, biodiversity and poverty reduction

Title: Global Programme on Sustainability (GPS)		
Programme Summary: The programme supports sustainable economic growth that is both long-lasting and resilient to climate-related stressors. It does this through the integration of natural capital into decision making by governments, the private sector and financial institutions. The inability to value natural capital can undermine long-term growth and critically, the livelihoods of the poorest people dependent on ecosystems for their livelihoods. This programme directly addresses this challenge by (i) investing in data and research on natural capital; (ii) assisting countries to integrate this analysis into government policy making; and (iii) integrating these data and analysis into financial sector decision making.		
Programme Value: £20 million		**Country/ Region:** Global
Programme Code: PO014	**Start Date:** 02/2018	**End Date:** 02/2025
Overall programme risk rating:	Moderate	

Contents

List of Acronyms

BETF	Bank Executed Trust Fund
CICs	Core Implementing Countries
COP	Conference of Parties
CPF	Country Partnership Fund
CWON	Changing Wealth of Nations
DPOs	Development Policy Operations
ENCA	Enabling a Natural Capital Approach
ESF	Environmental and Social Framework
FSA	Financial Stability Assessment
FSAP	Financial Sector Assessment Programme
GDP	Gross Domestic Product
GHG	Green House Gasses
GPS	Global Programme on Sustainability
IFC	International Finance Corporation
IFIs	International Financial Institutions
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
MDB	Multilateral Development Bank
MDTF	Multi Donor Trust Fund
NATCAP	The Natural Capital Project
NBSAPs	National Biodiversity Strategies and Action Plans
NBS	Nature Based Solutions
NC	Natural Capital
NCA	Natural Capital Accounting
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
NSC	National Steering Committee
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PMQA	Programme Management and Quality Assurance
RETF	Recipient Executed Trust Fund
SCDs	Systematic Country Diagnostics
SDGs	Sustainable Development Goals
SEEA	System of Environmental Economic Accounting
SEAH	Sexual Exploitation and Abuse and Sexual Harassment
TTA	Targeted Technical Assistance
UNFCCC	United Nations Framework Convention on Climate Change
UNSD	United Nations Statistics Division
VES	Valuing Ecosystem Services
WAVES	Wealth Accounting and the Valuation of Ecosystem Services
WWF	World Wildlife Fund

1 Intervention Summary

1.1 Narrative what the funds will be spent on, where, over what period of time, via whom and what they will deliver summary of why UK support needed

1. **Natural resources underpin the Sustainable Development Goals.**[1] They provide essential goods and services upon which livelihoods depend; if managed well, they can provide economic returns; and they can offer cost-effective solutions to climate change – both adaptation and mitigation.[2] The role of natural capital is particularly pronounced in low-income countries where estimates from "Where is the wealth of nations?" show that natural capital account for up to 50 percent of total wealth.[3]

2. **The valuation of natural capital provides the necessary data to move towards sustainable development.** Policies based on a more informed view of the interactions and trade-offs between the different dimensions of sustainability (economic, environment and social) and the distribution of benefits within society, are essential for sustainability. For policymakers, this means having access to information and data on the environment and its relationship with the economy and society. This moves economic decision making beyond traditional GDP to a sustainable wealth approach. For example, land accounts can help countries assess the value of competing land uses, supporting decision making that promotes sustainable land use over time (SDG15); a fisheries account, which assesses the value of stocks over time, informs the conservation and sustainable use of the ocean and marine resources (SDG14); and accounts detailing the costs and subsidies required for environmental protection can highlight sources for sustainable conservation financing.

3. **Despite their critical role, natural resources are often overlooked in decision making**. This is most pertinent in financial decision making, especially in Ministries of Finance and the board rooms of institutional investors. A significant challenge exists around data and information. Without data and values assigned to natural capital, their role in economies, societies, and their ability to address climate change can be overlooked. This lack of data is undermining efforts to move towards sustainable growth, delivering prosperity for current and future generations. The broad range of environmental public goods delivered by investment into natural capital provides a strong rationale for public intervention.

4. **The UK is a thought leader on accounting for natural capital.** Defra, in collaboration with the Office for National Statistics, produce the UK's natural capital accounts.[4] We have one of the most advanced sets of accounts, out of the 28 countries that have so far completed work in this area. Drawing on this experience, we are actively working with the United Nations and the World Bank to establish standard definitions and methodologies and share experiences on how a natural capital approach can support decision-making. In addition, the assessment of natural capital impacts forms an important part of HM Treasury's Green Book – the guidance on how to appraise government policies and projects.[5] Augmenting this leadership, the UK commissioned an independent Review to examine the economics of biodiversity. This Review is being led by Professor Sir Partha Dasgupta and is due to report ahead of the Convention on Biological Diversity in October 2020.

5. **2020 provides a significant opportunity to embed natural capital more systematically across public and private financial decision-making.** The international spotlight is on climate and environment with the UN's Convention on Biological Diversity and the UNFCCC's Conference of the Parties in quick succession of each other at the end of the 2020. Scaling-up resources to embed natural capital into decision making - both on the data side, and on the practical implementation side, provides the global community with an additional tool to take forward the outcomes from these international negotiations. Ensuring countries have a solid foundation and understanding of the role of natural capital will also enable the UK to support and work with countries to follow-up on any recommendations coming out of the Dasgupta Review.

[1] See for example the Convention on Biological Diversity's mapping of the Aichi Biodiversity targets to the SDGs:
[2] The Global Commission on Adaptation refers to a "thriving natural environment [as] fundamental to adaptation in every human enterprise"
[3] World Bank - https://www.worldbank.org/en/topic/natural-capital#1
[4] The latest update (October 2019), can be found on the ONS's website (here)
[5] The UK has launched a free-to-use, on-line natural capital resource 'Enabling a Natural Capital Approach' (ENCA). ENCA is designed to help policy makers, businesses, landowners and public sector organisations make better planning decisions that protect and boost natural capital

6. **The UK will provide £20 million into the "Global Programme for Sustainability",** a World Bank Trust Fund, with the overarching objective of integrating natural capital considerations into political and financial decision making to support sustainable development. Key outcomes include:
    a. Increased demand and usage of Natural Capital Accounting (NCA and related sustainability metrics in developing countries)
    b. Natural capital integrated into public-sector decision making, supporting sustainable growth and sustainable exploitation of natural resources
    c. Public and private players have improved knowledge on natural capital and ecosystem valuation approaches
    d. NCA-based sustainability information is available and easily accessible on web platforms
    e. IMF-World Bank Financial Stability Assessments (FSA) successfully pilot the inclusion of sustainability metrics, so it can be rolled-out across all FSAPs
    f. Private financing is mobilised for NCA enhancing projects.
7. **This programme is targeted at transformational change**. Through the outcomes listed above, this programme will help support better management of critical ecosystems, strengthened livelihoods, and sustainable growth. Examination of a series of case studies documenting the transformation pathway show the need for patience and significant community and private sector engagement. For example, the development of forest accounts in Guatemala sparked a lively debate among forest stakeholders. This resulted in a series of regulatory frameworks, which aim to improve the livelihoods of 1.5 million families per year, ensure 375 thousand hectares of natural forest are under protection, support 300 thousand hectares of agroforestry systems and 200 thousand hectares of forest restoration. Arguably, without the natural capital values, these frameworks would not have been put in place.
8. **The Programme will run for 5 years.** The UK's funding is targeted at ensuring the World Bank expedites work over the next year, providing a platform for other donors to come on board. This initial investment will push the World Bank towards their medium ambition scenario, demonstrating to countries and businesses that resources are available to support improved sustainable decision making. The programme will work with ODA-eligible countries where there is political appetite to take this work forward.

1.2 How does the project meet HMG, departmental and ICF objectives?

9. **The GPS programme is aligned with the UK's Aid strategy.** It will support the objective of strengthening global peace, security and governance by investing in tackling the causes of instability, namely instability from mis-management of natural resources. It will promote global prosperity by ensuring economic decision making by Ministries of Finance, and the financial sector, factor in nature so that economic prosperity is not pursued unduly at the expense of people's environmental or social prosperity. Relatedly, it will tackle extreme poverty. The world's most vulnerable rely heavily on natural resources. By investing in better management of natural resources, this programme will support those whose livelihood depends on their sustainability.
10. **It will deliver against three of the UK's International Climate Finance objectives:** (i) supporting the reversal of biodiversity loss and ecosystem degradation; (ii) supporting the reduction of global greenhouse gas emissions in increasing carbon sequestration through nature-based solutions; and (iii) enhancing sustainable intensification of production to meet increasing demands of food.
11. **The GPS also supports wider Defra and UK objectives**, including a commitment to use natural capital approaches set out in the UK's 25 Year Environment Plan and the Natural Capital Committee's recommendation to the UK to establish an environmental baseline census; the UK's commitment to sustainable supply chains; and objectives set out in the UK's Green Finance Strategy to catalyse market-led action on enhancing nature-related financial disclosures.

1.3 What are the main project activities?

12. **The GPS is organised around three inter-related pillars of action:**
    a. The first pillar ("Information") will scale-up efforts to collect **global information** on sustainability; and to develop tools to analyse it, providing insights on the effectiveness of

natural capital management across geographies, sectors, and levels of income. This Pillar provides countries with data and decision-making tools to incorporate natural capital into financial and policy decisions. For example, land accounts can help countries assess the value of competing land uses aiding decisions on how to promote sustainable land use.

b. The second pillar ("Implementation") will provide support to countries to **build capacity** on NCA, including institutionalising the ability to collect the data and use them to inform decision-making at national, sector or project-level. NCA provides the necessary data to move towards sustainable development; it recognises that integrated policies, based on a better understanding of the multi-sectoral interactions and trade-offs between the different dimensions of sustainability (economic, environment and social) and the distribution of benefits within society, are crucial. These data allow policymakers to make decisions that take into account the impacts of policies on different sectors.

c. The objectives of the third pillar ("Incentives") are aimed at addressing issues specific to financial markets. It will better integrate sustainability considerations in financial markets, protect the stability of the financial system from risks related to the environment; and mobilise capital to finance investments in natural capital.

1.4 What are the expected results?

13. **Indicative results include**

- Support to 8-12 countries to establish NCA systems;
- 16-24 countries will be given targeted technical assistance to specific policies/projects
- Development of three economic valuation tools, technical reports; and training/guidance on integrating sustainability into project appraisals.
- Adoption of a data platform to help investors take environmental sustainability into account.
- A diagnostics framework to assess the impact of climate and environmental risks and opportunities on the financial sector.
- Targeted research on the effects of sustainability on the financial sector.

1.5 How does the programme relate to other UK aid within the specific sector, including multilateral, bilateral and centrally managed programmes?

14. **The UK's current support on natural capital is coming to an end.** The UK, through the Department for International Development (DFID), has invested in the World Bank's Wealth Accounting and Valuation of Ecosystem Services (WAVES) programme - the predecessor programme to the Global Programme for Sustainability. The WAVES programme focused mainly on data and valuation, and was judged successful under DFID's annual reviews, receiving As and A+s. One area of identified weakness was the up-take of the information and data by governments and the private sector. The GPS actively seeks to address this gap by expanding the remit of the World Bank's work towards implementation and engagement.

15. **This work addresses a gap in, and complements, the UK's portfolio of International Climate Finance investments by providing the foundational knowledge and data required to make sustainable decisions.** It does so by providing comparable data and assessments on natural capital and its integration across countries and businesses. The project management team in Defra will work closely with other programme leads to ensure the results from this programme support wider effects on climate and environment.

1.6 Is the programme coherent with the wider international community and partner government response? Has the programme set out a sustainable exit strategy?

16. **The Programme has been designed in direct response to an increasing demand from countries on natural capital.** The adoption of the System of Integrated Economic and Environmental Accounts (SEEA) Central Framework as an international statistical standard by the UN Statistics Commission, plus the 2012 Earth Summit in Rio, has helped increase awareness and momentum on natural capital accounting (NCA). This programme directly responds to this demand and interest, building capacity and long-term capabilities to enable a smooth exit strategy.

17. **The World Bank are part of a broader coalition of partners working on natural capital**. These include UN agencies such as UNDP, UNEP, and UNSD; and several academic institutions and initiatives including the Natural Capital Coalition, The Natural Capital Project, and The Nature Conservancy. The GPS actively works with partners who share a common vision of valuing the environment to support more sustainable development decision. By investing in the World Bank's GPS, we can work with and leverage the expertise of these wider organisations and partners.

1.7 Has the programme been quality assured? How confident are we that the skills, capability, resources and political will exist to deliver the programme?

18. **The World Bank team have been leading work on natural capital for 10 years.** The predecessor programme, WAVES, was launched at the 2010 Convention on Biological Diversity meeting in Nagoya, Japan, and has worked with a handful of countries[6] over that period to trial and develop their approach. The WAVES programme has supported the development of 30 NCAs, which has subsequently supported over 60 policy related changes ranging from integration into national plans to legislative changes. Defra experts have been involved with and supported the implementation of WAVES, strengthening HMG's ability to manage programme.

1.8 Does the SRO and team have the capability and resources to deliver this programme?

19. **Defra has significant expertise to manage this programme.** The management of the programme sits in Defra's International ODA and Strategy Division, which hosts the bulk of Defra's expertise on ODA management, and international evidence and analysis. The wider programme team will draw on Defra expertise siting in Defra's Green Finance Team, the International Biodiversity and Environment Division, and the Environment Economic Unit.

1.9 Is this within our risk appetite, if not, why are we going ahead?

20. **The GPS' overall risk is rated at moderate.** The programme faces four key categories of risk: (i) programme demand; (ii) delivery; (iii) financial; and (iv) political/context. The World Bank will build on experiences and lessons learned from the predecessor WAVES programme to mitigate these risks. Defra will work with the World Bank, drawing on expertise across HMG, to ensure effective in-country engagement. Defra will also ensure appropriate environmental safeguards are in place. This will be especially important for transboundary risks, external to the programme, associated with assigning value to nature.

[6] The first phase included: Botswana, Colombia, Costa Rica, Madagascar, and the Philippines. The second phase included Guatemala, Indonesia, Zambia, Uganda, Rwanda, Nepal, and Kyrgyz Republic.

2 Strategic Case

2.1 Strategic fit

21. **Ecosystems underpin whole economies and societies.** The biosphere upon which humanity depends has been reconfigured by human activities. There is growing scientific evidence on the wide-ranging damage to nature and ecosystems that puts at risk the steady supply of food, water, jobs and the ability of ecosystems to regulate climate (IPBES 2019). As much as 75 percent of the land area has been significantly altered (by 2050 this level may reach 90 percent), 85 percent of wetland area has been lost and 66 percent of the ocean area is experiencing increasing cumulative negative impacts, such as acidification, over-fishing, and marine pollution. At the same time, anthropogenic greenhouse gas (GHG) emission levels are hitting record levels every year and, if these trends persist, then global temperatures are projected to rise by 3.2 to 3.9°C this century (IPCC), bringing far-reaching climate impacts.

22. **Depletion of natural capital assets directly affects our ability to meet the Sustainable Development Goals (SDGs).** Nature is key to human well-being, especially for the poor. Low income countries are especially dependent on natural capital – an average of 47% of total wealth (World Bank, 2014) and without environmental income, poverty would be 16 percent points higher in Sub-Saharan Africa (that is, the poverty rate would be 59% instead of the observed 43%); and more than double in East Asia i.e. 24% instead of 11% (Noack et al. 2015). This an important reminder that the future prosperity of these countries depends on the wise management of natural capital; and in particular on the ability to sustain over time, the generation of revenues obtained from natural capital for re-investment in human and produced capital. The current negative trends in biodiversity and ecosystems threaten to undermine progress towards 80 per cent (35 out of 44 targets) of SDGs (IPBES) and to the international communities' fight against climate change (SDG13).

23. **In the absence of robust systems to measure and value natural capital and ecosystem services, countries are likely to pursue development patterns based on overuse of natural assets**. Economic actors in most countries are not able to consistently assess the wide variety of benefits that natural capital can deliver. This can lead to distortionary domestic policies (e.g. fossil fuel, agricultural and fishing subsidies) or a trade regime that fails to disincentivise depletion of natural capital embodied in imports. The aggregate economic support to the (over)use of natural capital is estimated at $1 - 1.2 trillion (World Bank 2012). Equally, it can prevent active management and restoration of nature to address climate change – both mitigation and adaptation. For example, carbon prices are not commensurate with the level needed to achieve the goals of the Paris Agreement, i.e. US$40-80/tCO2 by 2020 and US$50-100/tCO2 by 2030 (World Bank, 2019).

24. **Despite the powerful case for working with nature to reduce climate risks, the global potential has barely been realised.** Nature-based solutions - the protection, restoration and sustainable management of the world's ecosystems, could provide up-to 30 percent of the cost-effective mitigation that is needed by 2030 to stabilise warming to below 2°C.[7] Yet the proper measurement and valuation of natural assets remains elusive. Few governments, for example, have adopted natural capital approaches widely, even though many cite natural solutions in their NDCs.[8] This limited uptake is also reflected among the business community: only 3 percent of nearly 2000 companies have reported using natural ecosystems as part of their climate adaptation strategies.[9]

25. **There are two main barriers: (i) a lack of data; and (ii) limited understanding about how to integrate this data into economic decision making.** Governments assessing countries' economic performance, solely based on Gross Domestic Product (GDP) – a measure of income, are likely to make sub-optimal decisions. This metric fails to convey information on the status of the stock of assets (including natural capital) on which production of income depends. For the private sector, there is little incentive to adopt technologies with lower impacts on natural capital,

[7] Griscom et al. (2017) Natural Climate Solutions. PNAS https://www.researchgate.net/publication/320536154_Natural_climate_solutions
[8] The Global Commission on Adaptation, page 31
[9] Goldstein, A., Turner, W.J., Gladstone, J., and Hole, D.G. 2019. "The Private Sector's Climate Change Risk and Adaptation Blind Spots." Nature Climate Change 9: 18–25. https://www.nature.com/articles/s41558-018-0340-5

unless cleaner/greener outputs fetch a higher market price, or cleaner inputs result in cost savings. Finally, if the financial sector lacks the data and tools needed to assess environmental risks and impacts (including those related to climate change) of alternative investment decisions, it will fail to orient financing towards sectors or projects with lower environmental footprints.

26. **International demand around natural capital is growing and is likely to increase further in the coming year.** There have been significant calls from developed and developing countries for a greater focus on wealth accounting and its integration into economic decision making.[10] As countries gear up for the conference of the Parties of the Convention on Biological Diversity (COP 15, Kunming, China, October 2020), this demand is likely to grow. The ability to properly measure and value the role played by biodiversity and ecosystem services, in supporting human well-being and countries' prosperity will be an important element of any new global diversity framework agreed in China. On the climate front, many policy makers and practitioners recognise the role that nature-based solutions can play in supporting countries' efforts to mitigate, and adapt to, climate change. This is gaining significant traction and is a [key theme for the UK's hosting and presidency of the UNFCCC's COP26.

27. **International work on natural capital is strongly aligned with UK objectives.** The UK is working with international partners to catalyse market-led action around natural capital. This includes the Global Resource Initiative work on supply chain transparency and supporting businesses to integrate sustainability in natural resource use, through their supply chains. In recognition of the important role biodiversity plays in economic prosperity, the UK's HM Treasury appointed Sir Partha Dasgupta in 2019 to lead an independent review on the economics of biodiversity, reporting ahead of COP 15. These initiatives help drive forward ambition around nature and climate, ensuring a more resilient future, protected livelihoods, and flourishing nature.

2.2 Impact and outcomes

28. **The overarching impact of the intervention is to harness the power of nature to support sustainable development and reverse environmental degradation from climate change.** Based on the evidence outlined above, there is a strong rationale to focus on the role of natural capital to bring about sustainable development by integrating a dynamic systems approach to understanding complex social-ecological systems. This Programme complements existing Defra International Climate Finance programmes by providing the foundational knowledge and analysis upon which further programmes can be developed. It will also provide additional analysis and implementation capacity to respond to the recommendations and findings of the Dasgupta Review, due at the end of 2020.

29. **The UK will provide up to £20 million to integrate natural capital into political and financial decision making.** A key output of this programme will be improved data, metrics and decision-making tools. These outputs will be instrumental in delivering four outcomes (see Figure 1: Theory of change):

    - Countries understand the sustainability of their economies. They have greater political will for, scientific and technological capacity, and technical assistance to move towards more sustainable patters of production and consumption.
    - NCA is institutionalised at country level: Ecosystem and biodiversity values are integrated into national and local decision making, development processes, poverty reduction strategies and accounts leading to improved, sustainable growth strategies (SDG target 15.9).
    - Developing countries have local ownership of NCA data and can maintain and update data and information on natural capital and the value of ES in physical and in monetary terms.
    - A greener financial system: sustainability considerations have been integrated into the financial market, incentives exist towards sustainable projects and financial system operators can better distinguish between sustainable and non-sustainable behaviour of actors, sectors and projects.

[10] World Bank – Moving Beyond GDP - http://documents.worldbank.org/curated/en/724461468157521765/Moving-beyond-GDP-how-to-factor-natural-capital-into-economic-decision-making

Figure 1Theory of change

Impact

Sustainable economic growth through better management of natural resources, strengthening resilence and longer-term prosperity

Outcomes

- Countries understand the sustainability of their economies. They have greater political will for, and scientific and technological capacity to, move towards more sustainable patters of production and consumption.
- NCA is institutionalised at country level: Ecosystem and biodiversity values are integrated into national and local decision making, development processes, poverty reduction strategies and accounts. (SDG target 15.9)
- Developing countries have local ownership of NCA data and can maintain and update data and information on natural capital and the value of ES in physical and in monetary terms.
- A greener financial system: sustainability considerations have been integrated into the financial market, incentives exist towards sustainable projects and financial system operators can better distinguish between sustainable and non-sustainable behaviour of actors, sectors and projects.

Outputs

- Openly available sustainability indicators and assessments to inform policy making and investment decisions, comprising of a comprehensive data platform as well as technical and policy reports on the drivers of changes of NC and ES.
- Application of accounts in policy analysis and application in planning documents/similar instruments.
- Capacity and capability is increased in public and private sectors to generate Natural Capital data to inform decisions beyond the programme.
- Sustained regional cooperation and global engagements resulting in dissemination, replication, learning and uptake of NCA/VES beyond directly supported countries
- Improved information and capacity building for financial markets including sustainable finance assessments and a clear research agenda going forward.

Example Activities

- Understanding policy drivers for NC degradation and the economic case for NC restoration; and developing country and sector-specific decoupling indicators.
- Measuring, stocktaking and accounting NC with client countries, including macroeconomic diagnostics.
- Support to countries for building, implementing and institutionalising suitable, specific, NCA frameworks and applying them to policy and decision making.
- Raise awareness and disseminate information at regional level and establish regional cooperation [through regional Communities of Practice and Targeted Regional Cooperation Activities] - building on WAVES/+ partnerships to provide regional leadership.
- Global engagement, outreach and dissemination including partnerships with other key organisations, global reports, forums and technical collaboration.
- Develop specific tools and provide technical assistance to build capacity of investors and financial stakeholders to better account for environmental sustainability, including research [risk, returns and materialism of environmental risks and opportunities], informed decision making and stress testing.

Notes:
Refer to Annex A for assumptions and challenges.

30. There are existing positive examples that demonstrate how the valuation of natural capital has supported tangible change for people, nature and climate:

a. **Natural Capital Accounts for the Public Forest Estate England** - Forestry England has established an on-going set of natural capital accounts for the land they manage.[11] The accounts produced cover extent, the condition of different types of habitat, physical and monetary flow of accounts and a monetary asset account. This has enabled the Public Forest Estate in England to provide a range of benefits other than just timber provisioning such as carbon sequestration, wellbeing and recreation.

Forest Enterprise is using natural capital accounting to better understand the benefits that forests deliver for society. The process of identifying assets and physical flows of benefits through the development of the natural capital accounts has highlighted what we do and don't understand about the services that the estate delivers, and how they might be improved. At a strategic level the information in the accounts has enabled the organisation to regularly check on whether the value of the natural capital services the estate provides is improving. This includes an overview of, and the condition of different assets. The accounts are also used to inform decision making at all levels by clearly linking management activities with the value of the natural capital services and assets.

b. **Using forest accounts to design policies for social development in Guatemala** - In the 60 years to 2010, Guatemala lost almost half its forest cover, equivalent to around 3.3 million hectares, about 30% of the total area of the country. With support from the WAVES programme, forest accounts were developed which measured the extent of deforestation and identified its main causes as agricultural expansion, urban development, uncontrolled timber harvesting and the use of fuelwood. By making explicit the link between forests and the economy, the accounts findings opened a useful debate between the stakeholders involved in the forest sector in the country which led government to strengthen the regulatory capacity of public agencies responsible for forests.

The results of the forest accounts have directly informed policy dialogue in the forest sector and were explicitly used in a sequence of decisions and strategies (including the Fuelwood Strategy, the Illegal Logging Strategy and more recently the Forest Degradation and Deforestation Strategy) that led to the enactment of the new Forest Incentive Schemes:

- 'Probosque' - combines policies and incentives for forest protection, rehabilitation and reforestation, with the intention to create over 20,000 direct and 60,000 indirect jobs and ensuring fuelwood as well as timber supply for small and medium industry.
- 'Pinpep' - focuses on community forests, which recognizes the need to tackle fuelwood use. Arguably the forest accounts triggered the conversation around Pinpep by providing a credible number on the use and dependency of fuelwood and its impact on forest capital.

The 30-year policy being implemented contribute to reduce the rate of deforestation, will guarantee the protection of water and soil sources to improve the well-being of 1.5 million families per year (30% women) contributing 5 billion quetzales to the rural economy with a 23% social benefit and the generation of more than 20,000 direct jobs per year and 60,000 indirect jobs. The goal is to achieve: 375 thousand hectares of natural forest under protection, 125 thousand hectares of natural forest in production, 300 thousand hectares of forest in plantations, 300 thousand hectares in agroforestry systems and 200 thousand hectares Forest restoration.

31. Participating countries to this programme will benefit in a similar vein, receiving support to develop, maintain and use NC data and accounts to improve decision making that will impact on policies and initiatives to make on-the-ground change to communities and ecosystems.

[11] Forestry England 2019. Natural Capital Account 2018-19. https://www.forestryengland.uk/sites/default/files/documents/FE_NCA_18-19_FINALSEPT.PDF

2.3 Sustainability

32. **A key challenge of this programme is ensuring NCA is scaled across economic actors.** Quantifying natural capital and valuing ecosystems can be time-consuming and difficult. Some even calling it more of an art than science.[12] There is however increasing international agreement on most of the methodologies for natural wealth calculations, including in the UN under the System of Integrated Economic and Environmental Accounts (SEEA) Central Framework, which was adopted as an international statistical standard by the UN Statistics Commission in 2012. This has created sufficient demand to warrant a reciprocal scaled-up response to support countries trial, implement and build capacity. Sustainability, and subsequently scale-up, are much more likely once the initial up-front costs – human and financial are over-come.

2.4 Compliance with gender sections of 2002 International Development Act

33. Women play an essential role in the management of natural resources, including soil, water, forests and energy. The World Bank Wealth Accounting and Valuation of Ecosystem Services programme undertook 7 case studies, which looked at the impact of NCA on gender (among other themes). The studies showed that women tend to benefit more from improved ecosystem management owing to their key role in managing the land. In the management of this programme, Defra would look to ensure there was a focus on gender, including robust monitoring, to ensure policy makers were aware of the benefits of NCA on supporting gender outcomes. In doing so, this programme is compliant with the International Development Act 2002 (as amended by the International Development (Gender Equality) Act 2014).

2.5 Terrorism and financing

34. This programme will work through existing reputable institutions, with a focus on high-quality data, evidence and research. Defra has robust reporting frameworks and check and balances to ensure resources are used in the way the way they are intended (refer to Section 6). Fraud risks are deemed low for this programme, refer to Section 5.4. The programme is compliant with the International Development (Reporting and Transparency) Act 2006, the Terrorism Act 2000, and the Equality Act 2010 (including the Public Sector Equality Duty).

3 Economic Case

3.1 Options for achieving the objectives identified in the Strategic Case

35. In considering the options for achieving the impact set out in the theory of change i.e. "Sustainable economic growth and integration of natural capital into decision making by governments, financial and capital markets" four options have been appraised qualitatively using a multi criteria decision analysis (MCDA) approach[13]. This approach was undertaken rather than cost-benefit analysis, which aims to monetise the impacts which arise from projects or programmes. A MCDA was considered appropriate given the particular countries the programme will engage with have not been confirmed at this point, therefore making specific monetised estimates of the value of the economic, social and environmental impacts difficult to quantify and ultimately spurious.

36. These options centre around the World Bank's Global Programme on Sustainability (GPS) – a flagship programme on natural capital accounting (NCA) and the economics of sustainability. The programme, which became operational in early 2019, aims to integrate sustainability considerations into decisions by governments and financial and capital markets, by providing the necessary data, metrics and decision-making tools.

37. It builds on nearly a decade of experience under the Wealth Accounting and Valuation of Ecosystem Services (WAVES) programme. The UK, through the Department for International Development (DFID), invested in WAVES, and WAVES+, the successor programme. The WAVES programme focused mainly on data and valuation, and was judged successful under DFID's annual reviews, receiving As and A+s. One area of identified weakness was the up-take of the information and data by governments and the private sector. The GPS actively seeks to

[12] See for example Solow's comments on Arrow et al.s (2012) " Sustainability and the measurement of wealth"
[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191506/Mult-crisis_analysis_a_manual.pdf

address this gap by expanding the remit of the World Bank's work towards more active implementation and engagement.

38. The World Bank is a trusted partner with governments and has significant technical expertise on macro-economic policy. By strengthening the data and analysis on natural capital these data can be integrated into wider World Bank programming and investments. In addition, these data and tools will be instrumental in supporting synergies with the climate change agenda (via nature-based solutions). They will also support systematic updating and implementation of National Biodiversity Strategies and Action Plans (NBSAPs), as envisaged under the World Bank's International Development Association (IDA) 19th replenishment process.

39. The GPS has three pillars:

c. The **first pillar** ("*Information*") will scale-up efforts to collect global information on sustainability; and to develop tools to analyse it, providing insights on the effectiveness of natural capital management across geographies, sectors, and levels of income.
d. The **second pillar** ("*Implementation*") will provide support to countries to build capacity on NCA, including institutionalising the ability to collect the data and use them to inform decision-making at national, sector or project-level.
e. The objectives of the **third pillar** ("*Incentives*") are to better integrate sustainability considerations in financial markets, protect the stability of the financial system from risks related to the environment; and mobilise capital to finance investments in natural capital.

40. The four appraised options are:

1) Do nothing
2) Support Pillar 1 of the World Bank's Global Programme on Sustainability (GPS), which focused on natural capital valuation and analysis.
3) Fund all three pillars of the World Bank's Programme on Sustainability, which covers data and analysis, engagement with governments, and engagement with the financial sector.
4) Achieve the same outcomes from option 3 through separate several funding mechanisms.

These options are outlined below and appraised in Table 1.

Option 1: Do nothing

41. Under this option there would be fewer resources available to encourage global uptake of natural capital accounting. The World Bank's GPS would be a smaller initiative. Currently, Germany is the sole donor (US$ 1.14m/£1.08m (at the February 2020 exchange rate)), having provided seed funding to encourage others to come on-board, with the intention of increasing their contribution if other donors also contribute. In addition, resources from the predecessor programme (WAVES+), are being transferred, bringing the trust fund total to $5.31m/£4.08m.

42. At this level of funding, the programme has limited resources and does not reach its 'low work plan scenario' (an uplift of $20m/£15.4m). This option would have zero cost for Defra. Under this option, Pillar 1 would receive £0.54m, Pillar 2 would receive £2.66m, Pillar 3 would receive £0.25m. Cross cutting activities would receive £0.57m. These figures are given using the February 2020 exchange rate given the GPS operates using USD. Further detail of the expected results from the GPS under its current funding are included in Tables 2, 3 and 4 in Section 3.5.

43. It is difficult to say whether other donors would be found without Defra commitment to the programme, enabling the World Bank to reach their 'low' work plan scenario (USD$20 million uplift) to achieve the same level of outcomes. To date, no other donors have committed to funding GPS. Given the UK would not provide any contribution, this option will not achieve the outcomes set out in the Theory of Change.

Option 2: Support Pillar 1 of GPS (WAVES Extension)

44. This option represents an extension of the WAVES programme, the outputs of which focus on the collection of natural capital data and creation of natural capital accounts, without focusing on utilising the data in decision making or mobilising finance from other sectors.

45. This option would require around £3m to achieve the intended results under the GPS 'low' work plan scenario. By only supporting this Pillar of the GPS the programme would deliver (in addition to option 1 whereby GPS utilise current funds only):

- a global data and knowledge platform on natural capital and ecosystem services establishment;
- up to six training sessions on the use of NCA approaches in NBSAPs, NBS and in projects;
- tools and guidance on the use of NCA approaches in projects to include use in NBSAPs and NBS.

46. This option would take advantage of existing World Bank networks and country relationships and expertise following on from the WAVES project to enhance the delivery of this Pillar. After an initial stage of global analysis, this option would conduct follow-on 'deep dives' in selected countries/sectors/commodities, subject to country demand, with an emphasis on Africa.

Option 3: Fund the full GPS programme

47. This option would see the UK funding the full GPS and would allow World Bank to reach their 'low' work plan scenario ($20m). The UK would be the largest donor, with the potential to work closely with the World Bank to set the direction and priorities of the programme. This programme builds on the existing WAVES programme, furthering the work around developing country-specific natural capital accounts and capturing data from which support can be given to integrate NC into decision making.

48. This option would allow the World Bank to fill a gap by playing the role of technical facility for the preparation/update of NBSAPs, through the development of data sets/tools at a global level (Pillar 1), through the dedicated country level support (Pillar 2) and through identifying innovative mechanism for climate and biodiversity financing (Pillar 3).Defra's £20 million contribution would support all three pillars of the GPS, with the following breakdown: (i) Pillar 1 - £3.2 million; (ii) Pillar 2 - £11 million; (iii) Pillar 3 2.6 million.

49. This option would allow the UK to harness the World Bank's network and expertise from the WAVES programme, to reach countries, finance ministries, financial institutions and other partners, offering economies of scale. Across the three pillars, GPS would deliver on the natural capital agenda by (i) working with countries to build data/information on NC/NCA, (ii) supporting countries to implement and utilise the data for meaningful decision-making and finally, (iii) working with the finance sector to progress the sustainable finance agenda.

Option 4: Achieve similar outcomes as the GPS but through separate projects

50. This option would seek to achieve similar outcomes as Option 3 but delivered, or procured, through separate partners. Given the interlinked nature of the outcomes, it would be beneficial to deliver these in a joined-up manner. This option would therefore be more resource-intensive within Defra, requiring additional resources to manage separate projects and partner relationships. This would limit the outcomes achievable under the same spending envelop.

51. To deliver three separate projects, broadly aligned with the GPS, two full time SEOs, one full time HEO, 50% of a G7's time, 10% of a G6's time and 5% of a DD's time would be required for administration and programme management. This is estimated at an extra cost of £177,488 p.a.

52. In order to deliver the outcomes, set out in the Theory of Change, at least three new projects incurring potentially high upfront costs and/or overheads would need to be set-up. Given the unique nature of these projects in comparison to existing Defra projects, these would likely be smaller scale, focusing on fewer priority countries. New projects could follow similar themes to those used by the World Bank to set out the three Pillars of the GPS.

53. This option offers programme agility, for example with delivery partner selection, allowing Defra to shift priorities in order to adjust to departmental objectives, priorities and international political circumstances if necessary.

3.2 Economic appraisal

Key Critical Success Factors

54. The HMT Business Case guidance for programmes recommends options are assessed against key critical success factors and suggests these are: Strategic fit and business needs, Potential Value for Money, Supplier capacity and capability, Potential affordability and Potential achievability.

55. We have applied these criteria in the following way:

    a. **Strategic fit and business needs** – How well they fit with the strategic criteria, taken from the Strategic Case. These criteria are reflected in the Theory of Change

    - Increased demand from developing countries for Natural Capital Accounting (NCA) and related sustainability metrics in policy making
    - Public and private players have improved knowledge on natural capital and ecosystem valuation approaches
    - Countries have capacity to maintain and use NCA
    - NCA-based sustainability information is available and easily accessible on web platforms
    - Financial stability assessments successfully piloted
    - Private financing is mobilised for NCA enhancing projects

    b. **Potential Value for Money**. This programme focuses on enabling better investment in natural capital bringing about economic and societal gains. This will be done through building capability, rather than directly funding change. Given that certain specificities of the programme are to be confirmed (i.e. priority countries the programme will engage with), and the consequential difficulties in determining this change, a cost-benefit analysis has not been carried out, as it would be spurious. Instead, we have undertaken a qualitative comparative value for money assessment.

    c. **Supplier capacity and capability –** this will consider the expertise of the delivery partners in delivering this ambitious and technically challenging programme of work.

    d. **Potential affordability** – how well the option can be funded from Official Development Assistance (ODA) and Defra budgets

    e. **Potential achievability –** the Delivery Partner's ability to deliver transformational change through this programme of work, drawing on recent examples of similar work.

56. Weightings were applied to each of these criteria as set out in Table 1. The largest weightings (30 per cent) were attributed to 'Strategic fit and business needs' and 'potential value for money' given the importance of a strong justification for using ODA funding in the right way, that will also contribute to overall Defra objectives. 'Potential achievability' has the next highest weighting (20 per cent) on account of the important requirement for the chosen option to achieve long-lasting, transformational change that will benefit nature and society. Finally, the lowest weightings were given to 'supplier capacity and capability' and 'potential affordability'. The former is due to the low risk of choosing delivery partners to deliver Option 4 and the existing confidence in World Bank's capacity and capability for Options 2 and 3. The latter was decided given that the funds are already available in the ODA budget and staff necessary for all options are already in place.

57. For each criterion, we have used a qualitative Red, Amber, Green rating, with a 1,2,3 respective scoring, for each option. These criteria have then been weighted to reflect the particular importance of strategic fit and value for money to this programme of work. All criteria are shown in Table 1 below, which sets out a mutli-criteria analysis to appraise the best option for Defra funding:

Table 1: Multi-criteria analysis of options for UK support

Option	Strategic fit and business needs	Potential Value for Money	Supplier capacity and capability	Potential affordability	Potential achievability	Weighted score (out of 300)
Weighting	**30**	**30**	**10**	**10**	**20**	
Option 1 – Do Nothing	This option represents a quarter of the World Bank's 'low' work plan scenario and will therefore achieve limited delivery of the strategic objectives.	Despite £0 contribution from Defra, this option does deliver some delivery against the objectives.	Limited funding would impede the capacity of the World Bank to deliver the GPS. The likelihood of attracting other donors would also decrease.	N/A	The smaller scale of this project would deliver limited transformational change.	**210**
Option 2 – Support just Pillar 1 of GPS	Of the six strategic criteria, this option will only meet two of them. This option would not undertake any technical assistance to help countries and or the private sector utilise these data in decision making. These activities are the priority of Pillars 2 and 3 under the GPS.	Fewer resources would be required to deliver this option however limited results would be achieved across Defra's strategic objectives.	The World Bank would have capacity to deliver one Pillar of the GPS, as this would meet 'low' work plan scenario for this Pillar.	This option would require a £3.2million contribution from Defra ODA. The Defra staff cost to this programme would be around £71,252	This option would only deliver against a small proportion of the outcomes in the Theory of Change, excluding support to countries to build capacity for, and institutionalising NCA as well as driving incentives for the financial markets to mobilise capital to finance investments in natural capital.	**220**
Option 3 - Fund all three Pillars of the GPS programme	This option will fund all three Pillars of the GPS and therefore achieves all six strategic objectives, enabling the World Bank to exceed their low plan scenario.	This option meets Defra's strategic objectives at proportionate cost. Funding the whole GPS takes advantage of the existing expertise, networks, country demand and progress from the WAVES programme.	Although Defra funding will enable World Bank to reach their 'low' work plan scenario, this programme represents an expansion of WAVES and will include the need for procuring expertise from elsewhere to meet country demand.	This option would require £20 million from Defra ODA to shift the World Bank programme towards the high end of their low scenario, with the possibility of leveraging further support for their medium ambition scenario. The Defra staff cost to this programme would be similar to option 2 as both follow a similar monitoring a reporting process with the World Bank, £71,252	This option would deliver against complementary outcomes across the three Pillars to create transformational change.	**290**
Option 4 - Achieve the same outcomes from the GPS pillars separately	This option would seek to achieve the same strategic objectives independently.	This option fully meets the strategic objectives but at risk of overlap with GPS programme. This option misses the benefit from other donors increasing their contribution. This option incurs higher administrative costs for Defra i.e. around £177,488 per year.	Defra does not currently have the capacity, networks or experience to manage and deliver up to three separate projects effectively to achieve the desired results.	This option would require £20 million from Defra ODA, with additional costs to Defra budget to cover administration and management costs of around £177,488 per year. This administration cost would be from core Defra budget, rather than ODA/ICF funding.	This option has the potential for transformational change providing an increase in capacity and capability to deliver the projects are secured.	**220**

Notes:
Red – score of 1; Amber – Score 2; Green – Score of 3

3.3 Assess the strength of the evidence base for each option

Table 2 - Evidence Appraisal

Option		Evidence Available	Evidence Rating*
1	Do Nothing	Strong Evidence - The GPS programme is an existing programme. The planning and forecasting of the results achievable have been set out according to the existing funding committed by other donors. It is however, difficult to say whether other donors will come on board without Defra commitment to the programme.	**Strong**
2	Fund Pillar 1	Strong Evidence - the work plan and expected results have been considered, incorporating Defra funding. The GPS Pillar 1 is a continuation of the WAVES programme and has demonstrated success in delivering against its objectives.	**Strong**
3	Fund all three Pillars of the GPS programme	Strong Evidence – potential Defra funding for the GPS programme has been mapped against a robust work plan. The programme is currently up-and-running. The World Bank have existing links with developing countries and have generated evidence on the success of developing NCA with priority countries, where there is demand for this type of support.	**Strong**
4	Achieve the same outcomes from the GPS pillars separately	Limited Evidence - Defra do not have existing projects through which to achieve the outcomes of Option 4. A design and scoping phase would be necessary to build the evidence base for up to three separate projects with other delivery partners.	**Limited**

*Evidence is rated as either strong, medium or limited.

3.4 Why the preferred option?

58. **The chosen option is to fund the whole GPS (Option 3),** which scores highest across the key critical success factors:

59. **Defra's contribution of £20 million to the GPS will allow the World Bank to meet the demand from developing countries for targeted support on natural capital**. It will do so by incorporating NCA and related sustainability metrics into policy making for long-term change. This support will increase the capacity of countries to maintain and utilise NC data and accounts beyond the scope of the programme, as well as share the benefits of doing so with other countries through Regional Communities of Practice and events organised through the programme.

60. **This option allows for greater value for money given the linkages and complementary nature of the outcomes of the three pillars of the programme.** It allows Defra to take advantage of the World Bank's experience and existing networks through the WAVES programme, expediting progress during an important year for climate and environment. By contributing to GPS at this time, we are likely to incentivise additional investment by other donors, which could push the World Bank into a 'medium' work plan scenario.

61. **Together, the three Pillars of the GPS will deliver against three of the UK's International Climate Finance objectives** through improved decision making around trade-offs by incorporating natural capital into wealth accounting: (i) supporting the reversal of biodiversity loss and ecosystem degradation; (ii) supporting the reduction of global greenhouse gas emissions in increasing carbon sequestration through nature-based solutions; and (iii) enhancing sustainable intensification of production to meet increasing demands of food (e.g. sustainable land-use and environmental decision making/growth plans).

62. **The GPS also supports wider Defra and UK objectives**, including a commitment to use natural capital approaches set out in the UK's 25 Year Environment Plan and the Natural Capital Committee's recommendation to the UK to establish an environmental baseline census; the UK's commitment to sustainable supply chains; and objectives set out in the UK's Green Finance Strategy to catalyse market-led action on enhancing nature-related financial disclosures. It is strongly aligned to the UK's aid Strategy, supporting countries move onto a sustainable and

prosperous growth path, and doing do in a way that limits instability arising from the mis-management of natural resources.

3.5 Expected results

63. **Results from the GPS are grouped under three pillars.** The tables below provide an assessment of what would be achieve with and without Defra support. A more detailed work plan for the GPS is provided in Annex A.

Pillar 1: Global information on sustainability

64. **Pillar 1 provides data and decision-making tools at the global level** (with national and where possible sub-national disaggregation) to measure and value environmental sustainability. It includes two components, measuring sustainability and mainstreaming sustainability, with expected results summarised in **Error! Reference source not found.**3, both with and without D efra support.

Table 3. Pillar 1: Expected Results

Component/ Indicator	Baseline	Target	
		Without DEFRA support	**With** DEFRA support
Measuring Sustainability			
Global data and knowledge platform on natural capital and ecosystem services established and operational	0	1	3
New or improved global data layers on natural capital or ecosystem services produced and made publicly available including through interactive online tools (*)	5	9	12
Technical reports on ecosystem services and/or the economics of sustainability, including tools and methodologies to inform policies, e.g. fiscal, governance, trade)	0	1	4
Mainstreaming Sustainability			
Publications reporting and/or analysing global or regional data on natural capital and/or ecosystem services (d)	3	4	5
Technical reports, tools and guidance notes on the use of NCA approaches for planning/ policy purposes (e.g. SCDs, CPFs, NBSAPs, NBS, NDCs) and in projects (e.g. CBA, M/E, ESF)	0	1	3
Training sessions on the use of NCA approaches in NBSAPs, NBS, NDCs and in projects (e)	0	1	6

(*): As part of the World Bank global dataset on the Wealth of Nations, data on renewable natural capital currently covers forests (both timber and non-timber products), land (cropland and pasture lands) and protected areas. The target is to add to those the following additional data layers: fisheries, mangroves, renewable energy, possibly water and selected ecosystem services (three layers, with candidates including carbon sequestration, coastal protection, soil retention, pollination)

Pillar 2: Global information on sustainability

65. **The overall objective of Pillar 2 is to institutionalise NCA approaches at the country level.** Pillar 2 strengthens, through technical assistance and sharing of experiences, the capacity of developing countries to: (i) acquire, maintain and update data and information on natural capital and the values of ecosystem services both in physical and monetary terms; and (ii) use such data in the design and implementation of development policies, programmes and projects, including those co-financed by the World Bank. Expected results are summarised in Table 4.

Table 4. Pillar 2: Expected Results

Component/ activity type	Baseline	Target	
		Without DEFRA support	**With** DEFRA support
2.1 Country level support			
Production of accounts			
Number of Core Implementing Countries (CICs) with NCA programme completed	4	5	10
Number of Targeted Technical Assistance tasks completed	8	10	16
Countries supported by the project with at least two environment-related sectors in natural capital accounts in accordance with defined criteria and publicly accessible	2	4	8
Use of accounts			
Countries supported by the project with at least two natural capital accounting–related policy analyses made publicly accessible	4	8	16
Number of key policy documents such as development plans, sectoral policies and strategies, bills, etc., that reference NCA or the accounts	4	6	12
2.2 Regional cooperation			
Regional Communities of Practice (RCPs) established and operational (index per COP)	0	2	4
2.3 Global engagement			
Global knowledge events on policy uses of NCA supported by the project	4	4	7

Pillar 3: Sustainable finance

66. **The objective of Pillar 3 is to better integrate sustainability considerations in the functioning of financial markets**, by:
    a. Providing improved sustainability information for financial markets;
    b. Demonstrating methodologies that could be used by the market to evaluate the risk/ return profile of financial assets;
    c. Integrating information on environmental sustainability in the assessment of the overall stability and development of financial systems, enabling authorities to utilise that information in the regulation of financial markets;
    d. Engaging with various financial sector stakeholders on the way forward for promoting sustainable finance and providing capacity building and technical assistance where appropriate.

67. **The pillar includes four components** (corresponding to each of the objectives listed above). Expected results are summarised in Table 5.

Table 5. Pillar 3: Expected Results

Component/ Indicator	Baseline	Target	
		Without DEFRA support	**With** DEFRA support
3.1 Improved sustainability information for financial markets			
Annual data downloads from Sovereign ESG Data Portal	0	10,000	20,000
Annual unique visitors on Sovereign ESG Data Portal	0	50,000	100,000
Financial institutions for mailing list for Portal updates	0	25	45
Financial markets-oriented sustainability information platform established and operational	0	Beta version launched	Fully developed, interactive portal launched
3.2 Research agenda on effects of sustainability on the financial sector			
An annual research programme on sustainable finance is delivered	0	1	3
3.3 Sustainable finance assessments			
Countries where Sustainability Technical Assessments are included as part of the Financial Sector Assessment Programme (FSAP)	0	2	8
Financial Sector Sustainability Technical Assessment methodology designed and delivered to the World Bank Board	0	1	2
Supervisory toolkit produced	0	1	3
Sustainable finance country engagements	0	1	4
Sustainable finance events	0	4	12
3.4 Capacity building, disclosure, and engagements			
NGFS outputs with World Bank contribution	0	2	4

Cross-cutting activities

68. GPS includes activities of a cross-cutting nature, related to a) strategic communication and outreach; and b) Programme Management and Quality Assurance (PMQA). The expected results are summarised in **Error! Reference source not found.**6.

Table 6. Cross-cutting activities: Expected Results

Indicator	Units	Baseline	Target	
			Without DEFRA support	**With** DEFRA support
Communication				
Expanded GPS Website	Index (a)	1	1	3
Number of communication products delivered	Number	25	15	40
Programme Management and Quality Assurance (PMQA)				
Annual delivery of PMQA services	Years	3	4	8

4 Commercial Case

4.1 Commercial approach

69. The field of potential partners to deliver the outcomes of the Theory of Change is limited. The GPS is the only existing programme that brings together: the development of natural capital accounts; capacity-building in countries for improved wealth accounting and sustainable financial decision making; and integrates these data into the financial sector, with a focus on long-term investors. The ability to combine these three elements offers significant value for money.

70. The programme builds on the experience of the WAVES programme which delivers on HMG's natural capital and sustainable development objectives. The WAVES programme was judged successful, with a positive final review from DFID who were one off the founding WAVES donors.

71. The intended £20 million contribution will be a non-core contribution in the form of a grant. As per DFID's Smart Rules, Defra's commitment to the World Bank will be in sterling, ensuring HMG bears no foreign exchange risk.

4.2 Competency of the organisation to deliver in-country if direct award

72. The proposed delivery partner, the World Bank, is a trusted delivery partner of HMG, delivering multiple ODA programmes and projects. The UK is a major shareholder of the World Bank. As discussed in Section 5.2, the World Bank are recognised as being competitively priced and benefit from a large network of country offices and have long-established relationships with developing countries.

73. The predecessor of the GPS, the WAVES programme, was also manged by the World Bank, and has proven to be a successful programme. Funded by DFID, the final review of the WAVES programme showed it delivered the agreed outputs on time and in budget.

74. The World Bank has an extensive network of country offices (present in the vast majority of developing countries). In-country, the World Bank is seen as a trusted partner with Governments and other country stakeholders, engaging in policy dialogue in virtually all sectors, including those that influence more directly the use of natural capital and ecosystem services (e.g. agriculture, forestry, water, infrastructure, urban development, etc.). This puts the World Bank in a good position to facilitate an integrated approach to the management of natural capital.

4.3 Competency to deliver the programme

75. DFID's latest Multilateral Development Review (MDR 2016), rated the World Bank highly. It stated that the World Bank's global reach, technical capacity, breadth of funding instruments, and convening and influencing role, make it central to UK development objectives. The MDR further notes that the World Bank is good at delivery against challenging objectives; and that it manages risk well.

76. The World Bank also has considerable expertise on natural capital and the economics of sustainability. For example: under the WAVES programme, the team supported the development of over 30 accounts (in the area of land, forest, water, coastal areas and ecosystem services), which have informed over 50 policy processes or decisions (in the areas of planning, implementation, monitoring and reform).

4.4 Status of the current projects

77. The GPS is currently the World Bank's framework global programme on natural capital and the economics of sustainability. It encompasses the WAVES Trust Fund (which has come to a close in December 2019); and the WAVES Plus programme, currently active in some 15 countries. Including WAVES Plus resources. The GPS is currently implementing a $5.3 million work plan discussed with donors in November 2019, including activities related to Pillar 1 for $0.77M, to Pillar 2 for $3.47 M, to Pillar 3 for $0.33M and to cross-cutting work for $0.74 M. The additional support from DEFRA described in this business case will make it possible to considerably scale up the programme's scope of work and level of ambition. It is likely to attract interest from other donors to further expand the funding available to GPS

4.5 Governance

78. The GPS is governed by a Steering Committee (SC), consisting of representatives of the World Bank, including as chair, and a representative of each Donor contributing to the GPS Trust Fund. The SC has the following functions:

    a) provide strategic guidance and direction on the implementation of the programme
    b) endorse annual work plans and budgets presented by the Bank; and
    c) review progress reports provided by the Bank based on the results framework

79. The Steering Committee meets annually, as convened by the World Bank. Meetings may be conducted physically or virtually, with decisions made by consensus. The Bank may agree to hold ad hoc meetings of the Steering Committee at the request of a Committee member.

80. Donors to the WAVES Plus trust funds as well as any other donors contributing to Bank-administered trust funds that, at the Bank's discretion, support the achievement of the GPS Trust Fund's objective may also be invited by the Bank to participate in the discussions of the Steering Committee.

81. The Bank may, in consultation with the Donors, invite other relevant stakeholders, including technical experts, partner countries and/or institutions, to attend meetings of the Steering Committee.

82. The Bank has responsibility for the Trust Fund operations under the terms of the Administration Agreement, including with respect to the implementation of Bank-executed activities and the supervision of recipient-executed activities.

4.6 Safeguarding and Equality

83. The programme sits in the World Bank – an ODA eligible institution, whose mandate is to end poverty within a generation, and to boost shared prosperity. The programme is focused on supporting governments put in place policies that promote sustainable development, so that future generations have access to the wealth available to todays.

84. Women play an essential role in the management of natural resources, including soil, water, forests and energy. The WAVES programme undertook 7 case studies, which looked at the impact of NCA on gender (among other themes). The studies showed that women tend to benefit more from improved ecosystem management owing to their key role in managing the land. Under the GPS, Defra would look to ensure Pillar 2 of the programme had a focus on gender to ensure policy makers were aware of the benefits of NCA on supporting gender outcomes.

85. GPS is therefore compliant with the International Development Act 2002 (as amended by the International Development (Gender Equality) Act 2014), the International Development (Reporting and Transparency) Act 2006, the Terrorism Act 2000, and the Equality Act 2010 (including the Public Sector Equality Duty).

86. On safeguarding, the World Bank is strengthening its policies and procedures. The World Bank have committed to aim to 'lead international efforts in the field of safeguarding, and to share best practices with the wider aid sector', which has been a UK ask of the World Bank. In support of this aim, the World Bank has increased its international engagement and participation in international initiatives focused on preventing sexual harassment over the past few years. This has included participating in the Chief Executives' Board UN Task Force on Addressing Sexual Harassment.

4.7 Delivery and Risks

87. The World Bank's Environmental and Social Framework (ESF) sets out clear policies and procedures for the World Bank and downstream partners, which require them to identify, mitigate and manage environmental and social (E&S) risks, including relating to safeguarding, in Investment Project Financing (IPF) projects. In response to the Global Gender-Based Violence (GBV) Task Force's recommendations, the World Bank has provided guidance and training for staff and recipient Governments to strengthen the management of GBV risks and has developed a risk assessment tool for assessing them. Where projects are identified as having a high risk of Sexual Exploitation and/or Harassment/GBV, additional measures are applied to downstream

partners including mandatory procurement requirements for contractors and the preparation and monitoring of contractor Codes of Conduct.

88. The ESF also sets out clear requirements on downstream partners for escalating risks to the World Bank. The ESF framework works alongside the World Bank's Systematic Operations Risk-Rating Tool (SORT) to capture project E&S risks and support their regular review and management oversight. Moreover, the World Bank has a Code of Conduct for staff which provides guidance to complement the staff rules and requires that World Bank staff adhere to high ethical standards

89. DFID conducted an Enhanced Central Assurance Assessment on the World Bank in 2018. The World Bank was deemed as meeting DFID's safeguarding standards, with a satisfactory rating in all six of the categories of the assessment. In April 2018, the World Bank alongside nine other international financial institutions (IFIs) reaffirmed its commitment to prevent SEAH in its own organisation and in its operations and strengthened its procedures through setting out their commitment to ten principles. These were reiterated by the World Bank and other IFIs in October 2018 at the Safeguarding Summit, where the IFIs also set out the work they are doing to promote, implement and reinforce efforts relating to the principles through an "IFI update on the Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation"[14].

4.8 State Aid

90. This intervention is not expected to have the potential to distort competition and trade in the European Union and is therefore not deemed to amount to State Aid. This has been confirmed by Defra Legal.

4.9 Ability to deliver against MRV expectations

91. Refer to section 6.4, Monitoring and Evaluation.

5 Financial Case

5.1 Nature and value of the expected costs

What is the proportion of Defra's component spend on the Project?

92. Germany is currently the only donor to the GPS programme (US$1.14m/£1.09m). Resources from the predecessor programme (WAVES Plus), are being transferred over, bringing total allocated resources to US$5.31m/£4.07m (other WAVES donors include, Netherlands, Switzerland, EU-Commission of European Communities and DFID).

93. Defra will be funding £20 million in sterling at the March 2020 exchange rate. As the principle donor, the UK is able to explore with the World Bank opportunities for shaping support towards UK strategic aims.

94. Germany, currently the only GPS donor, has indicated an intention to increase its contribution if other donors come forward. Similarly, other existing donors to the predecessor WAVES programme have indicated they may put in additional funds following Defra's contribution.

95. The potential for other donors for GPS would provide further benefit, pushing the World Bank towards their 'medium' workplan scenario and allowing World Bank to capitalise on economies of scale to achieve further outcomes. Plans and expected results of the programme have been worked up for the lowest scenario (i.e. the existing committed funding) as well as what is possible with added Defra funding, therefore underfunding poses little risk due to prior planning. If no further donors are found, the UK will look to leverage our influence on the programme and strategically direct the programme outputs and outcomes to complement UK priorities.

What is the value of matched funding or private sector investment attracted?

96. The additional support from Defra early in the GPS programme cycle (2019/2020 financial year) will make it possible to considerably scale up the programme's scope of work and level of

[14] https://ec.vault.dfid.gov.uk/otcs/cs.exe/properties/45549569

ambition, which is important given the short timescale of GPS (five years). In addition, early support from Defra will provide financial predictability for the programme, with the intention that this will attract interest from other donors to further expand the funding available. While the GPS has no formal private finance leveraging target at present, it is aimed at changing the behaviour of private sector investors so that they better account for the impact they have on natural resources – this will be delivered under Pillar 3 of GPS.

5.2 Schedule of funding/costs (i.e. high-level budget)

97. The overall cost of the investment to HMG is forecast below in Table 7.

Table 7

UK spend (£)					
Financial year	Programme RDEL	Programme CDEL	Monitoring/evaluating/learning/verification/and/or research costs	Delivery partner management fee and/or admin cost	Third party admin costs
2016/17	0	0		0	0
2017/18	0	0		0	0
2019/20	20 million	0		17%*	5%*
2020/21	0	0		0	0
2021/22	0	0		0	0
Subtotals	20 million	0			
Grand total	20 million				

*These charges are not cumulative, i.e. different for different portions of spend. The proportion of activities that will be executed by either the World Bank or Third Parities is undetermined at this stage. Management fees will be part of the £20 million Defra contribution. Further details of the respective admin fees for different activities is included below.

Costs

98. The World Bank will apply its standard policies of 17% to cover the cost of corporate services (known as indirect costs) necessary to deliver trust-funded operational work, through fees and rates as stipulated in the latest (2016) Bank Directive on Cost Recovery Framework for Trust Funds. These include facilities and IT, plus other services such as legal, treasury, budget, audit, investment, reporting, accounting, and human resources.
98. The cost recovery provisions are different for recipient-executed activities. The differences between the two modalities of operational work (Bank- and Recipient executed activities) are as follows:

   a. For Bank executed Trust Funds (BETF), an indirect rate of 17% will be charged, but only to the cost of personnel (staff salaries, consultant fees, and benefits, except for extended assignment benefits). No rate will be applied to other disbursement categories (e.g. contractual services, including consulting firms; media, workshops, conferences and meetings; and travel expenses). It is expected that the bulk of Defra funding will be used for BETF activities.

   b. For recipient executed trust fund (RETF) – the third-party admin costs, a fee is charged and calculated each time funds become committed under an RETF Trust Fund Grant Agreement (i.e. elements of the programme are delivered by a third party). The amount is 5% of any portion of the grant amount that results in a Cumulative Grant Total below or equal to US$ 50 million or equivalent (the rate declines for larger Trust Fund contributions).

99. The Bank's cost recovery framework is balanced, competitive and agile, comparing favourably with the overall cost structure of other organisations, as recognised by several development Partners. For example, the Australian Department of Foreign Affairs and Trade, in its Multilateral

Organisation Performance Assessment (September 2016), acknowledged that the Bank's fees and charges "are significantly lower than for many other multilateral organisations and implementing partners".

100.The above provisions refer to covering the cost of generic corporate services (which in some other context could be labelled as "overheads"). These are not programme-specific and thus should not be confused with programme management expenditures. The latter are an integral part of the programme and relate to the financing of activities of overall programme administration and quality assurance that cannot be associated to any of the three pillars. They include overall work planning, budgeting, quality assurance, monitoring of the implementation of Bank-Executed activities and oversight of Recipient Executed Trust Fund (RETF) activities, secretariat support to the Steering Committee, technical and financial reporting, development and updating of a roster of external experts and advisors, etc.

Benefits

101.GPS will support work on data and analytics to promote the environmental sustainability agenda. A sensible approach to value for money for this type of programme is to assess its capacity to maximise the quality and relevance of the work for a given budget. Since consulting services will be the main cost component, the quality of these services will be assured by

- the open procurement process being followed by the World Bank in selecting the consultants; and
- dedicated technical staff that the Bank will mobilise to assure the quality of the consultants' products.

102.On the first point, standard World Bank procurement process will be followed in the selection of the experts to conduct the analysis. These procedures ensure that the proposals are scored based on technical quality and cost considerations, suitably weighted to reflect the importance attached to quality of the methodology and technical qualifications of the experts to be hired for the work.

103.On the second aspect (supervision and quality assurance), the World Bank has a solid group of technical staff appointed on merit and of high quality, with expertise across the various disciplines of relevance for the programme (including environmental economics, public finance, national accounts and statistics, private sector development, etc.); The GPS Secretariat has close to ten years of experience in the area of natural capital accounting built through the WAVES programme. In addition, all activities, both Bank-Executed (BETF) and Recipient Executed (RETF) will follow standard World Bank procedures and policies, including in particular, those related to quality assurance and technical soundness.

5.3 Financial accounting considerations for DEFRA

104.The total cost of the programme, over five years is estimated at $123.45m according to the GPS Concept Note published by the World Bank in 2018. The fundraising target for the year 2020 as set out in the GPS Concept Note seeks $49.38m/£37.88 (with targets of $30.86 for 2018 and $43.21 for 2019). Defra's contribution will bring the total funds to $31.38m/£24.07m which takes significant steps towards achieving the 2020 target. The inclusion of other donors would make this target more likely. The World Bank will adjust the scope of the programme according to the total committed contribution from donors. As a member of the Steering Group and a major donor, Defra expect to influence these discussions and the objectives of the programme going forward.

105.Defra will spend the £20 million funding for the GPS in the financial year 2019/2020, with funds coming from the 2019/2020 budget. This will provide financial predictability for the programme, with the aim to harness the World Bank's position and experience to escalate the NCA and sustainable development agenda ahead of a key strategic year in 2020. It is important to secure private sector involvement as early as possible which will be aided by Pillar 3 of GPS and the Banks position in the financial sector.

106.The Defra contribution to GPS will be utilised or earmarked by March 2021, in accordance with the indicative disbursement schedule reported in Table 8a. While resources will be clearly earmarked by March 2021 to demonstrate no funds have been given in advance of need, it is necessary to maintain some flexibility in the spending forecast to allow for reasonable response to evolving political situations where necessary. It is expected that funding to be provided by Defra will be earmarked to specific activities by March 2021 and spent by the end disbursement date of the GPS Trust Fund (December 2025).

107. Table 8 and 8a provides an overview of the Programme, including the components of each pillar, and corresponding cost estimates. To allow for proper planning and staffing, it is necessary to transfer the resources to the Word Bank in early 2020. More specifically by providing financial predictability, this will allow:

   a. Full integration of the activities to be supported by Defra in the rest of the World Bank multi-year planning cycle

   b. Mobilising the experts required for the delivery of the programme. At a level of seniority commensurate to the programmes ambition, those experts can be retained only if there are adequate assurances about the availability of funding to cover the cost of time and travel

108. The World Bank will provide donors with current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to their respective contributions via the Development Partner Center website, which will be updated quarterly.

Table 8 Financial projections

Deadline	Cumulative amounts (GBP Million)
Dec-20	1.38
Dec-21	3.28
Dec-22	5.44
Dec-23	9.41
Dec-24	14.76
Dec-25 (a)	20.00

Notes:
(a): The figures refer to amounts either disbursed or committed. For the last year, the figure refers to disbursements only.

Table 8a. Budget and projected disbursement summary (GBP Million)

Pillars/ components	Cost (£)
1. Pillar 1	**3.20**
1.1 Measuring sustainability	1.96
1.2 Mainstreaming sustainability	1.24
2. Pillar 2	**11.00**
2.1 Country level support	9.70
2.2 Regional cooperation	0.65
2.3 Global engagement	0.65
3. Pillar 3	**3.20**
3.1 Improved sustainability information for financial markets	0.75
3.2 Research agenda on effects of sustainability on the financial sector	0.59
3.3 Sustainable finance assessments	1.38
3.4 Capacity building, disclosure, and engagements	0.48
4. Cross cutting	**2.60**
4.1. Strategic communications	0.60
4.2. Programme Management and quality assurance	2.00
Grand Total	**20.00**

Administrative costs

109.Defra's management of the UK's contribution, as well as influencing and participating in key decisions, will require the following staff (full time equivalent (FTE)) from DEFRA and the overseas network: (include expected FLD costs).

Table 9

Grade	DEFRA	£ (London)
SCS	0.05	5,351
G6	0.10	8,070.20
SEO	0.25	12,967.25
HEO	0.5	21,590
Analyst 7	0.15	10,319.40
Analyst S/HEO	0.3	12,954
Total	~1.3 FTE	£71,252

5.4 Monitoring, reporting and accounting for expenditure

Table 10:

Document	Lead	Description	Form	Cycle	Deadline
Financial report	World Bank	The World Bank will provide information relating to receipts, disbursements and fund balance	Standard report accessible on the World Bank's Development Partner Centre website	Quarterly basis	1-2 weeks following the end of each quarter
External financial audit	World Bank	The Bank shall provide to the Donors an annual single audit report, comprising (i) a management report together with an audit opinion from the Bank's external auditors and (ii) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon	Standard report accessible via the Development Partner Centre website	World Bank Fiscal year (July 1 – June 30)	Within six months following the end of each Bank fiscal year

5.5 Financial risk assessment

110.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.

111.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.

112.INT Team includes trained investigators who manage two tiers of review to ensure due process for companies accused of misconduct.

5.6 Financial management

113. Refer to section 5.1

5.7 Provisions for DEFRA to withdraw funding

114.The scenarios of potential suspension of funding, termination and returns to DEFRA and how they might be triggered, including by the monitoring and reporting cycle, are as follows:

Table 11:

Scenario	Timing and reporting trigger (if relevant)
Occurrence of any illegal or corrupt practice	Annual Reviews (by Defra), regular updates (from the delivery partner)
"Extraordinary circumstances that seriously jeopardise the implementation, operation or purpose of the programme" This is primarily designed to cover instances of force majeure. We assess this may also provide some cover in extreme cases of under delivery.	Informal updates to the Steering Group, Quarterly financial reports.
"If World Bank does not fulfil its commitments according to the cooperation contract"	At the time if/when this happens or if identified through regular updates or annual reviews.

115. Under-performance on all fronts (e.g. not achieving targets or failing to report on targets) is managed through the annual review process, according to DFID smart rules, where we mark a project annually as an A+, A, B or C. Programmes which receive a B or C undergo 'remedial action' and if the programmes receive B or C two years in a row then they could face early closure and withdrawal of funds.

6 Management Case

6.1 What are the management and governance arrangements for implementing the intervention? How will Defra influence (or not) its governance?

116. A Grade 6 in the International Strategy and ODA directorate will be the SRO for GPS, with appropriate support from an SEO Policy Advisor and programme manager, alongside consultation with the wider ICF Team, Economists and Analysts within Defra. Annual Steering Group meetings will be attended by the SRO with an SEO acting as deputy.

117. The World Bank will provide programme management, administrative and operational services to the Multi-Donor Trust Fund (MDTF). The World Bank will also be responsible for monitoring the implementation of Bank-executed activities, assessing achievement of project objectives, and reporting on the final use of the funds, and for oversight of recipient executed activities. As such, management and execution of the trust fund is subject to World Bank's operational and administrative policies.

118. The governance arrangements for the Trust Fund will consist of two tiers. First, the Steering Committee, as outlined in Section 5.5; Defra will have a seat and therefore, influence through the Steering Committee. Second, the GPS Secretariat whose functions include overall work planning, programme management, fund allocation and budgeting, supervision, quality assurance, and monitoring and evaluation (M&E). The Secretariat will consist of a programme coordinator; senior specialists responsible to lead each of the programme Pillars; and supporting technical, administrative, and operational staff. The secretariat will be placed in the ENR Global Unit, and it will comprise staff of relevant units of the World Bank (e.g. FCI as the co-lead for Pillar 3 and Treasury). See Annex C for a diagram of the governance structure.

Engagement with Partners

119. The GPS Secretariat will coordinate engagements with partner organisations. Building on WAVES' experience of using strategic partnerships to deliver technical support to client countries and serving as a catalyst of all international efforts on NCA, the GPS will aim to maintain and build new strategic partnerships, at global, regional and national levels (e.g. UN regional commissions, private sector organisations, non-government organisations and research institutions), to support implementation of the overall GPS. Partnerships will be structured in different ways for each of the Pillars of the GPS given the diverse range of partners to collaborate with. In addition, joint work with partners could include participation in appropriate workshops, dissemination events, periodic

site visits, and meetings with task teams. Also, technical experts can be seconded to the World Bank from donor agencies and/or technical agencies of the donor country on a short or long-term basis.

Reporting and engagement with donors

120. The GPS Secretariat will be responsible for overall reporting to, and interaction with, current and future donors of the MDTF. In addition to the annual Steering Committee meeting, the Secretariat will:
   a) Organise regular updates via teleconferences and email to update all donors on programme implementation, including in particular, key aspects such as the selection of countries for long term engagements in the context of Pillar 2.
   b) Prepare reports to donors consistent with the reporting framework of the World Bank.
   c) Provide access to financial information following applicable World Bank procedures
   d) Update the result framework agreed upon with donors as programme implementation progresses

Programme Implementation

121. Implementation of activities with a global or regional scope (Pillar 1 and most of Pillar 3) will be carried out by the programme Secretariat. Implementation of country-level activities (Pillar 2 and certain activities of Pillar 3) will be carried out by World Bank country teams, including the Country Management Unit, and Task Teams including representatives from the Environment and other Global Practices. Pillar 3 will be Bank-executed and will be co-led by Finance, Innovation and Competitiveness (FCI) and the Environment and Natural Resources (ENR) Global Practice.

122. Recipient-executed activities to be conducted under Pillar 2 (particularly in the case of the longer-term engagement with Core Implementing Countries) will be overseen by National Steering Committees (NSCs) involving country stakeholders. These will be established to provide high-level policy and stakeholder engagement, coordination, guidance, and oversight for programme implementation. The NSC will consist of institutions responsible for development planning and economic policy, preferably based within existing cross-sectoral policy platforms or government committees/commissions with relevant mandates. In collaboration with the World Bank Group and the GPS Secretariat, the NSC will:
   a) provide strategic guidance and coordination on country implementation;
   b) set priorities for policy and decision-driven natural capital accounts and valuation of ecosystem services implementation;
   c) guide and promote NCA use in development policy and decision making;
   d) develop country programmes and annual work programmes; and
   e) guide implementation, progress monitoring, and the timely delivery of outputs and outcomes.

123. The World Bank will develop an Annual Work Plan that will be agreed upon with the donor partners each year, with the flexibility to adjust this on a bi-annual basis or as needed, in consultation with the Steering Committee. The work programme will set forth the set of main activities to be carried out, expected outputs and impact, timeline, and budgets. A task team leader will be identified to carry out each activity and will be responsible for implementation and delivery throughout the year. The World Bank will be responsible for ensuring technical quality and will follow the World Bank's Accountability and Decision Making (ADM) framework.

Defra influence

124. Defra will have the opportunity to influence the GPS on three levels. First through the formal governance arrangements and the steering committee as outlined above. Second, as a major shareholder of the World Bank, sitting on the Board and with regular engagement through the UK's UKDEL. Third directly in country where we have a DFID or FCO office that engages with the World Bank staff, ensuring the project is having the intended impact.

125. The proposed Defra funding of up to £20m will mean the UK is a key and influential donor of the GPS programme. This will support the UK's leading position on NCA and the green finance arena

as we approach the CBD COP and the UK presidency of the UNFCCC COP 26. Defra is recognised as having world leading expertise in NCA and as such we will be able to harness this expertise to feed into the GPS, to shape its strategic direction through the Steering Committee.

126. Support to the GPS also provides us with an established mechanism to follow-up on any recommendations coming out of the Dasgupta review, building on the knowledge and capacity already supported in the World Bank and partner countries. Their network and engagement with other stakeholders mean we can have a strong international influence beyond the immediate scope of the programme.

How will you work with DFID, FCO or other country offices?

127. Defra will work closely with DFID country officers to ensure the programme is running smoothly and to maximise engagement. Most coordination with DFID and FCO country offices will be relevant under Pillar 2 activities (see Section 3.5 for details of Pillar 2 activities).

6.2 Delivery plan

128. A full project delivery plan will be worked up following the business case which includes the main delivery, approval, reporting and evaluation milestones. The Senior Responsible Officer (SRO) will ensure that the programme is appropriately monitored throughout the year and that the delivery plan, logframe, risk register, and AMP delivery chain map are updated as necessary, with significant changes to the logframe agreed with the Head of Department or delegate. The SRO will also oversee the annual review process and Monitoring and Evaluation with support from a Programme Manager.

6.3 Administration Agreement

129. A formal agreement will be made with the World Bank in the form of an Administration Agreement. A programme manager will support the Administration Agreement process which will agree the disbursement profile, and any specific reporting requirements and termination of the agreement.

6.4 How will progress and results be monitored, measured and evaluated?

130. Defra and the World Bank will work together to develop a robust and streamlined approach to Monitoring and Evaluation that provides the assurance HMG needs and works to complement and utilise the World Banks existing procedures and experience.

6.5 Theory of change

131. The Theory of Change for this programme is set out in the strategic case. The context, evidence, long–term change and assumptions that underpin and inform the chosen intervention to support the GPS programme can be found at Annex B. This will be revised and updated annually to reflect any changes to the project and to test whether assumptions or pathways to impact are still valid.

6.6 Annual reviews and log frames

132. Defra will use a logical framework (logframe) as a key means of holding delivery partners to account and measuring the effectiveness of the contribution. The GPS has an existing comprehensive results framework and Defra analysts will assess it and work with the World Bank to develop this into a logframe in the appropriate UK ICF format, before the first Annual Review.

133. Logframe indicators and milestones will be updated annually to take into account programme performance, changes to programme design, and/or feedback on the usefulness of current indicators.

134. The World Bank will provide quarterly informal progress updates to the steering group as well as a formal annual progress report including performance results (see Table 12). This will be used to inform Defra's annual review process, which will be written in accordance with DFID Smart Guides and templates. The first annual review will take place within 12 months after business case approval. While this is expected to be written in collaboration with the World Bank, Defra are responsible for the final scoring, conclusions and publishing of the Review.

Table 12:

Document	Lead	Description	Form	Cycle	Deadline
Quarterly progress reports	World Bank	Informal updates to the Steering Group	To be confirmed	Quarterly	N/A
Annual reports	World Bank	Technical report on programme activities	Written report following the format of the WAVES annual report	Annual	Two weeks ahead of the annual meeting of the GPS Steering Committee
Emission reduction report	NA	NA	NA	NA	NA
ER verification report	NA	NA	NA	NA	NA
Safeguards report	World Bank	Only applicable to RETF Grants	Following applicable World Bank guidelines	Once (At the stage of approval of individual RETF grants)	At the stage of approval of individual RETF grants
Logframes and ICF results reporting	World Bank	A results framework will be agreed by the Bank and the donors; the annual report will include a section on progress in the RF indicators	Chapter in the programmes annual report	Annual	Two weeks ahead of the annual meeting of the GPS Steering Committee
External mid-term evaluation	Donor	The Donor and the Bank shall agree on the scope and conduct of evaluations	To be agreed upon by donor and Bank	To be defined	To be defined
Final report	World Bank	A final narrative progress report for the Trust Fund	Written report	Once in the programme's life	Within six (6) months of the End Disbursement Date of the Trust Fund
External end of programme Evaluation	Donor	The Donor and the Bank shall agree on the scope and conduct of evaluations	To be agreed upon by donor and Bank	To be defined	To be defined

6.7 Key performance indicators

135.The GPS will be required to report on at least one of the ICF Key Performance Indicators (KPIs)[15]. GPS will seek to report on ICF portfolio KPI 15[16]: "The extent to which the ICF intervention is likely to have a transformational impact". According to the UK Government Climate Change Compass, "Transformational Change is 'change which catalyses further changes'", enabling either, "a shift from one state to another" or "faster change (e.g. speeding up progress on cutting the rate of deforestation)".

136.Recognising that transformation takes time, GPS is designed to achieve results that can be considered as early signs of transformation, and that are likely to result (in a number of cases, over a time horizon that may go beyond the program's duration), in transformational impacts. These proxies, or early evidence of transformation, are expected to materialise in a number of different areas, including: (see Table 13 for further details)

- Political will and local ownership, including the extent to which policy making will use information on Natural Capital and ecosystem services for designing and implementing development activities;

[15] Further information can be found on https://www.gov.uk/government/publications/uk-climate-finance-results

[16] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/813600/KPI-15-extent-ICF-intervention-lead-transformational-change.pdf

- Capacity and capability, in particular to generate NCA data even after the program's completion; as well as the capacity of regulators to integrate natural capital into the functioning of financial markets;
- Innovation: the program is expected to deliver new data and tools to quantify and track over time natural capital and ecosystem services; and to assess their significance for socio-economic development
- Evidence of effectiveness is shared: information on uptake of NCA data and tools by government and financial markets will be made publicly accessible on the programme's website and in its annual reports;
- Leverage / create incentives for others to act: improved information on the implications of natural capital management (and mismanagement) for financial risks and returns is expected to generate incentives to re-orient financial flows towards sustainability
- Replicability: Sustainability tools and approaches developed under pillar 1 are expected to be adapted for national use under pillar 2; country level uptake is expected to be boosted through peer learning, supported in various ways by the program;
- Sustainability: This will be promoted through institutionalisation of NCA in government processes (pillar 2); and though engagement with regulators to promote sustainable finance under pillar 3.

Table 13. Examples of KPI for transformational change

Criteria	Approach and examples of indicators to be used in the GPS Result Framework
Political will and local ownership: Policy makers use quality data on natural capital and ecosystem services to inform policy and investment decisions The financial sector increases the use of sustainability data to inform capital allocation decisions	• Number of countries using data or analysis on NCA/VES supported under the project to inform design or implementation of polices, programmes or projects • Number of countries where Sustainability Technical Assessments are included as part of the Financial Sector Assessment Program • Annual data downloads from Sovereign ESG Data Portal
Capacity and capability increased: Public and private actors are developing capacity to generate information on natural capital which could be used to inform decisions	• Number of NCA systems established, index per country (a) • Number of countries piloting the technical module on financial stability assessments
Innovation Enabling public and private actors to integrate natural capital into decision making through developing previously unavailable, publicly accessible global data on natural capital and ecosystem services	• Number of new or improved global data layers on renewable natural capital or ecosystem services produced and made publicly available including through interactive online tools • Number of publications reporting and/or analysing global or regional data on natural capital and/or ecosystem services • Research on sustainable finance designed and completed • Financial market-oriented sustainability information platform established and operational
Evidence of effectiveness is shared: Communications interventions and products that explain the policy relevance of natural capital to governments and financial sector	• Number of new communication products delivered, including on use of NCA for decision making • Number of global and regional knowledge events on policy uses of NCA supported by the project • Number of site visits on Sovereign ESG Data Portal • Number of hits on GPS website
Leverage/incentives for others to act is created	• Sustainable finance assessment framework developed and tested, including linkages with financing for biodiversity

Criteria	Approach and examples of indicators to be used in the GPS Result Framework
Enabling actors to better integrate sustainability considerations in the functioning of financial markets through providing improved sustainability information	• Annual data downloads from Sovereign ESG Data Portal
Sustainability Ensuring sustainability of NCA production in countries; ensuring that regulators have tools to integrate sustainability in the operation of financial markets	• Number of NCA systems established, index per country (a) • Supervisory toolkit on sustainable finance delivered

Notes:
(a): This indicator captures the establishment of the country program and key steps towards institutionalisation. The index includes scoring of achievements, i.e. Not Achieved = 0, Achieved = 1. Five elements will be scored for each participating country: a. Steering Committee established, b. Work plan for producing GPS-supported accounts agreed upon with National Statistical Office, d. staff in relevant government agencies producing accounts. Max. score per country is 4.

6.8 Independent Evaluations

137. All new Defra ICF projects will have independent evaluations, including consideration of the extent to which the project has provided Value for Money. The evaluation will be carried out by a third party who is not a member of or directly controlled by Defra or the World Bank. Projects must aim for the highest standards of robust impact evaluation, following OECD-DAC criteria.[17] GPS will be evaluated following the end of program activities. Activities to be carried out are:

- **Evaluation plan:** With support from Defra, an evaluation plan will be designed and baseline data may be collected in year 1 of the project. This should set out the types of study to be carried out (process evaluation, impact evaluation, theory-based evaluation etc.), methods to be used and when these studies are expected to take place. This plan should also outline any data collection requirements for the interim until the evaluation takes place and give ballpark estimates of the costs of the evaluation studies.
- **Impact evaluation (approx. end of year 5):** The World Bank shall be responsible for contracting, with program resources, the services of a third party to undertake an impact evaluation of GPS overall development effectiveness over time. The scope of such evaluation will be mutually agreed upon between the World Bank and the UK.
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6.9 What are the risks and how will they be managed?

138. The GPS' overall risk is rated at medium. The programme faces four key categories of risk: (i) programme demand; (ii) delivery; (iii) financial; and (iv) political/context. A detailed summary of risks and mitigation measures are outlined in Table 14 below.

139. First, there is a risk of weak demand for the programme. The risk is low, however, as there is strong and rising demand for NCA and valuation of ecosystem services (VES) tools to inform decisions. The GPS Secretariat also plans to engage with the World Bank Group regional and country management units, as well as the donor Steering Group, to further mitigate this risk.

140. Second, the programme faces a series of risks that could prevent successful delivery of the planned activities. At the country level, these range from low capacity to implement NCA/VES, poor coordination in national statistical systems, to lack of stakeholder support. However, based on the WAVES experience, these are minor, and will be mitigated through focused and targeted selection of new partner countries, as well as through the establishment of Regional Communities of Practice to facilitate sharing of experiences among regional peers.

141. At the broader level, there is a risk of weak coordination with the financial sector. To address this, the World Bank plans to use its convening abilities to mobilise support of its financial sector partners. Finally, there is a risk of insufficient resources to engage experts in NCA/VES, however Defra's support to the GPS mitigates considerably this financial constraint.

[17]] https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm

142.Thirdly, the programme faces other financial risks, such as Defra not being able to transfer the committed funding. To mitigate this risk, Defra will present a business case for the GPS for Ministerial consideration. There is also a fiduciary risk, associated with the use of donor funds, however the World Bank has robust fiduciary policies and procedures which minimise such risks.

143.Fourth, there is risk of political instability in the regions targeted by the programme preventing successful delivery. Mitigation measures include careful selection of partner countries and focused country engagement.

144.Other risks less directly related to the specific programme exist where attaching value to transboundary resources (such as water) could have an impact on the availability of those resources to other nations as a source nation could place an unrealistic charge to downstream users or could redirect water flows to keep the valuable resource within national boundaries. There is also a potential risk that, once natural resources are valued, there is greater incentive for corruption or catalysts for conflict over those resources.

145.Defra will work with the selected implementing partners to ensure that environmental safeguards will mitigate these risks. For example, by supporting GPS the World Banks social and environmental safeguards will mitigate these risks. The World Bank will also draw on the experiences and lessons learnt from the WAVES and WAVES+ programmes which mitigated similar risks. Defra will also draw on the experiences of managing similar risks from the REDD+ initiative to recognise and mitigate potential risks.

146.The key risks associated with each option are outlined below. For each risk we describe the mitigations that are in place or planned. The 'level' of each risk is based on its probability and the magnitude of potential impact if realised. The 'residual' risk is the remaining level after mitigations have been put in place.

Table 14: Risks

Risk description	Likelihood[1]	Impact[2]	Risk rating	Mitigation
Programme Demand				
Insufficient demand for the GPS	Unlikely	Moderate	Minor	There is rising demand for NCA and valuation of ecosystem services approaches to inform decisions. The GPS Secretariat will balance this demand with targeted engagement, in close collaboration with World Bank Group regional and country management units, and the donor Steering Group.
Delivery				
GPS does not deliver on the outcomes/activities due to low NCA/VES implementation capacity in partner countries.	Possible	Moderate	Moderate	The development of NCA requires political commitment and capacity in key ministries. The GPS is targeted at developing this, as well as creating Communities of Practice that support sharing of knowledge among regional peers. This will help support the sustainability of engagement.
There is a lack of support from stakeholders in-country preventing successful project delivery.	Possible	Moderate	Moderate	The World Bank will ensure a focused and targeted selection of new partner countries. Defra will work with the FCO and DFID to ensure the UK's presence in country can raise awareness of the programme with partners.

Risk description	Likelihood[1]	Impact[2]	Risk rating	Mitigation
Weak coordination in national statistical systems and other parts of government undermines deliverability.	Possible	Moderate	Moderate	The World Bank will set up National Steering Committees, to help ensure country implementation.
GPS has weak coordination with partners, especially on the financial sector.	Possible	Major	Moderate	The World Bank Group will use its convening abilities to bring partners to the table, particularly from the financial sector, to enable private participation in projects and investments that explicitly incorporate natural capital valuation in the transaction structure.
Resources available to support implementation—pool of experts - are insufficient.	Unlikely	Major	Moderate	Defra's support to the GPS will alleviate this financial constraint. The level of ambition of annual work plans will be commensurate with the resources available. In addition, funding raising efforts will continue to mobilise additional resources.
Finance				
Defra are not able to transfer the committed funding.	Possible	Major	Moderate	Defra will prepare a business case for the GPS for Ministerial consideration.
Fiduciary risk / funding not effectively managed in GPS.	Unlikely	Major	Low	The UK has low tolerance of fiduciary risk in ODA spending. The World Bank Group is a trusted partner. We have several levers where we can influence and seek assurances – at the Board, and as a donor on the steering committee.
Context				
Political instability in regions where projects have been approved prevents successful project delivery.	Possible	Major	Moderate	The implementation approach by GPS will be based on focused country engagement with defined criteria for country selection, which will help ensure capacity and implementation; modular design of work and phased disbursement of funds will make it possible to reallocate resources away from countries with slow progress or poor performance.
NCA of Ecosystem Services data/statistics obtained are insufficient or not timely.	Possible	Moderate	Moderate	Arrangements to ensure that the data/statistics will be sufficient, accessible and timely will be formalised in Aide Memoires prepared at the end of relevant World Bank missions in countries.

6.10 Avoiding Fraud and corruption

147. The Bank will, consistent with its policies and procedures, take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of the Trust Fund funds, and, in case of Recipient Executed Trust Fund (RETF) activities, include provisions in its agreements with Recipients to give full effect to the relevant Bank guidelines on fraud and corruption, including in particular the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' Please refer to Section 6.6 for more information.

6.11 What is the closure process? Do you want a break clause/sunset clause etc?

148. Upon completion of the Project or closure of, the World Bank shall return any remaining uncommitted balance of the Contribution to DEFRA. Refer to Table 11 for more details.

Annex A - Expected Results from GPS

Pillar 1:

Pillar 1 is about data collection. It provides data and decision-making tools at the global level (with national and where possible sub-national disaggregation) to measure and value environmental sustainability. There are two components to this Pillar: Measuring Sustainability and Mainstreaming Sustainability. The expected results from each are summarised in the table below (also in Table 3, Section 3.5 of the main business case), and activities discussed in detail below.

Table 1. Pillar 1: results expected

Component/ Indicator	Units	Baseline	Target
Measuring Sustainability			
Global data and knowledge platform on natural capital and ecosystem services establishment and operationalisation	Index (a)	0	2
New or improved global data layers on natural capital or ecosystem services produced and made publicly available including through interactive online tools (b)	Number	5	12
Technical reports on ecosystem services and/or the economics of sustainability, including tools and methodologies to inform policies, e.g. fiscal, governance, trade) (c)	Number	0	3
Mainstreaming Sustainability			
Publications reporting and/or analysing global or regional data on natural capital and/or ecosystem services (d)	Number	3	5
Technical reports, tools and guidance notes on the use of NCA approaches for planning/ policy purposes (e.g. SCDs, CPFs, NBSAPs, NBS, NDCs) and in projects (e.g. CBA, M/E, ESF)	Number	0	3
Training sessions on the use of NCA approaches in NBSAPs, NBS, NDCs and in projects (e)	Number	0	6

Notes

(a): The index consists of the scoring of five aspects:

- Design of platform with technical features and modules completed (if achieved, score = 1)
- Platform established with technical features and modules (if achieved, score = 1)
- Platform successfully tested (if achieved, score = 1)
- Platform operational with public access (if achieved, score = 1)

(b): As part of the World Bank global dataset on the Wealth of Nations, data on renewable natural capital currently covers forests (both timber and non-timber products), land (cropland and pasture lands) and protected areas. The target is to add to those the following additional data layers: fisheries, mangroves, renewable energy, possibly water and selected ecosystem services (three layers, with candidates including carbon sequestration, coastal protection, soil retention, pollination)

(c): It includes finalisation of the “Road to Kunming” report, with follow-on report on “deep dives” in selected countries/ sectors/ commodities

(d): The baseline includes the first three editions of the Changing Wealth of Nation (CWON); the target is to add to those a fourth edition (CWON 2020) and a fifth edition (CWON 2023)

(e): One training for each of the World Bank regions

First Component: Measuring sustainability

Under this component, GPS will design, develop and roll-out a comprehensive Data and Knowledge open-access Platform on NC and ecosystem services, bringing together a) user-friendly access to data layers and b) reports and interactive tools for policy analysis, simulation and assessment:

a) Data to broaden the scope of natural capital measurement

Part of this aim to broaden the use of NC data, GPS will produce a series of reports called “Changing Wealth of Nations” (CWON) which help governments plan or a more sustainable growth path by tracking the wealth of 141 countries from 1995 to 2014. To provide essential quantitative underpinning to these reports, GPS will expand the range of global data layers on natural assets and ecosystem services, from the current 5 layers to a target of 12 data layers. These include fisheries, mangroves, renewable energy, water as well as three layers on ecosystems services, such as carbon sequestration, coastal protection from mangroves and other natural assets, soil retention or pollination (exact layers TBC). In addition, to support the analysis for the CWON reports, the new data layers will also provide essential information to the global development community, such as tools and methodologies to inform policies, e.g. fiscal, governance and trade). This will also support the purposes of Pillar 3.

Assessing sustainability

This area of work will include activities at a macro level, followed by 'deep dives'. The macro element includes developing tools and new approaches to analyse the interaction between countries' economies and their natural capital and ecosystem services. This means understanding:

- The economic value of natural capital/ecosystem services,
- Externalities/environmental health damages,
- Natural resource depletion/degradation;
- Drivers of change of natural capital and ecosystem services.

These tools will help identify policy drivers of biodiversity losses (including climate change) at the country level, and corresponding packages of policy solutions. Policy focus will be on fiscal, trade, and governance policies to ensure consistency and macroeconomic coherence, and financial sector policies (under Pillar 3).

A major area of focus in this group of activities is the analytical work included in the "Road to Kunming", which is a World Bank effort to inform the global dialogue on the development of the new set of biodiversity indicators and post-Aichi targets, including in particular the relevant CBD working groups, and work on mobilising finance for biodiversity (to be further expanded under Pillar 3). The Bank will do this by pioneering quantitative analysis to model the interaction between ecosystem services and economic systems at a global scale. This will be done by combining the world's premier models and datasets for ecosystem service analysis (InVest) and for Macro-economic/ Computable General Equilibrium analysis (namely, GTAP).

Such an integrated modelling suite will make it possible to estimate the macro-economic costs and benefits of alternative options to manage ecosystem services, taking into account both the effect of economic drivers on ecosystem services, as well as the feedback effects of changes in ecosystem services on economic systems. Policy shifts to be assessed include:

- the re-purposing of distortionary incentives, particularly in agriculture;
- support to intensification in agriculture;
- addressing trade-related drivers of biodiversity loss;
- boosting conservation of critical ecosystems through systems of payment for ecosystem services;
- and possibly, demand side policies (such as reduction of waste, change in diets).

After an initial stage of analysis carried out at the global level, GPS will carry-out follow-on "deep-dives" in selected countries, sectors and commodities (e.g. up to ten countries, with emphasis on Africa, subject to country demand), to test the ability of the modelling approach to inform the Bank dialogue on country-specific policies; and to develop a roadmap develop a "plug-and-play" modelling platform suited to inform policy analysis in as many developing countries as possible.

<u>Second Component: Mainstreaming sustainability</u>

Under this component, GPS will undertake:

(i) A series of high-level publications for the broader development community, including two extra reports in the "Changing Wealth of Nations" (CWON) series which will include policy analysis[18]; sustainability modules in global/ regional World Bank reports (e.g. Macro/Poverty Outlooks, Global Economic Prospects, etc.); and
(ii) Development of tools, guidance notes and training to integrate natural capital and sustainability into development programmes and projects. This involves integration of natural capital in planning processes (for example at the stage of Systematic Country Diagnostics (SCDs), Country Partnership Frameworks (CPFs), Nationally Determined Contributions (NCDs), National Biodiversity Strategies and Action Plans (NBSAPs)); and integration in project design processes and tools (e.g. Cost Benefit Analysis, Monitoring and Evaluation Systems, Environmental and Social Frameworks (ESFs)).

This second area of work under this component (tools, documents and training to integrate natural capital into projects and programmes), will develop an Ecosystem Services Assessment Toolkit, which will provide an evidence-based, standardised, and practical toolkit to measure and value environmental risks and impacts associated with ecosystem services in the project cycle. This will include a screening tool available on the web to help users better understand, visualise and report potential project risks and impacts to ecosystems. Following a beta testing stage (focused on a few selected sectors, such as hydro-power and roads), the toolkit will be refined and finalised as follows:

(i) **Enhance the scope of the web-based tools**: From the beta-testing stage, the scope of the tool will be expanded to include:
   i. NBASAPs/ NDCs: practical tools for the design of NBSAPs and NDCs, to allow assessments of the effects on ecosystem services of different components of NBSAPs and NDCs.
   ii. Project level: at the project level, a pilot toolkit would be expanded to cover, in addition to Investment Project, other forms of financial support such as Development Policy Operations (DPOs) and Program-for-Results Operations (PforR). Furthermore, the developed Toolkit can be also applied to provide useful data for M&E, on the Environmental, Social, and Governance (ESG) impact and feed into corporate reporting on blue, green, and sustainability bonds.
(ii) **Development of a library of application through case studies**. The library will include applications to selected typologies of NBSAPs and NBSs; and, at the project level, to two more sectors in addition to those already assessed in the beta-testing stage.
(iii) **Country level training for NBSAPs, NDCs and projects**. This component will include training sessions (indicatively, one for each of the World Bank regions) for technical staff involved in the design of NBSAPs, NDCs, and/or the design of individual projects.

The toolkit is intended for use in World Bank operations; but will be able to provide insights of broader applicability for the design and monitoring of projects financed by the rest of the development finance community and build awareness and demand in countries for NCA.

Pillar 2: Global information on sustainability

The overall objective of Pillar 2 of the GPS program is to institutionalise NCA approaches at the country level. More specifically, Pillar 2 strengthens, through technical assistance and sharing of experiences, the capacity of developing countries to:

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[18] These two extra reports in the CWON series will feature novel lines of policy analysis including: effects of climate change, and stranded assets, ex-ante simulations of the value of renewable energy in up to 5 pilot countries, under different scenarios of energy sector development; empirical analysis of impact of wealth complexity on economic performance of countries and the policy framework to pursue asset diversification.

- acquire, maintain and update data and information on natural capital and the values of ecosystem services both in physical and monetary terms; and
- use such data in the design and implementation of development policies, programmes and projects, including those co-financed by the World Bank. The pillar includes three components, with expected results summarised in the table below (also in Section 3.5 of the main business case) and activities described in the rest of this section.

Table 2. Pillar 2: results expected

Component/ activity type	Baseline	Target
2.1 Country level support		
Production of accounts		
Number of Core Implementing Countries (CICs) with NCA program completed	4	10
Number of Targeted Technical Assistance tasks completed	8	16
Countries supported by the project with at least two environment-related sectors in natural capital accounts in accordance with defined criteria and publicly accessible	2	8
Use of accounts		
Countries supported by the project with at least two natural capital accounting–related policy analyses made publicly accessible	4	16
Number of key policy documents such as development plans, sectoral policies and strategies, bills, etc., that reference NCA or the accounts	4	12
2.2 Regional cooperation		
Regional Communities of Practice (RCPs) established and operational (index per COP) (a)	0	4
2.3 Global engagement		
Global knowledge events on policy uses of NCA supported by the project	4	7

Notes

(a): The indicator seeks to capture gradual progress in establishing Regional Communities of Practice (COPs) in NCA. The index shows, for each COP, if a regional coordinating organisation has been defined (if achieved, score is 1); if a program of activities has been defined (if achieved, score is 1); and if the activities have been delivered in the first year of operation of the COP (score =1) and in the second year of operation (score =1)

First Component: Country level support

Under this component, GPS will support countries' effort on the NCA and sustainability agenda in three areas: a) production of accounts; b) use of the results to inform decision making; c) institutionalisation of NCA in government processes and practices. This component builds on eight-plus years of experience in country level work on NCA, acquired though the engagement of the WAVES program in some 20 countries world-wide.

The activities for this component – Country Level Support – will be delivered in two ways. One will be to establish NCA systems in Core Implementing Countries (CICs), and another will be to deliver Targeted Technical Assistance (TTA) to specific policies/projects.

Activities in Core Implementing Countries (CICs) are aimed at assisting in the process of building and institutionalising, over an adequate time horizon (36 to 48 months), NCA frameworks consistent with the System of Environmental Economic-Accounting (SEEA), as well as assisting in the design and preparation of NBSAPs. Support to CICs can be delivered through Bank-Executed Trust Funds (BETFs); or, provided a critical mass of resources is available to GPS, through Recipient Executed Trust Funds (RETFs), for stronger client ownership and institutional/ capacity strengthening.

Targeted Technical Assistance (TTA) is delivered through smaller grants, over a shorter time horizon (12-24 months), aimed at meeting specific countries' requests to use natural capital and ecosystem valuation approaches and tools in the design, implementation, monitoring and evaluation of specific policies, programs or projects.

With the proposed support from the UK, GPS would scale up its country engagement from four to 10 CICs and from 8 to 16 TTAs. The work will include a strong focus on the design and preparation of NBSAPs, NBSs and NDCs, to support IDA-eligible countries meet the commitments being defined as part of the IDA 19 replenishment.

Support to core implementing countries will be delivered:

- Through World Bank-Executed Activities (BETF) and/or
- Through Recipient-Executed activities (RETF), i.e., provision of grants to Recipient Governments to develop and implement natural capital accounting. Such grants could co-finance Bank projects (investment projects, Programme for Results, or Development Policy Operations)

Bank executed activities would consist of technical assistance (delivered by the World Bank staff and consultants) in the development of and use of NCA systems. Recipient executed activities would consist of components or sub-components of a World Bank project, co-financed via the GPS Trust Fund and complementing IDA (International Development Association) or IBRD (international Bank for Reconstruction and Development) financing. This would have certain advantages in terms of economies of scale in implementation arrangements, since Pillar 2 of GPS could "piggy-back" on procurement, disbursement and financial management systems that would already be established as part of preparation of the rest of the project that Pillar 2 of the GPS would be co-financing.

Recipient executed activities would have the added benefit of generating stronger country ownership, facilitating institutionalisation of NCA and more effectively enhancing the capacity of partner countries to assess and manage the environmental risks and impacts of their development activities. Given the significant transaction costs associated to preparing RETF grants, the use of this modality will be considered only once the GPS funding will achieve an adequate critical mass. Funding from DEFRA may make it possible to support some 1-2 RETF grants, targeted at countries with adequate execution capacity, and where the benefits from using this instrument can be reasonably be expected to outweigh the corresponding transaction costs.

Second Component: Regional cooperation

This component will support the establishment of Regional Communities of Practice for Natural Capital Accounting, with an initial focus on Africa. In collaboration with the United Nations Statistical Division (UNSD) and the Gaborone Declaration for a Sustainable Africa (GDSA), this component will shape and manage a regional Community of Practice (COP) for Africa with the objective to build the momentum and capacity to mainstream natural capital into development planning. Activities already identified in consultation with selected African countries include: (i) an annual Africa Policy Forum on NCA; (ii) webinars; (iii) South-South knowledge exchanges in coordination with coordination with other partners working on NCA in Africa; (iii) grants to universities to support policy analyses related to natural capital; (iv) web-based NCA knowledge sharing including through a dedicated Africa page in the GPS website.

Third Component: Global engagement

In terms of global engagements, GPS will continue the successful series of global policy forums (which has now reached the fourth instalment); and, at a more technical level, support knowledge sharing through publications and contribution to dedicated events, including those co—organised with partners (such as the Expert Forum on Ecosystem Services accounting convened annually in Glen Cove, NY, by UNSD).

Pillar 3: Sustainable finance

Pillar 3 aims to better integrate sustainability considerations in the functioning of financial markets, through:

a) Providing improved sustainability information for financial markets;
b) Demonstrating methodologies which could be used by the market to evaluate the risk/ return profile of financial assets;
c) Integrating information on environmental sustainability in the assessment of the overall stability and development of financial systems, enabling authorities to utilise that information in the regulation of financial markets;
d) Engaging with various financial sector stakeholders on the way forward for promoting sustainable finance and providing capacity building and technical assistance where appropriate.

The pillar has four components (corresponding to each of the objectives listed above), with expected results summarised in Table 4 and activities described in the rest of this section.

Table 3. Pillar 3: results expected

Component/ Indicator	Target
3.1 Improved sustainability information for financial markets	
Annual data downloads from Sovereign ESG Data Portal	20,000
Annual unique visitors on Sovereign ESG Data Portal	100,000
Financial institutions for mailing list for Portal updates	45
Financial markets-oriented sustainability information platform established and operational	Fully developed, interactive portal launched
3.2 Research agenda on effects of sustainability on the financial sector	
An annual research programme on sustainable finance is delivered	75% of full research programme published
3.3 Sustainable finance assessments	
Countries where Sustainability Technical Assessments are included as part of the Financial Sector Assessment Programme (FSAP)	8
Financial Sector Sustainability Technical Assessment methodology designed and delivered to the World Bank Board	Full methodology published
Supervisory toolkit produced	Refined (tested) toolkit delivered
Sustainable finance country engagements	4
Sustainable finance events	12
3.4 Capacity building, disclosure, and engagements	
NGFS outputs with World Bank contribution	4

First Component: Improved sustainability information for sustainable markets

This component will support updates to the Sovereign ESG (Environmental, Social and Governance) Data Portal launched in October 2019. The aim is to contribute to better alignment between investors' ESG analysis and key sustainable development policy indicators, as well as to increase data transparency and support private sector investments in environmental sustainability (including climate action) with a focus in emerging markets.

The Portal includes indicators, tools and guidance materials for ESG sovereign-level analysis (addressing both environment risks as well as impacts), developed as a result of collaboration with institutional investors, stakeholders and topical experts across the World Bank Group. Other MDBs, regulators and major private financial institutions have expressed interest in incorporating the Portal into their analytical tools.

Under the work programme, the GPS will (i) upgrade the Portal to improve the quality of the indicators (e.g. number of countries covered, timeliness, new data sources introduced as they become available), and to include more interactive tools for usage by financial analysts (e.g. Bloomberg); and (ii) develop an in-house methodology for using the indicators, enabling weighting of the data, ranking or rating of countries. It will also conduct in-depth analysis on specific indicators, particularly those reflecting the new analysis on natural capital and biodiversity. This would provide to financial market analysts the much-needed and demanded evidence of the links between natural capital and financial risks and returns as well as impacts. Market participants have been expressing strong interests and anticipation of such analysis since the launch of the portal.

Second Component: Research agenda on effects of sustainability on the financial sector

A chapter on sustainable finance will be included for the first time in the 2020 Changing Wealth of Nations publication. This will analyse how natural and human capital are factored into market pricing and investment decisions and reflected in Sovereign Financing Costs in Developing Countries. The CWON work will also provide insights on the implications for financial markets of 'stranded assets.

The GPS team will produce research on private financing of biodiversity to inform the COP15 to the Convention on Biological Diversity. Work is also underway with the World Bank's Climate Change Group on moving from National Adaptation Plans (NAPs) to financing actual investments in adaptation.

Sector specific work will also look at how pension funds are investing in the forestry sector and how markets are reflecting the emerging standards in the transport sector (e.g. shipping).

Third Component: Sustainable Financial Assessments

This component will support further development and expansion of the Climate Change and Environmental Risks and Opportunities Assessment, created as part of the World Bank/ International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP). This assessment looks at how risks and opportunities affect the stability and development of a country's overall financial system.

Under the work programme, stress tests of environment/climate risks and impacts will be developed and applied to up to 8 pilot countries. Stress testing tools will also be applied in other World Bank country engagements (e.g. supporting the Colombian financial sector regulator in greening its supervisory activities, including measurements of climate risks and supervisory guidance to the financial sector to manage risks and impacts). Support from the International Finance Corporation (sister organisation to the World Bank) will allow for further iterative refinement and updating of the FSAP to ensure formulation and delivery of best practice advice.

Fourth Component: Capacity building, disclosure and engagement

This component supports two key work streams: (i) Network for Greening the Financial System (NGFS); and (ii) ESG integration into pension funds in emerging markets.

First, the GPS will support the newly-created NGFS Market Dynamics Working Group in measuring green financing trends, developing standardised measures and incorporating these into the ESG Portal. Since 2018, the World Bank has been an observer to the NGFS - a group of Central Banks and Supervisors from 42 countries that exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and mobilise mainstream finance to support the transition toward a sustainable green economy. Through its country programmes, the World Bank aims to become the implementation arm of the NGFS, embedding international good practices established by the Network in emerging markets.

Second, the GPS will support further mainstreaming of ESG strategies in the practices of institutional investors. In particular, the programme will support new partnerships of the World Bank Group with major public pension funds in emerging markets to help them become leaders in sustainable finance, catalysing change and driving the greening of their local financial markets. Building on the existing partnership with the Government Pension Investment Fund (GPIF) of Japan and on a Memorandum of Understanding (MOU) signed with the Government Pension Fund (GPF) of Thailand, a joint programme of work is being lunched to advance the ESG strategy of these institutions. A benchmarking framework for assessing pension funds own ESG reporting has been developed. The first report will be published in early 2020; under the GPS work programme this exercise will be repeated regularly to reflect the development of ESG investing trends in the sector.

The GPS programme will also support further dissemination of knowledge and understanding of natural capital accounting amongst the investor community and promote the uptake of sustainable finance tools. To exemplify with respect to events planned for 2020, GPS will support: (i) a joint workshop on the ESG Sovereign Data Portal with the UN team working on Principles of Responsible Investment; (ii) discussion of sustainable finance and natural capital issues as part of the World Bank Pensions & Long-term Finance Conference (Q1 2020), and (iii) a regional Asian events planned to be held in Malaysia and Thailand during the year.

Cross-cutting activities

GPS includes activities of a cross-cutting nature, related to a) strategic communication and outreach; and b) Programme Management and Quality Assurance (PMQA). The expected results are summarised in the table below (also in Section 3.5 of the main business case) and the activities are described in the rest of this section.

Table 4. Cross-cutting activities: results expected

Indicator	Units	Baseline	Target
Communication			
Expanded GPS Website (a)	Index (a)	1	3
Number of communication products delivered	Number	25	40
Program Management and Quality Assurance (PMQA)			
Annual delivery of PMQA services (b)	Years	3	8

Notes

(a): The index consists of the scoring of five aspects:

- Basic design of the website (if achieved, score = 1)
- Advanced design and implementation of the website (if achieved, score = 1)
- Final design and implementation of the website (if achieved, score = 1)

The maximum score is 3

(b) It includes the GPS Secretariat services of work planning, programme management, fund allocation and budgeting, supervision, quality assurance, monitoring, technical and financial reporting to donors. The baseline is given by the three years of operation of the WAVES Plus and GPS Trust Funds

Strategic communication and outreach

Building on the WAVES experience, communications and outreach are embedded across the GPS programme. The communications work takes place at both national and global levels with the following objectives:

1. Raising the profile of natural capital accounting and building a brand for the programme
2. Engaging with stakeholder to bring together supply and demand side actors
3. Making the case for using NCA for sustainable growth
4. Sharing knowledge to inform quality NCA work at scale

For pillar 2 work on countries, this component provides support starting from the initial engagement with the government to the final launch of accounts and conclusion of the programme. In the first phase, the communications team does the stakeholder analysis, identifies policy priories, designs a strategy, and with the help of a local communications specialists, helps implement it. This continuous engagement builds stronger ties across the spectrum of stakeholders, as well as shaping messages and communications products tailored to the political economy of the country.

At the global level, the Knowledge Centre (KC) is a repository of information on NCA. With more than 6,000 publications, the KC complements the programme's main web pages, providing a platform for countries to showcase their work and report on the progress made. Currently, the programme's website has 150,000 views annually. A newsletter is sent out to over 3,000 subscribers, informing them of the latest content, news from partners, and other major developments in the area. The programme also has the benefit of using World Bank's twitter account to engage in online conversations. Several global forums are used to raise the profile of NCA. The launch of The Changing Wealth of Nations was a successful example of increasing a global understanding of the concept of `wealth' and `natural capital'. Recently, the programme launched the GPS Seminar Series which aims to nurture a conversation on sustainability, with strong virtual attendance globally via the Webex platform.

Programme Management and Quality Assurance (PMQA)

Under the PMQA component the GPS Secretariat discharges duties related to overall work planning, programme management, fund allocation and budgeting, supervision, quality assurance, monitoring of the implementation of Bank-Executed activities and oversight of Recipient Executed Trust Fund (RETF) activities (the latter only when there will be a critical mass of TF resources to justify the use of RETF as a mechanism of delivery of programme's support).

A particularly important role of the secretariat is to provide programme-level quality assurance through systematic and structured review processes that ensure that outputs generated are of high quality and follow internal and international standards. Members of the secretariat act as informal advisors to the TTLs of respective country programmes to ensure technical soundness and consistency with international good practices. All materials for publication are reviewed and cleared by the secretariat.

Annex B – Theory of Change

Impact

Sustainable economic growth and integration of natural capital into decision making by governments, financial and capital markets

Outcomes

- Countries understand the sustainability of their economies. They have greater political will for, and scientific and technological capacity to, move towards more sustainable patters of production and consumption.
- NCA is institutionalised at country level: Ecosystem and biodiversity values are integrated into national and local decision making, development processes, poverty reduction strategies and accounts. (SDG target 15.9)
- Developing countries have local ownership of NCA data and can maintain and update data and information on natural capital and the value of ES in physical and in monetary terms.
- Countries have been accelerated to a greener financial system: sustainability considerations have been integrated into the financial market, incentives exist towards sustainable projects and financial system operators can better distinguish between sustainable and non-sustainable behaviour of actors, sectors and projects.

Outputs

- ~~Widely~~ Openly available sustainability indicators and assessments to inform policy making and investment decisions, comprising of a comprehensive data platform as well as technical and policy reports on the drivers of changes of NC and ES.
- Application of accounts in policy analysis and application in planning documents/similar instruments.
- Capacity and capability is increased in public and private sectors to generate Natural Capital data to inform decisions beyond the programme.
- Sustained regional cooperation and global engagements resulting in dissemination, replication, learning and uptake of NCA/VES beyond directly supported countries.
- Improved information and capacity building for financial markets including sustainable finance assessments and a clear research agenda going forward.

Example Activities

- Understanding policy drivers for NC degradation and the economic case for NC restoration; and developing country and sector-specific decoupling indicators.
- Measuring, stocktaking and accounting NC with client countries, including macroeconomic diagnostics.
- Support to countries for building, implementing and institutionalising suitable, specific, NCA frameworks and applying them to policy and decision making.
- Raise awareness and disseminate information at regional level and establish regional cooperation [through regional Communities of Practice and Targeted Regional Cooperation Activities] - building on WAVES/+ partnerships to provide regional leadership.
- Global engagement, outreach and dissemination including partnerships with other key organisations, global reports, forums and technical collaboration.
- Develop specific tools and provide technical assistance to build capacity of investors and financial stakeholders to better account for environmental sustainability, including research [risk, returns and materialism of environmental risks and opportunities], informed decision making and stress testing.

Inputs

Contribution to the Global Programme on Sustainability

Budget

£20 Million

3.4.1 Assumptions:

- Data is available.
- Countries are receptive to utilising the data for policy and decision-making purposes.
- Countries will maintain and continue to use the data/valuations in their national planning after the programme has finished.
- The World Bank will continue to have capacity to deliver the programme for the duration.
- Technical Assistance will build capacity and that capacity will be retained.
- Where events are held, for regional and global cooperation, they will be attended and successful at building collaborative networks.
- Countries within Regional Communities of Practice are willing to work collaboratively with each other and engage in the programme.
- Investors want/are willing to engage with the programme and use the platform produced.
- The tools produced e.g. impact reporting framework and sustainable finance assessment framework are useful and there is uptake from the finance sector.

3.4.2. Challenges:

Pillar 1:

- Measuring sustainability: complexity of the task (translating sustainability into the economic reasoning that normally underpins policy making and investment decisions).
- 60% of SDGs either do not have enough data or no consensus on methodologies, many of these (roughly 40%) are based on biophysical measures of environmental state and trends, and on observations on current government policies but do not include an economic measure of sustainability.
- Sustainability indicators are not frequently mainstreamed into decision making, especially where trade-offs between dimensions of sustainability need to be assessed.

Pillar 2:

- Developing countries often have few, or no natural capital accounts at their disposal, or lack the capacity or experience to analyse/understand the role of natural capital in growth, poverty alleviation and prosperity.
- Limited information available means that countries are unable to evaluate socio-economic and environmental outcomes at the macro level using a common set of metrics and methodologies, namely those related to the national economic accounts.
- The capacity of individual countries to develop, maintain and use natural capital accounts remains limited.

Pillar 3:

- For improved natural capital management is still inadequate.
- The amount of investments needed to make the transition to a more sustainable economic model are substantial.
- While momentum is building for sustainable finance such as market development like the continued growth of financial instrument targeting green investment, market and institutional barriers exist to accelerating the transition to a 'greener' financial system. Barriers include clear data and transparency to integrate environmental considerations into investment decisions e.g. around adequate data for environmental risk analysis by financial operators. The lack of timely, easily accessible and forward-looking data makes it difficult for investors and lenders to adequately price in these environmental risks.
- Another challenge, related to the former, clear data on the relationship between environmental
- Management and financial risks and opportunities. For financial institutions to take environmental management into account, quantified proof of its relationship with risk and returns of financial assets is important.
- A lack of understanding about the impact of environmental factors on the overall stability and development of financial systems prevents authorities from utilising that information in the regulation of financial markets. As such there lacks the incentive for financial policy makers and regulators to better integrate environmental considerations into enabling financial policies, regulations and guidelines.

Annex C – Governance

Figure 2. Governance Structure for GPS (World Bank)