

Title: Nature Positive Economy Programme		
Programme Value £ (full life): £7.2m		Review date: March 2024
Programme Code: GB-GOV-7-NPE	Start date: February 2023	End date: March 2025

Summary of Programme Performance

Year	Feb 23 - Mar 24	Mar 24 – Mar 25
Overall Output Score	A	
Risk Rating	Medium	

DevTracker Link to Business Case:	https://devflow.northeurope.cloudapp.azure.com/files/documents/Nature-Positive-Economy-20230606020641-20230816100837.docx
DevTracker Link to results framework:	https://devflow.northeurope.cloudapp.azure.com/files/documents/Nature-Positive-Economy-Programme-Logical-Framework---2024-20240530110532.xlsx

A: SUMMARY AND OVERVIEW

The two-year, £7.2 million Nature Positive Economy programme supports low and lower-middle income countries to grow their economies in ways that help to protect and restore their natural capital and so drive sustainable economic development. It provides practical support to governments, finance sector regulators and financial institutions to integrate nature into their economic and financial decision-making, understand and manage nature-related risks, capitalise on growing opportunities to invest in their natural assets, and repurpose spending that damages them. As such, it supports low and lower-middle income countries to transition to nature positive, net-zero economies, and so protect the poorest communities.

The programme is delivered by two delivery partners: [UNDP’s Biodiversity Finance \(Biofin\) Initiative](#) where £3.5 million is provided for technical assistance for the finance sector in developing countries across Africa, Latin America and Eurasia, and [Financial Sector Deepening Africa \(FSD Africa\)](#) where £3.2 million is provided for the same across Africa only. £500,000 is allocated for monitoring, evaluation and learning.

This programme builds on both the [Biofin](#) and the TNFD African Voice addendum to the [Taskforce on Nature-related Financial Disclosures programme](#), continuing the work of both delivery partners but bringing them together to share learning and avoid overlaps, and develop new workstreams building on previously achieved targets.

Summary supporting narrative for the overall score in this review

The programme has scored A, reflecting that the outputs either met or exceeded expectations.

The programme is on-track to deliver the outputs, outcomes and contribute to the impact as detailed in the Business Case. Delays and other issues are mitigated by the delivery partners in consultation with the Defra programme team as required.

The Defra programme team is satisfied with the strong relationships with, and between, both delivery partners, and will seek to maintain these relationships throughout the delivery period and potentially beyond, given our shared goals.

Major lessons and recommendations for the year ahead

No.	Description	Owner	Deadline
1	Integrate GESI considerations into the programme, to move the rating from ‘GESI unaware’ to at least ‘GESI sensitive’, through an Action Plan	Defra/Biofin/FSD Africa	December 2024

2	Consult with delivery partners on how Defra can support them, to achieve efficiencies in monitoring, reporting, delivery and maximising added value	Defra	April 2024
3	Amend the monitoring framework so reporting is more frequent and detailed. When the delivery partners report progress, they are more specific to the logframe, provide more detail and supporting documentation, and enable Defra to provide added-value on workstreams if opportunities arise	Defra (in consultation with Biofin/FSD Africa)	April 2024
4	Consider further funding of both delivery partners to continue the work, considering a narrower range of countries, and seek connections with other relevant Defra-ODA programmes	Defra (in consultation with FSD Africa)	By the 4 th quarter of 2024

B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

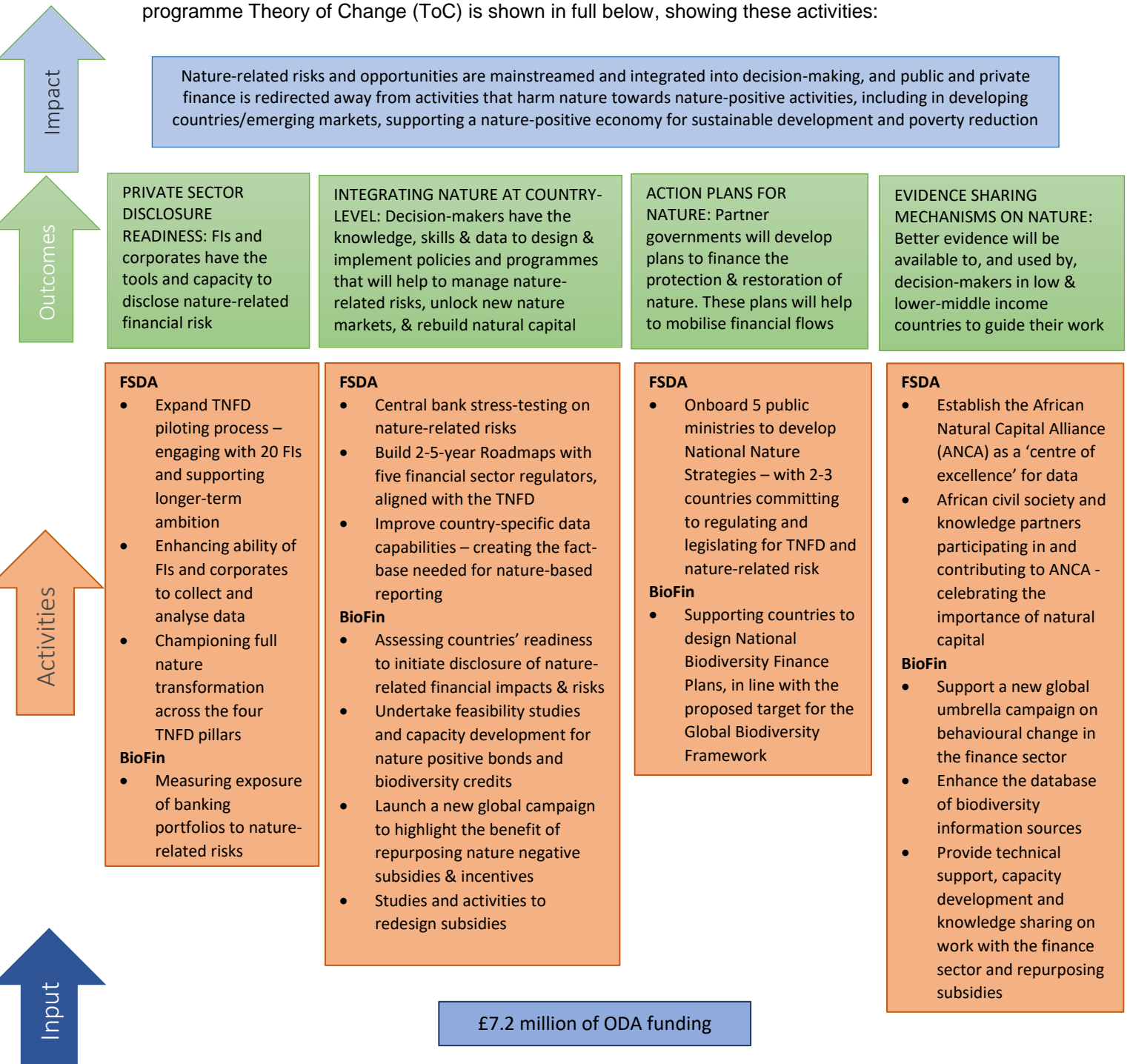
The Theory of Change (ToC) is used to model how the programme is expected to achieve its desired impact and outcomes.

The programme’s desired Impact is that *nature-related risks and opportunities are mainstreamed and integrated into finance sector decision-making, and public and private finance is redirected away from activities that harm nature towards nature-positive activities, supporting a nature-positive economy for sustainable development and poverty reduction*, in line with the Kunming-Montreal Global Biodiversity Framework (KMGBF).

There are two Outcomes that support the achievement of the impact:

1. *Nature-related risks and opportunities are mainstreamed and integrated into decision-making;*
2. *Low- and lower-middle income countries are supported to grow their economies in ways that help to protect and restore their natural capital and so drive sustainable economic development.*

A range of funded activities is envisaged to support the achievement of these outcomes. The programme Theory of Change (ToC) is shown in full below, showing these activities:



The funded activities are directly linked to the programme’s output indicators which are detailed in the programme’s Logical Framework (logframe). The output indicators monitor the progress of the programme’s outputs, and there are indicators which subsequently monitor the progress on the outcomes, and impact.

Since programme inception there have been no changes to the programme’s ToC during the delivery period. However, during the creation of the logframe, the outcomes were changed to outputs, and the two below outcomes were then added (shown in the table below).

The ToC and logframe are linked in that the ToC supports the creation of the logframe and the programme’s outputs, outcomes and impact. There has not yet been any substantive evidence or reasons for a change to the programme direction to better achieve the intended outcomes and impact, and so we believe the ToC remains robust and fit for purpose. However, this will be kept under revision if any new evidence or understanding materialises justifying an update.

Where the programme is on/off track to contribute to the expected outcomes and impact; and planned actions

As noted in the detailed output scoring below, many of the indicators are not progressive by year (for example a delivery partner is not producing 2 reports in 1 year and 3 in the next; rather taking 2 years to create all 5 reports). And so many of the indicators have, for reference purposes, been tracked against their year 2 targets. Against these, given the work summaries, many are on track.

Therefore, we believe that the programme is making good progress towards the intended outcomes and impact. A short summary of the progress against each is below:

<p>Outcome 1: Nature-related risks and opportunities are mainstreamed and integrated into decision-making</p>	<p>Given the good progress against the outputs across the programme which works across government Ministries, finance sector regulators, private finance businesses, and initiatives in integrating nature into the financial sector, there is good evidence that this outcome will be achieved</p>
<p>Outcome 2: Low - and lower- middle income countries are supported to grow their economies in ways that help to protect and restore their natural capital and so drive sustainable economic development</p>	<p>The programme is integrating nature into financial decision-making not only to protect developing countries' natural capital assets for sustainable use, but also explore the nature-related opportunities for business which are both intended to support economic development and stop economic loss as a result of natural capital loss. Given the good progress against the programme's outputs, there is good evidence that this outcome will be achieved</p>
<p>Impact: Nature-related risks and opportunities are mainstreamed and integrated into decision-making, global finance flowing towards biodiversity is increased, global finance flowing against biodiversity is decreased, future biodiversity expenditures are avoided, supporting a nature-positive economy for sustainable development and poverty reduction</p>	<p>Progress against the outputs which contribute to the outcomes suggest the programme is on track to support the achievement of the intended impact.</p>

In the coming year the programme team will finalise and implement a GESI Action Plan (recommendation 1), liaise with the delivery partners on achieving efficiencies given robust reporting requirements (recommendation 2), and adjust monitoring requirements (recommendation 3).

For FSD Africa, the Defra programme team is considering the funding of a workstream focused on an executive training programme with a focus on nature and project implementation. This opportunity is possible due to FSD Africa receiving more core funding than anticipated from the Foreign, Commonwealth and Development Office (FCDO), and so no further funding for this workstream is required. If this workstream goes ahead, it will be integrated into the reporting requirements, including the logframe.

As part of the programme's £500,000 monitoring, evaluation and learning budget, two workstreams are in progress.

First, the programme is funding the Organisation for Economic Co-operation and Development (OECD) for £150,000 to support the work on the OECD DAC (Development Assistance Committee) output 5.1.1.5.1: "Climate, Environment, Biodiversity and Sustainable Oceans" for work on development finance for biodiversity. The work will produce annual reports on tracking KMGBF Target 19(a), hold dialogues with DAC stakeholders on development finance for biodiversity, and produce recommendations and dialogues with the Working Party on Development Finance Statistics and the Network on Environment and Development Co-operation.

Second, the programme team had been exploring options for an independent evaluation of the programme. In consultation with the Monitoring, Evaluation and Learning Lead the programme team were considering whether an evaluation would be worthwhile given Biofin are in the closing stages of their own independent evaluation which covers the entirety of their work. FSD Africa have a robust monitoring framework also covering the entirety of their work and have also conducted a recent [independent evaluation on the impact of working with regulators](#), which encompasses much of FSD Africa’s work through this programme. On this basis the decision was made that an evaluation was not required at this time as a separate evaluation would not offer any substantial additional insights. Therefore, consideration will be made as to how the remaining £350,000 monitoring, evaluation and learning budget will be spent, with the initial options being to explore other learning opportunities, further invest in the programme work, or do nothing and so reabsorb the funds into Defra’s budget.

Justify whether the programme should continue, based on its own merits and in the context of the wider portfolio

Based on the positive results made against the output indicators for the countries we have supported, we believe the programme should continue. As mentioned above the programme builds on the work started under our first contributions to both Biofin and Financial Sector Deepening Africa through previous programmes, but with a focus on 2 areas which are seen as key gaps in closing the \$700bn Biodiversity Finance Gap; environmentally-harmful subsidy reform and private sector finance. As part of the wider impact of the programme we have now seen [four financial institutions from developed countries adopting reporting against the Taskforce on Nature-Related Financial Disclosures \(TNFD\) Framework](#), and expect more to do so. As part of a longer-term impact, we expect more finance to flow towards biodiversity funding and less finance to flow to biodiversity-harmful activities.

However, it should be noted that to repurpose subsidies harmful to biodiversity, achieve more funding towards biodiversity and for biodiversity to be taken into account as part of finance sector decision making in all developing countries in line with the KMGBF targets, this will take longer to achieve and in more countries than can be done with this programme. It is therefore recommended that both delivery partners are funded beyond this programme’s delivery period.

C. DETAILED OUTPUT SCORING

Output Title	Private Sector Disclosure Readiness: Private sector actors in low and lower-middle countries - including financial institutions, businesses and policy-makers - will have the tools they need to understand and manage nature-related financial risk.		
Output number:	1	Output Score:	A+
Impact weighting (%):	25%	Weighting revised since last AR?	N/A

No.	Indicator(s)	Delivery Partner	Milestone(s) for this review	Progress
1.1	Number of financial institutions participating in the TNFD Pilot Programme	FSD Africa	14	21
1.2	Number of organisations indicating taking actions following reports on nature-related risk	Biofin	N/A - workstream is 2 years and is not progressive by # organisation (Year 2 Target: 5)	0

1.1

The Taskforce on Nature-related Financial Disclosures (TNFD) pilot programme gives capacity building and technical assistance to financial institutions through piloting using the framework, so that they can discover and publicly disclose their nature-related dependencies, risks, impacts, and opportunities. This

workstream began with 6 and now 21 financial institutions are piloting (already surpassing the 2 year target of 20), demonstrably improving private sector disclosure readiness on nature-related issues in developing countries in Africa. This progress is noteworthy considering the continent's unique biodiversity and vulnerability to environmental degradation.

As a result of the pilot programme, four financial institutions - ICEA LION, Equity Bank, Sanlam Group and KCB – became early adopters of the TNFD Recommendations as announced at the World Economic Forum Annual meeting in Davos in January 2024. The programme also supported the establishment of TNFD Consultation Groups in East Africa (convened by the Kenya Bankers Association and the Kenya Private Sector Alliance) and Southern Africa (convened by the Banking Association of South Africa).

Whilst there have been no significant delays overall on this workstream, changes in some financial institutions' teams (mostly as a result of organisational restructuring and staff movements) have delayed progress. The delivery partner has engaged consistently with these organisations to ensure that these gaps are filled as soon as possible, and progress is back on track.

1.2

Work is underway in all countries where reports – including recommendations – are being created on nature-related risk disclosures. A summary of the progress taking place in each country is below.

National readiness studies for nature-related disclosure in Rwanda, China (Shanghai only), Madagascar, Nepal, and Kazakhstan. Advanced disclosure work taking place in Philippines.

In Rwanda Biofin worked with a contracted consultant to finalise the last deliverable of the study, the action plan. A validation workshop for a report, “The Landscape of Nature Financial Disclosures and the related Existing Gaps in Rwanda” took place from 16th - 19th January 2024 in Kigali, with stakeholders including the Ministries of Finance and the Environment, the World Bank, the Development Bank of Rwanda and others. A second round of consultations then took place and the study is now fully endorsed by stakeholders.

China (Shanghai), Madagascar, Nepal, and Kazakhstan are in the process of selecting the individual consultants to carry out the study. Some delays have been incurred in the process due to limited capacities at national level in certain countries.

In Philippines several meetings have been organized with the Securities and Exchange Commission (SEC), the Central Bank and corporate stakeholders. The SEC invited the TNFD secretariat to attend the Corporate Governance in ESG event and this afforded the opportunity to also present to the Dept of Environment and Natural Resources. The Biofin team is procuring a consultant and scoping possible training providers to roll out the TNFD recommendations and promote adoption of the TNFD.

Measuring the exposure of banking portfolios to nature-risk readiness in Zambia. Follow up work In Mexico.

Following national consultations, the Biofin Zambia team is finalising the procurement of a consultancy firm to support the Zambia Green Finance Mainstreaming Working Group in research activities, economic modelling and producing reports on the link between natural capital, ecosystem services, and the financial system with a focus on deducing nature-related financial risks. The scope for the financial system covers the banking sector, capital markets and pension and insurance sub-sectors.

In Mexico, two individual consultants were identified to start supporting Mexico's Central Bank (BANXICO) in research activities, economic modelling and producing reports on the link between natural capital, ecosystem services and the financial system. The consultants aim to support BANXICO in extending a study published in 2023 on input-output models of supply chains, biodiversity degradation scenarios, impacts and dependencies, risks and opportunities for the financial sector in Mexico.

As mentioned above, some countries have incurred difficulties in the identification of national experts with the needed technical background in both financial and environmental aspects to be able to efficiently carry out the studies. To overcome these difficulties the Biofin team will build a roster of experts in the UNDP system to be available to provide support for countries needing this service in

future. Some countries have also moved to work with consultancy firms to fill this gap and provide more and broader expertise.

Given indicator 1.1 has exceeded expectation in achieving 21 financial institutions participating in the TNFD Pilot Programme against a target of 14 (with 4 institutions being TNFD early adopters), and work progressing well in 8 countries against indicator 1.2 (which is not a yearly progressive workstream but has an overall target of 5 over 2 years), then we deem that this output is moderately exceeding expectations.

Output Title	Integrating nature at country-level: governmental and regulatory decision-makers in low and lower-middle income countries will have the knowledge, skills and data to design and implement policies and programmes that will help to manage nature-related risks, unlock new nature markets, and rebuild natural capital.		
Output number:	2	Output Score:	A
Impact weighting (%):	25%	Weighting revised since last AR?	N/A

No.	Indicator(s)	Delivery Partner	Milestone(s) for this review	Progress
2.1	Number of central banks completed nature-related risk stress-testing	FSD Africa	N/A - workstream is 2 years and is not progressive by # organisations (Year 2 Target: 4)	5
2.2	Number of knowledge products produced for nature alignment or nature positive use that can inform policy (disaggregated to studies, frameworks, reports, articles or other documents)	Biofin & FSD Africa	N/A - workstream is 2 years and is not progressive by # knowledge products (Year 2 Target: 11)	<u>FSD Africa:</u> Reports: 1 Articles: 1 <u>Biofin:</u> Reports: 1 Total: 3
2.3	Number of countries supported by ICF technical assistance (International Climate Finance Technical Assistance Key Performance Indicator 1)	Biofin & FSD Africa	N/A - is not progressive by # countries (Year 2 Target: 26)	<u>FSD Africa:</u> 8 <u>Biofin:</u> 17 <u>Both:</u> 2 Total: 27

2.1

Stress testing on nature-related risk and exposure for countries' finance sectors demonstrates the level of materiality of nature-related risks to their banking sectors, and, if those risks are high (African countries' economies are far more reliant on natural capital, so this is expected), to make those countries central banks aware of those risks with a view to taking action to mitigate them.

Stress testing has been completed for 5 finance sectors in 5 African countries: Ghana, Mauritius, Morocco, Rwanda, and Zambia, and so this workstream has been completed.

To support this work FSD Africa set up the Central Bank Working Group composed of international central banks and thought leaders: the European Central Bank, the Central Bank of Hungary, Banque de France, the TNFD, the Organisation for Economic Co-operation and Development, the World Bank, and the programme's co-delivery partner, Biofin.

Three African central banks attended bilaterals, capacity building sessions and working group sessions: Bank of Zambia, Bank Al-Maghrib (Morocco) and Bank of Rwanda. Each of these banks commented on how the capacity building session and the bilaterals to walk through the stress testing results had improved their understanding and awareness of nature-related issues. As an addition to this workstream, following the presentation of the results, Bank of Zambia and Bank Al-Maghrib requested follow up sessions to dig deeper into this work.

2.2

For FSD Africa, this workstream to engage regulators has made strides in supporting the integration of nature into national financial sector policies across Africa. A key output; policy roadmaps detailing the integration of nature into regulations, is gaining traction with stakeholders.

A catalyst for this progress is the report "[The Emerging Regulatory Agenda: Improving Transparency of Nature-related Risks in Africa](#)," published in June 2023. Recognising the crucial role of financial regulators in building transparency, this report proposes actionable steps for them to take. Its impact has been engagement with over 8 regulators and policymakers in Africa.

The delivery partner’s Nature Finance and TNFD Lead also wrote an article published in The Banker (<https://www.thebanker.com/Dorothy-Maseke-Unlocking-Africa-s-natural-capital-1704195798>) . The article seeks to answer how financial authorities can protect nature, and details how Africa is rolling out nature-related disclosures.

For Biofin, in India a Memorandum of Understanding with the Institute of Chartered Accountants of India (ICAI) has been prepared and is under revision, and options are being explored for an eventual contract with ICAI. A draft report, ‘A Detailed Review and Assessment of Biodiversity-Related Reporting by Corporates in India’ is being prepared. Potential sector-specific indicators are being called out for contribution to the Business Responsibility & Sustainability Report templates. A partnership with the Confederation of Indian Industry is underway to undertake sector-specific piloting of the TNFD Framework in India.

For Biofin’s work in Mexico, a TNFD Readiness Report was delivered which set the baseline for capacity development and piloting activities. Upcoming work will involve creating a draft of a capacity development syllabus for a course on the TNFD for stakeholders from the financial and environment sector working with the Autonomous Institute of Technology; and a standards database, which will gather information from 8 of the most important disclosures standards frameworks and compare it to the environmental data generated in Mexico.

Work on reports, frameworks and articles with Costa Rica and further work in India and Mexico is all ongoing.

As with other workstreams, as these knowledge products are not progressing by year, we expect this target to be achieved as the vast majority of them are to be completed by the end of year 2.

2.3

FSD Africa is actively collaborating with 2 finance sector regulators in Zambia; the Bank of Zambia and the Zambian Securities & Exchange Commission (SEC Zambia), to tailor policy roadmaps to their specific context. Terms of Engagement were also being finalised with additional finance sector regulators in Zambia (the Zambia Pensions and Insurance Authority), Kenya (the Capital Markets Authority), and Nigeria (the National Insurance Commission and the Securities and Exchange Commission).

This progress signifies a growing understanding of the importance of integrating nature into financial regulations. By addressing nature-related risks and opportunities, these policy roadmaps aim to create a more resilient and sustainable financial system for Africa.

The full country list for FSD Africa year 1 delivery is:

- Zambia:** policy roadmapping, central bank stress testing, TNFD piloting, evidence sharing
- Ghana:** national nature strategy framework, central bank stress testing, TNFD piloting, evidence sharing
- Kenya:** policy roadmapping, TNFD piloting, evidence sharing

Nigeria: policy roadmapping, TNFD piloting, evidence sharing
South Africa: policy roadmapping, TNFD piloting, evidence sharing
Rwanda: central bank stress testing
Mauritius: central bank stress testing, TNFD piloting
Morocco: central bank stress testing
Togo: TNFD piloting
Namibia: evidence sharing

The full country list for Biofin year 1 delivery is:

Africa:

Botswana: subsidy reform
Madagascar: disclosures readiness study
Malawi: biocredits
Tanzania: implementation of Biodiversity Finance Plan; subsidy reform
Rwanda: disclosures readiness study
Zambia: nature-risk study

(both delivery partners have work taking place in Rwanda and Zambia this year)

Asia:

China (Shanghai only): disclosures readiness study
India: subsidy reform, biocredits, tiger bonds
Kazakhstan: disclosures readiness study
Kyrgyzstan: subsidy reform
Nepal: readiness study, implementation of Biodiversity Finance Plan
Philippines: implementation of Biodiversity Finance Plan; subsidy reform
Thailand: biocredits, tiger bonds

Latin America:

Argentina: subsidy reform
Colombia: biocredits
Costa Rica: implementation of Biodiversity Finance Plan
Guatemala: implementation of Biodiversity Finance Plan
Mexico: biocredits, nature-risk study, subsidy reform

Europe:

Georgia: implementation of Biodiversity Finance Plan; subsidy reform

There have been some delays in the process of signing Memorandums of Understanding with some regulators. Biofin continues to engage with these regulators to try and expedite the process. Signing with the outstanding regulators is nearing finalisation at the time of writing.

Given indicator 2.1 exceeded its target, indicator 2.2 is on track given the majority of reports are due to be published in year 2, and indicator 2.3 has met its 2 year target in the first year, we consider this workstream is moderately exceeding expectations.

Output Title	Action Plans for Nature: partners governments will develop clear and comprehensive plans to finance the protection and restoration of nature		
Output number:	3	Output Score:	A+
Impact weighting (%):	25%	Weighting revised since last AR?	N/A

No.	Indicator(s)	Delivery Partner	Milestone(s) for this review	Progress
3.1	Number of National Nature Strategies developed	FSD Africa	1	1
3.2	Number of Biodiversity Finance Solutions implemented working towards achieving finance for biodiversity	Biofin	Workstream is 2 years and is not progressed by Biodiversity Finance Solutions (Year 2 Target is 6)	6

3.1

[The Ghana National Nature Strategy Framework](#) report was presented at an event at COP28 in Dubai on 9th December 2023. Therefore, this workstream has been completed. The framework for Ghana – and intended to be replicated in other countries - supports navigating numerous compliance commitments including those stemming from the KMGBF, National Biodiversity Strategies and Action Plans (NBSAPs) and Nationally Determined Contributions (NDCs). National Nature Strategies will help countries to respond to nature-related risks and opportunities, align policies with international, regional and market priorities, and make implementation and reporting more efficient. National Nature Strategies will also help countries improve climate-related outcomes at the many points where nature interacts with climate.

3.2

A Biodiversity Finance Solution, created by Biofin country coordinators working with finance and environment sector stakeholders, is part of a wider Biodiversity Finance Plan (BFP). The BFP is made up of a number of Solutions, usually around 8 or 9, but this depends on the individual country context and what data has been produced following the Biodiversity Expenditure Review. This programme is funding the implementation of 6 solutions in 6 countries, Tanzania (Zanzibar only), Costa Rica, Georgia, Philippines, Guatemala and Nepal.

In Tanzania (Zanzibar), a willingness to pay study has been conducted for the review of the entry fees in marine protected areas, and the validation of the result is ongoing, as well as the improvements for the digital payment system. This Finance Solution is strongly supported by the government and should be completed this year.

In Costa Rica, a capacity building process to ‘train the trainers’ linking the financial sector and the Industry Chamber has been agreed and designed. Endorsement of this training process has been validated by the Sustainable Commission of the National Council of Financial Supervision (CONASSiF). These efforts will result in the integration of biodiversity into the national taxonomy. Work on this is also being supported by the UN Environment Programme Finance Initiative (UNEP FI).

During 2023, [RAICES](#), the first Business Incubation Program for Indigenous Tourism in Costa Rica, successfully completed the piloting stage and launched the second call for the edition 2023-2024. A total of 28 business ideas have been selected from more than 285 applications in two cohorts and received non-refundable funds from the National Fund for Business Development (FONADE) of the Development Banking System (SBD) of Costa Rica, which for the first time in its history is targeting entrepreneurship led by indigenous peoples. To date USD \$786,432 has been mobilized/catalysed and 1,321 people (689 women and 632 men) have been involved in participatory processes, training activities or received finance resources.

In Georgia, the newly developed [Forest Friend Platform](#) raised \$66,000 for forest conservation, mainly through corporate donations. Biofin will continue to support the growth of the platform and is seeking new ways to attract private finance for forest conservation and rehabilitation through this tool. With the support of Biofin, visual branding and a brand book has been developed, an outreach strategy created, and the implementation of specific activities were initiated. Promotional and marketing materials have been prepared and distributed, such as a forest friend promotional song. The launch of the platform took place on 1 June 2023 at Tbilisi Botanical Gardens, with high-level guests and local influencers present. The \$66,000 is made up of initial donations immediately following launch, but now the platform is up and running and the outreach strategy is being created, further donations should then follow.

In the Philippines, a gaming app called Animal Town launched on 8th March 2024 with the Philippines Minister of Environment and representatives from UK Embassy attending. The app provides information about biodiversity as part of the challenge platform, and proceeds are earned from top-ups and advertisements. Use of the gaming app is being promoted through campaigns and social media to increase gamers and therefore funds for biodiversity. The UK also supports the application of finance solutions at the local level in the provinces of Negros Oriental and Negros Occidental. Substantial finance results have already emanated from this workstream. For example, the province of Negros Occidental allocated \$17 million to purchase private land to increase hectareage of the protected area Mambukal Hot Springs.

In Guatemala, the Biofin team is working with the new government for the creation of a Green Fiscal Office within the Ministry of Finance which will aim to align resources for biodiversity and climate change. The team is also working on the strengthening of the Protected Area National Plan to improve its operations and scale up finance.

In Nepal, draft guidelines for integrating biodiversity into the Community Forestry Operational Plan were validated with provincial stakeholders in October 2023. A taxonomy of finance solutions including mapping and prioritisation guidelines for community forestry were prepared and validated. A biodiversity-friendly planning and financing mechanism is now being integrated into the operational plan revision of 50 forest user groups, from 3 biological corridors.

While on track, a challenge with this workstream for FSD Africa is that ministries in targeted countries are not moving as fast as desired and may therefore result in delayed delivery. They are mitigating this by engaging in discussions with those ministries and will update the Defra programme team if this workstream is delayed. There is also less control with a sub-delivery partner, however continued engagement with them is mitigating this issue.

Given the National Nature Strategy Framework for Ghana is completed and launched, and that good progress is being made on Biodiversity Finance Solutions in 6 countries (with a 2 year target of 6), this workstream is judged to be moderately exceeding expectations.

Output Title	Evidence Sharing Mechanisms on Nature: better evidence will be available to, and used by, decision-makers in low and lower middle-income countries to guide their work		
Output number:	4	Output Score:	A
Impact weighting (%):	25%	Weighting revised since last AR?	N/A

No.	Indicator(s)	Delivery Partner	Milestone(s) for this review	Progress
4.1	Number of organisations actively involved and/or contributing with the African Natural Capital Alliance (ANCA)	FSD Africa	36	40
4.2	Number of unique views of the FIRE database originating from developing countries	Biofin	Workstream is 2 years and is not progressive by views (Year 2 Target: 30,000)	>18,000
4.3	Number of individuals engaged with Biofin in-country teams on environmentally harmful subsidy and finance sector reform	Biofin	1,000	299 (including 17 women)

4.1

The [African Natural Capital Alliance](#) (ANCA) is an African-led, collaborative multi-stakeholder initiative working to support approaches to policy, regulation, and investment that maximise the opportunities for sustainable growth from and for Africa’s natural capital. It was established in 2022 by FSD Africa out of a need to ensure an African voice on the global nature agenda with 9 founder members. Membership has continued to grow steadily through various outreach initiatives, including the ANCA's participation at high-level regional and global events. The membership now stands at 40, with a pipeline of potential additional members. Demand for membership is high.

The ANCA is mostly composed of large African financial institutions, however academic and scientific institutions, non-governmental organisations (NGOs) and technology companies are also members. This is in recognition that a diverse membership is required to enhance the effectiveness of the ANCA moving forward.

Through engagement, the ANCA is uniting its members and working to drive progress to a more sustainable future for Africa. At the forefront of this is the working groups, established to tackle specific topics relevant to nature in Africa. Three working groups are currently operational ("Communications & Events," "TNFD adoption," and "Commercial Opportunities"), and the ANCA is facilitating discussions and shared learning amongst its members. Two more groups, focusing on "Nature Data Sources" and "Regulatory Engagement," are due to be launched in the coming months to further expand the scope of collaboration.

The ANCA is also working on thought leadership, through the publication of white papers that delve into critical areas. The ["Emerging Nature Regulatory Agenda"](#) white paper (as mentioned above) provided insights for policymakers and financial institutions. Another white paper, ["A Case Study on Nature Data"](#), written with the Development Bank of Southern Africa was published in April 2024, adds to the [knowledge base](#).

To equip members with the necessary tools and resources, the ANCA launched the ANCA Knowledge Centre, a comprehensive database which serves as a one-stop shop for toolkits, data sources, external resources, and the ANCA's intellectual property.

Information sharing is further facilitated through the ANCA newsletter, a quarterly update keeping members informed about the latest research, regulations, and news related to nature. Roadshows and webinars are a key part of ANCA's engagement strategy, and the ANCA had a presence at the [2023 Africa Climate Summit](#) where the [ANCA Nature Voices Pledge](#) was launched.

Forty organisations are members of the ANCA, and so its reach and influence is steadily growing. The diverse range of their outreach and engagement show a commitment to fostering collaboration and driving action on nature-related issues. It aims to empower its members and provide them with the necessary tools and knowledge to integrate nature into the organisations’ strategies.

The full list of ANCA members as of March 2024 are:

- Ghana:** Ministry of Environment, Science, Technology, and Innovation; Calbank, GCB Bank;
- Kenya:** Equity Group Holdings, KCB Bank Kenya, ICEA LION, Africa Wildlife Foundation, Okavango Capital, Kenya Wildlife Trust, Fidelity Shield Insurance, CrossBoundary, Old Mutual Kenya, National Environment Trust Fund;
- Namibia:** Namibia Special Risks Insurance Association, FSD Africa Investments, FSD Africa, Kenya Tea Development Agency;
- Nigeria:** Access Bank, Guaranty Trust Bank;
- South Africa:** Development Bank of Southern Africa, FirstRand, Investec, Sanlam, Standard Chartered South Africa, JSE Limited;
- Zambia:** Zanaco, Zambia Industrial Commercial Bank;
- Pan-Africa:** Ecobank, United Nations Economic Commission for Africa, FSD Network, Africa Enterprise Challenge Fund, Britam Holdings;
- Other:** Cambridge Institute for Sustainability Leadership, Climate Fund Managers, MRV Collective, Blue Finance, Posaidon Capital, C-Quest Capital, Solidaridad Southern Africa, Climate Resilient Africa Fund.

4.2

Biofin's [Finance Resources for Biodiversity \(FIRE\) database](#) is a listing over 350 public, private and philanthropic funding opportunities around the world. It is designed to be a one-stop-shop resource where a biodiversity project owner can find a multitude of different funding opportunities matching specific criteria in one place.

The database is growing in awareness across the world as a result of outreach and word of mouth. Developing countries with the highest rates of views are Mexico (3,500), Indonesia (2,300), Colombia (2,000), Chile (1,100), Brazil (880), South Africa (820), Kenya (800), Argentina (750), India (710), Philippines (552), Ecuador (497), Zambia (477), Turkey (460), and Costa Rica (454). Since the launch in June 2023 the number of unique views for developing and developed countries combined reached 39,000 as of March 2024.

Based on the feedback rounds initiated after the pre-launch, Biofin improved several filters and selection information available on FIRE, including consideration of indigenous peoples, local communities, women, and youth. An application language filter for non-native English speakers for the specification of "public entities" has increased transparency, accessibility, and inclusivity of the database. Partners such as the UNEP FI and Regions4 have helped increase outreach through cooperative articles, and it is now listed as part of the Biodiversity Toolbox of the NBSAP Accelerator Partnership and the [10 Point Plan for Financing Biodiversity Dashboard](#).

4.3

Increasing evidence demonstrates that well-intended subsidies and government support that target socio-economic goals may have unintended negative and costly effects on the environment, including biodiversity. The OECD estimates that the financial support to agricultural production in 54 countries (of around US\$500 billion) is considered potentially harmful to the environment. This can result in habitat destruction, land degradation and nutrient pollution, and in many cases the support has distortive effects which are unequally distributed and harmful for both humans and the environment. Biofin is working with a number of countries to assess subsidies harmful to the environment, and if required, reform, redirect, reduce or eliminate them, so that the subsidies can instead work for both people and nature. The UK is funding this work in 8 countries, Tanzania (Zanzibar only), Argentina, Philippines, India, Botswana, Georgia, Kyrgyzstan and Mexico.

In Zanzibar a rapid assessment of subsidies harmful to nature has been conducted and 10 subsidies were identified as potentially harmful to nature within the following prioritized sectors: agriculture, fisheries, infrastructure development, and tourism. Follow up work will now take place on how to repurpose them.

In Argentina, the national assessment on harmful subsidies has not yet started due to the recent change of government after the election in October 2023. However, this is expected to start during the third quarter of 2024.

In The Philippines and India their studies on subsidies have been completed. For The Philippines recommendations have been developed for three commodities: rice, corn and high value crops. Some options to address subsidies at the sub-national level have been proposed, focused on the targeting of beneficiaries, adjustment on deployment of subsidies for fertiliser, seeds and other materials at the site level. The consultation process for the Philippines has been substantial, with consultations occurring at the regional and national level and counting a minimum of 200 participants.

In Botswana, a study on subsidy reform has been completed and three priorities have been identified for possible reform: 1. Insignificant mining penalties for illegal mining, considered to be an indirect, implicit subsidisation of mining offenses; 2. Reform of a VAT exemption for chemical inputs; and 3. Operational improvements to the national environment fund. An action plan for redesigning these subsidies is now being developed.

In Georgia, the workstream on subsidy reform is looking to begin this year. This will aim to measure and address potential adverse impacts on biodiversity from agricultural subsidies and support the national authorities with repurposing the selected agricultural subsidies administered by the Rural Development Agency (RDA) and will promote organic subsidies.

In Kyrgyzstan, the work undertaken by Biofin has demonstrated that it is possible to assess the effectiveness of harmful subsidies for biodiversity and the feasibility of developing a credible argument to reform them. Considering this, a workstream on introducing monitoring and evaluation practices for

subsidy effectiveness with a focus on potentially biodiversity-harmful subsidies has been developed and approved in 2023 and will be implemented in 2024.

In Mexico, the Biofin team have finalised the initial assessment, focusing on agricultural subsidies. However, due to the upcoming election in June 2024, it was decided that the team would develop communication material to share with the incoming government and then plan next steps.

At the global level, though not monitored through the logframe, since February 2024, [2 launch webinars](#) on the 'The Nature of Subsidies' a step-by-step guidebook for reforming environmentally-harmful subsidies, have been watched over 1,750 times (including translations into Spanish, French and Russian); and supporting videos, also in English, Spanish, French and Russian have been watched over 13,500 times as of May 2024.

On balance, as indicator 4.1 has exceeded expectations, indicator 4.2 is just above half the year 2 target but indicator 4.3 is significantly under half the year 2 target, overall this output is meeting expectations. The workstream for indicator 4.3 is set to expand in year 2 as the findings of the studies on biocredits, bonds and subsidies get submitted towards stakeholders through engagement, and so we expect the numbers engaged to increase in line with the target.

D: RISKS

Overview of risk management

Considering the below additional risks to the programme, and that delays are taking place for some individual workstreams, we are changing the risk rating from Low to **Medium**.

We have identified two further risks for the programme. These have informed the recommendations for this Annual Review.

The first is that as part of a review of gender, equality and social inclusion (GESI) integration into Official Development Assistance (ODA) programmes across Defra, an assessment of the Business Case rated the programme as 'GESI Unaware'. The delivery partners have been integrating GESI considerations into all of their work as part of their respective [Equality, Diversity and Inclusion Strategic Plan](#) (FSD Africa) and [Gender Equality Strategy](#) (UNDP). However, this work and other GESI considerations, aside from monitoring the number of female beneficiaries who have received technical assistance, was not fully integrated into the programme and its monitoring. Therefore, the programme team will respond to the recommendations noted in the GESI review to integrate GESI considerations into the programme, work with the delivery partners to identify where this is already being done and address any gaps, and work towards the programme being rated as at least 'GESI Sensitive' by December 2024. **(RECOMMENDATION 1)**

Defra's due diligence assessment did not highlight any concerns with Biofin and FSD Africa including on safeguarding against sexual exploitation, abuse, and harassment (SEAH) and fraud. It was noted that there were clear policies in place to address these issues.

Both delivery partners have been made aware of Defra's zero-tolerance approach to inaction on SEAH safeguarding, that SEAH safeguarding is everyone's responsibility, and that any allegations need to be reported immediately to ODA.safeguarding@defra.gov.uk.

Both delivery partners have also been given copies of Defra's Delivery Partner Guide. This is a list of resources that provides guidance on safeguarding against SEAH in international development, and it has been reiterated that all Defra delivery partners should ensure they have strong and clear SEAH policies and guidelines, with internationally agreed standards. Again, it is assessed that this is the case with Biofin and FSD Africa. We will continue to monitor safeguarding risks through our risk register and through regular communication with both delivery partners.

We will also gather further insight by means of undertaking a country visit, seeking first-hand views on the progress of activities. In September 2024 we are planning to visit Nairobi in Kenya and Dar Es Salaam and Zanzibar in Tanzania, joining the FSD Africa and Biofin Global, Country and Regional teams to see work taking place and engage with beneficiaries of Defra's contribution.

As part of quarterly reporting on delivery progress provided by each delivery partner and during monitoring calls throughout the year, risks – and the mitigations put in place to address them - have been reported on and discussed. However, any risks have been minimal and with appropriate mitigations in place. Risks will continue to be monitored throughout the delivery period.

Defra has strong monitoring and reporting requirements of all delivery partners throughout its ODA programme portfolio. This, alongside standard programme reporting, can be burdensome for delivery partners, and must be carefully managed with them, particularly in terms of prioritising reporting during busy periods. Given Defra’s requirements, it is recommended that the programme team fully consult with the delivery partners on how best we can work with them to make this efficient and still gain the data required, whilst still continuing to maximise programme outputs and any added value **(RECOMMENDATION 2)**.

Programme Alignment with the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement

This programme does not go against the UK government’s [“Aligning UK international support for the clean energy” guidance](#), nor does it go against implementing countries own climate plans (NDCs / National Adaptation Plans [NAPs]). Indeed, the aim of the programme is to support these plans through protecting and restoring nature and biodiversity, and therefore support climate change mitigation and adaptation. Upon reviewing Defra’s Climate and Environment Risk Assessment to see whether an assessment should take place, as the programme does not work in the named physical environments, is not vulnerable to the sector vulnerabilities and is not exposed to the named hazards; and as the programme is based on technical assistance and capacity building and therefore is highly unlikely to be subject to climate or environmental risks, it was deemed that an Assessment was out of scope. Additionally, the programme does not do and will not undertake Shadow Carbon Pricing. The programme has a small budget relative to other ODA programmes (£7.2m) and focused only on the provision of technical assistance and capacity building which will not generate a material amount of emissions. The only emissions foreseen are associated with international travel, which is being kept to a minimum, but some will be unavoidable such as for conference attendance and site visits. Where possible these will be combined as to minimise travel, such as for during the Biofin Programme in which attendance at Biofin’s Global Conference in Cape Town, South Africa, was combined with a site visit to nearby Zambia. Much international travel is also avoided through frequent video meetings and other online communications.

E: PROGRAMME MANAGEMENT: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Delivery

The programme has experienced a few implementation challenges during the reporting period, focused on programme reporting and the potential of a reallocation of delivery partner underspend. Implementation challenges are noted above as relevant to each output section. Defra and the delivery partners will continue to monitor risks, challenges or issues to delivery as activities continue, and mitigations and adjustments will be directed as needed.

Gender Equality and Social Inclusion (GESI)

Although the programme’s GESI results are indirect as the focus of the programme is on finance sector reform, it is recognised that there are elements that are linked. Where the programme logframe has indicators where beneficiaries are measured, data will be disaggregated by gender and will be reported on.

Both delivery partners have robust GESI policies, actions and workstreams which cover their wider work, including work on this programme. This includes accounting for GESI in risk registers; working towards hiring gender specialists; a gender marker and scoring for workstreams; an EDI Theory of Change; a measurement plan, and an implementation roadmap. In addition to this, the programme PRO is also developing a GESI Action Plan to achieve the defined programme level ambition (at least GESI sensitive) by December 2024. This will include adding a section in each delivery partner’s quarterly

report template on GESI for them to fill out progress, and as an agenda item for discussion for each quarterly monitoring call.

Site visits

There has not yet been a site visit to report against programme progress. However, site visits are planned for June as part of Biofin’s Eurasia Pacific Regional Conference and in Kenya & Tanzania in September to see work being implemented by FSD Africa and Biofin. As part of these visits, we will engage with the delivery partners teams at all levels, view the work taking place to monitor progress in-person, and seek private meetings with delivery partner beneficiaries to assess how the delivery partners work with them and to understand both the positives of their engagement and to discover any issues.

Governance

Both delivery partners have a multi-tiered governance structure to provide for strong decision-making processes. The aim is to allow for adaptive management and to provide accountability to wider audiences, particularly donors. The programme team holds the delivery partners accountable for the programme work through:

- Quarterly reports written by each delivery partner, updating on progress made during the last quarter and noting workstreams for the next quarter;
- Quarterly meetings after receiving the quarterly reports, to ask questions prompted by the reports and to go into further detail on specific points. These are joint meetings so each delivery partner can hear in-depth about the other’s work, which has been noted as being very beneficial for them;
- Ad hoc reporting, via email or shorter video calls, or meetings in person when possible;
- In Biofin’s case, an annual Progress Report published every year and a shorter 6-month report in between;
- In Biofin’s case, a Steering Committee meeting every year attended by all Biofin donors;
- Site visits;
- Any other reports published by either delivery partner or other communications.

In addition, FSD Africa is also fully accountable to the UK Government through its funding via the Foreign, Commonwealth and Development Office (FCDO), aside from this programme funding. Information is shared between the Defra and FCDO programme teams on an occasional basis when relevant.

The programme workplan includes milestones and activities, as detailed in the logframe and quarterly reporting templates, from which progress can be monitored.

The Defra programme team are in the process of amending the reporting requirements for both delivery partners so that these are better suited to the logframe, and more detail can be provided. These will be tailored to the delivery partners given their differing internal reporting timelines and monitoring requirements (**RECOMMENDATION 3**).

Financial Performance

Value for Money

Economy

The Business Case for the programme noted total financial as £7.2 million for the delivery period February 2023 to March 2025, made up of £3.5m for Biofin, £3.2m for FSD Africa and £500,000 for monitoring, evaluation and learning. Both delivery partners have recruitment and procurement practices in place to ensure that inputs purchased are of the appropriate quality and expertise. Biofin and FSD Africa have a competitive and inclusive approach to recruitment to ensure the best available talent is recruited for their work, and highly prioritise in-country, local expertise.

Budget tracking by FSD Africa demonstrates that actual expenditure has been within budget at £900,000 for the financial year 23/24. This represents an underspend from initial projections of £1.1 million and

due to rescheduling deliverables by them. Projected expenditure is still expected to be within budget. By the completion of the programme FSD Africa anticipate total programme costs will be £3.2 million.

Over 2023/24, Biofin has spent £2.1 million and is estimated to spend the remaining £1.4 million for 2024/25.

Efficiency

Given that both Biofin and FSD Africa were pre-existing initiatives (i.e. not set up for this programme), both delivery partners have been able to build upon existing work and relationships to secure effective outreach with partners and key financial institutions. Both delivery partners have leveraged pre-existing relationships and established expertise to make good progress supporting financial institutions to improve private sector disclosure readiness on nature related issues, resulting in twenty financial institutions participating in the TNFD pilot programme, exceeding initial expectations of fourteen financial institutions after year 1.

The programmes' ability to successfully leverage existing relationships and efficiently utilise inputs is also demonstrated by the increase in membership from 9 to 40 for the African Natural Capital Alliance, exceeding the target of 36 by this stage. The programme has also achieved its target of developing 1 National Nature Strategy by this review point.

The programme is significantly behind on progress towards output indicator 4.3 due to multiple factors including election cycles in partner countries, stakeholder engagement, and the fact that whilst reports are being written stakeholders are less engaged until recommendations are produced. However, the work focusing on this area is set to expand in the upcoming year to progress this.

Below is a short summary of the progress on all outputs:

No.	Indicator(s)	Delivery Partner	Milestone(s) for this review	Progress	On Track?	Mitigation
1.1	# financial institutions participating in the TNFD Pilot Programme	FSD Africa	14	21	Overachieved	N/A
1.2	# organisations indicating taking actions following reports on nature-related risk	Biofin	N/A - workstream is 2 years and is not progressive by # organisation (Year 2 Target: 5)	0	On track	As expected, as organisations will only be consulted on tacking action once reports have been published at the end of Y2
2.1	# central banks completed nature-related risk stress-testing	FSD Africa	N/A - workstream is 2 years and is not progressive by # organisations (Year 2 Target: 4)	5	Overachieved	N/A
2.2	# knowledge products produced for nature alignment or nature positive use that can inform policy (disaggregated to studies, frameworks, reports, articles or other documents)	Biofin & FSD Africa	N/A - workstream is 2 years and is not progressive by # knowledge products (Year 2 Target: 11)	<u>FSD Africa:</u> Reports: 1 Articles: 1 <u>Biofin:</u> Reports: 1 Total: 3	On track	As many of the knowledge products are taking the 2 years to be produced, these will be completed by the end of year 2
2.3	# countries supported by ICF technical assistance (International Climate Finance Technical Assistance Key Performance Indicator 1)	Biofin & FSD Africa	N/A - is not progressive by # countries (Year 2 Target: 26)	<u>FSD Africa: 8</u> <u>Biofin: 17</u> <u>Both: 2</u> Total: 27	Overachieved	N/A
3.1	# National Nature Strategies developed	FSD Africa	1	1	Achieved	N/A
3.2	# Biodiversity Finance Solutions implemented working towards achieving finance for biodiversity	Biofin	Workstream is 2 years and is not progressed by Biodiversity Finance Solutions (Year 2 Target is 6)	6	Achieved	N/A
4.1	# organisations actively involved and/or contributing with the African Natural Capital Alliance (ANCA)	FSD Africa	36	40	Overachieved	N/A
4.2	# unique views of the FIRE database originating from developing countries	Biofin	Workstream is 2 years and is not progressive by views (Year 2 Target: 30,000)	>18,000	On track	
4.3	# individuals engaged with Biofin in-country teams on environmentally harmful subsidy and finance sector reform	Biofin	1,000	299 (including 17 women)	Delayed	This work is being delayed due to in-country issues such as changes in government, work on subsidies not starting until later in the year, and studies still in progress. Biofin are mitigating this, and the programme team are working with them to ensure progress is being achieved

Effectiveness

While the full potential of the programme is yet to be realised, the effectiveness of the work is rooted in its participatory nature. By engaging stakeholders such as central banks, policy makers and other financial institutions, the programme is effectively working towards integrating nature at country level. The programme is garnering interest from and driving action among decision-makers in partner countries.

As a result of the successful piloting of the TNFD, four financial institutions that participated are now

Early Adopters of the TNFD as [announced at the World Economic Forum Annual Meeting](#) in January 2024 and so are now taking steps towards capturing and disclosing nature related risks within their investments.

The programme is focused on systemic shifts at government, regulatory and private finance sector level. Routes to poverty reduction will therefore be less direct and occur over a longer timeframe. However, the programme team are seeking to build further evidence into reporting to help track the programme's contribution to poverty reduction.

Regarding the indirect link, in a survey of 22 developing countries, budget limitations and government capacity are the primary barriers to achieving the 4 Aichi Biodiversity Targets under Strategic Goal A. The programme addresses those fiscal constraints and capacity issues to invest in biodiversity restoration, conservation and protection.

Achieving biodiversity targets is key as low and lower-middle income countries (L&LMICs) are more exposed to nature-related risks since they generally possess higher concentrations of natural capital, and their economies are more reliant on the services that ecosystems provide. The effects of nature loss are predicted to be most pronounced in L&LMICs – undermining development and poverty reduction goals, where drops in GDP could be more than 10% by 2030. Therefore, addressing biodiversity loss is vital to effectively tackling poverty and stimulating economic growth.

Equity

The Business Case outlines how both Biofin and FSD Africa integrate inclusion into their programming. Biofin have worked on developing guidance on how to integrate women empowerment and gender equality in their work. FSD Africa have included GESI related criteria in their grant funding and investment processes.

As explained in the GESI section above, the programme team is working to implement a GESI Action Plan by the end of 2024 which includes monitoring GESI progress within their quarterly reporting framework. Further work will also be undertaken to better disaggregate Logframe data to better determine GESI impacts.

Financial Reporting

FSD Africa are reporting against spending as per the terms of the Grant Agreement and note a breakdown of expenditure as part of each financial claim. All claims, subsequent payments and the schedule of these are consistent with the agreed payment cycle, and so no issues have arisen.

For Biofin, this is a UNDP programme and therefore part of the UN, which does not receive grants from donors, and therefore the funding is made as a Voluntary Contribution. Therefore, as there is no contract, Biofin is not able to be held to the same financial reporting standards. However, the UNDP report to the UK government each year on all UNDP spending through UK contributions, and the UK's contribution to Biofin is reported against under the Nature, Climate and Energy Main Window.

Assessment of the programme's value for money:

The programme is demonstrating good overall progress against milestones at this stage and provides good evidence of the programme's performance in terms of economy and efficiency. Further evidence is needed to fully assess effectiveness, given several output indicators are expected to be reported on in the final year of the programme. Finally, the programme team has outlined ways in which they expect to improve GESI considerations for the remainder of the programme.

Annex 1. Terms of Reference

NATURE POSITIVE ECONOMY PROGRAMME ANNUAL REVIEW TERMS OF REFERENCE

Introduction

Each year of the programme Defra undertakes an Annual Review to monitor the progress made, ensure the programme is on track, and, if not, apply any mitigations.

Defra provided to each delivery partner:

- £3.5m as a Voluntary Contribution to the second phase of the UNDP’s Biodiversity Finance (Biofin) (2018-2025) Initiative. Biofin is a global programme supporting low- and middle- income countries to develop and implement evidence-based Biodiversity Finance Plans. It aims to: i) realign expenditures towards biodiversity goals, ii) generate additional resources for biodiversity conservation, and iii) improve the effectiveness of available resources. Biofin accepts funding on a rolling basis from multiple donors. At the time of Defra’s contribution Biofin has secured funding from 8 partners of around £52m, providing a budget of £7-8m per year. It is a portfolio initiative encompassing several projects delivered through different methods, all contributing to common objectives and results. Defra funds Biofin to achieve a specific set of results as detailed in the Business Case during the delivery period of February 2023 – March 2025.
- £3.2m as a grant to Financial Sector Deepening Africa (FSD Africa), a non-profit company limited by guarantee wholly funded by His Majesty’s Government through FCDO and Defra. FSD Africa aims to address systemic challenges within Africa’s financial markets, with the aim of sparking large-scale and long-term change. At the time of Defra’s contribution FSD Africa had secured funding from Defra and FCDO of £444m, providing a budget of approximately £34m per year. FSD Africa is also a portfolio initiative of different projects through different methods, and again Defra funds FSD Africa to achieve specific results during the delivery period of February 2023 – March 2025.

Background

Defra’s contribution aims to support ODA eligible countries to accelerate the implementation of the KMGBF by:

- **Private Sector Disclosure Readiness:** private sector actors in low and lower-middle income countries – including financial institutions, businesses, and policy-makers - will have the tools they need to understand and manage nature-related financial risk. In particular, the programme will ensure that key institutions have the tools and capacity to respond to growing demand to disclose nature-related financial risk;
- **Integrating nature at country level:** governmental and regulatory decision-makers in low and lower-middle income countries will have the knowledge, skills and data to design and implement policies and programmes that will help to manage nature-related risks, unlock new nature markets, and rebuild natural capital;
- **Action Plans for Nature:** partner governments will develop clear and comprehensive plans to finance the protection and restoration of nature. These plans will act as platforms to mobilise and guide both public and private financial flows;
- **Evidence Sharing Mechanisms on Nature:** better evidence will be available to, and used by, decision makers in low and lower middle-income countries to guide their work. The programme will help to build the evidence about how to best integrate consideration of the natural environment into economic and financial decision making. It will also help decision-makers in governments and the private sector to access and use that evidence easily by building communities of practice and robust approaches to sharing knowledge and information.

Objective of the Review

- Assess progress achieved in the first year of delivery including an assessment of the quality of progress;
- Make recommendations and identify action points regarding any major issues and problems affecting progress;
- Assess and score the programme's progress during the delivery period against the Outputs in the Logframe and determine whether and what changes are required, if any;
- Assess progress towards achieving the Logframe Outputs;
- Review the performance of programme delivery partner and of Defra;
- Assess whether the programme is delivering value for money.

Scope of the Work

Defra will review the progress of the programme against the Outputs set out in the Logframe dated January 2024.

Methodology

Tasks will include:

- A review of all available documentation, such as the Logframe, progress and financial reports produced covering the review period, minutes of stakeholder meetings, and consultancy reports;
- Meetings with stakeholders, if necessary;
- A review of outputs, including a detailed narrative of each one and links to webpages, websites and documents (if applicable).

The review of documentation will take approximately 2 weeks in February 2024 and may include follow-up request or meetings with the delivery partner.

Reporting Outputs

- A completed Programme Completion Review;
- A completed Logframe;
- A plan for distribution of the Review, including but not limited to publication on DevTracker;
- An Annex to the Programme Completion Review including these Terms of Reference;
- Any further relevant documentation provided by Biofin.

Timeframe

The review will take place from February 2024 – March 2024.

Team Composition

The team will comprise:

- Programme Officer – International Nature Finance (Programme PRO)
- Team Leader, Resource Mobilisation (Programme SRO)
- Senior Analyst, Nature Finance and Ambition Evidence (Programme Economist)