Promoting an African voice for TNFD and nature-related financial risk management

Addendum to the 'Taskforce for Nature-related Financial Disclosures Secretariat' Business Case

Department for Environment, Food and Rural Affairs

SUMMARY

Programme Code	PO022
Programme Name	Promoting an African voice for TNFD and nature-related financial risk management - Addendum to the 'Taskforce for Nature-related Financial Disclosures Secretariat' Business Case
Country or Region Targeted	Global (this addendum will focus on Sub-Saharan Africa)
Programme Objectives	The programme is a contribution to establish the Taskforce for Nature-related Financial Disclosures (TNFD), which will give international corporate and financial institutions the tools to map, measure and manage their impact and dependencies on nature. This includes funding for resourcing engagement, building and testing the TNFD framework, and research. This addendum will build awareness and institutional capacity on nature-related financial risk management within African countries, supporting the transition towards a nature-positive economy. It will help to ensure that the TNFD is designed in a way that works effectively in an African context, and help to engage and enlist a number of key African countries in catalytic sovereign stakeholder outreach in support of the TNFD.
Original Programme Budget	Up to £3m
Original Programme Start And End Dates	June 2021 – July 2023
Cost Extension Value (If applicable)	£1675k - to be delivered in two tranches (£850k in FY 21/22 and £825k in FY 22/23). Success of the first tranche is not dependent on the second tranche but will be confirmed through SR business planning process
New programme end date (if applicable)	Funding for this Addendum covers work to be undertaken in FY 21/22 and 22/23
DevTracker link to original business case	-

INFORMATION

What is the purpose of the programme addendum?

Background

1. Nature loss poses material risks and opportunities for the finance sector, increasingly perceived to be as great as climate risk[1]. The World Economic Forum estimate that 23% of Africa GDP[2] is dependent on nature and loss of biodiversity results in greater volatility and uncertainty around the goods and services ecosystems provide.

2. As the recent Dasgupta Review on the Economics of Biodiversity shows[3], despite the considerable direct and indirect value of biodiversity, economic activity which degrades or improves biodiversity is not penalised or rewarded, respectively, by the market which is an example of an **externality** – a market failure. In addition, biodiversity restoration yields benefits which are not rewarded by the market owing to its **public good** characteristics[4].

3. To date, risk management in the financial sector has not integrated these nature-related risks into its decision-making, governance and controls, in what could be described as a failure of governance. There is limited understanding or consensus across the industry of how to do this and a lack of availability of decision grade data and frameworks to guide decision making, in a failure of information.

4. It is these market, governance and information failures which lead to perverse incentives to overinvest in activities that are exposed to risks arising from ecosystem degradation and biodiversity loss.

5. In order to provide the financial sector with the tools to identify and report on nature-related risk, the Taskforce on Nature-related Financial Disclosures (TNFD) was formally established in June 2021, two years after the concept was originally proposed at the World Economic Forum's Davos meeting in 2019. It aims to give international corporate and financial institutions a framework to map, measure, manage and report their nature-related risks.

6. Defra has invested ~£3m to support the establishment of the TNFD, representing ~27% of the programme's budget. Funding will contribute to implement the TNFD and build, test, and disseminate a TNFD framework. This phase of the TNFD programme is expected to run until July 2023.

7. African voices are currently underrepresented in TNFD conversations. In order for the TNFD framework to be fit for purpose in an African context and receive wider adoption and uptake among key African corporates and financial institutions, it is essential to ensure that key financial actors in the continent can contribute their perspective in the design phase of the framework and support its rollout over the coming years.

8. This Business Case Addendum seeks to establish an additional programme element aiming to build awareness and institutional capacity on nature-related financial risk management within African countries. The programme will support the transition towards a nature positive economy and

[1] https://www.weforum.org/reports/the-global-risks-report-2020 and https://www.weforum.org/reports/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy
[2] WEF_New_Nature_Economy_Report_2020.pdf (weforum.org)
[3] Final Report - The Economics of Biodiversity: The Dasgupta Review - GOV.UK (www.gov.uk)
[4] i.e. non-rivalry and non-excludability in consumption

sustainable livelihoods, building on the growing evidence and calls for action such as that articulated in the Economics of Biodiversity: the Dasgupta Review.

9. The addendum to this programme will be delivered by Financial Sector Deepening Africa (FSD Africa), an FCDO programme whose mandate is to transform financial markets across sub-Saharan Africa, and will be embedded into FSD Africa's wider programme of work, rather than work of the TNFD Secretariat. The nature of the envisaged work better aligns with the activities carried out by FSD Africa, effectively operating as an FSD Africa 'project', and with the TNFD Secretariat providing a coordination/management role for the wider TNFD initiative.

10. FSD Africa works alongside governments, business leaders, regulators, and policymakers to build ambitious financial sector development programmes, spanning more than 28 countries, and has the expertise required to support target financial institutions, governments, and regulators in Africa to better incorporate nature into their financial and economic decision making.

11. The approval of this Business Case Addendum will lead to the establishment of a 12-month programme that will be delivered in two parts. The first components/workstreams of the programme will deliver within the current financial year (2021/22), while a portion of these will deliver in the next financial year (2022/23). Financial commitment is provided for the components/workstreams of the programme delivering in this financial year from within Defra's existing International Climate Finance (ICF) allocation, with funding for future financial years subject to the outcome of the Spending Review. Work on the two phases of the programme is complementary, but expected impacts from components/workstreams undertaken in this financial year would be delivered even if the second phase of the programme would not go ahead.

12. A successful conclusion of the first components/workstreams of the programme by end March 2022 will enable results to maximise their impact ahead of the Convention of Biological Diversity's (CBD) 15th Conference of Parties (COP15), which is expected to agree a new Global Biodiversity Framework (GBF) in May 2022.

13. What options have been considered:

    I. **Option 1: Do nothing.** The funds will likely be transferred back to HMT at the year end. This option is not recommended as the TNFD would continue to run its activities with under-representation from African voices at this critical developmental stage, and difficulties in engaging key developing countries would persist. Private sector actors and financial institutions in African countries would not have a facilitated path to engaging with the TNFD.. The timing of this decision means that it is unlikely that funds could be effectively reallocated to another activity/programme, and are ringfenced within the department's ICF allocation .

    II. **Option 2: Deliver in house.** Defra staff would undertake work to support African countries in engaging with the TNFD. This option wouldn't be practically feasible, as Department staff would not have the required expertise, network of contacts and presence on the ground to undertake such activities, which need to be undertaken at pace to meet the timetable for developing the TNFD. It would also be unlike any other activity carried out under the TNFD to date, which have primarily been private sector driven, and without the direct intervention of national governments.

III. **Option 3 (Recommended): Outsource.** Funds would be transferred to the FSD Africa programme, that will deploy the resources in line with its mandate, while achieving specific objectives defined by Defra. The rationale for transferring the funds to FSD Africa are outlined in the remainder of this Business Case Addendum. There are no alternative options for investing the funds into another UK ICF programme which would deliver similar results.

IV. **Option 4: Hybrid model.** The option would entail a mix between Option 2 and Option 3. This solution would only partially retain the advantages provided by Option 3, such as harnessing the expertise and 'on the ground' presence provided by FSD Africa, and add some of the disadvantages of Option 2, such as increased administrative burden. It has therefore been deemed impractical and unfeasible.

The context and problem that the addendum addresses, and how it addresses them

14. More than half of the world's economic output – US$44tn of economic value generation[5] – is moderately or highly dependent on nature, according to estimates by the World Economic Forum.

15. But already, humanity has wiped out 83% of wild mammals and half of all plants[6]. Three-quarters of ice-free land and two-thirds of marine environments have been severely altered. The high dependency of the global economy on nature means nature loss represents significant risk to corporate and financial stability.

16. The risks of inaction are immense. In its 2020 Global Risks report, the World Economic Forum (WEF) ranks biodiversity loss and ecosystem collapse as one of the top five risks in the next 10 years. But the opportunities from action are equally huge. Globally, the WEF estimate opportunities from action could generate up to US$10.1 trillion in annual business value and create 395 million jobs by 2030.[7]

17. At the moment, financial institutions and companies have a low understanding of how their operations or investments impact or depend on nature, and therefore to what extent they are exposed to nature-related financial risks. To integrate nature-related risks in their decision-making, financial and corporates need decision-grade data.

18. In order to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes, a Taskforce on Nature-related Financial Disclosures (TNFD) was set up, with the aim to deliver a framework for organisations to report and act on evolving nature-related risks.

19. To ensure that the TNFD is designed in a way that can be effectively applied across Africa and mitigate risks of creating additional barriers to investment in the continent, it is critical to ensure strong engagement by African financial institutions and governments at this development stage of the initiative.

[5] https://www.globallandscapesforum.org/publication/nature-in-scope-a-summary-of-the-proposed-scope-governance-work-plan-communication-and-resourcing-plan-of-the-tnfd/
[6] https://www.pnas.org/content/115/25/6506
[7] https://www.weforum.org/reports/new-nature-economy-report-ii-the-future-of-nature-and-business

20. This programme seeks to facilitate that by supporting the effective management of exposure to nature related risks by financial institutions, regulators and policymakers in Africa and a comprehensive understanding of key opportunities, including through the promotion of the socio-economic and financial rationale for encouraging uptake of the TNFD framework and preparing the ground for its successful adoption by Financial Institutions and corporates in Africa.

Strategic alignment with Defra and HMG priorities

21. The proposal will be part of Defra's ODA and ICF portfolio, complementing ongoing efforts to tackle biodiversity loss, and contributing to some of HMG's key international objectives.

22. In 2021's Integrated Review, HMG made tackling climate change and biodiversity loss one of its seven international priorities and in January committed to spend at least £3bn of International Climate Finance (ICF) from 2021-2025 on nature.

23. In its response to the Dasgupta Review on the Economics of Biodiversity, HMG committed to: (1) delivering a 'nature positive' future, in which we leave the environment in a better state than we found it, and reverse biodiversity loss globally by 2030; and (2) ensuring economic and financial decision-making, and the systems and institutions that underpin it, supports the delivery of that nature positive future. This concept of driving a nature positive economy was endorsed by the G7; it formed the second pillar of the G7 Nature Compact which looked forward to the establishment of the TNFD and its recommendations.

24. This proposal will enhance the likelihood of success of the TNFD, which delivers on objectives set out in the Integrated Review and HMG's International Nature Strategy. It will also contribute fulfilling HMG's commitments in response to the Dasgupta Review and through the G7.

25. The addendum will further support the programme in demonstrating HMG's efforts in reversing global biodiversity loss by 2030, thus contributing towards increased ambition ahead of CBD COP15, and the delivery of a successful CBD post-2020 global biodiversity framework as a result. It will also support commitments HMG has taken through the Leader's Pledge for Nature.

Progress to date

26. The TNFD was first discussed in January 2019 at the World Economic Forum's Davos meeting and in May 2019 at the G7 Environment Ministers meeting in Metz; two landmark reports published by OECD and WWF/AXA called for the creation of a TNFD-like mechanism. The 10 month long scoping phase of the informal working group was followed by the official launch of the TNFD on 10th June 2021, after securing triumvirate support from G7 finance, environment ministers and political leaders.

27. This global, market-led initiative has now embarked on a two-year phase to build, test, consult and launch the TNFD framework, with proposed dissemination and uptake from September 2023. Current HMG support for the TNFD Secretariat is solely aimed at building the TNFD framework, but HMG is

exploring further ecosystem activation and capacity building with United Nations Development Programme (UNDP) and United Nations Environment Programme Finance Initiative (UNEP FI).

What is the objective of the cost extension or other changes?

28. To secure stronger African financial institutional and government understanding of nature-related financial risks and engagement with the TNFD to ensure that the proposed framework is fit for purpose in an African context and receives a wider adoption and uptake among key African corporates and financial institutions.

29. The intervention will seek to aid the transition toward nature-positive economies in Africa by encouraging direct flows of finance towards nature positive activities, and away from damaging investments, delivering benefits in terms of risk resilience, sustainability of financial institutions, and future economic fitness, in addition to direct climate and biodiversity benefits.

30. In addition to delivering the primary objective of ensuring that the TNFD is designed in a way that works effectively in an African context, the programme will also contribute to two further objectives of the initiative:
    I. engaging in catalytic sovereign stakeholder outreach in support of the TNFD with a particular focus on the countries of South Africa, Egypt, Kenya, Ghana, and Mauritius, that could have a pivotal role in supporting the rollout of TNFD regionally; and
    II. supporting the TNFD's efforts to enlist key G20 countries in their work, by engaging with South Africa using FSD Africa's existing network and relationships. This will form part of a wider effort to secure G20 support following recent G7 endorsement.

What is the additional and total support the UK will provide?

31. Defra will contribute up to £850k of ICF (ODA) to fund the components/workstreams of the programme delivering in this financial year (2021/22), investing through FSD Africa. In order to deliver the remaining components/workstreams of the programme in 2022/23, it is envisaged that an additional £825k would be secured either from Defra, pending a successful Spending Review outcome, or through FSD Africa core funding (from FCDO). Defra's contribution will be invested in FSD Africa via budgetary transfer to FCDO via Supplementary Estimates.

32. The funding requirement is RDEL. Consolidated Budget Guidance (CBG) states capital spend is unrequited transfer payments which the recipient must use to buy capital assets; buy stocks or repay debt. Of the outcomes set out in the Strategic Case, none of the spend meets the capital definition and therefore the spend is classified as resource RDEL.

33. The components/workstreams of the programme envisaged for this financial year, and to which the transfer of the £850k in 2021/22 is linked, will run for ~5 months, with conclusions expected in March 2022. Over the course of this period, it is expected that Defra's International Nature Ambition and Recovery team in the International Nature, Development and Climate division will be able to provide the resource support required for liaison activities between FSD Africa and the TNFD Secretariat. Defra

TNFD leads in the Green Finance team will also be involved accordingly (e.g. joining meetings between TNFD and FSD Africa), ensuring oversight from a TNFD policy perspective, and that work undertaken by FSD Africa is conducive of wider work led by the wider TNFD initiative.

34. A preliminary breakdown of envisaged spend is presented below (note that delivery of outcomes for the first £850k is independent of whether the additional £825k is secured). It is intended that the majority of this first tranche would be spent on Workstream 1, with a component of the funding being disbursed on preliminary Workstream 2 activities.

Workstream:	Activities:	Delivered by:	Spend (GBP) before end of Mar-22	Spend (GBP) before end of Nov-22	Total Spend (GBP):
Workstream 1: Academic justification of TNFD in Africa	• See Appendix 1 for current draft of activities - exact funding by workstream to be finalised for project proposal pending partner discussions	• R&R Pillar • TBD Consultant (intending joint engagement with McKinsey/Vivid)	425k	0	425k
Workstream 2: TNFD pilot case studies		• R&R Pillar • Capital Markets Pillar • [TBD Consultant] • [Financial Institution Partners]	350k	650k	1000k
Workstream 3: Public Sector Engagement and Advocacy		• R&R Pillar • Strat. Comms. Function • [TBD Consultant e.g. Prof. Dasgupta, UNECA, WWF]	0	100k	100k
Operational & Management Costs	• Retained consultants	• R&R Pillar (incl. retained consultants	30k	0	30k
	• New hire - Senior Programme Manager (costing expected based on job grade, for twelve months)		45k	75k	120k
	Total				**1675k**

35. **Affordability:** The funds (100% RDEL) have been secured in FY21/22 ODA budget for the programme. Funds for future financial years (if any) will be secured through the spending review.

36. **Propriety:** The programme will adhere to the relevant approvals and controls process. Given the scale of funding, the final business case will be cleared by the joint SROs, Tamsin Ballard and Emma Donnelly. ODA funding will be allocated under Section 1 of the International Development Act 2002 and expenditure will be in accordance with this legislation and all ODA requirements

37. **Feasibility:** The programme will be implemented accurately and to the intended timescale. The full proposal developed by FSD Africa will outline an assessment of delivery risks and the governance, controls, monitoring, and reporting frameworks in place to manage these.

38. **Value for money:** Under option 1, which is 'do nothing', Private sector actors and financial institutions in African countries would not have a facilitated path to engaging with the TNFD. Under option 2, the

activities are delivered by Defra and therefore likely to be less successful as it lacks an African presence, has limited financial services expertise and may be less trusted than a more impartial partner like the FSD Africa. Option 3 is the option which delivers the best Vfm as it uses a trusted partner, with deep expertise on African financial services who can leverage those relationships to ensure the activities have the largest impact.

What are the expected results?

39. FSD Africa will work with both the public (i.e. regulatory bodies, government agencies) and private financial institutions to build awareness and institutional capacity on nature-related financial risk management within African countries.

40. The programme will have three main workstreams:
    I. **Workstream 1: Providing an academic justification for TNFD in Africa, and facilitating high-impact advocacy around that.** This would establish an 'African voice' in the TNFD Framework (together with the companies that participate in Workstream 2) and will emphasise the context-specific nature-related risks, impacts and opportunities facing the continent. This deliverable should stand alone to the TNFD, remain focused on nature-related risks and opportunities, and be accessible to multiple audiences;
    II. **Workstream 2: Construct a series of pilot case studies in the financial sector that establishes examples of successful risk assessment and mitigation.** This requires the development and testing of a draft framework, selecting 'champions' to gather data on exposure and opportunities, and deeply reflecting and reporting on lessons learned, including feasibility of implementation of disclosures etc. It is envisaged that such 'champions' would form a core part of the 'African voice' working group, preliminarily through a taskforce that offers a 'TNFD Secretariat for Africa', and are expected to join the TNFD Forum;
    III. **Workstream 3: Outreach to the public sector through a co-ordinated programme of advocacy**, supporting key government bodies and regulators to influence the design of the TNFD programme, and integrating the preliminary framework into local disclosure regulation. Engagement with Central Banks will be included within this framework.

What is the approach to implementation?

41. It is envisaged Workstream 1 will be finalised within five months of the start of the programme, with a draft report delivered prior to the end of the financial year. Workstream 2 would also start at the outset of the programme, and potentially run for the whole 12 months (with the second part funded either by Defra funds secured through the spending review, or by FCDO via FSD Africa core funding, although the latter option would negatively impact on the overall delivery of the wider FSD Africa programme by diverting key resources). Workstream 2 will be informed by, but not reliant upon, Workstream 1. Workstream 3, and its program of outreach, will be informed by Workstream 1's findings, and will build directly off both Workstream 1 & 2's advocacy deliverables and outcomes.

Workstream 3 is expected to start at the end of this financial year, and continue until the end of the 12 months. An indicative timeline for the programme can be found below.

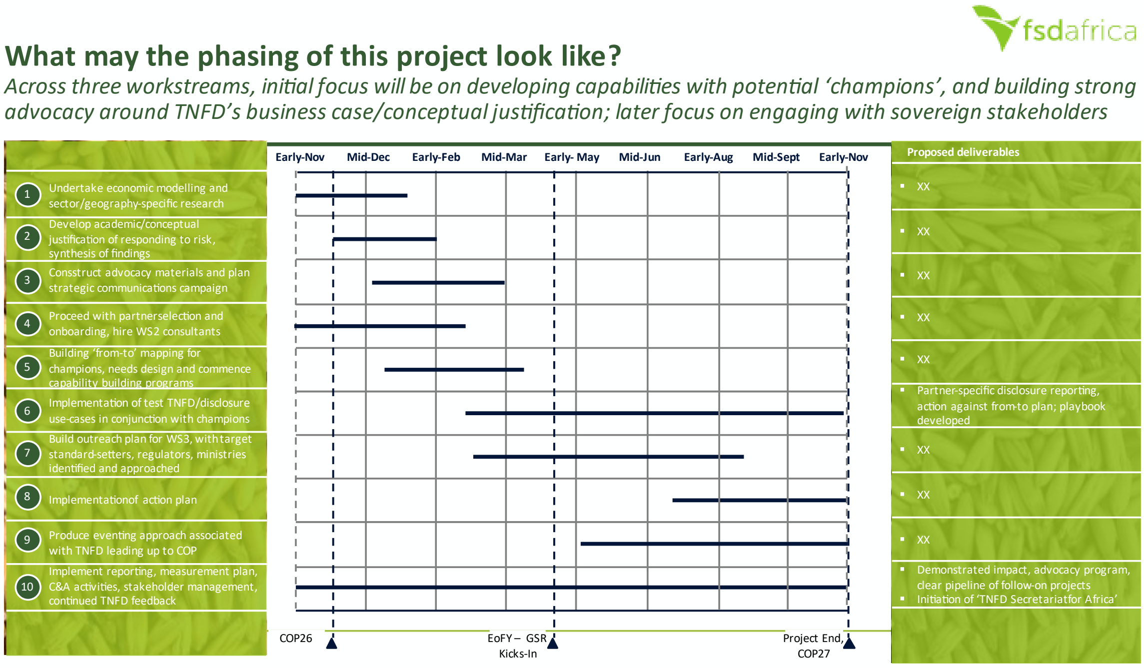

Figure 2: Timeline of programme phasing

Note: Items 1-3 align with WS1, 4-6 with WS2 and 7-8 with WS3. Items 9 & 10 are general activities considered to run in parallel, but be aligned with this programme.

42. The programme will seek to align with existing FSD Africa's governance models, with the FCDO acting as the main point of contact, holding a seat on the FSD Africa Board and Investment Committee, and retaining full oversight of the organisation's work.

43. FSD Africa will report to Defra on progress of the initiative as it is delivered. Defra will take part in formal bi-monthly project Steering Committee meetings, where contracted delivery partners will report back to FSD Africa on progress against agree milestones under the different workstreams. Monthly calls will also be set up between FSD Africa, Defra and FCDO, providing a more informal setting for updates on progress of work under the initiative, and regular input/feedback opportunities.

44. [Outcomes and outputs of the initiative will be integrated into FSD Africa's MOU/logframe, reporting to FCDO against the initiative's logframe. As such, FCDO's Annual Review of the wider FSD Africa programme will cover the components funded under this Business Case Addendum, which will be formally communicated and incorporated into the TNFD programme's Annual Review via a direct link to the FCDO Annual Review.]

45. [FCDO will actively monitor overall delivery through the existing FSD Africa programme's Monitoring and Evaluation activities, actively involve Defra during the Annual Review process, and share any concerns/updates with Defra as appropriate.]

Managing risks and monitoring performance

46. FSD Africa operates with a "nested logframes" approach to track progress against expectations, with an overarching programme-level logframe for aggregated results[8], underpinned by separate individual logframes capturing the results of each project being delivered by the programme.

47. FSD Africa will develop and share an individual logframe for this initiative with Defra as part of their reporting. Six main indicators (that may be disaggregated further) have been initially proposed to track impact over the lifetime of this programme.

- Number of institutions (disaggregated by type, i.e. financial institutions or regulator) that have:
    - been reached by TFND capacity building events and/or advocacy campaigns, along with knowledge and attitudes to TNFD pre- and post-exposure to capacity building (as measured by rapid survey);
    - signed/are signing up to TNFD (at pilot stage and through longer-term commitment);
    - participated in the design of the TNFD framework (either through formal focus groups & workshops, or through more informal feedback collection mechanisms);
    - completed first disclosure reports (specific to financial institutions), with consideration of trends over time, i.e. will many more institutions commence self-disclosures over time?
- Number of nature-related policies and/or regulations developed, with independent assessment of their ability to positively influence behaviour, reporting requirements, and investment flows;
- Number of financial institutions currently exposed to nature-related risks, disaggregated by level of exposure (mild exposure, medium exposure, extreme exposure), and number who develop commercial and/or climate-action plans to address said risks;
- Changes in investment models/practice based on levels of exposure to nature-related risks.
- Annual profit margins of TNFD participants vs non-participants, where any correlation between this indicator and the one above are considered anecdotally;
- Net biodiversity/natural capital gains as a result of this programme – measurement plan and indicators to be considered in programme design, and developed engaging Prof. Dasgupta.

48. A comprehensive risk assessment has been produced by FSD Africa in line with their Investment Guidelines. The table below presents Defra's assessment of the perceived risks of the programme, which has partly been informed by FSD Africa's own assessment.

Risk	Residual risk	Mitigation
REPUTATIONAL: Due to the specific geographic focus of the programme on African countries, **there is a risk that** complaints may be raised about HMG not supporting pilots in other areas of the world (e.g. Latin America), **the result**	Minor	Defra (owner) to frame the initiative in the context of the Integrated Review, which tilts security, defence, development and foreign policy to the Indo-Pacific, an area where African

[8] https://devtracker.fcdo.gov.uk/projects/GB-1-205238/summary

	of which would be a perceived imbalance in how HMG is engaging developing countries in the development of the TNFD framework		countries present the strongest case for support
	POLITICAL: Due to the programme being conceived as a contribution to the wider TNFD initiative, but somewhat separate from it, **there is a risk that** the two initiatives do not move in sync, **the result of which would be** a potential delegitimisation and/or complex handling of the TNFD's work	Moderate	Defra (owner) will ensure close engagement between FSD Africa and the TNFD Secretariat, establishing touchpoints in the development of the proposal, to ensure alignment with the wider TNFD programme objectives.
	FINANCIAL: Due to the increased pressure on available financial resources driven by the aids budget cuts to 0.5 of GNI, **there is a risk that** FCDO may cut all funding to FSD Africa, **the result of which would be** the inability of FSD Africa to maintain the required level of resources to deliver the programme	Minor	FCDO (owner) have already refocused the programme's resources to deliver against a new plan with new results targets. This resulted in a withdrawal from a wider network of country specific FSDs, and a consolidation of budget into a reframed regional initiative (FSD Africa)
	FINANCIAL: Due to uncertainty on availability of resources to fund future phases of this initiative, **there is a risk of** the programme coming to an end after the completion of phase one at the end of this financial year, **the result of which would be** a reduced impact of the programme, with more limited practical benefits for the uptake of the TNFD framework in an African context	Moderate	Defra (owner) to start scoping options to allocate a portion of the Spending Review 21 allocation to fund phase two of the programme, and engage with FCDO to discuss alternative funding options in the eventuality that availability of Defra funds appears to be unlikely
	FINANCIAL: Due to the need to rapidly disburse the funds in this financial year **there is a risk of** poor deliverable design, failure to reach out to best value-for-money external providers, and to choose lower value-adding activities, **the result of which would be** a reduced efficacy in the programme's ability to fully meeting its objectives, and consequently the impacts that result from Defra's funding	Moderate	FSD Africa (owner) to scope consultants and deliverables so that value-for-money is maintained, selecting partners who have a clear need and capacity to absorb grants or procurements to deliver high-quality outcomes, and engaging in early discussions with compliance team to understand feasible turnaround of effective due diligence in project design
	OPERATIONAL: Due to pilots being undertaken by selected stakeholders (financial institutions and regulators), **there is a risk that** there will be less control on the outcomes of the case studies, **the result of which would be** that success will partly lie in the hands of external parties	Moderate	FSD Africa (owner) to set expectations on experimental character of work, adopt a highly-iterative approach, and ensure buy-in of high-level leadership of chosen 'champions' in selected stakeholders

DELIVERY: Due to the political importance of establishing a successful TNFD Framework, **there is a risk of** FSD Africa not having the necessary capacity to implement the programme and its workstreams, **the result of which would be** a delay in the delivery of the desired outcomes of the programme, with consequent missed opportunities in terms of alignment of the TNFD framework with African countries' needs	Moderate	FSD Africa (Owner) to work with top-flight consultants who are comfortable with working to restrictive timelines, able to mobilise the required capacity to do so, and that require less intensive management. FSD Africa will also hire devoted resources within its own team
POLTICAL: Due to precedents set by previous financial accords (e.g. Basel III), where a one-size fits all approach has been adopted, **there is a risk that** the initiative is perceived as placing further and excessive burden on African businesses, **the result of which would be** diminishing political capital that could be spent on addressing nature-related risk	Minor	FSD Africa (Owner) to build on existing relationships with regulators and public-sector actors, and carry cover of working through TNFD coalitions, and funded by UK government

Describe any key changes to the original business case including the theory of change or new evidence from ongoing monitoring, evaluation or learning work.

49. The programme is envisaged to align with FSD Africa's Risk and Resilience (R&R) Pillar's Theory of Change, rather than the TNFD Secretariat Business Case. This is currently being revised, and FSD Africa will provisionally assess the programme's impacts based on three outcome areas proposed by their Development Impact (DI) Pillar:

- **Creating economic opportunity:** 23% of Africa GDP is dependent on nature and so in order to preserve economic growth, it is imperative that natural ecosystems be protected. The thesis of this programme is that by getting financial institutions to identify, report and then act on nature-related risks, capital flows will be directed away from activities that result in nature loss and towards activities that support a nature-positive economy. As a result, the many industries in Africa that rely heavily on natural ecosystem services (either directly or indirectly through supply chain) will not only be protected, but also enhanced. The programme also seeks to demonstrate that a nature-positive pathway for African countries will result in higher economic growth than the business-as-usual scenario.
- **Delivering environmental benefits:** This is a significant long-term benefit of this programme (outside of the programme lifecycle). TNFD is intended to not just be a compliance exercise, but a fit-for-purpose vehicle that changes behaviour and investment decisions amongst financial institutions and corporates globally resulting in increased natural capital. FSD Africa intend to develop indicators as part of Workstream 2 that reflect how TNFD can drive both mitigation and adaptation outcomes through uncovering of risk, capability-building and regulatory support activities as part of the framework development process.

- **Addressing fragility and vulnerability:** As per the R&R Pillars mission and approach, this programme would be framed around capturing and identifying major risks and obstacles to resilience facing Africa. Protecting the lives and livelihoods of those most at risk to natural capital loss (and nature-negative trends) is a high-priority as this addresses critical resilience issues such as food security. Highlighting the risks and opportunities in this space and re-orienting the financial sector towards nature-positive actions will help increase the resilience of those most highly dependent on nature for food and jobs.

50. In the initial part of the programme work will be undertaken by FSD Africa to develop more specific mapping of impact pathways using FSD Africa's emerging Development Impact (DI) pillar's 'Green Theory of Change'.