

Annex I: Description of the Action

Contract no DCI-ENV/2011/265-480

1. IDENTIFICATION

Title	Building Transformative Policy and Financing Frameworks to Increase Investment in Biodiversity Management
ENRTP Priority	2.1. Biodiversity, forest conservation and desertification
Target countries	Chile, Ecuador, Seychelles, Malaysia, Uganda, South Africa, Kazakhstan and Philippines (updated 8 countries mutually agreed with EC).
Total cost	EUR 6 418 317 EU contribution: EUR 4 000 000 UNDP co-finance: EUR 2 418 317
Aid method / Method of implementation	Joint management through the signature of an agreement with the United Nations Development Programme, through a Standard Contribution Agreement. Partners will include Governments of eight pilot countries
DAC-code	41010 Environmental policy and administrative management 41030 Bio-diversity
Project duration	50 months. October 2012 – December 2016.

2. BACKGROUND

The project¹ seeks to develop a methodology for mainstreaming biodiversity into national development and sectoral planning, and to address the biodiversity financing gap. There are two main challenges related to this. First, a comprehensive assessment of the funding baseline, and an evaluation of the true costs and cost effectiveness of biodiversity management have not been undertaken. Secondly, credible, hard data on the amount of funding needed to address biodiversity loss, taking cost-effectiveness into account, is not available. The lack of such information hinders countries from making a sound business case for expenditure on biodiversity management. In order to meet the new targets² set by the Convention on Biological Diversity (CBD) for 2011-2020, efforts to address the underlying challenges will need to be drastically scaled up. This means, inter alia, that a significant increase in finance will be essential.

Current Official Development Assistance (ODA) from donor countries cannot alone bridge the financing gap, and further development and adoption of innovative financing mechanisms will be essential. Developing countries will need to be assisted to identify, access, combine and sequence multiple sources of environmental and development finance, as well as channelling their own resources, in order to meet their biodiversity management needs. Countries will need to adapt and strengthen their governance and policy frameworks in order to catalyse and adequately manage the expected increase of financial resources. The project will support work pilot countries whose governments are supportive of this approach, laying the groundwork for a major focus of discussion on biodiversity finance at the CBD COP-11 in 2012 and beyond.

¹ The project (the Action) will be managed by UNDP with the internal UNDP project title "Biodiversity Policy and Financing Frameworks in Support of Enabling Activities", UNDP project number 00080516 and fund code 30079.

² The Tenth Meeting of the Conference of the Parties to the CBD (CBD COP 10) agreed to the headline target "take effective and urgent action to halt the loss of biodiversity [...] by 2020 [...] thereby [...] contributing to human well-being, and poverty eradication". Parties also agreed to by 2020 integrate biodiversity values into national and local development and poverty reduction strategies and to increase substantially the mobilization of financial resources for implementing the Convention.

Critically, also, the project will build on the process currently being overseen by the Secretariat of the Convention on Biological Diversity (SCBD) through which countries are revising their National Biodiversity Strategy and Action Plans (NBSAPs) to tie in with the CBD's Strategic Plan 2011-2020, providing policy-makers with a new vehicle and opportunity for promoting enhanced mainstreaming of biodiversity considerations in development planning. The project will be linked to the UNDP-supported GEF-financed project on supporting the "Fourth National Reports to the Convention on Biological Diversity"³. All but one of the pilot countries are working through UNDP to revise their NBSAPs, and this process will be closely linked to the project (see Organisational Structures below).

On environment and energy-related matters, the European Union (EU) and the United Nations Development Programme (UNDP) have cooperated successfully in developing countries in the past – strengthening national capacities, helping manage the environment in a sustainable manner, providing the necessary tools and financing policy-changing programmes, and ensuring adequate protection for the poor, for example, through the EU-China Biodiversity Programme, and the UNDP-UNEP Poverty and Environment Initiative (PEI), which has received significant support from several EU Member States and the European Commission.

3. DESCRIPTION

3.1. Objectives

The project will contribute to closing the global financing gap for the conservation and sustainable use of biological diversity by assisting developing countries in identifying, accessing, combining and sequencing sources of biodiversity funding to meet their specific needs. The specific objectives of the project are to develop, test (in pilot countries) and disseminate:

- a framework for mainstreaming biodiversity into national development and sectoral planning;
- a methodology for assessing a country's biodiversity financing needs;
- a framework for national-level biodiversity financing.

3.2. Expected results and main activities

Proposed Response: *Addressing the Problem: Bridging the Biodiversity Financing Gap*

The project uses the complementary approaches below to help developing countries increase the importance attributed to biodiversity and in consequence bridge the financing gap.

Component 1: Integrate biodiversity and ecosystem services in sectoral and development policy, planning and budgeting

Decades of development experience have taught us that it is important to mainstream biodiversity into national development plans, as well as into the policy, planning and financing frameworks of other key sectors (including National Adaptation Programmes of Action and Nationally Appropriate Mitigation Actions), making best use of available mutual benefits. Even though many countries have mainstreamed wider environmental concerns into national development and poverty reduction strategies (National Development Plans / Poverty Reduction Strategy Papers), the linkages to biodiversity and ecosystem services often remain poorly articulated. To address this shortcoming, it is imperative that new analyses, tools and operational approaches are developed for determining and quantifying the benefit ecosystems provide to other sectors; and that the threats posed by sectors to biodiversity and policy measures are identified and addressed (which will in turn have a bearing on the costs of addressing biodiversity loss).

³ Fourth National Reports to the Convention on Biological Diversity, Award number: 00047594; Primary Atlas output project #: 00057358.

Component 2: Assess the financing and governance needs for the management and conservation of biodiversity and ecosystem services

Too often the debate on financing has focused on revenue generation only, without an assessment of the actual investment needs. Any strategy aimed at deepening environmental finance at the country level will need to start with an evaluation of the true costs of management and its cost-effectiveness, as well as of the barriers to successful implementation. Several fundamental questions need to be answered in this regard, including: (a) what are the cost coefficients for the delivery of basic biodiversity management functions against which cost-effectiveness can be assessed? What opportunities and barriers exist to improved cost-effectiveness? (b) How much would it cost to remove the above barriers? What other options are available? What are the costs of inaction? (c) What financing is hence required at a national level to meet national targets set in terms of the global biodiversity targets adopted under the new CBD Strategic Plan for the period 2011-2020?

To address these questions in a comprehensive and rigorous manner, new methodologies and analytical tools will be required, including the development of costed action plans for addressing the gaps and barriers. The resulting analyses will also contribute valuable elements to the CBD's Resource Mobilisation Strategy, and to the formulation of the next generation of NBSAPs that will require an assessment of financial needs.

Component 3: Identify, combine and sequence different sources of funds to meet biodiversity-financing needs

Once the costs of biodiversity management have been projected, the revenue side of the funding equation will need to be addressed. Countries will need to identify, access, combine and sequence different sources of funds, to meet their biodiversity financing needs. A large number of potential financing instruments exist, including innovative financing and market mechanisms, such as carbon markets, biodiversity offsets and payments for ecosystem services, including sharing of benefits arising from the utilization of genetic resources. However, there is no one-size-fits-all strategy for environmental finance. The strategies that need to be employed to tap into each of these funding sources will vary considerably. An assessment of the suitability of different funding options needs to be undertaken, with full consideration of country-specific circumstances, in order to determine how financing can be configured to meet the previously defined financial needs. Particular attention will be paid to the potential risks and barriers related to the implementation of innovative financing instruments, given country-specific circumstances, ways and means to overcome these barriers when possible, and the potential need for environmental and social safeguards.

UNDP project co-finance and relevant policy and institutional support in the target countries comprises a set of projects on "National Biodiversity Planning to Support the Implementation of the CBD 2011-2020 Strategic Plan", along with projects on financing frameworks for national protected area systems, and on the identification of financing options for Payments for Ecosystem Services. These projects will feed directly into the above three components in various ways. The NBSAP projects will deliver a set of national biodiversity targets and mainstreaming strategies that will feed directly into Component 1; they will therefore in turn benefit from the methodological work of the present project. In addition the NBSAP projects will in some cases work on national assessments of biodiversity funding flows and financing sources, which will both contribute to and use the outcomes of Components 2 and 3 of the present project, respectively. The UNDP projects on financing frameworks for national protected area systems and financing options for Payments for Ecosystem Services will primarily contribute to Component 3 of the present project.

4. ORGANISATIONAL STRUCTURES

The Action will be implemented through the joint management modality whereby the European Commission's contribution will be entrusted to UNDP through a Standard Contribution Agreement

established under the overall frame of the Financial and Administrative Framework Agreement (FAFA).

Project implementation will be managed and overseen by UNDP's Biodiversity and Ecosystems Programme, its regional centres and its country offices in the pilot countries. The EC's network of offices and delegations will provide additional support as appropriate.

Global Steering Committee:

A joint EC-UNDP Global Steering Committee (GSC) will be established to guide the project as a whole, and in particular the development of the methodologies at a global level. The GSC will include representatives of the EC and of UNDP's Biodiversity and Ecosystems Programme, other donors and any other mutually agreed parties or experts. The GSC will meet at least twice a year to evaluate progress, exchange information and provide guidance and orientation on the overall priorities and management of the project.

Global Methodology Team:

A Global Methodology Team (GMT) will be formed as a sub-group of the Global Steering Committee to provide in-depth support on the development and piloting of methodologies and tools, through meetings when necessary and frequent electronic contact in between meetings. The GMT will provide an ongoing frame of reference for the work of the global and national teams in charge of the implementation of the project. The GMT will include at least one individual from both the EC and UNDP, with each providing an alternate. It will also include representatives of the TEEB and WAVES projects to ensure that the lessons learnt and methodologies are effectively integrated into the project.

National Steering Committees:

Pilot country contributions to the global methodology development as well as in-country piloting of these methodologies will be facilitated and overseen by a National Steering Committee (NSC) that will be established in each of the eight countries. A relevant national institution / consulting firm will be contracted in each country to carry out the respective in-country activities. Their work will be overseen nationally by the NSC, and centrally by UNDP project staff in the global Central Technical Unit. In each pilot country the NSC will be established and convened by the Project Coordinator of the respective UNDP-managed "National Biodiversity Planning to Support the implementation of the CBD 2011-2020 Strategic Plan" Project⁴; this Project Coordinator will sit on the NSC and will report on progress to the Technical Advisor: Environmental Finance (see below). The Project Coordinator will also have a government counterpart who will provide a stable contact point in the relevant national institution, preferably in the finance or development/planning ministry, and who will be fully involved in the project through the NSC to ensure links with all relevant national policy processes.

Central Technical Unit:

A Central Technical Unit (CTU) will be established for the project. A Technical Adviser: Environmental Finance (TA-EF)/BIOFIN Manager will be appointed by UNDP for the full period to provide strong technical leadership on the aspects relating to environmental finance, to deliver results on the global aspects of the work, and to oversee the technical work being carried out at national level. In light of the technical complexity of the project, specific expertise will be additionally provided by a number of UNDP technical staff including especially a part-time Chief Technical Adviser: Biodiversity (CTA-BD). The TA-EF will also be supported by a Global Project Officer (GPO)/BIOFIN Deputy Manager. The GPO will undertake substantial research duties, as well as duties related to organizing of meetings and workshops, hiring of consultants, coordination of country-level activities, production of reports and liaison within UNDP administrative, financial, and monitoring and evaluation systems. The

⁴ * In Uganda, where the equivalent project is not being managed by UNDP, the government Operational Focal Point for the CBD will be responsible for establishing and convening the NSC and for liaising between the NSC and the UNEP-managed biodiversity planning project.

TA-EF and GPO will be supported by a Programme Management Associate. The CTU will convene meetings of the GSC and GMT, as advised by the EC's representative and UNDP's Head of Ecosystems and Biodiversity. The team is expanded where necessary as additional funds become available.

5. MONITORING AND EVALUATION

Key indicators for performance monitoring and measuring progress are described in a logical framework in the following Section 6 "Logframe and Action Plan for Implementation". To maximise impact and sustainability as well as ensure an appropriate level of monitoring, UNDP and the EC will require the use of an effective result-oriented monitoring system based on appropriate definition of performance baseline, targets and objectively verifiable indicators.

The Global Steering Committee will oversee performance monitoring of the project, assisted by UNDP monitoring and evaluation staff. The GSC Committee will meet at least twice a year to evaluate progress, exchange information and provide guidance and orientation on the overall priorities and management.

The primary tools for evaluation will be the logframe matrix, the work-plans and the monitoring progress reports. EC representatives will be invited to participate with UNDP in the main monitoring and in the evaluation missions relating to the project's performance.

Project-related evaluations will be undertaken in accordance with the Financial and Administrative Framework Agreement (FAFA) concluded between the European Commission and the United Nations in 2003. In line with the FAFA, financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the United Nations Development Programme.

6. LOGFRAME AND ACTION PLAN FOR IMPLEMENTATION

Preparation activities for the project will take place during the first three months of its implementation, including the recruitment of the Technical Adviser: Environmental Finance and other staff. The first task of the TA-EF will be to bring on board national-level contractors (institutions/consultants) so that project inception can take place by the first quarter of 2013, and project activities will commence immediately. The intention is to introduce the project at CBD COP-11 in October 2012, present project results by CBD WGRI-5 and CBD COP-12 in 2014, as well as COP-13 in 2016 and to finalise the report thereafter. In this way, the project will be fully aligned with the global policy process and discussions on resource mobilisation.

Outcomes Baselines, Indicators Sources of Verification, Targets	Results Activities	Timeline																
		2012			2013			2014			2015			2016				
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<p>Outcome 0: Project management and lead technical expertise in place and operational, and project objectives and results disseminated and welcomed.</p> <p><i>Baseline: CTA-BD is appointed from within UNDP. Neither other staff nor national project units selected.</i></p> <p><i>Awareness about project exists amongst key global experts but no results available/ disseminated.</i></p> <p><i>Indicators: Technical and administrative staff recruited and teams completed and operational. CBD side-events and other meeting presentations/participations. Project products (primers) received by parties and used/ recognised in CBD negotiations and decisions. Evaluation meeting held. Follow up project(s) aimed at a wider roll-out of the methodologies and tools.</i></p> <p><i>SOV: Signed staff contracts. Project inception report. Side events on CBD website. Meeting agendas and summaries. CBD reports recommendations or decisions. Feedback from parties and relevant institutions.</i></p>	<p>Result 0.1 Global central technical unit and national project units set up and operational throughout the project</p> <p><i>Activities: Recruitment of project staff and establishment of Central Technical Unit and national units, procurement of national consultants, establishing systems and coordination mechanisms, procuring equipment. Oversight, management and technical leadership throughout the project, to include travel, procurement, coordination, administration, monitoring and reporting.</i></p> <p>Result 0.2 Project objectives and outline, interim results/products and final results/products disseminated.</p> <p><i>Activities: Develop dissemination plan for methodology frameworks and tools and for the results of in-country assessments. Prepare preliminary but substantial reports for CBD WGRI-5 and COP-12. Organise side-events at CBD COP-11, WGRI-5, COP-12 and participate/ present in other strategic events. Complete final publications for WGRI-6 and COP-13. Post relevant project reports on EC, UNDP, project and other relevant websites, and widely circulate. Final evaluation meeting with stakeholders to discuss uptake and explore future/ complementary actions.</i></p>																	
<p>Outcome 1: A framework for mainstreaming biodiversity into national development and sectoral planning is developed, tested, refined</p>	<p>Result 1.1 Analysis of mainstreaming opportunities in development and sectoral planning at country level</p> <p><i>Activities: Analyses of opportunities for mainstreaming biodiversity into development and sectoral planning in pilot countries, through desk-top</i></p>																	

<p>and disseminated</p> <p>Baseline: No consistent, effective and widely accepted framework exists</p> <p>Outcome indicators: Completion of methodology framework, tools and primer. Number of participating CBD Parties that integrate considerations on biological diversity and its associated ecosystem services in development plans, strategies and budgets (cf. CBD resource mobilization indicator #10)</p> <p>Activity indicators: Draft and final framework, tools and primer. Number of national workshops held. Thematic national biodiversity targets and mainstreaming strategies developed.</p> <p>SOV: Project workshop reports and publications. EC, UNDP and project websites. National documentation of biodiversity targets and mainstreaming strategies: NBSAPs, CBD 5th NR, national development plans and budgets, poverty reduction strategy papers, national adaptation programmes of action, sectoral plans.</p> <p>Targets: Final mainstreaming methodology framework, tools and primer. 8 pilot-country mainstreaming reports.</p>	<p>survey and consultation workshop. Production of reports by country-level contractors.</p> <p>Result 1.2 Development of generic mainstreaming framework including tools</p> <p>Activities: Side-event at COP-11. Review related past and current initiatives including tools, including on the costs of inaction/BAU; the costs, opportunity costs and benefits of various development scenarios and trade-offs; a process to develop sector-specific workplans which integrate biodiversity priorities into their processes, policies and budget allocations; and estimates of reductions in biodiversity management cost under different mainstreaming scenarios. Global thematic workshop to present and refine draft mainstreaming framework and tools.</p> <p>Result 1.3 Piloting of draft framework at country level</p> <p>Activities: Prepare background information for and hold national workshop to present and test mainstreaming framework and tools, and to brainstorm sector-specific work-plans. Produce workshop report and costed sector-specific work-plans. National teams backed by NSC pilot draft mainstreaming framework working closely with government and in line with NBSAP processes.</p> <p>Result 1.4 Lessons from piloting incorporated into final methodology.</p> <p>Activities: Country teams and contractors provide feedback to CTU & GMT. CTU and GMT incorporate feedback from piloting into finalised methodology framework and tools. Production of primer publication on framework for mainstreaming biodiversity into national development and sectoral planning.</p> <p>Result 1.5 Development of national biodiversity targets and mainstreaming strategies through NBSAP revision processes</p> <p>Activities: Taking stock of biodiversity status and policies and CBD implementation progress and of barriers to implementation. National consultations and workshops. Developing national biodiversity targets and integrating mainstreaming aspects into NBSAP documents and processes, and developing costed action plans for sectoral implementation. Preparing 5th CBD National Reports.</p> <p>Result 2.1 Preliminary data collection and analysis, integration with NBSAP and national biodiversity target setting processes.</p> <p>Activities: Preliminary data gathering and compilation pilot countries on current financing of biodiversity management, additional needs and barriers. National and global analysis of the data. Integration with NBSAP and national target processes.</p> <p>Result 2.2 Draft methodology and tools for assessing a country's biodiversity financing needs and gaps are developed</p> <p>Activities: Side-event at COP-11. Review related past and current initiatives and their usefulness. Draft methodology and tools produced for assessments of: finance flows and spending; finance needs and gaps; biodiversity management cost and cost-effectiveness; current and future opportunities</p>																																																	
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<p>mobilization indicator #5).</p> <p>Activity indicators: Draft and final methodology, tools and primer. Thematic workshop held. Number of national workshops held.</p> <p>SOV: Project/ workshop reports and publications. EC, UNDP and project websites. NBSAP. CBD 5th NR. National reports on biodiversity funding flows, effectiveness, needs and gaps.</p> <p>Targets: Final financing needs and gaps methodology framework, tools and primer. 8 pilot-country preliminary data reports.</p>	<p>and barriers to implementation and meeting the costs and achieving cost-effectiveness; and the costs of removing barriers. Global thematic workshop to present and refine draft methodology framework and tools. GMT consolidates draft methodology and tools for pilot phase.</p> <p>Result 2.3 Draft methodology is tested through country piloting</p> <p>Activities: Together with NSC and government, apply the draft methodology and tools and prepare comprehensive national assessments as outlined above, resulting in national reports on biodiversity funding flows, effectiveness, needs and gaps.</p> <p>Result 2.4 Lessons from piloting incorporated into final methodology</p> <p>Activities: Country teams and contractors provide feedback from piloting process to CTU & GMT. CTU and GMT incorporate feedback from piloting and finalise methodology and tools. Production of primer publication on assessing national biodiversity financing needs and gaps.</p> <p>Result 2.5 Biodiversity finance needs and gap assessments under the national NBSAP processes are conducted with input from the project and in turn contribute data to the project</p> <p>Activities: National consultations and workshops. Development of biodiversity finance assessments in line with relevant guidance from the CBD and the Strategy for Resource Mobilisation.</p>	
<p>Outcome 3 : A framework for national-level biodiversity financing is developed, tested, refined and disseminated</p> <p>Baseline: No consistent, effective and widely accepted framework exists</p> <p>Outcome indicators: Completion of methodology framework, tools and primer. Number of participating countries that have developed national financing plans for biodiversity (cf. CBD resource mobilization indicator #5)</p> <p>Activity indicators: Draft and final methodology, tools and primer. Thematic workshop held. Number of national workshops held. Number of national PA financing and PES frameworks.</p> <p>SOV: Project/ workshop reports and publications. EC, UNDP and project websites. NBSAP. CBD 5th NR. National frameworks for biodiversity financing. National PA financing and PES frameworks.</p>	<p>Result 3.1 Draft methodology framework and tools on options for national-level biodiversity financing</p> <p>Activities: Side-event at COP-11. Review related past and current initiatives and their usefulness. Assess the current state of global biodiversity markets and innovative funding and policy instruments. Develop draft methodology framework and tools to assess different biodiversity financing options, including innovative sources of funding, current and potential policy instruments, including economic instruments. Global thematic workshop to present and refine draft methodology framework and tools. Consolidate for pilot phase.</p> <p>Result 3.2 Country piloting of draft methodology framework and tools to produce framework for biodiversity financing</p> <p>Activities: National workshops, to build capacity on the use of the methodology framework and tools and the development of national frameworks for biodiversity financing, and initiate the piloting of the methodology framework and tools. Assess national financing options - analysis of potential for traditional and innovative sources and instruments, including an outline of the country's fiscal and budgeting system. Produce and distribute national frameworks for biodiversity financing aimed at identifying, accessing, combining and sequencing multiple sources of funding.</p> <p>Result 3.3 Lessons from piloting incorporated into final framework for national-level biodiversity financing</p> <p>Activities: Country teams and contractors provide feedback from piloting process to CTU & GMT. CTU and GMT incorporate feedback from piloting</p>	

<p><i>Targets: Final financing options methodology framework, tools and primer. 8 pilot-country national financing frameworks.</i></p>	<p><i>and finalise methodology and tools. Production of primer publication on frameworks for national-level biodiversity financing.</i></p> <p>Result 3.4 National biodiversity financing strategies prepared and used under the national NBSAP processes, and they are conducted with input from the project and in turn contribute data to the project</p> <p><i>Activities: National consultations and workshops. Development of biodiversity financing strategies in line with relevant guidance from the CBD and the Strategy for Resource Mobilisation.</i></p> <p>Result 3.5 Development of national PA financing and PES frameworks, including relevant policy and institutional support</p> <p><i>Activities: Developing legal, policy and institutional frameworks to enable sustainable financing of national parks agencies. Capacity strengthening for environmental ministries and partners in financial planning and cost-effective management of PAs and PA system. Developing ICT-based ecosystem service valuation tools and government capacity to use them in trade-offs with different land-use options. Developing the enabling policy/legal environment for PES mechanisms; design, negotiation and formalization; national system for monitoring, reporting and verification of services, and payment distribution mechanisms.</i></p>		
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