PROGRESS REPORT

Biodiversity Finance Plan Armenia, BIOFIN - 01001822 PIMS 9847

Reporting period: January – December 2025

During the second half of 2025, the BIOFIN Armenia project made substantial progress in building the analytical and institutional foundation required to operationalize biodiversity finance reforms. The work conducted during this period reflects a deliberate shift from conceptual framing toward structured, evidence-based policy and financing instruments, aligned with the BIOFIN global methodology.

At the core of these efforts was the development of four interlinked analytical products under the Policy and Institutional Review (PIR) process: a **Stakeholder Engagement Plan**, a **Harmful Subsidies Analysis**, a **Long-list of Finance Solutions**, and an **initial draft PIR report**. Together, these outputs form a coherent analytical package designed to diagnose systemic inefficiencies, identify reform pathways, and prepare the ground for policy dialogue and investment planning.

The **Stakeholder Engagement Plan** established a structured approach for engaging national actors, particularly addressing gaps in familiarity with UNDP's principles and partnership modalities. This was a critical enabling step, recognizing that biodiversity finance reform is as much an institutional process as it is a technical one.

The **Harmful Subsidies Analysis** represents one of the most strategically important outputs. By identifying subsidies, subventions, and financial flows that unintentionally incentivize environmentally harmful practices, the project initiated a pathway toward subsidy repurposing—an area widely recognized as a high-impact lever within BIOFIN. Early outreach to key ministries (Economy, Environment, Territorial Administration and Infrastructure, and Central Bank representatives) laid the groundwork for future policy dialogue, although full consultations were delayed due to timing constraints.

In parallel, the project advanced the **Finance Solutions (FS) pipeline**, pre-selecting 33 financing mechanisms tailored to Armenia's context. These were assessed through a rigorous multi-criteria framework covering environmental and socio-economic impacts, financial feasibility, regulatory readiness, and contribution to national biodiversity targets. Importantly, this process was complemented by outreach to over 100 representatives from Armenia's scientific community, strengthening awareness and anchoring the work in national expertise.

The **PIR report**, developed in both English and Armenian, integrates these analytical components into a consolidated narrative, with the Armenian version prioritized for national ownership and stakeholder engagement.

Beyond PIR, two additional core BIOFIN components were advanced. The **Biodiversity Expenditure Review (BER)** progressed through draft development and initial consultations, including discussions on expenditure attribution with key ministries.

The **Financial Needs Assessment (FNA)** is also being developed, the draft report will be presented to UNDP by April, providing an initial quantification of biodiversity financing gaps. These outputs collectively position the project to move toward the development of the **Biodiversity Finance Plan (BFP)**, which will translate analysis into actionable financing strategies.

Another important milestone was the development and approval of the **Biodiversity Budget Tagging (BBT)** project concept as a Financial Solution under BIOFIN. Building on Armenia's ongoing efforts in climate budget tagging and public financial management reforms, the BBT project will introduce a systematic methodology to identify, classify, and track biodiversity-related public expenditures across the sector. Beyond a technical tagging exercise, it is designed as a strategic governance tool for enabling the Government to better identify where resources are being allocated, distinguish between biodiversity-positive and potentially harmful expenditures, and align budget flows with national priorities such as the NBSAP and international commitments (CBD).

Despite strong analytical progress, the project emphasizes the need for a more inclusive and participatory stakeholder engagement for a broader institutional engagement and validation of developed reports, as a clear priority for 2026.

Looking ahead, the project is well-positioned to transition from analysis to action. The focus for 2026 will be on finalizing PIR, BER and FNA, drafting the BFP, conducting targeted consultations in flexible formats, integrating stakeholder feedback, and producing fully validated outputs by August 2026. This timeline is strategically aligned with **COP17**, ensuring that Armenia can present a coherent, evidence-based biodiversity finance framework on an international stage.

The next phases will be decisive, concentrating efforts – towards full validation of mentioned analytical documents with the national stakeholders and transforming the validated foundations into endorsed policies, financing mechanisms, and implementable solutions that can drive tangible impact for biodiversity and sustainable development in Armenia.