DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

Global Project
'The Biodiversity Finance Initiative – BIOFIN – Phase II'
Virtual Project Appraisal Committee
1 May 2024

PAC Minutes

Participants

Chair: Hanayo Nakano, OIC, Chief, GPN Joint Directorate
Participants:

1. Linda Maguire, Deputy Regional Director, Deputy Assistant Administrator for Latin America and the Caribbean, RBLAC
2. Noura Hamladji, Deputy Regional Director, Deputy Assistant Administrator for Africa, RBA
3. Marina Walter, Deputy Regional Director, Deputy Assistant Administrator for Europe and CIS, RBEC
4. Christophe Bahuet, Deputy Regional Director, Deputy Assistant Administrator for Asia and the Pacific, RBAP
5. Priya Gajraj, Deputy Director, Bureau for Management Services (BMS)
6. Walid Badawi, Deputy Director, Bureau for External Relations and Advocacy (BERA)
7. Nick Rene Hartmann, Deputy Bureau Director (RBEC) and Deputy Assistant Administrator

Project Overview

The Biodiversity Finance Initiative – BIOFIN – is a global programme that developed, piloted, and is continuously improving a methodology to measure existing biodiversity expenditure levels, assess future financial needs, and design comprehensive plans to use finance tools and solutions that increase financing, effectiveness and efficiency of biodiversity management in up to 132 countries. BIOFIN's first phase (2012-2018) enabled full assessments and initial implementation of finance plan elements in target countries. Significant scaling up of finance solutions is required in all countries to address the biodiversity finance challenge. BIOFIN's second phase enables up to 132 countries to complete the design and implementation of priority finance solutions and allowed a further 11 countries to undertake the assessments and create the finance plan. At the central level, knowledge management platforms will be expanded and additional guidance produced for most valuable finance solutions.

Process

On 24 April 2024, UNDP Regional Bureaus and Central Bureaus were invited to participate in a virtual PAC, requesting comments by 2 May 2024. Comments were received from BMS, RBEC and BERA and are reflected with responses in the below matrix (Annex I).

Decision

The PAC has in principle endorsed the project for approval, with the understanding that the project document will be revised based on the comments received.

The draft PAC Minutes and revised project document have been circulated to PAC members for final endorsement. As no objection was received by the indicated deadline of 24 May 2024, the PAC Minutes and final project document have been considered endorsed.

DocuSigned by:
Hanayo Nakano
D8307C8F3EED445...

28-May-2024

Hanayo Nakano,
OIC, Chief
Global Policy Network (GPN) Joint Directorate

Date:

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

ANNEX I: MATRIX OF COMMENTS AND RESPONSES			
Criteria	**Bureau/Agency**	**Comments**	**Response**
Management & Monitoring	**BMS/OLS**	Legal context While we don't have any comments to the legal context section, the chapter numbering does not correspond with the table of contents and should be corrected.	The chapter numbering on the table of contents is now corrected for all chapters.
	BMS/BPC	Risk management • The risk register attached to the project document is outdated. This needs to be replaced with the updated offline project template which can be found here. • The language and categories of some of the risks need to be revisited. For example: risk# 9 starts with: ''Reputational risk for global crowdfunding campaigns'' without an indicated event, cause, impact and is categorized as ''political and strategic risk''. The updated ERM policy and Risk categories/sub-categories can be found here. • Given the large number of countries (45) participating in this project, risks related to coordination, monitoring and oversight, and ability to timely implement activities should also be considered. • The risk related to COVID19 seems to be an issue and not a risk and needs to be revisited as it refers to 2020 (maybe from Phase 1 of the project)	The risk register has been updated according to the latest format, and all language categories reviewed and corrected. Details on causes and impacts have also been added. The risk related to Covid-19 has been removed, and a new risk related to coordination and monitoring has been added and analyzed. Thank you for the guidance.
	BMS/BPC	Project management, results framework, monitoring and evaluation, governance and management arrangements • Together with proposing that it may also engage Low Value Grants with Civil Society and non-governmental partners at the country level - where country offices would be responsible for assessing the grant-making institutions	The following text has been added to the Prodoc: "The Country Office is responsible for assessing the grant-making institution to ensure it has the programmatic, financial and management capacities and systems to effectively undertake its roles. Alignment with the set of standards and

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

		to ensure programmatic and management capacities - the project could already establish a minimum set of standards and requirements for choosing these institutions, to avoid possible issues arising from implementation and to ensure transparency. • The project document mentions that it will increase collaboration with the UNDP Small Grants Programme, however it does not specify how or in which terms. If this collaboration is foreseen to extend to a significant amount of resources, it may be good to address this collaboration through a joint work plan, responsibility matrix or agreement. • The project document could also benefit from a revision of general formatting, times and dates, including footnotes, for optimal readability and coherence.	requirements defined in the UNDP Operational Guide for Low Value Grants is required. In addition, an example for the establishment of eligibility can be found here." Collaboration with the GEF/UNDP SGP involves providing technical assistance and developing guidance for finance solutions without dedicated resources. Clarifications have been included. The Prodoc's format has now been reviewed to improve formatting and readibility.
	BMS/BPC	Project Management: • The project management section details the role of the coordinating office appropriately. However, in para. 3 of this section it goes into the "second phase" and explains the governance and management structures. We would suggest strengthening this section by further explain how the second phase and the two-level approach will build upon the first phase so that it is clearer on how it fits into the wider project. This section could also be strengthened by describing the audit arrangements in detail, rather than just noting them.	An additional explanation was provided in the Prodoc on how BIOFIN Phase II built upon the results and lessons learnt from BIOFIN Phase I. The audit details have been added.
	BMS/BPC	Monitoring and Evaluation: • The project document appropriately lays out the Monitoring activities. For the "Review and Make Course Corrections" section we would suggest changing the frequency to annually or continuously based on the activity. The evaluation plan is appropriately articulated.	As requested, the reporting frequency under the "Review and Make Course Corrections" has now changed to annually.

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

	BMS/BPC	Governance and Management Arrangements: • The graphic on page 36 clearly articulates the roles and the hierarchy system. We would suggest reviewing some of the boxes as some of the language was cut off. We think the language descriptions of the key roles could be strengthened by clearly articulating the oversight portion and the implementation portion of the governance structure. Further, the project manager role is laid out in the description but seems to be missing from the structure above. It would be helpful to appropriately match the descriptions below with the structure above. Other roles also seem to be missing from the description section, and would be good to at least note these and add some context to them.	The graphic has been reviewed to improve readability and some text corrected. The global project manager is now marked as "BIOFIN Project Manager", while national project coordinators and "BIOFIN National Coordinators". In addition, mission roles have been added to the text section, clarifying their function and division between implementation and oversight.
	BMS/OFM	Resource mobilization: The bureau is encouraged to ensure continuous negotiations with potential donors to secure additional funding of $64 Million (43%) with solid pipeline management.	The Nature Hub is discussing with its donor group continuously, organizing bi-annual meetings. The donor group has steadily grown over the years, from 3 donors back in 2013 to reach 10 in 2023, with all previous donors making recurring contributions. The team will in the future engage further donors to strengthen the base and mix of resources.
	BMS/OFM	Implementation: Strong monitoring & oversight are to be maintained on delivery, audit, and other financial risks related to the project, and especially for the 6 COs with the IFD concern and critical ratings.	We are actively engaging in monitoring and evaluation activities, including regular progress tracking, risk management, knowledge capture, and quality assurance to ensure BIOFIN's success and alignment with UNDP's strategic goals. This approach integrates with the IFD, aligning performance measures with organizational strategy and operational goals, particularly

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

			focusing on UNDP Country Offices to manage financial performance risks effectively.
	BMS/OFM	Budget and Workplan Since the data in the screenshot provided is not readable, the bureau is advised to review and correct arithmetic errors, if any.	As requested, a clearer Word version is now attached for better readability.
	BMS/OFM	GMS: Given that the estimated GMS rate of 7% was used in the submitted document, the bureau is advised to ensure that the correct GMS rate is applied during the signed agreement or obtain BMS approval in case of deviation.	The estimated GMS in the budget is 8%. However, it will vary for each contribution depending on the donor agreement, which are duly approved and signed by BPPS Deputy Director.
Strategic	**RBEC**	P 11: (ii) delivering better: make more specific? What does this mean? How will be this be done. Also: what is the relation between (ii) and (iv)? Seems overlapping, please clarify.	More information was added in the prodoc on finance result. (ii) Deliver better in this case is meant as delivering better through improved effectiveness, efficiency and synergies. For example, having more impact with the same budget. One example that comes to mind was in Mexico City where BIOFIN helped renegotiate the transaction costs associated with the management of the Environmental Fund. Making available millions of dollars for conservation. While (iv) re-aligning existing expenditure would rather focus on realigning expenditures that are currently harmful and could either be reduced or even become positive. For example, BIOFIN is working in multiple countries on repurposing harmful subsidies. Repurposing tax breaks on pesticides to provide support to farmers for more sustainable activities could be na exemple.
	RBEC	P 11: What about adding 'results-based finance' which is discussed below.	Result Based Budgeting is considered a finance solution for BIOFIN and is encouraged in multiple countries at both national and local levels. This solution can bring different finance results. It can

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

			generate more finance for biodiversity by better justifying environmental budgets (Mobilizing resources, example from Georgia) or it can help to have more impact with similar budget (delivering better).
	RBEC	P 11: Does this also include national budget expenditure review?	The Biodiversity Expenditure Review (second step of the methodology) corresponds to the national budget expenditure review in all related ministries. This step is done by every countries like the Policy and Institutional Review, the Financial Needs Assessment and the Biodiversity Finance Plan. If the comment was more related to tagging, this is an exercise that is encouraged after a BER and sometimes implemented by governments once they are presented with the numbers from the BER.
	RBEC	P 12: This needs to take into account the broader financing landscape, e.g. for debt-for-nature swaps, this is only a viable instrument if the country is highly-indebted and willing to take on the reputational implication of restructuring its debt and suitable donors can be identified. How is this linked to the INFF process? This should be clarified somewhere.	The linkages with INFF are explained further in the minutes. Debt for Nature Swaps is one of the 160 Finance Solutions countries can implement in function of their context. All are detailed in BIOFIN's Finance Solution Catalogue https://www.biofin.org/index.php/finance-solutions The BFP process ensures the finance solutions selected are impactful financially and for conservation but also that they are feasible. Every BFP is context driven and should consider Debt for Nature Swaps only if the context allows for it. More precisions were added to the document to reflect this information.
	RBEC	P 13: Which 'private sector' though? This is a very broad term. Can you narrow it down? Different private sector players will require very different types of engagement.	Private sector is here defined broadly as each country will address different sections of the private sector in function of their context. Some countries will decide to work with impact investors

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

			while others will work on the TNFD and focus on commercial banks. For this purpose, BIOFIN will develop a specific strategy to determine how to best engage with the private sector, suggesting a menu of options for countries to pursue. This text was added to the document in order to clarify this point.
	RBEC	P 22: How will these be related to NDCs? There is very little connection made to climate through this document. Can this be strengthened?	The Finance-for-Finance coordination group will base its resource mobilization strategy on the National Biodiversity Finance Plans, which integrate many aspects of NDCs. For example, the Financial Needs Assessment includes the cost of NDC implementation in some countries, while joint Biodiversity and Climate Expenditure Reviews are conducted in others. Furthermore, discussions have already taken place with the Climate Hub, which will coordinate the updating exercise of NDCs. It has been proposed that National Biodiversity Strategies and Action Plans (NBSAP) will be better integrated, thus strengthening the link between NDCs and BFPs. Furthermore, guidance has been produced and shared with countries to strengthen the nexus between Biodiversity and Climate into new and/or improved Finance solutions.
	RBEC	P 23: A key ministry not mentioned here is the Ministry of Planning and Investment or similar and specifically their national accounts section. This will be important to integrate natural capital accounting that will drive economic and fiscal policymaking.	Examples of other related Ministries (Ministries of Planning, Investments, Agriculture, Fisheries, etc.) have been added in the text. Concerning the integration of natural capital accounting and concerning the section on partnership (where the comment is made), Natural Capital accounting is integrated in the bullet point on UNSD (‘*United Nations Statistics Division – Lead a*

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

			joint taskforce to develop a biodiversity activity classification to expand UN statistical categories and develop national implementation modalities that link Natural Capital Accounts to existing fiscal and policy processes.') In the rest of the Prodoc, we integrated several references to the National Capital Accounting: • *'during the inception phase, identify priority partnerships, utilise information from economic valuation studies and natural capital accounting in financial planning'* • '*natural capital accounting is at the core of making the case for a variety of finance solutions. BIOFIN will work with UNSD and other partners to support the development of Natural Capital Accounts with a policy perspective, with particular reference to Experimental Ecosystem Accounts.*'
	RBEC	P 23: Is this a BIOFIN mechanism? Could you please elaborate. Throughout the document, the 'private sector' has been referred to in a very broad way, it could be further narrowed down to investors (domestic/international/institutional, etc.)?	This was a typo and has been changed from "return on investment" to "impact investment". Impact investment is indeed a finance solution part of the BIOFIN Finance Solutions Catalogue (https://www.biofin.org/finance-solutions). As per the minutes reported above, we kept a broad private sector definition in the Prodoc, as each country will engaged with specific private sector actors depending on context and needs. For example, some countries will decide to work with international impact investors, while other with local commercial banks, etc. Detailed guidance on private sector engagement will be provided also in the upcoming new version of the BIOFIN Workbook.

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

	RBEC	P 37: The PM needs to coordinate closely with other related initiatives and conversations and to ensure that information is seamlessly shared with the policy and programming teams working on the ground. The BIOFIN still works too much in a silo.	This is well noted and we will continue to seek out further partnerships. The BIOFIN team is already engaged with a number of partners in and outside the UN. Examples include (1) Development of a guideline to integrate INFF and Biodiversity Finance Plans with SFH; (2) A new module on insurance and biodiversity with IRFF/SFH; (3) Work on taxonomies/G20 sustainable finance with SFH; (4) Collaboration with Climate Hub Adaptation team on integrating climate and nature finance; (5) Database of Financial Resources for Biodiversity (FIRE) with UNEP, Cornell University, Global Campaign for Nature, Conservation Finance Alliance and others; (6) Development of the Little book for Investing in nature with Global Canopy, AFD, WWF, Credit Suisse and Mirova; (7) Joint Global conference on Biodiversity Finance with OECD; (8) Partnerships around repurposing subsidies with FAO, UNEP, Conservation International and OECD. (9) Joint regional workshops with the Convention on Biological Diversity (CBD) on resource mobilization: (10) Database of Financing mechanisms with Lund University. (11) Collaboration on TNFD with WWF, UNEP FI and TNFD Secretariat; (12) Collaboration on nature markets with Green Finance Institute, Moore Foundation and UNEP.
Strategic	**BERA**	**<u>Integration with INFFs:</u>** there are two references to INFF in the document, but these seem more tangential and not at the core. While noting the strong brand that BioFin has in and of itself, the lessons from early implementation (p.10) have a direct link with the experiences of the INFF (lessons 1 and 3, ie:	Thank you for these valuable observations. We agree that UNDP's vision is that financing for sustainable development should accelerate progress toward the 2030 Agenda, Paris Agreement and the Global Biodiversity Framework in an

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

		1) "the failure of markets and governmental fiscal and development planning systems to reflect the real value of biodiversity and ecosystem goods and services (or the real costs of losing them"); 3) "a lack of coordination and shared language among finance ministries and line ministries implementing biodiversity management"; Given the above, and the objectives of BioFIn, we expected a closer and deliberate link with the INFF work, or where these are not in place, benefitting from its experience (including issuance of green and sustainable bonds). The EU-UNDP Strategic Dialogue highlighted precisely that, ie linking INFF with NDC and NBSAP so as to make sure that financing is made available for such plans. Secondly, there are some references to NBSAP but most of it tangential as well (twice mentioned in a gender component, once as the role of the CBD Secretariat and once as a link to the NBSAP knowledge platform). We had expected that BioFin puts NBSAP at the heart of the work, trying to identify financing for these plans. Lastly, to note that EU is in the final stages to sign a 15 million Euro contribution to BioFin – which of course cannot be included as mobilized resources in the current document, but we trust that the proposal being developed for the EU and this global PAC document are aligned.	integrated manner. BIOFIN is putting coordination and alignments with other international frameworks as a priority, and already started to produce guidance documents to improve alignment efforts. More specifically: 1) On **INFFs**, BIOFIN has recently published in coordination with the INFF team the Guidance for countries to define linkages between Integrated National Financing Frameworks (INFFs) and National Biodiversity Finance Plans (BFPs). The document details how INFFs and National Biodiversity Finance Plans can best be integrated at national level. The team is now working with selected country offices to develop additional case studies and guidance, and facilitate integration and alignment. 2) On **NBSAPs**, BIOFIN has recently developed the policy brief on How Can Biodiversity Finance Plans Support NBSAPs?. National biodiversity strategy and action plans (NBSAPs) and biodiversity finance plans (BFPs) are both intended to be guiding policy mechanisms for countries. NBSAPs are the main policy instrument for implementing the CBD at the national level. BFPs focus on closing the biodiversity funding gap, and thereby supporting the attainment of NBSAP targets. The development of NBSAPs and BFPs are two distinct processes, each requiring specific expertise to lead and guide the process. However, countries have an opportunity to undertake the two processes in a complementary manner, deepening the impact of both, as described in this note.

DocuSign Envelope ID: A6E0E931-9FD3-46FC-8C54-E33432D61177

			3) On **NDCs,** BIOFIN is already integrating extensively climate change elements in the development of biodiversity finance solutions. A Climate Change expert will be hired this year to further enhance BIOFIN alignment with NDCs and other climate activtities. Additional text has been added at page 11 to clarify these linkages. On the EU contribution, the BIOFIN team confirms that the Prodoc and the EU proposal are fully aligned. The Prodoc budget allows for the mobilization of further resources, and activities and budgets are planned accordingly.
	BERA	**Development banks** are not mentioned under "stakeholder engagement" (p. 24) however they're mentioned as part of the national steering committee under "Project Management" (p. 27). It would therefore be good to include them as part of the stakeholder engagement strategy overall.	The section on stakeholder engagement has been modified. The table has been updated to reflect the role of development banks at the national level.
	BERA	**The media/advocacy** section of BIOFIN phase II seems impressive and robust. We would however suggest aligning the project's media and advocacy efforts closely with UNDP's external engagement plan. This alignment would leverage our existing platforms and partnerships and enhance the ability to communicate effectively and cohesively across various initiatives. Integrating these efforts will not only amplify the message on biodiversity finance but also ensure that our communications strategy supports UNDP's overarching goals globally.	Thank you for the comment. The media/advocacy section was updated. To integrate the efforts of messaging on biodiversity finance the BIOFIN communications strategy will be aligned with UNDP's external engagement plan.