

THE CALI FUND

for the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources: A United Nations Multi-Partner Trust Fund.

February 2025

Acronyms

AA – Administrative Agent

ABS- Access and benefit sharing

BBNJ - The United Nations agreement on biodiversity beyond national jurisdiction

CBD – Convention on Biological Diversity

COP - Conference of the Parties

DSI – Digital sequence information on genetic resources

KMGBF – Kunming-Montreal Global Biodiversity Framework

GBFF – Global Biodiversity Framework Fund

GEF - Global Environment Facility

MOU – Memorandum of Understanding

MPTF – Multi Partner Trust Fund

MPTFO – Multi Partner Trust Fund Office

NBSAP – National Biodiversity Strategies and Action Plans

NUNO – Non-UN Organizations

PUNO – Participating UN Organizations

SBI – Subsidiary Body on Implementation

SBSTTA - Subsidiary Body on Scientific, Technical and Technological Advice

SC – Steering Committee

SCBD – Secretariat of the Convention on Biological Diversity

SDG – Sustainable Development Goals

SAA – Standard Administrative Arrangements

TOR – Terms of Reference

UN – United Nations

UNDP – United Nations Development Programme

UNEP – United Nations Environment Programme

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I/ INTRODUCTION

The Multi-Partner Trust Fund (MPTF) described in this document will be the Cali Fund for the Fair and Equitable Sharing of Benefits from the Use of Digital Sequence Information on Genetic Resources, the financial engine behind the sharing of monetary benefits from the multilateral mechanism for the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources. This document establishes the foundations of this fund and its governance at a high level. The terms of reference of the Cali Fund will be presented to its Steering Committee at its first meeting.

The conservation and sustainable use of biodiversity, and the restoration of ecosystems, are essential if humanity is to continue to survive. Nature underpins all life on Earth: it provides food, medicine, energy, clean air and water, security from natural disasters as well as recreation and cultural inspiration. However, biodiversity is being lost at a rapid scale, jeopardizing the continued provision of nature's contributions to people and threatening human security and wellbeing. Efforts to reduce and reverse this loss are underfunded and benefits from the use of genetic resources are not fairly and equitably shared with the countries and communities providing them.

The Convention on Biological Diversity (CBD) was adopted in 1992 at the United Nations Conference on Environment and Development to address these challenges. Its three objectives (art. 1) are the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of benefits arising from the utilization of genetic resources. The CBD entered into force on 29 December 1993. The Conference of Parties (COP) is the governing body bringing together representatives of the 196 Parties to the Convention.

At its fifteenth meeting, the COP adopted the Kunming-Montreal Global Biodiversity Framework (KMGBF) with a mission to halt and reverse the loss of biodiversity by 2030 and a vision of living in harmony with nature by 2050 (COP dec. 15/4). The Framework includes four outcome-oriented Goals which may be summarized as follows: A: to protect and restore nature; B: to prosper with nature; C: to share benefits fairly; and D: to invest in nature. It also includes 23 action targets to be implemented urgently to achieve results by 2030.

As part of the KMGBF, the COP decided to establish a multilateral mechanism for benefit-sharing from the use of digital sequence information on genetic resources, including a global fund, and set up a process to develop modalities for its operationalization (dec. 15/9, paras. 16 et seq.). These modalities formed decision 16/2 which was adopted at COP16.

Digital Sequence Information (DSI), within the context of the CBD, arose after several years of discussions that considered how to address challenges related to the Convention's third objective and the objective of the Nagoya Protocol - the fair and equitable sharing of benefits arising from the use of genetic resources. The challenges stemmed from the increasing digitization of genetic resources data, which became freely available in global databases and were used in a range of commercial activities such as the development of pharmaceutical products or the improvement of crop breeding, as well as the creation various research tools and models, all without any established mechanism to share the benefits from the use of the DSI (decision 14/20 para 2, 6, 8, decision 15/9 para 2, 3, 8).

At its sixteenth meeting, the COP by decision 16/2 adopted the modalities (annex to COP dec. 16/2) for operationalizing the multilateral mechanism, including the global fund, and decided that the global fund would be known as the Cali Fund for the Fair and Equitable Sharing of Benefits from the Use of Digital Sequence Information on Genetic Resources (hereafter referred to as the Cali Fund). Both the multilateral mechanism and its fund will operate according to the principles of inclusivity, equity and transparency.

The modalities for operationalizing the multilateral mechanism stipulate that all users of digital sequence information on genetic resources under the multilateral mechanism should share benefits arising from its use in a fair and equitable manner (decision 16/2 para 2). Users of digital sequence information on genetic resources in sectors that directly or indirectly benefit from its use in their commercial activities should contribute a proportion of their profits or revenue to the global fund, according to their size, as further specified in the modalities (para 3). The Cali Fund is the vehicle for the management of the monetary benefits, which are then redistributed according to the decision of the Conference of the Parties. The modalities also include provisions for the sharing of non-monetary benefits (decision 16/2 paras 6-8) and guidance for entities operating databases that are dependent on digital sequence information on genetic resources and that make such information publicly available (decision 16/2 para 10). The Cali Fund is therefore part of the broader multilateral mechanism for the fair and equitable sharing of benefits arising from the use of DSIⁱ.

As also set out in the modalities, funding from the Cali Fund is to be allocated in a fair, equitable, transparent, accountable and gender-responsive manner to support the realization of the objectives of the Convention in developing country Parties and Parties with economies in transition. Funding will also be available to indigenous peoples and local communities in both developing and developed countries (decision 16/2 paras 17-20).

The United Nations Environment Programme and the United Nations Development Programme are collaborating to operationalize the Cali Fund, to support the realization of the objectives of the Convention for Biological Diversity Conference.

II/ FUNCTIONING OF THE CALI FUND

The Multi-Partner Trust Fund serves to operationalize the Cali Fund, as part of the multilateral mechanism for the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources, as decided by the COP (decision 16/2 para 23). It provides a strategic and coordinated channel for users, particularly companies, to share the monetary benefits from their use and reliance on DSI under the multilateral mechanism, fostering transparency, accountability, and trust among stakeholders while ensuring respect for the highest quality standard.

The Goal/Objectives of the Fund

The goal of the Cali Fund is to support the realization of the objectives of the Convention in developing country Parties, in particular for least developed countries and small island developing States, and Parties with economies in transition, and especially for the conservation and sustainable use of biodiversity,

including through the delivery of activities described in national biodiversity strategies and action plans (NBSAPs). Funding will also contribute to scientific research on biodiversity; benefit indigenous peoples and local communities, including women and youth within those communities; and support the building of capacity to generate, access, use, analyze and store digital sequence information on genetic resources according to capacity needs (dec. 16/2, para. 18).

Contributions to the Fund (dec. 16/2, paras. 3 and 4)

The Cali Fund is the vehicle by which companies of a specific size and that rely on the use of DSI for their research and products should share a portion of their revenue or profits to align with the benefit-sharing principles established by the CBD. Companies should make annual contributions of unearmarked funds at the level of 1% of their profits or 0.1 % of their revenue, as an indicative rate. This applies to companies using and benefiting from DSI with balance sheets that exceed at least two out of three of the following thresholds: (i) Total assets of at least USD 20 million, (ii) sales of at least USD 50 million, and (iii) profit of at least USD 5 million averaged over the preceding three years. The COP will establish thresholds and contribution rates at its seventeenth meeting and review them periodically thereafter.

All payments to the Cali Fund will be issued a receipt to confirm the deposit.

Separate to the receipts, companies and other contributors whose contribution is at the level stated by the COP decision will be issued a certificate by the secretariat of the Cali Fund recognizing that benefits from the use of DSI have been shared at the global level, excluding them from any expectation to share further monetary benefits from the use of such information for that year. However, this does not prevent these companies from making additional contributions that would be recognized by the secretariat accordingly (Decision 16/2 para 16).

Similarly, other entities are encouraged to contribute to the fund and support their goals and will also be recognized accordingly.

Additionally, in the time leading up to June 2029, governments and other voluntary contributions may be specifically directed solely to the cost of the secretariat and its functions.

Disbursement of Funds

Funding will be disbursed to developing country Parties, in particular small island developing Parties and Parties with economies in transition, taking into account the overall level of funding available, through direct allocations to an approved national entity. Payments will be made on the basis of an indicative list of criteria (Enclosure I in the annex to dec. 16/2), namely biodiversity richness, the geographical origin of the genetic resources from which DSI was derived, and the capacity needs for the conservation and sustainable use of biodiversity. Additionally, as per decision 16/2, where appropriate and subject to national circumstances, at least half of the funding of the Cali Fund will support the self-identified needs of indigenous peoples and local communities, including women and youth within those communities, through government or by direct payments through institutions identified by indigenous peoples and local communities (Annex, para. 21).

A formula for allocation based on the aforementioned criteria will be developed by an Ad Hoc Technical Expert Group (decision 16/2 para 19 and enclosure III) and be considered for adoption at COP-17. In the

interim, the Steering Committee will determine an initial allocation based on the same criteria. Allocations after COP-17 may take into account these initial allocations.

Subsequent COP meetings may also decide to set aside a proportion of funds to support capacity-building and capacity development ensuring that developing country Parties, in particular the least developed countries and small island developing States, and Parties with economies in transition have access to the tools and expertise necessary to fully participate and benefit from DSI (Annex, para. 22).

III/ THEORY OF CHANGE AND CONTRIBUTIONS TO GLOBAL GOALS

Impact Statement and Expected Outcomes

IMPACT STATEMENT

The Cali Fund will support eligible Parties and indigenous people and local communities in the implementation of the KMGBF to halt and reverse the loss of biodiversity by 2030 towards its vision of living in harmony with nature by 2050, including contributions to the 2030 Agenda for Sustainable Development. Specifically, it provides a vehicle for users of DSI, especially companies, to share monetary benefits from the use and reliance on DSI in a transparent, fair and equitable way.

OUTCOMES

1. **Enhanced implementation of the national biodiversity strategies and action plans in developing country Parties, in particular the least developed countries and small island developing States, and Parties with economies in transition,**
2. **Increased empowerment of indigenous peoples and local communities, including women and youth within these communities, in developed, where appropriate, and developing countries, in recognition of their contributions to the conservation and sustainable use of genetic resources,**
3. **increased fair and equitable sharing of benefits from the use of digital sequence information on genetic resources,**
4. **Increased investment in biodiversity to narrow the biodiversity finance gap,**
5. **Increased ability for developing country Parties, in particular the least developed countries and small island developing States, and Parties with economies in transition, to use and benefit from digital sequence information on genetic resources to narrow the scientific capacity gap.**

INDICATORS

Indicators for narrative reporting will be developed by the secretariat and approved by the Steering Committee where possible aligned and disaggregated or otherwise derived from the indicators for the Kunming-Montreal Global Biodiversity Framework.

ASSUMPTIONS

1. Users, particularly companies, of digital sequence information on genetic resources contribute predictably to the fund in line with the modalities adopted by the CBD COP
2. Eligible Parties and indigenous peoples and local communities through designated or identified entities and institutions to receive funds and disburse them efficiently
3. Governments encourage their industry to contribute to the Cali Fund
4. Eligible Parties prepare updated NBSAPs or other priority needs, and indigenous peoples and local communities identify needs and priorities
5. The Cali Fund is complementary to other funds and to other mechanisms for benefit-sharing
6. The governance and allocation mechanisms of the Cali Fund operate transparently and efficiently, fostering trust and participation from all stakeholders.
7. CBD Party governments demonstrate sustained political will to support the implementation of the multilateral mechanism.

Relevance to the Sustainable Development Global Goals

The fund will contribute directly to SDGs 14 and 15 and to some targets of other goals. Given that biodiversity underpins sustainable development the fund will indirectly contribute to all SDGs.

Gender Equality, Human Rights and Social Inclusion

The multilateral mechanism and its Cali Fund will be operated in line with the cross-cutting considerations (Section C) of the KMGBF regarding, among other things, recognition of the contribution and rights of indigenous peoples and local communities, different value systems, gender equality and empowerment of women and girls, and a human rights-based approach. Moreover, the Fund will contribute to Targets 22¹ and 23² of the Framework. Operationalization will be supported by the CBD gender plan of action³ and by guidance developed under the Convention with regard to indigenous peoples and local communities,⁴ as well as standard UN safeguards. As noted below, on page 11, the Steering Committee

¹ Target 22: Ensure the full, equitable, inclusive, effective and gender-responsive representation and participation in decision-making, and access to justice and information related to biodiversity by indigenous peoples and local communities, respecting their cultures and their rights over lands, territories, resources, and traditional knowledge, as well as by women and girls, children and youth, and persons with disabilities and ensure the full protection of environmental human rights defenders

² Target 23: Ensure gender equality in the implementation of the framework through a gender-responsive approach where all women and girls have equal opportunity and capacity to contribute to the three objectives of the Convention, including by recognizing their equal rights and access to land and natural resources and their full, equitable, meaningful and informed participation and leadership at all levels of action, engagement, policy and decision-making related to biodiversity

³ <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-11-en.pdf>

⁴ Including: The Akwé: Kon Voluntary Guidelines for the Conduct of Cultural, Environmental and Social Impact Assessments Regarding Developments Proposed to Take Place on, or which are Likely to Impact on, Sacred Sites and on Lands and Waters Traditionally Occupied or Used by Indigenous and Local Communities; The Tkarihwaié:ri Code of Ethical Conduct to Ensure Respect for the Cultural and Intellectual Heritage of Indigenous and Local Communities; The Mo'otz Kuxtal Voluntary Guidelines for the development of mechanisms, legislation or other appropriate initiatives to ensure the "prior and informed consent", "free, prior and informed consent" or "approval and involvement", depending on national circumstances, of indigenous peoples and local communities for accessing their knowledge, innovations and practices, for fair and equitable sharing of benefits arising from the use of their knowledge, innovations and practices relevant for the conservation and sustainable use of biological diversity, and for reporting and preventing unlawful appropriation of traditional knowledge; and The Rutzolijirixaxik Voluntary Guidelines for the Repatriation of Traditional Knowledge Relevant for the Conservation and Sustainable Use of Biological Diversity. <https://www.cbd.int/traditional/outcomes.shtml>

will include representatives of indigenous peoples and local communities and will be constituted with full regard for gender balance.

The Niche for the Cali Fund and Cooperation with Complementary Initiatives

The Cali Fund is positioning itself at the center of discussions on benefit-sharing from the use of DSI, an area where several initiatives such as the United Nations Agreement on Biodiversity Beyond National Jurisdiction (BBNJ) agreement are engaged but have yet to agree on a mechanism⁵. It also places itself in the resource mobilization landscape as an innovative tool leveraging private sector finances in order to finance nature's protection and the efforts to halt the biodiversity crisis and its global impact. This is not a donor fund but instead a vehicle for users to share the benefits from the use of data from nature. The Cali Fund offers a truly multilateral approach, providing an opportunity for private industries benefiting from the use of DSI to contribute to the protection of nature in a standardized and equitable manner. It also enables payment for the value of genetic diversity, which is otherwise regarded as free leading to insufficient incentives for its conservation and sustainable use. Moreover, the disbursement method will provide agency to countries and to indigenous peoples and local communities by providing direct support for the implementation of NBSAPs and the self-identified needs of indigenous peoples and local communities.

The multilateral mechanism and its Cali Fund focus on the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources and is thus complementary to other existing instruments for the fair and equitable sharing of benefits arising from the use of genetic resources (see Annex II). As set out in its modalities, the multilateral mechanism for the fair and equitable sharing of benefits from the use of DSI will be implemented in a way that is mutually supportive of and adaptive to other international access and benefit-sharing instruments on digital sequence information on genetic resources.

Additionally, the multilateral mechanism and its Cali Fund, with potential set asides for narrowing the scientific capacity gap, aligns itself with the Convention on Biological Diversity's long term strategic framework for capacity building and development (decision 15/8 annex I) and its Technical Scientific Cooperation mechanism (decision 16/3).

The Steering Committee and Fund secretariat will endeavour to liaise with other funding streams and initiatives to support complementary and to promote efficient use of resources (some relevant funds are listed in annex II).

IV/ GOVERNANCE ARRANGEMENTS

As a MPTF, the Cali Fund's governance distinguishes financial resource governance and decision making by the Steering Committee supported by the secretariat, Fund administration by the MPTFO of the UN as the designated Administrative Agent of the MPTF, and the Fund Implementation by the Participating Organizations assuming full programmatic and financial accountability for the funds entrusted to them.

⁵ See Annex II, in particular the ITPGRFA and the BBNJ p.22.

The Steering Committee

The Steering Committee provides overarching, high-level strategic oversight, direction, and cohesion for the Cali Fund, in line with the decisions of the COP to the CBD (decision 16/2 Enclosure IV). The Steering Committee will provide reports to the Conference of the Parties at each of its meetings, as well as regular updates to the Subsidiary Body on Implementation, as appropriate.

Furthermore, as a fund hosted by MPTF, the roles and responsibilities of the Steering Committee in relation to the Cali Fund also include the following:

1. Strategic Oversight:

- Set the strategic direction of the Cali Fund and exercise overall accountability for the achievement of its objectives;
- Provide overall oversight of the Fund, including all its investments;
- Oversee the status of the Cali Fund (including programmatic and financial) and of overall progress against expected results on an annual basis;
- Review evaluations of the Cali Fund and oversee the management response;
- Endorse the Terms of Reference of the fund and any revisions to it;
- Review and approve the Terms of Reference of the Steering Committee, the Cali Fund policies and rules of procedure (the Standard Operations Manual) that complement the terms of reference;
- Lead the resource mobilisation strategy;
- Advise the secretariat, as needed, for the implementation of the COP decisions related to the Cali Fund, including the certification process;
- Provide input to the stakeholder engagement and communication/branding strategy;
- Oversee implementation by the secretariat.

2. Programmatic Direction:

- Oversees the implementation of the Cali Fund and reviews overall performance;
- Approves direct cost budgets, specifically those related to the secretariat and any support operations, evaluations, and audits including those submitted by the Participating Organizations;
- Approves funding allocations based on the COP decisions
- Approves criteria for fund allocation in line with COP guidance
- Reviews project audits;
- Regularly reviews the risk-monitoring matrix and provides support for risk management strategy and actions;
- Reviews annual and final consolidated narratives and financial reports submitted by the Cali Fund secretariat; and
- Commission, through the secretariat, evaluations of the performance of the Cali Fund.

The Cali Fund Steering Committee meets twice a year or more frequently as required, in person or virtually, and where appropriate on the margins of the CBD official meetings such as those of the COP, the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA).

The initial composition of the Steering Committee was decided at COP16 and consists of:

- 24 members: 15 members from Parties (3 per region); 7 members from indigenous peoples and local communities (1 per sociocultural region); and 2 members from UN Organizations (UNEP/SCBD and UNDP)
- 6 Observers (2 from the civil society, 2 from scientific institutions, and 2 for private sector representation)

The UN MPTF office will be part of the Steering Committee as Ex-officio and non decision-making member. Other representatives may be invited to serve as observers on the Steering Committee meeting, as appropriate and relevant, and as decided by the Steering Committee.

The Steering Committee will have two Co-chairs: one appointed from among the Parties on the Committee and one UN Agency. Initially, this role will be conducted by the Executive Secretary of the Convention representing UNEP. The UN Co-Chair should at all time abide by the UN Charter while exercising the function of Co-Chair.

The selection of the Steering Committee nominees will be coordinated by the Secretariat of the CBD on the basis of consultations with Parties, taking gender balance into consideration. The members of the Steering Committee are appointed for an initial period of two years. The Conference of the Parties at its seventeenth meeting is expected to determine the terms of office of members of the Steering Committee for subsequent periods, on the basis of a proposal prepared by the CBD Secretariat and endorsed by the Steering Committee. This will be integrated in the Rules of Procedure of the Steering Committee.

A quorum is reached when two-thirds of its members are present (including both Participating UN Organizations), and its decisions are made by consensus. In case of non-consensus, the 2 Co-Chairs will facilitate decisions in consultations with the Members. In line with the rules and regulations of the United Nations, the UN Co-Chair will be responsible for signing all Fund Transfer Requests (FTRs) and Project Documents, based on decisions taken by the Steering Committee.

Any potential conflict of interest should be disclosed to the Chairs prior to decisions that are potentially affected. The members shall not have any direct personal interest or those of their family members or their direct supervisor/s, of private or professional nature, in any of the project proposals submitted for funding or under implementation from allocations from the Cali Fund. If a member(s) is affiliated with any of the Participating Organizations receiving allocations from the Fund, such member(s) must declare immediately the potential conflict of interest and must not participate in the decision making for such specific fund allocation or project approval. If the UN co-Chair cannot participate on a specific agenda item due to a conflict of interest, an alternative UN agency signatory of the MoU will act as the Chair for that specific agenda item. Before each meeting, the secretariat will circulate information to all participating members to clarify their potential conflicts.

The Fund Secretariat

The secretariat of the Cali Fund will be administratively hosted by Secretariat of the Convention on Biological Diversity (SCBD). The secretariat will answer and act upon instruction of the Cali Fund Steering Committee. The secretariat supports the Steering Committee to implement its decisions, and facilitates the overall operation of the fund, ensuring strict separation of oversight and implementation functions.

Further to the functions of the secretariat set out in Enclosure V of decision 16/2, the fund secretariat is responsible for the following, at the direction of the Steering Committee:

1. Programming

- Prepare the Operations Manual;
- Ensure the criteria for disbursements are respected;
- Provide guidance to Participating Organizations;
- Lead the monitoring and narrative reporting of the fund, including the fund Standard indicators as defined and approved by the Steering Committee;
- Coordinate with other units in SCBD with regards to monitoring Governments implementation of NBSAP; and
- Develop risk management strategy and monitor and update all risks.

2. Capitalization and External Relations

- Put in place the mechanism for engagement and follow up with private sector companies and other users of DSI as potential contributors;
- Issue of certificates for contributions to the fund;
- Propose a stakeholder engagement plan and communication and branding strategy and plan to the Steering Committee and implement them, as resources allow;
- Issue a guide for all stakeholders with relation to the Cali Fund, including: countries and indigenous peoples and local communities eligible to receive funds; companies and other users of DSI as potential contributors to the Fund; entities operating and supporting DSI databases; all Parties and the general public; and
- Ensuring any investment plans align with the fund's theory of change and programming cycle.

3. Operations

- Service the meetings of the Steering Committee;
- Consolidate the narrative reports submitted by Participating Organizations;
- Support the due diligence process for all prospective partners, in partnership with the Fund Administrative Agent;
- Plan and prepare reporting documents to the Steering Committee for their meetings; and
- Undertake any other tasks determined by the Steering Committee.

The secretariat should be adequately financed and staffed to be able to perform the above functions. The budget required to perform the tasks dedicated to the functions of the secretariat is agreed and approved annually by the Steering Committee and charged to the fund's account as direct costs. Initially, in the time leading up to June 2029, and for the sole purpose of a rapid and sufficient formation of a fully functional secretariat, government and other voluntary contributions may be specifically directed to the cost of the secretariat.

The Administrative Agent

The Multi-Partner Trust Fund Office (MPTFO) acts as the Administrative Agent (AA) of the Cali Fund, in accordance with the terms and conditions set out in the Memorandum of Understanding (MoU) signed between the MPTFO and the Participating UN Organizations. The Administrative Agent accepts this appointment on the understanding that the Participating Organizations assume full programmatic and

financial accountability for the funds disbursed to them by the Administrative Agent. The AA will guide the secretariat in the design and operationalization steps of the Cali Fund.

The Administrative Agent will be accountable for effective and impartial fiduciary management and financial reporting, and on behalf of the Participating UN Organizations, the Administrative Agent will:

- a. Receive contributions from private sector companies and other contributors;
- b. Administer such funds received, in accordance with the Memorandum of Understanding and the Administrative Arrangement;
- c. Subject to availability of funds, disburse such funds to each of the Participating Organizations (as described below) in accordance with decisions from the Steering Committee;
- d. Ensure consolidation of statements and reports, based on submissions provided by each Participating Organization, as set forth in the TOR, and provide these to each donor, that has contributed to the Fund and to the Steering Committee;
- e. Disburse funds to any Participating Organization for any additional costs of the tasks that the Steering Committee may decide to allocate in accordance with the TOR; and
- f. In the case that the Cali Fund is closed, provide final reporting, including notification that the Cali Fund has been operationally completed.

The Administrative Agent will be entitled to an administrative fee of one percent (1%) of the amount deposited by each contributor to the Fund, to meet the Administrative Agent's costs of performing the Administrative Agent's functions as described in the Memorandum of Understanding.

Participating Organizations

Participating Organizations are those which receive funds from the Cali Fund and will include Organizations identified by Governments. Such entities can be Government organizations, UN Organizations and not-for-Profit Non-UN Organizations. Three modalities of funding are envisioned, for which the Steering Committee will approve Party allocation criteria until such time that the Conference of the Parties has provided guidance on this matter. In the meantime, the allocation criteria and amount will be specified in the Manual of Operations of the Fund.

Participating Organizations will be receiving funding as the designated entity(ies) by each Party. Parties may designate or establish a national entity, such as a national biodiversity fund, to receive funds and to distribute them in a transparent way. Parties may alternatively designate an international, regional or subregional entity to fulfil the function of a national entity. As such, programmes or projects will be implemented by participating UN organizations (PUNOs), Non-UN Organizations (NUNOs), and Government entities. Such entities must meet internationally recognized fiduciary standards and provide for appropriate environmental and human rights safeguards. Each Participating Organization assumes full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent. They are expected to establish a separate ledger account under their own financial regulations and rules for the receipt and administration of funds disbursed by the Administrative Agent. All Participating Organizations are to carry out activities outlined in the approved proposal in accordance with their rules, regulations, policies and procedures. Participating organizations designated by eligible Parties to receive funds will use their national biodiversity strategy and action plan (NBSAP) as their program documents,

and indicate which activities will be funded by the Cali Fund disbursement. A Cali Fund focal point will be designated by each country according to a list of responsibilities drafted by the secretariat and approved by the Steering Committee.

Indigenous peoples and local communities can receive funding by direct payment through institutions identified by indigenous peoples and local communities (UN or Non-UN Organizations such as Civil Society Organizations), or through government authorities, according to national circumstances. Participating organizations designated by indigenous peoples and local communities to receive funds will prepare a project or programmatic document to indicate how the funds will support their self-identified needs towards the implementation of the KMGBF. The Steering Committee will develop specific modalities for this track, based on decision 16/2, until more guidance is issued by future COP decisions.

If the COP to the CBD decides to allocate a portion of the funds to the building or development of capacity for developing country Parties, in particular the least developed countries and small island developing States, and Parties with economies in transition, to use and benefit from the use of DSI, including through technology transfer, the funds will be transferred to an existing organization already operating in this field. These capacity needs may be part of the Party's NBSAP, or may be more related to the Party's capacity gap to generate, access, use, analyze and store digital sequence information on genetic resources. These Participating Organizations could be a UN or a Non UN Organizations, as well as Government Organizations and for this specific case, funds will be transferred on the basis of a programmatic document prepared by the Organization and approved by the Steering Committee.

Capitalization, Partnerships & Communications

The Cali Fund will be capitalized by annual contributions from the industries identified by the COP decision. It is therefore understood that Cali fund contributors are not traditional donors.

The COP decision outlines the criteria under which companies will be subject to the payment: *Companies should contribute annually to the global fund 1% of their profits or 0.1 % of their revenue, as an indicative rate.* This applies to companies which on their balance sheet dates exceed at least 2 out of 3 of these thresholds - Total assets: USD 20 million USD - Sales: USD 50 million USD - Profit: USD 5 million USD averaged over the preceding three years.

In addition, the Fund may receive contributions from bilateral donors to fund the secretariat of the Fund. These funds will be earmarked and separately administered from the private sector contributions.

Contributions can be accepted in any fully convertible currency as long as it is deposited into the bank account designated by the UN MPTF Office. The value of a contribution payment, if made in other than US dollars, will be determined by applying the operational UN rate of exchange for the date of payment.

An outreach strategy, including stakeholder mapping, communication strategy and branding, will be developed by the secretariat of the Cali Fund, with input from the Steering Committee.

Commercial entities will benefit from their contributions in two ways. First, a communication and branding package will be developed for contributing companies to use for their own outreach, marketing, with the potential of a logo to be used on their products. Different logos (or different colours of the same logo) could be envisaged depending on partial or full contributions at the level stated in the COP decision. Additionally, those companies contributing at the level of the COP decision will be presented with a certificate. This certificate will exclude this company from any expectation to share further monetary benefits from the use of such information within the scope of the multilateral mechanism for that year. Finally, Party governments have been invited to take administrative, policy or legislative measures, consistent with national legislation, to incentivize users in their jurisdiction to contribute to the Cali Fund in line with the modalities of the multilateral mechanism.

Risk Management

A risk management strategy at the fund level will be developed (with an associated risk register maintained by the secretariat) for review and endorsement by the Steering Committee and will aim to facilitate the achievement of programme-related objectives of its interventions in the context of the risk in which it operates. The risk management strategy will take into account the nature of the risks, potential losses, and risk tolerance of the fund, and will develop policies for mitigation/management of the risks.

The risk management strategy's main objectives will include: accelerate the implementation and increase its impact; ensure that the interventions of the fund meet the "Do no harm" principles; verify that resources are used for foreseen purposes; and improve risk management capacity of Participating Organizations.

The risks may be grouped into several categories, including contextual risks, programmatic risks and institutional risks. The secretariat will develop sub-categories in the first few months, together with the risk dashboard. The risk management strategy will encompass the following tasks:

- Identify and develop shared understanding of risks faced;
- Define risk appetite or tolerance of the fund (Fund's risk profile);
- Establish the fund's policies regarding identified risks (Fund's risk policies);
- Identify or clarify potential compensation from risk taking and seek consensus among stakeholders regarding its management;
- Determine risk treatment through measures of mitigation or adaptation;
- Identify risk holders, monitor and control its spreading and define follow-up measures; and
- Establish information strategies and common messages about the identified risks. Every programme or project allocated shall comply with the risk management strategy. The fulfilment of such a strategy will be one of the selection criteria during the process of project evaluation.

Operations Manual

The secretariat will develop an Operations Manual within the first 6 months of the establishment of the fund, for review and approval from the Steering Committee. The Operations Manual would include, for example, fund administration issues, including submitting the FTRs and issues related to project/Fund extensions and project/Fund closure. This Operations Manual will include the following aspects, aligned with the Terms of Reference related elements:

- The Rules of Procedure of the Steering Committee,
- A results logic including specific outputs and standard indicators to monitor the outputs. Associated indicators shall be focused on the results;
- Programming cycle, thresholds for triggering funding allocations, funding allocation process, and proposals for first allocation of funding, pending completion of allocation formula at COP-17;
- Safeguard standards for project implementation of the funded requests, including serious incidence reporting, grievance mechanism, in line with UNDP's standards;
- Monitoring and Evaluation framework; and
- Risk Management strategy.

V/REPORTING, MONITORING AND EVALUATION

Reporting

The responsibilities related to reporting are gathered and detailed in the legal agreements for the funds.

Narrative reports

For each funding allocated on the basis of a project or programmatic document, the Participating Organizations will submit the following reports to the secretariat for consolidation and further transmission to the Administrative Agent contributors, and the COP. Such reports will be made available on the website of the Fund:

- Annual narrative progress reports, to be provided no later than three (3) months (31 March) after the end of the calendar year; and
- Final narrative reports, after the completion of the activities in the project or programmatic document for each allocation, including the final year of the activities in each case, to be provided no later than four months (30 April) after the end of the project as defined in the calendar year in which the operational closure of the activities in the project document of each approved Project occurs.

Specific narrative reporting template will be approved by the Steering Committee of the Cali Fund. In order to maximize the efforts of Participating Organizations, this template will aim at maximum alignment with the monitoring and reporting requirements of CBD for the implementation of NBSAPs. Flexibility will be sought for the reporting from indigenous peoples and local communities so that these requirements do not become a hurdle to the inclusive nature of the Cali Fund.

Financial Reports

For each project, the Participating UN Organizations or the Governments receiving funding will submit the following financial statements and reports to the Administrative Agent:

- Certified annual financial statements and reports to 31 December, regarding released resources by the Fund to them; these shall be provided no more than four months (30 April) after the ending of the calendar year;
- Final certified financial statements and financial reports after the completion of activities contained in the programme-related approved document, including the final year of such

activities, to be submitted no more than five months (31 May) in the following year after the financial closure of the project;

Based on these reports, the Administrative Agent will prepare consolidated annual narrative and financial reports which will be shared with each of the contributors.

The Participating Non-UN Organizations will submit the following financial statements and reports with respect to each approved Project:

- Annual financial report as of 31 December with respect to the funds disbursed to it from the Fund Account, to be provided by 28 February.
- Semi-annual financial reports to be provided in accordance with the following time frames:
 - a. 31 July (January to June);
 - b. 28 February (January to December of the previous calendar year).
- Certified final financial statements after the completion of the activities in the project document of each approved Project, including the final year of the activities in the project document of each approved Project, to be provided no later than five (5) months (31 May) after the end of the calendar year in which the financial closure of the activities in the project document of each approved Project occurs, or according to the time period specified in the financial regulations and rules of the Recipient NUNO, whichever is earlier.

Based on these reports, the Administrative Agent will prepare consolidated annual narrative and financial reports which will be submitted to the Steering Committee and the Fund's contributors.

Monitoring and Evaluation

The monitoring and evaluation system for the fund will be led by the secretariat and serve two functions: first, periodic assessment of project implementation and performance of projects (M&E of project performance), and second, evaluation of their results in terms of relevance, effectiveness, and impact (M&E of fund Impact).

The secretariat will be responsible for monitoring progress in delivering its objectives and how funds are being used by the Participating Organizations. The secretariat will provide progress reports on a regular basis (half-yearly) for submission to the Steering Committee.

A “mid-term evaluation” will be conducted to assess whether the fund is on track to deliver expected outputs and outcomes with respect to the timeframe and budget. It will enable the fund to make any changes in approach and/or reorientation needed to improve results. This mid-term evaluation will be aligned with the review of the fund to be presented at COP18 (see below). A “final evaluation” of this phase of the Fund will be carried out for learning and impact assessment purposes to be presented at COP-20, unless otherwise decided by the COP. Results will be shared with the Steering Committee and the CBD COP.

The aim of these evaluations, to be spelled out in further detail in the terms of reference for the evaluations, will be to study the various performance measurements of the Fund, to confirm or to annul them, and to test the Theory of Change. The mid-term evaluation will consist of specific recommendations to the Fund secretariat for the review of the fund result matrix and its underlying Theory of Change if necessary. The evaluation will assess the key evaluation criteria based on international standards, including effectiveness, efficiency, relevance, impact, sustainability and coherence. The mid-term

evaluation will take place before COP 18 in order to integrate its findings in the larger review of the multilateral mechanism requested by the Parties at COP18, in 2028. The secretariat of the Fund will work closely with the CBD Secretariat to support such reviews.

VI/ Audit, Transparency and Public Disclosure

Audit

The Administrative Agent and the PUNOs will be audited according to their own financial rules and regulations, in line with the [2014 Framework for Joint Internal Audit of UN Joint Activities](#) which has been agreed to by the Internal Audit Services of POs and endorsed by the undg in 2014. The details are included in the MOU. The corresponding external and internal audit reports will be disclosed publicly unless the relevant policies and procedures of each of the relevant Participants provide otherwise.

The part of the contribution transferred by a Participating Organization to its implementing partners for activities towards the implementation of the Fund will be audited as provided under that Participating Organization's financial regulations and rules, as well as its policies and procedures.

The activities of the Participating Non-UN Organizations in relation to the Fund will be audited by their internal auditors in accordance with their own financial regulations and rules. Furthermore, an external audit of the final financial report for all approved Projects will be carried out and the respective audit report will be provided by the Recipient NUNO to the Steering Committee. Furthermore, an external audit of activities for all approved Projects will be carried out by the Fund at the request of the Steering Committee.

The costs of audit activities in relation to the fund will be borne by the fund.

Transparency and Public Disclosure

The MPTFO website, Gateway (<http://mptf.undp.org>), is a web-based service portal that provides real-time financial data issued directly on contributions in and out of the fund account, from the UNDP accounting system. The Cali Fund will have a dedicated page on the Gateway which will allow partners and the public at large to follow-up the contributions, transfers and expenses, and access key documents and reports. The secretariat and the MPTFO will ensure that the operations are posted on the Gateway. The fund should specifically mention each contributor in all results reporting. The disclosure of the corresponding audit reports will be made according to the policies and procedures of that Participating Organizations.

Duration of the Cali Fund

It is expected that the Cali Fund will be supporting the objectives of the CBD on an on-going basis in the long term. However, the current operational end date of the Fund is 31 December 2030, aligned with the 2030 targets of the Global Biodiversity Framework.

With the operational end date of 31 December 2030, the last date for contributions to the Fund would be 31 December 2029 with the final allocation decision by 1 June 2030. Any remaining balance in the Fund's account and separate accounts of the implementing partners after the closure of the fund will be used for a purpose established by the Steering Committee.

Amendments

The present Terms of Reference, including its appendices, may be modified by the Steering Committee.

VII/ Initial Milestones

Pending the development of the Operational Manual including programming, the following milestones are set out as a tentative guide:

2024 Q4

- COP-16 adopts the modalities for the multilateral mechanism and Cali Fund (Decision 16/2)
- Notification issued regarding procedural steps to give effect to decision 16/2

2025 Q1

- UNEP/SCBD, UNDP and MPTFO sign MOU including TOR
- MPTFO sets up fund
- Members and observers of the Steering Committee announced
- Outreach activities initiated for Parties, potential contributors, stakeholders
- First meeting of Steering Committee to endorse TOR and Y1 programme including secretariat costs
- Website launched with online guide (as living document)
- SCBD serves as interim secretariat, pending the establishment of permanent Fund secretariat

2025 Q2

- Operational Manual developed
- Recruitment of key core staff for Fund secretariat initiated
- Outreach activities to potential contributors stepped up
- Outreach activities to countries and indigenous people and local communities to identify entities to receive funds initiated
- First contributions to the fund expected

2025 Q3-4

- Second meeting of Steering Committee to endorse Operational Manual, communication and branding strategy, and consider interim allocation methodology
- Hiring of key core staff for the Fund secretariat
- Outreach activities continued
- Communication and branding strategy initiated
- Further contributions to the fund expected

2026 Q1

Third meeting of the Steering Committee to approve first allocations of the funds and request MPTFO to make these disbursements.

VIII/ Annexes

Annex I – COP Decisions regarding the Cali Fund

- 15/9: [Digital sequence information on genetic resources](#)
- 16/2: [Decision adopted by the Conference of the Parties to the Convention on Biological Diversity on 1 November 2024](#)

Annex II – Related funds and ABS instruments

Funds managed by the Global Environment Facility including:

The GEF Trust Fund and its portfolio of projects in the biodiversity focal area, its integrated programmes and enabling activities in support of NBSAPs. Building on the success of the GEF 7 Early Action Support Project to countries, the GEF has granted a second round to GEF eligible countries to support the completion of NBSAPs that are aligned with the KMGBF. This work is ongoing in 139 countries, supported by UNDP and UNEP, and by a small global coordination unit.

The Global Biodiversity Framework Fund (GBFF): Established in 2023 at COP15, the GBFF is a funding mechanism managed by the Global Environment Facility (GEF). It is specifically dedicated to financing the implementation of the Global Biodiversity Framework, supporting activities that conserve and sustainably use biodiversity, and meeting global biodiversity targets.

Other initiatives or funds with secretariats hosted or co-hosted by the CBD Secretariat including:

The Japan Biodiversity Fund: Established by the Government of Japan when it assumed the COP Presidency during COP10. Phase 1 aimed to support developing country Parties to implement the COP10 outcomes, and to raise awareness of the adoption of the Nagoya Protocol on Access and Benefit Sharing. Phase 2 was announced at COP15 and aims to bridge the gap between the Strategic Plan for Biodiversity and the KMGBF.

Kunming Biodiversity Fund: Announced by China at the 2021 UN Biodiversity Conference (COP15), the Kunming Biodiversity Fund supports biodiversity conservation initiatives, particularly in developing countries. It was created to enhance financing for global biodiversity efforts and aid in implementing the KMGBF.

The NBSAP Accelerator Partnership: Announced by Colombia and Germany during COP15, it has the aim of accelerating the implementation of national biodiversity strategies and action plans (NBSAPs) aligned with the Kunming-Montreal Global Biodiversity Framework.

The Multilateral mechanism and its Cali Fund focuses on the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources and is thus complementary to existing instruments for the fair and equitable sharing of benefits arising from the use of genetic resources. These comprise, in particular:

The Nagoya Protocol: The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity is an international treaty adopted in 2010 and entered into force in October 2014. The

Nagoya Protocol sets out core obligations for its contracting Parties to take measures in relation to access to genetic resources, benefit-sharing and compliance. It also addresses traditional knowledge associated with genetic resources.

The International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA): This treaty was adopted in 2001 and entered into force in June 2004. Among other things, the Treaty establishes a Multilateral System of access and benefit-sharing covering 64 crop species. The Governing Body of the Treaty is currently considering DSI for the objectives of the International Treaty.

The Agreement under the United Nations Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (BBNJ): This Agreement was adopted in June 2023 and ratification is ongoing towards entry into force. One of the issues covered by the Agreement is marine genetic resources, including the fair and equitable sharing of the benefits.

The provisions of the BBNJ Agreement also address digital sequence information on marine genetic resources of areas beyond national jurisdiction. Under the Agreement, benefits arising from activities with respect to digital sequence information on marine genetic resources of areas beyond national jurisdiction are to be shared in a fair and equitable manner. The Agreement sets out modalities for sharing non-monetary benefits, and an initial modality for sharing monetary benefits until its COP decides on modalities for sharing monetary benefits from the utilization of DSI.

ⁱ Because the Cali Fund is part of the multilateral mechanism, the same Steering Committee will be convened for other aspects of the multilateral mechanism not encompassed in the Cali Fund, such as the facilitation of non-monetary benefits, for example.