

Nature Facility

Terms of Reference

2023-2033

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01 Context

1.1 Nature on the Brink

The health and biological diversity of ecosystems on which we all depend are deteriorating more rapidly than ever before. With up to 1 million plant and animal species at risk of extinction by 2050, and 240 acres of critical habitats destroyed per hour, **scientists have declared that we are in the midst of a ‘sixth mass extinction’ driven by human activity¹.**

Human-induced climate change is a key driver of biodiversity loss, while biodiversity, through the ecosystem services it supports, plays a critical role in ensuring nature’s ability to regulate climate driven impacts. If current rates of warming continue, global temperatures are likely to increase by more than 1.5°C (2.7°F) between 2030 and 2052 compared to pre-industrial levels. **Yet, just one more degree Celsius of warming (1.8°F) will result in 20% of the world’s species becoming endangered, representing a ‘severe biodiversity risk’ and ecological crisis².**

The loss of biodiversity can further increase the risk of ecological cascades, whereby initial species loss leads to domino effects of environmental degradation and extinction. That is, a severe decline in the population of one species in an ecosystem such that it can no longer sustain its important function, affects countless other species, further impacting the capacity for ecosystems to deliver beneficial services and mitigate extreme events and disturbances.

A fifth of countries (20%) globally are at imminent risk of ecosystem collapse due to a decline in biodiversity and related ecosystem services. **While biodiversity loss and climate change are global issues, the impacts of these interconnected crises are deepening inequalities within and between nations.** This is a particularly urgent problem for least developed countries (LDCs) and small island developing states (SIDS) located in the tropics, where the level of biological diversity is the highest and the threats to its continuity are the greatest. In fact, approximately 62% of global terrestrial vertebrate are found in tropical rainforests despite covering only about one fifth of the Earth's land surface³. **In 2021 alone, 3.75 million hectares (37,500 km²) of tropical primary rainforests were destroyed — equivalent to a rate of 10 football pitches a minute⁴.**

At the same time, other remarkably biodiverse ecosystems such as wetlands, deserts and mountains are under severe threat. Wetland ecosystems support livelihoods for over 1 billion people — and are essential for global climate regulation yet are **disappearing at a rate three**

¹ <https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/>

² https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryVolume.pdf

³ <https://esajournals.onlinelibrary.wiley.com/doi/full/10.1002/fee.2420>

⁴ <https://www.globalforestwatch.org/blog/data-and-research/global-tree-cover-loss-data-2021/>

times faster than forests⁵. Desert ecosystems cover approximately one third of the planet's dry land but are **considered one of the most endangered biomes** due to the unique and fragile biological profile they support. Mountain ecosystems host 30% of the world's terrestrial Key Biodiversity Areas (KBAs) yet **remain highly vulnerable to human-driven changes in land use, land cover and climate**, and whose **impacts can create further knock-on effects for ecosystems at lower altitudes**, hindering the productive and adaptive capacities of communities⁶.

The planet has reached a dangerous tipping point. **Without urgent and integrated action to halt and reverse biodiversity loss and ecosystem degradation, the state of our planet hangs in the balance.**

1.2 Valuing Nature

Healthy and resilient ecosystems not only provide the building blocks for human well-being, including clean air, food security, fresh water, and medicine, but are also **the foundation for economic activity and development**. Consequently, the loss of biodiversity undermines and even reverses sustainable development, including poverty reduction efforts, economic growth, education, and employment, as well as efforts to enable greater adaptation and resilience.

If nature continues to be eroded, there will be devastating costs to current and future generations. Today, **\$44 trillion of global value, corresponding to more than half of the world's gross domestic product (GDP), is moderately or highly dependent on nature and its services⁷.** At the same time, new data has revealed unequivocal links to ecological and economic tipping points, with the loss of nature now ranked as one of the top three global risks to businesses. The Global Futures Project estimates that under a business-as-usual scenario, the costs of biodiversity loss in some countries could be as high as 4 percent of their GDP per year by 2050⁸.

Over the past decade, considerable progress has been made to unlock private finance for climate-related activities and integrate climate risk into the investment process. However, **the current share of international climate finance in favour of biodiversity and ecosystems is**

⁵ <https://www.un.org/en/observances/world-wetlands-day#:~:text=Wetlands%20are%20vital%20for%20humans,in%20eight%20people%20on%20Earth.>

⁶

https://mountainresearchinitiative.org/images/Articles_Newsletters_2020/FEB_2020/ElevatingMountainsPolicyBrief.pdf

⁷ <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/#:~:text=%2444%20trillion%20of%20economic%20value%20generation%20%E2%80%93%20over%20half%20the%20world's,to%20risks%20from%20nature%20loss>

⁸ https://wwfint.awsassets.panda.org/downloads/global_futures_technical_report.pdf

estimated at only 2%, far below the 30% share of mitigation solutions that biodiversity and ecosystems represent⁹. Despite increasing recognition that biodiversity loss and climate change are interconnected and mutually reinforcing problems, siloed and imbalanced approaches continue to dominate proposed financial solutions.

Furthermore, 64% of developing countries and 85% of LDCs are highly dependent on primary commodity export, putting increasing pressure on critical natural resource stocks and perpetuating global inequalities¹⁰. As the share of commodity-dependent countries increases, inadequate access to private flows and lack of strong market systems continue to hinder the potential for accelerating sustainable development gains. Thus, there is an urgent need to enable policy and regulatory frameworks that support diversified economies and unlock pathways for nature-positive investment.

As part of the transformational shift outlined in the landmark Kunming-Montréal Global Biodiversity Framework, nature must become central to economic and financial decision-making. Given the immense societal and financial risk linked to biodiversity collapse, the health of ecosystems can no longer be ignored, and their value should be fully accounted for.

Delivering remarks to the 15th Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity in Montréal, UN Secretary-General António Guterres relayed:

“Because the loss of nature and biodiversity comes with a steep human cost. A cost we measure in lost jobs, hunger, diseases and deaths. A cost we measure in the estimated US\$3 trillion in annual losses by 2030 from ecosystem degradation. A cost we measure in higher prices for water, food and energy. And a cost we measure in the deeply unjust and incalculable losses to the poorest countries, Indigenous populations, women and young people. Those least responsible for this destruction are always the first to feel the impacts. But they are never the last.”

Combined recognition of the value of ecosystems in LDCs and SIDs, highly charged global calls for increased action, and emerging financial trends present an opportunity for nature-positive market approaches that value nature as an asset and incentivize the protection and restoration of critical ecosystems.

1.3 Key Issues, Threats & Drivers of Degradation

⁹ https://unfccc.int/sites/default/files/resource/Climate-Biodiversity%20Convergence_AFD.pdf

¹⁰ <https://www.weforum.org/agenda/2019/05/why-commodity-dependence-is-bad-news-for-all-of-us/>

It is not too late to build a sustainable future where people and nature thrive together. However, this transformation can only be achieved if key drivers of ecosystems and species loss are addressed through greater commitment to adequately resource the protection and management of the world's most precious and irreplaceable places.

The direct drivers of change in nature with the largest global impact have been: changes in land use and agriculture and sea use; direct exploitation of organisms; climate change; pollution; and invasion of alien species. These direct drivers result from an array of underlying causes – the indirect drivers of change – which are in turn underpinned by societal and cultural values, norms, and behaviours that include production and consumption patterns, human population dynamics and trends, trade, technological innovations and local through global governance¹¹. While leading global drivers, including climate change and increasing food systems pressure, are pervasive and growing, ecosystem degradation occurs predominantly at a local level. Therefore, **actions to address drivers must be based on an understanding of local dynamics and how they affect ecosystem degradation and species loss in particular contexts**. Through the identification of primary local drivers, such as those listed in Table 1, the Facility will prioritize investments in solutions that address these key drivers and maximize resources to accelerate protection of the most at-risk and exceptional ecosystems and species, globally.

Table 1 Drivers of Ecosystem Degradation & Species Loss

Global Drivers	Direct Local Drivers	Indirect Drivers
<ul style="list-style-type: none"> Climate change, including changes in temperature, precipitation, and levels of greenhouse gases Global food system pressures and harmful agricultural practices 	<ul style="list-style-type: none"> Land cover/land-use change Natural and human-caused disasters (i.e., Hurricanes, floods, fires, wars, etc.) Unsustainable agriculture, livestock farming, overfishing Deforestation Eutrophication of inland and coastal waters Invasive species and disease Pollution Harmful tourism activities Illegal wildlife trade and poaching Over-exploitation of natural resources Destruction of habitats, including plant, soil, hydrologic, and nutrient resources 	<ul style="list-style-type: none"> Unsustainable consumption and production Development and diffusion of harmful technologies Taxes and subsidies that increase rates of resource consumption and negative externalities. Demographic and sociocultural pressures Inadequate economic institutions and governance mechanisms Lack of knowledge and public awareness Conflicts and epidemics

¹¹ <https://zenodo.org/record/3553579#.Y-sPxOzMI-Q>

Key drivers of ecosystem degradation and biodiversity loss include:

1. Climate Change

Climate change and the myriad of global environmental challenges it causes, such as extreme temperatures, excessive floods, powerful cyclones, and prolonged droughts, will continue to exacerbate the impact of other drivers on nature and human well-being. Climate change is affecting water availability and quality, the agriculture and food sectors, energy production, infrastructure, and health through multiple direct and indirect pathways.

2. Land-Use Change:

Land-use change is the leading cause of biodiversity loss globally. Natural habitats are increasingly converted for human activities, resulting in the destruction and fragmentation of ecosystems as well as critical changes to soil properties and the hydrological balance. This can result in population declines in wildlife species and disruptions in ecosystem services that support human wellbeing, including declining air and water quality, diminishing food security, as well as increased vulnerabilities to natural hazards such as floods and landslides.

3. Unsustainable Agriculture:

Unsustainable agricultural processes, linked with land-use change through conversion of natural habitats to agricultural lands, include overgrazing, inefficient water management and indiscriminate use of chemical fertilizers or pesticides. Degradation of the surrounding ecosystem by these activities further disrupts provision of critical ecosystem services such as clean water, nutritious forage, temperature regulation, soil quality and disaster mitigation. **As the required growth of agricultural production increases with human populations, the pressure on land holdings and surrounding ecosystems will continue to intensify.**

4. Over-use of Natural Resources:

According to the UN Environment Programme's *Global Resources Outlook 2019*, **resource extraction has more than tripled since 1970.** Patterns of unsustainable consumption and production are depleting global natural resource stocks and proliferating negative environmental effects across all stages of the supply chain from extraction, processing, and manufacturing to consumption and waste disposal. Such processes threaten ecological functions and services, leading to land conversion, soil degradation, water shortages, biodiversity loss, and increased pollution.

5. Invasive Species:

Invasive species are classified as organisms that are not indigenous, or native, to a particular area and whose populations are often difficult to control or contain. When introduced

to a new ecosystem, invasive species can become predators, competitors, parasites, and carriers of disease, thereby causing economic and environmental harm. **Increases in the spread of invasive planet and animal species are considered the second most common cause of species extinction, globally.**

6. Unsustainable Tourism:

Unsustainable tourism activities can put enormous pressure on ecosystems and wildlife, leading to increased pollution, soil erosion, habitat loss, sewage and wastewater runoff. While tourism can serve as an important source of funding for conservation, unsustainable and unregulated activities can negatively impact ecosystems, species and local communities, fuelling a cycle of economic, environmental and social instability.

7. Illegal Wildlife Poaching and Trade:

Poaching is an important driver of biodiversity loss and a leading threat to mammals, birds, and several other species groups. While poaching is increasingly pushing iconic species toward extinction, the loss of these critical species within an ecosystem will cause disruptions across the food chain. This risk is further compounded by violent conflict and instability as well as growing and increased connectivity to global markets for wildlife trade.

8. Pollution:

Increased pollutants from anthropogenic activities can significantly disrupt the balance and energy flow of ecosystems. Increased levels of water- and soil-pollutants are often the result of household garbage, manufacturing and agricultural wastes, chemical fertilizers, and oil spills. By contaminating water and soil directly and/or through runoff, harmful pollutants can poison organisms and increase their vulnerabilities to diseases and environmental stressors like cold, drought and salinity.

9. Environmental Hazards:

Natural and anthropogenic hazards such as floods, droughts, desertification, fires, earthquakes and war, can threaten ecological stability and impact species distributions for prolonged periods of time – all of which are amplified as an effect of climate change. Worldwide, natural disasters in 2020 alone produced losses of over \$210 billion, significantly higher than \$166 billion in 2019¹².

1.4 Call to Action

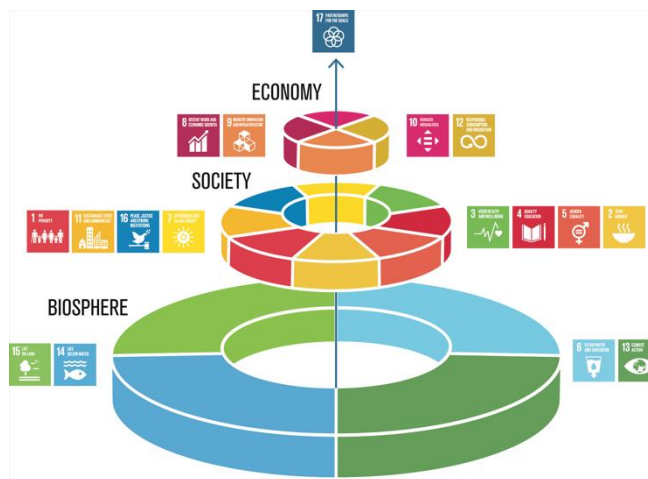
¹² <https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2021/2020-natural-disasters-balance.html>

I. 2030 Agenda for Sustainable Development

In 2015, the global community adopted the 2030 Agenda for Sustainable Development, a development platform agenda with an ambitious set of 17 Sustainable Development Goals (SDGs) focused on people, planet, prosperity, peace, and partnerships. The 2030 Agenda recognizes the interdependence of social inclusion, economic prosperity, and environmental sustainability – the three components of sustainable development. It recognizes that progress on one Goal will affect the achievement of all 16 other SDGs.

Protecting and investing in nature and biodiversity are critical to efforts to advance this integrated global agenda. While addressed most directly in SDG 14 (life below water) and SDG 15 (life on land), species conservation and ecosystem services impact every facet of development, from human health (SDG 3) to food security (SDG 2), to climate adaptation (SDG 13), as well as to peace and security (SDG 16) (see Figure 1). Indeed, at least 50% of the 169 SDG targets requires nature to achieve them. Conversely, biodiversity loss has the potential to limit progress on many of the other Goals. While the connections between nature and SDG achievement are numerous and complex, they are inarguable. It is not possible to achieve economic prosperity, advance social progress or protect human rights at the expense of the environment.

Figure 1 Describes how economies and societies should be seen as embedded parts of the biosphere.



Source: Azote for Stockholm Resilience Centre, Stockholm University CC BY-ND 3.0.

II. The Addis Ababa Action Agenda

The Addis Ababa Action Agenda (AAAA) establishes a strong foundation to support the implementation of the 2030 Agenda for Sustainable Development. It provides a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social, and environmental priorities. The Nature Facility will contribute results across

Focus Area 1 ‘Investing in people in least developed countries: eradicating poverty and building capacity to leave no one behind’; and Focus Area 2 ‘Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve the SDGs.

III. Kunming-Montreal Global Biodiversity Framework

In December 2022, the fifteenth meeting of the Conference of the Parties (COP 15) to the United Nations Convention on Biological Diversity (CBD) convened in Montréal, Canada to negotiate the adoption of the Kunming-Montreal Global Biodiversity Framework. The list of 23 targets is categorised as (a) Reducing Threats to Biodiversity; (b) Meeting People’s Needs Through Sustainable Use and Benefit-Sharing; (c) Tools and Solutions for Implementation and Mainstreaming.

To deliver the interventions and implementation necessary to achieve the ambitious targets outlined in the GBF, tailored and strategic approaches to transformational green and blue economic transition are required. There is a need to rapidly accelerate and upscale action for nature, as we are running out of time before nature loss reaches the tipping point of no return. Governments must be supported to create an enabling environment for nature-positive bankable project pipeline building, investments and market opportunities that create equitable and diversified economic growth. Market participants particularly need to be made more aware of the tremendous risks affiliated with biodiversity loss and be offered improved sustainable investment alternatives to drive this transformation. Through an integrated approach, the Nature Facility will contribute action across the three priority areas of the GBF:

- **Reducing threats to biodiversity:** By promoting and building solutions that address drivers of deforestation and forest degradation and combat biodiversity loss, the project contributes results across Targets 1, 2, 3, 4, and 8, including scaled action towards achieving 30x30 terrestrial objectives.
- **Meeting people’s needs through sustainable use and benefit-sharing:** By supporting integrated nature-positive livelihood solutions that promote sustainable use of terrestrial resources, the Facility contributes environmental, social, and economic results to achieve Targets 9, 10, and 11.
- **Tools and solutions for implementation and mainstreaming:** The Facility sequences funding catalytically to drive nature-positive business models, establish financial mechanisms, and activate private sector investments at scale to deliver results across Targets 14, and 19.

As the future stability of developing countries, including LDCs and SIDs, depends on the protection of critical ecosystem services, supporting countries aiming to sustainably finance the protection of at least 30% of their land and ocean by 2030 will be critical in delivering the GBF targets.

IV. The Doha Programme of Action for the Least Developed Countries 2022-2031

Adopted on 17 March 2022, The Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031 (DPoA) manifests a new generation of renewed and strengthened commitments between the least developed countries and their development partners, including the private sector, civil society, and governments at all levels. Full implementation of the DPoA will help the LDCs to address the ongoing COVID-19 pandemic as well as the resulting negative socio-economic impacts, return to a pathway to achieve the SDGs, address climate change challenges, and makes strides towards sustainable and irreversible graduation.

The DPoA specifically stresses that “measures to restore and improve the sustainable management of key natural resources such as water and land as well as biodiversity are urgently needed.” This commitment to biodiversity action highlights specific interventions including: conserving, sustainably using and restoring natural ecosystems and biodiversity, including through nature-based solutions; sustainable agriculture; sustainable finance instruments such as green bonds and Sustainable Development Goal bonds; incentives for private investment in sustainable opportunities such as: affordable renewable energies; sustainable waste management; and shock-responsive supply chains.

02 Rationale

2.1 Focus on High value Ecosystems

The Nature Facility will focus on the most at-risk and exceptional ecosystems, including those designated or aiming to transition as UNESCO World Heritage sites, recognised for their outstanding natural values, and Biosphere Reserves.

The World Heritage Convention is one of the most successful international instruments to identify and protect the most exceptional natural and cultural places on the planet. These sites are recognised under ten selection criteria for their Outstanding Universal Value (OUV) to humanity. The World Heritage Convention also sets the highest global standards in terms of the

integrity of sites and their management and protection requirements, providing international protection and recognition to terrestrial and marine sites inscribed on UNESCO's World Heritage List¹³, which currently includes an extremely valuable sample of our cultural and natural heritage. Natural and mixed (recognised under both cultural and natural criteria) World Heritage sites must meet one or several of the set natural criteria to be inscribed:

- to contain superlative natural phenomena or areas of exceptional natural beauty and aesthetic importance;
- to be outstanding examples representing major stages of earth's history, including the record of life, significant on-going geological processes in the development of landforms, or significant geomorphic or physiographic features;
- to be outstanding examples representing significant on-going ecological and biological processes in the evolution and development of terrestrial, fresh water, coastal and marine ecosystems and communities of plants and animals;
- to contain the most important and significant natural habitats for in-situ conservation of biological diversity, including those containing threatened species of outstanding universal value from the point of view of science or conservation.

Key information on natural UNESCO World Heritage¹⁴:

- As of January 2023, there are 257 UNESCO WHS recognised for their outstanding natural values, 19 of which are transboundary, in 111 States Parties.
- There are 897 cultural WHS, a fifth of which overlap with Key Biodiversity areas.
- Currently, 16 natural World Heritage sites are included on the List of WHS in Danger¹⁵ for conditions that threaten the very characteristics for which they were inscribed on the World Heritage List.
- UNESCO World Heritage sites are home to:
 - 45% of all threatened mammal species including 1/3 of all remaining elephants, 1/3 of all remaining wild tigers, 10% of all remaining gorillas (including 80% of all remaining mountain gorillas) and 15% of all remaining rhinos.
- Natural UNESCO World Heritage sites provide significant ecosystem services and help tackle climate change:
 - World Heritage forests absorb approximately 190 million tons of CO₂ per year (roughly half of the United Kingdom's carbon emissions from fossil fuels in 2019) and comprise at least 15% of global blue carbon assets.

¹³ <https://whc.unesco.org/en/list/>

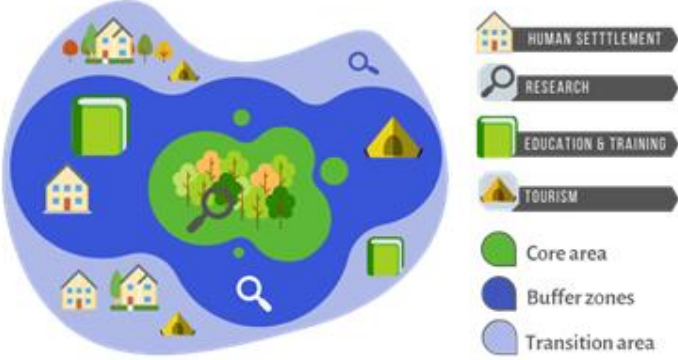
¹⁴ <https://whc.unesco.org/en/natural-world-heritage/>

¹⁵ <https://whc.unesco.org/en/danger/>

The Nature Facility will support ecosystems transforming into **UNESCO Biosphere Reserves** which are ‘learning places for sustainable development’. They are sites for testing interdisciplinary approaches to understanding and managing changes and interactions between social and ecological systems, including conflict prevention and management of biodiversity. They are places that provide local solutions to global challenges. Biosphere reserves include terrestrial, marine and coastal ecosystems. Each site promotes solutions reconciling the conservation of biodiversity with its sustainable use.

- The [World Network of Biosphere Reserves](#) spans over a surface of 6,8 million km² in 129 countries. It's almost the size of Australia.
- There are about 257 million people living in Biosphere Reserves worldwide
- There are 738 biosphere reserves in 134 countries, including 22 transboundary sites. They are distributed as follows:
 - [90 sites in 33 countries in Africa](#)
 - [36 sites in 14 countries in the Arab States](#)
 - [172 sites in 24 countries in Asia and the Pacific](#)
 - [132 sites in 22 countries Latin America and the Caribbean.](#)

Table 2 Biosphere Reserves' three main zones

 <p>The diagram illustrates the three main zones of a Biosphere Reserve. It features a central green circle representing the 'Core area', surrounded by a blue ring representing 'Buffer zones', and an outer light blue area representing the 'Transition area'. Various icons are placed within these zones: houses and trees for 'HUMAN SETTLEMENT', a magnifying glass for 'RESEARCH', a book for 'EDUCATION & TRAINING', and a tent for 'TOURISM'. A legend on the right side of the diagram identifies the colors for each zone: green for Core area, blue for Buffer zones, and light blue for Transition area.</p>	<p>Core Areas</p> <p>It comprises a strictly protected zone that contributes to the conservation of landscapes, ecosystems, species and genetic variation</p> <p>Buffer Zones</p> <p>It surrounds or adjoins the core area(s), and is used for activities compatible with sound ecological practices that can reinforce scientific research, monitoring, training and education.</p> <p>Transition Area</p> <p>The transition area is where communities foster socio-culturally and ecologically sustainable economic and human activities.</p>
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2.2 Why is the Nature Facility Needed?

While there are several initiatives working to catalyse nature-positive investment, there is an urgent need for coordinated and integrated action to deliver financing at the scale and pace necessary to combat widespread biodiversity loss. Global classification systems, including

UNESCO's World Heritage List created under the *Convention Concerning the Protection of the World Cultural and Natural Heritage* (henceforth the World Heritage Convention) and the World Network of Biosphere Reserves, as well as IUCN's Red List of Ecosystems and Species (henceforth referred to as IUCN's Red List), provide evidence-based assessments for targeted conservation action and investment prioritization of the world's most outstanding and vulnerable ecosystems. According to IUCN's Red List, over 40,000 species are threatened with extinction. The List provides critical indicators of the health of the world's biodiversity and will be used to identify the most at-risk species and ecosystems globally.

The successful application of these conservation and assessment tools requires concrete mechanisms to channel capital markets and investors into nature-based solutions, which reduce threats and mitigate the underlying drivers of biodiversity decline. **Despite the growing appetite to commit more funds to projects that conserve or enhance critical ecosystems, private investment has yet to be adequately mobilized or de-risked for effective action at pace and scale through tailored nature-positive investment vehicles.**

According to the IUCN World Heritage Outlook for 2020, **only 50% of Natural World Heritage sites have effective or highly effective protection and management.** Critical aspects of protection and management, such as sustainable financing, effective enforcement, staffing, and general management effectiveness, need sustained support. **Sustainable finance, in particular, has emerged as the most recurring issue rated as of serious concern.** Given their high profile and global visibility, the trends observed in UNESCO World Heritage sites serve as a wider demonstration of the successes and challenges of conservation. Understanding the biodiversity trends and gaps within UNESCO World Heritage sites is therefore an important barometer for informing conservation action, targeting resources, and monitoring impacts over time.

With the ambition to halt and reverse the degradation of the most exceptional and highly vulnerable ecosystems and associated iconic species, the Nature Facility will support and incentivize nature-positive solutions that address local drivers of degradation and accelerate sustainable economic transitions. **The Facility's immediate priority is to collectively pool efforts and resources by establishing a portfolio that demonstrates how innovative nature-positive solutions—incubated and scaled through private investment—can harness the growing potential for blue & green investment and provide capital for conservation activities.** To do so, the Facility will strategically deploy development finance and philanthropic funds to mobilize private capital flows across a global portfolio of at-risk and exceptional ecosystems, with a focus on UNESCO Biosphere Reserves and World Heritage sites recognised for their outstanding natural values.

Backed by the UN, the Nature Facility is uniquely positioned to engage public and private sector actors, including governments, private capital, corporate philanthropies, conservation organizations, and civil society, to achieve the following distinct objectives:

- Support the facilitation of innovative financial mechanisms (bonds, investment funds, payment for ecosystem services, etc.) to effectively de-risk and unlock private investment for the most outstanding sites and at-risk ecosystems and species;
- Drive critical gap financing to build pipelines of bankable sustainable ventures and accelerate the integration of nature-positive models or principles within leading exploitative sectors;
- Provide sustainable income opportunities and enhance the capacities of local systems and societies to transition to more resilient ecological and financial pathways;
- Reduce the dependence on limited and short-term grant funding, enabling long-term planning, sustained management efforts, and effective impact monitoring over time;
- Ensure inclusive benefit sharing for the most vulnerable, including a focus on women and Indigenous peoples, to elevate socioeconomic status and support local peoples in becoming agents of change;
- Demonstrate replicable nature-positive models to be applied across the full range of natural capital assets;
- Bridge together ecosystem-based interventions with strong scientific underpinnings and technologically advanced approaches to monitoring and evaluation – that drive further investment.

It is evident that the path to close the nature financing gap and significantly scale up international support for biodiversity in developing countries can only be forged by moving away from piece meal traditional development projects to leverage and transform the potential of nature assets. While the financial gap is wide and the barriers to entry are complex, **a comprehensive, multi-partner approach through a blended finance demonstration mechanisms like the Nature Facility can succeed and open the path towards long-term climate adaptation and biodiversity protection.**

2.3 Unique Vantage Point

Scale, Focus, and Comprehensive Theory of Change

The Nature Facility, with dedicated large-scale resources, comprehensive design and focus, and evidence-based programmatic theory of change, will allow for focused action in strengthening core areas of action, which include: enabling legislation/policies, institutions, adaptation, mitigation, sustainable transformation of key economic sectors, services, and business models, conflict sensitive approaches as well as enhanced knowledge sharing and capacity building.

Local and National Political Buy-In

The success of the Facility relies on strong coordination between stakeholders and actors at all levels, through active engagement, dialogue and knowledge sharing. Civil society is another repository of information that acts as a mirror to reflect the priorities, dynamics, challenges, and levers of changes in country. It can therefore play a crucial role in leading the design of interventions and facilitating collaboration and negotiations with other stakeholders. The multi-country and multi-regional nature of the Facility, through knowledge and good practice exchange with partners across the public and private sector, will benefit civil societies and contribute to the consolidation of best practices.

The Facility will build on UNDP's global presence in 170 countries to secure strong political commitment in programming countries to ensure the effectiveness and sustainability of interventions and investments. In particular, long-term funding mechanisms will be promoted at a national level, hand in hand with national authorities, and with the technical support of key local partners. Countries will also be encouraged to match and contribute additional resources and national focal points and senior leaders will be invited to champion the mission, encouraging greater collaboration and knowledge sharing while bringing enhanced visibility to the Facility as a whole. Through established consortia of UN agencies, country offices, national governments, civil society organizations and private institutions, the Facility will strengthen implementation efforts at country level and bring about transformative change through a coordinated and integrated manner.

Multi-UN Agency Expertise

The combined efforts of UNDP, UNESCO and UNCDF, together with the involvement of national authorities and communities living in or nearby beneficiary sites, will offer a unique set of expertise and additional funding sources to design innovative solutions for improved protection and management of targeted ecosystems and sites.

UNCDF will bring its expertise in deploying financial instruments and designing tailored investment vehicles to support localities and nature-positive enterprises that are underserved, where development needs are greatest and where resources are scarcest. UNCDF's services will

serve to incubate small and medium-sized enterprises in the transition zone (Table 2) and support the setting up or strengthening of local/national investment funds that will help channel additional funding toward sites.

At the same time, UNDP will bring its knowledge and network of national institutions and technical expertise on ecosystems and biodiversity and linked climate and human development issues. It will offer technical assistance to national authorities and, together with UNCDF and UNESCO, provide the enabling conditions for the implementation of long-term funding mechanisms in favour of biodiversity conservation through policy de-risking, the deployment of first-loss and concessional finance, and innovative finance mechanisms, among others. UNDP's strong relations with Governments at the national, sub-national and local levels in 170 countries and territories, will further enable partners of the Nature Facility to target support and achieve impacts in otherwise hard-to-reach ecosystems that harbour the world's most at-risk species and vulnerable populations.

UNESCO brings its expertise and knowledge on the UNESCO-designated sites and national institutions and authorities charged with their management. This includes UNESCO's expertise in the conservation and management provisions for sites on UNESCO's World Heritage List and on the World Network of Biosphere Reserves, as well as knowledge on conservation priorities as set out through the governance processes. In the case of the World Heritage sites protected under the World Heritage Convention, UNESCO will further use the Reactive Monitoring process which tracks the state of conservation of World Heritage sites to assist in monitoring the effectiveness of the financial flows to create positive outcomes for the target World Heritage landscapes and species. Acting as the Secretariat, UNESCO further facilitates the discussion with the Governing Bodies of the World Heritage Convention including the intergovernmental World Heritage Committee.

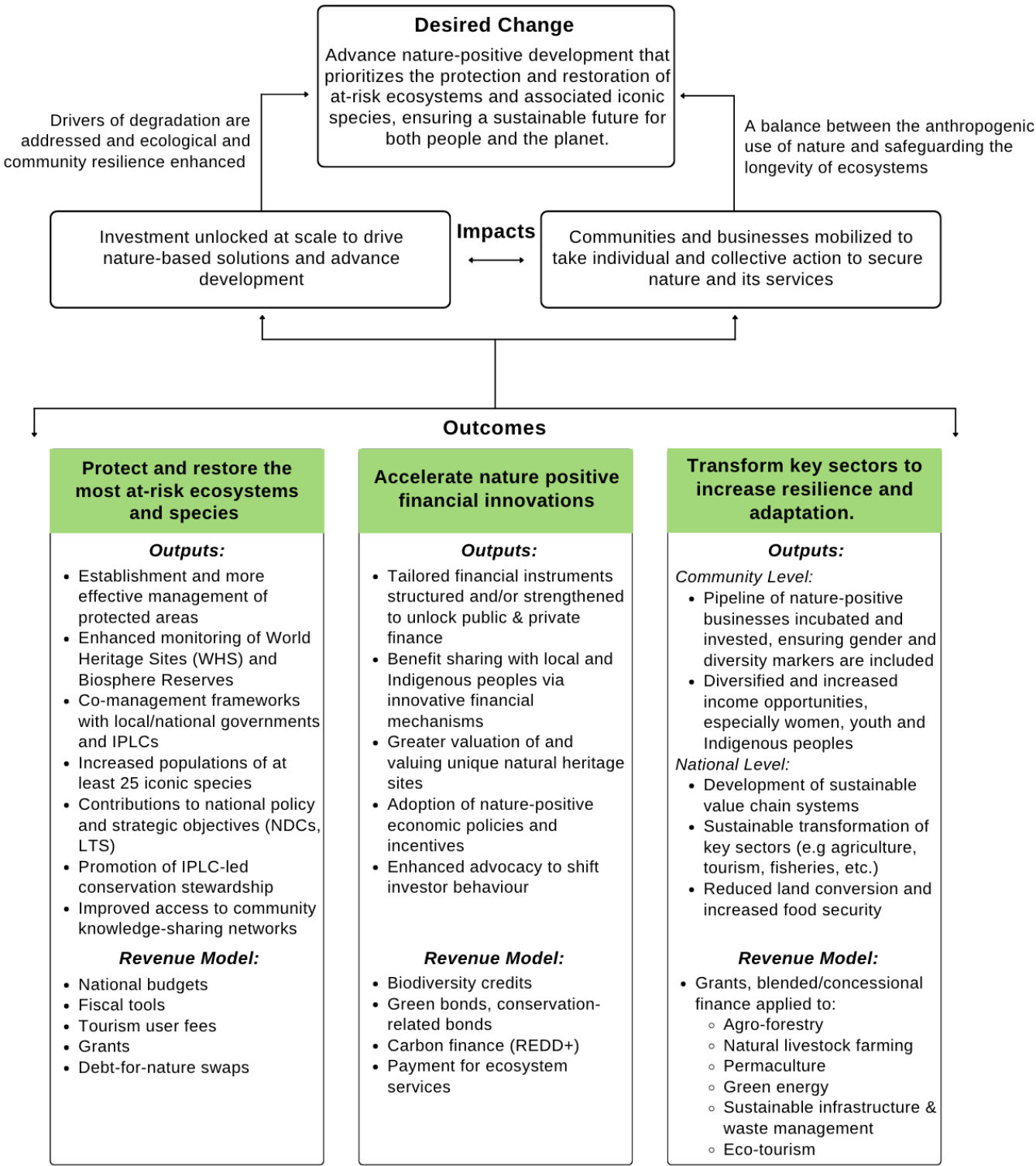
Below is a list of United Nations organizations, programmes, funds and initiatives to support the design and implementation of the Facility:

- [UNCDF Nature Assets Service Line](#)
- [UNDP Biodiversity Finance Initiative \(BIOFIN\)](#)
- [UNDP Climate Promise](#)
- [UNDP Sustainable Finance Hub](#)
- [UNDP Food, Agriculture and Commodities Systems Practice](#)
- [UNDP Accelerator Labs](#)
- [Global ICCA Support Initiative](#)
- [UNESCO Man and the Biosphere Programme](#)
- [UNESCO World Heritage Centre](#)
- [UNEP Climate Finance Unit](#)

** Please refer to Section 5.2 for a further description of the roles of founding agencies*

03 Theory of Change

Figure 2 The Nature Facility’s Theory of Change structure



3.1 Expected Outcomes, Outputs, and Impacts

Nature-positive interventions will be designed to achieve the three outcomes described below. The potential outputs listed will depend on the context of the region and locally determined drivers of degradation. Thus, only an indicative list of outputs is outlined in these Terms of Reference and site-specific programme documents, developed in close collaboration with local/regional practitioners, are to provide full details on expected outputs as well as potential revenue streams.

Outcome 1: Protect and restore priority ecosystems and associated iconic species

Outcome 1 will address core protection and restoration needs of the most at-risk and exceptional ecosystems and iconic species targeting reduction of the main drivers of degradation, to build long-term funding solutions geared toward conservation and development benefits. The prioritization of vulnerable communities, highly biodiverse ecosystems and iconic species serves as an effective means to fortify biodiversity strongholds and create positive knock-on effects across ecological boundaries and buffer zones, thereby enhancing landscape-level diversity of livelihoods and practices, connectivity and sustainable development. In the context of limited available resources, addressing the key causes of degradation of priority ecosystems and species can yield strategic and global benefits for biodiversity and enhance ecological resilience and climate regulation.

The designation of protected areas is a critical tool for safeguarding vulnerable ecosystems and species, as well as the associated services they provide¹⁶. While protected areas (PAs) and ‘other effective area-based conservation mechanisms’ (OECMs), which include UNESCO Natural World Heritage sites and Biosphere Reserves, are now estimated to cover 17% of terrestrial and freshwater environments, they are not yet ecologically representative and not always effectively or equitably managed¹⁷. Both UNESCO designations entail clear provisions and guidance to achieve their conservation objectives, but limited resources and capacities may prevent sites to meet these standards.

Protected areas that are governed by participatory and equitable mechanisms yield significant benefits for nature and communities, which extend beyond the boundaries of protected sites to contribute to the achievement of SDGs at the local, national and regional levels, such as climate and natural disaster mitigation and adaptation, food and water security, disease prevention, and poverty alleviation. To ensure effective management of protected areas, it is

¹⁶ <https://www.cbd.int/doc/c/9b1f/759a/dfcee171bd46b06cc91f6a0d/sbstta-22-l-02-en.pdf>

¹⁷ <https://livereport.protectedplanet.net/>

recognized that sustainable financial pathways and improved, collaborative governance structures must be designed and implemented¹⁸.

Outcome 1 will support the enabling environment for investment and effective implementation of innovative financial mechanisms by supporting improved protected area management systems. Crucial to ensuring the long-term financing of PAs, the Nature Facility will support the development or strengthening of inclusive governance and co-management frameworks with local or national governmental authorities and Indigenous Peoples and local communities (IPLCs), including in buffer zones and protected area landscapes. Inclusive governance and co-management frameworks will serve to promote socially sustainable and effective approaches to conservation that protect human rights, strengthen local ownership, support marginalized stakeholders (women, youth and Indigenous peoples) and contribute to sustained peace and security.

Addressing ecosystem degradation and biodiversity loss will require ambitious and coordinated actions by governments and non-state actors. Outcome 1 will foster collaborative management, long-term benefit sharing, and effective impact monitoring over time, through (among other key activities): resource mobilisation, partnership building, policy de-risking, capacity development, technical assistance, assessment of management effectiveness and institutional capacity, as well critical conservation activities (i.e. Park rangers, training for reforestation, inclusive park delineation etc.) - ensuring the meaningful inclusion of women, youth and Indigenous peoples in decision-making processes. In the case of UNESCO-designated sites, PAs are supported to meet their global conservation and management standards, and monitoring and reporting mechanisms created under these instruments will be deployed for tracking progress, supporting governments to meet their commitments.

In recognizing the economic, social and cultural drivers of ecosystem change as well as local priorities and nuances in the perception of nature and associated protection activities, this outcome will necessitate analysis of and engagement with IPLCs to determine site and issue-specific interventions. That is, the Facility will also empower IPLCs to be co-designers of implementation strategies – incorporating local and indigenous knowledge and values into assessments and sustainable ecosystem management approaches, which is recognized by the IPCC, Paris Climate Change Agreement and Global Biodiversity Framework as essential to achieving global climate, nature and sustainable development goals.

¹⁸ <https://documents1.worldbank.org/curated/en/438031638766355288/pdf/Securing-Sustainable-Financing-for-Conservation-Areas-A-Guide-to-Project-Finance-for-Permanence.pdf>

Outcome 2: Accelerate nature-positive financial innovations.

The Nature Facility will support governments, the private sector, local communities, and other involved stakeholders to navigate novel innovative financing mechanisms and provide enabling conditions so that solutions are provided to halt and reverse the degradation of the most at-risk and exceptional ecosystems. The Facility will further intend to build on successful impacts of relevant programmes across UNDP and its partners, including the Biodiversity Finance Initiative (BIOFIN).

The Facility will aim to scale-up efforts to address the current biodiversity funding gap estimated at \$700 billion per year by identifying and implementing innovative funding mechanisms that channel public and private finance to support the expansion and enhanced management effectiveness of bankable PAs and OECMs. In the case of mobilizing investment in biodiversity and ecosystem services, **the perceived risk and lack of investor familiarity demands that tailored mechanisms and different approaches to ‘blending’ are structured and deployed.** While biodiversity is a new frontier for sustainable finance, several mechanisms have succeeded in catalysing private investment in nature and strengthening enabling investment environments in low- and middle-income countries. Such mechanisms include specialized/pooled investment vehicles, public private partnerships (PPPs), pay-for-success models like impact bonds, thematic bonds (i.e., green, blue, conservation bonds), and debt-for-nature swaps.

The Facility will focus on identifying and distributing contextually relevant financial instruments and investment solutions that ‘move the needle’ on private finance for nature-positive development. Using tailored blended finance approaches to de-risk investments and crowd in private sector finance will scale-up funding for conservation activities and catalyse new nature-positive business solutions that are in alignment with global conservation objectives and countries’ overall sustainable development objectives. The Facility will initially target those sites with the greatest potential to add value through the deployment of innovative financing mechanisms to reach scale; over time, the Facility will support the structures, capacities and market opportunities to bring these solutions to other sites. By allowing for flexibility in the choice and terms of finance instruments based on contextually specific barriers (financial, legal, technical, cultural, political), the Facility will ensure local relevance and improve the effectiveness of blended finance mechanisms for local development.

Addressing context-related barriers will also require early-stage and sustained investments in the enabling environment through technical assistance and capacity building. The funding mechanisms to be promoted by the Nature Facility will vary from one ecosystem to another and, to highlight, the potential of biodiversity credits, conservation-related bonds, REDD+ or payments for ecosystem services will be assessed at a site-level. The list outlined in Section 3.3 is not exhaustive but presents some of the most promising tools to be deployed.

Given the highly nuanced and complex variables for each selected ecosystem (values protected, drivers addressed, culture, socio-economic conditions, etc.), Outcome 2 will foster multi-actor engagement and co-production to effectively select and pilot innovative financing mechanisms that value nature. The institutional, political and cultural context set up for those mechanisms to be successfully implemented will be assessed.

Outcome 3: Transform key sectors to increase resilience and adaptation.

Outcome 3 will promote sustainable ventures and enterprises, encouraging the identification and adoption of sustainable and regenerative alternatives and diversified livelihood opportunities. To address direct and indirect drivers of ecological degradation and species loss, access to sustainable livelihood opportunities will be improved in and notably in the broader setting of the beneficiary sites. Through supporting alternative livelihood models, Outcome 3 will alleviate anthropogenic drivers of biodiversity and ecosystem services loss, providing, or encouraging the use of, alternative resources, occupations, or sustainable methods of natural resource use. New opportunities should be made available for people, irrespective of gender, age, and ethnicity.

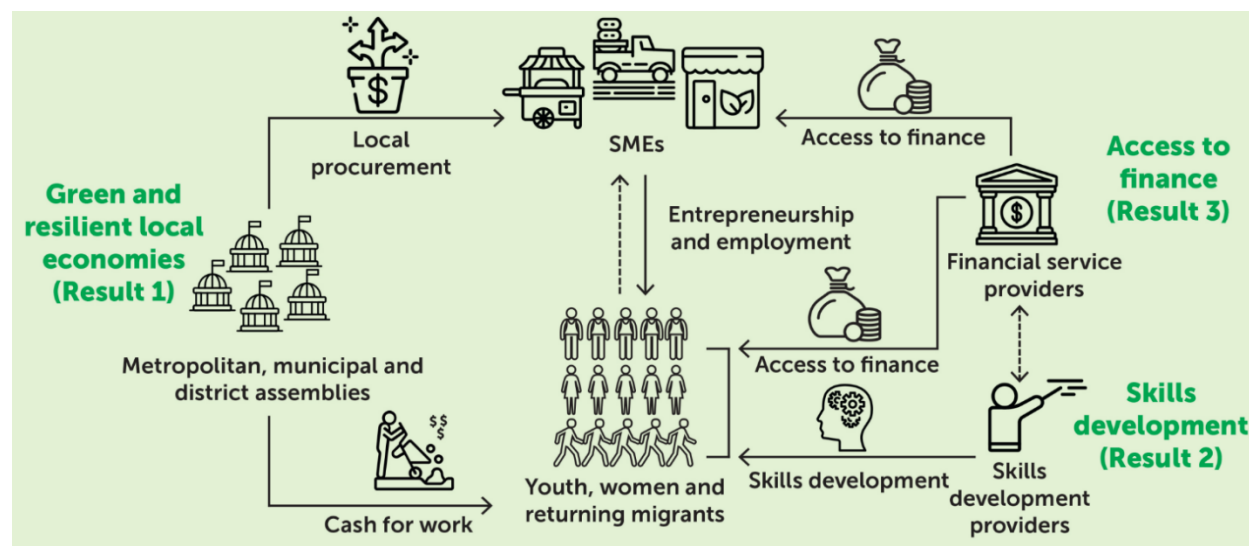
By supporting nature-positive interventions that reduce the underlying drivers of ecological degradation, this outcome will serve to help reverse biodiversity loss, and enhance income generating opportunities, thereby increasing local communities' willingness to engage in a sustainable economic transition¹⁹. Outcome 3 will invest in businesses transitioning to nature-positive practices and accelerate the growth of small and medium-sized enterprises (SMEs) and micro, small and medium enterprises (MSMEs) that deliver nature-positive and socially equitable development outcomes. This outcome aims to build experience and confidence in nature as a sound investment opportunity – showcasing how investor funds can be utilized to transform economies and protect ecosystems in the process of generating returns for investors and increasing capital flows for sustainable development.

With a long-term ambition to accelerate the pace of structural transformation, Outcome 3 will support key sectors' transition towards nature-positive activities. This includes aligning capital markets and sustainable finance with solutions that achieve ecosystem protection and restoration whilst shifting mainstream financial flows away from exploitative activities. Potential sectors include sustainable eco-agroforestry, commodity diversification (i.e. coffee, tea, cocoa), eco-tourism, regenerative agriculture, organic fertilizer, or waste management. Supporting and unlocking strategic investments in these impact-driven sectors in the broader setting of the beneficiary sites will offer new economic opportunities for communities and deter from unsustainable use of natural resources. In the case of the designated conservation sites, the global guidelines, safeguards and provisions of each designation are strictly followed, including by assessing the impacts of planned activities on the site values and avoiding all harm, even when

¹⁹ <https://www.cbd.int/doc/pa/tools/Community-based%20incentives%20for%20nature%20conservation.pdf>

activities may be located away from protected areas. Investments will target the overall landscape, including the buffer and transition zone, with an aim to protect and conserve the core protected zone.

Figure 3 Incubation and Acceleration of Small and Medium-sized Enterprises (SMEs)



Source: [UNCDF, 2020](#)

Outcome 3 will expand implementation of nature-positive solutions by increasing the participation of key local and national stakeholders, as well as attracting private sector actors. The Nature Facility will identify and support the development of pipelines of sustainable revenue models, providing innovative financial solutions, taking the form of concessional and blended finance. Through such locally adapted toolkit of concessionary tools, loans, and guarantees, Outcome 3 will support businesses in developing proof of concepts and achieving investment-readiness, thus serving to demonstrate the viability of these innovative opportunities and overcoming barriers to nature-positive investment over time.

Socially and economically disadvantaged and marginalized groups, including Indigenous peoples, women, and youth, are disproportionately affected by the impacts of environmental degradation and biodiversity loss due to a high reliance on nature for direct consumption and income generation. In addition to ensuring equitable benefit sharing, the Nature Facility will require consultations with IPLCs to identify specific needs or gaps and gauge willingness and the Free, Prior and Informed Consent (FPIC) of the rightsholders to participate in these nature-based financial solutions. Outcome 3 will promote pathways to ‘build back better’ and foster livelihood resilience in the face of global shocks, particularly in low- and middle-income countries. Scoping for opportunities will occur at the site level in close coordination with stakeholders and rightsholders.

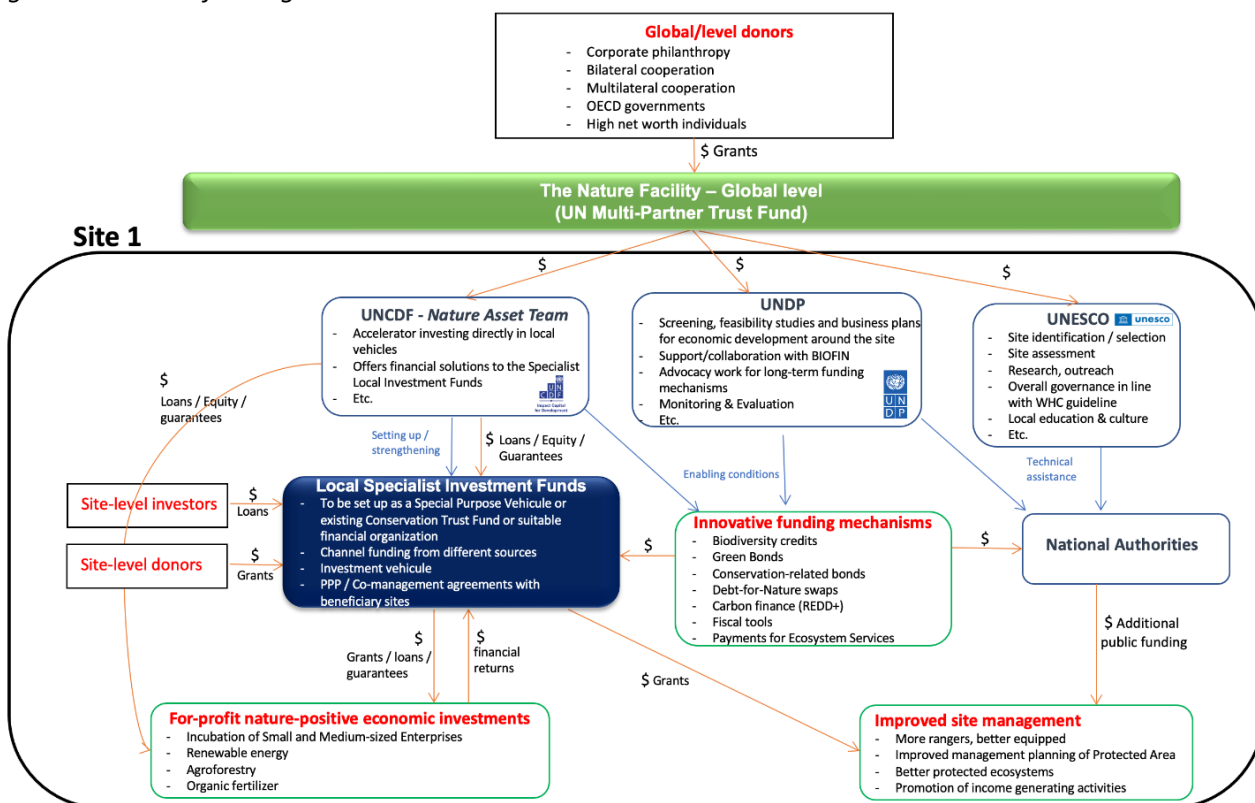
3.3 Funding Pathways & Revenue Generation Strategy

The UNCDF Framework highlights biodiversity finance as severely underfunded and propose to apply UNCDF multidimensional capital mandate to mobilize further public and private, international and domestic finance in LDCs through concessional capital deployment, financial advisory and support for the establishment of innovative funding mechanisms in order to secure increased and steady financial flows in favour of the Nature Facility beneficiary sites.

To increase funding flows in favour of the most exceptional and at-risk ecosystems, several innovative financing mechanisms will be deployed by the Nature Facility. Local 'Specialist Investment Funds' (SIF), that are either already existing or will be set up, serve as the basis of the proposed schemes. Existing Conservation Trust Funds (CTFs) could favourably play that SIF role. CTF are private, legally independent institutions that provide sustainable financing for biodiversity conservation. They have a good knowledge of the economic, environmental, and social context, as well as the threats and opportunities specific to each site. For sites without an active CTF, partnerships will be developed with existing local or national organizations, to be identified on a case-by-case basis, always with the required experience both in the financial and environmental sectors. If no institutions to play the SIF role can be identified, the Nature Facility could set them up when deemed necessary.

The funding pathways will be mostly twofold: the funding of nature positive solutions and the promotion of innovative funding mechanisms (see Figure 5).

Figure 4 Site-level funding structure



I. Funding Nature-Positive Solutions

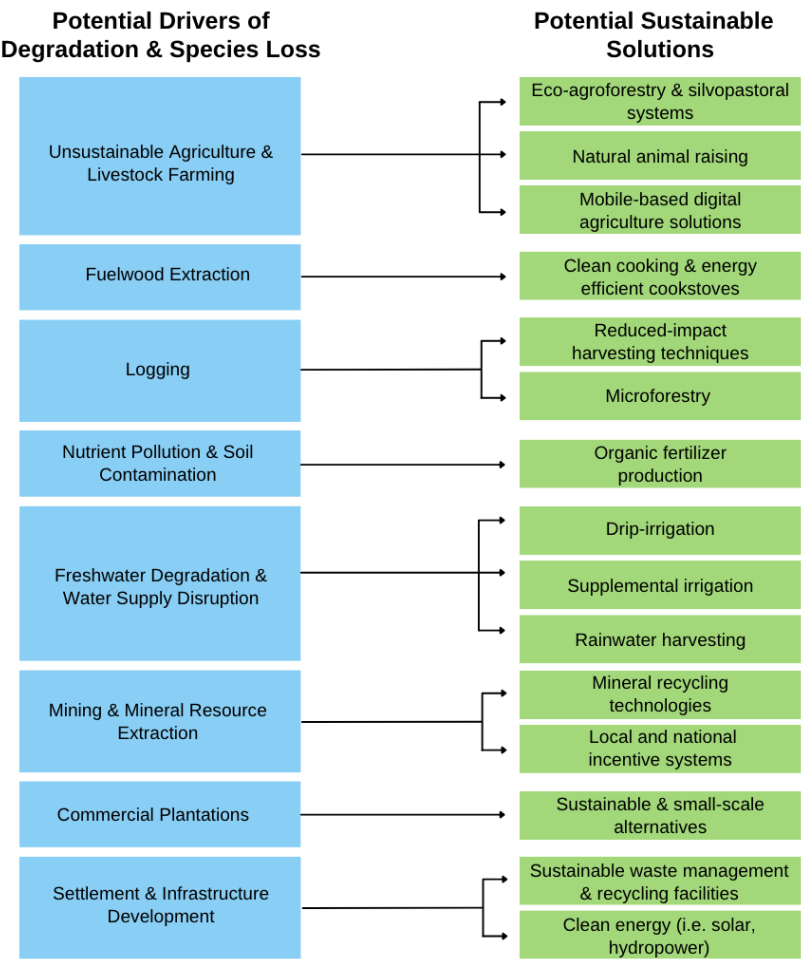
At the landscape level, nature-positive solutions that allow for the restoration or protection of the ecosystem and avoid all harm to site values will be supported, with a focus on the private sector and the development of SMEs & MSMEs. Depending on the opportunities and associated risks, several economic sectors will be eligible, always in line with the conservation objectives and in the interest of the local population, with their prior and informed consent. The level of risk, often considered too high by traditional private investors, will be lowered to an acceptable level through grants and soft loans, both at an international and local level. The Nature Facility will bridge the gap from the limited pools of philanthropic and public sector funding to the much larger private sector funding opportunities that enable nature-positive solutions projects to scale.

The interventions will address the key drivers of biodiversity loss and help protect and enhance ecosystems, and identify funding from investors, financial institutions, and bond issuers.

Criteria for projects eligible for this kind of financing will follow the specific priorities, safeguards and provisions of UNDP’s & UNCDF’s expertise in issuing these types of instruments.²⁰

Enabling environment will be created for nature-positive pipeline solutions, investments and market opportunities that create sustainable, equitable and diversified economic growth.

Figure 5 Potential Sustainable Business Model Solutions that Address Drivers of Degradation & Species Loss.



²⁰ Internationally recognized standards, like the “Biodiversity Finance Reference Guide” developed by the IFC aimed at financial institutions and investors, provides an indicative list of investment projects, activities, and components that help protect, maintain, or enhance biodiversity and ecosystem services, as well as promote the sustainable management of natural resources. The [International Finance Corporation’s Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources](#) could also be an important standard to apply systematically.

Concessional Finance

Concessional finance is a powerful tool that provides support to developing countries. While many countries and people want to take action to protect nature, they are often limited by shortages of funding, poor laws and regulations, or limited market conditions. Concessional finance often comes as a package that supplies low interest loans and provides expertise to overcome technical and institutional barriers. This support reduces risk for transformational projects that otherwise would not be funded. Investments in the private sector will be encouraged and low interest rates that nature-positive developers can afford will be provided.

Concessional finance will be provided by the UNCDF and the Specialist Investment Funds to accelerate sustainable development associated with nature conservation objectives in and around beneficiary sites. The term concessional finance does not represent a single mechanism but comprises a range of below market rate products used to accelerate a biodiversity conservation or development objective. Grants, refundable grants, and guarantees will be offered to convincing initiatives that need to build an initial track record to access more traditional finance. Concessional capital provider will be identified both at an international level and national level. Associated with donations, this will constitute a powerful tool to promote blended finance.

Blended Finance

Blended finance refers to the combination of concessional and commercial funding in private sector-led projects. Its rationale is to support projects with potentially high social and environmental benefits that would not attract funding on strictly commercial terms because of their high risks.

Blended finance will allow to mobilize private resources, build local capacity, and make grants and loans available for local communities and entrepreneurs protecting and restoring the prioritized at-risk and exceptional ecosystems targeted by the Nature Facility. Many of the areas in which private investments could have significant impact are considered too risky by private investors. Blended finance will be used to address risks and encourage private investments that can transform people's lives and contribute toward better protected and more resilient sites and ecosystems.

Blended finance can consolidate grants and donations, both from the public and private sector, at a national and international level.

II. Promotion of Innovative Funding Mechanisms

Innovative financing instruments are often technical and require specific expertise. The Nature Facility will provide best practice and good examples for how governments could navigate

those innovative financing mechanisms and provide an enabling environment for them so that solutions are provided. Where possible, it will complement and build on previous and current efforts done by other stakeholders, including, for example, the Biodiversity Finance Initiative (BIOFIN), which works in 41 countries to develop roadmaps for sustainable finance solutions that protect biodiversity. The Facility offers a concrete mechanism for driving innovative finance in sites or programmes which have already conducted critical scoping and assessments but need sustained support to implement their vision at scale. The funding mechanisms to be set up by the Nature Facility will vary from one ecosystem to another, the list presented below is not exhaustive but presents some of the most promising tools to be deployed.

Biodiversity Credits

Among the instruments in biodiversity finance, emerging attention is being dedicated to the potential of biodiversity credits. “Biodiversity credits”, or “biocredits”, are emerging as a quantifiable unit of biodiversity, supported by a scientific methodology, that can incentivize nature conservation and restoration to benefit marginalized groups living with nature.

More recently, the Biodiversity Credits Alliance (BCA)²¹ is looking to bring clarity and guidance for the formulation of a credible and scalable biodiversity credit market under Global Biodiversity Credit Principles. An Informal Working Group (IWG), composed of BCA founding members, including UNDP, is being established to formulate BCA’s governance structures, formalize BCA’s mandate, and act as its initial representatives during its development.

There are currently discussions on how to define a unit of biodiversity, set prices, generate sales and distribute revenue to local communities and Indigenous People. But all set out to preserve biodiversity that is under threat, restore an ecosystem or landscape or reward conservation efforts taking place at pristine sites.

Green Bonds/Conservation-related bonds

Since the first issuance of green bonds in 2008, the bond market has seen promising innovations and several bond instruments have been structured with a strong focus on energy transition and nature protection, such as forest bonds, blue bonds, rhino bonds, impact bonds, or, more generally, conservation-related bonds linked to key-performance indicators.

Such bonds are issued by governments, financial institutions, or other third-party organizations to raise capital for specific purposes, linked with climate or nature. The issuer of the bond sets the terms, including the price of the bond and interest rate. The price of the bond reflects a market’s perceived risks, and, in some cases, development banks or multilateral

²¹ <https://www.biodiversitycreditalliance.org/>

agencies provide guarantees or other credit enhancements to lower risk and raise the value of the bond. The revenue from bonds is then invested into SMEs, sustainable practices, and any other activity deemed appropriate.

The Nature Facility could promote issuance of bonds, at a global level, for the benefits of the entire network of its beneficiary sites. Alternatively, the Nature Facility could play a key role, at a national level, to advocate for the issuance of conservation-related bonds for the benefit of its beneficiary sites / ecosystems. The proceeds of the bonds could also be managed by the Specialist Local Investment Funds.

Debt-for-Nature Swaps

A debt-for-nature swap (DfNS) cancels all or part of a country's external or commercial debt, converts it to local currency, and uses the funds for conservation. Although negotiations and set up can be quite complex, the general principle is simple and debt-for-nature swaps have been instrumental in financing biodiversity conservation since the early 1990s. Debtor countries generally accept debt-for-nature swaps as they tend to alleviate country debt at a lower than nominal debt value. In other words, subject to negotiation between parties, repayment represents only a fraction of the original debt while still providing significant funding for conservation.

Many low and medium-income countries have reached extraordinarily high levels of debt. According to the IMF, about 60 percent of low-income countries were at high risk or already in debt distress in December 2021, against 30% in 2015. Debt restructuring is likely to be more frequent in the years to come. The Nature Facility could play an important advocacy role, both at an international and national level, for the proceeds of DfNS to be appropriately channelled to key at-risk and exceptional ecosystems. Local or national Specialist Investment Funds could be used to disburse the proceeds in the field.

Carbon finance (REDD+)

Reducing Emissions from Deforestation and forest Degradation (REDD) seeks to reverse trends of increasing rates of deforestation and greenhouse gas emissions. It is a framework through which developing countries, having identified current and/or projected rates of deforestation and forest degradation, are rewarded financially for emission reductions associated with a decrease in the conversion of forest to alternate land uses. In 2010, REDD became REDD+ to reflect new components, including: i) reducing emissions from deforestation; ii) reducing emissions from forest degradation; iii) conservation of forest carbon stocks; iv) sustainable management of forests; v) enhancement of forest carbon stocks.

Carbon finance goes beyond REDD+. In the forest sector, afforestation and reforestation can also be the subject of carbon projects. Beside the forestry sector, projects can be developed to reduce greenhouse gas emissions in several sectors including energy efficiency or renewable energies plants. Always for the benefits of nature livelihoods of local communities, carbon finance will potentially be promoted. No carbon project will be supported without informing, consulting and negotiating with relevant local communities, including by ensuring FPIC as relevant, and any such project should be implemented only if their full approval is given.

The potential of carbon project proposals will be assessed quantitatively by measuring the potential of greenhouse gas emission reductions and, qualitatively, by assessing the social impact and acceptability by local communities. Nature Facility will provide funding and expertise to develop the most encouraging ideas.

Fiscal tools

Revenue-generating and behaviour-changing fiscal instruments can have an important positive impact for the environment. Fiscal instruments are paid by consumers on products or services that are not environmentally friendly to offset their negative impact. Channelling tax revenue toward conservation means reforming existing fiscal instruments or designing new ones. In both cases defining the intended use of revenue is important – either augmenting a general budget or supporting specific biodiversity-related activities. Collected revenues can either be allocated through the government budget or can also be earmarked for the provision of specific goods or services.

Fiscal tools are an opportunity to increase funding for conservation from government budgets and could provide, in many contexts, a new and reliable source of funding for at-risk and exceptional ecosystems. The field of fiscal policies is remarkably diverse, and the Nature Facility could appropriately complement the efforts done by the UNDP²² and other institutions, like the World Bank and the International Monetary Fund, to promote their implementation in key countries. The Nature Facility could offer solutions to channel collected revenues to beneficiary ecosystems, through national Specialist Investment Funds or Conservation Trust Funds.

The Nature Facility could also offer matching funding, for instance from the international private sector (Corporate philanthropy and High net worth individuals). For instance, any additional public revenue allocated to a given site or ecosystem could be matched by the Nature Facility, offering national authorities an additional incentive to invest in ecosystem management.

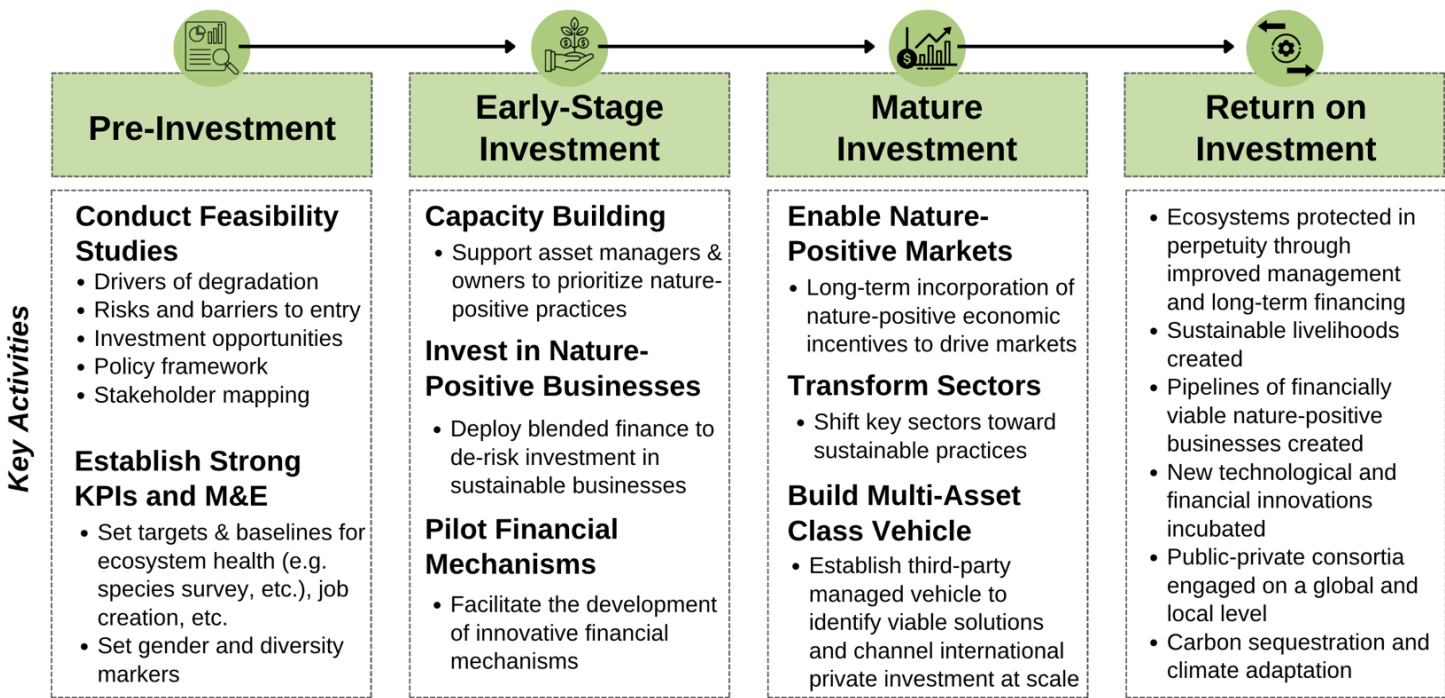
²² See for instance UNDP's [Sustainable Finance Hub](#), the [Integrated National Financing Frameworks](#) and the [G20 Sustainable Finance Working Group](#).

Payments for Ecosystem Services

Payment for Ecosystem Services (PES) is based on a straightforward proposition: pay (or compensate) individuals and communities to adopt new or modify existing behaviour in ways that maintain or increase the health and performance of ecosystem services. PES schemes can be set up at international, national, or local level and consequently vary in scope from narrow market-based approaches, based on direct transactions between providers and beneficiaries, to broader schemes in which parties benefitting from ecosystem services indirectly pay those providing services.

Payment type can range from being an economic rent for doing nothing (e.g., via a no take area) to payment for active improvement of ecosystem services (e.g., planting trees in deforested areas). While most PES schemes operate at a local level, there are a handful of large schemes, mainly in Latin America, that are generally funded by public money. These schemes tend to be recipients of multilateral funding support in the initial stages. For each beneficiary site, the Nature Facility could explore possibilities to set up PES schemes. The Nature Facility could also play a significant role by offering institutional solutions for appropriate and transparent implementation of PES.

6Figure 7 Programmatic Process (to be further refined in Investment Plan)



In line with the strategic objectives of the Nature Facility and its growing consortium of partners, adoption of investment criteria and performance-based measurement frameworks will

be geared toward the achievement of SDG impacts. This includes measurement of Return on Investment (ROI), which is used to refer first-and-foremost to the positive impacts generated for nature conservation, climate adaptation, peace, food security, and development. At the same time, the ambition of the Nature Facility is to facilitate nature-positive economic transformation, providing concrete mechanisms to incentivise and channel private investment in solutions that generate positive environmental and social impacts whilst providing financial returns that ultimately stimulate sustainable development.

04 Governance Structure

The management of the Nature Facility comprises three levels:

- i) Fund Governance (Steering Committee)
- ii) Fund Management (Secretariat), Fund Administration (MPTF Office)
- iii) Fund Implementation (Implementing Organizations)

4.1 Steering Committee

The Steering Committee provides overarching, high-level strategic direction and cohesion for the Facility and ensures effective decision-making and management oversight of all operational and technical aspects of the Facility. The following are the roles and responsibilities of the Steering Committee:

1. Strategic Oversight:
 - a. Set the strategic direction of the Facility and exercise overall accountability for the achievement of Facility objectives;
 - b. Provide a platform for dialogue to further partnerships and advocacy for transformative change;
 - c. Provide high-level strategic guidance to the Secretariat for the identification of priorities to inform the Investment Plans;
 - d. Oversee the annual review of the status of the Nature Facility (including programmatic and financial) and of overall progress against expected results;
 - e. Review mid-term and final evaluations and oversee the Secretariat's response;
 - f. Endorse revisions to the global theory of change;
2. Programmatic Decisions & Oversight:

- a. Oversees the implementation of the Nature Facility Trust Fund, reviews overall performance and approves any revision of the portfolio, as required;
- b. Reviews and approves the Facility policies and rules of procedure (the Standard Operations Manual) that complement the terms of reference (ToR). The rules of procedure may be amended as needed;
- c. Approves the Nature Facility Trust Fund Investment Plans and eligibility criteria, including maximum allocation envelopes, as well as the theory of change;
- d. Approves direct costs budgets, specifically those related to the Nature Facility Secretariat and any support operations, evaluations, and audits;
- e. Approves annual allocations for country programmes based on Secretariat recommendations and technical review;
- f. Regularly reviews the risk-monitoring matrix and provides support for risk management strategy and actions;
- g. Reviews annual and final consolidated narratives and financial reports submitted by the Secretariat;
- h. Commissions, through the Secretariat, evaluations/lessons learned exercises by an independent evaluator on the overall performance of the Nature Facility;

The Steering Committee meets twice a year at a minimum, in person or virtually, or more frequently as required. It can take decisions in its meetings and receive materials through an online internal dedicated management platform (e.g. UNDP SharePoint, Google Drive, etc.). The Steering Committee quorum is reached when two-thirds of its members are present. The Steering Committee agrees upon the programmes of work (decision points) by consensus. In case of non-consensus, agreements on the programmes of work can be made by the Chair with the support of a qualified majority of two-thirds of the members. All members have voting rights.

The Steering Committee will have a rotational chair on a 2-year basis between UN Agencies UNDP, UNCDF, and additional UN participating organizations. Responsibilities of the Chair of the Steering Committee include:

- Convenes meetings of the Steering Committee;
- Endorses the meeting minutes of the Steering Committee;
- Approves all Fund Transfer Requests (FTRs), based on decisions taken by the Steering Committee;
- As needed, circulates decisions for the Steering Committee by email for approval on a non-objection basis.

Permanent 8 members of the Steering Committee include the three UN participating agencies, rotation might be introduced if more UN agencies are joining the facility:

- UNDP

- UNCDF
- UNESCO (Once UNESCO signs the standard UN MPTF MOU)
- UN MPTF office as Ex-officio

Rotation members of the Steering Committee include:

- Private Philanthropy Donors
 - Three seats are available. Founding partners will be assigned one seat in the Steering Committee. The remaining seats are distributed by consensus of Steering Committee members. The process is facilitated by the Secretariat.
- Member States
 - Three seats are available to Member States. One seat is made available for the initial contributor. Additional members are selected by consensus of Steering Committee members. The process is facilitated by the Secretariat.

Country recipient representation is implemented through project specific steering committee.

Apart from these general requirements, any potential conflict of interest should be disclosed to the Chair and members of the Steering Committee prior to decisions that are potentially affected. Conflicts of interest declared or brought to the attention of the Committee after a decision has been made will trigger its prompt re-examination.

The Nature Facility strives to have a diverse, gender-balanced Steering Committee and will encourage partners to appoint representatives of all backgrounds.

4.2 Secretariat

The Secretariat function is hosted by UNDP and is physically located within the UNDP Bureau for Policy and Programme Support (BPPS). It supports the Steering Committee and facilitates the overall operation of the Fund, ensuring strict separation of oversight and execution functions.

The Secretariat holds both technical and operational expertise and will include initial capacity for outreach, communications and programming/fund coordination. A primary role of the Secretariat is to facilitate the approval of initiative/project/programme proposals by the Steering Committee in accordance with the Investment Plans and the allocation envelopes as agreed by the Steering Committee. The Secretariat guarantees that successful proposals have been developed in accordance with agreed-upon programme submission guidelines and criteria specified in the Standard Operations Manual.

The Secretariat is responsible for the following:

1. Programming

- Prepare the Facility's Strategy & Investment Plan;
- Prepare Facility-specific policies such as Investment Principles;
- Screen and approve programme proposals in accordance with the funding priorities and allocations set by the Steering Committee;
- Provide guidance to proponents on proposal development;
- Support the monitoring and evaluation of programme implementation;

2. Resource Mobilization and External Relations

- Developing a fundraising strategy and taking the lead on resource mobilization efforts.
- Developing and promoting investment plans aligned with Fund theory of change and financing models.
- Managing relationships with partners and supporting the Nature Facility governance bodies.
- Engaging new partners at the global level.
- Leading communications, advocacy, and engagement efforts in close partnership with founding UN Agencies

3. Technical Expertise

- Gathering and providing technical expertise, especially on ecosystem-based conservation and strategic priorities.
- Providing information on global breakthroughs in the design proposal stage.
- Offering knowledge management capabilities.
- Support coordination efforts with any relevant global initiatives to avoid overlap or duplication.

4. Operations

- Prepare the Standard Operations Manual;
- Ensure efficient and effective logistical and secretarial support to the Steering Committee. This includes inter alia; planning and preparing meetings, ensuring records of decisions through meeting minutes, and supporting the nominating and election of members;
- Consolidate the narrative reports submitted by Recipient Organizations.

In partnership with the Fund Administrator, the Secretariat will support the due diligence process for all prospective partners according to UNDP's rules and regulations.

The budget required to perform the tasks dedicated to the functions of the Secretariat are agreed and approved annually by the Steering Committee and charged to the Fund account as direct costs ultimately not exceeding three percent of the overall fund capitalization²³.

A Technical Advisory Panel will be established by the Secretariat, consisting of authoritative experts both within and outside the UN system to assist with technical analysis of the programmatic proposals and to provide recommendations to the Steering Committee. The formation and responsibilities of the Panel will be outlined in the Operations Manual.

4.3 Fund Administrator

The Multi-Partner Trust Fund Office (MPTFO) acts as the Administrative Agent (AA) of the 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 UN 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 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 donors that wish to provide financial support to the Fund;
- 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 UN Organizations in accordance with decisions from the Steering Committee, taking into account the budget set out in the approved programmatic document.
- d. Ensure consolidation of statements and reports, based on submissions provided by each Participating UN 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. Provide final reporting, including notification that the Fund has been operationally completed;

²³ The direct cost can be higher during the first years of operation while the Fund is reaching its targeted annual capitalization level.

- f. Disburse funds to any Participating UN Organization for any additional costs of the tasks that the Steering Committee may decide to allocate in accordance with the TOR.

In addition, the MPTFO through its online portal, GATEWAY (<http://mptf.undp.org>), provides real-time financial data generated directly from its accounting system, giving partners and the general public the ability to track contributions, transfers, and expenditures.

The Administrative Agent will be entitled to allocate an administrative fee of one percent (1%) of the amount contributed by each donor signing an Administrative Arrangement, to meet the Administrative Agent's costs of performing the Administrative Agent's functions described in the Memorandum of Understanding.

4.4 Participating UN Organizations (PUNOs)

Fund operations will be implemented by UN organizations.

Each PUNO assumes full programmatic and financial accountability for the funds disbursed to it by the Grant Administrator. 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 PUNOs are to carry out activities outlined in the approved proposal, and in accordance with the regulations, rules, directives and procedures applicable, using their organizational standard implementation modalities. Overall coordination, monitoring and evaluation is to be carried out by the Nature Facility Team with PUNOs providing necessary information and data access.

While respecting individual rules and regulations, PUNOs are to concern themselves with risks of fraud, corruption and other contextual and programmatic hazards as identified by the Nature Facility Steering Committee. PUNOs are expected to be proactive in reporting risks to the Administrative Agent and the Facility's Team.

4.5 Resource Mobilisation, Partnerships & Communications

The Nature Facility can accept donations from Governments, private foundations, international financial institutions, intergovernmental organizations, non-governmental organizations, private sector and individuals. All potential non-state partners will be assessed against the UN's Exclusionary Criteria as well as the UNDP due diligence procedure (as publicly outlined on the [Programme and Operations Policy and Procedures site](#)) prior to a decision regarding partnership with the Nature Facility.

Donors are encouraged to provide un-earmarked funds; however, donors may earmark their allocations for a specific region(s) or outcome(s). Earmarked finances will be reflected in the contribution agreement.

Donations can be accepted in any fully convertible currency as long as 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.

In addition to monetary donations, The Nature Facility will engage key global leadership initiatives and networks to increase visibility of the Fund and to garner support in high-level forums, which may include, among others, the World Economic Forum, G7, G20, Biodiversity COP, Climate COP, Global Compact National Committees, Science-based Targets Initiative (SBTI), etc. As a new and evolving entity, promotion and visibility of the Nature Facility and anchor partners' unique role in catalysing nature-positive investment must be detailed in an ongoing outreach strategy.

While a full outreach strategy will be prepared in 2023, The Nature Facility will amplify outreach efforts through:

- Targeted calls and meetings with potential prospects, tailoring materials and proposals to introduce the Facility, identify key contacts and events for engaging relevant audiences and ongoing prospecting;
- Focused advocacy moments and visibility opportunities in high-level global forums and dedicated biodiversity events or annual celebrations (e.g., Biodiversity Day, Global Citizen, Earth Day, etc;)
- Hosting and participating in dedicated webinars or roundtables and facilitating speaking engagements to continue to build momentum and awareness of the Facility as a mechanism for partners to scale-up results across the GBF targets;
- Engaging public-private networks and aligning with partner brands to produce joint communications materials;

Continued engagement with a broader network of international and domestic private sector entities to tailor messaging for private sector audiences, where relevant.

In order to achieve maximum amplification and reach, communications and advocacy assets (aligned with UNDP's Nature Hub) will serve to generate action to conserve biodiversity at the global level and communicate the unique value proposition of the Facility. Within the first year of operations, the Facility will develop a comprehensive communications strategy, including a plan to engage global and/or regional champions (e.g., Global ambassadors, high-level climate champions, activists, youth advocates, private sector leaders, etc.)

Additionally, to help build the Nature Facility's brand and communicate its impact, programmes supported by the Fund must provide quarterly updates from the field to be shared

with the public and Fund partners (e.g., through newsletters, social media channels, events). The Secretariat will be responsible for collecting communications materials from programmes and managing the Fund's social media channels and digital presence.

05 Programmatic Approach

5.1 Programming Cycle & Windows

Taking into account the large number of expected programmes, regionally diverse investment pipelines, competitive priorities and emerging nature-finance landscape, the Secretariat will be required to structure and detail practical approaches to build on the Facility's strategic vision. The Secretariat, in collaboration with external experts, will therefore develop a comprehensive Investment Plan to be presented for Steering Committee consideration in Q3 2023, elaborating the investment philosophy, strategy and principles of this blended finance vehicle.

Funding will be programmed through a phased cycle with an ambition to raise \$125 million USD in grant funding within the first 5 years and leverage an additional \$375 million USD generated through co-financing. The Facility combines a conservation and market-based approach to programming, which is different from standard Trust Fund operating procedures whose arrangements are centred around cycles of open calls for proposals. This approach assumes the upfront disbursement of resources to the PUNOs so it can carry out the necessary feasibility and pilot studies, oversee pipeline development, provide technical assistance, capacity development, policy advice, and deliver quality assurance and effective impact monitoring for each programme under its purview. The phased approach to conduct programming will be conducted as follows:

Phase I: Development of Fund Investment Plan

The development of a comprehensive Investment Plan will be prepared by the Secretariat and approved by the Steering Committee, in parallel to the elaboration of two pilot programmes, with an aim to refine the scope of the financing strategy up to 2030. The Investment Plan sets specific investment objectives and outlines practical approaches to bridge conservation and sustainable finance objectives for ecological protection, restoration and resilience, including through proposing an effective mix of programmatic and financial modalities. The plan will include clear geographic priorities, a portfolio of concrete and emerging nature-positive businesses and funding mechanisms, a clear timeline for implementation, expected deliverables with indicative costed outputs, associated financial allocation envelope that takes co-financing into consideration as well as outline the role of UNDP Country Offices to support site identification and project design. Completion of the investment plan will be targeted for end of Q1 2024 to allow for discussions with potential additional donors and key partners in the

prioritization exercise. Following the identification of priority sites and ecosystems, carried out by the Secretariat in consultation with Fund Partners, including UNDP, UNCDF, UNESCO, Cartier for Nature and additional founding donors, the Investment Plan will specify priority ecosystem projects in line with the Theory of Change outcomes. As such, the Investment Plan will be used as a strategic tool to demonstrate needs and provide a clear and focused programmatic scope for PUNOs whilst recognizing the need for flexibility for funding allocations and sequencing on an ecosystem-by-ecosystem basis.

The following criteria are covered by the identification exercise:

- Define metrics/criteria for priority at-risk and exceptional ecosystems and associated iconic species (e.g. risk of collapse; degree of integrity and intactness comprising composition, structure and function; threats or drivers of biodiversity; x-number of hectares to be protected; level of species density; biodiversity status ratio, etc.) The World Heritage Convention processes may also be applied here, including the List of World Heritage in Danger and its associated corrective measures, the Reinforced Monitoring Mechanisms and the Reactive Monitoring process (incl. state of conservation reporting).;
- Apply IUCN Red List of Threatened Species to inform and catalyse action for the most threatened species;
- Identify drivers negatively affecting ecosystems and associated species, including recommendations to mitigate (e.g., Unsustainable agriculture, illegal poaching, pollution, etc.). The Reactive Monitoring process of the World Heritage Convention will be utilised.;
- Identify and validate targeted interventions, providing justification;
- Develop investment criteria and principles and complete an area-based financial ecosystem evaluation to guide deal identification, sourcing and pipeline development at country level.

In addition to environmental impact site selection criteria, UNCDF, UNDP and any additional third-party expert will evaluate the ability to operate in selected sites. The Secretariat will issue an expression of interest to carry out an inventory of Specialist Investment Funds in programming regions ready to invest in protecting the targeted ecosystem and equipped with a record of pre-identified scalable revenue generating models. The objective is not to allocate financing off-the-bat but rather scan existing opportunities to inform regional processes and lead to potential future partnerships. The call will be open to any organization and the following criteria will be covered in the inventory (this listing is not exhaustive and will be further refined):

- Impact on drivers and ecosystem and species protection;
- Proposed blended finance mechanisms and overall ratio of grant/working capital;
- Market analysis, revenue potential and financial sustainability;
- Potential for scaling-up and replication;

- Scale of positive impact for ecosystem dependent communities;
- Potential ability for business models to deliver on gender and social inclusion aims.

Phase II: Development of Projects

PNUOs can submit a brief concept note proposal to the Secretariat in alignment with the geographic and investment priorities outlined in the Investment Plan. A template will be made available online for PUNOs to populate.

The minimum requirements for project proposals usually include:

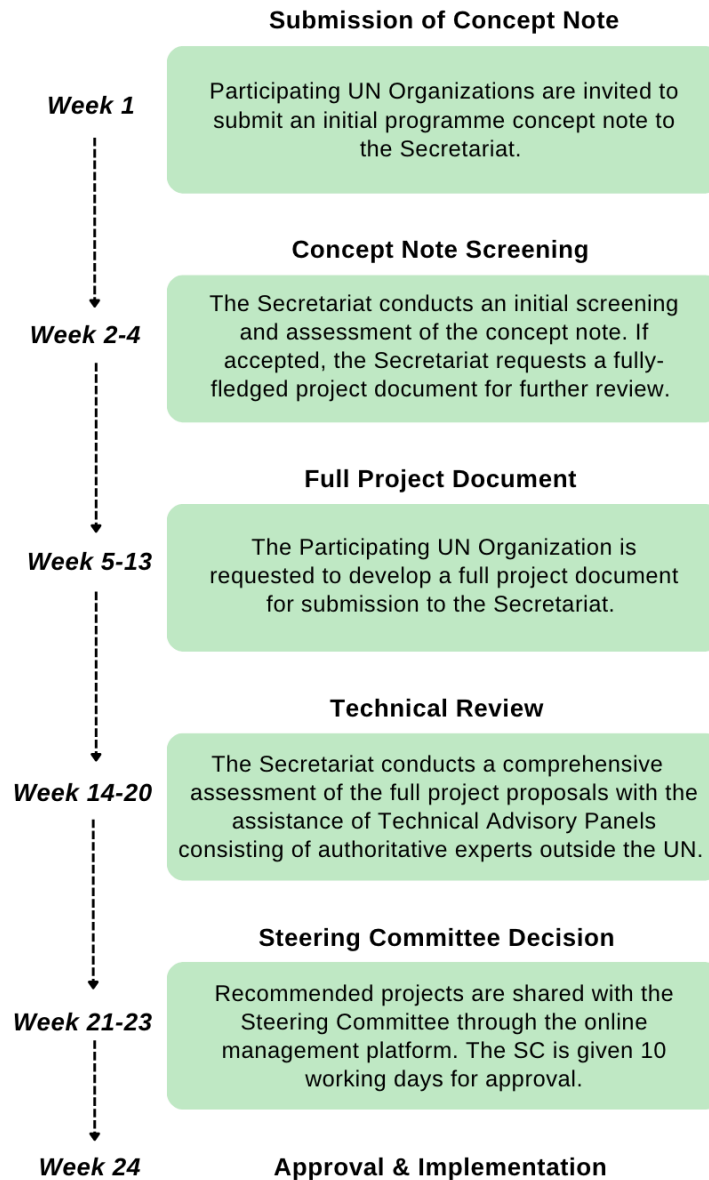
- The key expected results and indicators aligned with the strategic objectives of the Fund, which in turn should be aligned with the objectives as set out for the UNESCO designated sites;
- Proposed activities identified in consultation with beneficiaries;
- Indicative budgets and financial instruments. Budgets will not be exhaustive over the full lifecycle of the programme but rather outline funding over an 18-month period to ensure that organizations can effectively and adequately identify businesses for incubation once second tranche funding can be disbursed;
- Risk analysis and mitigation strategies;
- Proposed executing partners, with a full assessment of listed partners to ensure capacity;
- Geographic scope for implementation.

Each beneficiary site will be subject to a feasibility study (if not already undertaken) that will:

- List existing economic actors initially involved in and around the site;
- Assess the potential to further develop existing ventures or set up new ones;
- Evaluate communities' interest and wishes to initiate nature positive businesses;
- Initiate a policy dialogue at a local, and, if deemed necessary, at a regional and national level, to seek the political and strategical views and development aspirations at the ecosystem level;
- Identify capacity building needs that will potentially be provided by the UNDP, or other relevant third-party provider.

Those feasibility studies will define – or complement – development strategies with the highest possible level of environmental, economic, and social benefits. When necessary, simple business plans will be designed for each initiative, that will expose funding needs, expected financial returns, and identify financial solutions, including concessional and blended finance, to be provided by the UNCDF and other local or national stakeholders.

Figure 9 Programme Approval Process & Timeline



As described in Figure 9, the Facility will follow a sequenced approach to programme proposal assessment and approval to ensure adequate information and clear deliverables in line with the project Theory of Change.

Step 1: Concept Note Screening

The Secretariat conducts an initial screening and assessment of the concept notes. If accepted, the Secretariat requests a fully-fledged project document for further review.

Step 2: Technical Assessment of Project Proposal

The Secretariat conducts a systematic, comprehensive technical assessment of the full project proposals. The Fund will establish Technical Advisory Panels consisting of authoritative experts outside the UN system to assist with technical analysis of the proposals. Per the Operational Guidelines for the implementation of the World Heritage Convention, some project proposals may need appropriate impact assessments should they have adverse impact on World Heritage properties. This depends on the scope and nature of the activity.

Step 3: Steering Committee Approval

The Steering Committee will electronically receive proposals and associated materials (e.g. through SharePoint or Google Drive) and has 10 business days to review proposals. If no objections are raised by the Steering Committee via email within the set time frame, the projects are considered approved. In case of any objections, the proposals will be reviewed in an upcoming or ad hoc Steering Committee meeting with a decision to be taken following additional discussion.

Step 4: Circulation of Approved Projects

The Secretariat shares the final list of approved proposals with the Steering Committee, implementers, contributors, and relevant counterparts. The entire process is transparent, and all relevant documents are available online. The overall process from the project concept clearance, full project development to approval of projects should not take longer than eight months.

Mid-term evaluations will assess whether a programme is on-track to deliver expected outputs and outcomes with respect to timeline and budget. It will apprise management on needed changes in approach and reorientation during the second half of the programme in order to improve results. The mid-term evaluation report will be overseen by Technical Advisory Panels and/or third-party experts, which prepare the management response to the evaluation and formulate any additional recommendations as required by the Steering Committee. The Steering Committee may request programme revisions based on mid-term review recommendations as long as they do not significantly change the scope, objective or priorities of the pre-approved programme. This includes screening of potential business models for viability. The implementing partner will make necessary adjustments to the programme and associated budget and will request the release of the second tranche of payment to the Steering Committee. In the event of mixed performance, the Steering Committee may decide on a no-cost extension.

5.3 Timeline for Implementation

The Facility with the support of a catalytic contribution from funding partners, including Cartier for Nature, will be piloted initially in two priority sites pre-selected by the Secretariat to demonstrate the scalability and replicability of programmatic interventions, as well as to enable quick wins and provide a clear and focused scope for donors and PUNOs. The ambition is to deliver and demonstrate results in selected priority sites, encompassing selected at-risk and exceptional ecosystems, by concentrating resources toward strengthening programmes with a clearly defined investment strategy and enabling environment. Ongoing interventions with demonstrated results can be further scaled up and replicated across multiple sites.

The process and indicative timeline (Figure 11) summarize key steps and target deadlines for pilot interventions which will be 5 years in duration with a mid-term review in 2025. Additional details will be provided in the respective project documents.

Figure 10 Process and timeline for pilot interventions.



5.4 Site Identification Criteria

In addition to the two pre-selected sites, 23 most at-risk and exceptional ecosystems and associated iconic species will be prioritized. Sites will be selected through cross-referencing key frameworks, including the UNESCO World Heritage List, the List of World Heritage in Danger implemented under the World Heritage Convention, UNESCO's World Network of Biosphere Reserves as well as the IUCN Red List of Ecosystems and Red List of Threatened Species.

While specific selection criteria and investment metrics will be outlined in the investment plan, the process will seek to identify key gaps and integrate principles of protecting (i) some of the most exceptional ecosystems and species at risk, (ii) representative protected areas, (iii) intact wilderness, (iv) connectivity, (v) key ecosystem services, and (vi) climate refugia. This spatially explicit assessment is intended as an ecological foundation that, when integrated with social, economic and governance considerations, would support a strong scientific and evidence-based approach for programmatic decision-making and implementation.

5.5 Gender Equality & Social Inclusion

Gender equality and women's empowerment (GEWE) is a programmatic principle for all UN programmes and initiatives. The Facility will thus ensure adequate attention to GEWE in all its efforts, initially targeting GEN1 with the intention to achieve GEN2 cross-functionally. The Facility recognizes that no development initiative is gender neutral, including in nature conservation and green economy, and that the needs and realities of women, men, boys and girls must be adequately addressed and included to avoid gender-blind interventions. Although attention and action towards GEWE is expected by all partners, it is the overall responsibility of the Secretariat to support the development of gender sensitivity, expertise, knowledge and capacity at all levels of the Facility. This may include, inter alia:

- Ensuring gender parity among staff and representation at all governing levels of the Facility;
- Ensuring that gender mainstreaming is included in any operational guidelines;
- Ensuring that a gender analysis is included in the development of investment frameworks;
- Ensuring that the funds governing principles promote equitable access and benefits for women; and men, this includes promoting women-led or focused organizations as PUNOs;
- In project/programme implementation, advocate for the:
 - Consultation with women stakeholders in project development;
 - Inclusion of technical, social and gender expertise throughout the whole of project planning and implementation;
 - Establishment of sex-disaggregated baselines and indicators to measure effects on women;

- Sufficient financial resources allocated towards GEWE.

Furthermore, the provisions of the Operational Guidelines for implementation of the World Heritage Convention as well as the Policy for the Integration of a Sustainable Development Perspective into the Processes of the World Heritage Convention will be fully considered.

5.6 Reporting, Monitoring and Evaluation

For each approved project, PUNOs provide the Secretariat and the Fund Administrative Agent with narrative progress reports, annual financial report and certified final financial statements that have been prepared in accordance with their accounting and reporting procedures, as agreed upon in the legal agreements signed by the Administrative Agent.

The annual and final narrative reports are results-oriented and evidence based. The reports give a summary of results and achievements compared to the expected outcomes in the programme document. Both programmatic and financial performance indicators are monitored at the outcome and output levels.

Within the first phase of the Facility's operations, Fund-level performance indicators, targets and respective means of verification aligned with the strategic outcomes and outputs of the Nature Facility will be fully developed. A Monitoring & Evaluation system will also be prioritized and implemented.

Output Level

Output indicators are specific to each programme and reflect changes in skills or abilities, or the availability of new products and services that can be sourced with the resources provided by the Facility. The performance evaluation against each output indicator takes external factors into account as well as the pre-identified assumptions and risks. PUNOs are responsible for the achievement of the first level of results as well as collecting data and reporting findings.

Outcome Level

Outcome indicators are outlined in Annex 1: The Results Framework. PUNOs are required to report results against identified outcome indicators. Given the understanding that many factors beyond the control of PUNOs may influence results, the evaluation of performance indicators will account for external factors, as well as previously identified assumptions and risks in each theory of change.

Impact level

The monitoring and reporting mechanisms of the World Heritage Convention will be utilised to measure impact on the overall conservation objectives. With the support of UNESCO, PUNOs are requested to use the World Heritage State of Conservation Information System and

other key data resources in assessing their overall contributions to conservation of the World Heritage landscapes and liaise with the national authorities responsible for management and protection of UNESCO-designated sites as appropriate. UNESCO will support the overall global analysis on the state of conservation of the beneficiary sites through the existing Convention processes.

Performance Assessment

The Secretariat is responsible for consolidating the data reported by the PUNOs, together with the reported financial expenditures, into a single monitoring and evaluation scorecard. The Steering Committee uses this tool to review overall progress against expected results and to assess the achievement of performance targets defined in the project document.

External evaluations are required to assess the performance of each programme, and will be conducted on a mid-term basis and, if necessary, at the time of programme closure. Evaluations are used to analyse programme performance and test the theories of change. Mid-term and final independent evaluations will be commissioned by the Steering Committee to assess the overall performance of the Facility, inclusive of its design, management, and overall performance against global objectives. During this evaluation specific recommendations may be provided to the Operational Steering Committee to guide any revisions to the theory of change, governance arrangements, and/or programming cycles.

Amendments and Lifespan

Changes to the Terms of Reference can be introduced from time to time and will require the approval of the Steering Committee.

06 Risk Analysis

6.1 Identification of Risks and Mitigation Measures

RISKS	MITIGATION MEASURES
CONTEXTUAL RISKS	
<u>Conflict</u> and safety/political insecurity situation in some countries where the funded initiatives are being implemented negatively affect implementation.	<p>In some countries the political, economic, or social situation may be such that conflict or general insecurity may suddenly arise. Associated risks and volatility could negatively affect projects implementation and slow or hinder progress and the achievement of outcomes.</p> <p>For each funded project and initiative, a specific risk management framework will be developed that includes a country/regional assessment of direct and indirect political risks with a focus on possible conflict or instability. Specific risk mitigation measures will be identified and implemented, and risk logs monitored regularly, updated, and acted upon, as needed. All implementation arrangements should be designed to take risks into account and ensure that activities focus on the areas where implementation is realistic and possible.</p>
<u>Natural hazards</u>, extreme weather events exacerbated by climate change slow down or prevent implementation of some initiatives and jeopardize the effectiveness of the introduced measures in supported ecosystems.	<p>Natural hazards, exacerbated by climate change, can have a significant negative impact on ecosystems and biodiversity. If a natural hazard makes work untenable in one site, resources and activities will be redirected on either post-disaster assistance, as appropriate, or redirected towards other, more viable ecosystems and initiatives. Complementary efforts to build adaptive capacities around selected ecosystems will also be essential for maintaining wildlife and biodiversity and ensuring resilience over the longer term. Due diligence through examination of the historical occurrence of natural disasters in project areas will be conducted, and the Fund will avoid supporting projects in highly disaster-prone areas.</p>
<u>Insufficient political commitment</u> to ensure successful implementation of initiatives for wildlife conservation.	<p>While political commitment is often influenced by a range of factors, highly visible and impactful media campaigns often work well to secure political support, especially if general support from the public is also present. To counter the risk of insufficient political commitment, the global governance</p>

	<p>systems under the UNESCO World Heritage Convention and the UNESCO Man and the Biosphere programmes will be used under UNESCO's leadership to encourage dialogue with the Governing Bodies, States Parties and Member States, as appropriate, and several outreach and awareness campaigns will be designed and launched in key countries. Co-funding by national authorities will systematically be encouraged, which will increase the political commitment and national / local ownership of the initiatives.</p>
PROGRAMMATIC RISKS	
<p><u>Lack of political will and support hinders the efforts to improve ecosystems management.</u></p>	<p>Management of protected areas within and across national boundaries is a prolonged effort that requires extensive engagement at all political levels. In supporting these initiatives, the UN, which include UNESCO as the secretariat to the programmes for internationally designated sites, will draw on its track record of working with governments to facilitate this process. Using the global networks of UNESCO-designated sites and the intergovernmental governance, countries are encouraged to meet their commitments and global standards in conservation and management of the sites. Using its extensive global network of Country Offices with strong links with national governments, NGOs, and the civil society, the UN will work to facilitate the dialogue among relevant stakeholders and build support for improved protected area management. A key part of this engagement will be to demonstrate the benefits that protected areas bring to people and various economic sectors. The UN will bring its capacities and experience in economic valuation, Targeted Scenario Analyses to support decision-making with sound science and data.</p>
<p><u>Resistance or low levels of participation of IPLCs in the funded initiatives.</u></p>	<p>IPLC buy-in and interest will be critical to the successful implementation and the ultimate impact of all funded initiatives. To address this risk, all initiatives will be designed and implemented with IPLC participation and extensive community engagement wherever possible. Investment in the bottom-up and demand-driven initiatives, identified by the IPLCs themselves, will be prioritised. To ensure IPLC support, the focus will be placed on meeting the economic and social needs of communities through investing in wildlife-based economy, 'green jobs' creation, development of investable local development projects, and especially by introducing</p>

	measures to reduce and mitigate human wildlife conflict. The UN and conservation organisations' experience with working on these issues will be fully utilised to identify the most appropriate interventions (culturally, environmentally, and economically). This includes emphasis on working with park authorities to ensure IPLCs are fully consulted and involved in management strategies.
The Fund fails to establish a <u>pipeline of investable projects</u>.	In the early stages the aim is for quick wins, established models, and results that serve as a proof of concept. The Fund will start by supporting projects that have already shown potential for success. As the portfolio grows the Fund may branch out to support riskier projects. The Fund will also take advantage of international networks and partnerships to ensure a steady flow of investments.
<u>Conservation initiatives are ineffective</u> and fail to deliver on their vision and/or mission statements.	Only partners with well-established reputations and commitment to conservation will be authorized to collaborate with the Fund. They will be selected to minimize overlaps in mandates and maximize each other's competencies. The composition and effectiveness of each coalition will be monitored and adjusted to ensure that consensus is built, work is coordinated, and the coalition delivers the maximum possible outcomes.
<u>Economic recessions</u> compromise supported ecosystems and businesses to generate steady revenue streams.	As seen with the COVID-19 health crisis, global disruptions can happen quickly. The 2020 pandemic had serious impacts on conservation efforts around the world that rely heavily on tourism to finance operations. To mitigate this risk the Fund will implement initiatives with diverse portfolios that are not exclusively reliant on tourism.
STRATEGIC AND INSTITUTIONAL RISKS	
The Nature Facility is overwhelmed by the occurrence of <u>unforeseen risks</u>.	<p>A risk management strategy is developed by the Nature Facility Secretariat considering the nature of risks and extend of potential losses. It defines the Fund's risk tolerance, establish policies in relation to identified risks, and determine the risk treatment through mitigation measures or adaptation.</p> <p>At the first level of risk management, the monitoring of risks will be done by the implementing organizations as part of their regular reporting, highlighting the key mitigation or adaptation measures taken in accordance with the risk management strategy and their direct influence on achieving the expected</p>

	<p>results. At the second level of risk management, the Secretariat will consolidate the risk mitigation measures and the reporting in a Risk Dashboard which will be presented to the Steering Committee for approval annually. A particular attention will be given to risks arising from conflict situations and insecurity in several of the countries supported by the Fund.</p>
<p>The Nature Facility is not able to <u>mobilize sufficient resources</u> or interest from businesses to reach optimal operational levels and to operate at full capacity.</p>	<p>In order to mobilize the required resources, the Nature Facility will identify and secure several revenue streams, involving public and private donors, private investors and promoting, over time, the deployment of innovative financing mechanisms.</p> <p>Regarding the participation of the private sector, which is key for this Facility, it is expected that industry leaders will use their existing clients and professional networks to engage additional businesses to participate in the Fund and increase the overall awareness of the Nature Facility. Blended Finance schemes will be promoted to maximize strategic use of conservation finance and allow an easier participation of the private investors. The search of international guarantees to de-risk conservation initiatives will also be encouraged.</p> <p>The Fund participants will monitor the funding available in a systematic manner and on regular, agreed periods. It will ensure that the Fund commits to provisioning all initiatives only if a minimal threshold of funding/ revenue is generated that is sufficient to sustain each initiative for the entire implementation period. If not, then only some initiatives will be funded.</p>
<p>The branding and outreach activities supporting the Nature Facility advertising campaign are designed and/or used in a way that causes <u>reputational risks</u>.</p>	<p>The use of accompanying branding and outreach activities will be monitored and reported on to ensure that there is no misuse that could cause reputational damage for UNESCO, UNDP and its partners through 'blue or green washing.' The messages will keep focus on meaningful activities designed to lessen the plight of wildlife and highlight the benefits of wildlife to human well-being.</p>
<p>The Nature Facility is <u>mismanaged</u> and/or lacks sufficient management capacity, compromising its</p>	<p>UNDP has strict Trust Fund management procedures in place to mitigate this risk. All applicable policies and procedures will be implemented to ensure full oversight of the Fund as well as full reporting, transparency and accountability. Upon Fund</p>

operations and causing reputational risks.	capitalization, a higher management capacity will reflect the growing demands of the Secretariat.
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Annex I: Results Framework

Outcome 1: Protect and restore most at-risk ecosystems and species	
Indicator	Rationale
1.1 Area (ha) of ecosystems and buffer zones under improved management with a biodiversity conservation focus	The need to report on the areas covered by the facility, disaggregated by types of ecosystems, zones (protected area, buffer zone, other) and other relevant parameters.
1.2 Evolution of iconic species populations living in protected areas before and after interventions	Conducting census of key flagship species will help assess ecosystems health and report on iconic species targeted by the Nature Facility.
1.3 Number and magnitude of risks that the beneficiary sites are exposed to	The Nature Facility has the ambition to address local drivers of degradation. Quantitative / qualitative risks analysis should be performed regularly.
1.4 Number of people living in or around the beneficiary site and number of people living in the country of the beneficiary site	The Nature Facility has the ambition to have a positive impact for as many people as possible. Protected areas buffer zones are not always well defined, and census data is not always available, estimates may be sufficient for that indicator.
1.5 Evolution of the number of rangers for Protected Area surveillance activities	The number of rangers is a good indicator of the conservation effort made in any specific Protected Area. The total number of rangers should be disaggregated by gender, age and other relevant social categories.
1.6 Evolution of the number of women, youth, and indigenous peoples engaged in programme monitoring, evaluation, and learning	Monitoring and evaluation efforts ideally involve local communities and indigenous people. Their increased participation should be encouraged by the Nature Facility.
1.7 Number and impact of pro-ecosystem policies or measures taken by the park authorities, local or national administrations	The conservation of ecosystems often requires the modification or the adoption of new laws and regulations. The Nature Facility should be active in the overarching legal framework when necessary.

1.8 Existence and implementation of an updated protected area management plan and business plan	Securing biodiversity conservation of protected areas implies the existence of well-tailored management plan which sets out the management approach, goals, and describes actions needed to ensure that the PA achieves the purpose for which it was established. The business plan focuses on the financial aspects and on how to resource the delivery of the management plan. Those documents are key for the success of any Protected Area and the Nature Facility should secure their existence and implementation.
1.9 Evolution of the Management Effectiveness Tracking Tool (METT) score	The METT is a rapid assessment based on a scorecard questionnaire. It is used to report progress towards the Convention on Biological Diversity and to assess protected area management effectiveness. The Nature Facility should regularly assess progress made using this methodology.

Outcome 2: Accelerate nature-positive financial innovations	
Indicator	Rationale
2.1 Estimated funding gap for site conservation and its evolution	Identifying clear financial needs is key for the success of any resource mobilization strategy. The Nature Facility should make sure such information is made available.
2.2 Number a “Specialist Investment Funds” (i.e. Conservation Trust Fund or other investment vehicle), qualified to be operational in the beneficiary site and buffer zone	Most of the innovative funding mechanisms require the existence of a third-party investment fund to raise and channel funding to beneficiary people and beneficiary organizations. The Nature Facility will work in priority with such organizations and actively support their setting up where needed.
2.3 Evolution of public budget allocated to biodiversity protection activities in the beneficiary site	The monitoring of public budget earmarked to the beneficiary site, both in absolute terms and in relative terms, is key to making sure the effort of

	national authorities is rising or, at least, maintained at the same level.
2.4 Number of innovative funding mechanisms potentially pertinent for increasing funding in favor of the beneficiary site, and number of mechanisms put in place	Having an exhaustive picture of the potential mechanisms that can be deployed to reduce the conservation funding gap is a first essential step. Sometimes a single mechanism can be sufficient to finance a given site over a long time, so the number of mechanisms put in place does not necessarily need to be high (but impactful).
2.5 Amount of additional finance mobilized for site conservation through innovative funding mechanisms	Being able to report on the costs and benefits of innovative funding mechanisms is key for their future further deployment. Each beneficiary site should monitor additional financial flows.

Outcome 3: Transform key sectors that increase resilience and adaptation	
Indicator	Rationale
3.1 Number of businesses and associated value chain processes supported for nature-positive impact	The identification and the promotion of nature-positive businesses is key to offer attractive, nature-friendly, development pathways to local communities. For each business, its potential positive impact should be described, both quantitatively and qualitatively.
3.2 Total finance mobilized in favor of nature positive businesses	The finance mobilized can take several forms (grants, loans) and come from distinct types of stakeholders (international cooperation, private investors, etc). Following up the total amounts of finance mobilized for a given beneficiary site is important to demonstrate the additional effort made by the Nature Facility and its stakeholders to improve
3.3 Number of enterprises or local entrepreneurs supported, whose ventures have direct and/or indirect positive impacts for local ecosystem and	More locals employed in sustainable businesses with positive impacts on ecosystems will help reduce the pressure on natural resources and activities that damage ecosystems.

improved livelihoods (disaggregated by age and gender)	
3.4 Number of full-time equivalent jobs created by nature-positive businesses and number of people directly or indirectly benefiting from nature-positive businesses (disaggregated by age and gender).	The creation of as many “Green Jobs” as possible is key to promoting attractive alternatives to the business as usual. This number should be compared with the total population of the given area considered (number of green jobs created per 1000 inhabitants).
3.5 Number of significant success stories amplified through appropriate communication campaigns	Success stories often remain anecdotal and are not sufficiently well disseminated. Replication of successful stories implies appropriate communication, at a local, national, and international level.
3.6 Population Number of people living in households with access to basic services	The objective to improve livelihoods should translate into tangible progress for local communities in terms of access to basic services. When possible, surveys should be regularly conducted to follow up this key indicator.

Annex II: Roles of UN Agencies



The United Nations Development Programme (UNDP)

UNDP works in about 170 countries and territories, helping to achieve the eradication of poverty and the reduction of inequalities and exclusion. UNDP supports countries to develop policies, leadership skills, partnering abilities, institutional capabilities and forge resilient pathways in order to sustain development results. With the UNDP Nature Pledge for 2030, UNDP is accelerating and upscaling its support for over 140 countries to achieve the Global Biodiversity Framework targets. Due to its convening role at all institutional and systems levels, UNDP is uniquely situated to build multi-stakeholder engagements across public and private sectors. Through this Facility, UNDP will play a critical role in addressing the underlying barriers to nature-

positive investment by strengthening capacities at the local, regional and national level and providing an enabling environment for access to sustainable opportunities. UNDP's strong relations with Governments at the sub-national and local levels in 170 countries and territories makes mapping potential markets, including sourcing partners, local deals, and pipelines, efficient and feasible. Furthermore, UNDP is situated to support and incentivize the implementation of nature-positive funding mechanisms wherein local and high-level political buy-in is necessary to enable large-scale investment and innovation. UNDP can make sure appropriate financing instruments make it to the fore—from marketing to education, investment monitoring and evaluation, UNDP communicates best practices to scale success.

Through community awareness and outreach, UNDP will work to catalyse behavioural change at multiple scales through broader advocacy campaigns as well as locally led approaches to cultural reconciliation and environmental stewardship.



The United Nations Capital Development Fund (UNCDF)

The United Nations Capital Development Fund (UNCDF) is the United Nation's flagship catalytic financing entity for the LDCs. With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031. UNCDF aims to design, incubate and strengthen innovative financing mechanisms and systems to contribute to transformational pathways such as green economy, nature assets, digitalization, urbanization, inclusive economies and gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital (deployment, financial & business advisory and catalysation) and development (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) instruments and support applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance). The organization's goal is to reach pockets of poverty where available capital resources are the

scarcest; where development needs are the greatest (collectively, the “last mile”); as well as where benefits from national growth tend to leave people excluded.

UNCDF combines its Sustainable Development Goal financing capabilities, instruments and sector expertise with the wider development and operational capacities of the United Nations development system to deliver more comprehensive and impactful support for the LDCs. UNCDF builds partnerships with private and public actors to achieve greater results and development impact and unlock additional resources.

The toolbox of financial instruments available for UNCDF includes both liquidity, risk-sharing instruments, as well as grants, and technical assistance. Through its Least Developed Countries Investment Platform (LDCIP), UNCDF is mobilising investments in local economies through catalytic loans and guarantees that mitigate risks for public and private investors. The LDCIP relies on UNCDF’s enterprise risk management and investment policies; strengthened due diligence processes for vetting and assessing risks of potential investment opportunities; investment monitoring systems; and dedicated capacity to manage a portfolio of capital investments and ensure robust accountability. The platform has a team of investment professionals with significant transactional expertise in developing countries and impact investing backgrounds. UNCDF will determine what instruments and sequence are needed to incentivize good business practices and catalyse growth on a site-by-site basis.

As part of the transformation needed to fulfil the shared vision outlined in the Global Biodiversity Framework, “living in harmony with nature by 2050”, UNCDF recognizes the critical need to activate UN public-private partnerships in order to accelerate collaboration and resource mobilization for globally significant ecosystems. With this key tenet at the forefront, UNCDF has established a new nature-based financing service line – the Nature Asset Team (NAT) – to identify, promote investment, and build markets for natural assets using its tailored financial vehicles and implementation tools alongside the UN Development System’s expertise to reach 30x30 and sustainable development aims.

NAT is uniquely positioned within UNCDF to build strategic partnerships, co-management frameworks, de-risk private sector investments through alternative financial instruments (concessional loans, bonds, guarantees, etc.), structure sequential implementation through specialised financing vehicles, and provide returns that incentivise market participants to support the protection and transformation of biodiversity.

By providing catalytic finance to support local enterprises and projects, UNCDF aims to prove that investment in at-risk nature assets can be effective and transformative in spite of actual and perceived risks; where the demonstration effect of successful transactions will influence the behaviour of lenders and investors in the local economies of conflict-affected regions. A major finding from recent experience and the flagship report ‘Blended Finance in the LDCs’ is that deploying guarantees and catalytic risk-tolerant capital is the most successful way to unlock follow-on investment. The different financial vehicles designed by UNCDF allow for the

deployment of different revolving financial instruments and tools targeting gaps along the spectrum of the development finance architecture.



The United Nations Educational, Scientific and Cultural Organization (UNESCO)

The Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention) was adopted by UNESCO General Conference in 1972 aimed at the identification, protection, conservation, presentation and transmission to future generations of the cultural and natural heritage considered to be of outstanding universal value to humanity. It has now been ratified by 194 States Parties making it among the international legal treaties with the most parties. To date, 1,154 World Heritage sites are included on the UNESCO World Heritage List providing for a global network in 167 States Parties. While the primary responsibility to implement the Convention is within States Parties, they are assisted by UNESCO World Heritage Centre as the Secretariat and other partners.

The World Heritage Convention protects some of the most outstanding heritage sites on the planet for their cultural and natural value and recognizes that nature and culture are two interconnected dimensions of our heritage. World Heritage sites recognised for their natural value cover over 360 million ha of land and sea across the globe, in all ecosystems, making a significant contribution to biodiversity conservation, and helping to safeguard the important ecosystem services and benefits these sites provide. Therefore, the sites contribute to people's wellbeing in various ways, towards environmental sustainability, resilience and climate change adaptation and mitigation.

The World Heritage Convention supports international cooperation and intergovernmental decision-making and the governance of cultural and natural heritage through its governing bodies, the World Heritage Committee and the General Assembly of States Parties who adopt strategic resolutions and decisions for the implementation of the World Heritage Convention.

The state of conservation of the properties included on UNESCO World Heritage List is regularly reviewed through the Reactive Monitoring and Periodic Reporting processes. Properties inscribed on the World Heritage List that face imminent and ongoing threats are placed on the List of World Heritage in Danger to encourage corrective measures. With focused technical assistance from the World Heritage Centre and other partners, and efforts by State Parties,

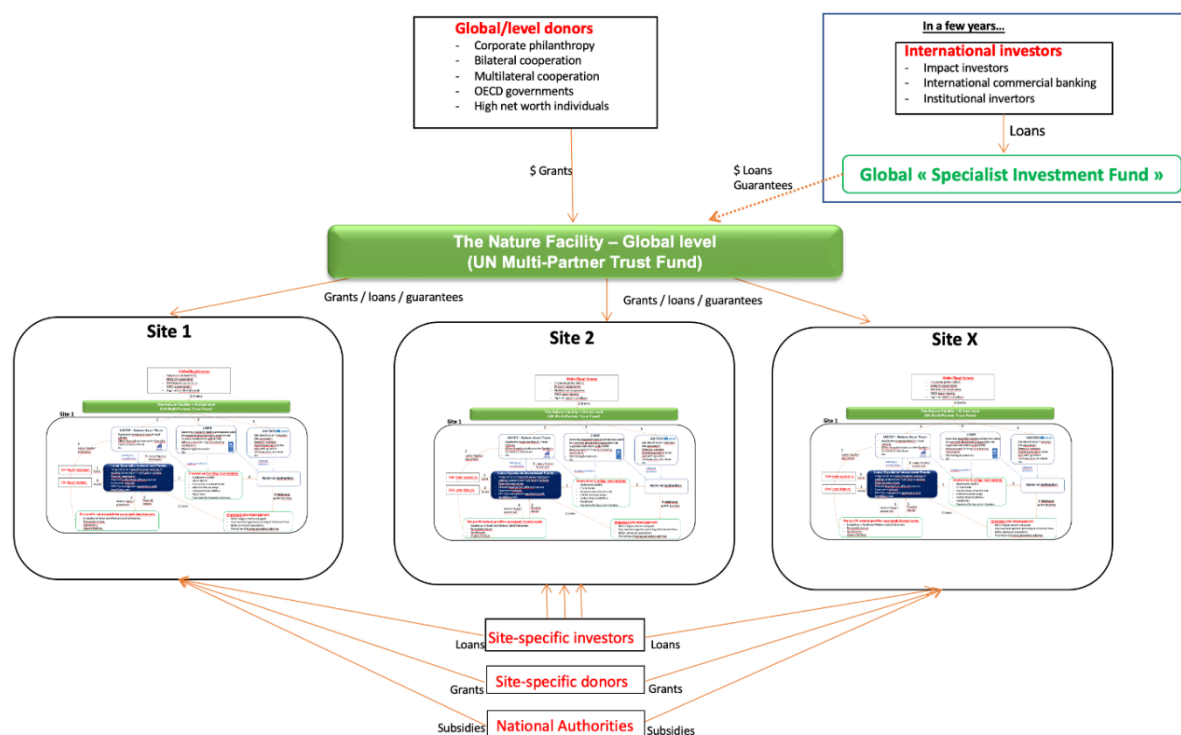
properties can be removed from the List of World Heritage in Danger. Efforts are also made to provide specific support for sites in post-conflict countries.

The World Heritage Convention, with the support of UNESCO and others, also provides support in developing relevant policies and programmes to facilitate the conservation of sites as well as the integration of the sustainable development perspective in the broader framework of management of sites. This has a particular focus on the engagement of communities in the life and management of World Heritage sites and their long-term aspirations for sustainable development at a time when cultural and natural heritage are increasingly exposed to a variety of threats.

The UNESCO World Heritage Centre encourages and assists the States Parties to the World Heritage Convention to take appropriate measures to anticipate, avoid and minimise harm to natural and cultural heritage, consistent with their obligations under the Convention, and has also been encouraging them to mainstream the protection of World Heritage into their national policies, strategies, and processes relating to the environment, disaster reduction, and climate change. Furthermore, States Parties should ensure that biological and cultural diversity, as well as ecosystem services and benefits for people that contribute to environmental sustainability, are protected and enhanced within World Heritage properties, their buffer zones and wider settings, including through the use of environmental, social and cultural impact assessment tools when planning and undertaking projects.

Annex III: Setting up of a Global Specialist Investment Fund

Figure 11 Global-level funding structure



Once the Nature Facility has a robust pipeline of beneficiary sites, a “Global Specialist Investment Fund” (Global SIF) will be created to provide additional financial solutions and services. The Global SIF will be an off balance-sheet mechanism, meaning a third-party managed vehicle, not a UNCDF-managed direct investment operations. The specificities of the Global SIF will be defined in due time, but its main purpose will be to identify additional solutions to channel international private funding to beneficiary sites. The Global SIF will allow to spread the risk between several countries and several sectors. The bundling of financial needs from the field will allow to solicit international commercial banks, international impact investors, or institutional investors. Associated with guarantees, to be negotiated with governments, Multilateral Development Banks or the GCF, the financial capacity of the Nature Facility will be multiplied, together with its positive impact.

The existence of the Global SIF will allow to structure tailored financial instruments targeting the pipeline of beneficiary sites. Ambitious large-scale conservation bonds could be structured and issued, so that institutional investors could step in the sphere of biodiversity finance. The risk level will be spread over several sites and kept at a reasonable level thanks to a mix of blended finance and guarantees. The financial instruments to be structured should resonate to the wider public and possibly vetted by UNESCO.