

STAP SCREENING TEMPLATE

GEF ID	11324
Project title	Innovative use of financial instruments for Biodiversity Conservation and Restoration in Latin America and the Caribbean
Date of screen	January 29, 2024
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1. Summary of STAP's views of the project

STAP welcomes the blended finance project on biodiversity conservation and restoration in Latin America and the Caribbean. The project aims to establish a Regional Facility to support three countries to access blended finance to set up Conservation Trust Funds (CTFs) and implement Debt for Nature Conservation Arrangements (DFNC). STAP particularly appreciates the intent to establish endowments for durability in each CTF.

Because of countries' significant responsibilities in achieving global environment benefits once the CTFs are established, the criteria for selecting the country proposals presents an excellent opportunity to ensure blended finance is focused on GEB impacts. STAP supports the criteria presented and suggests several ways it could be strengthened. STAP is pleased the Inter-American Development Bank will consult the GEF secretariat during its Quality and Risk Review (QRR) stage to ensure the criteria have been met in the country proposals.

Additionally, the project demonstrates sound potential to generate learning about the impact of blended finance on biodiversity conservation. To do this, adaptive governance and learning must be central features of the project. Without learning, the project's scaling ambition may not be realized.

Note to STAP screeners: a summary of STAP's view of the project (not of the project itself), covering both strengths and weaknesses.

STAP's assessment

- Concur - STAP acknowledges that the concept has scientific and technical merit
- Minor - STAP has identified some scientific and technical points to be addressed in project design
- Major - STAP has identified significant concerns to be addressed in project design

Please contact the STAP Secretariat if you would like to discuss.

2. Project rationale, and project description – are they sound?

See annex on STAP's screening guidelines.

The project rationale focused on setting up a Regional Facility that will support countries achieve their biodiversity commitments under the Global Biodiversity Framework. The Facility will support three countries in Latin America and the Caribbean (LAC) region, which will be selected at a later stage. For this reason, the project context broadly described how the LAC region harbors globally important terrestrial and marine biodiversity. An overview was also provided of the drivers influencing biodiversity loss and ecosystem degradation, including how negative impacts from population growth trigger deforestation, habitat loss, and overfishing.

A description was included of plausible interactions between biodiversity loss and climate change impacts on LAC populations. When the project is submitted for approval, however, it will be necessary to provide a detailed description of the socioecological systems being targeted in the three countries, including the drivers of change that are influencing these systems.

Furthermore, although the rationale begins to describe the aspirations of what transition (alternative) pathways could be achieved in 2050 to tackle biodiversity loss, this future planning will need revisiting based on climate,

biodiversity, demographic, and other recent socioeconomic data for each country – specifically, each CTF plan will need to take account of these issues in their own context, and here a CTF-specific theory of change will help. At the level of this proposal, it would be sufficient to indicate that this will be done, and proper consideration will be given to these drivers, for example by deploying simple future narratives to ensure that proposed conservation activities are robust to future change.

STAP appreciates the comprehensive descriptions of the barriers. In the case of barrier 4, the description touched on, or moved to, baseline and additionality issues. A valuable description with concrete examples was provided of the Inter-American Development Bank’s (IADB) experience with supporting countries via Policy Based Guarantees (PBG) – a financial instrument that will support the enabling environment for the Conservation Trust Funds (CTF) and the Debt For Nature Conservation (DFNC) arrangements in each country. This description was also helpful in understanding the GEF’s financial additionality, as well as the financial governance set-up of the DFNC.

However, whilst appreciating the exploration of an innovative design, it did strike STAP as odd, or confusing, that in the first phase of the project the GEF *might* find its funding deployed to cover defaults on a country’s ‘guaranteed instrument’ that possibly might not have anything to do with environmental outcomes (for all that the benefits of reducing debt are then ploughed into conservation); this concern is somewhat mitigated by IADB’s assertion (p.44) that “no country has ever defaulted on IADB/called an IADB guarantee” (though this might raise the issue in turn of why these instruments require a publicly-funded guarantee if they are reliable). It would help to clarify if this view is erroneous.

The selection criteria for receiving support from the Regional Facility is described at the outset of the project description section. Careful attention to CTF’s governance will be necessary in the selection criteria, as well as attention to the logic of country projects.

With regards to this project’s logic, a theory of change is provided. There are several hypotheses about the impact of blended finance on stakeholders and environmental benefits that deserve attention during the project design. Furthermore, the project logic may need to be revisited once the countries have been selected, and the governance and stakeholder plans have been developed, to ensure it supports appropriately the operation of each country’s CTF and the capacities of countries to deliver biodiversity benefits.

Below, STAP details further its advice.

Note: provide a general appraisal, asking whether relevant screening guideline questions have been addressed adequately – not all the questions will be relevant to all proposals; no need to comment on every question, only those needing more attention, noting any done very well, but ensure that all are considered. Comments should be helpful, evaluative, and qualitative, rather than yes/no.

3. Specific points to be addressed, and suggestions

To strengthen the project, STAP recommends addressing the following issues during the design:

- STAP understands the project will support countries to generate biodiversity conservation outcomes aligned with the Global Biodiversity Framework’s (GBF) targets 1, 2, 3, and 19. The project objective (page 20), and GBF target 3, states a reliance on protected areas and OECMs for managing and conserving biodiversity. STAP recommends rephrasing sections of the proposal to consistently reflect that both conservation approaches are an option.
- The Facility’s criteria for selecting countries are a critical opportunity to help countries design projects that deliver GEB outcomes. Thus, STAP recommends amending the criteria as follows:

- STAP is pleased the Facility’s selection criteria includes demonstrating evidence for an enabling environment, under criterion 4. That is, requesting countries to demonstrate commitments to its National Development Plans; the CBD (National Biodiversity Strategies and Action Plans (NBSAPs)), and/or the UNFCCC (Nationally Determined Contributions). In addition to these efforts, STAP recommends encouraging countries to demonstrate a commitment to UNCCD’s Land Degradation Neutrality (LDN) targets because: i) LDN can reinforce countries’ efforts to reduce land use change by avoiding degradation of new areas while rehabilitating, or restoring, land that is already degraded; ii) efforts are being planned to integrate countries’ reporting on NBSAPs with LDN targets in 2024, which ought to further strengthen countries’ enabling environment for biodiversity conservation; and, iii) LDN can complement this project’s efforts on territorial land use planning, as integrated land use planning is a central feature of LDN and valuable for assessing and managing trade offs that can lead to negative spillovers.
- As part of criterion 4, STAP recommends conducting an analysis of policies and regulations that affect biodiversity conservation, which could be an explicit part of IDB’s PBG requirements/technical assistance. Policy misalignment, or perverse incentives, can be responsible for land use change that leads to biodiversity loss. Screening for this misalignment at the subnational, national, and global level (in the case of global commodities, such as beef, soy, cacao, or fisheries) is necessary, therefore, so as not to undermine the impact of blended finance on GEBs. STAP developed advice on policy coherence which can be useful in implementing a policy analysis:
<https://stapgef.org/resources/advisory-documents/policy-coherence-gef>
<https://stapgef.org/resources/policy-briefs/framing-policy-coherence-gef>
- STAP is pleased the CTFs will be assessed using international standards, such as the “Practice Standards for Conservation Trust Funds” (output 2.1.3). To support this project commitment, STAP recommends emphasizing in criterion 8 that it will be necessary for projects to demonstrate equitable, and inclusive, governance structures that incorporate laws, policies, and decision-making arrangements (formal and informal) in support of Indigenous Peoples and Local Communities (IPLCs) living in, or near the protected area the CTF supports. Currently, the criterion is predominantly focused on the financial management system and less on a governance structure that articulates explicitly key actors’ involvement in the co-design, co-implementation, and co-monitoring and evaluation of the CTF. Engaging IPLCs meaningfully throughout the CTF’s governance can result in more durable outcomes.

Additionally, because of the importance of governance to enduring GEBs, as well as financial and social benefits, STAP highly encourages for criterion 8 not to be listed last.

- Because countries have an enormous potential and responsibility to generate GEBs through the CTFs and DFNCs, STAP recommends that countries should be required to include a theory of change and a monitoring and learning plan in their proposals. The purpose is to articulate more precisely, than this overarching project, the logic and learning that should underpin each individual country project. Thus, STAP recommends each proposal articulates the following aspects as part of their theory of change, and learning plan (related to issue v):
 - i. drivers of change, and the context, influencing biodiversity loss;
 - ii. social structures such as *gender, cultural values and norms that characterize the social-ecological system; (*Gender plans are currently envisioned for each country as part of component 2. In addition to these efforts, STAP strongly recommends that gender be embedded throughout the logic of each country’s proposal.)
 - iii. impact pathways for component 2, which focuses on setting up (if not already in place) and managing the CTF, as well as implementing the country’s DFNC strategy.

- The development of the impact pathways ought to demonstrate they are based on stakeholder engagement that is inclusive of effective and equitable governance.
- iv. risks and assumptions along the impact pathways, particularly those that undermine achieving key outcomes. In the case of risks, activities are structured to address resilient outcomes and are informed by simple future narratives. In the case of assumptions, these are formulated as learning questions that will be answered/tested and generate knowledge and learning about the impact of blended finance on biodiversity outcomes in the country, linking this learning to the project's component 3; and,
 - v. monitoring and learning plans based on adaptive governance, which track progress towards equitable and effective biodiversity outcomes, and linking the results to component 3 of this project.

- STAP recommends identifying one, or two, questions based on the key assumptions, that characterize the project logic, and its additionality. For example, these questions/assumptions could be formulated based on this statement that forms part of the additionality: “For the sovereign issuer, on top of the clear environmental benefits of increased PAs, improved environmental management effectiveness and national capacities, it reduces the cost of funding, extends average portfolio maturity and can potentially reduce the debt stock. For the guarantor, it is a more efficient use of its capital because it allows for higher private capital mobilization and more ambitious conservation commitments (CC).”

The questions should be overarching of, and linked to, the assumptions identified in the country proposals.

- STAP notes that the theory of change provided at p.22 is weak at indicating the important impact pathway linkages amongst elements through to delivering GEBs, and at identifying critical assumptions, as noted above. The accompanying text makes it clear that the logical linkages have been mostly thought about well, but STAP would encourage the project to develop a more informative diagram to help communicate the project to changing staff, among other valuable uses which a theory of change presents. In addition, theory of changes for each CTF's specific activities will be essential, as noted above.
- The text on p.24 notes that the Facility's main aim is to “improve management effectiveness and PA expansion with the final goal of preserving species and safeguarding ES” – this is good, but it would be also good to commit to some monitoring of these final goals to ensure that the more proximate actions do lead to these results. This is likely to be different from the GEF GEB core indicators, but necessary for convincing other players to take up this model.
- Component 3 has commendable intentions, but could be a bit deeper, depending on publications and one workshop – it would help to consider a little more deeply what would motivate both investors and other organizers of such blended finance arrangements into scaling this example – maybe some more proactive engagement during the Facility's lifetime, or other. At present, it is “push-communications” (project sends, or pushes, information to stakeholders), rather than developing “pull-communications” (dedicated resource of information, like a website, where stakeholders can search for information they are looking for).

Further resources the project team might wish to draw from during the design of this proposal, or pass on to the country's for their proposals are:

<https://stapgef.org/resources/advisory-documents/simple-future-narratives-brief-and-primer>

<https://stapgef.org/resources/advisory-documents/theory-change-primer>

Note: number key points clearly and provide useful information or suggestions, including key literature where relevant. Completed screens should be no more than two or three pages in length.

ANNEX: STAP'S SCREENING GUIDELINES

1. How well does the proposal explain the problem and issues to be addressed in the context of the **system** within which the problem sits and its drivers (e.g. population growth, economic development, climate change, sociocultural and political factors, and technological changes), including how the various components of the system interact?
2. Does the project indicate how **uncertain futures** could unfold (e.g. using simple **narratives**), based on an understanding of the trends and interactions between the key elements of the system and its drivers?
3. Does the project describe the **baseline** problem and how it may evolve in the future in the absence of the project; and then identify the outcomes that the project seeks to achieve, how these outcomes will change the baseline, and what the key **barriers** and **enablers** are to achieving those outcomes?
4. Are the project's **objectives** well formulated and justified in relation to this system context? Is there a convincing explanation as to **why this particular project** has been selected in preference to other options, in the light of how the future may unfold?
5. How well does the **theory of change** provide an "explicit account of how and why the proposed interventions would achieve their intended outcomes and goal, based on outlining a set of key causal pathways arising from the activities and outputs of the interventions and the assumptions underlying these causal connections".
 - Does the project logic show how the project would ensure that expected outcomes are **enduring** and resilient to possible future changes identified in question 2 above, and to the effects of any conflicting policies (see question 9 below).
 - Is the theory of change grounded on a solid scientific foundation, and is it aligned with current scientific knowledge?
 - Does it explicitly consider how any necessary **institutional and behavioral** changes are to be achieved?
 - Does the theory of change diagram convincingly show the overall project logic, including causal pathways and outcomes?
6. Are the project **components** (interventions and activities) identified in the theory of change each described in sufficient detail to discern the main thrust and basis (including scientific) of the proposed solutions, how they address the problem, their justification as a robust solution, and the critical assumptions and risks to achieving them?
7. How likely is the project to generate global environmental benefits which would not have accrued without the GEF project (**additionality**)?
8. Does the project convincingly identify the relevant **stakeholders**, and their anticipated roles and responsibilities? is there an adequate explanation of how stakeholders will contribute to the

development and implementation of the project, and how they will benefit from the project to ensure enduring global environmental benefits, e.g. through co-benefits?

9. Does the description adequately explain:

- how the project will build on prior investments and complement current investments, both GEF and non-GEF,
- how the project incorporates **lessons learned** from previous projects in the country and region, and more widely from projects addressing similar issues elsewhere; and
- how country policies that are contradictory to the intended outcomes of the project (identified in section C) will be addressed (**policy coherence**)?

10. How adequate is the project's approach to generating, managing and exchanging **knowledge**, and how will lessons learned be captured for adaptive management and for the benefit of future projects?

11. Innovation and transformation:

- If the project is intended to be **innovative**: to what degree is it innovative, how will this ambition be achieved, how will barriers and enablers be addressed, and how might scaling be achieved?
- If the project is intended to be **transformative**: how well do the project's objectives contribute to transformative change, and are they sufficient to contribute to enduring, transformational change at a sufficient scale to deliver a step improvement in one or more GEBs? Is the proposed logic to achieve the goal credible, addressing necessary changes in institutions, social or cultural norms? Are barriers and enablers to scaling be addressed? And how will enduring scaling be achieved?

12. Have **risks** to the project design and implementation been identified appropriately in the risk table in section B, and have suitable mitigation measures been incorporated? (NB: risks to the durability of project outcomes from future changes in drivers should have been reflected in the theory of change and in project design, not in this table.)