BIOFIN
The Biodiversity Finance Initiative

UNDP

Results-Based Budgeting for Biodiversity

A guidebook

Aligning and achieving global diversity goals through local actions

2024

Acknowledgements

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Acronyms

ASEAN	Association of Southeast Asian Nations
BER	Biodiversity Expenditure Review
BFP	Biodiversity Finance Plan
BIOFIN	Biodiversity Finance Initiative
CBD	United Nations Convention on Biological Diversity
CTF	Conservation Trust Fund
DBCPA	Department of Biodiversity Conservation and Protected Areas (Kyrgyzstan)
EFT	Ecological Fiscal Transfer
EU	European Union
FAPBM	Foundation pour les protégées et la biodiversité de Madagascar
FE	Forest enterprise
FS	Forest Service (Kyrgyzstan)
GBF	Global Biodiversity Framework
GEF	Global Environment Facility
GIZ	Gesellschaft für Internationale Zusammenarbeit (Germany)
IUCN	International Union for Conservation of Nature
KPI	Key performance indicator
LAO	Local Administrative Organization
LGU	Local Government Unit
MED	Ministry of Economic Development (Mongolia)
MEDD	Ministry of Environment and Sustainable Development (Madagascar)
MINFIN	Ministry of Public Finance (Guatemala)
MNRETS	Ministry of Natural Resources, Ecology and Technical Supervision (Kyrgyzstan)
MNT	Mongolian tugrik
MoES	Ministry of Emergency Situations (Kyrgyzstan)

MoF	Ministry of Finance
MONRE	Ministry of Natural Resources and Environment (Viet Nam)
MTBF	Medium-Term Budgeting Framework
NAPA	National Adaptation Plan of Action
NAP	National Adaptation Plan
NBSAP	National Biodiversity Strategy and Action Plan
NCB	National Committee on Conservation and Utilization of Biodiversity (Thailand)
NDC	Nationally Determined Contribution
NIBSAP	Negros Island Biodiversity Strategy and Action Plan (Philippines)
NRUP	Natural Resource Use Payment
NSC	National Steering Committee
OECD	Organisation for Economic Co-operation and Development
PA	Protected area
PAMB	Protected Areas Management Board
PEI	Institutional Strategic Plan (Guatemala)
PFES	Payments for Forest Environment Services
POA	Annual Operational Plan (Guatemala)
POM	Multiannual Operational Plan (Guatemala)
RBB	Results-based budgeting
RGF	Rwanda Green Fund
RSPG	Royal Initiative of Her Royal Highness Princess Maha Chakri Siridhorn
SDG	Sustainable Development Goal
SEGEPLAN	General Secretariat of Planning and Programming of the Presidency (Guatemala)
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound
UNDP	United Nations Development Programme

Executive Summary

In 2022, countries agreed on a series of new global biodiversity targets under the Kunming-Montreal Global Biodiversity Framework (GBF), many of which had remained unachieved or underachieved from the past decade. The global biodiversity finance gap had grown to an estimated US$598 billion to US$824 billion per year. The total spending by all countries is significantly lower, estimated at US$121 billion annually.[1] Around 80 percent of all finance for biodiversity comes from public budgets. It is beyond doubt that public domestic budgets will need to play a major role in achieving the GBF.

Results-based budgeting (RBB) is a strategic approach to budgeting that links funding to specific, measurable results. It ensures that resources are used effectively and efficiently to achieve measurable conservation outcomes. This strategic approach fosters accountability and enhances performance, ultimately leading to better protection and restoration of biodiversity. Biodiversity is not an economic sector, but rather, a global development priority that must be addressed by many major sectors such as agriculture, fisheries tourism and forestry. As such, the approach has the potential to make a major contribution to Target 14 of the GBF.

⇨ **Target 14: Integrate biodiversity in decision-making at every level**

Ensure the full integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, strategic environmental assessments, environmental impact assessments and, as appropriate, national accounting, within and across all levels of government and across all sectors, in particular those with significant impacts on biodiversity, progressively aligning all relevant public and private activities, and fiscal and financial flows with the goals and targets of this framework.

UNDP-BIOFIN was initiated in 2012 to develop a methodology for countries to design national biodiversity finance plans – action agendas to align their finance flows with their national biodiversity goals and to avoid harmful impacts while overall improving the effectiveness of spending. This methodology led to the drafting of the BIOFIN Workbook.[2] It has since grown into a global initiative, engaging 132 countries. Today, the main focus is to support countries with selected financing solutions, of which over 300 are being implemented. The cumulative finance results from this work are over US$600 million.

This guidebook outlines a five-step methodology with multiple entry points that a country can follow in order to transition towards a results-based management approach for biodiversity conservation.

Step 1

Ensure that national biodiversity targets are measurable and achievable

Global biodiversity goals are agreed on, and countries create their national targets that will contribute to achieving these goals during the updating of their national biodiversity action plans (NBSAPs). It will be critical to have very clear and specific targets in the next generation of these plans to facilitate their financing.

Step 2

Cost the national targets by conducting a financial needs assessment

Once national targets are in place, a comprehensive assessment should be undertaken to calculate how much finance would be required to achieve all of them. Hence. It will be possible to determine how much additional finance a country needs to mobilize.

Step 3

Integrate national biodiversity targets into national planning frameworks

Multi-year planning frameworks guide a country's budget allocation. It is essential to integrate the national biodiversity targets as much as possible into medium- and long-term planning frameworks. These targets need to be prioritized based on needs, expected impact and opportunities; however, this integration of these targets cannot be achieved in all country policies.

Step 4

Integrate biodiversity into fiscal frameworks and budgets

The fourth step is the most important, integrating national biodiversity targets into fiscal and budgeting systems. This can be preceded by an expenditure review and budget tagging exercise. It includes capacity development in the development of budgeting proposals and making the case for increasing investments in areas expected to be nature-positive. It can be undertaken at the national or local level.

Step 5

Implement a monitoring and evaluation framework

A monitoring and evaluation framework for results-based budgeting (RBB) in biodiversity ensures accountability and transparency, tracks the effectiveness of initiatives, and provides data for informed decision-making, enabling resource allocation to the most impactful activities.

Introduction

The world is in the midst of a historic transition in public financial management. Fiscal systems have shifted from an input-based approach towards a results-based approach. Planned results are the starting point. Financial needs are then calculated, and resources sought. This has not been an overnight change, but a gradual evolution, spanning decades. Results-based budgeting (RBB) has experienced significant global growth, particularly since the 1990s. By the 2000s, around 75 percent of Organisation for Economic Co-operation and Development (OECD)[3] countries had adopted performance-based budgeting frameworks. RBB is widely implemented in sectors such as health, education and social welfare, especially in developing regions such as Africa, Latin America and Asia, supported by international organizations, for example, the World Bank and the International Monetary Fund. Each country – and within it each sector and government unit – is at various stages of this journey to implement RBB.

Biodiversity faces a unique challenge: it is not considered a separate economic sector with its own specific budget (except for protected area systems), but rather, a critical development priority that all units of government must address with urgency. The Kunming-Montreal Global Biodiversity Framework (GBF), providing a clear set of global targets that countries have committed to achieve, presents an unprecedented opportunity to scale up RBB for biodiversity. UNDP's Nature Pledge calls for the integration of nature into all public and private budgets.

Results-based planning and budgeting are an approach where defined results are the starting point. Creating specific targets is the first step. For biodiversity, national targets need to be aligned with the GBF. Each country responds to the GBF by designing its own unique targets, tailored to the national context, as part of the development of updated national biodiversity action plans (NBSAPs). The next step, which has been neglected in most countries in the past, consists of integrating these targets into national and local budgeting frameworks. This step is essential for adequate financing and implementation of national biodiversity actions. Around 80 percent of all finance for biodiversity is currently coming from public budgets. Regarding the issue of biodiversity conservation, results-based approaches were piloted for protected areas (PAs) but less so for integrating biodiversity into agriculture, fisheries or other key sectors, which many countries have found to be among the highest spending priorities for biodiversity.

RBB for biodiversity not only involves financing, but also requires results-based planning. It is also not limited to focusing on biodiversity goals alone. The identification and determination of biodiversity investment impacts towards achieving all of the Sustainable Development Goals (SDGs) is part of a highly integrated approach. This involves identifying the current benefits from biodiversity investments for all SDGs in order to make a strong case for investing in nature.[4] It guides countries in identifying a wide range of positive SDG impacts that any biodiversity investment can generate in areas, such as climate change adaptation, improved health, job creation, flood protection and many others. In addition, it helps identify biodiversity benefits and potential harm in all major sectoral investments, helping to advocate for increasing nature-positive investments and avoid green harmful spending.

BIOFIN
The Biodiversity Finance Initiative

BIOFIN, the Biodiversity Finance Initiative

The Biodiversity Finance Initiative (BIOFIN) is a global community of practice bringing together 132 countries with the aim of designing and implementing national biodiversity finance plans (BFPs).

This is achieved by following the BIOFIN Workbook, which consists of: (i) assessing the current finance and policy landscape, drivers of loss and gain, and harmful subsidies; (i) conducting a biodiversity expenditure review; (iii) conducting a financial needs assessment; (iv) designing the the national BFP; and (iv) implementing the national BFP.

The first cohort of countries that implemented their plans from around 2019–2020 achieved around US$600 million in finance results to date. Key results include: a budget increase in the Philippines for the protected areas (PAs) exceeding US$80 million; over US$70 million in new allocations for the PA system of Kazakhstan; more than US$100 million in Malaysia's Ecological Fiscal Transfers; and a green credit system in Ecuador with a capitalization of US$108 million.

These guidelines presents a range of options that countries can explore when examining the finance landscape and while designing and implementing their national BFPs.

1

Definitions and concepts

1.1 General terms and concepts in public financial management

These terms were drawn from the European Commission's EXACT External Wiki.[5]
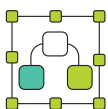
Logical framework

The 'logical framework' (logframe)[6] management tool is used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, activities, outputs, outcomes, impacts) and their causal relationships, as well as indicators, and the assumptions or risks that may influence success and failure. It facilitates planning, execution, monitoring and evaluation of an intervention.

Impact

'Impact' (or global objective) refers to a long-term effect to which an intervention will contribute at the country, regional or sectoral level. An impact can be a positive or negative, primary or secondary long-term effect produced by a development intervention, whether direct or indirect, intended or unintended.

Outcome

An 'outcome' (or specific objective) refers to a medium-term direct effect in the behaviour of target groups, under control of the benefiting partner.[7] The outcome is the likely or achieved short- and medium-term effects of an intervention's outputs.

Outputs

'Outputs' (or products) are goods or services directly provided under control of the intervention. Outputs are products, capital goods and services that result from a development intervention, and may include changes resulting from the intervention that are relevant to the achievement of outcomes.

Indicator

An 'indicator' is a variable used to measure and assess performance (i.e. it allows for the verification of change and the measurement of results). Indicators form the basis of the intervention's monitoring and evaluation system. They are quantitative or qualitative factors (or variables) that provide a simple and reliable means of measuring achievement to reflect the changes associated with an intervention, or to help assess the performance of a development actor. Indicators should always be provided with baseline (initial value) and target (intermediate or final value) values, as well as the possible source of verification for the actual values.

An indicator should:

- be relevant and closely connected to the expected result (so that any change in the value can be associated/correlated with the intervention);

- be clear and specific – what do we measure? (e.g. "number of…", "percentage of…", "status of…");

- be measurable – data are available or can be collected at reasonable cost;

- not include elements of the target (e.g. "increased number of…"); and

- be disaggregated by sex where applicable (or by age, urban/rural population, or by wealth quintile, etc.).

Result

Depending on the context, 'result' is defined differently. Here, result is defined as the measurable consequence for actions taken. In this regard, output is used as a tangible product or service, whereas outcome is an immediate, short- or medium-term effect achieved by the output. This is different from results-chain definitions, which usually follow an 'activity-output-outcome-impact' logic. This more detailed logic can be useful when developing key performance indicators or formulating projects to request additional funding.

Target

The 'target' is the expected end-value of an indicator. Good practices when defining the target are:

- to use the same measurement unit as indicator;

- to use the same reference year – not after the end of the action (before for some outputs);

- if the baseline is available, to set the target based on: internationally agreed targets (Sustainable Development Goals), or commitments by the European Union (EU); or government plans or strategies (if not final, it must be specified);

- to be informed by the baseline, past trends, risks/assumptions, etc.;

- to be realistic, given resources available;

- to be achievable within the time period available;

- if relevant, disaggregate the target by sex or other criteria.

Efficiency

'Efficiency'[8] answers the question, How well are resources being used? It is defined as the extent to which the intervention delivers, or is likely to deliver, results in an economic and timely manner.

Note:[9] 'Economic' is the conversion of inputs (funds, expertise, natural resources, time, etc.) into outputs, outcomes and impacts in the most cost-effective way possible, compared to feasible alternatives in the context. 'Timely' delivery is within the intended timeframe, or a timeframe reasonably adjusted to the demands of the evolving context. This may include assessing operational efficiency (how well the intervention was managed).

Effectiveness

'Effectiveness' answers the question,[10] Is the intervention achieving its objectives? It is defined as the extent to which the intervention achieved, or is expected to achieve, its objectives and its results, including any differential results across groups.

Note: Analysis of effectiveness involves taking into account the relative importance of the objectives or results. The term 'effectiveness' is also used as an aggregate measure of the extent to which an intervention has achieved or is expected to achieve relevant and sustainable impacts, efficiently and coherently.

1.2 Key costing and budgeting approaches

To clarify the concept of RBB for biodiversity, multiple related concepts can be examined; they are not necessarily mutually exclusive, but can often be combined.

⇨ Incremental budgeting

This is perhaps the most common approach traditionally used by environment ministries. Incremental budgeting takes the current available budget ceiling as the starting pointand calculates how much can be proposed within this ceiling or with a marginal increase. Budget proposals tend to focus on inputs, such as required vehicles, fuel and rangers. With incremental budgeting, **the previous year's budget is the starting point,** and a percentage increase (or decrease) is applied. No calculation is made to determine the full financial needs of a country's biodiversity goals. Incremental budgeting is likely to result in incremental gains falling far short of the dramatic scale-up needed to achieve the GBF.

⇨ Historical projections

This is a methodology to create budget estimates where **past costs incurred are the basis to project future expenditures**. It can be used in tandem with incremental budgeting or as a separate approach. Where detailed historical costs are known, they can be used to estimate future costs for specific activities. For example, the costs for replanting a hectare of mangroves in the past can be used to estimate the costs of replanting a targeted amount in a specific country or area in the future. When using historical costs, it is important to: (i) ensure that they are accurate and cover the entire cost of an activity; (ii) base the new costs on specific biodiversity management targets (i.e. number of hectares, days of ranger missions); and (iii) account for inflation, diminishing marginal returns, economies of scale, and any other issues that would affect future costs.

⇨ Cost modelling

Future costs are estimated **using quantitative models with input variables**. Models can be as simple as multiplying a unit cost by the number of units needed. Cost modelling is more a tool than a separate approach; it can be used for multiple budgeting approaches. The term 'cost modelling' is commonly not used for simple modelling, but rather for complex, potentially non-linear models with multiple variables, for example, models for estimating PA costs based on their area, distance from cities and local purchasing price parity. Complex models supported by data from the literature can be helpful when conducting a financial needs assessment, especially in cases where actions are new to a country with no available historical estimates.

⇨ Activity-based budgeting

Activities are identified first, in detail. For each activity, specific budgets/cost calculations are elaborated, as detailed as possible. The budget for all activities is then added up to the total. The approach is useful when details of biodiversity activities are well known (and quantified), when tracking project or programme 'outputs' (a tangible product or service) are desired, and when the 'outcomes' (immediate, short- or medium-term effects achieved by the output) of activities are difficult to quantify or track. It is useful to have a catalogue of costing units to help cost activities in an integrated manner. This approach is also used by the private sector, in particular to identify cost efficiencies.

⇨ Zero-based budgeting

Zero-based budgeting reviews cost considerations and their alternatives, rather than being limited to a pure budgeting exercise. It may look at options for outsourcing and starts by looking at the needs, before the eventual budget is being calculated. It does not build on a past budget, but starts from a 'zero base' to calculate possible functions and activities. It thus helps develop multiple budget scenarios to make strategic decisions before the full budget is developed.

Results-based costing

Medium- to long-term results are identified first. Planned outcomes are the main focus, rather than short-term outputs. There is a global trend towards this type of costing in national budgeting. It facilitates tracking of performance by the finance ministry and central planning agencies. It can be helpful to align budgets with specific strategic goals rather than emerging ideas or proposals.

Results-based budgeting (or performance-based budgeting)

RBB is a budgeting process in which: (i) budget formulation revolves around a set of predefined objectives and expected results (outputs, outcomes or impacts); (ii) expected results justify the resource requirements that are derived from and linked to outputs required to achieve these results; and (iii) actual performance in achieving results is measured by objective performance indicators.[11]

2

Results-based budgeting for biodiversity – supporting the approval, and improving transparency and effectiveness of, our budgets

Public budgets are finite and subject to a large number of competing priorities – defence, health, job creation and many others. Experience demonstrates that merely highlighting the need to invest in nature or calculating the economic value of nature will not likely lead to increased budget allocations for biodiversity; hence, detailed budgeting is necessary. RBB for biodiversity benefits countries in multiple ways:

- improves the **effectiveness** of available funds by having clearer overarching country targets. More can be achieved with the same amount of funding;

- reveals in detail the **financial needs** of the country, including those for which finance is not currently available, and increases the likelihood of finding finance;

- attracts **additional investments** by having detailed budgets available for key national targets, presenting a potential pipeline for public investments;

- **reduces negative impacts** from key economic sectors by integrating biodiversity targets into sectoral budgets to promote nature-positive investments in areas such as agriculture, fisheries, tourism, or flood prevention and protection;

- increases **transparency** by facilitating monitoring, evaluation, learning and measuring progress. RBBs also allow more meaningful parliamentary hearings and negotiations over proposed budget allocations.

RBB presents an opportunity to improve the efficiency and effectiveness of public spending on biodiversity. Establishing desired results helps to analyse which activity should be funded to achieve them, and a regular review helps improve effectiveness. Efficiency is assessed by analysing the relationships between inputs, outputs and outcomes; this can reveal the most cost-efficient actions. For key economic sectors, measuring the efficiency of spending has become more common and established. For biodiversity, it is more challenging in part because clear output and outcome targets are often lacking or insufficiently measurable or specific.

Figure 1 illustrates the conceptual framework of efficiency and effectiveness, and the link between input, output and outcome. The monetary and non-monetary resources deployed (i.e. the input) produce an output. For example, education spending (input) affects educational attainment rates (output). The input-output ratio is the most basic measure of efficiency. However, compared to productivity measurement, the efficiency concept incorporates the idea of the 'production possibility frontier', which indicates feasible output levels given the scale of operations. The greater the output for a given input or the lower the input for a given output, the more efficient the activity. Productivity, by comparison, is simply the ratio of outputs produced to input used.
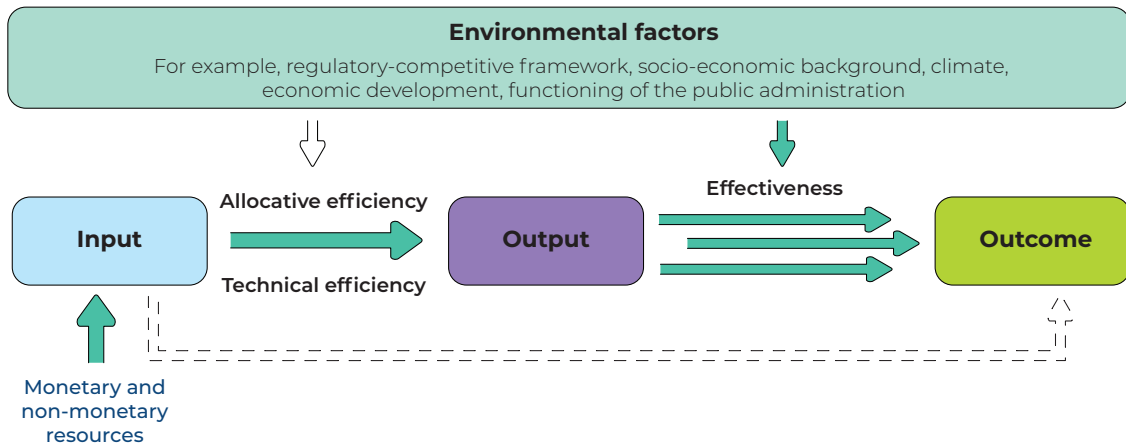
Figure 1. Conceptual framework of efficiency and effectiveness

Source: Mandl, U., Dierx, A., and Ilzkovitz, F. (2008). The effectiveness and efficiency of public spending. Directorate General Economic and Monetary Affairs, European Commission, European Economy - Economic Papers. www.researchgate.net/publication/46447584_The_effectiveness_and_efficiency_of_public_spending

'Efficiency of spending' is defined by how resources are allocated to achieve the planned outputs, and is often aimed at cost-effectiveness (e.g. effective procurement, outsourcing, national vs. international experts). Outputs can be studies undertaken, laws drafted, proposals to create PAs drafted, or infrastructure created. The analysis of 'effectiveness' determines whether activities or outputs (or outcomes) were achieved as planned. The outcome is often linked to welfare or growth objectives, and therefore may be influenced by multiple factors, for example, outputs and also exogenous environmental factors. 'Efficiency' is more complex to assess than effectiveness. Impacts are influenced by a complex set of factors, and many natural assets are mobile, moving around large land- or seascapes and even to other continents. Objectives may be to increase the number of species, create jobs or improve the health of ecosystems. The effectiveness shows the success of the resources used in achieving the objectives set.
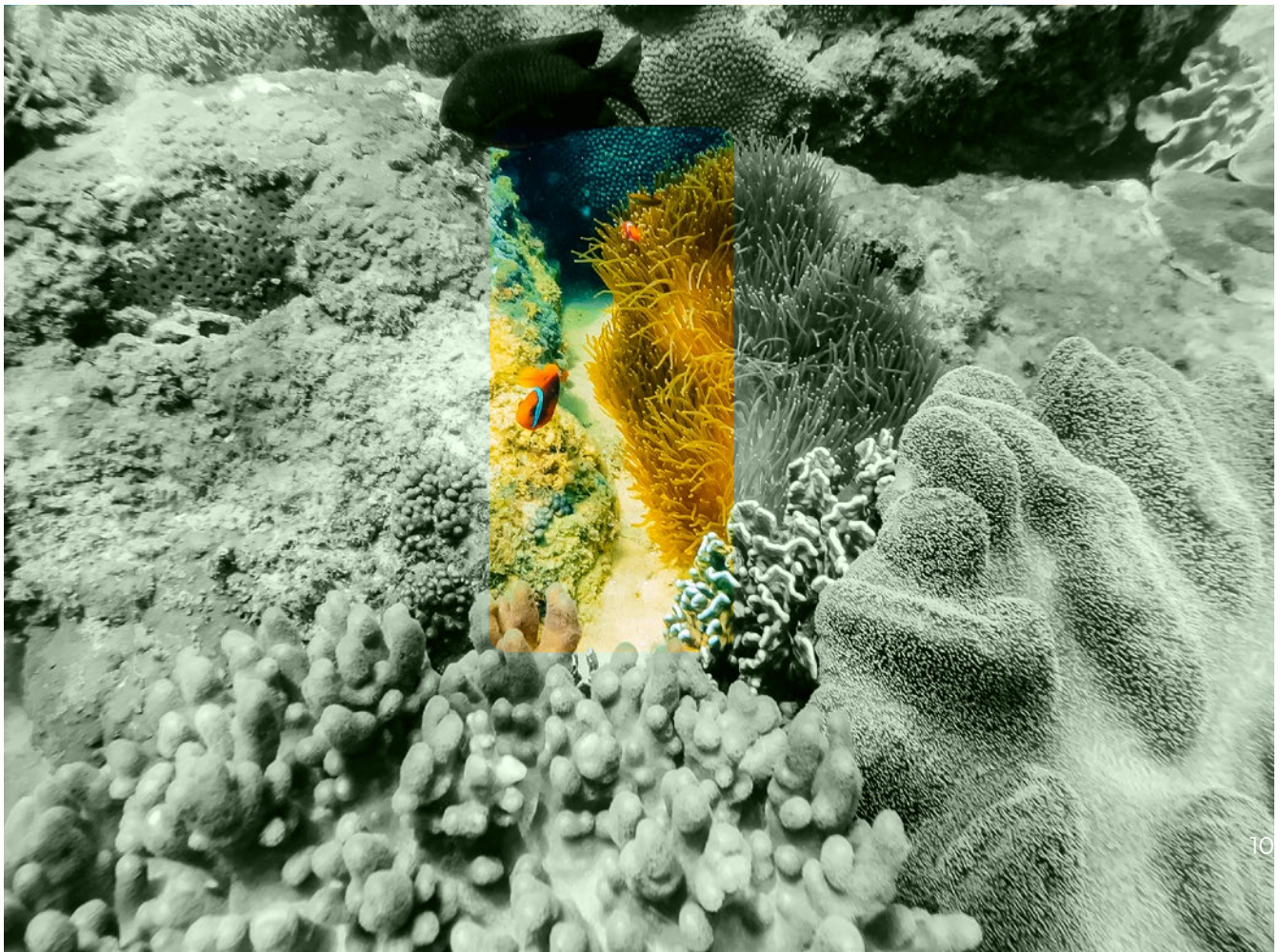
3

Aligning all public finance flows with national biodiversity goals

A fundamental challenge for governments is knowing how various finance flows are either contributing to or colliding with other development objectives. For example, you can create jobs by allowing investments in tobacco shops, yet this will likely negatively impact health objectives. Regarding biodiversity, the link with other development objectives is often even more complex to assess. But countries are increasingly measuring how public budgets are contributing positively to biodiversity conservation. Through UNDP-BIOFIN's Biodiversity Expenditure Reviews (BERs), undertaken in over 40 countries, ministries of agriculture, tourism and others have a better idea about which programmes positively contribute to conservation. This helps to understand how much money is spent within specific sectors or themes, and whether budgets and expenditures are aligned with national biodiversity policy priorities. These expenditure reviews also help identify barriers for spending. They compare budgets, allocations/ appropriations and actual expenditures. This can provide insights into barriers that may be addressed to enhance spending or improve its efficiency; for example, when expenditures are significantly lower than allocated budgets, the underlying causes can be identified and addressed.[12]
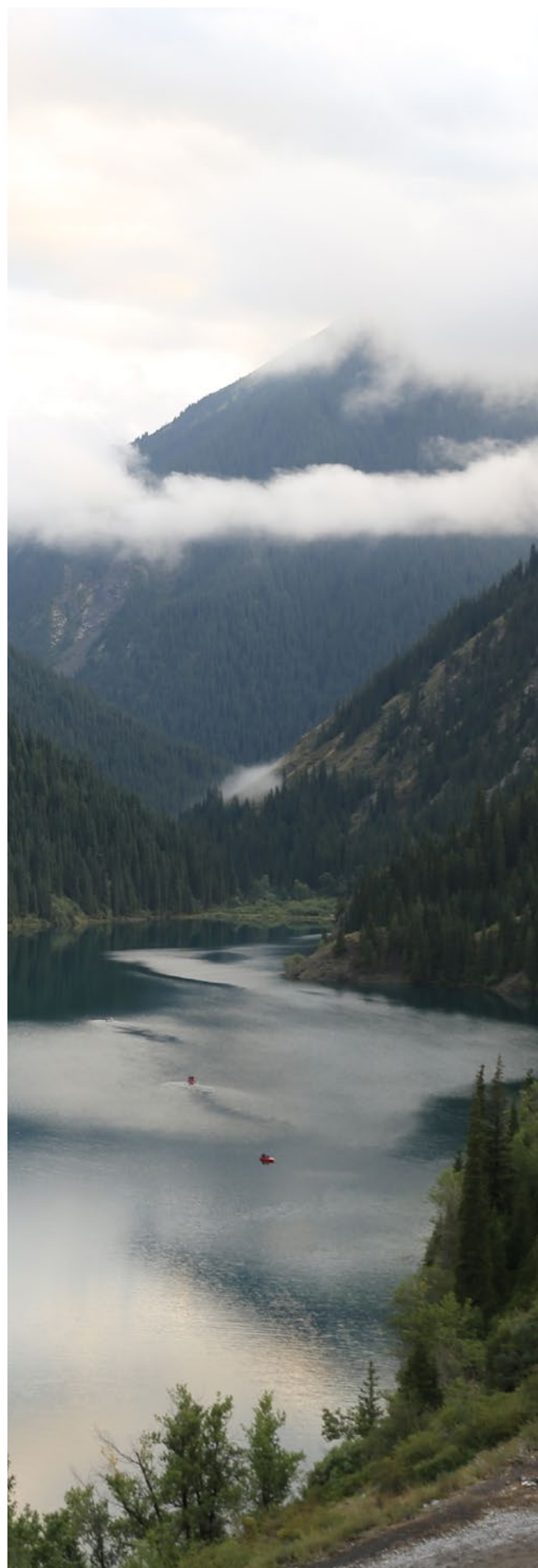
4

Modalities for applying results-based budgeting for biodiversity

Implementing RBB for biodiversity conservation requires having clear outcome-based targets, robust monitoring and evaluation mechanisms, stakeholder engagement, and transparent reporting systems. A RBB approach for biodiversity conservation can be applied in multiple contexts:

- The primary starting point is likely **national budgeting frameworks** for ministries of environment, agriculture, fisheries, tourism or any other sector of relevance in a country. This requires capacity development, measuring which expenditure items are likely to be biodiversity-positive, and significant awareness raising among sectoral ministries that often do not perceive biodiversity conservation to be within their remit.

- Another important entry point is **subnational governments**, which have an increasing level of fiscal autonomy in a number of countries. As budgets are increasingly decentralized, the role of provinces, urban governments and municipalities becomes increasingly important. And biodiversity is locally specific, making it all the more important to involve local governments. Funds are allocated to projects and initiatives that are expected to deliver measurable biodiversity conservation results (see Section 6.2 for more details).

- Ecological fiscal transfers (EFTs) involve the transfer of funds from higher levels of government to lower levels based on environmental or biodiversity criteria. **RBB can enhance the effectiveness of EFTs** by ensuring that they are allocated based on measurable conservation outcomes. Funds transferred through EFTs can be linked to specific biodiversity indicators or conservation targets, such as the establishment of PAs, habitat restoration or species recovery efforts (see Section 6.3 for more details).

- **For the management of PAs**, RBB can prioritize outcomes related to biodiversity protection, habitat restoration and ecosystem resilience. Budgets can be allocated based on the objective of key performance indicators such as reduced deforestation rates, increased species diversity, or improved ecological health within PAs. This approach incentivizes efficient resource utilization and encourages the adoption of innovative conservation strategies (see Section 6.4 for more details).

- **Conservation Trust Funds** can make more effective use of their resources when defining a clear strategic framework with key performance indicators (KPIs), rather than a more open system of calls for proposals.

- RBB can also be applied to **official development assistance**. Funding agreements with implementing partners could include provisions for performance-based payments, where disbursements are linked to the achievement of agreed-on milestones and results. **By combining the logframe** (a commonly used results chain for projects) **and RBB methodologies**, biodiversity conservation projects can enhance project planning, resource allocation, and monitoring and evaluation.

5

Applying results-based budgeting for biodiversity in a country: Key steps

To apply a results-based approach to biodiversity budgeting, a set of specific steps can be followed, which link the global biodiversity goals to national and regional planning and fiscal frameworks, with the ultimate aim to align public expenditures at all levels to the GBF. These steps do not necessarily need to be taken chronologically, nor does a country need to undertake all of them at once; they can be pursued separately or simultaneously.

Step 1 ⇨ **Define measurable and achievable national biodiversity goals through the NBSAP**

    a. Define national biodiversity goals

    b. Develop targets and indicators

Step 2 ⇨ **Cost the national targets**

    a. Calculate the financial needs of the agreed targets

Step 3 ⇨ **Integrate national biodiversity targets into national planning frameworks**

    a. Integrate national biodiversity targets into national development strategies/plans

    b. Integrate national biodiversity targets into sectoral policies

    c. Integrate national biodiversity targets into national biodiversity policies in addition to the NBSAP

    d. Integrate national biodiversity targets into other environmental policies (green growth, nationally determined contributions and national adaptation plans)

Step 4 ➡ **Integrate biodiversity into fiscal frameworks and budgets**

    a. Conduct policies and institutional analysis of budget formulation, and monitoring and evaluation

    b. Collect baseline data

    c. Tag biodiversity expenditures in the budget

    d. Tag gender and climate change adaptation or mitigation expenditures with co-benefits

    e. Integrate biodiversity into medium-term budgeting frameworks

    f. Develop budget proposals

    g. Advocate for budget proposals

    h. Increase revenue generation

    i. Earmark revenue

Step 5 ➡ **Implement a monitoring and evaluation framework**

    a. Define overarching objectives

    b. Identify key performance indicators

    c. Establish baselines

    d. Develop monitoring plans

    e. Designate responsible parties

    f. Design the monitoring and evaluation system

    g. Analyse collected data and compare with baseline data

    h. Disseminate monitoring and evaluation findings to inform decision-making and adjust strategies

    i. Identify and address gaps in the budgeting and identify opportunities for improvement, implement corrective action, adjust interventions and reallocate resources as needed

    j. Develop a specific guidance manual at the national or local level that is periodically updated with recent lessons learned.

Step 1

Define measurable and achievable national biodiversity goals through the through the National Biodiversity Strategy and Action Plan

a. Define national biodiversity goals

As global goals and targets are agreed upon under the Global Biodiversity Framework (GBF) (December 2022), each country is set to update its National Biodiversity Strategy and Action Plan (NBSAP), defining national targets and goals to contribute to the global agreements. It will be critical for this new generation of NBSAPS to have a robust results framework aligned with the GBF goals, notably Goal D (Invest and Collaborate[13]). This would not only help to track progress towards the GBF, but also to understand the financial needs for each of the national targets. The costing of the NBSAP helps to identify the financial needs for the different activities that countries plan to implement, and support the mobilization of the necessary financing. Countries can consider the following guidance to design results-based NBSAPs:

- Ensure that all the finance-related targets are well reflected in the NBSAP, in particular Targets 3, 14, 15, 18 and 19.

- Define very clear and measurable targets for each priority area.

- Provide sufficient baseline information on the current finance context (e.g. how much main actors are spending, and how much finance is needed to achieve each goal).

- Ensure that the national Biodiversity Finance Plan (BFP) addresses all priority areas of the NBSAP/GBF.

b. Develop targets and indicators

When developing targets and indicators for a National Biodiversity Strategy and Action Plan (NBSAP), its effectiveness can be improved through the following:

- **Alignment with global biodiversity goals.** The targets and indicators should align with the GBF.

- **Targets that are specific, measurable, achievable, relevant and time-bound** (SMART). This ensures that progress can be monitored and evaluated effectively. For any target that is not sufficiently specific, it will be very challenging to determine the financing needs and secure sufficient finance.

- **The baseline information for each target,** from which biodiversity management activities and the corresponding start of monitoring should be defined based on an analysis of available biodiversity data and information.

- **The involvement of a wide range of stakeholders,** such as government agencies, local communities, non-governmental organizations, academic institutions and businesses, in the development of targets and indicators. This ensures buy-in, ownership and a diversity of perspectives. Ministries of finance and planning are key and should not merely be consulted but ideally co-create the plan.

- **The consideration of the availability of data and the capacity for monitoring and evaluation.** Targets and indicators should be based on reliable data sources and feasible monitoring methods.

- **Targets and indicators that are easily communicable** and understandable to diverse audiences, including policymakers, stakeholders and the general public, to foster awareness and support for biodiversity conservation efforts.

Further guidance to incorporate targets and indicators into the NBSAP[14] is available at: Bubb, P., Brooks, S., and Chenery, A. (2014), Incorporating Indicators into NBSAPs - Guidance for Practitioners. UNEP-WCMC, Cambridge, UK, 20pp.

Costa Rica's National Strategy for Biodiversity – A dedicated results framework for each action

In Costa Rica's National Strategy for Biodiversity 2016–2025,[a] the Government aimed to have a very clear results framework for the different strategic topics and national targets identified. Starting from a Vision for Biodiversity in 2030, Costa Rica identified four interlinked overarching themes: Improving the state and resilience of biodiversity and reducing drivers of biodiversity loss by addressing the other themes; Economic factors; Social factors; and Limiting factors (e.g. institutional capacity). To realize this Vision, Costa Rica identified seven prioritized 'strategic topics' with actions that should lead to 23 concrete desired impacts. This translates into 98 national targets measured by 99 indicators.

The National Strategy defines a portfolio of programmes and projects for all the national targets, all with their own results framework that links to the overarching goals. Results are measured every six months for strategic projects, annually for the 99 indicators, biannually for the 98 national targets, and every four years for the seven strategic topics and their 23 desired impacts ("Global goals to be reached until 2025), and an evaluation is conducted of the state of the four overarching themes that allow to reach the Vision for Biodiversity of 2030 after 10 years.

[a] Ministerio de Ambiente y Energía, Comisión Nacional para la Gestión de la Biodiversidad, Sistema Nacional de Áreas de Conservación. 2016. Estrategia Nacional de Biodiversidad 2016-2025, Costa Rica. FMAM-PNUD, Fundación de Parques Nacionales-Asociación Costa Rica por Siempre, San José, Costa Rica. p.146. www.cbd.int/doc/world/cr/cr-nbsap-v2-es.pdf

Step 2

Cost the national targets

a. Calculate the financial needs of the agreed targets

Once very clear and measurable targets are in place, the next step is to define how much finance will be needed to achieve each one. Costing should result in a comprehensive estimate of the financial resources needed to deliver expected outcomes and results to achieve national and subnational biodiversity targets in the context of the GBF.

The costing of national biodiversity targets should be accurate, based on justifiable costs and actions directed specifically at achieving identified results in the NBSAP. It should be aligned and compatible with national budgeting and public financial management provisions to enable effective results uptake.

Activities, programmes and projects must be translated into detailed 'costable actions' to achieve the level of detail needed for accurate costing. Costable actions can be defined as "specific actions or activities that seek to achieve a clear or quantified result, the estimated cost of which can be calculated based on their description, research, or expert opinion". In many cases, NBSAPs will not provide the level of detail and granularity needed to cost actions that will lead to the expected outcome.

Thus, in some cases, assumptions and estimates must be used, based on available information and expert discussions through a participatory process.

This type of financial needs assessment has been carried out by 41 countries working with UNDP-BIFOIN. Further information can be found in the 2024 BIOFIN Workbook.

Step 3

Integrate national biodiversity targets into national planning frameworks

When a country has a robust results framework for the national biodiversity plan, the next step is to integrate the targets into existing national planning frameworks. While it would be ideal to integrate the targets into all national policy frameworks, a realistic approach would be to select several priorities, carefully weighing where this work would have the highest potential impact. Close cooperation will be needed with the ministry of planning or a related agency with a central planning function.

The following are the different types of national policy frameworks:

a. Integrate national biodiversity targets into national development strategies/plans

Most countries have a central planning framework. National development plans or medium-term development plans are strategic frameworks used by governments to outline their medium- and long-term priorities, policies and goals for socio-economic development. These plans are typically developed with the aim of achieving specific targets and objectives within a defined timeframe. The plan outlines usually how financial, human and natural resources, among others, will be mobilized and allocated to support the implementation of development programmes and projects. This may involve budgetary allocations, investment plans and resource mobilization strategies. While these plans do not result in highly detailed budgets, they do set macro-level budgeting priorities. Often, countries operate with budgetary and expenditure ceilings over several years on total expenditure, but very few succeeded to attribute ceilings at the programme level. The main challenge with using a budget margin or reserve within expenditure ceilings is that it should be large enough to absorb potential additional spending needs, but small enough to avoid diluting fiscal discipline and constraining unduly, much-needed spending in key policy areas.[15] It will be important that biodiversity targets are well integrated into such an overarching national strategy as shown in the example of Malaysia in Figure 2. This ultimately enhances the chances of securing sufficient finance for biodiversity.

Guiding questions to integrate national biodiversity goals into national planning

➡ Are the national biodiversity goals presented during national planning?

➡ Which stakeholder in national planning could be a champion for integrating the national biodiversity goals?

➡ Which of the national biodiversity goals are included in the draft plan?

➡ Is there scope to organize a dedicated workshop or session about integrating national biodiversity goals into the national development plan?

➡ What are the main 2–3 opportunities to integrate national biodiversity goals into the emerging plan based on the early identification of priorities?

➡ Do any of the emerging priorities have a high risk of biodiversity loss (e.g. mining, the expansion of agricultural land, the expansion of fisheries)?

Strengthening governance

An environmental protection act — 2020
Amendment of Act 127 — 2020

Formulation of the Act to enhance environmental protection

Conserving natural resources

At least 10% — 2020 | 5.3% — 2020

Coastal and marine areas gazetted as protected area

At least 17% — 2018 | 10% — 2018

Terrestial and inland water areas gazetted as protected area
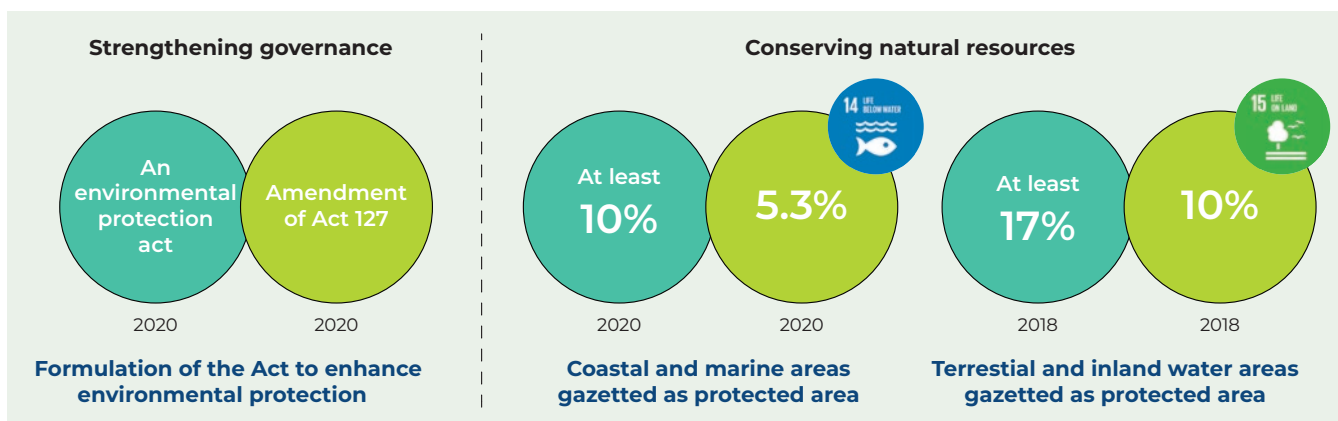
Figure 2. Integration of biodiversity targets in the Twelfth Malaysia Plan (2021–2025)

Source: RMK 12. 12th Malaysia Plan, 2021–2025. A prosperous, inclusive, sustainable Malaysia.

b. Integrate national biodiversity targets into sectoral policies

Rather than being connected to a single economic sector, biodiversity is an overarching development priority affecting many or all economic sectors in a country. Sectors such as agriculture, fisheries and tourism are often highly dependent on nature. Countries therefore need to align all major sectoral policies with their national biodiversity targets. Countries are increasingly recognizing nature-related dependencies and risks. Integrating biodiversity objectives into sectoral budgets is one of the most important ways to help reduce nature-related risks for a country's economy. Sectoral ministries are often not aware of the role they play in biodiversity conservation or do not necessarily have the capacity for screening their policies on nature-related impacts.

For some economic sectors, the integration of biodiversity is more important, depending on a number of factors: (i) a sector's potential impact on biodiversity (negative or positive); (ii) identified risks related to the loss of nature; and (iii) the degree of dependency on natural assets. It may be challenging to integrate biodiversity targets into all major economic sectors at once, and it is sensible to start with one or two, depending on the most significant needs or opportunities.

Integrating biodiversity goals into agricultural policies will have numerous benefits for a country, which will help conserve the species that predominantly reside in agricultural fields. Nature-friendly and organic practices help maintain populations of pollinators, and biodiversity soils will make agricultural lands more resilient for natural and man-made disasters. By integrating biodiversity considerations into agricultural policies and practices, countries can simultaneously increase food security, environmental sustainability and biodiversity conservation goals.

Fisheries is even more dependent on biodiversity, as sufficient levels of fish stocks are needed in the future to sustain the practice of fisheries. A fisheries policy that prioritizes sustainability, ecosystem health, habitat protection and the conservation of fish species is essential for biodiversity conservation, ecosystem resilience and the long-term sustainability of fisheries and coastal communities. By integrating biodiversity considerations into fishery management, countries can achieve conservation goals while ensuring the continued provision of ecosystem services and benefits from fisheries.

In many countries, tourism is highly dependent on natural assets. Beaches, coral reefs, forests and wildlife draw millions of tourists to natural destinations each year. Tourism policies need to factor in the objective to sustain the natural assets they are based on and ensure that no harmful impacts occur from tourism activities. Protecting biodiversity ensures the sustainability of tourism revenue streams, which often constitute a significant portion of a country's gross domestic product (GDP) and provide livelihoods for millions of people.

c. Integrate national biodiversity targets into national biodiversity policies in addition to the NBSAP

There are other biodiversity-relevant national policy documents that complement the NBSAP that need to be considered and aligned to have a comprehensive approach to biodiversity conservation:

- reports prepared for the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Ramsar Convention, the Nagoya Protocol on Access and Benefit-sharing, national reports on implementation of the Cartagena Protocol on Biosafety and on the Convention on Migratory Species, and reports from the International Treaty on Plant Genetic Resources for Food and Agriculture;

- PA expansion strategies, marine and coastal management, biosafety plans (invasive alien species), or desertification[16] and land degradation management plans.

While it may seem evident that the national biodiversity policies other than the NBSAP are aligned with the GBF, there could be gaps or opportunities for further integration.

d. Integrate national biodiversity targets into other environmental policies (green growth, nationally determined contributions and national adaptation plans)

Biodiversity is interconnected with various environmental issues such as climate change, land degradation, water scarcity and air pollution. Mainstreaming biodiversity into environmental policies ensures that the conservation and sustainable use of biodiversity are simultaneously integrated into broader environmental objectives, addressing multiple challenges.

Biodiversity plays a crucial role in climate change mitigation by sequestering carbon, regulating the carbon cycle, and enhancing ecosystem carbon storage. Mainstreaming biodiversity into the Nationally Determined Contributions (NDCs) supports nature-based solutions for climate change mitigation, such as forest conservation, reforestation and ecosystem restoration, which complement efforts to reduce greenhouse gas emissions. Many NDCs lack clear targets on the conservation of forests, or do not ensure that climate finance-related efforts are based on ecological principles, nor that efforts towards carbon sequestration or emission reductions do not result in biodiversity loss.

Biodiversity contributes to climate change adaptation by providing natural buffers against climate-related hazards such as floods, storms, and droughts. Mainstreaming biodiversity into the National Adaptation Plan of Action (NAPA) promotes ecosystem-based adaptation strategies that harness the resilience of natural ecosystems to help communities adapt to climate change impacts.

Mainstreaming biodiversity into green growth policy aims to achieve economic development while preserving environmental quality and biodiversity. Biodiversity-friendly policies promote sustainable production and consumption patterns, green innovation, and investments in nature-based solutions, contributing to both economic growth and environmental sustainability.

Bhutan's national happiness strategy

The Gross National Happiness (GNH) Index was formally adopted as a development indicator in Bhutan's 2008 Constitution. Bhutan measures happiness by periodically surveying about 10 percent of the population and compiling statistics that fall under nine domains: living standards, health, education, the environment, community, time use, psychological well-being, governance and culture (as shown in the figure below). Under each domain, there are several indicators.

The environment is fully integrated into the five-year national plan; indicators for conservation and sustainable utilization of the environment include:[a]

- Proportion of forest area under sustainable forest management
- Population status of umbrella species (e.g. tiger)
- Long-term means of annual flow of water of the entire country
- Perception of ecological issues sustained.

Figure 3. The nine Gross National Happiness (GNH) domains of Bhutan

[a] Gross National Happiness Commission, Royal Government of Bhutan. (2013). Eleventh five-year plan 2013–2018. www.moha.gov.bt/download/11th_FYP.pdf

Step 4

Integrate biodiversity targets into fiscal frameworks and budgets

a. Conduct policies and institutional analyses of budget formulation, and monitoring and evaluation

Many efforts in the past regarding biodiversity mainstreaming have focused predominantly on integrating biodiversity and other environmental concepts into planning frameworks while not necessarily doing so with underlying budgets and other fiscal instruments. This has therefore limited impact because national plans and policies are generally very high-level and can be jeopardized by expenditures carried out at a lower level (national and subnational budgets). This step is essential to minimize any negative impacts from public expenditures on nature and to enhance positive outcomes. Integrating biodiversity into fiscal frameworks ensures adequate funding for conservation and supports economic stability by protecting ecosystem services. It also promotes policy coherence across sectors.

Biodiversity, like climate and gender, is cross-cutting, and not limited to the ministry of the environment. Integrating biodiversity meaningfully in the budget requires the collaboration of several ministries, such as the ministries of environment, agriculture, forestry and economy, and in some countries, even defence. To achieve this integration, countries might wish to assign lead ministries to request and process the input from other ministries or topic-specific budget cross-sectoral committees.

In order to implement the RBB approach, it is important to conduct policies and institutional analysis of budget formulation and monitoring and evaluation in order to identify which ministries will lead the implementation and which other ministries should be involved.

Analysis needs to provide recommendations to create synergies among ministries in revenue, expenditure, and debt processes and flows that aim to contribute to biodiversity goals.

b. Collect baseline data

Before integrating biodiversity targets into budgets, a country first needs to examine the current level of alignment of budgets with biodiversity objectives. This can be achieved through a biodiversity expenditure review (BER). Detailed guidance is provided in the BIOFIN Workbook on how to undertake such a study.

Budget planning in the Mexican region of Jalisco

In 2022, UNDP-BIOFIN Mexico with Jalisco's Ministry of Environment developed the first state-level biodiversity expenditure review (BER), building on existing national standards. This exercise aimed to analyse how much and through which policy mechanisms Jalisco allocated its biodiversity-related investments. Additionally, it aimed to serve as baseline information to inform the Ministry's decisions for its priority programmes, namely, carbon tax development, sustainable forestry management, regenerative husbandry and bioeconomy.

Two of the main findings were that most subsidies were allocated to unique territorial executing bodies denominated 'Intermunicipal Environmental Councils', and that even when they proved to be an effective mechanism, further capacity development was needed to increase their financial sustainability. The BER also revealed that a substantial amount of resources for biodiversity came from water, infrastructure and climate change mitigation budgets. These resources need further integration to have a more impactful effect on biodiversity.

The BER provided crucial insights into the Ministry's understanding of the financial gap to implement the State's biodiversity conservation strategy and the instruments through which the State was allocating its resources. These findings were instrumental in shaping the policies of the Green Investment Office, an intersectoral think tank under the Ministry of Finance, which aims to coordinate resources from all sources and create strategies to maximize its potential for climate change mitigation and biodiversity conservation.

c. Tag biodiversity expenditures in the budget

While a BER can be a very useful examination of the link between public budgets and biodiversity, ideally, a country would integrate the information and categories into the domestic budget tracking system. This requires several additional steps, including to ensure that the information is compatible with national budget systems.

> **Enabling monitoring of biodiversity expenditures through budget tagging in Indonesia**
>
> Since 2005, Indonesia has embraced results-based budgeting (RBB) to enhance the efficiency of public resources, transitioning from input-focused to outcome-driven approaches. The implementation of RBB is mandated by laws such as the State Finance Law and Government Regulation No. 90/2010, requiring strategic planning, performance targets and annual performance reporting. With support from UNDP-BIOFIN, biodiversity expenditure tracking via dynamic tagging was introduced and implemented by the Ministry of Planning. The Ministry tagged approximately IDR 8,503 billion for biodiversity in 2021 and IDR 8.584 billion for biodiversity in 2022, i.e. less than 0.95 percent of the total national budget. Budget tagging as part of the RBB approach for biodiversity aims to leverage more funding, reallocate resources effectively, and enhance conservation outcomes by linking funding decisions to specific biodiversity conservation outcomes and performance indicators. Its success depends on well-designed RBB systems, effective implementation, and diligent monitoring and evaluation.

d. Tag gender and climate change adaptation or mitigation expenditures with co-benefits

While integrating biodiversity into budgets of main economic sectors is an example of an integrated approach, it can provide an opportunity for yet further integration. During the expenditure review or budget tagging, additional markers can be applied to identify further co-benefits to contribute to gender equality, climate change adaptation or mitigation. There is in-depth experience in gender-responsive budgeting from which to draw lessons learned.[17]

UN Women has supported over 80 countries with gender-responsive budgeting and recommends the following:

> *Recognize the diverse needs of women, considering factors like socio-economic status, location, race, and ethnicity and encouraging lawmakers to engage with women from various backgrounds to ensure policies and public financing adequately support women and girls in all their diversity.*

Similarly, climate change-relevant experience has emerged in the recent past, in particular through the application of the UNDP-led Climate Public Expenditure and Institutional Reviews.[18] Several countries have gone beyond the mere reviewing of expenditures by creating formal tags in expenditure monitoring systems by governments. Most countries also have NDCs and/or National Adaptation Plans (NAPs) that could inform national target setting.

The design and implementation of Integrated National Financing Frameworks (INFFs),[19] which outline fiscal spending priorities for a country, is also useful. It is important to ensure that biodiversity be well integrated, both in terms of opportunities for resource mobilization and in mitigating negative impacts from spending.

e. Integrate biodiversity into medium-term budgeting frameworks

Medium-term budgeting frameworks (MTBFs) are used in many countries to improve the predictability and long-term planning and sustainability of resources. Annual budgets are part of the primary decision-making and must be strongly aligned with medium-term budgeting. Since many financial commitments require a multi-year perspective, this long planning horizon can be beneficial. The MTBFs usually include the preparation, execution and monitoring of multiannual budget plans, containing both expenditure and revenue projections, and the resulting budget balances. Since the starting point of the national budgeting begins with medium-term budgeting frameworks, it is important that countries adopt a medium-term budgeting framework that includes biodiversity investment priorities.

Tanzania Budgeting Stages – The Budget Formulation Framework and Calendar

The Medium-Term Strategic Planning and Budgeting in Zanzibar, United Republic of Tanzania, involves a structured process of preparing and implementing plans and budgets annually, in line with the Five-Year Development Plan requirements, typically covering five years. This planning framework aims to align government priorities, sector strategies, and resource allocation to achieve the SDGs and effectively manage biodiversity and ecosystem services.

The stages of the Medium-Term Strategic Planning and Budgeting Manual are shown in Figure 4.

Preparation
  a. Draft guidelines for the preparation of annual plans and budget
  b. Prepare sector plans and budgets

Execution
  a. Approve plans and budgets
  b. Execute plans and budgets

Monitoring of multi-annual budget plans
  a. Monitor and evaluate budget plan
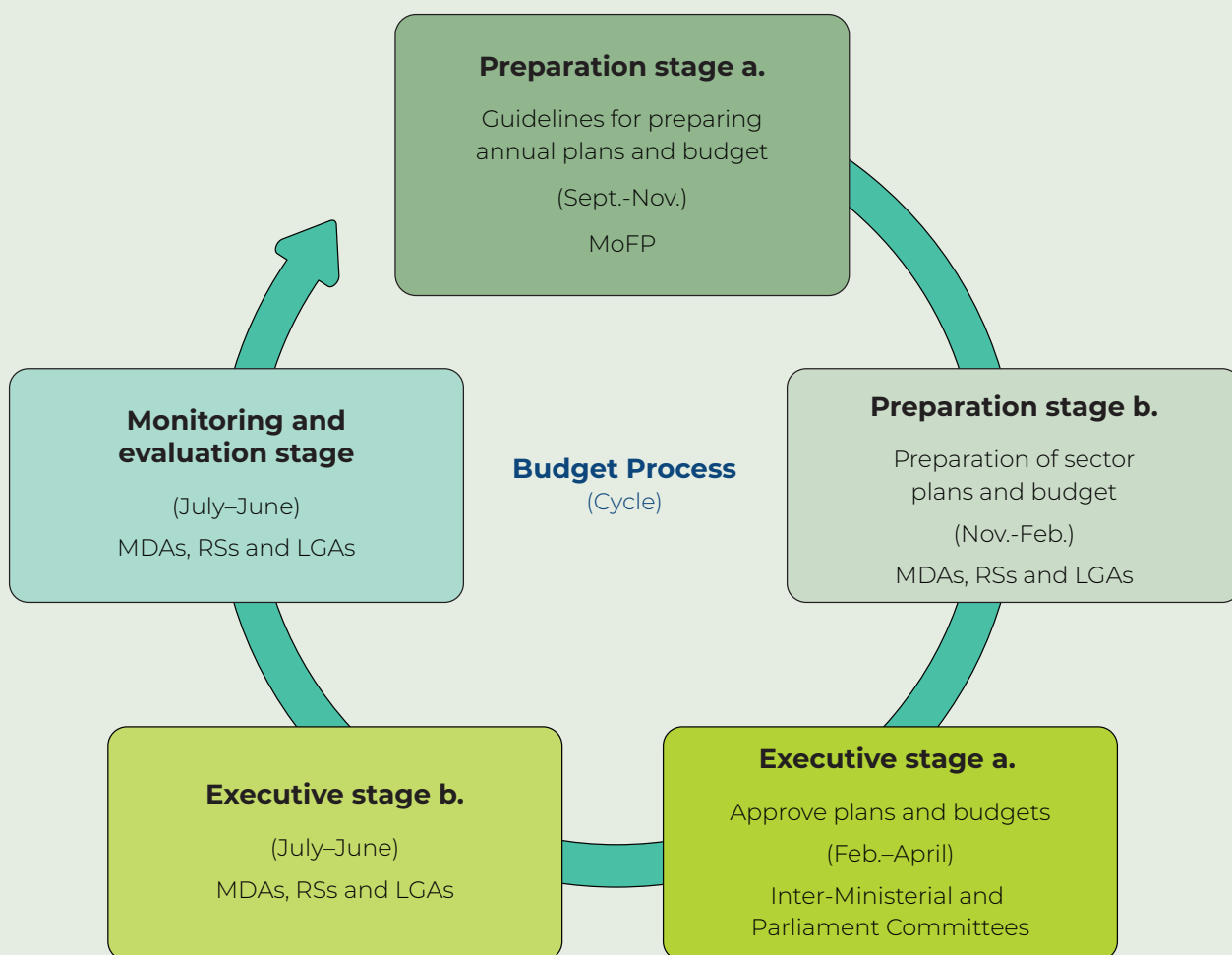
Figure 4. Main stages of the Medium-term Strategic Planning and Budgeting Manual (MTSPBM)

MoFP=Ministry of Financial Planning; MDA= Ministry, Departments and Agencies; RS= Regional Secretariat; LGA= Local Government Authorities.
Source: BIOFIN. (2022). Policy and Institutional Review. Zanzibar, Tanzania. www.biofin.org/sites/default/files/content/knowledge_products/Biofin%20PIR%20-%20Final.pdf

f. Develop budget proposals

In order to effectively engage in advocating for biodiversity budgeting, it is important to first map out the full budgeting cycle in a country, for example, starting from the unit in a ministry that will initiative a first draft, all the way to the final entity approving a budget (e.g. parliament, heads of state). All of these stakeholders should ideally be involved in efforts to apply a results-based approach to budgeting. There is usually a dedicated unit in a ministry responsible for budgeting of biodiversity priorities.

National capacity development programmes

Strengthening national and local capacities in budget formulation is critical. The higher the quality of the budget proposal, the higher the possibility that the budget will be approved. Ideally, capacity development efforts are sustained through the design of a dedicated guideline for key officials. This needs to be inclusive of the subnational level, because fiscal resources are increasingly decentralized. Ideally, these capacity development efforts are embedded into the work of civil service academies or academic institutes, and should include accessible online training modules that can be self-paced.
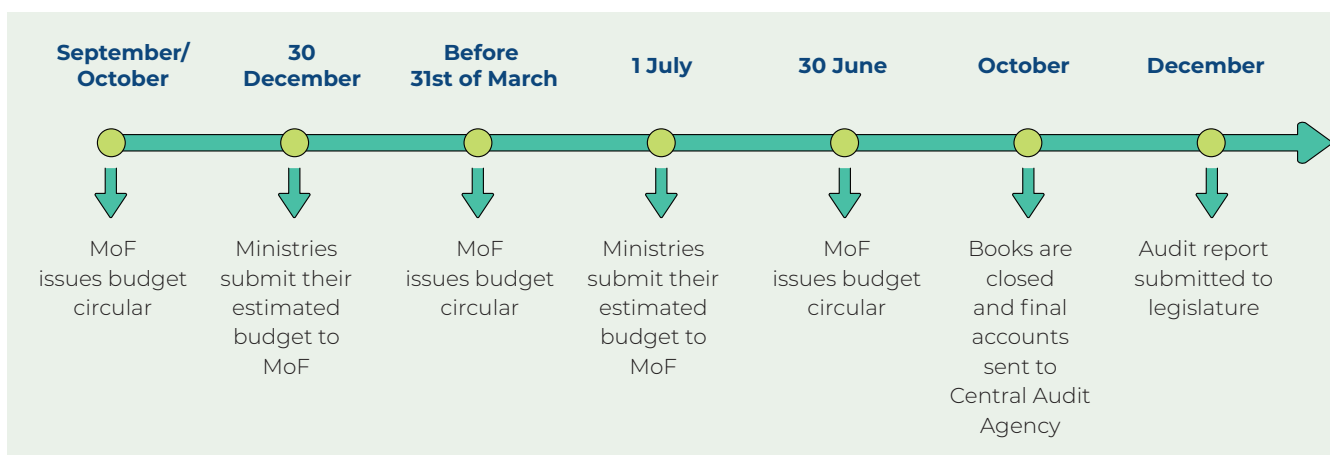
Figure 5. Steps and description of the budgeting cycle of Egypt

g. Advocate for budget proposals

Since biodiversity-related priorities compete with a large number of other important objectives, it will be critical to present the full potential impact of biodiversity investments. This should focus on all SDG impacts such as job creation, climate benefits and other ecosystem benefits. Examples of positive impacts on other SDGs are as follows:

- Biodiversity provides ecosystem services that are crucial for poverty alleviation, including food security, clean water, and livelihood opportunities from tourism, agriculture and forestry. The world's poor, particularly in rural areas, depend on biological resources for as much as 90 percent of their needs, including food, fuel, medicine, shelter and transportation. The loss of biodiversity through the reduction of crop and livestock genetic diversity and the decreased availability of wild biological resources threatens food and livelihood security for the poor.[20]

- The agricultural role of pollinators, of which more than 100,000 species are known, is worth more than US$50 billion each year. Species diversity is also important to agriculture: approximately 7,000 plant species are cultivated worldwide.[21]

- More than 1.6 billion people rely on forests and forest products for their livelihoods. Communities around the world depend on forests for goods such as food, medicines, firewood and building materials, among other necessities. Forests also maintain important ecosystem services such as carbon sequestration, erosion control, watershed protection and nutrient cycling, and provide habitat for approximately 80 percent of the remaining terrestrial biodiversity.[22]

- More than 3 billion people depend on marine and coastal biodiversity for their livelihoods, including many people in developing countries for whom fishing is a main subsistence and commercial activity. Moreover, 25 percent of marine species are found in coral reefs, which provide livelihoods for over 100 million people.

- Biodiversity plays a crucial role in maintaining healthy ecosystems and healthy people. Determinants of health, such as clean water and the control of vector-based and other diseases, depend on ecosystem processes. Plant species and soils in water-related ecosystems such as forests and wetlands play a crucial role in water retention and purification.

- PAs, when carefully managed, can contribute to sustainable development through the provision of important goods and services to local people, and employment opportunities created by tourism. The number of tourist visits to terrestrial PAs is estimated at 8 billion per year, which generates approximately US$600 billion annually in direct in-country expenditures.[23]

It is important to use as much as possible local and specific numbers and highlight as much as possible tangible results, such as the number of jobs created, revenue generated and carbon sequestrated. An advocacy campaign for budget proposals should not be a one-off event; a number of materials and messages can be prepared to be deployed at multiple events. An important point that is often overlooked in advocacy campaigns for biodiversity budgets is the high potential for revenue generation by national parks and other natural areas. While these revenues may or may not be specifically earmarked to be spent on conservation, the case can be made that they should be.

h. Increase revenue generation

RBB can be combined with efforts to increase available resources, ultimately increasing the available budget. Important sources for biodiversity are usually fees, fines, taxes and subsidies. RBB can help to maximize the impact of the generated income by ensuring that they are spent as intended. PA fees around the world are one of the most common types of revenue used for biodiversity. In many countries, the role of natural assets to generate revenue is not well-recognized or documented.

Revisiting protected area fees in Botswana

In Botswana's Biodiversity Finance Plan, protected area finance was a top priority. It was found that the existing fee system was not optimized and had not been updated in a long time. Between 2019 and 2022, the fees were reviewed through a detailed consultation involving the tourism sector. More than 15 fees were revised. In April 2022, the new fee system was introduced. After one year, the increased revenue totalled US$7.8 million.

In parallel, over 130 staff members from the Department of Wildlife and National Parks throughout Botswana underwent training in results-based budgeting (RBB) techniques, principles and terminology, and a Botswana-specific RBB manual was developed to enhance the financial effectiveness of the protected area system.

Collecting visitation fees in Koh Tao, Thailand

The island of Koh Tao is a major diving destination, attracting a large number of tourists each year. Several coral reefs around the island have been damaged or bleached. The island has recently installed a visitation fee to address this, collecting around THB 20, the equivalent of US$.50 from each visitor. This should generate around US$200,000 – US$300,000 per year for coral restoration and waste management.

Concurrently, BIOFIN is enhancing the technical capabilities of local administrative organizations (LAOs) to embrace a results-based budgeting (RBB) approach. This initiative aims to bolster transparency and efficiency in the utilization of public resources within local governments, aligning with the objectives outlined in the adopted local biodiversity strategy and action plan.

i. Earmark revenue

A critical issue for biodiversity is the earmarking of revenue, or the extent to which funds once collected can be applied to specific objectives rather than channelled to the overall treasury income. This is critical for biodiversity because it is often a major revenue earner, yet often not recognized as such. Public financial management practices commonly advise against this type of decentralization and fragmentation of budgets. This explains why many countries do not allow earmarking, or only partial earmarking. Here, we can consider two types of earmarking, described below.

Hard earmarking – Legislation stipulates that financing generated through a specific fee, fine or tax is fully or partially allocated for biodiversity. This can be applied at the system or site level. Some countries allow to only maintain a portion of the revenue at the site level. Hard earmarking is commonly not recommended by organizations such as the International Monetary Fund in order to prevent fragmentation of fiscal processes. One option to enable such type of earmarking is creating a dedicated fund that can help channel or redistribute the fund.

Soft earmarking – The volume of revenue generated is used. The Government maintains the flexibility to use the funds for other purposes, thus aligning this approach with public financial management practices. It is recommended to document all main revenue streams generated from natural assets to support public budgeting negotiations. This revenue data can help make a strong case for allocating sufficient budget for biodiversity or PAs. This option has the benefit of being aligned with general public financial management practices such as the use of a single public account to record all revenue in a country.

Collecting environmental fees in Rwanda

Since 2012, the Rwanda Green Fund (RGF), the national green fund, has mobilized over US$247 million from domestic resources (e.g. environmental fees, fines, penalties and licences) and from several bilateral and multilateral donors, as well as vertical funds. RGF is a demand-based fund with a schedule to conduct biannual calls for proposals based on two funding windows:

- **Intego Facility:** This facility focuses on public institutions.

- **Ireme Invest:** This facility targets private sectors.

While biodiversity and ecosystems are priority investment areas, the current fund structure does not differentiate funding source at the investment stage in the RGF thus, biodiversity-related fees and fines are not necessarily reinvested into related communities or ecosystems.

UNDP-BIOFIN is supporting the establishment of a Biodiversity Conservation Facility within RGF, which will earmark earmark a steady flow of finance into biodiversity projects based on a biodiversity investment strategy that defines clear objectives and expected biodiversity outcomes and outputs.

Step 5

Implement a monitoring and evaluation framework

A monitoring and evaluation framework for RBB for biodiversity ensures accountability and transparency, tracks the effectiveness of initiatives, and provides data for informed decision-making, enabling resource allocation to the most impactful activities.

A monitoring and evaluation framework for RBB in biodiversity conservation should include the following actions:

a. Define the overarching objective with clear goals and results, defining also how high-level results are measured. One option is to have some high-level (e.g. budget programmes) objectives. These high-level objectives could then cascade down to the budget spending unit. Alternatively, the budget spending unit defines its own objectives, keeping the monitoring and evaluation capacity in mind, which could be limited in some countries.

b. Identify KPIs that are linked to the framework and the objective, and directly measure progress towards the planned result. These indicators should reflect changes in biodiversity status, habitat quality, ecosystem services or community engagement levels. Ensure that indicators are quantifiable, verifiable and sensitive to project interventions. Indicators should be SMART. Other types of indicators include: financial performance indicators (measuring effectiveness and efficiency, for example, results per money spent) and economic impact indicators, which often reflect long-term consequences, such as increased productivity or reduced harm due to enhanced contributions by nature. These economic impact indicators need to reflect this long-term nature in order to avoid creating contradictory, short-term incentives that may have harmful impacts on biodiversity. This step is commonly followed when implementing the NBSAP, but if any work remains or updates are necessary, it can be complemented.

c. Establish a baseline for measuring biodiversity expenditures and revenues, and the impact on biodiversity. This could Include data on species abundance, habitat condition, ecological processes, socio-economic indicators and expenditures.

d. Develop a detailed monitoring plan outlining data collection methods, data sources, frequency of monitoring activities and responsible parties. Specify who will collect data, when data will be collected, and how they will be managed.

e. Designate a lead organization to be responsible for monitoring.

f. Design a monitoring and evaluation system, which can consist of a simple Excel chart or a more elaborate online platform. Ideally, the information should be publicly accessible.

g. Analyse collected data and compare them with baseline data to measure changes over time, and evaluate the effectiveness of project interventions.

h. Disseminate monitoring and evaluation findings to inform decision-making and adjust strategies.

i. Identify and address gaps in the budgeting and identify opportunities for improvement, implement corrective actions, adjust interventions, and reallocate resources as needed to maximize conservation impact.

j. Develop a specific guidance manual for the national or local level that is periodically updated with recent lessons learned.

6

Modalities of results-based budgeting for biodiversity

6.1 The national government

At the national level, a ministry adopting RBB aligns its budget planning with clear objectives, performance indicators, and targets. This system emphasizes outcomes over inputs, encouraging data-driven decision-making and continuous performance evaluation. Ministries monitor progress through KPIs, adjusting policies and resource allocation as necessary. By focusing on results, RBB strengthens fiscal discipline and ensures that public funds are spent effectively to achieve national priorities and development goals.
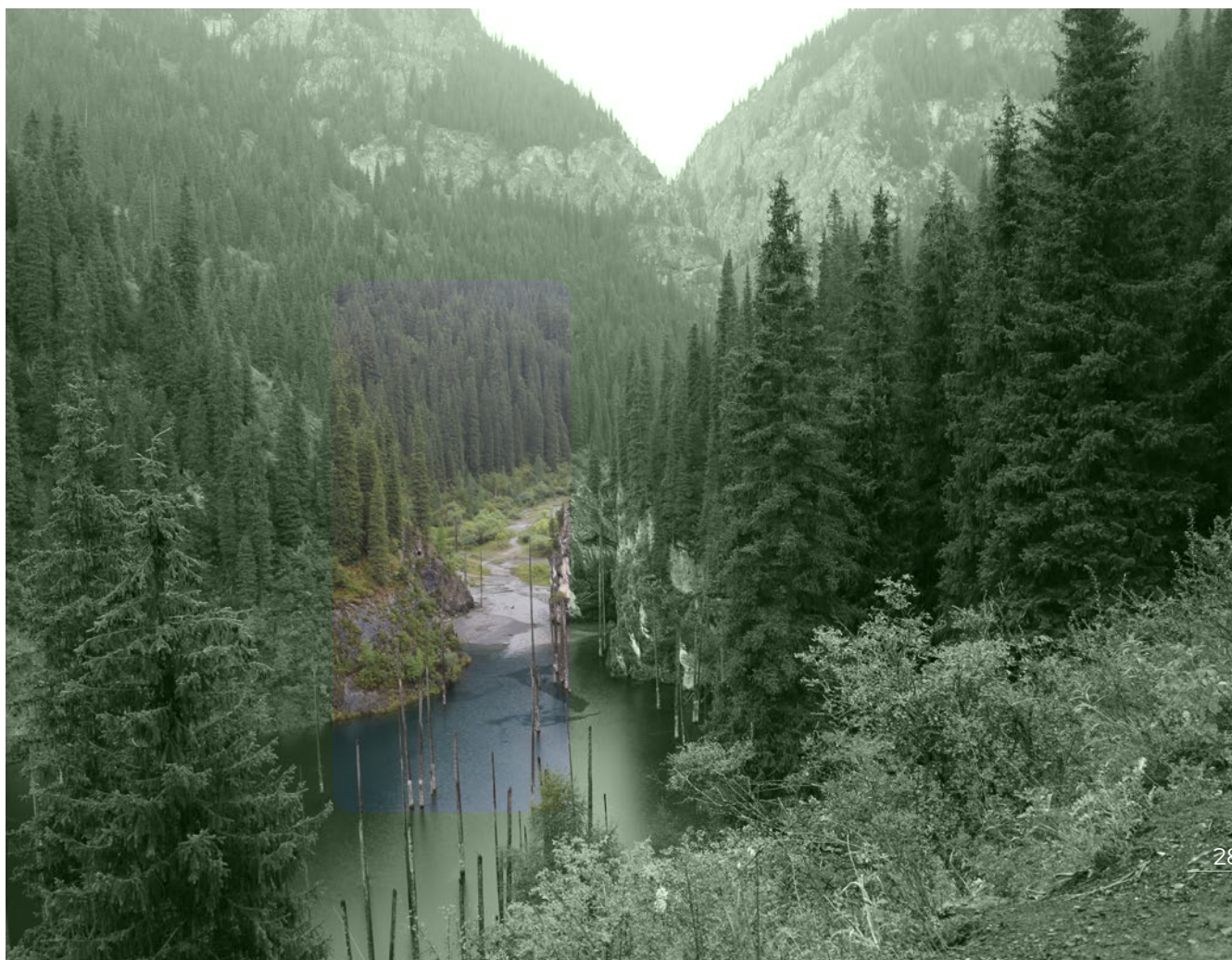
The RBB approach of the Ministry of Environment and Sustainable Development in Madagascar

Madagascar adopted the results-based budgeting (RBB) approach in 2005 as part of its efforts to improve public financial management and accountability. This approach aimed to link government spending to measurable results and outcomes, enhancing the efficiency and effectiveness of budget allocation and utilization.

The RBB approach in Madagascar was not implemented by the Ministry of Environment and Sustainable Development (MEDD), mainly due to limited capacity within government institutions and agencies to design, implement and evaluate programmes based on performance indicators, and due to limited data availability and quality to measure results and outcomes.

The analysis of the implementation of budgeting by MEDD at the regional and central government levels in Madagascar revealed some differences:

- In 2021, MEDD at the central level was allocated around 80 percent of the total ministry budget, and regional delegations' budget allocation represented only 20 percent of the total ministry budget.

- In 2021, budget disbursement of the MEDD at the central level in 2021 represented only 8.4 percent of total budget allocation and budget disbursement of MEDD at the regional level represented 29.4 percent of total budget allocation.

In this context, management-level dialogue must be established between the various actors of the MEDD (finance department, technical department and regional department) in order to better allocate the available resources based on a realistic plan to address environmental challenges. It was also noted that regional directorates are not integrated into the Regional Integrated Monitoring and Evaluation System, which does not allow to make links between development objectives at the national and regional levels. The example shows the importance, when designing a capacity-building programme on RBB, of having a holistic approach (design, planning, coordination, implementation, and monitoring and valuation) involving all stakeholders at the national and regional levels to improve the efficiency of the entire budgetary process. Madagascar has adopted the training for trainers approach to be able to cover its 22 regions. The programme consists of the following training modules:

1. A breakdown of the Priority Sector Action Plan

2. A breakdown of the Ministry's programmes into actions and activities

3. Development of the performance document

4. Budgeting of the performance document

5. Development of the Medium-Term Expenditure Framework (MTEF).

6.2 The subnational government

Fiscal decentralization refers to the transfer of fiscal responsibilities and decision-making powers from central governments to lower levels of government, such as regional or local authorities. Fiscal decentralization has been one of the key global trends in public finance since the middle of the 20th century, taking off in the last 30 years in many developing countries. Revenue generation and expenditure functions are increasingly transferred to subnational governments. Fiscal decentralization encourages innovation, which advances environmental sustainability policies over time.[24]

Local governments are often more closely connected to the ecosystems and biodiversity within their jurisdictions. They possess local knowledge about biodiversity hotspots, endangered species and ecological dynamics. Fiscal decentralization allows for more tailored conservation efforts based on this localized knowledge, leading to more effective and sustainable conservation outcomes. With fiscal responsibilities devolved to local levels, there is greater accountability and transparency in resource allocation and expenditure.

Local governments are directly accountable to their constituents for the management of funds earmarked for biodiversity conservation. This accountability fosters better governance and ensures that resources are used efficiently and effectively.[25]

The OECD observed a number of relevant trends: fiscal decentralization is largely correlated with positive economic growth,[26] and revenue decentralization appears to be more strongly correlated with income gains than spending decentralization.

Figure 6. **Tax revenue decentralization in Kazakhstan**

Source: World Bank Dataset: https://prosperitydata360.worldbank.org/en/indicator/IMF+FISCALDECENTRALIZATION+taxd

Strengthening municipal management for effective and results-based budgeting for biodiversity in Guatemala

In Guatemala, results-based budgeting (RBB) for local governments is anchored in the Action Plan for the Mobilization and Optimization of Resources for Financing Biodiversity-related Actions in Guatemala. This Action Plan will be updated in 2024.

For the local level, RBB was identified as one of the finance solutions of the Action Plan: Strengthening municipal management for effective and RBB for biodiversity. Within the municipalities, BIOFIN Guatemala focuses on municipal planning instruments, such as the Institutional Strategic Plan (PEI), the Annual Operational Plan (POA) and the Multiannual Operational Plan (POM). The rationale here is that the first step in RBB is planning activities. Therefore, if the prioritized biodiversity issues are included in these instruments, the municipalities must allocate budgets to fulfil this planning, and subsequently, compliance with this planning and its activities must be monitored and evaluated.

BIOFIN Guatemala started to work with five municipalities in 2018 and expanded to 10 in 2022. During the 2018–2023 period, the budget dedicated to biodiversity increased by US$1.2 million compared to the baseline year.

In addition to the work in the municipalities, UNDP-BIOFIN Guatemala also provides technical assistance to the Ministry of Finance. This aims to improve the Ministry's technical capacity in municipal financial assistance through the Environmental Fiscal Strategy. At the national level, efforts are being made in order to adapt and promote a municipal environmental classification guide to be used by all municipalities in Guatemala.
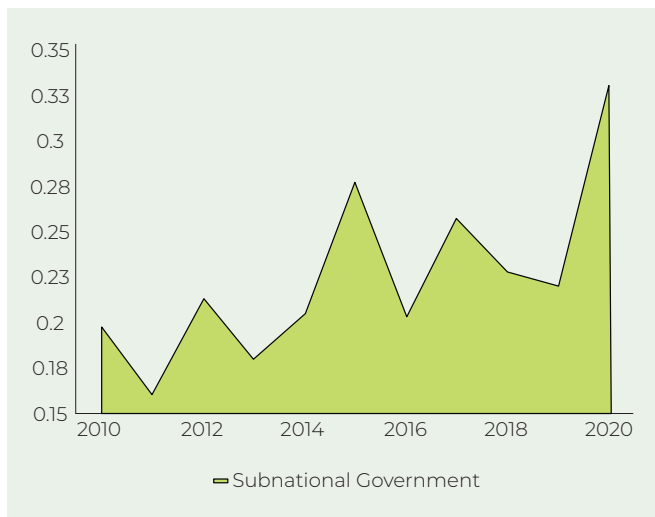
Building a biodiversity strategy and action plan at the subnational level for Negros Island, in the Philipppines

Building a biodiversity strategy and action plan that strongly encompasses and utilizes budgeting (and spending) at a local governance level is a central target of BIOFIN activities in the Philippines. Five of the 17 finance solutions currently being implemented in the country are focused on mainstreaming biodiversity in local government entities; four are implemented exclusively in Negros Occidental and Negros Oriental provinces. These two provinces, located in the fourth largest island in the country, boast a diverse but a significantly threatened ecosystem that supports the livelihoods of at least 7 million people through tourism and other ecosystem services.

The Negros Island Biodiversity Strategy and Action Plan (NIBSAP) was developed in 2018 as a combined road map for biodiversity conservation for Negros Oriental and Negros Occidental provinces. Albeit via different methods, the NIBSAP was successfully integrated at the municipal and city levels in both provinces.

In Negros Occidental, the Plan was adopted at the regional legislative level and was used in the development of the provincial Western Visayas Biodiversity Strategy and Action Plan. It bolstered commitment and budget allocation to biodiversity conservation in San Carlos and Cadiz cities.

In Negros Oriental, opposing political views hindered NIBSAP's adoption, but it nevertheless still played a central role in the development and determination of the province's biodiversity conservation objectives and priorities. During this period, the budget allocated in the province increased from PHP 300,000 in 2017 to PHP 2 million by 2021.

From 2023 to 2024 alone, an 18 percent increase was observed in budgetary allocations in both provinces, which were used for a wide selection of activities ranging from capacity building to the expansion of protected areas and the development of ecotourism investments.

Province	2023 (US$)	2024 (US$)	Total (US$)
Negros Oriental	343,712	378,604	722,316
Negros Occidental	5,407,236	6,655,636	12,062,872
Total	**5,750,948**	**7,034,240**	**12,785,188**

6.3 Ecological fiscal transfers

Ecological fiscal transfers (EFTs) were originally developed as an incentive to compensate municipalities for opportunity costs incurred for maintaining PAs instead of opting for other types of land use. In the past, only a few countries piloted this mechanism, such as Brazil and Portugal. In the last ten years, more countries have advanced this mechanism, including China and Malaysia. EFTs create an incentive to establish and maintain PAs. They channel fiscal transfers to subnational governments based on pre-determined conservation criteria such as the share of land covered by PAs. Possible tools to track results from the municipalities are biodiversity certificates,[27] which are non-tradable proofs of achievement. The transfers may or may not have to be allocated to conservation objectives, but ideally, this is also the case.

Introducing the Ecological Fiscal Transfer in Java, Indonesia

In Indonesia, the management of natural resources, both terrestrial and marine, depending on the type of resource, is jointly shared by national, provincial and district governments. While protected areas (PAs) such as national parks and other conservation areas remain under the management of the central government, the management of forest and marine resources remains mostly under the provincial authority. Therefore, the authority of district governments over the management of biodiversity parks, arboretums, grand forest parks and green open spaces is limited. However, since it has to cope with the high environmental risks, natural disasters, and loss of biodiversity at the district level, there is a need for incentives for sub-provincial governments.

In 2023, the province of Central Java, the most densely populated province with high fiscal capacity, introduced the Governor Regulation No. 61/2023, providing guidelines on financial assistance to municipal governments. It allocates financial assistance to Bantuan Keuangan (BANKEU) for conservation and environmental preservation, aiming to enhance environmental management performance and incentivize sub-provincial governments to prioritize environmental conservation efforts. The formula development was based on five pillars: pollution, land cover and biodiversity, water resources protection, natural disasters, and environmental regulations and institutions. These performance criteria (listed below) are essential and relevant for all districts and municipalities. Eligible projects relevant to this BANKEU include the development of biodiversity parks, green open spaces, botanical gardens and forest parks.

By introducing the Ecological Fiscal Transfer, the district/city government in Central Java aims to increase its budget allocation for environmental matters, which had only been 1.2 percent of total provincial government spending.

Pillar/criteria	indicator	Weight
pollution	• Air quality index • Water quality index	20%
land cover and biodiversity	• Percentage of green open space to district area • Percentage of biodiversity park to district area • Availability of Reforestation program initiated by district government • Availability of critical land rehabilitation programme	50%
water resources protection	• Availability of upstream river conservation/rehabilitation programme	10%
natural disasters	• Percentage of change in the natural disaster risk index – flood • Percentage of change in the natural disaster risk index – forest fire • Percentage of change in the natural disaster risk index – landslide • Percentage of change in the natural disaster risk index – drought	15%
Environmental regulations and institutions	• Availability of regulation on the environment • Percentage of complaints to environment protection and management executed • Availability of district biodiversity profile	5%

Sources: Shantiko, B. and Hidayat, S. Ecological Fiscal transfers emerge on the island of Java.

Ecological Fiscal Transfers in Malaysia

Malaysia is a federation that has a Federal (or central) Government and 13 state governments *(negeri)*, which share the distribution of power. In this dichotomy of powers, the state government has the right over land and forests, and shares jurisdiction over wildlife and national parks with the Federal Government by virtue of the Concurrent List under the Federal Constitution. This raises a number of challenges regarding the implementation of the environmental agenda, including negative consequences with respect to conservation funding.

With support from UNDP, the Biodiversity Finance Plan (BFP) was developed in 2018. The Ecological Fiscal Transfer (EFT) was highlighted as one of the priority finance solutions with potential for highly successful implementation in the country. In 2018, UNDP Malaysia prepared a policy paper entitled "Ecological Fiscal Transfer for Biodiversity Conservation – Lessons, opportunities and way forward for Malaysia", which was submitted to the Ministry of Finance to be considered in the 2019 Budget Speech. As part of this Budget Speech announced by the Minister of Finance, the inaugural EFT finance solution was highlighted.

The Government of Malaysia introduced the EFT in 2019 and 2021, with a combined budget allocation of more than US$31 million, which was transferred to the states for protecting and expanding nature forest reserves and PAs. Later, the Government announced the increased EFT allocation up to $22.6 million for 2022, and committed to provide funds on an annual basis. In the recent budget announcement for 2023, the EFT allocation increased by 50 percent to $33.9 million compared to 2022. The overall budget allocation for EFT over four years reached $87.5 million. This demonstrates a strong political will from the Federal Government to incentivize the states in biodiversity conservation.

At the beginning of implementation, the EFT was allocated and distributed under the Economic, Infrastructure and Welfare Development-Based Grants (TAHAP) scheme, which involves the allocation of periodic development grants to the states based on economic development, infrastructure and wellbeing. However, in 2022, the EFT allocation was revised and placed under the item 'special allocation', in which the Ministry of Finance allocates grants to the Ministry of Natural Resources, Environment and Climate Change (NRECC) to execute the mechanism in the states. In this regard, NRECC developed a guidance outlining the allocation process based on the criteria, and monitoring and evaluation for assigning EFT allocation to the states. The guidance provides for the distribution of grants among the states according to the following formula: 70 percent of the allocation is based on PA hectarage by each state, and 30 percent is performance-based.

Following this work, the Government of Malaysia has recently officially announced an allocation of US$58 million for its 2025 EFT, marking, marking a 25 percent increase from the previous year's funding.

6.4 Results-based budgeting for protected areas

PAs can have different governing modalities, including highly centralized systems, devolved systems, and co-managed or privately owned areas. Each will require a different type of intervention to introduce a RBB approach; the overarching principles are always similar.

Activity 1

Conduct a gap analysis of the legal framework

Screen existing legislation to identify barriers. These barriers can include: (i) the lack of a formal status for the PAs, which results in lower financial allocations; (ii) the lack of detailed regulations to allocated budgets to PAs; and (iii) conflict between other policies and the PA legislation, which results in economic activities conflicting with protected area management objectives.

Addressing gaps in the legislation and supporting budget proposals for protected areas in the Philippines

In the Philippines, financing for protected areas (PAs) was limited before 2018, in part due to a large number of PAs lacking formal legal status. A policy review revealed that a total of 94 out of 107 PAs was proclaimed but had not been formally registered as per the national PA law. This was remedied with the introduction of the Expanded National Integrated Protected Areas System (E-NIPAS) law, including including a further 91 PAs into the formal national system. A new budget proposal was developed to enable all of these PAs to carry out baseline assessments, develop site-level management plans and undertake priority actions, which resulted in new budget allocations of over US$75 million.

Conservation trust funds

Conservation trust funds (CTFs) are private, legally independent institutions that provide sustainable financing for biodiversity conservation. They may finance part of the long-term management costs of a country's protected area (PA) system as well as conservation activities and sustainable development initiatives outside PAs. The core business of CTFs is to mobilize resources from diverse sources such as international donors, national governments and the private sector, and to direct them in the form of grants to multiple programmes and projects on the ground through non-governmental organizations, community based-organizations and governmental agencies (e.g. national parks agencies).

A CTF prepares a strategic and financial plan that translates its broad vision and mission statements into specific goals, objectives and activities, which include metrics, benchmarks and key performance indicators (at the goal, objective and/or activity level) to identify how the CTF will measure its progress relative to goals.

The *Foundation pour les protégées et la biodiversité de Madagascar* (FAPBM)[28] is a trust fund, which constitutes an innovative mechanism for financing PAs in Madagascar. Indeed, the Foundation is endowed with a capital of US$150 million invested in international markets. Only the income from this capital is used to finance PAs in the country. The capital remains in place over time, ensuring the sustainability of funding. After 15 years of existence, the mechanism is proving essential because it is one of the most stable, sustainable and predictable financing sources for PAs in the country. FAPBM developed the Strategic Plan 2022–2026 with four focus areas and 13 strategies with clear indicators, baseline values and target values. For example, focus area 1, *Contribute to sustainable funding of the System of Protected Areas of Madagascar* strategies, includes:

1.1 Raise funds for capital

1.2 Increase the return on investment

1.3 Mobilize climate change financing for PAs

1.4 Mobilize funds for direct financing of PAs

Indicators	Baseline value (2021)	Target value (2026)
Annual Foundation pour les protégées et la biodiversité de Madagascar (FAPBM) contribution to the System of Protected Areas of Madagascar funding (US$ million)	2.31	8.35
Cumulative amount of capital raised (US$ million)	121	175
Value of FAPBM's portfolio (US$ million)	138.61	194.06
Number of new contributors, in addition to historical contributors	0	3

Activity 2

Design national and site-level protected area management plans

For PA RBB, it is important that management plans be rooted in PA management planning. Countries should design national PA management plans, and the most important effort will need to be undertaken at the level.

In 1998, the International Union for Conservation of Nature (IUCN) produced Guidelines for Management Planning of Protected Areas. It guides countries in developing a vision and targets for the PA system at the national level.

It is critical that all PA system targets are achievable, measurable, costed. Possible targets may be: (i) Increase the coverage of PA by x percent; (ii) Increase revenue generation by x percent; (iii) Design PA management plans for all protected areas; and (iv) Increase the population of a species by x%.

For site-level PA management plans, a wealth of experience and guidance is available:

- **Conservation Finance Alliance**: Practices and standards for conservation trust funds[29]

- **IUCN Guidelines for Management Planning of Protected Areas**[30]

- **UNDP Protected Areas for the 21st Century: Lessons from UNDP/GEF's Portfolio.**[31]

The Purpose of a National System Plan for Protected Areas

The aims of a national system plan for protected areas are as follows:

➡ clarifying objectives;

➡ promoting achievement of objectives

➡ identifying options and their implications;

➡ encouraging systematic evaluation of options;

➡ increasing understanding of issues;

➡ defining of future management issues;

➡ predicting and orienting future actions;

➡ identifying priorities for investment;

➡ co-ordinating a range of inputs;

➡ building and sustaining commitment;

➡ creating and maintaining partnerships; and

➡ establishing a baseline for evaluating future actions and for monitoring.

Increased financing for protected areas using management plans in Kazakhstan

In Kazakhstan, due to ambiguities in the legislative framework, most protected areas (PAs) were underfunded and severely limited in their management capacity. To tackle this challenge, the Government first introduced a law in 2017, which stipulated that budget allocation for PAs would be determined by individually developed management plans for each PA. The aim was to build high-quality, budgeted management plans, which would allow PAs to make stronger cases for more funding and secure adequate financial support from the Government. The Plans also aimed to build the necessary capacity for effective management for the long-term, successful management of PAs.

In 2020, two PAs were chosen as pilot projects. Findings from these two pilots directly informed the *Draft Methodology for Preparation of Management Plans of Protected Areas*, which was prepared with strong participation from diverse stakeholders ranging from government representatives to independent experts. Along with the consultations with an expert group, results-based budgeting (RBB) remained a critical feature in the following years as continuing results from the pilot projects were used to further refine and update the methodology.

Each management plan is developed to offer medium-term planning for a five-year period. It details the required funding and the current deficit, and offers ways to mobilize resources to close the gap. The plans tackle issues such as refinement of

biodiversity conservation activities and tangible improvements on the state of natural facilities, as well as the justified expenditures needed to carry out these measures and operations. The plans are also expected to be accompanied by training on budget planning to ensure that adequate capacity is achieved across PA staff for successful and long-term implementation.

Based on the findings of the two pilot PAs, similar management plans were developed for 14 additional PAs between 2022 and 2023. During this period, training activities on budget financing also became a prerequisite for PA staff.

The result of these efforts was a remarkable increase in the volume for budget funding for PAs.

In 2023, the public expenditures on PAs reached US$70,354,049,[a] approximately double the volume of 2022, and a 212 percent increase from the baseline year of 2018. The total cumulative increase over the years is also more than US$70 million. During the same period, three PAs were expanded and eight new PAs were established in the country. Combined with the existing PAs, Kazakhstan now has over 29 million hectares of PAs, covering approximately 11 percent of the country's land.

Public spending on PAs in Kazakhstan **has tripled** since the 2018 baseline year, reaching **US$70.3 million** in 2023, 55% more than the target amount and twice as much as in 2022 (in Figure 7).
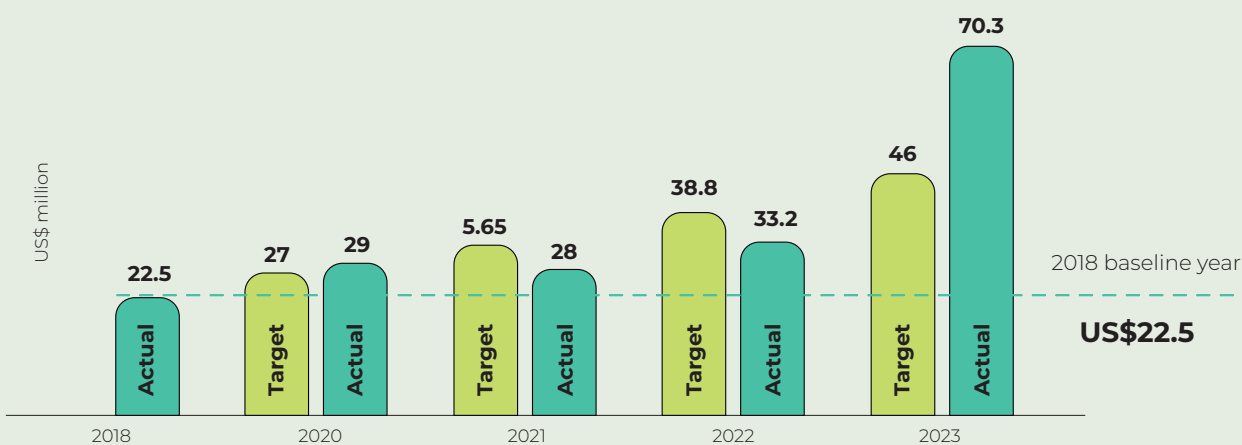
Figure 7. Public spending on protected areas in Kazakhstan

[a] KZT 32,160,946,300 (December 2023 exchange rate)

Activity 3

Develop protected area budgets

A 2016 UNDP report identifies four stages of the budgetary process:[32] (i) formulation; (ii) negotiation; (iii) approval; and (iv) execution and evaluation. A number of shortcomings were observed in the budgetary process of three countries that were examined:

- Budgets were not taking decision makers into consideration, i.e. they were prepared as formal budgets only and lacked specific guidance and materials that would enable advocacy with decision makers.

- There was a serious lack of adequate data to support the PAs' budget cycle, including conservation results and related realistic costs, financial needs, and economic impact and results-based indicators.

- PA managers were generally neither consulted nor prepared to provide inputs during the preparation phase of a PA budget.

- The formulation of a PA budget often failed to meet overall national budget formulation deadlines, early in the year (January – April). As a result, budgets are based on the previous year.

Advocacy is a key component of RBB. A budget proposal can highlight co-benefits for many other SDGs, including the number of jobs created, climate benefits, poverty reduction and increased disaster protection.

Activity 4

Develop strong capacities for results-based budgeting and monitoring

Since the transition towards a results-based approach requires a lengthy time, continuous capacity development and awareness raising will be required. Even when fully in place, monitoring the achievement of the results is important; it enables the PAs to adjust the management plans and adapt the budget accordingly. Clear KPIs facilitate monitoring and help identify areas that need improvement.

Results-based budgeting for forest enterprises in Kyrgyzstan

In Kyrgyzstan, results-based budgeting (RBB) was introduced in 2011, but only at the level of central ministries and not in protected areas (PAs) or forest enterprises (FEs). The budget allocation in PAs and FEs is insufficiently correlated with performance indicators. Most of the budget is allocated to salaries of employees, and often there are no funds to maintain facilities, purchase equipment, and cover other implementation costs.

A comprehensive approach to RBB implementation in FEs and PAs was supported by BIOFIN starting in 2019. It included the development of methodological guidelines on RBB for the preparation of the programme budget in PAs and FEs, which was approved by the ministries' internal decrees and the training of 175 staff in 23 PAs and 33 FEs.

BIOFIN also provided capacity-building support to the Department of Biodiversity Conservation and Protected Areas (DBCPA) for the 96 staff members of 23 PAs on the development of their management plans. As a result of this support, all 23 PAs now have a structured management plan (a five-year strategic document), which provides a framework for decision-making, guiding the allocation of resources, the enforcement of regulations, and the monitoring of ecological health.

To ensure the sustainability of the capacity-building measures provided to the PA and forest enterprise (FE) staff, and to address their high staff turnover, BIOFIN developed a web platform for online learning and knowledge assessment on RBB and PA management, which includes detailed guiding and training videos.

Methodological guidelines for the implementation of internal control procedures in PAs and FEs have also been drafted and are pending final endorsement.

One of key new elements introduced in the budget instructions for PAs was to include six budget measures for biodiversity conservation in the budget programme, while at the ministerial level, there was only a single budget measure for biodiversity conservation, which poses significant challenges. Biodiversity conservation is a multifaceted endeavour, encompassing a diverse array of programmes, from habitat restoration and species protection to research, community engagement and policy development. A singular budget measure oversimplifies this complexity, potentially leading to an inadequate representation of the diverse resource requirements of individual conservation programmes. This approach risks compromising transparency because it fails to show how funds are allocated across various components of the conservation strategy. Moreover, the lack of granularity in budgeting may result in the underfunding of critical aspects that are less visible yet essential initiatives. A nuanced programme-based budgeting approach with distinct budget measures for different conservation programmes is crucial to ensure targeted resource allocation, transparency and the effective prioritization of efforts across the intricate landscape of biodiversity conservation. Therefore, it is recommended to divide the single budget measure for biodiversity conservation in the budget programme at the central level into at least two budgetary measures: General coordination and management of the PA system, which includes funding of the functions of the PAs and Biodiversity conservation, protection of the natural complex, restoration of natural ecosystems, and research and development of ecological tourism on the territory of PAs, which includes funding and activities of PAs.

7

Country case studies

Guatemala

The Context: Municipalities start adopting results-based budgeting for biodiversity

In 2016, UNDP-BIOFIN developed the Biodiversity Finance Plan (BFP) in Guatemala. The BFP identified advocacy in municipalities for greater allocation of municipal resources to biodiversity as one of the financial solutions.

A dedicated solution for strengthening municipal management for effective RBB for biodiversity was developed. Initially, the work focused on five municipalities. Given its importance, BIOFIN started communicating with with the Ministry of Public Finance to expand the impact of this financial solution at the national level.

Guidance was designed to improve the Ministry's technical capacity in municipal financial assistance through the Environmental Fiscal Strategy, specifically through axis 2 (Municipal financial assistance). The implemented actions aim to integrate aspects of RBB to increase municipal public spending on biodiversity and the environment, as well as to guide municipalities in defining priorities for environmental and biodiversity-related issues in formulating their budgets.

UNDP is currently working with ten municipalities to include biodiversity in municipal planning instruments; this is the only way to ensure that their budgets can be dedicated to the topic.

The policy context

When assessing the following key legislation, the relevant articles related to RBB are:

The Political Constitution of the Republic of Guatemala:

- Article 237. General Budget of Revenues and Expenditures of the State. The General Budget of Revenues and Expenditures of the State is approved for each fiscal year. According to the Constitution, it shall include the estimate of all the revenues to be obtained and the expenditures to be made.

- Article 134. Decentralization and autonomy. The municipality and the autonomous and decentralized entities act by delegation of the State. Maintain close coordination with the planning body of the State. Submit for information to the Executive Body and the Congress of the Republic their detailed ordinary and extraordinary budgets, expressing programs, projects, activities, income, and expenditures.

Budget Law, Decree 101-97, Articles 8 and 9 (para. f).

- Article 8. Plan-budget link. Public budgets are the annual expression of the State's plans, prepared within the framework of the economic and social development strategy in those aspects that require the public sector to capture and allocate the resources necessary for its regular operation and for the compliance of investment programmes and projects, to achieve the sectoral, regional and institutional goals and objectives. Through the Ministry of Public Finance, the Executive Agency shall consolidate the institutional budgets, prepare the budget and the aggregate accounts of the public sector, and formulate the multiannual budget.

- Article 9. Powers of the Governing Body. Through the corresponding specialized unit, the Ministry of Public Finances shall be the governing body of public budgeting. This unit shall have the following functions and responsibilities:

  - To develop the tools for management control of the results related to the achievement of the objectives and goals of the public sector, through programming and statistical techniques. Concerning public investment, it shall coordinate with the respective specialized unit.

Regulation of the Budget Law, Governmental Agreement No. 540-2013, Art. 16.

- Article 11. Standard Budget Methodology. The budgetary principles guiding the implementation of the Central Government's budgets, as well as those of its decentralized and autonomous entities include annual unity, balance, planning and transparency. These principles apply irrespective of the source of funding.

- Article 16. Budget Plan Linking. To comply with the provisions of Article 8 of the Law, the Secretariat of Planning and Programming of the Presidency, in coordination with the Ministry of Public Finance, shall provide the methodological elements for the effective articulation of policies, plans and the budget in a timely manner.

- Regulations of the National Public Investment System Standard 1.1.6 Projects submitted to the General Secretariat of Planning and Programming of the Presidency (SEGEPLAN) must be based on a planning exercise oriented towards results-based management under the General Government Policy, and respond to the policies and guidelines of the sectoral governing bodies.

Main challenges and obstacles

The team started working with five municipalities to increase public expenditure on biodiversity. Currently, it is working at the local level with ten municipalities, but also at the national level with the Department of Assistance to Municipal Financial Administration of the Ministry of Finance. Work at the national level aims at adapting and promoting a municipal environmental classification guide to be used by all 340 municipalities in Guatemala; the guide was finalized in 2023, and is currently being laid out.

1 Guatemala
2 Indonesia
3 Kryrgyzstan
4 Mongolia
5 Philippines
6 Thailand
7 Viet Nam

The main challenges and obstacles are as follows:

- As a result of elections, the authorities were changed, which hinders the continuity of the budgetary process for the following reasons:

  - The new authorities are generally not familiar with the budgetary process. Although RBB is mandatory, many are not interested in applying it because they believe that their work on the public budget would then be easier to control. Therefore, it is crucial to develop strategies to continue dialogue with municipal authorities and seek the appropriate times and spaces to intensify advocacy.

  - Biodiversity is not a priority. In many cases, the authorities do not understand its link to environmental services and ecosystem functions on which social and economic systems rely.

  - Biodiversity is not an issue that translates into votes in the elections.

  - Internal changes in the municipalities and labour turnover cause many qualified technicians to leave the municipalities and new, inexperienced ones to replace them, making the budgetary processes more difficult. In addition, there is a lack of training materials on the subject, hence, the importance of the manual developed to work with Department of Assistance to Municipal Financial Administration.

- Although UNDP-BIOFIN aims to create financial self-sustainability for conservation, there is resistance to change among the municipalities (e.g. engaging in actions in which they have not historically invested). For this reason, awareness-raising and training are fundamental.

- There is a lack of technical capacity among professionals involved in budgetary issues and those responsible for biodiversity management (e.g. environmental and/or forestry management offices). Therefore, work should be conducted to strengthen these technicians to include biodiversity in the planning instruments, which will ensure the budget allocation for the topic.

- The financial resources allocated to the municipalities are earmarked for a specific purpose, so their use for sustainable biodiversity management can be complicated. For this reason, UNDP-BIOFIN is working to ensure that biodiversity is one of the selection criteria for submitting projects to the Departmental Development Councils (one of the municipalities' own sources of funding). Hence, in parallel with RBB, work must be conducted to strengthen municipalities so that they can generate their own resources.

Translation of the planning framework for biodiversity into results-based budgeting

In Guatemala, the National Council of Protected Areas (CONAP) oversees the BPF and is the institution with the legal mandate in this regard. RBB is linked at the national level through the Action Plan for the Mobilization and Optimization of Resources for Financing Biodiversity-related Actions in Guatemala and Financial Solution 1, Strengthening municipal management for effective and RBB for biodiversity. The Action Plan will be updated with CONAP's support in 2024. The issue of adapting RBB with central government bodies is expected to be prioritized in the new Plan; hence, there is a strong possibility to expand this line of work in the country.

At the local level, RBB is adopted through municipal planning instruments: the Institutional Strategic Plan (PEI), the Annual Operational Plan (POA) and the Multiannual Operational Plan (POM). The rationale here is that the first step in the RBB is planning activities. Therefore, if the prioritized biodiversity issues are included in these instruments, the municipalities must allocate budgets accordingly, and subsequently, compliance with this planning and its activities must be monitored and evaluated.

Results from implementation

A key result was the mobilization of resources. In 2018, BIOFIN started working with five municipalities. In 2022, this was expanded to ten. During 2018–2023, the budget dedicated to biodiversity increased by US$1.2 million compared to the baseline year. Another significant result is the classification guide on municipal environmental public expenditure, developed in 2021, which will be adapted for use by Guatemala's 340 municipalities. A graphical representation of the results is shown in Figure 8.
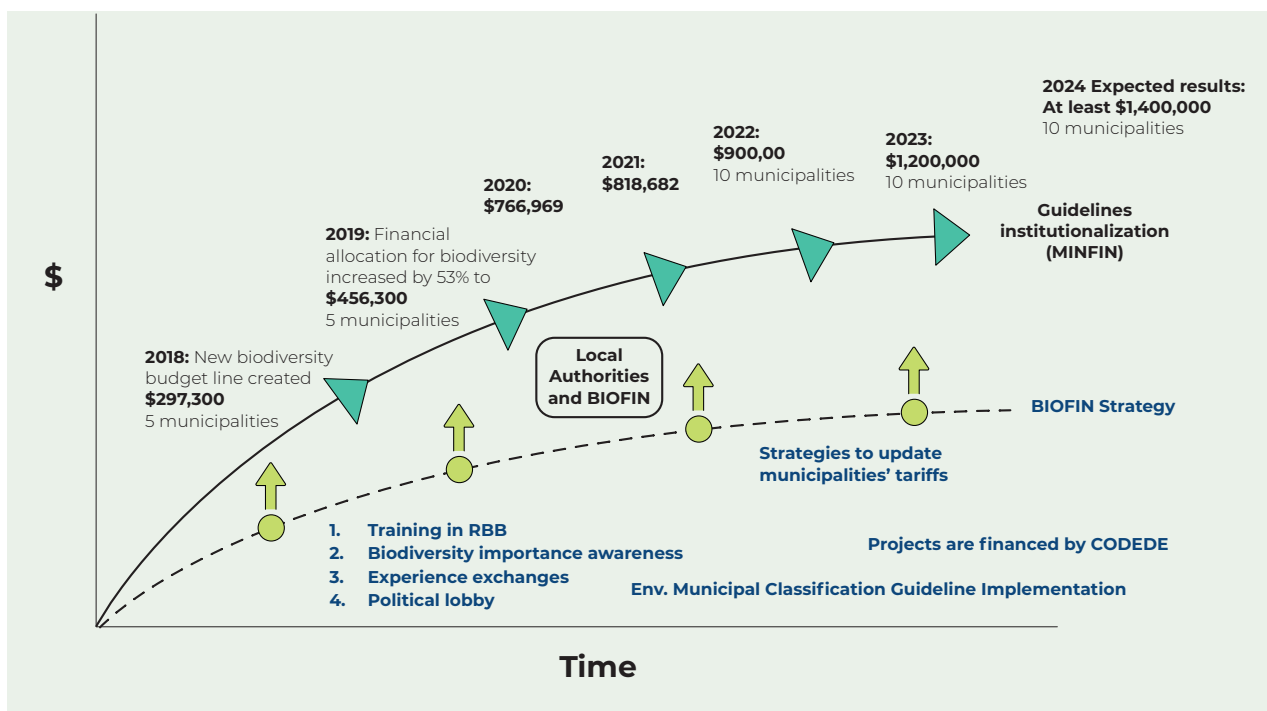
Figure 8. Results from the implementation of RBB in municipalities in Guatemala

Note: RBB=results-based budgeting; MINFIN=Ministry of Finance; CODEDE Departmental Development Councils.

Participants and tools in the budgetary process and results-based budgeting

Participants in the budgetary process include:

At the central government level: The Ministry of Public Finance (MINFIN), based on the General Budget Law, issues the guidelines for the budgeting of the corresponding fiscal year. The SEGEPLAN provides the orientations and public policy guidelines to be addressed in the budget through the planning instruments, i.e. the Institutional Strategic Plan (PEI), the Annual Operating Plan (POA) and the Multiannual Operating Plan (POM).

At the local level: SEGEPLAN and MINFIN develop the same process described above, targeting the municipalities, from the Municipal Planning Departments to the Municipal Financial Units, and the Treasuries define the municipal budget based on public and municipal policy guidelines through planning instruments (PEI, POA, POM).

The tools used in the budgetary process are the budget classifiers through which expenditure and investment are allocated; all the above are managed by the Ministry of Public Finance. This is coordinated with the planning instruments managed by the National Public Investment System. To link with the Budget Plan, the Management Information System (SIGES) is used and managed by the Ministry of Public Finance, whose information flows to other subsystems such as Guatecompras, which makes up the Integrated Accounting System (SICOIN).

Monitoring the results

Monitoring planned and budgeted results at the central and local government level is achieved through planning instruments such as POA, PEI and POM, and budgeting through SIGES and SICOIN. For this reason, BIOFIN's work in Guatemala focuses on including biodiversity in these planning instruments.

Next steps

Based on the results of the BFP update, it is expected that the RBB will be prioritized by central government agencies; this issue has already been identified as a priority by government agencies. Therefore, it is planned to draw the experience acquired at the local level and use it in national budgetary processes with the institutions responsible for biodiversity management in Guatemala.

In 2021, BIOFIN Guatemala developed a manual on municipal environmental public expenditure, and in 2024, we will work to support the Ministry of Finance in strengthening the capacities of the municipal authorities. The environmental municipal classification guide will be adapted and promoted to meet the requirements of the Ministry of Finance to be aligned with the Budget Classification Manual for the Public Sector of Guatemala and the thematic classifiers established in the Organic Budget Law.

Efforts will continue to be made to strengthen the public budget dedicated to biodiversity in ten municipalities through training and the application of RBB. Furthermore, we will develop and promote the application of didactic guides to strengthen the capacities of municipal staff in formulating municipal budgets that will include environmental issues, biodiversity and environmental taxation. In addition, a training programme will be developed jointly with the governing body in this area.

BIOFIN Guatemala will continue to work with the ten municipalities to include sustainable biodiversity management in their planning instruments, as this is the only way to ensure that municipal budgets are allocated for this purpose. Since elections were held in Guatemala, the eight municipality governments changed; hence, capacity-building and awareness-raising will have to be implemented with the newly elected authorities and the technicians they designate.

In 2024, the Ministry of the Environment requested BIOFIN to develop technical assistance to:

- develop and implement a guide for the Thematic Classifier on Water Resources and Sanitation to streamline their integration into the institutional budget.

- implement the Thematic Classifier on Climate Change with prioritized government entities and municipalities;

- build capacities in prioritized government entities to identify institutional interventions in water resources and sanitation management, and climate change issues, and incorporate them into the programmatic structures of the institutional budget; and

- design a follow-up matrix for the water resources and sanitation, and climate change classifiers in each prioritized entity based on the plan-budget link.

1 Guatemala

2 Indonesia

3 Kryrgyzstan

4 Mongolia

5 Philippines

6 Thailand

7 Viet Nam

Indonesia

Context

Indonesia's budgetary situation was characterized by limited resources, and the need to rebuild the country's social and economic infrastructure after the economic crises in the early 2000s up until the latest COVID-19 pandemic. As a developing country, the Indonesian Government faced significant challenges in delivering basic services and achieving development outcomes while ensuring fiscal sustainability and maintaining macroeconomic stability.

There was a growing recognition of the need for a more effective and efficient use of public resources, and a shift towards more results-oriented approaches to budgeting and public financial management. To address these challenges, the Indonesian Government began implementing RBB in 2005, which focuses on the results or outcomes of government programmes rather than just the inputs or activities. This approach aims to improve budget transparency, accountability and performance by linking budget allocations to programme objectives and outcomes. By using RBB, the Indonesian Government was able to prioritize funding for programmes that were most likely to achieve their objectives and demonstrate their impact.

RBB has now become an integral part of Indonesia's public financial management system and has helped to improve the Government's ability to plan, allocate and manage public resources more effectively and efficiently, with a stronger focus on achieving development outcomes. Therefore, the adoption of RBB could be refined and widely improved across a range of sectors and ministries, including environment and biodiversity sectors.

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Policy framework

Indonesia has established a legal framework for RBB through the State Finance Law and related regulations. These laws and regulations require government agencies to develop strategic plans and performance targets, and to report on their performance in achieving these targets in their annual budget submissions. One of the specific policy frameworks for RBB in Indonesia is the Government Regulation No. 90/2010 on Formulation of Work Plan and Budget of State Ministries/Agencies (PP 90/2010).

PP 90/2010 sets out the legal framework for budget preparation, execution, reporting and evaluation in Indonesia, and explicitly requires the use of RBB in the budgetary process. According to PP 90/2010, RBB aims to improve the quality of public budgets. Under this regulation, government agencies are required to prepare their budget planning based on programme performance indicators and targets, which are linked to the agency's strategic plan and objectives. The budget planning must also include a detailed breakdown of programme costs, expected outcomes and outputs.

During the budget execution phase, agencies are required to monitor and report on their performance against the programme indicators and targets set out in the budget. The reporting should also include an assessment of the actual outcomes and outputs achieved compared to the planned ones.

The RBB model for biodiversity

In Indonesia, RBB is implemented through biodiversity expenditure tracking facilitated by dynamic tagging. This system is similar to thematic budget tagging, where the Government introduces thematic tags such as climate, education and gender. Dynamic tagging is considered easier to administer than thematic tagging. The system can be initiated based on the sectoral needs and irrespective of the budget cycle and planning. The individuals responsible for tagging the budget come from the Ministry of Planning, as opposed to line ministerial staff, who handle thematic tagging.

One of the main challenges of implementing RBB in the biodiversity sector was the difficulty of measuring and monitoring the outcomes and impacts of biodiversity conservation actions. This was due to the complex and often long-term nature of ecosystem services and the need for sophisticated monitoring systems to track progress.

Another challenge was the lack of institutional capacity and coordination among government agencies and stakeholders involved in biodiversity conservation. This made it difficult to align policies, programmes and budgets to achieve common goals and to track progress toward results.

Finally, the limited availability of data and information on biodiversity conservation made it difficult to establish baselines, set targets, and measure progress toward outcomes and impacts. This underscored the importance of investing in data and monitoring systems to support the implementation of RBB in the biodiversity sector. In addition, there were challenges related to the availability of funding and the need to balance the priorities of biodiversity conservation with other development goals.

Despite these challenges, dynamic tagging will facilitate expenditure tracking that also supported resource mobilization strategy development for the Indonesian Biodiversity Strategy and Action Plan (IBSAP) 2025–2045. The work started with the identification of biodiversity definition in conjunction with the Global Biodiversity Framework (GBF). The mapping helps the initial biodiversity expenditure to demonstrate demonstrate the need for dynamic tagging. It also highlighted the need for continued investment in institutional capacity, data and monitoring systems, and stakeholder engagement to support the implementation of RBB in the biodiversity sector.

Anchoring results-based budgeting for biodiversity into the planning framework

Translating biodiversity planning framework into RBB involves a shift towards more outcome-based budgeting, where budget allocation decisions are based on the achievement of specific biodiversity conservation outcomes and performance indicators. This approach can help to ensure that government resources are allocated efficiently and effectively, and that biodiversity conservation goals are achieved in a transparent and accountable manner. The planning framework for biodiversity can be translated into RBB by setting measurable targets and indicators, allocating resources based on these targets, and tracking progress towards achieving them. This may include the following actions:

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1. **Develop a strategic action plan for biodiversity conservation:** This plan sets out the goals, objectives and strategies for achieving the desired outcomes. It plan should also identify the key biodiversity targets and indicators, as well as the resources required to achieve them.

2. **Set performance targets and indicators:** Here, the aim is to set measurable performance targets and indicators for each biodiversity conservation programme or activity. These targets should be SMART and should be linked to the strategic plan.

3. **Allocate funding resources based on performance targets:** Once performance targets have been established, resources can be allocated accordingly. This involves linking budget allocations to the achievement of specific performance targets and indicators. This could also involve providing incentives or disincentives based on their performance.

4. **Monitor and evaluate performance to ensure that the RBB approach is effective:** This involves tracking budget progress against performance indicators, assessing the impact of the programme on biodiversity conservation outcomes, and making adjustments to the programme as necessary.

Results to date

Biodiversity expenditure from key expenditure from key ministries was approximately US$1,101 billion[1] and US$1,090 billion[2] in 2021 and 2022, respectively. Compared to the total national budget in these years, this expenditure is only 0.81 percent and 0.91 percent, respectively. The figures are from, among others, the Ministries of Environment and Forestry; Marine Affairs and Fisheries; Agriculture; Research (Natural Sources and Innovation Agency); and Villages, Underdeveloped Regions and Transmigration.

In terms of finance results, RBB has the potential to mobilize more finance and realign resources towards biodiversity conservation while improving effectiveness and preventing future costs. These outcomes are consistent with the following four BIOFIN outcomes:

- Increased financing for biodiversity: RBB can help to mobilize more finance for biodiversity conservation by linking funding decisions to specific biodiversity conservation outcomes and performance indicators. This can help ensure that resources are allocated to the most effective and efficient conservation interventions, leading to improved outcomes.

- Improved alignment of financing: RBB can also help to realign resources towards biodiversity conservation by ensuring that funding decisions are aligned with the government's biodiversity conservation priorities and goals. This can help to avoid a duplication of efforts and ensure that resources are directed towards areas of greatest need.

- Improved efficiency and effectiveness: By linking funding decisions to specific performance indicators, RBB can help to improve the efficiency and effectiveness of biodiversity conservation interventions. This can lead to better outcomes and the achievement of conservation targets in a more cost-effective manner.

- Prevention of future costs: RBB can also help to prevent future costs by ensuring that conservation interventions are effective and sustainable over the long term. This can help to avoid the need for costly remedial actions in the future, and ensure that biodiversity conservation goals are achieved in a sustainable manner.

Overall, the finance results of RBB have been positive with respect to the four BIOFIN outcomes. Even though RBB has the potential to mobilize more finance, realign resources, improve effectiveness and prevent future costs, these outcomes will only be realized if RBB systems are well-designed, effectively implemented, and properly monitored and evaluated.

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1   Exchange rate in December 2021.

2   Exchange rate in December 2022.

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The budgetary process

The budgetary process and implementation of RBB in Indonesia involve several actors, including government ministries and agencies responsible for biodiversity conservation, the Ministry of Finance, the Ministry of National Development Planning, and external stakeholders such as civil society organizations and development partners. The Ministry of Finance is responsible for overseeing the budgetary process and ensuring that RBB is implemented correctly. Several e-governance instruments are being used to support the implementation of RBB in Indonesia. These include planning and budgeting systems, such as Collaborative Planning and Budget Performance Information Application (KRISNA) and Financial Application System at the Institutional Level (SAKTI), as well as monitoring and evaluation systems, such as Integrated Performance Monitoring and Evaluation System for the Director General of Budget (SMART DJA) and Electronic Monitoring and Evaluation, Bappenas (e-MONEV). The successful implementation of RBB in Indonesia depends on the effective engagement of multiple actors and the use of appropriate tools and systems to support decision-making and improve accountability and transparency.

Monitoring and evaluation

The RBB in Indonesia is monitored through a combination of performance indicators, monitoring and evaluation systems, and periodic reviews of the budgetary process. RBB is designed to link budget allocations to specific performance indicators related to biodiversity conservation. Therefore, these indicators are important to monitor progress towards specific conservation targets and outcomes, and to evaluate the effectiveness of conservation interventions. The budgetary process and implementation of RBB should be periodically reviewed to assess their effectiveness and identify areas for improvement. These reviews are conducted mainly by government internal reviewers, but there might be need for external reviewers, and other oversight bodies to ensure that the budgetary process is transparent and accountable.

The Ministry of Finance, together with the Ministry of National Development Planning, which is responsible for overseeing the planning and budgetary process and the implementation of RBB, works closely with government agencies responsible for biodiversity conservation to monitor progress towards specific conservation targets and outcomes.

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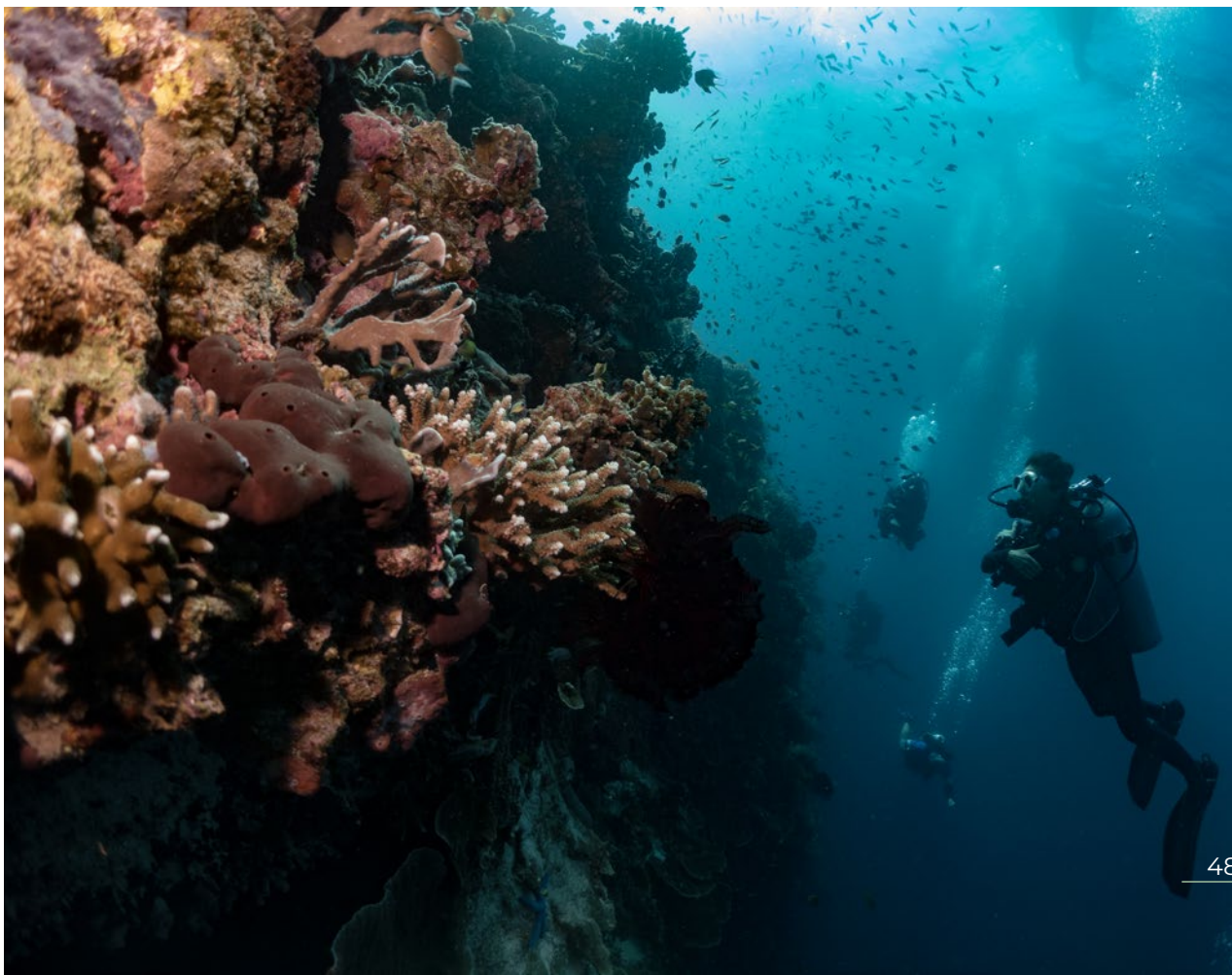
Next steps

BIOFIN in RBB implementation in Indonesia may include the following:

- Scaling up RBB implementation: Once RBB has been successfully implemented in certain ministries and agencies, its implementation may be scaled up across the country. This may involve expanding the use of RBB to additional sectors or areas of biodiversity conservation, and providing support to subnational government agencies and other stakeholders to implement RBB effectively.

- Building partnerships: Successful implementation of RBB requires the involvement of a wide range of stakeholders, including government agencies, civil society organizations and development partners. This may involve building partnerships with these stakeholders to ensure that RBB is implemented effectively and to mobilize additional resources and expertise to support biodiversity conservation efforts.

- Policy integration: Integrating biodiversity conservation into national and subnational policies is critical for sustainable RBB implementation. This could include developing policy frameworks and guidelines that prioritize biodiversity conservation and integrate RBB into relevant policies.

- Capacity building and stakeholder engagement: These are key components of RBB implementation in Indonesia. This entails developing training programmes for government officials and stakeholders, and ensuring their participation in RBB.

- Strengthening monitoring and evaluation systems: To ensure that RBB is being implemented effectively, it is important to have robust monitoring and evaluation systems in place. There may be a need to strengthen them in order to ensure that they are collecting accurate and timely data, and that the data are being used to inform RBB decisions. This may also include the integration of a budget tracking system with a biodiversity monitoring and evaluation system.

- Mobilizing additional finance: While RBB can help ensure that resources are being used efficiently, it may also be necessary to mobilize additional finance to achieve biodiversity conservation goals. This may involve identifying additional sources of finance and developing strategies to mobilize these resources.

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Kyrgyzstan

Case study, "Implementation of Results-Based Budgeting in Protected Areas and Forest Enterprises in Kyrgyzstan"

Situation analysis

One of the problems of biodiversity conservation management is that nature conservation government agencies have limited funding to implement activities envisaged in biodiversity action plans. One of the reasons for this a poor correlation between the budget and strategic plans. As a result, protected areas (PAs) and forest enterprises (FEs) do not receive sufficient funding to fulfil their core functions (reforestation, animal and forest protection). Under these conditions, effective protection and monitoring of biodiversity in PAs cannot be ensured, and the risk of biodiversity loss in protected areas is high.

PAs and FEs used only economic budget classification; hence, there is a lack of transparency in the distribution of finances, which leads to an inefficient use of insufficient budget funds.

In 2019, the BIOFIN-Kyrgyzstan team proposed to implement a financial solution that would spread the use of the results-based programme budgeting mechanism in FEs and PAs.

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The policy framework for results-based budgeting

In Kyrgyzstan, results-based programme budgeting was introduced in 2011, but only at the level of the central ministries. Primary-level budget institutions such as forest enterprises (FEs) and PAs planned and executed budgets based on items of economic classification, which does not truly reflect their work.

In 2017–2018, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supported the piloting of results-based programme budgeting principles in several FEs; pilot instructions and manuals were developed. RBB was not fully implemented in FEs, but the pilot showed the effectiveness of RBB in similar organizations and the feasibility of its implementation in PAs.

In 2022, the Government, with support from the World Bank, made significant changes to the RBB instructional materials, simplifying procedures and changing templates. However, these materials were only targeted at the ministry level and were not suitable for PAs and FEs. Hence, they had to be adapted with BIOFIN's support.

Description of the approach

In Kyrgyzstan, BIOFIN applied a comprehensive approach to RBB implementation in FEs and PAs. The approaches for FEs and PAs differed slightly due to their different preparedness for RBB implementation, as well as their different subordination structure: FEs were under the Ministry of Agriculture of the Kyrgyz Republic, while PAs were under the Ministry of Natural Resources, Ecology and Technical Supervision (MNRETS). Table 1 shows the scope of activities delivered within the RBB implementation.

Certain challenges were faced during the implementation of the RBB in PAs and FEs. One of the key challenges was the ongoing governmental restructuring that took place in 2020–2024: the structure of the Government and the subordination of FEs and PAs changed several times: initially, they were in one agency – the State Agency on Environmental Protection and Forestry, and later PAs were subordinated to MNRETS, and FEs were subordinated to the Ministry of Agriculture. Now, FEs have been handed over to the Ministry of Emergency Situations (MoES). These changes subsequently led to delays in decision-making. Additionally, during the capacity-building activities when introducing the RBB and management plans in PAs and FEs, the project faced the challenge of the high turnover of PA and FE staff. This trained staff, after resigning, were replaced by new staff that needed to be trained. To address this challenge, and to ensure the sustainability of the capacity-building measures, BIOFIN developed a web platform for online learning and knowledge assessment, and training materials were digitalized and integrated into the web platform.

Application of results-based budgeting

Both PAs and FEs implement the state policy on biodiversity, formulated in strategic documents: the NBSAP and the Concept of Development of the Forest Sector. The problem of natural resources management has been the poor reflection of these strategic documents in the financing of PAs and FEs. The principles embedded in the management plans and RBB of PAs and FEs require that the objectives and indicators of the national strategic documents be reflected in budget planning; this provides a basis for better management of the results of the strategies.

Results to date

Although RBB was implemented in 2022–2023, the finance results are yet to be assessed. Nevertheless, the implementation of PAs and FEs has yielded an array of transformative outcomes. Principally, RBB has instigated a shift towards heightened financial efficiency, ensuring that budget allocations are meticulously tailored to yield maximal conservation outcomes.

Stakeholder engagement

There are many stakeholders involved in RBB:

- FEs and PAs;

- The Management and Accounting Unit of the Department of Biodiversity Conservation and Protected Areas (DBCPA) under MNRETS, and the Forest Service (FS) under MoES (until December 2023 was under the Ministry of Agriculture);

- The Management and Financial Departments of MNRETS and MoES;

- The Ministry of Finance (MoF) of the Kyrgyz Republic.

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Table 1: RBB activities implemented by BIOFIN and results in Kyrgyzstan

BIOFIN activities	Have activities been applied to forest enterprises?	Have activities been applied to protected areas?	Note
Development of RBB instructions, including: • formats; • RBB implementation procedures; • guidelines for monitoring and evaluation of the implementation of RBB measures	Yes. Although forest enterprises (FEs) already had instructions, they were significantly updated by more than 50 percent.	Yes. The protected areas (PAs) lacked guidelines	The developed instructions are approved by the decrees of the relevant agencies
Development of calculation and technological charts (economic norms and standards)	No. FEs have had charts for a long time.	Yes	The charts of the PAs were approved by decree of the Ministry of Natural Resources, Ecology and Technical Supervision (MNRETS).
Development of model indicators of the contribution and performance	Yes	Yes	
Conducting of training on RBB development, implementation and monitoring	Yes	Yes	
Introduction of the development of management plans in PAs as a basis for RBB, which include the following activities: • conduct training; • provide assistance in drafting management plans.	NA FEs have long had planning documents for their activities. No such plans existed for PAs.	Yes	Guidelines for the development of PA management plans were developed by another UNDP project. Management plans for 23 PAs were developed and approved in February 2024 by MNRETS decree.
Development of video courses on the development of RBB and management plans	Yes	Yes	
Development of a web platform on online learning and assessing knowledge of RBB instructions, and development of management plans	Yes	Yes	
Conducting of training for RBB trainers	Yes	Yes	

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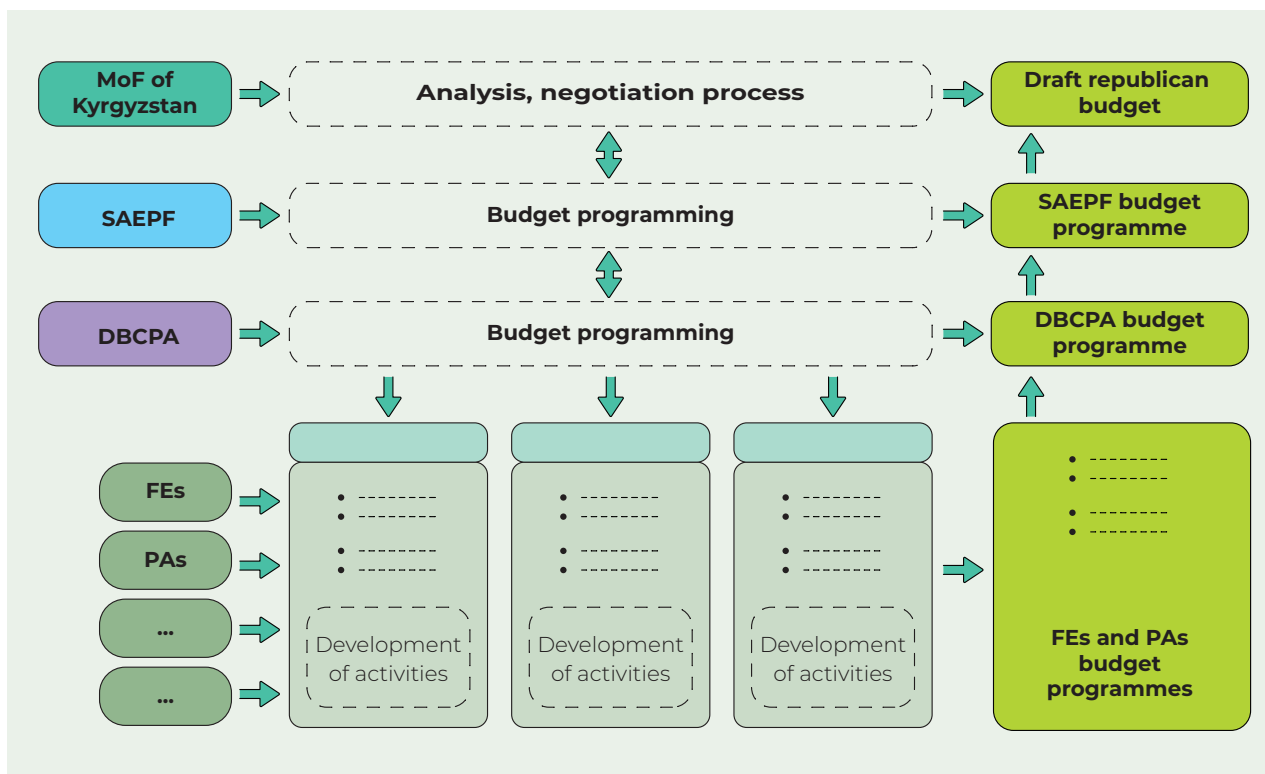
Figure 9. Results-based budgeting steps in Kyrgyzstan

Note: MoF=Ministry of Finance; SAEPF= State Agency for Environmental Protection and Forestry; DBCPA= Department of Biodiversity Conservation and Protected Areas; PA=protected area; FE=forestry enterprise.

Monitoring and evaluation

According to RBB instructions, monitoring and evaluation of the implementation of budget programmes should be carried out by PAs and FEs and their supervising ministerial departments. Monitoring consists of the following: PAs and FEs, after approval of the programme budget, prepare a programme budget implementation plan in which the responsible person of the DBCPA and the FS summarizes information from the budget measure indicator of all PAs and FEs, and monitors the budget measures against the intermediate indicators of the financing plan and the achievement of the budget measure indicators every six months.

Further, the responsible person generates a report on the results of the monitoring of budgetary measures, which contains:

- information on the results achieved during the reporting period;

- information on the achievement of target values of performance indicators of budget measures and an analysis of deviations in case of their non-achievement;

- analyses of factors that affected the implementation of the budget measure and problems that need to be solved at any level;

- data on the use of budgetary allocations and other funds;

- information on changes proposed in the budget, on changes in the forms and methods of implementation of the budget measure, on the reduction (increase) of human and material resources for the implementation of a particular measure, or on changes in performance indicators.

To date, no monitoring reports have been submitted.

For project monitoring, the BIOFIN consultant reviewed the budget requests submitted by PAs to the DBCPA, and by FEs to the Forest Service, within the framework of the preparation of the budget for 2024–2026. In general, the results of the analysis indicate successful implementation of the new methodology – almost all PAs and FEs, with few exceptions, submitted budget requests fully and correctly (in accordance with the requirements of the instructions) and information-rich applications.

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Next steps

1. Provide practical assistance to PAs in using the guidelines during planning (updating of management plans with the simultaneous development of budget requests in programme format) and during the monitoring of the management plan implementation.

2. Organize training of trainers (see point 1 above) for specific staff members of the FS and the Department of Biodiversity Conservation and Protected Areas, who will become focal points to provide practical assistance to PA and FE staff during planning and monitoring.

3. The DBCPA and the FS will develop templates for completing report forms that can be used by actors to correctly compile monitoring reports.

4. Automate the development of Management Plans and RBBs in PAs, DBCPA and the FS, as well as tools to automate RBB execution and monitoring.

5. Be prepared to respond to new changes in the Kyrgyz budget policy and RBB instructions at the central level, which is planned to take place in 2024–2025.
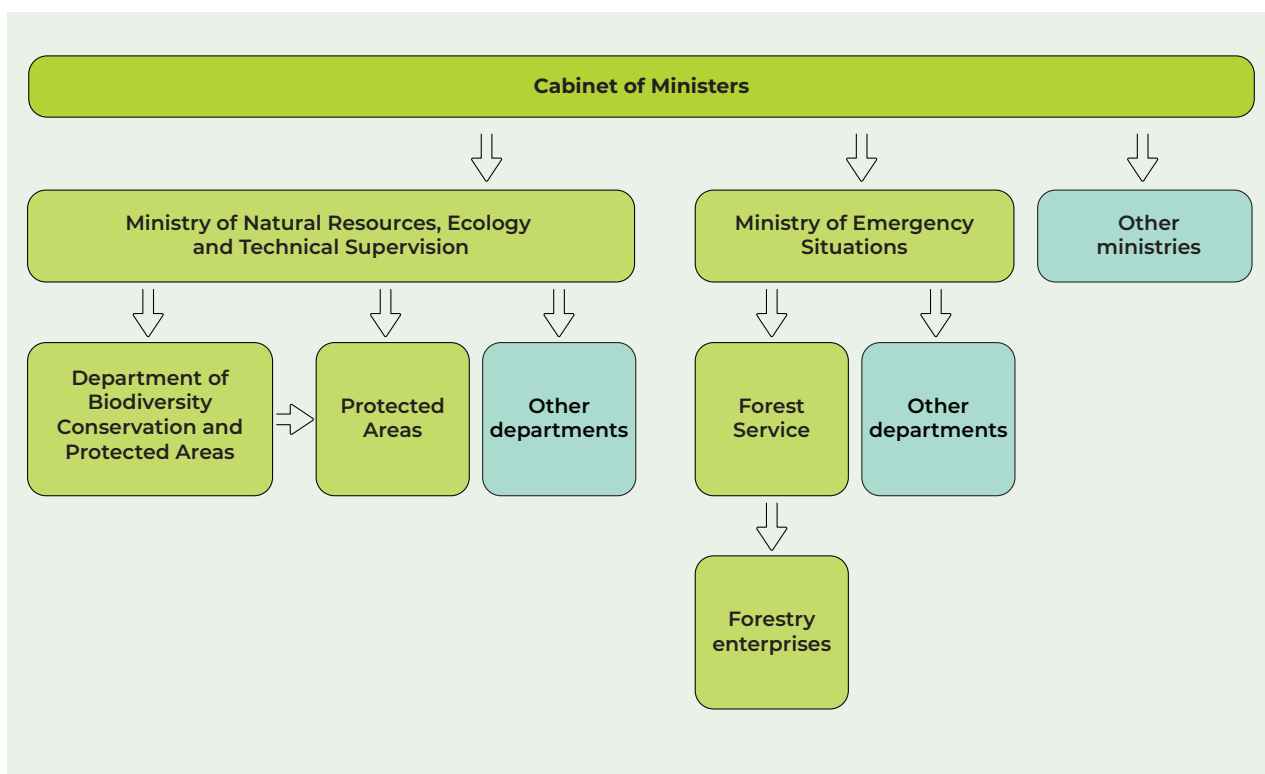
Figure 10. **The organizational chart for nature protection management in Kyrgyzstan**

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Mongolia

The opportunity to introduce results-based budgeting

The Medium-Term Fiscal Framework (MTFF) has governed Mongolia's budgetary planning since 2004. In recent years, it has been working to introduce the Medium-term Budgeting Framework (MTBF) with UNDP's support. In this light, expenditure reviews on state budget were carried out with the support of international organizations and within the main public sectors including the environment. Moreover, the Ministry of Finance started to introduce RBB in the sectors of education, labour and social protection, and agriculture from the 2024 fiscal year. According to the results from these pilot studies, it was concluded that the fundamental requirements of public financial management (i.e. a drafted MTBF, adequate capacity of human resources, a sectoral strategic plan, and fiscal rules and regulations procedures or manuals) for RBB implementation still need to be strengthened.

Relevant policies that provide the framework for results-based budgeting

A road map for the transition to RBB was developed by a UNDP project; however, the road map has not been authorized by any official central ministries to date. The Ministry of Economic Development (MED) was appointed as a main government entity responsible for the fiscal framework through the latest revision of the Organic Law in 2023. MED drafted the national development target programmes between 2022 and 2023 with UNDP's support according to a results-based methodology, and one of the six main sub-programmes was the targeted programme for the environment. The draft development policy document clearly outlines the activities to be carried out in the environmental field up to 2030, and outcome and monitoring and evaluation frameworks were clearly defined. With the approval of these programmes, it was expected to replace all long-term environmental policy documents of Mongolia. However, it is still uncertain whether or not the targeted programmes will be approved and come into force in the near future. The lack of a database to be used to verify the quality of performance is a major obstacle to the implementation of RBB, not only in the environmental sector, but also in all other sectors. Hence, the necessary environmental budget information and data collection for reporting and analysis, which are vital steps of results-based management, are not completed. However, the Ministry of Environment and Tourism has recently been considering creating a unified database where the results of all environmental policies and programmes can be measured.

Implementation of results-based budgeting as a finance solutions: main challenges and obstacles

Mongolia is at the initial stage in implementing RBB in the public sector through pilot project in some ministries. The main problems facing the implementation of RBB in the environment sector are:

- the lack of overall leadership of budget reform in all levels of public institutions;

- unqualified outcome indicators;

- the weak dedication of government officers;

- lack of clear and simplified guidelines for local stakeholders in provinces.

It is essential to have accurate KPIs that can show how the measures being implemented protect and restore the environment. For example, in 2024, the local budget approved more than MNT 54.4 billion to spend on environmental protection. The execution from this approved budget reached MNT 41.28 billion (US\$11.92 million), which is a 163 percent increase from the previous average of US\$4.55 million. The main problem is that the current KPIs are based on activities instead of results.

Translation of the planning framework for biodiversity into results-based budgeting

The BIOFIN Mongolia country programme's finance solution, enforcement of the Law on Natural Resource Use Fee (NRUP Law), is one option to introduce RBB into the environmental sector of the country. With UNDP's support, the Ministries of Finance and of Environment and Tourism are currently working on updating budget programme classification, which will allow to measure biodiversity expenditure and its efficiency or outcomes. In addition, BIOFIN's country programme has developed a system that enables budget planning through a bottom-up and top-down approach to ensure public transparency in collaboration with the Ministry of Environment and Tourism. This action has been strengthened by the establishment of a public database for environmental budgets and expenditures. Since the 2023 fiscal year, local environmental budget planning has been carried out nationwide through this database. This is an initial step in creating the primary source of budget planning and reporting data that are essential for the implementation of RBB.

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Results of the RBB implementation

The introduction of RBB is still at the initial stage in Mongolia. The country has not fully introduced RBB in any sector. However, the BIOFIN II project has developed a budget planning, reporting and monitoring and evaluation information system that will create the necessary basic conditions for implementing RBB in the environmental sector. Starting from the 2023 fiscal year, it became possible to partially measure the results of the local budget spent on environmental protection. Moreover, application of the database and budget transparency call for more funding for biodiversity conservation and environmental protection. For example, a preliminary report on the implementation of Natural Resource Use Fees Law revealed that total environmental expenditure reached US$11.92 million in 2023; i.e. an increase of US$7.37 million will finance nature conservation activities in the amount of at least US$2.8 million (MNT 10 billion) more than the previous multi-year average of US$4.55 million (2016-2021) of the last five years. In addition, there is an opportunity to create a basic database that will improve efficiency.

Participants and tools in the budgetary process and RBB

Implementation of RBB in the environmental sector should be organized using both bottom-up and top-down approaches, and first, at the level of the national budget, or top-down, coordination between the Department of Natural Resource Policy and Planning of the Ministry of Environment and Tourism, and the Department of Budget Policy of the Ministry of Finance. In this case, the participation of the Ministry of Economic Development is crucial, in particular, it needs to collaborate in annual budget planning. And it is vital that planning specialists from these ministries work together. Second, it is very important that the units under the Governor's office of provinces, such as the Department of Environment and Tourism, the Department of Finance and Treasury, and the Department of Investment and Development Policy work together to develop a budget plan for the local levels. However, in reality, the Ministry of Finance issues the annual budget call circular for preparing budget proposals from all general budget governors. Also, the Ministry of Finance still circulates annual budget calls asking to prepare budget proposals from all General Budget Governors and review the budget proposal for the further parliamentary approval. As a consequence, development planning priorities are not fully aligned with budget policies. Thus, RBB implementation in the country still requires continuous support either from the Ministry of Finance (for overall RBB implementation) or the Ministry of Environment and Tourism (for the environment sub-programme). To resolve this issue and to keep the balance between top-down and bottom-up approaches, BIOFIN's country programme supported the revision of a regulation as well as the development of a platform where all municipalities submit their revenue and expenditure plans. The planning shall be conducted by local public servants from the environmental sector. Here, the municipalities could provide detailed proposals based on their available natural resources and the most feasible conservation and rehabilitation measures. Then, all submitted data are integrated at the provincial level, sent to the Department of Finance and Treasury of the province, and integrated into the budget proposal of General Budget Governors to be sent to the Ministry of Finance.

Monitoring the results

Currently, there is no effective monitoring and evaluation framework on the RBB and planning and budget outcomes. However, budget transparency has been improved and enabled, which is a citizen's budget initiative where public budget information is simplified and available to all citizens. The Ministry of Finance should be responsible for the monitoring; however, to date, there is no officially approved document on the RBB road map (i.e. the public finance management reform road map).

Next steps

The project is planning to develop the monitoring and evaluation system based on the planning and reporting system for environmental budgets. To this end, we are creating a list of nature protection and restoration measures, and each measure will be developed with an indicator and its measurement unit (i.e. development of an environmental expenditure taxonomy: standardizing the categorization of environmental expenditure facilitates clarity and consistency in budget reporting). We hope that this will be an important step for measuring the results of any implemented measures, determining KPIs for environmental financing, and introducing RBB. A standardized chart of accounts and improved environmental budget classification will be introduced to the key stakeholders involved in the budget cycle.

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Results-based budgeting at the provincial level

📄 Context

In 2018, BIOFIN assisted the provinces of Negros Oriental and Negros Occidental in developing their Negros Island Biodiversity Strategy and Action Plan (NIBSAP), which outlined the island's priorities and served as its road map on biodiversity conservation; this served as the biodiversity framework for both provinces. According to the International Union for Conservation of Nature (IUCN), Negros Island harbours 10 critically endangered species (four birds, three mammals, three reptiles). It has five protected areas (PAs), namely Mt. Kanlaon Natural Park, Northern Negros Natural Park, Balinsasayao Twin Lakes Natural Park, Sagay Marine Reserve and Tañon Strait Protected Landscape and Seascape. Outside of these PAs, key biodiversity areas (KBAs) have also been identified, such as the Negros Occidental Coastal Wetlands Conservation Area, Southwestern Negros Forest, Sta. Catalina Forest, Mt. Talinis and Southeastern Negros Forest. Support for these KBAs is provided by the provincial governments.

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The policy framework for results-based budgeting

Negros Occidental province administratively belongs to Region 6, or Western Visayas, while Negros Oriental province administratively belongs to Region 7, or Central Visayas. The NIBSAP was presented to the Provincial Development Councils of both provinces, which recommended its adoption by their respective Provincial Legislative Councils. In 2018, the Regional Land Use Committee (RLUC) of the Regional Development Council (RDC) of Region 6 issued RLUC Resolution No. 06, adopting the NIBSAP 2018–2028. As a result, the RDC of Region 6 requested the Biodiversity Management Bureau of the Department of Environment and Natural Resources to formulate the Western Visayas Biodiversity Strategy and Action Plan, which covered six provinces.

In Negros Oriental, however, the previous governor and its Provincial Legislative Council were in disagreement; thus, the NIBSAP was not adopted by the Regional Development Council of Region 7.

In Negros Oriental, the main challenge was the opposing political views of the governor and his Provincial Legislative Council; thus, biodiversity was not fully mainstreamed into the other sectors such as agriculture, tourism and health. Nevertheless, the Environment and Natural Resources Division of Negros Oriental Province anchored its biodiversity conservation priorities on the NIBSAP. As a result, provincial budgetary allocation increased from PHP 300,000 in 2017 to PHP 1 million in 2019 and PHP 2 million in 2021.

During the COVID-19 pandemic, in 2020, budgets were realigned to COVID-19 response, and budgetary sources for biodiversity conservation were also few; hence not all priorities were funded.

In 2022, BIOFIN partnered with the Philippines Biodiversity Conservation Foundation, Inc. (PhilBio) to fully implement and monitor this finance solution.

PhilBio is a local non-governmental organization based in Bacolod City, Negros Occidental.

The application of RBB

Negros Occidental and Negros Oriental provinces have adopted their own Negros Islands Strategy and Action Plans.

In Negros Occidental: San Carlos City's City Environmental Management Office has strengthened its focus on biodiversity conservation due to the NIBSAP. In contrast, Cadiz City allocates budgets for wetland conservation and biodiversity monitoring for Northern Negros Natural Park and created a biodiversity section in the City.

Based on the NIBSAP which has been developed, the Western Visayas Region, which includes the province of Negros Occidental, has developed as well its own Regional Biodiversity Strategy and Action Plan.

The Environment and Natural Resources Division of the province of Negros Oriental relied heavily on the NIBSAP as its primary reference for shaping its planned programmes and activities. The Division enhanced its efficiency by supplementing strategies that in synergy with those of the province, resulting in increased budgetary allocation to biodiversity conservation.

Results to date

Table 2 shows the budgetary allocations of both provinces from from 2023 to 2024.

An 18 percent increase from the 2023 to the 2024 budgets of both provinces was noted. Activities include coastal resources management, wildlife and biodiversity management, climate change mitigation and adaptation, and forest resources management.

Table 2. **Budgetary allocations of Negros Oriental and Negros Occidental, 2023–2024**

Province	2023 (US dollars)	2024 (US dollars)	Total (US dollars)
Negros Oriental	343,712	378,604	722,316
Negros Occidental	5,407,236	6,655,636	12,062,872
Total	**5,750,948**	**7,034,240**	**12,785,188**

The province of Negros Oriental was able to leverage its budget of US$6,036 for the Provincial Wildlife Quiz Bee by accessing US$6,105 from the Department of Education and another US$181 from the Department of Environment and Natural Resources. Moreover, the Protected Area Management Office of the Balinsasayao Twin Lakes Natural Park sponsored a bird identification training in the amount of US$5,398, in which technical staff of the provincial and municipal offices of Negros Oriental participated.

In Negros Occidental, the increase in allocation was used to acquire a 10-hectare property worth US$1.4M to safeguard and enhance Mambukal Resort and Wildlife Sanctuary,[33] which will serve as an eco-corridor from Mt. Kanlaon Natural Park to Mambukal. The province also allocated an amount to develop Tawhay Biodiversity and Ecotourism Park in a formerly rebel-infested area in Talisay City.[34]

The NIBSAP also informed private sector investments in biodiversity conservation, as indicated in Table 3.

Planning and budgeting

The Provincial Environmental Management Office of the province of Negros Occidental, and the Environment and Natural Resources Division of the province of Negros Oriental are involved in the budgeting and planning of their provinces. Some elements of the NIBSAP are also integrated into the Provincial Development and Physical Framework Plan. BIOFIN's non-governmental organization partner, PhilBio, sits as private sector representative in the Provincial Development Council of Negros Occidental, and is therefore also able to advocate for biodiversity conservation.

Monitoring

In 2022, BIOFIN Philippines partnered with PhilBio, which assists provinces in implementing RBB and other finance solutions, and monitoring results through official provincial planning and budgeting documents, particularly the Annual Investment Plan.

Table 3. **Private sector investments in biodiversity**

Event/activity	Source	Total (US dollars)	
		2023	**2024**
Negros Oriental			
Provincial Wildlife Quiz	Energy Development Corporation	1,091	
	Southeast Asia Regional Initiative for Community Empowerment (SEARICE) and NOMAD Outdoor	181	
Project Lasang (Forest)	Friends of the Environment of Negros Oriental	4,191	
Negros Occidental			
Biodiversity Monitoring of Northern Negros Geothermal Project*	Energy Development Corporation	20,303	20,509
		25,766	20,509

*The geothermal plant is located near Northern Negros Natural Park.

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Next steps

PhilBio provides technical assistance such as strengthening current RBB initiatives to both provinces in implementing four finance solutions (i.e. access and synergy with national programmes; access to financial benefits from the Energy Regulations No. 1-94 [ER 1-94] programme; private sector engagement; and policy support). A 20 percent increase from the previous year's biodiversity conservation budget is targeted for both provinces. The Western Visayas Biodiversity Strategy and Action Plan will be presented to the Regional Development Council for alignment with its Regional Development Investment Programme.

Bird identification training for technical staff of municipal and provincial offices of Negros Oriental, sponsored by the Protected Area Management Office of Balinsasayao Twin Lakes Natural Park.

Negros Oriental allocated US$6,036 for its Provincial Wildlife Quiz Bowl and was able to leverage this amount by obtaining US$6,105 from the Department of Education.

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Guidelines and Curriculum for Results-based Budgeting for Biodiversity to Enhance Effectiveness and Biodiversity Impacts for Local Budgets

Thailand lacks strategies for financing National Biodiversity Strategies and Action Plans (NBSAPs); most action plans are just 'wish lists' of projects without secure funding. Although NBSAPs deem biodiversity an asset rather than an impediment to development, biodiversity is poorly reflected in development and poverty reduction strategies and policies, especially at the local level.

There are 77 provinces in Thailand. The Provincial Administrative Organization has the authority and the responsibility to systematize public services for the local community and to protect and preserve forestry, land, natural resources and the environment. The Provincial Action Plan is key for integrating environmental, including biodiversity issues, both nationally and locally. The Plan was translated directly from the Thailand Environmental Quality Management Plan and the NBSAPs. Consequently, budget and finance will be channelled through biodiversity-related entities, using NBSAPs as framework guidelines. However, not all biodiversity-related programmes and activities in local communities are included. Particularly, to date, the Local Biodiversity Strategies and Action Plans (LBSAPs) have not yet been embedded in the national NBSAPs. Local administrative organizations (LAOs) should have a leading role in the implementation of NBSAPs, but they need knowledge on how to develop a sound plan and access finance.

In Thailand, the local government also lacks fiscal autonomy and self-reliance. The local budgetary allocation for environment management is mostly prepared and administered at the national level through the Ministry of Interior.

Although the Government has allocated a budget to LAOs for managing the environment, livelihood and welfare issues, there are no specific indications regarding the categories of biodiversity and the amount of funds that were received and spent on these allocations.

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Global and national policies structuring Thailand's RBB's implementation

The Kunming-Montreal Global Biodiversity Framework (GBF) and the decisions adopted at the United Nations Convention on Biological Diversity (CBD) Conference of the Parties (COP) (CBD/COP/15/11,15/15,15/17), particularly the most important decision, CBD COP15/12: Engagement with subnational governments, cities and other local authorities to enhance implementation of the GBF, which include guidelines provided by BIOFIN, are global policies that shaped Thailand's Results-based Budgeting for Biodiversity Framework.

At the national level, the key policies and guidelines that enable local governments to integrate biodiversity into planning activities more efficiently, especially in the budget preparation are the Enhancement and Conservation of National Environment Quality Act, B.E. 2535 (1992), Thailand's 20-Year National Strategy, the 13th National Economic and Social Development Plan (2023–2027), the 20-Year Strategic Plan for the Ministry of Natural Resources and Environment (B.E. 2560–2579), The Policy of the Budget Bureau, and the Budgetary Procedure Act B.E.2561 (2018).

Main challenges and obstacles

The 'biodiversity outcome-oriented budgeting principle' has been defined as the main challenge. RBB in Thailand has focused on developing an RBB training curriculum and guidelines to build the capacity of the local administration authorities to ensure that the budget expenditures target biodiversity as one of the outcomes.

To meet the objectives of the project in providing a curriculum for developing LAOs' capabilities in formulating and designing project proposals for increasing transparency and efficiency in the use of public resources of the local government, the Biodiversity Action Plan must be developed at the subnational level and included in the NBSAPs at the national level.

The main challenge for this project is to make local budgetary processes more aligned with the NBSAPs and more impactful on improving local budget performance. It is necessary to localize the NBSAPs through local government.

The outputs and outcomes from the RBB project hold the key to enabling the staff of local authorities to re-orient budget preparation toward the achievement of clearly defined policy outcomes.

The National Biodiversity Strategic and Action Plan

Since the NBSAP is key for integrating biodiversity issues nationally and locally, LAOs, with full engagement and participation of a wide array of actors, will have to structure their biodiversity-related policies so that they address subnationally important issues, align with the NBSAPs, and are more impactful in improving local budget performance.

Results of RBB implementation and finance results

The knowledge products developed under the RBB finance solution are instrumental in enabling the Government to re-direct budget preparation toward the achievement of clearly defined policy outcomes.

The results of implementing RBB support four of BIOFIN's finance results, as follows:

- **Realigned expenditures:** The Module developed for the LAOs is the tool for reallocating financial resources to promote the sustainable use of biodiversity.

- **Avoided future expenditures:** As the local authorities commit to spending the funds on the centrally defined programmes to which they have been attached, the RBB project helps support local governments in allocating existing specific and general-purpose subsidies to achieve biodiversity conservation as well as other environmental benefits, and preventing negative impacts on the environment (e.g. subsidies aimed at infrastructure investment such as ecosystem-based disaster risk reduction and green infrastructure closely related to biodiversity, as well as the prevention of invasive alien species).

- **Better delivery:** LAOs participating in this programme will be able to improve the coordination of national conservation funds, including the Thailand Environment Fund.

- **Generated revenues:** Developing an RBB proposal increases the opportunity to attract impact investment in conservation projects, such as the Global Environment Facility, the Critical Ecosystem Partnership Fund, and Green Climate Fund.

Building the budget into the results framework – who is involved?

Thailand's budgeting system involves many entities, such as the Bureau of the Budget, and is coordinated with the three other relevant central agencies, namely, the MoF, the Bank of Thailand and the Office of the National Economic and Social Development Council.

At the subnational level, the Department of Local Administration, the Department of Provincial Administration, the LOA and the Provincial Administrative Organization are the main responsible entities.

In addition to the National Steering Committee and Working Group's oversight of BIOFIN projects, legislative frameworks for budgeting and fiscal management, and an external audit of all local governments conducted by the Office of the Auditor General (on a three-year cycle), the Electronic Monitor and Evaluation System of National Strategy and Country Reform Plans are in place to ensure that RBB is implemented correctly.

Tools used for RBB in Thailand: These tools consist of legislative frameworks for budgeting and fiscal management, and a broader range of budget publications. Innovations include online budget portals and the BIOFIN Workbook.

Monitoring the results of action taken

Thailand's RBB project is monitored regularly by four committees, which support the integration of RBB outcomes into all government efforts at the national and local levels. They also ensure that sufficient resources are available to promote effective implementation and concrete outcomes.

1. **BIOFIN's National Steering Committee (NSC).** BIOFIN's NSC consists of the Office of Natural Resources and Environmental Policy and Planning, the Department of Local Administration, the Plant Genetic Conservation Project under the Royal Initiative of Her Royal Highness Princess Maha Chakri Sirindhorn (RSPG) at Phranakhon Rajabhat University, and local university agencies under the RSPG, the Bureau of the Budget, the Office of the National Economic and Social Development Council, the Fiscal Policy Office, the Biodiversity-Based Economy Development Office, the Department of Climate Change and Environment, the National Municipal Association of Thailand, and BIOFIN. The Committee is responsible for guiding the project, providing feedback, and ensuring that the project is implemented according to the approved work plan.

2. **The Monthly Review and Consultation Meeting with the Senior Technical Adviser to BIOFIN's National Steering Committee.** The Monthly Review and Consultation Meeting chaired by the Senior Technical Adviser to BIOFIN's NSC, who was the former chair of NSC, promotes knowledge sharing and dialogue among all national consultants to enable them to report on their implementation progress. The technical consultation session involves clear and regular communication on the project's progress, challenges and achievements.

3. **The Working Group on RBB finance solutions** comprises the Office of Natural Resources and Environmental Policy and Planning, the Plant Genetic Conservation Project under the RSPG, the Bureau of the Budget, the Office of the National Economic and Social Development Council, the Fiscal Policy Office, the Department of Local Administration, the Biodiversity-Based Economy Development Office (a public organization), the Department of Climate Change and Environment, and the National Municipal League of Thailand.

4. **The National Committee on Conservation and Utilization of Biodiversity (NCB)** is under the Ministry of Natural Resources and Environment of Thailand. The NCB comprises eight subsidiary bodies, among which BIOFIN's work is relevant to five, namely: (i) The Committee on Biodiversity Act; (ii) The Subcommittee on Integrated Biodiversity Management; (iii) The Subcommittee on Biological Technical Advice; (iv) The Subcommittee for Coordination of International Negotiation Positions; and (v) The Biodiversity Data Governance Working Group. Both the Office of Natural Resources and Environmental Policy and Planning, and RSPG are members of the Subcommittee on Integrated Biodiversity Management and the Committee on Biodiversity Act. In terms of policy advocacy, it is important to note that the BIOFIN National Steering Committee members share the same members from these two subsidiary bodies under the under the NCB.

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Going forward with RBB

The outcomes of the RBB finance solution are to provide technical assistance and to develop the capacity of local government organizations to prepare budgets rationally and in line with Thailand's National Plan, including the strategic plan on biodiversity.

In addition, the RBB finance solution also ensures the integration of the Local Biodiversity Strategy and Action Plan as part of the local authority's plan.

The following actions were implemented as part of the finance solution:

- A Training Module containing curriculum training materials was developed.

- The Local Government Units (LGUs) integrated the triple-win approach on biodiversity and ecosystem services, climate change and gender matters in their budget system.

- A set of proposals were developed by best-in-class LGUs, which are ready to submit for budget approval.

- Clear results and accountability frameworks were established for LGUs, programmes and activities, and performance agreements were signed by authorized officials.

- The local governments developed local biodiversity strategies and action plans to reduce the finance gap to promote biodiversity conservation in Thailand. The curriculum and/or training modules are included in the training of various institutions, allowing the LGOs to enrol in the Massive Open Online Course (MOOC) free of charge. These online courses are open to the public as the knowledge-sharing and best practices platform for all sectors involved.

- A biodiversity-related finance instrument has been introduced introduced to generate long-term support for the conservation and restoration of biodiversity at the LGUs. Private and public partnerships created opportunities for local government and business partners were established.

- The LGOs under the Ministry of Interior have collaborated with the representative office of the Ministry of Natural Resources and Environment as well as other local stakeholders in developing, endorsing and monitoring their local biodiversity strategies and action plans.

- The implementation phase of the RBB included a Gender Action Plan, which uses a gender lens for the local government's budgetary process.

- RBB for local governments on biodiversity was included as one of the indicators for the screening and selection criteria of the Association of Southeast Asian Nations (ASEAN) Environmentally Sustainable Cities under the ASEAN Working Group on Environmentally Sustainable City.

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In Viet Nam, budgeting for PA systems currently relies on input-based calculations proposed by PAs and management authorities, with inputs converted into budgets using standardized cost norms set by the MoF and relevant ministries. This method has hindered the development of a PA annual workplan that would be biodiversity output-driven and that would effectively assess the impacts of PA's efforts. Implementing RBB would require transparent procedures, monitoring tools, and reporting systems to track activities and results comprehensively. Recent legal documents demonstrate the State's increasing prioritization of RBB and performance-based budget management, signalling progress towards more effective public finance management.

According to BIOFIN's RBB study,[35] one of the main findings was the feasibility of the application of RBB to certain PA activities such as labour contracts and forest protection contracts through the non-state budget revenue stream. Through the pilot in Sao La PAs, BIOFIN evaluated the feasibility of RBB and developed guidelines for its application. Specifically, a system of evaluation criteria for biodiversity tasks in labour contracts and forest protection contracts was devised, together with revisions to the PA's Code of Internal Control and the development of the technical guidelines for RBB replication in similar PAs.

In the near future, in order to successfully formalize RBB for biodiversity-positive impacts, it is imperative that competent authorities consolidate the economic and technical norms, and the development of procedures and standardized costs applied for biodiversity conservation outputs. In this respect, BIOFIN is providing support so that the Ministry of Natural Resources and Environment (MONRE) will promulgate standardized costs for biodiversity inventory and monitoring in accordance with the biodiversity inventory and monitoring process and its indicators issued by the Nature and Biodiversity Conservation Agency/MONRE. The standardized costs, once promulgated, would help to ensure transparency and accountability in utilizing the allocated state budget, enabling appropriate resources and effective implementation of biodiversity conservation work. Standardized cost norms for biodiversity conservation tasks are crucial for transparent and accountable budget utilization, facilitating effective implementation of biodiversity-related regulations. However, challenges remain, including the need for comprehensive legal frameworks, clear guidance, and sustained support and commitment from governmental agencies for operationalizing RBB among state budget users in general, and in PAs, in particular.

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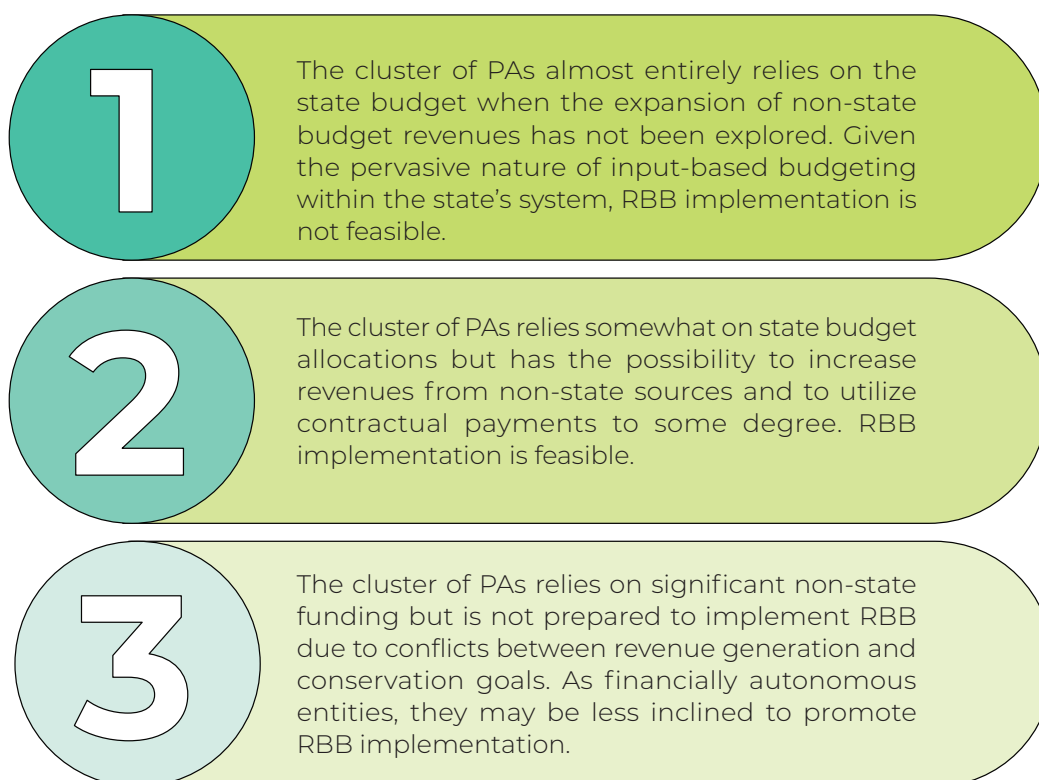7 Viet Nam

The budget situation

Budgeting for PA systems currently relies on input-based calculations proposed by PAs and management authorities. Inputs, which mostly refer to staffing, consumables and hardware, among others, are estimated based on technical cost norms promulgated by relevant line ministries and subordinate departments, and provincial authorities, specifically the Provincial People's Committees. They are then converted into budgets using the technical cost-norm (standardized costs) promulgated by the MoF or the Provincial Assemblies (i.e. Provincial People's Councils). This method has set up barriers to the development of PA annual workplan to be biodiversity output-driven and in effectively assessing the impacts of PA's undertakings.

RBB has been identified as an alternative to input-based budgeting. According to the OECD (2007), RBB budgeting is a method of budget management in which resources are allocated based on the measurement and assessment of performance results. RBB encompasses budgeting methods where efficiency influences decisions, blending financial and non-financial information for management and accountability.

It is a comprehensive budgeting system, not a specific method, organized around objectives, programmes and activities. Being output-focused, it integrates measured data to justify targeted budget allocation and employs systems for monitoring and evaluation.

In applying RBB for the PAs, three scenarios have been studied where differing underpinning budget lines and revenues variably dictate whether RBB is feasible or not (Figure 11).

Therefore, for the time being, RBB would be feasible solely for PAs categorized under Group 2. Furthermore, the application of RBB would not extend to the entirety of the PA budgets, but would rather target specific areas, particularly the Payments for Forest Environmental Services (PFES). This targeted approach aligns with existing 'performance-based' agreements, notably those concerning forest protection contracts with households. By concentrating RBB efforts on PFES, which are already structured around performance-related metrics and expanding its performance indicators to include some biodiversity conservation measures, this ensures a seamless integration of RBB principles into established systems.

1 The cluster of PAs almost entirely relies on the state budget when the expansion of non-state budget revenues has not been explored. Given the pervasive nature of input-based budgeting within the state's system, RBB implementation is not feasible.

2 The cluster of PAs relies somewhat on state budget allocations but has the possibility to increase revenues from non-state sources and to utilize contractual payments to some degree. RBB implementation is feasible.

3 The cluster of PAs relies on significant non-state funding but is not prepared to implement RBB due to conflicts between revenue generation and conservation goals. As financially autonomous entities, they may be less inclined to promote RBB implementation.

Figure 11. Three scenarios for RBB implementation in Viet Nam

Policy background

In Viet Nam, the current budget management approach remains traditional, predominantly input-based, and lacks accountability for outputs and results. However, recent legal documents demonstrate the State's increasing priority placed on implementation results, linking budget allocation with the outcomes of the spending units' undertakings. For instance, the 2015 State Budget Law requires ministries, departments and localities to gradually apply RBB management (Article 25, Para. 15). Hence, ideally, responsible authorities that allocate budgets must refer to the PA's mandates on biodiversity conservation to specify overall output indicators and unit costs. PAs will autonomously manage funds, ensuring accountability for achieving biodiversity goals. Periodic evaluations will be conducted to ensure adherence to continued commitments to RBB and the amplification of its impacts.

Furthermore, Decree No. 163/2016/ND-CP provides the initial guidelines on managing state budgets based on performance results (Article 11). Decree No.141/2016/ND-CP allows for increased autonomy among public service delivery units in economic and other sectors, particularly nature conservation facilities, regarding the operationalization of associated functions. Most recently, Decree No.32/2019/ND-CP further regulates task assignment, procurement and provision of services using the recurrent state budget for public service delivery units. These measures signify monumental steps towards restructuring the financial systems to ensure efficiency, aligning with the State's policies on enhancing the quality and effectiveness of public agencies like PAs. This entails a transition from standardized state allocation to state-enabled procurement or task assignment based on output quality or competitive bidding for public service provision, along with the implementation of capital and asset endowment mechanisms for public agencies.

When analysing the PA system, it emerges that there are two prominent budget lines, i.e. the state budget and the non-state budget. One of the main sources for the non-state budget is PFES, which primarily funds forest protection contracts with households or rangers, monitored through contracted forest area protection. Patrols are tracked using navigation systems, and results are publicly evaluated as a basis for the contract's final accounting. The primary limitation was that forest protection contracts solely focus on the contracted area index without addressing biodiversity objectives. Through careful surveying and observation, RBB will be most feasible when carried out for this non-state budget line, particularly under the contractual payments for forest protection, despite the limitation.

Pilot in Sao La Protected Areas

During phase 1 in 2019, BIOFIN in Viet Nam gauged the feasibility of RBB in forest protection, which resulted in a pilot in Sao La PA, where the initial guidelines on its application were produced. Sao La PA was chosen as the pilot site due to its affinity with Scenario 2 above. For the Sao La PA, an important source of revenue for the Management Board is derived from PFES. This revenue is mainly used to fund forest protection contracts, some of which are signed with households and others with forest rangers.

The pilot in Sao La was undertaken with the following steps:

1. The PA Management Board (PAMB) established a Working Group.

2. The Working Group discussed managing labour contracts with staff and performance-based forest protection contracts with households, conditions for applying RBB, and criteria for evaluating their performance results, in which biodiversity conservation objectives were added.

3. A set of criteria, procedures and methods for evaluating task performance in labour contracts and forest protection contracts were developed, utilizing assessment outcomes for contract management.

The PAMB and Working Group conducted extensive consultations with all staff, contract workers and forest protection groups regarding the pilot application of RBB for managing labour and performance-based forest protection contracts.

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Forest rangers patroling the forest in Sao La PA

Monitoring results

In the current state of the PA, there are ample and readily available resources for evaluating the performance of RBB, particularly the forest protection contracts in Sao La PAs, such as:

- records from patrol camp and team monitoring logs;

- daily teams' reports; and

- data obtained from smart mobile devices and satellite imagery for visual patrol records.

Results of the Sao La Pilot

The application of RBB to forest protection services has resulted in the development of a set of KPIs in the performance-based contracts that serve to enhance biodiversity conservation in Sao La PA. This includes indicators in the following five components:

- Compliance with working regulations and rules.

- Frequency in patrolling and raiding activities

- Detection and timely reporting of violations of forest law

- Detection and reporting of evidence of biodiversity enrichments and/or losses (added)

- Results of biodiversity conservation and forest protection.

An open and transparent performance assessment system was established, consisting of: developing assessment criteria, collecting evidence, performing self-assessment, and conducting manager assessments, emulation

council assessments, and performance ranking for contract payments. Additionally, a revised Code of Internal Control (Quy chế chi tiêu nội bộ, 2018 version) was issued to ensure transparency and fairness in performance assessment and ranking methods, reinforcing the integration of the NBSAP objectives into RBB practices.

Hence, the application of RBB to certain activities within the PA is entirely feasible. Implementing RBB for labour contracts and forest protection contracts allows for a more accurate and transparent assessment of biodiversity conservation results. However, successful management of these contracts requires support from supervisory authorities, determination from the management boards, and active participation from staff and labourers throughout the trial period. Additionally, the management boards need transparent procedures, monitoring tools and reporting systems to track activities and results comprehensively, from inputs to outputs, ensuring effective conservation of biodiversity.

The results from the RBB pilot under BIOFIN phase 1 are illustrated on page 70 (Figure 12).

Standardized cost norms for biodiversity inventory and monitoring across protected areas

In BIOFIN phase 2, BIOFIN is issues standardized cost norms for biodiversity inventory and monitoring across PAs. According to Decision 1990/QD-TTg of 11 December 2017, on government-commissioned public services, biodiversity inventory and monitoring are MONRE's prime function. Therefore, it is expected that RBB will be applied for the inventorying and monitoring of Viet Nam's biodiversity status in PAs.

The economic and technical norms consist of three basic components: labour norms, material norms and equipment norms, which will serve as the basis for the competent authority to determine the budget estimate for implementing tasks and projects on biodiversity conservation. The standardized costs for biodiversity inventory and monitoring are planned to be promulgated by MONRE in accordance with the biodiversity inventory and monitoring process and its indicators set out in guidelines issued by the Nature and Biodiversity Conservation Agency under MONRE. The standardized costs, once promulgated, would help ensure better transparency and accountability in utilizing the allocated state budget in this task of biodiversity inventory and monitoring across PA.

1 A system of criteria and indicators for evaluating the performance of forest protection and biodiversity tasks has been developed for labour contracts and forest protection contracts. This system of criteria meets the requirements of being (i) simple and easy to measure and monitor by by the existing monitoring and supervision system; (ii) sufficient to increase the resoponsibilities for the biodiversity conservation of labour contract worker and performance-based contracted households, but not putting so much pressure that workers object to adding these indicators to the contract; and (iii) clear, measureable and equitable in assessing the quality of forest and biodiversity indicators and the payments for forest protection.

2 Contract annexes were drafted (labour contract and performance-based contract for forest protection signed in 2019), adding evaluation criteria, assessment methods and classification of performance of forest protection and biodiversity conservation tasks. Since 2020, these items have been expected to be formally added to labour contracts and performance-based contracts for forest protection.

3 The PA's Code of Internal Control (Quy chế chi tiêu nội bộ, 2018 version) was revised to be consistent with changes in the piloted method of evaluating the performance of biodiversity and forest pretection tasks. This Code serves to ensure a transparent and predictable performance assessment system as well as encourage stakeholders' participation in the assessment.

4 A technical guideline to apply RBB to forest management and protection through labour contracts/performance-based contracts for forest protection is to be replicated for other PAs with similar conditions was developed.

Figure 12. Results from the RBB pilot under BIOFIN Phase 1

Conclusion

Despite the establishment of sufficient monitoring tools and frameworks for the Sao La pilot, which serves as a model for implementing RBB across Viet Nam's PA system, significant challenges persist in advancing the comprehensive application of RBB. While the legal framework for RBB is solid, there is a need for the MoF to issue clear instructions and mandate RBB as a requirement as a budgeting method across all sectors.

While the conceptual framework for RBB in Sao La is justified and sound, there are obstacles that need to be addressed for the practical implementation of RBB:

Viet Nam's public finance management framework does not fully back RBB across sectors. The MoF continues to favour input-based cost norms for annual budget planning, rendering RBB unfeasible for state funding sources.

For non-state funding sources, RBB can be applied to activities and tasks that have (i) specific objectives and targets; (ii) earmarked funding; and (iii) a doable set of performance measurement. In PA's current mandates and tasks, only PFES-based forest protection service can satisfy these conditions. Thus, the scope of RBB application is limited.

The pilot's sustainability relies on the PAMB's willingness to adapt, since it can still manage current contracts without RBB. Only results-oriented leaders support the pilot. Given the high turnover rate in public agencies, there is no guarantee that the pilot will be continued if an official guide from supervisory agencies (e.g. Ministry of Agriculture and Rural Development) has not been issued.

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Continued BIOFIN's support to upscale results-based budgeting in Viet Nam

Recently, the Government has enacted Decree 32/2019 concerning performance-based task assignment, direct contracting, and bidding for designated public services utilizing the recurrent state budget, which is another bold step in the Government's commitment to RBB. For PAs, results-based direct contracting will be more relevant and represents a significant stride towards RBB integration. To facilitate this approach, Decree 32 stipulates that:

- competent authorities such as MONRE, the Ministry of Agriculture and Rural Development or provincial bodies must issue technical specifications, cost norms, and costing methodologies; and

- clear guidance on output indicators/ measurements and monitoring procedures and incentives for RBB application are necessary.

The ongoing support on the development of the standardized cost norms for biodiversity inventory and monitoring across PAs, as mentioned, will contribute to the operationalization of Decree 32 for more effective RBB application in Viet Nam.

The Saola, a forest-dwelling bovine, was restored and is currently protected in the PA

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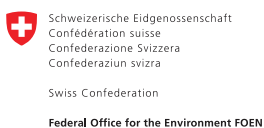
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