



## REQUEST FOR PROPOSAL (RFP)

NAME & ADDRESS OF FIRM	DATE: September 9, 2020
	REFERENCE: UNDP/RFP/09/2020

Dear Sir / Madam:

We kindly request you to submit your Proposal for **Assessment of Consequences of Agricultural Incentives (Subsidy) on Biodiversity** for BIOFIN Nepal. The detailed Terms of Reference (ToR) is attached as Annex 4.

Please be guided by the form attached hereto as Annex 2, in preparing your Proposal.

Proposals may be submitted on or before **1700 hours (Nepal Standard Time), Friday, September 25, 2020** and via email to [procurement.np@undp.org](mailto:procurement.np@undp.org).

The technical and financial proposals should be in separate email messages mentioning the following subject lines:

Technical Proposal: UNDP/RFP/09/2020- Technical Proposal- {Bidder's Name}

Financial Proposal: UNDP/RFP/09/2020- Financial Proposal- {Bidder's Name}

Your Proposal must be expressed in the English language, and valid for a minimum period of 90 days.

In the course of preparing your Proposal, it shall remain your responsibility to ensure that it reaches the address above on or before the deadline. Proposals that are received by UNDP after the deadline indicated above, for whatever reason, shall not be considered for evaluation. ***If you are submitting your Proposal by email, kindly ensure that they are signed and in the .pdf format, and free from any virus or corrupted files.***

Services proposed shall be reviewed and evaluated based on completeness and compliance of the Proposal and responsiveness with the requirements of the RFP and all other annexes providing details of UNDP requirements.

The Proposal that complies with all of the requirements, meets all the evaluation criteria and offers the best value for money shall be selected and awarded the contract. Any offer that does not meet the requirements shall be rejected.

Any discrepancy between the unit price and the total price shall be re-computed by UNDP, and the unit price shall prevail and the total price shall be corrected. If the Service Provider does not accept the final price based on UNDP's re-computation and correction of errors, its Proposal will be rejected.

No price variation due to escalation, inflation, fluctuation in exchange rates, or any other market factors shall be accepted by UNDP after it has received the Proposal. At the time of Award of Contract or Purchase Order, UNDP reserves the right to vary (increase or decrease) the quantity of services and/or goods, by up to a maximum twenty five per cent (25%) of the total offer, without any change in the unit price or other terms and conditions.

Any Contract or Purchase Order that will be issued as a result of this RFP shall be subject to the General Terms and Conditions attached hereto. The mere act of submission of a Proposal implies that the Service Provider accepts without question the General Terms and Conditions of UNDP, herein attached as Annex 3.

Please be advised that UNDP is not bound to accept any Proposal, nor award a contract or Purchase Order, nor be responsible for any costs associated with a Service Providers preparation and submission of a Proposal, regardless of the outcome or the manner of conducting the selection process.


UNDP's vendor protest procedure is intended to afford an opportunity to appeal for persons or firms not awarded a Purchase Order or Contract in a competitive procurement process. In the event that you believe you have not been fairly treated, you can find detailed information about vendor protest procedures in the following link: <http://www.undp.org/procurement/protest.shtml>.

UNDP encourages every prospective Service Provider to prevent and avoid conflicts of interest, by disclosing to UNDP if you, or any of your affiliates or personnel, were involved in the preparation of the requirements, design, cost estimates, and other information used in this RFP.

UNDP implements a zero tolerance on fraud and other proscribed practices, and is committed to preventing, identifying and addressing all such acts and practices against UNDP, as well as third parties involved in UNDP activities. UNDP expects its Service Providers to adhere to the UN Supplier Code of Conduct found in this link : [http://www.un.org/depts/ptd/pdf/conduct\\_english.pdf](http://www.un.org/depts/ptd/pdf/conduct_english.pdf)

Thank you and we look forward to receiving your Proposal.

Sincerely yours,

  
Shiva Prakash Adhikari  
Procurement Associate, UNDP Nepal  
9/9/2020

## Annex 1

## Description of Requirements

Context of the Requirement	BIOFIN Nepal aims to contribute to effective and efficient biodiversity finance and outcomes by designing comprehensive finance solutions to assure long-term and steady financial flows to conservation engaging government, conservation partners, private sector and civil societies. BIOFIN Nepal aims to support the Ministry of Forests and Environment and Provincial Ministry to identify, assess and quantify the value and the cost of each type of incentives positive and harmful for biodiversity and communities, understand potential reform options and prioritize reform efforts that take into consideration a full range of macro and micro-level social, environmental, economic and political economy concerns and trade-offs throughout the reform and transition process, including within the COVID-19 context. Hence, BIOFIN Nepal intends to hire the international consultant and national consultancy company/research institution to undertake the above assessment jointly (hereafter refer to as service providers). UNDP will recruit service provider independently, who will then work in a team to deliverable outputs jointly.
Implementing Partner of UNDP	N/A
Brief Description of the Required Services <sup>1</sup>	<b>Assessment of Consequences of Agricultural Incentives (Subsidy) on Biodiversity</b>
List and Description of Expected Outputs to be Delivered	<p>The consultant is expected to deliver the following:</p> <ul style="list-style-type: none"> <li>• <b>An Inception Report</b> with a clear theoretical background and empirical methodology based on the review of the existing state of knowledge. The inception report should include at -least following, but not limited to: <ul style="list-style-type: none"> <li>○ Definition of the subsidy, nature of subsidies/incentives included,</li> <li>○ Mapping of the subsidy and incentives in the agricultural sector</li> <li>○ Prioritization of the subsidy/incentives for in-depth study (at-least three)</li> <li>○ Methods for assessment including work plan</li> <li>○ Checklists for data collection</li> </ul> </li> <li>• <b>A report presenting an inventory of subsidies to the agriculture sector</b> and should include but not limit to <ul style="list-style-type: none"> <li>○ Assessment of the major subsidy policies, the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies at household level and producers, a</li> </ul> </li> </ul>

<sup>1</sup> A detailed TOR may be attached if the information listed in this Annex is not sufficient to fully describe the nature of the work and other details of the requirements.

	<p>result of the subsidy, anticipated unintended effects of subsidy and related economic costs</p> <ul style="list-style-type: none"> <li>• <b>A Reform options and action plan</b> should include the following but not limit to) <ul style="list-style-type: none"> <li>○ Environmental and social consequences assessment of the prioritized subsidy</li> <li>○ Political, economic analysis of prioritized subsidy</li> <li>○ A report and plan on Reform options of prioritized subsidy under different scenarios, including opportunities and challenges validated by stakeholders and government</li> </ul> </li> <li>• <b>Policy brief for each prioritized subsidy</b></li> </ul>
Person to Supervise the Work/Performance of the Service Provider	Project Coordinator/BIOFIN
Frequency of Reporting	<i>As per the ToR</i>
Progress Reporting Requirements	As per the ToR
Location of work	<input checked="" type="checkbox"/> Kathmandu and field as needed
Expected duration of work	October 2020 to March 2021
Target start date	01 October 2020
Latest completion date	15 March 2021
Travels Expected	As specified in the ToR
Special Security Requirements	<input checked="" type="checkbox"/> <b>Others: Not Applicable</b>
Facilities to be Provided by UNDP (i.e., must be excluded from Price Proposal)	<input checked="" type="checkbox"/> <b>Others: Not Applicable</b>
Implementation Schedule indicating breakdown and timing of activities/sub-activities	<input checked="" type="checkbox"/> <b>Required</b>
Company Registration Certificate	<input checked="" type="checkbox"/> <b>Required</b>
Company Profile	<input checked="" type="checkbox"/> <b>Required</b>

Latest Tax Clearance Certificate	<input checked="" type="checkbox"/> <b>Required</b>
VAT/PAN Registration	<input checked="" type="checkbox"/> <b>Required (in case of the companies and firms)</b>
List of similar assignments completed in the past for relevant experience in biodiversity, natural resources, & agricultural sector and satisfactory completion certificates for similar work from at least two clients	<input checked="" type="checkbox"/> <b>Required</b>
Names and curriculum vitae of (i) Team Leader; (ii) Agricultural Economist; and (iii) Gender and Social Development Specialist.	<input checked="" type="checkbox"/> <b>Required</b>
Currency of Proposal	<input checked="" type="checkbox"/> <b>Local Currency: Nepalese Rupees (NPR.)</b>
Value Added Tax on Price Proposal <sup>2</sup>	<input checked="" type="checkbox"/> <b>must be inclusive of VAT and other applicable indirect taxes</b> <input type="checkbox"/> must be exclusive of VAT and other applicable indirect taxes
Validity Period of Proposals ( <i>Counting for the last day of submission of quotes</i> )	<input checked="" type="checkbox"/> <b>90 days</b>  In exceptional circumstances, UNDP may request the Proposer to extend the validity of the Proposal beyond what has been initially indicated in this RFP. The Proposal shall then confirm the extension in writing, without any modification whatsoever on the Proposal.
Partial Quotes	<input checked="" type="checkbox"/> <b>Not permitted</b>

<sup>2</sup> VAT exemption status varies from one country to another. Pls. check whatever is applicable to the UNDP CO/BU requiring the service.

Payment Terms <sup>3</sup>	Outputs	Percentage	Timing	Condition for Payment Release
	Inception Report	20%		Within thirty (30) days from the date of meeting the following conditions: a) UNDP’s written acceptance (i.e., not mere receipt) of the quality of the outputs; and b) Receipt of invoice from the Service Provider.
	Draft Report	40%		
	Final report after addressing comments and suggestions from reviewers/consultation workshop, including policy brief	40%		
Person(s) to review/inspect/ approve outputs/completed services and authorize the disbursement of payment	Project Coordinator/BIOFIN			
Type of Contract to be Signed	<input checked="" type="checkbox"/> <b>Purchase Order</b>  <input checked="" type="checkbox"/> <b>UNDP’s Contract for Services</b>			
Criteria for Contract Award	<input checked="" type="checkbox"/> <b>Highest Combined Score (based on the 70% technical offer and 30% price weight distribution)</b> <input checked="" type="checkbox"/> <b>Full acceptance of the UNDP Contract General Terms and Conditions (GTC). This is a mandatory criteria and cannot be deleted regardless of the nature of services required. Non acceptance of the GTC may be grounds for the rejection of the Proposal.</b>			
Criteria for the Assessment of Proposal	<u><b>Technical Proposal (70%) – 700 points</b></u> <input checked="" type="checkbox"/> Expertise of the Firm - 150 points			

<sup>3</sup> UNDP preference is not to pay any amount in advance upon signing of contract. If the Service Provider strictly requires payment in advance, it will be limited only up to 20% of the total price quoted. For any higher percentage, or any amount advanced exceeding \$30,000, UNDP shall require the Service Provider to submit a bank guarantee or bank cheque payable to UNDP, in the same amount as the payment advanced by UNDP to the Service Provider.

<sup>4</sup> Minimum of one (1) year period and may be extended up to a maximum of three (3) years subject to satisfactory performance evaluation. This RFP may be used for LTAs if the annual purchases will not exceed \$100,000.00.

	<input checked="" type="checkbox"/> Proposed Workplan and Approach - 250 points <input checked="" type="checkbox"/> Personnel – 300 points  <b><u>Financial Proposal (30%) – 300 points</u></b> To be computed as a ratio of the Proposal's offer to the lowest price among the proposals received by UNDP.
UNDP will award the contract to:	<input checked="" type="checkbox"/> <b>One and only one Service Provider</b>
Annexes to this RFP <sup>5</sup>	<input checked="" type="checkbox"/> <b>Form for Submission of Proposal (Annex 2)</b> <input checked="" type="checkbox"/> <b>General Terms and Conditions / Special Conditions (Annex 3)<sup>6</sup></b> <input checked="" type="checkbox"/> <b>Detailed TOR – Annex 4</b> <i>[pls. specify]</i>
Contact Person for Inquiries (Written inquiries only) <sup>8</sup>	<p><i>Procurement Unit</i>  <i>UNDP Nepal</i>  <i>Email: <a href="mailto:query.procurement.np@undp.org">query.procurement.np@undp.org</a></i></p> <p>Written inquiries must be submitted mentioning RFP Ref: UNDP/RFP/09/2020 (UG), on or before 5:00PM, 16 September 2020. UNDP shall respond to the inquiries through a bulletin posted in UNDP Website: <a href="http://www.np.undp.org/content/nepal/en/home/operations/procurement.html">http://www.np.undp.org/content/nepal/en/home/operations/procurement.html</a>. Inquiries received after the above date and time shall not be entertained.</p> <p>Any delay in UNDP's response shall be not used as a reason for extending the deadline for submission, unless UNDP determines that such an extension is necessary and communicates a new deadline to the Proposers</p>

<sup>5</sup> Where the information is available in the web, a URL for the information may simply be provided.

<sup>6</sup> Service Providers are alerted that non-acceptance of the terms of the General Terms and Conditions (GTC) may be grounds for disqualification from this procurement process.

<sup>7</sup> A more detailed Terms of Reference in addition to the contents of this RFP may be attached hereto.

<sup>8</sup> This contact person and address is officially designated by UNDP. If inquiries are sent to other person/s or address/es, even if they are UNDP staff, UNDP shall have no obligation to respond nor can UNDP confirm that the query was received.

Other Information <i>[pls. specify]</i>	<p>The Financial evaluation will be carried out only for the technically qualified submission that pass the minimum technical score of 70% (490 points) of the obtainable score of 700 points in the evaluation of the technical proposals.</p> <p><b>The Financial Proposal and the Technical Proposal <u>MUST BE COMPLETELY SEPARATE</u> and <u>each of them must be submitted individually</u> with different subject line as mentioned above. Failing to submit the Technical and Financial Proposals separately will be treated as non-responsive.</b></p>
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Summary of Technical Proposal Evaluation Forms		Score Weight	Points Obtainable
1	Expertise of firm/Organisation submitting proposal	21%	150
2	Proposed Work Plan and Approach	36%	250
3	Personnel	43%	300
	Total	100%	700

I. Expertise of firm / organisation submitting proposal (Points obtainable 150 Points)	
1.1 Reputation of Organisation and Staff (Competence / Reliability)	10
1.2 Litigation and Arbitration history	10



1.3 General Organisational Capability which is likely to affect implementation (i.e. loose consortium, holding company or one firm, size of the firm / organisation, strength of project management support e.g. project financing capacity and project management controls)	30
1.4 Extent to which any work would be subcontracted (subcontracting carries additional risks which may affect project implementation, but properly done it offers a chance to access specialised skills.	10
1.5 Quality assurance procedures, warranty	10
<b>Sub total (1.1 to 1.5)</b>	<b>70</b>
1.6 Relevance of:	
- Specialised Knowledge	20
- Experience on Similar Programme / Projects	30
- Experience on Projects in the Region	10
- Work for UNDP/ major multilateral/ or bilateral programmes	20
<b>Sub Total for 1.6</b>	<b>80</b>
<b>Total for Expertise of firm / organisation submitting proposal (I)</b>	<b>150</b>
<b>II. Proposed Work Plan and Approach (Points obtainable 250 Points)</b>	
2.1 To what degree does the Offeror understand the task?	20
2.2 Have the important aspects of the task been addressed in sufficient detail?	20
2.3 Are the different components of the project adequately weighted relative to one another?	10
2.4 Is there evidence that the proposal been prepared based on an in-depth understanding and prior knowledge of the project environment?	30
2.5 Is the conceptual framework adopted appropriate for the task?	30
2.6 Is the scope of task well defined and does it correspond to the TOR?	100
2.7 Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation to the project?	40
<b>Total for Proposed Work Plan and Approach (II)</b>	<b>250</b>
<b>III. Personnel (Points obtainable 400 Points)</b>	
<b>3.1 Team leader</b>	
Academic qualification	20
Experience in managing research processes at sub-national level, and policy-oriented research (team leader/team member)	50
Professional experience and substantive knowledge in the area of specialization	30
Knowledge of the biodiversity/conservation finance in Nepal	30
Language Qualifications (paper publications)	20
<b>Sub Total for Task Leader</b>	<b>150</b>
<b>3.2 Agriculture Economist/Resource Economist</b>	
Academic qualification	20

Experience in agricultural sector (agricultural incentives, policy reforms, fertilizer)	50
Professional Experience in the area of biodiversity/agricultural subsidy reform	20
Language Qualification (paper publications)	10
<b>Sub Total for Researchers</b>	<b>100</b>
<b>3.3 Gender and Social Development Expert</b>	
Academic qualification	10
Experience in conducting policy-oriented research	20
Professional Experience in the area of specialization (Gender and social development)	10
Language Qualification (paper publications)	10
<b>Sub Total for Researchers</b>	<b>50</b>
<b>Total for Personnel (III)</b>	<b>300</b>
<b>Grand Total (I+II+III)</b>	<b>700</b>

## FORM FOR SUBMITTING SERVICE PROVIDER'S PROPOSAL<sup>9</sup>

***(This Form must be submitted only using the Service Provider's Official Letterhead/Stationery<sup>10</sup>)***

[insert: Location]

[insert: Date]

To: [insert: Name and Address of UNDP focal point]

Dear Sir/Madam:

We, the undersigned, hereby offer to render the following services to UNDP in conformity with the requirements defined in the RFP dated [specify date] , and all of its attachments, as well as the provisions of the UNDP General Contract Terms and Conditions :

### A. Qualifications of the Service Provider

*The Service Provider must describe and explain how and why they are the best entity that can deliver the requirements of UNDP by indicating the following :*

- a) Profile – describing the nature of business, field of expertise, licenses, certifications, accreditations;*
- b) Business Licenses – Registration Papers, Latest Tax Payment Certification, etc.*
- c) Latest Audited Financial Statement – income statement and balance sheet to indicate Its financial stability, liquidity, credit standing, and market reputation, etc. ;*
- d) Track Record – list of clients for similar services as those required by UNDP, indicating description of contract scope, contract duration, contract value, contract references;*
- e) Certificates and Accreditation – including Quality Certificates, Patent Registrations, Environmental Sustainability Certificates, etc.*
- f) Written Self-Declaration that the company is not in the UN Security Council 1267/1989 List, UN Procurement Division List or Other UN Ineligibility List.*

<sup>9</sup> This serves as a guide to the Service Provider in preparing the Proposal.

<sup>10</sup> Official Letterhead/Stationery must indicate contact details – addresses, email, phone and fax numbers – for verification purposes

**B. Proposed Methodology for the Completion of Services**

*The Service Provider must describe how it will address/deliver the demands of the RFP; providing a detailed description of the essential performance characteristics, reporting conditions and quality assurance mechanisms that will be put in place, while demonstrating that the proposed methodology will be appropriate to the local conditions and context of the work.*

**C. Qualifications of Key Personnel**

*If required by the RFP, the Service Provider must provide :*

- a) Names and qualifications of the key personnel that will perform the services indicating who is Team Leader, who are supporting, etc.;*
- b) CVs demonstrating qualifications must be submitted if required by the RFP; and*
- c) Written confirmation from each personnel that they are available for the entire duration of the contract.*

**D. Cost Breakdown per Deliverable\***

	<b>Deliverables</b> <i>[list them as referred to in the RFP]</i>	<b>Percentage of Total Price (Weight for payment)</b>	<b>Price (Lump Sum, All Inclusive)</b>
1	Inception report	20%	
2	Draft report	40%	
3	Final report after addressing comments and suggestions from reviewers/consultation workshop, including policy brief	40%	
	Total	100%	

*\*This shall be the basis of the payment tranches*

**E. Cost Breakdown by Cost Component:**

<b>SN</b>	<b>Particular</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rate (NRs)</b>	<b>Amount</b>
<b>A</b>	<b>Remuneration:</b>				
1	National lead – Biodiversity Expert	Days	35		
2	Agriculture Economist	Days	20		
3	Gender and Social Development Specialist	Days	15		
	<b>Sub-total</b>				
<b>B</b>	<b>Out of pocket expenses:</b>				
1	<b>Field visits</b> (in two provincial headquarters) for 3 people)	Days	14		
2	Travel cost (Air and Vehicle)	Lumpsum	1		
3	Inception workshop in Kathmandu (At-least in three-star hotel) with about 30 participants)	Event	1		
4	Stakeholder meetings in Kathmandu (At-least in three-star hotel) (Around 16 participants)	Events	4		
5	Stakeholder consultations in the fields	Events	2		
	Validation workshop in Kathmandu (At-least in three-star hotel) with about 40 participants)	Event	1		
6	Stationary and other logistics	Lumpsum	1		
	<b>Sub-total</b>				
<b>C</b>	<b>Total (A+B)</b>				
<b>D</b>	<b>VAT (13%)</b>				
<b>E</b>	<b>Grand total (A+B)</b>				

*[Name and Signature of the Service Provider's  
Authorized Person]  
[Designation]  
[Date]*

## **Annex 3**

### ***General Terms and Conditions of Contract***

**UNITED NATIONS DEVELOPMENT PROGRAMME**

**THE BIODIVERSITY FINANCE INITIATIVE IN NEPAL**

**(BIOFIN-Nepal)**

**Terms of Reference**

**Assessment of Consequences of Agricultural Incentives<sup>11</sup> (Subsidy) on Biodiversity**

**1. INTRODUCTION**

Nepal is committed to conservation and sustainable utilization of biodiversity for the "prosperity of people & nation." The government enacted the National Biodiversity Strategy and Action Plan (2014-2020) (NBSAP) in 2014, which provides a strategic framework for biodiversity conservation in Nepal. The strategy has set different biodiversity targets that align with the Aichi targets. The review of Nepal's Sixth National Report to the Convention of the Biodiversity (CBD) reveals that nearly two-thirds of the national biodiversity targets (38 out of 56) are in progress but at an insufficient rate. Likewise, half of them (10 out of 20) Aichi targets are progressing at an insufficient rate. Inadequate resource mobilization is one of the prime reasons for slow progress in achieving biodiversity targets. In recent decades, biodiversity finance tools and solutions have demonstrated their importance for achieving biodiversity goals and sustainable development objectives. However, countries have not approached the issue of biodiversity finance in a comprehensive manner, where choice and adoption of financial solutions have remained experimental and opportunistic.

Considering this, the Biodiversity Finance Initiative (BIOFIN) was developed "as global program" to provide a comprehensive methodology for government to (a) review the existing policy context (b) measure expenditure level for biodiversity (c) calculate future financial needs and (d) design strategic plans to deploy right mix financial of the finance solutions, tailored to the country context. It has developed, piloted, and continuously improved the methodology to design comprehensive plans to implement finance tools and solutions that increase financing, effectiveness, and efficiency on biodiversity management. BIOFIN Phase I (2012-2018) developed and piloted the methodological framework to help countries mobilize sufficient resources to implement national biodiversity policies in 30 countries. BIOFIN Phase II (2018-2022) will enable the 30 countries to implement priority finance solutions while it supported five countries to prepare a financial plan.

BIOFIN Nepal is a phase II country, which aims at designing comprehensive finance solutions to assure long-term and steady financial flows to conservation, engaging government, conservation partners, private sector, and civil societies. Environment and Biodiversity Division of the Ministry of Forests and Environment (MOFE), is leading the BIOFIN process. The Ministry hosts a dedicated team of experts to undertake technical work and coordinate day to day management of the BIOFIN process in Nepal. UNDP is providing technical assistance to the overall process.

As a part of the policy and institutional review work, the BIOFIN - Nepal had listed out the subsidies and incentives that are supportive and harmful (or potentially harmful) to be biodiversity. Building on the policy and institutional review work, the BIOFIN Nepal now intends to assess the Impact of the agricultural subsidy and incentives on the biodiversity aiming to support the Ministry of Finance, Ministry of Forests and Environment and Ministry of Agriculture and livestock on identifying the reform actions on the environmentally harmful subsidies to the biodiversity.

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<sup>11</sup> Agricultural sector for the purpose of the study includes agriculture, livestock, and fishery.

The Government of Sweden, through Sida, has funded a four-year, USD\$40m global Strategic Collaboration Programme designed to strengthen UNDP capacities to achieve its overall SD vision for poverty eradication through a more integrated, coherent approach to the environmental and climate dimensions of the UNDP Strategic Plan. Sida funds will be used to support BIOFIN's work on harmful subsidies in Nepal.

## 2. RATIONALE

Nearly 70 percent of Nepal's population is dependent on agriculture for livelihoods accounting for 27 percent of the GDP in 2019/20. As more Nepalese men migrate abroad to find work, an increasing number of rural women are taking up farming. Moreover, this sector has been the national priority to ensure food security and reduce dependence upon imports. Despite this, the country struggles to produce an adequate supply of food, mainly because of small and fragmented farming, rural to urban migration of the youth, and population growth. Leaving land fallow due to high production cost further escalated the problems, where the agricultural growth cannot keep pace with the population growth. Erratic weather patterns, pest epidemics, and lack of fertilizers and improved seeds exacerbate the problem. Consequently, the government introduces different subsidies and incentives to the farmers to boost agricultural production and productivity. Some of the most prominent incentives that currently exist in the agriculture sector include fertilizer subsidy,<sup>12</sup> seed subsidy,<sup>13</sup> interest subsidy for agriculture and livestock loans,<sup>14</sup> fertilizer transport subsidy and insurance premium grants to the farmers, income or price support (e.g., paddy and electricity tariff on water use for irrigation). In addition, the government is providing many competitive matching grants to the private sector, enterprises, and farmers, without assessing the likely consequences to the environment. Such grants are quite prevalent in the agriculture sector, where different incentives are provided to commercial farmers to commercialize farming and improve food security. For example, Prime Minister Agriculture Modernization Project of Nepal provides (a) Fifty percent subsidy on the purchase of agricultural equipment; (b) Provide fifty percent subsidy in the purchase of the tractor; (c) Rupees One million subsidy while purchasing 39 types of mechanical tools and (d) Fifty percent subsidy while purchasing seeds and fertilizers. These agriculture subsidies and incentives might promote injudicious use and thereby create adverse consequences on the environment<sup>15</sup>. For example, subsidies on chemical fertilizers may lead to the overuse of chemicals and thereby contributing to agricultural land degradation. Subsidized loan interest for livestock may contribute to the number of livestock and overgrazing, leading to forests and pastureland degradation. On the contrary, there are also subsidies (incentives) in the agricultural sector, which might be beneficial to biodiversity. For example, the government is providing incentives for the production and use of organic fertilizers<sup>16</sup>. However, comprehensive knowledge of the subsidies in the agricultural sector (agriculture, livestock, forestry, and fishery), including its consequences to the environment in general and biodiversity, in particular, are poorly documented. Furthermore, women are primarily involved in farming, and the incentives might bring distributional inequity due to limited access to the inputs or increased the workload at the farm level. Hence, Impact on equity of the existing incentives is necessary to integrate equity aspects in the proposed reform to ensure that no one is left behind

Subsidies can have a positive or negative impact on biodiversity and ecosystems in a wide variety of ways, depending on how they are designed and implemented. However, often well-intended, subsidies end up having negative unintended and often costly effects on the environment and biodiversity; most common examples are found in the agricultural sector. For example, OECD estimated around USD 100 billion in support to agricultural production is

<sup>12</sup> This include price subsidy in chemical fertilizers. The government provide the difference between actual cost and subsidized price to the farmers as subsidy to the Agriculture Inputs Company Limited (AICL) and Salt Trading Corporation Limited (STCL), who are authorized to import and distribute the chemical fertilizer.

<sup>13</sup> Provide price subsidy in major cereals, pulse and oilseed, where the seeds are sold below 25-40% of the market price. The subsidized seed at farmers' level is distributed through dealers of National Seed Company limited

<sup>14</sup> Government bears five percent of the interest in loans disbursed by banks and financial institutions under a concessional credit scheme for the agricultural and livestock businesses.

<sup>15</sup> Refer, Deshar, B. D. (2013). An overview of agricultural degradation in Nepal and its impact on economy and environment. Global Journal of economic and social development, 3(1), 1-20.

<sup>16</sup> Ministry of Agricultural Development started organic fertilizer subsidy program with the promulgation of Organic Fertilizer Subsidy Guideline, 2011. The subsidy is provided in organic fertilizer produced in the country and registered with the ministry to minimize the negative consequences of chemical fertilizer and maintain the soil health



considered potentially harmful to the environment by OECD countries in 2015, resulting in for example habitat destruction, land degradation, nutrient pollution<sup>17</sup>. Moreover, subsidies often lack the environment (and social) safeguard frameworks. Recognizing above, Nepal's National Biodiversity Strategy and Action Plan (2014-2020) aims at identifying and implementing the phasing out plan of the perverse incentives<sup>18</sup> in the agriculture and forestry sector by 2020 in line with Aichi Target 3 of the CBD which states to eliminate, phase out or reform all subsidies harmful to biodiversity. However, a review of Nepal's sixth national progress report to the CBD reveals that the country is yet to prepare and implement the perverse incentives phase-out plan in agriculture, and forestry sectors. Likewise, perverse incentives or harmful subsidy impacting the agriculture and forestry sector and its' consequences to biodiversity are poorly documented.

Furthermore, the recent COVID 19 pandemic has hit hard the national economy, health, and livelihoods. It has a more pervasive effect on agriculture, especially in the availability of the production inputs and sale of the agriculture produce. Besides, the agriculture sector has the potential to create employment/income in short terms and thereby to minimize shocks and stresses caused by the recent pandemic. Consequently, federal, provincial, and local governments of Nepal are providing different subsidy/incentives to the farmers aiming to boost up agriculture production and improve the supply chain in the country. While the COVID 19 recovery plan for the federal government in the agriculture sector is being prepared, the provincial government is now implementing the COVID recovery program. For example, the government of province 5 has launched NRs 510 million (US\$ 4.25) COVID special agriculture program to protect the farming sector and to improve agricultural activities. The provincial Ministry is providing incentives to the farmers to buy production inputs, especially seeds and chemical fertilizers. However, this recovery plan may further impact on biodiversity, especially due to high input use or conversion of the forests for other purposes. Hence the current study will support resilient and sustainable agriculture to advocate for the right subsidy policy for immediate recovery from the pandemic.

In this regard, the BIOFIN Nepal aims to support the Ministry of Forests and Environment and Provincial Ministry to identify, assess and quantify the value and the cost of each type of incentives positive and harmful for biodiversity and communities, understand potential reform options and prioritize reform efforts that take into consideration a full range of macro and micro-level social, environmental, economic and political economy concerns and trade-offs throughout the reform and transition process, including within the COVID-19 context. Hence, BIOFIN Nepal intends to hire the international consultant and national consultancy company/research institution to undertake the above assessment jointly (hereafter refer to as service providers). UNDP will recruit service provider independently, who will then work in a team to deliverable outputs jointly.

### **3. OBJECTIVE OF ASSIGNMENT**

The overall objective of the study is to assess the consequences of the agricultural incentives (subsidy) on the biodiversity and proposed reform (upscaling) actions for the prioritized (harmful) subsidy.

- Identify map and quantify the value and the costs of each agriculture incentives/subsidies over the last five years
- Screen incentives and subsidies likely to have a significant impact on biodiversity and prioritized at-least two subsidy/incentives for in-depth assessment
- Conduct a social, environmental, Political and Economic Analysis of prioritized subsidy (incentives), for the reforms
- Examine the consequences of the economic recovery program of the agriculture sector in COVID-19 on biodiversity
- Develop a detailed reform action plans of the selected incentives/subsidy aligning with the national priority

### **4. SCOPE OF THE WORK**

<sup>17</sup> [https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo\\_sostenibile/G7\\_env\\_meeting\\_EHS\\_EFR\\_roma\\_1415032017\\_steenblik.pdf](https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo_sostenibile/G7_env_meeting_EHS_EFR_roma_1415032017_steenblik.pdf)

<sup>18</sup> incentives that are harmful for biodiversity and environment

The scope of the work includes:

- Prepare inception report including details workplan with clear methodology for the study, following the BIOFIN workbook, OECD and TEED reports and desk review of similar studies
- Identify and map subsidies and incentives in the agricultural sector (agriculture, livestock, and fishery) and in the COVID 19 recovery plan for the sector at the federal and provincial level, including the amount of fund disbursed in the last five years
  - Determine criteria for screening incentives and subsidies (harmful or supportive) that are positive and harmful for biodiversity and communities
  - Conduct desk review of major subsidy policies including the COVID 19 recovery plan for the sector , the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies at the level of household and categories of producer, results of the subsidy, anticipated unintended effects of subsidy and if possible related economic costs (using the checklist, *see Annex I and II*)
  - Prepare an inventory of all major subsidies/incentives in the country related to the agricultural sector<sup>19</sup> (including subsidies, tax breaks, tax credits, major ODA interventions, grants, under-pricing and subsidized tariffs, borders tariffs)
  - Prioritize at-least four incentives/subsidies likely to have a significant impact on biodiversity (harmful or supportive) for in-depth assessment/study
- Conduct in-depth analysis of the selected /subsidies focusing on
  - Assess the process in which the subsidy reaches the beneficiary/ end recipient including environment and biodiversity safeguard measures during the processes
  - Assess Impact to identify which part of the economy and society will be affected directly and indirectly by different reform options over time.
  - Conduct Political Economy Analysis (focus on interest/incentive/agency analysis) including gender dimensions and with dedicated attention for vulnerable groups and poverty
  - Assess health impacts of the prioritized subsidy/incentives to the human
  - Assess the environmental effects of subsidies, as well as the employment income and growth effects
- Develop reform options aligned with national priority and the COVID19 recovery plan within the sector with 2-3 major scenarios for selected subsidies, including potential for avoided costs, perceived effectiveness, other climate/environmental impact. Reform options can consist of either eliminating, reducing greening the selected subsidy, or redirecting savings to support resilient and sustainable agriculture.
  - Design support programs that ease the path of adaptation for companies or ease the path of transition away from harmful practices and possible targeted compensation or exemption to low-income groups, certain groups of workers, and other households affected by the removal/reform.
  - Assess opportunities for action including options for repurposing savings generated to strengthen resilience and reduce future risks
  - Develop feasible reform plans including objective, intended effects, inevitable effects and strategy to overcome side effects and action plan
  - Identify reform options<sup>20</sup> for the selected subsidy aligning with the national priority and the COVID 19 recovery plan for the sector for two to three major reform scenarios
- Assess the consequences of the economic recovery program of the agriculture sector in COVID-19 on biodiversity in the long and short term, and suggest options for making it biodiversity-friendly
- Produce inception, draft and final study report in close collaboration with the national and Global BIOFIN team and BIOFIN national steering committee
- Provide technical guidance to the two pilot studies being undertaken independently for assessing the Impact of harmful subsidy on biodiversity including the integration of the findings in the report
- Organize the national stakeholders' workshop to validate the study findings

<sup>19</sup> This will include both production (to maintain farm income) and consumption subsidies (to secure food supply),

<sup>20</sup> Reforms options may be eliminating, reducing, or greening subsidy or incentives

- Present the inception report and final report at the steering committee meetings and get findings endorsed from the committee
- Prepare policy briefs for each harmful subsidy for dissemination among the stakeholders

The Expected outputs of the study are:

- A comprehensive inventory of the agricultural subsidy and incentives having adverse positive and harmful for biodiversity
- Reform options and actions plan for at-least two prioritized harmful agricultural incentives prepared and validated
- Reform options for the COVID19 recovery plan's incentives and subsidy identified for federal and provincial government identified and validated for the resilient and sustainable agriculture

## 5. METHODOLOGY

The methodology should be based on existing literature, including the 2018 BIOFIN Workbook and other relevant approaches (e.g., OECD, TEEB). The consultant should propose a detailed methodology in the inception phase but not limited to, based on the following outline:

- Desktop study of all available international and national resources (e.g., publications, databases, webs)
- Attends orientation sessions with the national BIOFIN team on ToR and expected outcomes before the submission of the inception report.
- Design methodology for the assessment of harmful subsidy and action plan preparation, but not limited to desk review, field visit, stakeholders' consultations, and validations
- Conduct field visit in selected sites to collect the information, especially on consequences of the subsidy to biodiversity including
- Conducts various consultative meetings, focus group discussion and workshop on collecting and collating necessary information related to the study
- Documents and analyses the findings of the study to interpret the results with different tables and figures, including a summary of recommendations.
- Debriefing through presentation and discussion with BIOFIN team to get feedback and suggestions
- Presentation at the national level validation works and the project steering committee meetings

## 6. DELIVERABLES

The consultants expected to deliver the following:

- **An Inception Report** with a clear theoretical background and empirical methodology based on the review of the existing state of knowledge. The inception report should include at -least following, but not limited to:
  - Definition of the subsidy, nature of subsidies/incentives included,
  - Mapping of the subsidy and incentives in the agricultural sector
  - Prioritization of the subsidy/incentives for in-depth study (at-least three)
  - Methods for assessment including work plan
  - Checklists for data collection
- **A report presenting an inventory of subsidies to the agriculture sector and** should include but not limit to
  - Assessment of the major subsidy policies, the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies at household level and producers, a result of the subsidy, anticipated unintended effects of subsidy and related economic costs
- **A Reform options and action plan** should include the following but not limit to)
  - Environmental and social consequences assessment of the prioritized subsidy
  - Political, economic analysis of prioritized subsidy
  - A report and plan on Reform options of prioritized subsidy under different scenarios, including opportunities and challenges validated by stakeholders and government
- **Policy brief for each prioritized subsidy**

## 7. MILESTONES

The Assignment will start from 1 October 2020 to 15 March 2021. The milestones of key deliverables are:

Deliverables/ Outputs	Target Due Dates	Responsibility
1. Inception report including prioritization of Agricultural Incentives and Subsidy	15 October 2020	National Consultant Company/Service Provider
2. Inventory of agriculture incentives and prioritize subsidies for reform	15 December 2020	National Consultant Company/Service Provider
3. Reform options and an action plan	28 February 2021	National Consultant Company/Service Provider

Note: All reports should be approved from UNDP CO, MOFE and Global team/BIOFIN

## 8. SERVICE PROVIDERS

The service provider would comprise of the (a) International Consultant, Finance Specialist, and National Consultant company/service providers. The UNDP country office will recruit both service providers independently, who will work jointly to deliver the study outputs under the overall guidance of the regional advisor, steering committee members, and direct supervision of the Project Coordinator/BIOFIN.

**Terms of reference:** The national consultancy company/research institutions will be primarily responsible for deliver of all outputs as per the scope of the work (see above) in collaboration with the international consultant.

### Qualification

- Technical, research, educational and training institutes, academia, NGOs, private consultancy firms that are legally registered at national levels are eligible to submit offers –
- At least five years of relevant experience in biodiversity, natural resources, and agricultural sector
- Excellent and proven track record of previous partnership, preferably with the Government of Nepal, UN agencies, and provincial government, in the field of agricultural policy and biodiversity reforms
- Sufficient human and technical resources with relevant education and experience in the field of biodiversity finance, biodiversity management, and agricultural sector

### National Professional staff & Qualifications/ Experiences required from Consultancy Company

**Biodiversity Expert – National Lead:** The Biodiversity Expert (National lead) will work to produce draft outputs (inception, draft, and final report) under the guidance of the International Consultant with the inputs from other national consultants. The Biodiversity Expert (National lead) will:

- Define subsidies and incentives to the agricultural sector in Nepal including the classification of the harmful and supportive subsidy to the biodiversity
- Identify and map subsidies and incentives in the agricultural sector (agriculture, livestock, and fishery) at the federal and provincial level, including the amount of fund disbursed in the last five years
- Conduct desk review of major subsidy policies, the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies at the level of household and categories of producer, results of the subsidy, anticipated unintended effects of subsidy and if possible related economic costs (using the checklist, *see Annex I and II*)
- Assess the consequences of the economic recovery program of the agriculture sector in COVID-19 on biodiversity in the long and short term, and suggest options for making it biodiversity-friendly
- Prepare an inventory of all major subsidies in the country related to agriculture and fisheries (including subsidies, tax breaks, tax credits, major ODA interventions, grants, under-pricing and subsidized tariffs)
- Prioritize incentives and subsidies likely to have a significant impact on biodiversity

- Select at-least three prioritized harmful subsidies to the biodiversity
- Assess the process in which the subsidy reaches the beneficiary/ end recipient including environment and biodiversity safeguard measures during the processes
- Conduct impact assessment to identify which part of the economy and society will be affected directly and indirectly by different reform options over time.
- Conduct Political Economy Analysis, including gender dimensions and with dedicated attention for vulnerable groups, poverty, and health impacts.
- Identify reform options (eliminating, reducing, greening or redirecting) for the selected subsidy aligning with the national priority for two to three major scenarios
- Assess likely challenges and opportunities for action including options for repurposing savings generated
- Document the Impact of the agriculture and livestock on biodiversity based on a consultative process in 2 pilot region and a desktop review
- Develop feasible reform plans including objective, intended effects, inevitable effects and strategy to overcome side effects
- Assess health impacts of the prioritized subsidy/incentives to the human
- Produce inception, draft and final study report in close collaboration with the study team
- Present study findings at the national stakeholders' workshop
- Share inception report and final report in the steering committee meeting
- Draft policy briefs for each harmful subsidy for dissemination among the stakeholders
- Support the international consultants to produce the study outputs

### **Education and Experiences**

- A master's degree in agriculture/forestry / public policy / natural resource management / development studies / environment / any other relevant field; Preferably a PhD degree
- At least 5 years of professional experience in research, analysis and writing reports with practical recommendations in the area of the green economy, including biodiversity, agriculture, environmental economics;
- Prior working experience with the agriculture sector policy studies would be an assets
- Fluency in English and Nepali

### **Duration**

The duration of the work will be of 35 effective working days

### **8.3 Agricultural Economist /Finance Specialist**

**Scope of the Work:** The Agriculture Economist/Finance Specialist will assist the national lead and international consultant to produce draft outputs (inception, draft, and final report). The consultant will:

- Support team leader in defining subsidy, including mapping and prioritization of subsidy
- Conduct desk review of major subsidy policies, the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies at the level of household and categories of producer, results of the subsidy, anticipated unintended effects of subsidy and if possible related economic costs (using the checklist, *see Annex I and II*)
- Identify and map subsidies and incentives in the agricultural sector (agriculture, livestock, and fishery) at the federal and provincial level, including the amount of fund disbursed in the last five years
- Rapid mapping of all major subsidies in the country related to agriculture and fisheries (including subsidies, tax breaks, tax credits, major ODA interventions, grants, underpricing, and subsidized tariffs)
- Review of incentive measures (import tariffs and/or quotas) that give an advantage to domestic producers, including its Impact on farmer
- Assess the process in which the subsidy reaches the beneficiary/ end recipient including environment and biodiversity safeguard measures during the processes

- Assess the consequences of the economic recovery program of the agriculture sector in COVID-19 on biodiversity in the long and short term, and suggest options for making it biodiversity-friendly
- Assess the subsidy financial and economic costs of each prioritized subsidy including financial and health Impact on producers and consumers
- Identify reform options aligned with national priority within the sector with 2-3 major scenarios for selected subsidies, including potential for avoided costs, perceived effectiveness, the climate/environmental impact. Reform options can consist of either eliminating, reducing or greening the selected subsidy
- Design support programs that ease the path of adaptation or ease the path of transition away from harmful practices and possible targeted compensation or exemption to low-income groups and households affected by the removal.
- Assess potential savings from the subsidy reform scenarios and options for the use of these resources to support the development of green agriculture
- Assess opportunities for action including options for repurposing savings generated
- Assess the effects of subsidies, as well as the employment income and growth effects
- Develop feasible reform plans including objective, intended effects, inevitable effects and strategy to overcome side effects
- Participate in a national stakeholder's validation workshop
- Support international consultant and national lead (Biodiversity Expert) to prepare the report

### **Education and Experiences**

- A master's degree in economics / finance / macroeconomics / environmental economics / taxation / public policy / agricultural economics / development / resource economics and other relevant field;
- At least 5 years of professional experience in research, analysis and writing reports, including economic policies, fiscal policies, agriculture, environmental economics;
- Fluency in English and Nepali

### **Duration**

The duration of the work will be of 20 days

### **8.3 Gender and Social Development Specialist**

**Scope of the Work:** The Gender and Social Development Specialist will assist the national lead and international consultant to produce draft outputs (inception, draft, and final report). The consultant will:

- Support team leader in defining subsidy, including mapping and prioritization of subsidy
- Undertake a gender analysis on inclusion and equity aspects on harmful subsidies /analysis processes
- Conduct Political Economy Analysis, including gender dimensions and with dedicated attention for vulnerable groups, poverty, and health impacts.
- Assess the consequences of the economic recovery program of the agriculture sector in COVID-19 on biodiversity in the long and short term, and suggest options for making it biodiversity-friendly
- Assess the process in which the subsidy reaches the beneficiary/ end recipient including environment and biodiversity safeguard measures during the processes
- Conduct impact assessment to identify which part of the economy and society and that will be affected directly and indirectly by a reform
- Assess the health impacts of the prioritized subsidy/incentives to the human
- Assess the effects of subsidies, as well as the employment income and growth effects
- Develop an inclusive stakeholder engagement plan and ensure a gender inclusive decision making, consultations and capacity building/workshops
- Assess the Impact on equity of the existing subsidies scheme and proposed reform to integrate equity aspects in the incentives/subsidy to ensure that no one is left behind

- Put measures in place to ensure the study findings and recommendations include gender related analysis, risks, and other obstacles and do not exacerbate existing gender-related inequalities and identify opportunities to address gender gaps. (same for indigenous people and/or vulnerable groups)
- Ensure that Case studies captured in the report are gender sensitive and responsive
- Develop feasible reform plans including objective, intended effects, inevitable effects and strategy to overcome side effects
- Participate in a national stakeholder's validation workshop
- Support international consultant and national lead (Biodiversity Expert) to prepare the report

### **Education and Experiences**

- A master's degree in gender/ sociology /development studies / rural development/natural resource management any other relevant field;
- At least five years of professional experience in research, analysis and writing reports, including gender and socio-economic analysis of public policy
- Fluency in English and Nepali

### **Duration**

The duration of the work will be of 15 days

## **9. PAYMENT SCHEDULE:**

The payments will be made in installments as below:

<b>Installment</b>	<b>Milestones*</b>	<b>Payments (NPR)</b>	<b>When</b>
1 <sup>st</sup> payment	Submission of Inception Report	20%	30 October 2020
2 <sup>nd</sup> payment	Submission of Draft Report	40%	1 February 2021
3 <sup>rd</sup> payment	Approval of Final report after addressing comments and suggestions from reviewers/consultation workshop, including policy brief	40%	30 March 2021

## **10. COORDINATION AND LIAISON**

The service providers shall work in closely with project Team members in UNDP/BIOFIN, under guidance of the Regional Advisor, BIOFIN and in close coordination with the Project Coordinator and Ministry of Agriculture and Livestock Development and Ministry of Forests and Environment. Besides, the service providers should perform planned activities under this Assignment with full professional commitment and dedication to ensure the quality and timely accomplishment of proposed activities.

## **11. MONITORING AND REPORTING:**

The service providers shall work in close consultation with the BIOFIN team under the overall guidance of the Regional Advisor and direct supervision of the Project Coordinator. The company/firm should work very closely with the Ministry of Agriculture and Livestock Development, Ministry of the Forests and Environment and Ministry of Finance. Monitoring & Evaluation (M&E) will be conducted regularly by the UNDP team. The service provider should ensure that there will be no changes in either the technicality or the timing of key deliverables. In any unavoidable circumstances, service provider should inform the situation so that the right decision can be taken on time. National Consulting company shall bear equal responsibility for the monitoring of tasks under this Assignment, focusing on the collection of views, experiences, and feedbacks. Feedback from stakeholders' team should be incorporated into the finalization of the report.

## **12 COPYRIGHT OF PUBLICATION AND PRODUCTION OF MATERIALS**

All developed products and reports under this ToR will belong to UNDP, and the service providers will not have any right to publish them all or partly in any forum/print material.

## **Annex 1 –Review questions (adapted from BIOFIN and TEEB)**

### **GENERAL**

#### **Which subsidies can be categorized as harmful to biodiversity?**

1. What are the most prominent subsidies for agriculture and fisheries known to have an impact on biodiversity? In which areas?
2. What is the evidence of harm to nature, biodiversity, ecosystems, ecosystem services, endangered species caused by the specific incentive/subsidy? Are any other negative environmental impacts associated with the subsidy (eg. air pollution, increased CO2 emissions, loss of natural resources)?

#### **What additional information do we need to gather for the harmful subsidies?**

3. Is the overall subsidy causing the Impact or only a specific part? Why?
4. What are the annual average costs for government and beneficiaries?
5. What are the primary, secondary or other beneficiaries? What are the annual average financial benefits for beneficiaries?
6. How does the subsidy work, what is the transfer mechanism?
7. What is the source of funding to pay the subsidy if different than general treasury?

#### **What are overall considerations to assess the need for reform?**

8. Does the subsidy fulfil its objectives (social/economic/environmental)? If not, it needs reform.
9. Does the subsidy lack an in-built review process and has it been in place for a long time? If so, it is likely to need reform (i.e. it has already locked in inefficient practices).
10. Are there public calls for reform or removal or calls to use the funds for other purposes? This is often an indicator for Points 8 and 9.
11. How does the subsidy distribute social welfare? If there are equity issues, it might be worth reforming it.
12. Do any of the subsidy impacts lead to social or other economic losses? e.g. tourism loss following over-fishing.
13. Are there alternative less damaging technologies available which are hindered by the subsidy's existence of the subsidy? If so, the subsidy might be slowing innovation and creating technological 'lock in'; reform could bring benefits.
14. Does it offer value for money? Where there is still a valid rationale for the subsidy, could the same or less money be used to achieve the same objectives with less harmful impacts

### **FOR SELECTED SUBSIDIES**

#### **What are the most optimal reform scenarios?**

15. Would the reform be understandable for policy makers and the public?
16. Who are the 'winners and losers'?
17. Consider what the reform would entail (measure changed and compensatory measures). It is rarely a simple case of 'getting rid of the subsidy altogether. Three scenarios to consider are (1) eliminating the subsidy (2) reducing the investment into the subsidy (3) greening a subsidy – adapting only a part that is harmful.

Assess the costs and benefits of potential reform in more detail:

- Potential environmental benefits: include thinking on benefits in other countries and secondary effects, which can be perverse;
- Potential economic costs: e.g. national (tax, GDP, etc.), sector-wide, for winners and losers within the sector (including new entrants/future industry), for consumers/citizens (affordability);
- Potential social impacts: e.g. jobs, skills, availability of goods/services, health;
- Potential competitiveness and innovation benefits



- Potential ethical benefits e.g. as regard fairness of income, appropriateness of support, links to future generations;
- Is the reform practical and enforceable? To identify the likelihood of success and whether it is worthwhile using political capital for re-form, the following questions can be useful to set priorities for the road map.

**Is there a policy/political opportunity for action?**

18. Is there a window of opportunity? e.g. policy review process, evaluation, public demand?

19. Is there a potential policy champion?

20. Will there be sufficient political capital for success?

21. What is the most optimal advocacy strategy with key messaging to target the different groups of critical beneficiaries?

Annex II Template for entries into the inventory of harmful subsidies (from the 2018 BIOFIN Workbook)

Heading	Description
<b>Existing subsidy</b>	Name of the subsidy analysed
<b>Responsible stakeholder/ organization/ agency</b>	Stakeholders/organization and agency involved or related to the subsidy
<b>Sector</b>	Relevant sector(s)
<b>Drivers</b>	Describe the motivations explaining the introduction and continuation of the subsidy
<b>Direct or indirect</b>	Is it a direct or indirect subsidy?
<b>Financial value</b>	The financial value of the subsidy
<b>Description - intended objective and beneficiaries</b>	Describe the main objectives of the subsidy and the intended beneficiaries
<b>Benefits (social, environmental, economic)</b>	Describe the different benefits that the subsidy has and will have on social, environmental, and economic aspects.
<b>Biodiversity benefits</b>	How does the subsidy benefit biodiversity?
<b>Biodiversity-harmful impacts</b>	What harmful impacts on biodiversity, ecosystems, ecosystem services, or endangered species can be expected or are known?
<b>Is this potentially a harmful “subsidy”?</b>	See the definition above
<b>Describe related legislation</b>	Describe the main laws and regulation defining the subsidy
<b>Additional notes</b>	Additional notes
<b>Links to related studies/resources</b>	List the different sources of analysis related to the subsidy (e.g., any economic justification)