

Terms of Reference

Biodiversity Finance Initiative (BIOFIN)

The impact of subsidies and incentives on South African Biodiversity

Location: South Africa. Home-based with meetings on site as needed.

Application Deadline: 03 December 2021

Category: Energy and Environment

Type of Contract: Professional Service Contract (Firm)

Language Required: English

Starting Date: Immediately

Duration of Assignment: 6 months

1. Background Summary:

The Biodiversity Finance Initiative

The Biodiversity Finance Initiative (BIOFIN) is implemented by the United Nations Development Programme, with financial support from the European Commission and the Governments of Germany, Switzerland, Norway and Flanders. This global initiative is envisioned to transform the way in which biodiversity finance is mobilized allowing for greater resources to be enacted as required within the Aichi Targets defined in the Convention on Biological Diversity Strategic Plan (2011 – 2020). Over the past nine years, the UNDP Global BIOFIN team together with 40 countries have been involved in developing and piloting the BIOFIN methodology which is continuously refined through national, regional and global learning.

In South Africa, the BIOFIN project is implemented at a national level by the UNDP in partnership with the Department of Forestry, Fisheries and the Environment (DFFE). South Africa initiated its BIOFIN programme in 2015 and has met several envisioned goals including the undertaking of a Policy and Institutional Review (PIR), Financial Needs Assessment (FNA), Biodiversity Expenditure Review (BER) and Biodiversity Financial Plan (BFP). Within the Biodiversity Finance Plan, 16 financial solutions were identified as being instruments that could be developed or refined to increase financial flows earmarked for biodiversity protection and 8 of these Finance Solutions have been prioritized for implementation under BIOFIN Phase II.

As part of Phase II implementation and in addition to the 8 prioritized Finance Solutions, the BIOFIN programme in South Africa would like to explore the impact of subsidies and incentives on biodiversity in South Africa. Some, often well-intended, subsidies/incentives end up having unintended negative, and often costly effects on the environment and biodiversity, which in turn impact societies and economies at the local and national level.

Common examples of these impacts are found in the agricultural sector. The Organisation for Economic Co-operation and Development (OECD) estimated around US\$ 100 billion contributed to support agricultural production in the OECD countries is considered potentially harmful to the environment, resulting in-for example-habitat destruction caused by converting primary forest area,

land degradation, and nutrient pollution. Similar examples are also found in the fishery sector where subsidies, worth between US\$ 7 and 35 billion per year are considered harmful to the marine environment, particularly because of pollution and over-exploitation.

These examples highlight some of the inefficiencies in the current fiscal framework in sectors impacting biodiversity negatively. Repurposing such ineffective and unsustainable support would lead to significant fiscal savings by realigning current expenditures, enable more efficient delivery of objectives on sustainable use of natural resources, support international commitments under the SDGs, the CBD post-2020 biodiversity framework and support a much-needed transformation towards a more resilient, sustainable production system for all.

The OECD defines environmentally perverse subsidies as “all kinds of financial supports and regulations that are put into place to enhance the competitiveness of certain products, processes or regions, and that, together with the prevailing taxation regime, (unintentionally) discriminate against sound environmental practices”.

For the purpose of this study, subsidies can cover all incentives and policy instruments which can have an effect to biodiversity. The scope of the definition should be adapted to each national context. Such subsidies are not limited to direct financial support, they can include direct and indirect transfers of funds (to cover possible liabilities e.g. for nuclear accidents). They can be delivered as income or price support (e.g. for agricultural goods and water), tax credits, exemptions, and rebates (e.g. for fuel), low-interest loans and guarantees, preferential treatment, and using regulatory support mechanisms (e.g. demand quotas). These can also take the form of implicit income transfers when natural resources or services are not priced at full provisioning cost (e.g. water, energy). There are as well non-tariffs (import quotas) and tariffs (import tariffs) border measures that provide an important advantage to the domestic industry. Some subsidies are sectorial on-budget (clearly visible in government budgets or can be estimated from budget accounts) while others are off-budget (not accounted for in national budgets). Some of the on-budget subsidies have been traditionally used by governments in developing countries to support local livelihoods, reduce poverty and promote economic and productive activities. Many of these subsidies have unintended impacts on biodiversity, which often lack environment (and social) safeguard frameworks.

Aim of the study

In line with Aichi Target 3 of the Convention on Biological Diversity which states, to eliminate, phase out or reform all subsidies harmful to biodiversity (a similar target is under discussion for the 2021-30 Global Biodiversity Framework), the overall objective of the study will be to:

- Conduct an analysis to identify, assess and quantify the value and the cost of each type of subsidies and incentives likely to have a harmful impact on biodiversity;
- Understand the potential of redesigned options and prioritise efforts that take into consideration a full range of social, environmental, economic, and political economy concerns, trade-offs and possible compensation schemes throughout the re-design and transition process, including within the COVID-19 context;
- Develop a document proposing reform proposals for the prioritised subsidies.

Develop a framework for incentives on the conservation and sustainable use of all the components of Biodiversity including at the species, ecosystem and genetic levels.

Methodology

The methodology will be based on existing literature, including the 2018 BIOFIN Workbook and other relevant approaches. In undertaking the work, it is critical that stakeholders must be engaged including National Treasury, DFFE, Department of Trade and Industry, South African Revenue Authority, relevant Government Departments and other institutions/ organizations which may be identified at the project inception stage. The work must also make reference to key policy documents which support the use of subsidies and incentives which are harmful to biodiversity.

The consultant should propose a detailed methodology in the inception phase, based on but not limited to the following outline:

1. Research stage

- a. Rapid mapping of all major subsidies and incentives (both with a positive and negative impact on biodiversity) in the country in key selected sectors (including subsidies, tax breaks, tax credits, grants, compensation schemes, under-pricing, subsidized tariffs, COVID-19 recovery programmes). Green subsidies will be included, as they could also have unintended adverse impacts. Both production and consumption subsidies will be considered.
- b. Screening subsidies likely to have a significant impact on biodiversity: Preparation of an initial inventory of subsidies that may be harmful to biodiversity
- c. Rapid stakeholder mapping of key role players in the identified sectors
- d. Desktop review of these subsidy policies, legal and institutional framework, the objective and results, the total annual government financial costs, financial impacts of these subsidies at the level of the different category of household and category of producers, anticipated unintended effects of subsidy and if possible related economic costs preferably over a period of 5 years.
- e. Develop criteria and indicators for prioritisation of sectors and subsidies focusing on financial/economic and biodiversity impacts including political economic consequences
- f. Prioritization of at-least 5-6 subsidies/ incentives (with at least 1 with a positive impact on biodiversity) for in-depth assessment, considering financial/economic and biodiversity impacts following the desk review and consultative processes.
- g. Draft report with initial inventory and draft reform proposals for identified subsidies and incentive

2. Validation stage

- a. Validation meetings with key stakeholders including representatives of relevant civil society groups, business associations, local communities, and local governments, etc.
- b. Final national inventory of subsidies of key sectors that are likely to harm biodiversity and ecosystems,
- c. Final report with first suggestions of prioritised subsidies to redesign (prioritize at least 5-6 major subsidies).

3. IDENTIFYING AND ASSESSING REDESIGN OPTIONS

3.1 Review the potential for re-design options

- a. Develop criteria and indicators for assessment of prioritized subsidies focusing on financial/economic and biodiversity impacts including political economic consequences
- b. In-depth review of initially prioritized harmful subsidies, with detailed information on the objectives, size, nature and impact of the subsidies,
- c. Define the final/priority list of subsidies to redesign (at least 2 or 3 major subsidies) and make a strong case for change.

3.2 Redesign scenarios

- d. Development of redesign options aligned with national priority within the sector with 2-3 major scenarios that will be compared to the business as usual scenario for selected subsidies, including potential for avoided costs, perceived effectiveness, other climate/environmental impact. Redesign options can consist of either eliminating, reducing or greening the selected subsidy or redirecting savings to support nature-based solutions. This could be in the form of a framework that addresses the needs for decision making and potential policy development.
- e. An Initial Impact Assessment analysis that identifies which part of the economy and society that will be affected directly and indirectly by different redesign options over time.
- f. Political Economy Analysis including gender dimensions and with dedicated attention for vulnerable groups and poverty and health impacts.
- g. Design support programs that ease the path of adaptation for companies or ease 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 proposed change.
- h. Assess opportunities for action including options for repurposing savings generated to strength resilience and reduce future risks
- i. Develop a communication/advocacy strategy for the redesign options
- j. Review and endorsement by formal review committee.

The consultant will also be required to propose a virtual methodology option in case restrictions will not allow travel and face to face interactions.

Duration: 6 months

1. Deliverables

- **An inception report** presenting the methodology and workplan including consultative and validation process based on a desk review of best practices.
- **An inventory report** that takes stock of subsidies likely to harm biodiversity in prioritised sectors and should include but not limited to:
 - o Assessment of the major subsidy policies, the objective of the subsidy, total annual government financial costs, financial impacts of the subsidies per socio economic group,
 - o A result of the subsidy anticipated unintended effects of subsidy and related economic costs.
 - o Harmful effects of the subsidy to the biodiversity of South Africa.
 - o Subsidy disbursement procedures, including political economic analysis.

- **A report** with reform proposals aligned with national priorities under different scenarios, including compensation measures required, opportunities and challenges validated by stakeholders and government

It should include but not limited to the following:

- Environmental and social consequences assessment of the prioritised subsidy
- Political, economic analysis of the prioritised subsidy
- Implications of COVID 19 recovery measures on the subsidy

- **An advocacy/communication strategy**

- Develop a Communication\advocacy strategy
- Develop a stakeholder engagement plan
- Develop at-least 3 types of advocacy and communication material

A policy brief per subsidy

2. MILESTONES

The assignment will start from 30th November 2021 to 29 May 2022. The milestones of key deliverables are:

Deliverables/ Outputs	Duration	Payment
1. Inception report including a workplan that specifies an approach strategy and methodology for the fulfilment of the consulting objectives.	1 week after signing contract	10%
2. A national inventory of harmful subsidies and incentives with impacts on biodiversity and ecosystems, including their objectives, total annual government expenditure, results, anticipated unintended effects and if possible, related economic and environmental costs. The consultant should present the output should be presented in a workshop with key stakeholders	1 month after signing contract	30%
3. Detailed review of prioritized harmful subsidies and incentives, with detailed information on their size and nature, with the identification of the potential harmful effect on biodiversity and arguments for their reform. The consultant should present the output should be presented in a workshop with key stakeholders	3 months after signing contract	30%
4. Documents with reform proposals aligned with national priorities within the sectors with 2-3 major scenarios for the selected subsidies and incentives that includes impact assessment that identifies political economy analysis and action plan to implement this reform. The consultant should present the output should be presented in a workshop with key stakeholders	5 months after signing contract	30%

5. Communication material	6 months after contract signature	
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3. Duty Station:

The consultancy assignment will be home-based with travel required for site visits and project meetings (where possible, and to be determined considering probable future COVID-19 restrictions) in Pretoria.

Foreseeable travel costs should be included in the Financial Proposal as part of the application submission documents. For unforeseeable travel, payment of travel costs including purchasing of flight tickets, lodging and terminal expenses should be agreed upon, between the BIOFIN Project Management Specialist, BIOFIN Task Team Leader and the service provider, prior to travel and will be covered and paid for by the UNDP from the BIOFIN Project in accordance with the UNDP's policies and procedures. In a case where there is need for unforeseeable travel, the costs including transport, lodging and terminal expenses will be covered and paid for by UNDP Country Office in accordance with the UNDP's policies and procedures. The fare will always be "most direct, most economical" and any difference in price with the preferred route will be paid for by the service provider. UNDP will not cover any costs associated with moving to the Duty Station (Pretoria). There is no anticipated travel outside the country of South Africa for this assignment.

4. Implementation, Reporting and Administration:

The service provider will be appointed through UNDP procurement processes.

Following the contracting process, the service provider is expected to engage closely with the BIOFIN Project Management Specialist and the assigned contact person within DFFE and to participate in-person during the inception meeting. The consultant will also be required to liaise with a Reference Group throughout the implementation of the work.

Whilst the contract is held with UNDP, the coordination and implementation modalities will be jointly shared with DFFE. UNDP and DFFE will have the overall responsibility for supervising the technical quality of the deliverables, scheduling and convening all meetings with the service provider, making logistical arrangements for unforeseeable meetings and workshops, and administration of the overall day-to-day interaction directly with the service provider. UNDP is responsible for processing the payments of the invoices against this contract and all the administration associated with the contract management. To this end, UNDP will only authorise and process payments upon written approval by both the BIOFIN Programme Manager in South Africa and BIOFIN Project Management Specialist. It is expected that there will be a minimum of 1 monthly meeting with the consultant, UNDP, DFFE and the already established Reference Group on Harmful Subsidies to Biodiversity to present the monthly progress reporting - the frequency of which will be arranged as needed during the implementation period. Any proposed deviations from the original project implementation plan shall be communicated to UNDP and DFFE in writing.

The consultant is expected to present monthly progress reports detailing:

- Progress against the project plan
- Risks/current challenges identified

- Items flagged for attention and decision making.
- Any proposed deviations from the original project implementation plan shall be communicated to the BIOFIN National Project Manager, BIOFIN task team leader and UNDP in writing.

The project report (s) must be submitted in electronic format (word and PDF) in English.

5. Required Skills and Experience:

A multi-disciplinary team of three consultants is required for this assignment:

Position	Academic background and specific experience
Consultant team leader	<p>Post Graduate degree in environmental economics or related field</p> <p>Ten (10) years of specific experience in biodiversity finance, sustainable rural development projects, environmental management instruments and incentives. Knowledge in economic incentives and financial systems for the South African sector and internationally.</p>
Consultant in environmental law	<p>Professional degree in law.</p> <p>Postgraduate degree (specialization, masters or doctorate) in administrative, environmental or rural development law and three (3) years of specific experience in environmental law and reforms or incentives. Knowledge of economic incentives and financial systems for the South African sector.</p> <p>Equivalently, five (5) years of specific experience in administrative, agricultural law and agricultural reforms or incentives.</p>
Consultant in social sciences economy	<p>Professional experience in social sciences, gender studies or related field.</p> <p>Five (5) years of specific experience in the analysis of socio-economic analysis of the impact of financial instruments.</p>

The following additional functional competencies of the consultants will also be advantageous.

- Documented experience in written content development, communication and writing skills in English.
- Ability to work as part of a team.
- Efficient, partner- and client-focused working methods.
- Excellent communication skills both orally and in writing.
- Excellent interpersonal skills.

EVALUATION CRITERIA:

The evaluation of proposals will be conducted according to the UNDP's procurement rules. A two-stage procedure is utilized in evaluating the proposals. The first step is the evaluation of the technical proposals, which must be completed prior to moving on to the next step which is the opening and

comparing of the costing/budget/financial proposals. Only the costing/budget/financial proposals for submissions that passed the minimum technical score of 70% and above of the obtainable score of 100 points in the evaluation of the technical proposal will be opened.

The technical proposal is evaluated based on its responsiveness to the Terms of Reference (TOR).

In the second stage, the costing/budget/financial proposal of all contractors, who have attained the minimum 70% score in the technical evaluation will be compared. The contract will be awarded to the lowest priced technically qualified proposal.

Foreseeable travel costs should be included in the costing/budget/financial proposal as part of the application submission documents.

Evaluation criteria	Max score
	(100)
Proposed Methodology: A clear methodology for each of the three deliverables (consumer demand study, development and business case) must be described, and the methodology must outline how the Scope of Work will be carried out according to deliver each deliverable	30
Proposed Work Plan and management of the project: Detailed work plan with intermediate and final outputs and identified timeframes / milestones and resources and designated responsibilities of the team of consultants must be indicated in the proposal for achieving of the deliverables.	10
Documented qualifications and experience (for each of the three required consultants): demonstration of necessary resources and technical expertise to undertake and successfully complete the project. Documented relevant academic qualifications must be highlighted, as well as experience, knowledge, proven track record and evidence of undertaking similar projects. (Max 18 points)	20
The proposal must reflect sensitivity to gender equity. This will ensure gender mainstreaming and skills development. (Max 2 extra points)	
Technical Capability/ expertise and record of accomplishment of previous work done that relates to the deliverables of this assignment and knowledge (for each of the three required consultants) in the respective fields outlined above, i.e. subsidies and incentives, business strategy and economics (environment and conservation sector experience preferable) and finance mechanisms experience. Previous experience in engaging with international and national experts and institutions as well as with community stakeholders.	30
The consultant's experience, record of accomplishment and knowledge in developing policy recommendations. The bidder should submit full details of at least three reliable contactable signed references for projects of a similar scope which were successfully completed previously.	10

Technical proposals are encouraged to reflect gender equity. UNDP is committed to achieving workforce diversity in terms of gender, nationality and culture. Individuals from minority groups, indigenous groups and persons with disabilities are equally encouraged to apply. All applications will be treated with the strictest confidence.

13. RESPONSE FORMAT:

To facilitate the analysis of responses, all interested parties are required to prepare their response in accordance with the instructions outlined in this section. All proposals should be electronically generated.

Applicants are required to submit the following:

- A technical proposal outlining a methodology on the approach and implementation of the assignment.
- Personal CVs of all team members highlighting qualifications and experience in similar projects.
- Evidence and examples of similar projects that have been successfully completed.
- Minimum of 3 contactable work references – organization for whom you have conducted/undertaken similar assignments (email addresses).
- All-inclusive financial proposal (fixed cost bid) indicating consultancy fee (South African Rand) and a breakdown of expenses (unit price together with any other expenses) related to the assignment. The proposal must incorporate all the costs including travel etc. for the service provider to achieve the required deliverables.

Proposals should be submitted no later than 16h00 Friday, 03 December 2021, CAT bid.pretoria@undp.org.