

Annual Review – UK Blue Carbon Fund, Programme Year 2, 2020

Summary Sheet

Title: UK Blue Carbon Fund		
Program Value: £12.95m		Review Date: September 2020
Program Code: PO008	Start Date: December 2018	End Date: December 2024

Summary of Program Performance

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Score	A	B				
Risk Rating	Moderate	Moderate-Major				

Summary of Progress

The UK Blue Carbon Fund (the Fund) was approved by Defra Ministers in September 2018. Defra and Inter-American Development Bank (IDB) officials signed an admin agreement establishing the Fund in December 2018. This first agreement covered the technical cooperation component of the programme and was superseded by a second administration agreement in March 2019, which included the blended finance element of the project.

Highlights from the 2019/20 year include:

- The IDB’s approval of the ‘Valuing, Protecting and Enhancing Coastal Natural Capital’ project, in Panama (\$2,312,992¹), and the ‘Blue Carbon Restoration in Southern Clarendon’ project, in Jamaica (\$2,450,000). These projects were approved by Defra in 2019. The Panama project has been signed by the executor and is due to start in early October 2020. A project management unit has been established and the executor is finalizing fiduciary tasks such as opening a separate bank account for project proceeds. Implementation of the Jamaica project began on 12 Aug 2020; a project management unit has been established and is working towards receiving the IDB’s first disbursement of resources by 25th September 2020.
- Defra’s approval of a £200,000 cost extension to allow the IDB to provide research for the independent Dasgupta Review on the Economics of Biodiversity. This work is complementary to the objectives of the Blue Carbon Fund; it helps us to better understand the value of nature, including mangroves, on biodiversity. The work is also providing important evidence that will inform design of future Defra ODA programmes similar to this one.
- Defra’s approval of the ‘Adding Value to Mangroves Conservation in Coastal-City Systems project, in Colombia (\$2,500,000)’, which includes the contract for ‘Regional Blue Carbon Monitoring, Reporting and Verification Mechanism (\$1,550,000). The Colombia project is

expected to go for IDB approval on January 20th, 2021, with an approximate 4-week timeline for the approval process to complete.

Each of these projects have detailed expected outcomes (set out at section A) which will contribute to the programme's overall impact.

Progress against delivery plan

The programme was launched with a successful event in Jamaica in May and received positive coverage in local media. Despite the challenges of Covid-19, Defra and the IDB have adapted to working from home effectively, with little impact on the programme. A number of project management documents, including the theory of change and evaluation plan, have been developed, although further work is needed.

According to the originally expected timescales for approval and implementation¹, there have been significant delays to the IDB's approval of projects, which have resulted in delays to projects entering and completing implementation. Defra expected IDB approval to take 3 - 4 months after Defra approve technical cooperation documents (TCD), however approval took 12.5 months for the Panama project and 6 months for the Jamaica project. For Jamaica the approval phase of the technical cooperation document took six months, as there was a delay in the process with the end of year closure of the Bank and reopening after the holiday period. The MRV and Colombia projects have not yet been approved by the IDB but were approved by Defra in January and April 2020 respectively. The delay in the IDB approving the MRV project is caused by a change in the bank's internal processes which now require all benefitting country governments to formally provide approval of projects before the IDB can provide approval. On the IDB's request, Defra have approved a terms of reference (ToR) in order to commission out the development of this project and speed up this process. The IDB have not yet approved this ToR. The IDB are delayed in approving the Colombia project as their approval is dependent on the Global Environment Facility (GEF)'s approval of a complementary IDB project. GEF approval is expected in December, but the IDB are exploring whether or not their consent could be given in parallel.

¹ Based on communication between IDB and Defra during implementation, Defra's expectation has been that:

- IDB board approval takes 3 – 4 months after Defra approves the technical cooperation document (TCD)
- IDB board approval to implementation takes up to 180 days (up to around 6 months)

During the annual review process, it's been clear that there has been a mismatch in timings expected for project approvals and that:

- IDB board approval takes 6 months after Defra approves the technical cooperation document (TCD)
- IDB board approval to implementation takes up to 15 months

To address this, IDB will be providing Defra with that IDB will provide DEFRA with an overview of their project approval cycle, including disbursements and eligibility timelines, so Defra can better manage project approvals expectations.

IDB approved the Jamaica operation in January and it began implementation in August, so there was a 2 month delay from expected timescales. The Dasgupta Review entered implementation upon the signing of an amendment to the admin agreement in March 2020 and the final reports were delivered to the Dasgupta review team for final review in October 2020. However, communication across the parties including HMT and DEFRA was not always clear with regards changes in timelines and dissemination, for example. The projects findings were due to be disseminated between March and May, however this was only done for two of the three reports, partially due to changes in the timing of the overall Dasgupta review and associated with dissemination events due to COVID. The original terms of reference for these studies was to develop inputs for internal UK review, in the case two studies the IDB itself is funding translation and copy-editing so this can be published externally.

Action against Previous Year Recommendations

The recommendations made in last year's annual review were discussed in the November 2019 Advisory Board meeting. In line with recommendations, project proposals received this year have focused on tackling underlying drivers of deforestation and have included indicative budgets, and background information. Proposals have included results frameworks but not all have individual theories of change, and the use of in-evaluations or real-time evaluations for new projects has not been explicitly explored.

Recommendations and Lessons Learned

Key recommendations concern the need to prevent any further delays to the programme and to accelerate delivery, to improve communication, agree clear work plans for the coming year bearing in mind Defra and IDB policies and approvals/governance processes, and to ensure that monitoring tools are up to date and used effectively. IDB will provide Defra with an outline of their approvals and governance processes.

It is recommended that all projects have indicative work plans, and have their targets, milestones and baselines included in the log frame upon approval, in order to help Defra assess performance and identify issues. TCD proposals will include indicative timelines for IDB approvals and contract signature with executing agencies and initial information on what has been discussed with delivery partners if applicable. Work plans for project implementation will be shared with Defra once the IDB approves a project consisting of the project document and the procurement plan where available.

Quarterly checkpoints and a renewed commitment to hold the Advisory Board every 6 months would help to ensure that Defra is sighted on issues and able to monitor progress effectively, as would a teach-in on the IDB's internal processes including for approvals and M&E. This teach in is to take place by the end of November 2020 where we will define what the checkpoints will cover.

A. Introduction and Context

Outline and Rationale for Intervention

The UK Blue Carbon Fund aims to produce a transformational change in the conservation of mangroves in target countries in Latin America and the Caribbean by developing and embedding operational blue carbon markets. It will do this by mobilising strategic public and private sector investments in the blue carbon sector. It will also fund projects in sectors (such as the sustainable aquaculture, coastal zone management and eco-tourism sectors) that target the main drivers of mangrove degradation, and which act as barriers to mangrove conservation. These interventions seek to encourage the sustainable management of mangrove forests and accelerate sustainable development in key mangrove-focused countries in Latin America and the Caribbean. The programme will focus on developing and implementing incentive-based instruments through the IDB Group, including technical cooperation grants, loans, high-risk investment grants and equity.

Five projects and activities directly financed by the Fund have so far been approved by Defra, and are summarised below, with further descriptions provided in Annex. The latter two projects have not yet been approved by the IDB board.

- Valuing, Protecting and Enhancing Coastal Natural Capital, Panama: aims to develop the evidence base and promote understanding of the value of the region's mangroves amongst key stakeholders in order to drive policy change, including incorporating blue carbon into Panama's NDCs.
- Blue Carbon Restoration in southern Clarendon, Jamaica: aims to restore mangrove forests and provide training for local communities on mangrove restoration. It will also address one of the main drivers of mangrove destruction in the area, the charcoal industry, by working with stakeholders to develop a sustainable charcoal production plan.
- Dasgupta Review: providing research on the links between nature (including mangroves) and biodiversity, and on extreme situations like ecosystems tipping into new regimes, in order to feed into the Dasgupta Review.
- Adding value to mangroves conservation in coastal-city systems, Colombia: aims to agree conservation agreements with and between local communities and stakeholders, to try to end the key drivers of mangrove loss, including logging and agriculture expansion, and promote mangrove restoration. It will also support the development of sustainable economic alternatives like ecotourism and develop a voluntary financial scheme for local tourists who are willing to pay for mangrove conservation.
- Regional Blue Carbon Monitoring, Reporting and Verification Mechanism, all benefitting countries: focuses on improving the monitoring, reporting and verifying processes for blue carbon. At the moment, this can be quite labour intensive. The project will trial using satellite

and field measuring techniques to improve the data set and help to value ecosystem services and encourage countries to include blue carbon data in their NDCs.

Overview of expected results

The UK Blue Carbon Fund seeks to protect and restore mangrove forests in key sites across Latin America and the Caribbean. Overall, the programme expects to achieve the following indicative figures:

- 2,912,000 tonnes of GHG emissions sequestered or avoided,
- 5570ha of mangroves restored or protected and
- £48m of ecosystem services restored or protected.²

In addition, the programme aims to deliver significant livelihoods benefits for programme recipients. An estimation of how many people the programme would benefit was due by November 2019, however has not yet been delivered. Further work is needed to quantify this by the end of 2020.

The projects approved so far will help to deliver these results; key targets for existing projects are set out below.

Valuing, Protecting and Enhancing Coastal Natural Capital, Panama:

- 68,659 ha of mangroves restored or protected
- At least 3,000 students and 100 teachers receiving environmental education programming or training, and a coalition of private stakeholders built, in order to build knowledge, awareness and engagement and drive action that increases protection of coastal wetlands

Blue Carbon Restoration in southern Clarendon, Jamaica:

- 1,600 ha of mangroves restored or protected
- 80,000 tons of CO₂ per year avoided or reduced per year
- At least 75 people (50% being women or vulnerable youth) trained in mangrove restoration and ecosystem services

Dasgupta Review:

- 5 knowledge products on the economic value of biodiversity, its conservation and sustainable use in productive sectors created and disseminated

² Based on ICF analysis of the TEEB Ecosystem Service Value database, valuing coastal protection and food services offered by a hectare of mangrove forest - £1453/ha/yr

Adding value to mangroves conservation in coastal-city systems, Colombia:

- 1,000 ha of mangroves restored or protected
- 3,200 ha of mangroves under improved management practices
- 490,550 tons of CO2 sequestered, avoided or reduced over 30 years
- 50% of local community members benefitting from the project

Regional Blue Carbon MRV:

- At least 13 organisations using high resolution maps of mangrove forests that also determine and monitor mangroves’ carbon stocks, created using novel techniques. These will help to improve valuation of ecosystem services and facilitate results-based payments.
- At least 36 wetland ecologists trained in carbon sequestration measuring techniques for mangroves. This will help to build or strengthen capacity (where appropriate) to include mangrove monitoring in countries’ respective forest monitoring programs.

B. PERFORMANCE AND CONCLUSIONS

The project has been given an overall performance score of B in its second year. This reflects the fact that there have been significant delays to the IDB’s approval of projects and to projects entering and completing implementation. Monitoring tools (e.g. the log frame and evaluation plan) are also not yet detailed enough to enable Defra to confidently assess performance.

As only 2 projects are in implementation, two outputs have been created in order to assess the programme’s performance. These outputs are: 1. process, which assesses the efficacy and effectiveness of processes, based on commitments made in the admin agreement and over the course of the programme, and 2. design and implementation, which considers how the projects that have been approved by both Defra and the IDB are performing, based on commitments made in the admin agreement and over the course of the programme.

OUTPUT 1: Process

Output Title	The efficacy and effectiveness of the programme’s processes in the design phase, based on commitments made in the administrative agreement and over the course of the programme to date.		
Output number per LF	n/a	Output Score	B
Risk:		Impact weighting (%):	80%
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	n/a

Indicator(s)	Milestones	Progress	Score
Defra to respond to project proposals within 10 working days, the IDB to respond to comments within 10 working days, and Defra to provide a final response within a further 10 working days.	3 proposals approved in 2020.	Achieved. These timeframes have been adhered to with the Dasgupta, Colombia and MRV projects that Defra have approved this year.	A+
Defra, the IDB and HMT to develop a cost extension proposal for the Dasgupta Review project. Defra to clear this.	1 proposal developed and cleared by January 2020.	Achieved, but delayed. Defra, IDB and HMT collaborated to develop a high-quality input to the Dasgupta Review, which due to the complexity of managing multiple objectives, meant the finalisation of the cost extension was delayed. Both Defra and IDB demonstrated their ability to work at pace to pick up a new piece of work at short notice, however there has been some confusion around the intended deliverables and peer review process.	A
Defra to disburse funds to the IDB and to ensure public money is held to account.	<p>1 £150,000 disbursement no later than 31st March 2020.</p> <p>2 disbursements (£50,000 as a direct grant and £2,149,634 as part of the promissory note) no later than 30th April 2020.</p>	<p>Achieved. Defra disbursed funds in March 2020. This was a direct grant to cover the costs of the cost extension work and is separate to the amount committed in the promissory note.</p> <p>Defra disbursed £50,000 in June 2020. As above, this was a direct grant to cover the costs of the cost extension work. The payment was delayed from April to June because the IDB did not provide Defra with the draft Dasgupta Review reports, which required Defra's review, until May, although the drafts had been shared with the Dasgupta Review team earlier. Once the ICF and International Climate and Environment Strategy & Engagement team had reviewed the reports, the disbursement was made.</p>	A+

		<p>The remaining £2,149,634 was requested by the IDB, however as previous disbursements had not yet been utilized, the IDB and Defra agreed to delay the payment until existing funding had been committed in order to avoid paying in advance of need. The IDB have since provided an amendment to the admin agreement which would replace the disbursement schedule with an agreement to provide at least 2 months notice before making a payment request, which Defra are considering. The amendment would help to better align disbursements with IDB project approval timelines.</p>	
<p>IDB to produce an indicative results framework, including a log frame and theory of change for the Fund.</p>	<p>1 log frame and 1 theory of change within 6 months of the agreement being signed, with updates as required.</p>	<p>Partially achieved. A theory of change was agreed by IDB and DEFRA in preparation for the Business Case. A workshop was held in November 2019 to update the ToC. Defra programme leads and analysts have also provided a number of comments on the theory of change throughout the year, which the IDB have integrated into the document.</p> <p>The log frame has been updated to include the Dasgupta Review outputs, however for all other outputs and indicators, milestones and weightings have not yet been assigned, and only some have baselines.</p>	B
<p>IDB to undertake an evaluation plan.</p>	<p>1 evaluation plan within 1 year of signing the agreement.</p>	<p>Achieved. The IDB worked with Defra analysts to develop an evaluation plan in July. This is a short document which sets out the key approaches and principles that will be used in the programme's evaluation. Defra requested more detail in the plan, particularly around methodologies, baselining, data collection, timing and costing, and more work is needed to ensure that the plan meets expectations. Defra and the IDB agreed that a mid-term review was not necessary given the length of the programme; an independent evaluation will be carried out at the end of the programme. A detailed term of reference will be developed ahead of this.</p>	A

IDB to provide an audited financial statement no later than 30 th June of every second year, and unaudited financial statements.	1 audited financial statement no later than April 30 th 2020.	Defra and the IDB agreed to waive the audited financial for 2020, as no operations had been approved and financed as of December 2019. An unaudited financial statement was received by Defra in April 2020.	A
IDB to submit an annual review.	1 annual report no later than 30 th June 2020.	Defra received the IDB's annual review in June. The review provided an overview of projects and, where relevant, of when these were expected to receive sign off from the IDB. Expectations on what the review should cover have not been agreed, but further information on next steps, such as when projects are likely to begin implementation, the inclusion of the Dasgupta Review project, and an assessment of progress against agreed milestones and targets would have helped to ensure that the review provided Defra with the information it needed to write its own review.	A
For the Advisory Board (made up of Defra, the IDB and other relevant stakeholders) to discuss the progress of the Fund and issues of mutual interest, and to share information as needed.	1 Advisory Board meeting in November 2019 and 6 months later, in June 2020.	Achieved, but delayed. The Advisory Board last met in November 2019. At this meeting, Defra and the IDB discussed Defra's 2019 annual review and the IDB updated on progress made so far and provided a forward look. Defra and the IDB agreed to delay the next Advisory Board to September 2020, to allow time to reflect on both parties' annual reviews. An agenda for this meeting has been agreed, and the date arranged.	B
IDB approves project design within agreed timelines, ensuring timely programme implementation.	IDB to approve 5 projects. Defra expected each project to be approved by the IDB board within 3-4 months of Defra	Partially achieved. 1. Not achieved. IDB approval of the <u>Panama</u> project took approximately 12.5 months (since Defra's approval of the Technical Consultation Document). Changes to ways of working caused by Covid-19 exacerbated delays.	B

	<p>approving them.</p>	<ol style="list-style-type: none"> 2. Not achieved. The IDB's approval of the <u>Jamaica</u> project took approximately 6 months. Defra approved the project in July 2019, and it was approved by the IDB on January 28 2020. This was caused by the end of year closure of the Bank and reopening after the holiday period. 3. Not achieved. The <u>Colombia</u> project was approved by Defra in April 2020. The IDB have since confirmed that the project will be aligned with an IDB-GEF project (named CO-G1014 (\$9m). The UKBCF project will create an investment fund which will help the IDB-GEF project to finance projects and support local communities, in matters relating to ecosystem restoration. The CO-G1014 project is due to receive approval from the GEF Council in December. The IDB are exploring whether or not their approval of the UKBCF project could be given in parallel to the GEF approval process. Without this, it is likely this project's approval will take a bit longer. 4. Not achieved. The <u>MRV</u> project, approved by Defra in January 2020, is also still awaiting the IDB's approval, which is behind schedule. A change in the IDB's internal regulations meant that before they could grant approval, all benefitting countries would also need to approve the project, unless the project was contracted out. In May, upon the IDB's request, Defra approved a ToR to be used to contract the relevant executing agency to develop the project. The IDB are yet to approve this contract. 	
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		5. Achieved. The <u>Dasgupta Review</u> work was approved by the IDB via the signing of an amendment to the admin agreement, in March. Due to the size of the project, additional IDB clearances were not required.	
The IDB to communicate updates and new issues early on, and to respond to ad hoc requests from Defra as needed.	Updates as required.	Partially achieved. The IDB have responded to a variety of commissions quickly and flexibly. There have however been a number of instances where delays or updates have not been shared as early as Defra would expect. Defra were not made aware of the delay to the IDB's approval of the Panama or Jamaica projects for a number of months after Defra approved the projects. Defra requested work plans for all projects in August, but those received do not cover implementation, and updates (e.g. on the approval of the MRV ToR) have not always been proactive. This has made it difficult for Defra to assess progress against the delivery plan.	B
The IDB to provide updates when significant new risks emerge, or when the status of risks increases significantly.	Updates as required.	Achieved. Upon Defra's request, the IDB provided a thorough review of all risks to the programme created by Covid-19. The IDB agreed to provide updates to Defra when there is a significant new risk, or a significant change to an existing risk.	A

Progress discussion:

A number of commitments have been delivered well and in good time, however the programme has also seen a number of delays. This year, Defra approved three new projects, including a £200,000 cost extension. Defra's spending targets have been met, or shifted by mutual agreement, to ensure good management of public funds. The IDB have been responsive to Defra's amendments to the theory of change. The November 2019 Advisory Board involved a productive conversation on Defra's 2019 annual review recommendations, and the IDB set out a clear pipeline of future programming.

As a response to Covid-19, both Defra and the IDB have adapted to working from home well, with little impact on the programme. For example, the IDB have put in places procedures to enable e-signatures on project approvals.

There have however been significant delays to the IDB's approval of projects. IDB approval took 12.5 months for Panama, 6 months for Jamaica, and both the MRV and Colombia projects have still not been approved by the IDB, despite the Technical Consultation Document being approved by Defra in January and April respectively. In previous communications, the IDB told Defra that their approval of projects should take approximately 6 weeks, however the latest information received from the IDB says this process should take between 3 and 4 months. Except for the Dasgupta Review project which, due to its size, did not require additional approvals from the IDB beyond the signing of the admin agreement amendment in March 2020, none of the projects have received IDB approval within 4 months. A teach-in on IDB processes would help to set expectations and ensure that Defra is able to identify when things are off track.

The IDB have assured Defra that these delays will not affect the delivery of the projects' intended impacts. Defra requested indicative work plans for all projects in August. Plans for the Jamaica, Colombia and Panama projects have been received, but do not cover the implementation phase (further information on the implementation phase for Jamaica was received in an email, following a second request). Defra are therefore not able to assess the extent to which delays will impact on delivery. Going forward, in order to assess progress, indicative timelines toward approval should be included in project proposals, with more detailed plans execution plans sent to Defra within 3 months of the project being approved by the IDB. In September 2020, Defra also requested that following approvals, projects should be added to the log frame, so that they can be monitored effectively, and the IDB have agreed to do this. To ensure that Defra is able to identify issues and assess progress, it is recommended that more formal checkpoints are introduced, and that both parties ensure the Advisory Board occurs every 6 months.

Recommendations and lessons learned:

Project proposals:

- IDB to set out their approval process and estimated timelines for approval in project proposals, and to communicate delays or updates to Defra at the earliest opportunity. This will help Defra to manage expectations, offer support, and identify issues.
- IDB to include an indicative timeline and work plan toward approval in project proposals, showing when key activities are expected to be delivered. Within 3 months of agreeing the annual operating plan with executing agencies, a detailed work plan that sets out key deliverables and milestones of the project should be provided to Defra.
- IDB to provide Defra with the full project proposals that are developed by the IDB in collaboration with the executing agency after the projects have received IDB approval, including expected results and timeline.
- IDB to include in project proposals information on how proposals align with the relevant country/countries' national strategy/strategies. This will help Defra to ensure that it is offering appropriate, targeted support.
- Defra will explicitly communicate its expectation to be sent reports to review, where these have been produced using ICF funding, even when they have also gone to another government

department, when approving projects. This will ensure that Defra is able to promptly review outputs and ensure that they align with requirements.

Communication:

- Defra and IDB will discuss delays and the recommendations made in this review in the September 2020 Advisory Board meeting.
- IDB to give a teach-in on its processes and timelines, particularly relating to the approval process and the process for projects entering implementation, by November 2020. With similar issues reflected in other UK-funded IDB programmes, other government departments (OGDs) should be invited to attend. This will help Defra and OGDs to manage expectations, anticipate and identify issues, and offer support.
- Defra and the IDB should ensure the Advisory Board meetings take place every 6 months. These meetings should be used to monitor and assess progress, and to set direction for the 6 months ahead. These meetings should be supplemented by quarterly meetings to update on progress and discuss any issues. This will help to ensure that Defra has oversight, is aware of delays, and is able to offer support. Ad hoc meetings to discuss specific issues should continue. IDB to introduce Defra to relevant IDB Country Office team members upon approval of projects and to discuss with Defra the possibility of Country Offices joining the Advisory Board and quarterly update meetings, as well as ad hoc meetings as required. This will enable Defra to develop a greater sense of how the programmes are being delivered on the ground and whether they are on track and bring the programme into line with other Defra-IDB programmes.
- Defra and the IDB should continue to ensure that embassies are sighted on the relevant project proposals. This will enable embassies to help ensure programming is aligned with national objectives and to anticipate and respond to any issues.
- Defra to agree with OGDs to establish a X-WH IDB working group by November. This will enable HMG to identify common issues and to address them jointly where appropriate, lending more weight to them and ensuring a more streamlined approach. The group will consider how it can best work with the UK Executive Director.
- Starting October 2020, all project proposals for Donor's approval will be submitted by the Fund Coordinator from the Grants and Co-financing Management Unit. However, the technical team may present draft proposals to the Donor for feedback, which will not represent an official submission for Donor's approval. Donor's approval will mark the approval process kick-off.

MEL:

- The log frame should be finalised to reflect the baselines and milestones for the projects that have been approved so far and weightings should be attributed by 31st November. This will allow Defra to ensure that the programme is on track, to identify issues, and to offer support when required. It will help to ensure that a thorough annual review can be conducted in 2021. The IDB are currently working on this.
- Projects to have their milestones, targets, and baselines added to the log frame within 3 months of the IDB's approval of them.

- The evaluation plan should be finalised within 6 months of this annual review to include further detail, particularly around methodologies, baselining, data collection, timing, and costing.
- Lessons from this project should be embedded more broadly into IDB planning in the benefitting countries and within national government systems.

Internal ways of working:

- The Defra ICF team should be thoroughly engaged throughout the development of any Defra ICF cost extension proposals, or similar, which are being led on by another Defra team or UK Government department. This will help to ensure that proposals meet ICF and ODA requirements, and to avoid delays.

OUTPUT 2: Implementation

Output Title	This output considers how the projects are performing, based on commitments made in the admin agreement and over the course of the programme.		
Output number per LF	n/a	Output Score	B
Risk:		Impact weighting (%):	20%
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	n/a

Indicator(s)	Milestones	Progress	Score
Completion of final design and implementation of the Blue Carbon Restoration in Southern Clarendon, Jamaica	1 project to enter implementation within 180 days (approx. 6 months) of IDB approval.	Partially achieved. The IDB approved the project in January and implementation begun as of 12 th August 2020. The IDB's first disbursement to the delivery partner is expected at the end of September 2020. The IDB did not update Defra with the news that the project had entered implementation until late September.	B

UKBCF Programme launched in Jamaica	1 launch event in April 2020.	Achieved. A launch event was planned for April 2020, however this had to be postponed due to Covid-19 and local lockdown restrictions. The event was rescheduled and held in May in Kingston. The IDB produced a press release which Defra and the UK embassy in Jamaica were invited to contribute to. The UK embassy were able to ensure that the programme received coverage from their press contacts too and that the UK's High Commissioner to Jamaica was able to attend the event and make opening remarks. The programme received positive coverage in the local media and was tweeted about by Lord Goldsmith.	A
Completion of final design and implementation of Valuing, Protecting and Enhancing Coastal Natural Capital, Panama	1 project to enter implementation within 180 days (approx. 6 months) months of IDB approval.	Too early to score. The project was approved by the IDB in May 21 st , 2020 and the project contract was signed by the IDB in September 2020. Implementation is due to start in late September or early October 2020.	N/A
Completion of final design and implementation of Adding value to Mangroves Conservation in Coastal-City Systems, Colombia	1 project to enter implementation within 180 days (approx. 6 months) of IDB approval.	Too early to score. IDB approval has not yet been given, but the programme is due to enter implementation in March 2021. Meetings with stakeholders and some technical studies for components 1 and 2 have	N/A

		already begun and are on track with indicative timelines.	
Completion of final design and implementation of Regional Blue Carbon Monitoring, Reporting and Verification Mechanism	1 project to enter implementation within 180 days (approx. 6 months) of IDB approval.	Too early to score. IDB approval has not yet been given, but the project is due to start implementation in December 2020.	N/A
<p>Completion of final design and implementation of the Dasgupta Review project.</p> <p>Draft knowledge products created and disseminated supporting the economic value of biodiversity, its conservation and sustainable use in productive sectors.</p>	<p>1 project to enter implementation within 180 days (approx. 6 months) of IDB approval.</p> <p>5 knowledge products created and disseminated by June 01. Findings disseminated March-May.</p>	<p>Partially achieved. The Dasgupta Review project formally entered implementation upon the amendment of the admin agreement in March.</p> <p>Defra received the reports in early May and provided feedback. The reports had already been shared with HMT. Defra joined HMT and the IDB on a call to discuss the drafts on 29th May. The peer review process opened on 29th May and lasted 3 weeks. Defra fed in comments on the papers again via the formal peer review process. Final reports have been received.</p> <p>Due to the Covid-19, the IDB's mission to the UK to disseminate the project's findings was cancelled by mutual agreement. Alternative ways to disseminate the findings (e.g. infographics, events at future events) are being developed/explored, however dissemination has not yet taken place.</p>	A

<p>Baselines, milestones and targets for all approved projects to be added to the log frame.</p>	<p>3 projects' baselines, milestones and targets added to the log frame.</p>	<p>Partially achieved. Once projects have been approved by the IDB, Defra expect their baselines, targets and milestones to be incorporated into the log frame, in order to ensure that they can be effectively monitored. The Dasgupta Review targets and milestones have been added to the log frame. Defra requested that the IDB added the remaining projects to the log frame in September, but this has not yet happened.</p>	<p>B</p>
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Progress discussion:

The delays to the IDB's approval of projects has caused the implementation of projects to be delayed in turn. So far, only the Jamaica and Dasgupta projects have entered implementation.

The Dasgupta Review project entered implementation in March, upon the signing of an admin agreement amendment. Defra received interim reports in March but were not immediately sent the reports. The department was still able to comment on the drafts, engage in meetings with the Dasgupta Review team and the IDB, and feed in again via the peer review process. Defra has clarified its expectation to be sent outcomes when they are created using Defra funds in future, even when another department is leading. The draft reports were due in May, with dissemination happening March-May, but final reports were received in October 2020.

After a 2 month delay in approving the Jamaica project, the project entered implementation in August 2020, within 6 months of IDB approval. Defra were not made aware that the project had entered implementation until late September. The Panama project was not approved by the IDB until April 2020 and is due to enter implementation in late September or early October. The MRV and Colombia projects have not yet been approved by the IDB but are expected to enter implementation late this year or early next. As such, it is too early to tell if these projects will enter implementation within 6 months of IDB approval. The IDB have assured Defra that delays will not affect the delivery of the projects' impacts. Defra requested indicative work plans for all existing projects in August. Plans for Jamaica, Colombia and Panama have been received, but do not cover the implementation phase, despite requests that they covered all key activities (although further information on Jamaica's implementation plan was received in email following a second request). Defra therefore cannot assess the extent to which delays will impact on delivery. Defra have requested that the log frame is updated with expected outcomes, in order to allow the department to monitor progress and assess the impact

of any delays. The log frame has already been updated to reflect the Dasgupta Review work, and the IDB agreed to update the log frame for the remaining projects in September.

The IDB have considered risks to the programme caused by Covid-19, and prepared appropriate mitigating actions. For example, they have prioritised activities that can be done off-site and explored ways to disseminate the Dasgupta Review project's findings via infographics, rather than a UK mission. In addition, the IDB ensured that the programme could be successfully launched, in Jamaica, in line with Covid-19 restrictions. Risks resulting from the Covid-19 pandemic will continue to be monitored closely, and the IDB have agreed to provide Defra with updates whenever there are significant changes to the statuses of risks.

Recommendations and lessons learned:

Communication:

- The recommendations already outlined, relating to timelines, more frequent meetings to discuss progress and flag any risks/delays, closer contact with the country offices, and explicitly communicating Defra's expectation to be sent outputs, would also help to improve the final design and implementation phases of projects.
- Defra ICF should continue to work with IDB and Defra comms to identify opportunities to promote the programme, following positive local media coverage of the Jamaica programme.

Dasgupta Review:

- Defra, IDB and Review Board to set out clearly from the beginning roles, responsibilities and expectations in terms of communications.
- IDB to ensure that Defra is sighted on a plan of engagement, setting out clear timelines for delivery of draft and final report and opportunity to comment on them in addition to a robust peer review process.
- IDB to ensure a robust peer review process for quality assurance.

C. VALUE FOR MONEY & FINANCIAL PERFORMANCE

Key cost drivers and performance

Admin costs are capped at the programme level at 5%. At the project level, admin costs are considered on a case-by-case basis in line with FCDO guidance. They are based on the local needs of the executor, the type of executing agency, and the local cost structure (e.g. some countries have higher costs for labour or services, foreign or domestic travel).

Defra and the IDB continue to work to ensure admin costs at the project level offers value for money. As reported in the previous annual review, the admin fees for Panama are set at 10%, while for project Jamaica, they are at 13.3% (this disparity reflects the fact the local cost structure in the Caribbean is

generally higher than in other countries). For Colombia, admin fees are 10%, for the MRV project, they are 9.7%. There are no admin fees for the Dasgupta Review project.

VfM performance

Economy

Project-level costs will be minimised through the IDB's use of in-country expertise and existing delivery frameworks. Projected budget breakdowns are provided at project conception to enable Defra to identify and mitigate any areas of potential financial risk. Projects will make use of the incentive-based instruments of the IDB Group (e.g. technical cooperation grants, loans, high-risk investment grants and equity). In order to maximise value for money, instruments will be tailored to the individual intervention.

Efficiency

Of the five projects approved by Defra, only the Dasgupta Review project and Jamaica project have so far entered implementation. IDB approval is expected to take 3-4 months, but took 14 months for the Panama project and 8 months for the Jamaica project, with the MRV and Colombia projects approved by Defra in January and April respectively still not having received approval by IDB. In addition, the IDB has not yet finalised a detailed monitoring framework (log frame) with clear timelines and milestones, which are required to assess the progress projects are making. The significant delays to the IDB's approval of projects, and thus to projects entering implementation, gives an indication of a lack of efficiency. The lack of detail in work plans and the log frame mean that Defra is not able to assess the effectiveness of different paths from inputs to outputs at the project level. Performance could be improved by the development of more detailed timelines that cover the implementation phase of all projects, and the delivery of monitoring frameworks at project and programme level as soon as possible. The IDB agreed to update the log frame in September.

Effectiveness

The delays to projects being approved by the IDB and a lack of detail in the log frame and evaluation plan mean that Defra cannot be confident of effectiveness at this stage; more detailed work plans and an updated log frame would help to provide confidence going forward. Likewise, this means that Defra is not able to assess the effectiveness of different paths from outputs to outcomes at the project level at this stage.

Equity

As only the Dasgupta Review project and Jamaica project have so far entered implementation, and as the log frame and evaluation plan lack detail, Defra cannot be confident that equity is being delivered. Some projects have gender disaggregated impacts listed in design (e.g. the Panama project), but for

others this will depend on conditions in the IDB’s disbursement to delivery partners as activities begin. Defra would like to see equity considered in the design phase more thoroughly, wherever this is possible, and the addition of more detail to the log frame and evaluation plan.

Assessment of whether the programme continues to represent value for money

The Dasgupta Review project delivered outputs to a high standard and within expected timeframes and represented good value for money. Assessing the value for money of the other interventions is difficult, as we are still dependent on expected results only. More detail in the log frame and evaluation plan, and in the work plans, is needed in order to ensure value for money. Value for money will continue to be monitored closely over the programme’s third year.

Quality of financial management

Defra are satisfied with the quality of financial management that the IDB have deployed.

Auditing standards and frequency

The admin agreement states that the IDB will audit financial statements and return these to Defra no later than June 30 of every second year of the Fund and upon the termination of the agreement. Unaudited financial statements should be shared by the IDB no later than April 30 each year.

The IDB requested Defra’s consent to provide an unaudited financial report for 2019 as opposed to the scheduled audited report as no projects have yet entered implementation. Defra approved this request and an unaudited financial report was received on 24th April 2020. The first audited financial report is therefore expected by 30th June 2021.

Date of last narrative financial report	24 th April 2020
Date of last audited annual statement	-

D. RISK

Overall risk rating:

The program has a moderate-major risk rating at the end of its second year.

Overview of programme risk

Detail on key risks is provided at Annex B. Project-specific risks are flagged by the IDB in project proposals. Risk registers are maintained by both Defra and the IDB and are monitored regularly. As

projects are developed and as new projects are approved, risk registers are updated, and the IDB have agreed to update Defra whenever a significant change to the status of a risk occurs.

Covid-19 has caused disruption across the globe and has inevitably created new risks for this programme. The IDB provided a Covid-19 risk assessment in April. This assessment is provided at Annex C.

Key information on top risks is provided below.

<u>Risk description</u>	<u>Risk type</u>	<u>Risk rating (RAG)</u>	<u>Mitigation</u>
Delays to the IDB's approval of projects and to projects entering implementation negatively impacts on the overall impacts of the programme.	Delivery	Major	The recommendations in this review aim to help mitigate this risk and will be discussed with the IDB at the September 2020 Advisory Board meeting.
Covid-19 delays the implementation of projects.	Context	Major	Commitments from counterparts in complying with deadlines are in place. Project activities that do not require exposure to others will be prioritised where social distancing is in place. Activities that do require social contact but which are essential will follow IDB health and safety guidance.
Covid-19 causes delays to benefitting countries approving projects.	Context	Moderate	Many countries have adjusted to working remotely during the pandemic. IDB country specialists are working closely with benefitting governments to ensure approvals are given on time.
Political instability in benefitting countries, e.g. Haiti or Nicaragua, affects implementation of the MRV projects, and of future projects.	Context	Major	Engage the FCO and DIFID. Receive guidance and advice from IDB Country Offices.

New issues for consideration

As detailed throughout the review, the key issue that the programme has faced this year is delays to the IDB's approval of projects. These delays have various causes. The Jamaica project was delayed due to the end of fiscal year closure of the IDB systems and reopening after the holiday period. The Colombia project is delayed due to the need for the GEF to approve a complementary IDB programme (which was delayed by COVID-19), although the IDB are looking at opportunities to approve the project in parallel. The MRV project's approval is delayed because a change to IDB internal processes meant that explicit agreement from all benefiting countries would have been necessary, had the decision not been taken to commission the project out. Following 10 month and 4 month delays respectively, the Panama and Jamaica projects have now been approved by the IDB, but the Colombia and MRV projects are still awaiting approval. Due to the reasons set out throughout this review, Defra is not able to assess whether or not these delays will negatively impact on the programme's overall impacts.

Defra will work with the IDB and the UK Executive to the IDB Board to explore how processes can be streamlined in order to minimise the risk of any further delays. The IDB should provide Defra with a teach-in on their processes, particularly relating to the approval process, in order to manage Defra's expectations. More regular communication, including with IDB Country Offices, is needed to ensure that Defra is updated on new issues. A more detailed log frame and more detailed work plans are required to ensure that Defra is able to identify new issues and assess progress.

E. COMMERCIAL CONSIDERATIONS

Delivery against planned timeframe

As stated, the programme has experienced a number of delays, which are outlined below.

1. Defra approved the Panama Technical Consultation Document in May 2019, however the project was not approved by the IDB until May 2020.
2. The Jamaica project was approved by Defra in July 2019, but was not approved by the IDB until January 2020, due to the end of year closure of the Bank and reopening after the holiday period.
3. The Technical Consultation Document for the Colombia project was approved by Defra in April. It is expected that the project will be approved by the IDB in January 2021. This is due to the fact that the GEF's approval of a complementary IDB-GEF project is not expected until December. The IDB are exploring whether or not IDB approval for this project can be given in parallel.
4. Similarly, the MRV Technical Consultation Document was approved by Defra in January 2020 but is yet to be approved by the IDB. This delay was caused by a revision to the IDB's internal procedures, which would have required formal approval from all 13 benefiting countries' governments. To streamline the process, the IDB are commissioning out the work to an

external body. Defra approved the terms of reference for this contract in May 2020 and the IDB expect to have completed the procurement process by November 2020.

5. Defra and the IDB agreed to delay the fourth disbursement (£2,149,634), which was originally due in April. This reflects the fact that in April 2020, only 1 of the 3 projects approved by Defra had also been approved by the IDB.
6. Defra's approval of a £200,000 cost extension to fund research for the Dasgupta Review was due to take place in January but was not completed until February. This was because additional time was required to ensure that the cost extension document was compliant with ODA requirements.
7. The Dasgupta Review reports were due in May but final drafts were received in October 2020. The Dasgupta Review drafts were due to be delivered by May-March.
8. The programme was due to be launched in Jamaica in April 2020, but the event was delayed until May due to Covid-19.
9. The second Advisory Board meeting was delayed from June until September 2020, by mutual agreement. This allowed Defra time to digest the IDB's annual report, received in June 2020.
10. The last annual review committed to the production of a more detailed review in June 2020. As the programme has not reached implementing stage, it was agreed by the SRO that an early review was not necessary.

Performance of partnership(s)

Defra and the IDB continue to maintain regular contact and to have good working relationships. The IDB are often quick to respond to Defra's asks with flexibility and understanding. Meetings between Defra and the IDB are frequent but ad hoc. Information generally flows well but Defra have not always been made aware of issues immediately, which can affect the department's ability to offer support and to manage expectations internally. IDB processes have not always been made clear to Defra and this has created issues in terms of Defra's expectations.

Additional Partners:

Project proposals include information on executing agencies setting out why they have been chosen to deliver the work. The IDB hold the relationship with all executing agencies and Defra are content that this arrangement is effective and working well.

G: MONITORING & EVALUATION

Evidence and evaluation

Logframe

The log frame (Annex D) now includes the outputs and outcomes related to the Dasgupta Review work (Table 1), but for all other outputs and indicators, milestones and weightings have not yet been assigned and only some have baselines. In September, the IDB agreed to add the targets and milestones for approved projects, and it is recommended that the targets, milestones and baselines for all projects are added to the log frame upon approval. This will help Defra to assess performance and identify issues. Further refinements will continue be made as required, including the development of impact weightings.

The log frame's outcomes and outputs are set out below.

Outcomes

Outcome 1: Environment: ICF-IDB programme is successful in contributing to biodiversity conservation, sustainable use of natural resources and climate change adaptation and mitigation. This creates the incentive for others to act towards these goals.

Outcome 2: Development: ICF-IDB programme delivers positive outcomes for communities at the local and national level, embedding a sustained change in attitudes towards mangrove restoration and/or protection.

Outcome 3: Finance: ICF-IDB programme is successful in mobilising the financial sector to address issues and drive transformational change in the protection and restoration of mangroves in Latin America and the Caribbean.

Outputs

Output 1: Policy Frameworks: Assistance provided to develop and improve local and national frameworks for governance of mangrove forests in partner countries.

Output 2: Community Management: Capacity building to enable communities to fully realise the co-benefits of improved outcomes in mangrove protection.

Output 3: Alternative Livelihoods: Development of alternative livelihoods and improved economic outlook for local communities through community-management and training activities.

Output 4: Innovation Competition: ICF-IDB program supports businesses focused on technological or business-focused innovation in the field of mangrove protection or restoration, with direct benefits for local communities.

Assumptions

The assumptions for the indicator framework include:

- The availability of primary data on mangrove coverage, reforestation, degradation, health and sufficient data to calculate associated carbon and ecosystem service values. In cases where data is not available, projects will seek to collect this data or find a proxy.
- The availability of data on co-benefits, such as livelihoods, biodiversity and resilience.
- Sufficient institutional and human capacity to support programming.
- That policy makers, private sector and other stakeholders will be receptive to science-based and economic-based argumentation on the benefits of mangrove conservation
- That successful programmes will have a demonstration effect and be scaled by public or private sectors.

Theory of Change

The Theory of Change (Annex E) was updated following a workshop November 2019. Defra have provided comments on the theory of change throughout the year, and the IDB have incorporated

these into the latest version. Further amendments will be made if necessary as more projects are approved.

Evaluation Plan

Defra's previous annual review was completed in October 2019. That review committed Defra to publishing a second, more detailed annual review, in June 2020. As none of the projects have yet entered implementation, in order to allow time to fully reflect on the IDB's annual report, and as set out in the admin agreement, officials agreed to complete the next report in September 2020 instead.

Defra and the IDB have worked together to develop an evaluation plan (Annex F). Defra requested that more detail was added to the plan, particularly around methodologies, baselining, data collection, timing and costing. Further detail is needed, especially in the areas outlined, in order to ensure that the plan meets expectations. The admin agreement included a commitment to determine whether or not to have an independent mid-term evaluation for the programme. Due to the short timeframe of the programme, Defra and the IDB have agreed that a mid-term review is not necessary. As per the admin agreement, the IDB is required to commission an independent final evaluation of the fund within one year of closure.

Disaggregation of Data (Sex, Age etc.)

Data will be disaggregated where relevant across the programme as project implementation kicks off. Defra recommend integrating this process into project design too, in order to ensure equity.

ⁱ Amounts are shown in US dollars and represent the Fund's contribution.