2020-2021 Annual Review

ICF UK Blue Carbon Fund (UK BCF)

# Summary Sheet

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| Title: Blue Forests Programme |
| Programme Value: £12.95m | **Review Date:** December 2021 |
| Programme Code: ICF-PO008 | **Start Date:** Dec 2018 | **End Date:** Dec 2024 |

## Summary of Programme Performance

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| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | 2018/19 | 2019/20 | 2020/21 | 2021 | 2022 | 2023 | 2024 |
| Score | A | B | **B** |  |  |  |  |
| Risk Rating | Moderate | Moderate / Major | **Major** |  |  |  |  |

|  |  |
| --- | --- |
| DevTracker link to Business Case: | <https://devtracker.fcdo.gov.uk/projects/GB-GOV-7-ICF-PO008-UKBLUECARBONFUND/summary>  |
| DevTracker Link to results framework: | No agreed results framework available. |

This is the third Annual Review of the UK Blue Carbon Fund (UK BCF) and covers the period July 2020 to June 2021. It reflects on the overall performance and progress of the UK BCF in 2020/21, captures the successes of the programme, identifies the challenges experienced and lessons learned throughout the year, and provides recommendations for the year ahead.

This year’s Annual Review is process-focussed, by mutual agreement between Defra and the IDB, for two reasons i) there are no programme-level milestones to report against as the more detailed programme-level logical framework with indicators and baselines is not yet finalised ii) the majority of project-level milestones for individual projects under implementation are only due after the current reporting period in December 2021 (see Section 4.2.3 below).

While there are some key successes over the past year (see Section 1.1.2 below) the central message of this Annual Review is that **overall progress is not meeting expectations** and a clear plan to improve programme performance should be developed.

The impacts of the COVID-19 pandemic on the delivery of International Climate Finance (ICF) programmes, and the response of delivery partners to mitigate these impacts, have been taken into consideration when assessing progress and performance. The most evident impact on the UK BCF has been delays to project delivery as travel and meeting restrictions prevented key activities from taking place on the ground. The lack of technology infrastructure and capacity of benefitting countries also limited alternative delivery options.

###  Summary of Progress

The UK BCF currently has five projects which have been approved by Defra.[[1]](#footnote-2) Of these, three projects are in implementation or execution across Latin America and the Caribbean, operating specifically in Panama, Colombia, and Jamaica (see Section 1.2 below). The Dasgupta component was completed in 2021 following the publication of the report and the IDB’s dissemination of findings (see Section 3.2.1).

Project execution in Panama and Jamaica has been slower than expected due, in part, to activities being postponed until 2021 in order to adhere to national and regional COVID-19 restrictions. Development of the Regional Blue Carbon MRV (monitoring, reporting and verification) project has also been slower than expected. This is due to unavoidable delays as IDB sought necessary changes to the approval pathway to meet client expectations (see below for more detail).

Overall, the UK BCF struggled to deliver some key recommendations from last year which are vital to delivering robust ICF programmes. The global COVID-19 pandemic also limited progress. Travel restrictions and social distancing measures implemented by the Government of Panama and the Government of Jamaica resulted in planned activities being delayed or prevented from taking place. This has delayed the implementation and execution of projects in Panama and Jamaica. While some impacts are inevitable with activities postponed to 2021, the IDB’s response has been limited with some missed opportunities to deliver some activities virtually. For example, virtual training in restoration monitoring for the project in Jamaica was considered by the executing agency, but a decision on adopting this method has not yet been made. Key risks and impacts of the pandemic were also not communicated to Defra in a timely manner.

As a result, the **UK BCF has scored an average of B for this Annual Review**, performing below expectations.

In June 2021, Defra placed the programme on hold temporarily to escalate concerns relating to programme performance to Defra’s senior management, and to discuss further internally. Although Defra recognised this would cause some further immediate delays to implementation, this was necessary to establish the options available to address critical concerns about programme performance and ability to meet ICF requirements, and to discuss and agree these with the IDB. As a result of this process, Defra proposed that the IDB and Defra should agree and implement an initial high-level Action Plan with regular monitoring to ensure the delivery of key products, which are essential to meet ICF requirements and standards (see Section 1.1.4 for more detail).

###  Progress against the Delivery Plan

The UK BCF continues to experience delays against the delivery plan. Despite this, the programme has made some progress. The major accomplishments of the programme in 2020/21 are:

* **The Dasgupta Review was published on 2 February, to which the IDB contributed key research and evidence.** A £200,000 extension to the UK BCF enabled the IDB to provide supporting research and evidence for an independent global review on the Economics of Biodiversity, led by Professor Sir Partha Dasgupta (the Dasgupta Review). The IDB contributed key research and evidence specifically on links between nature, including mangrove forests, and biodiversity, and extreme situation such as regime shifts within ecosystems. The Dasgupta Review was published on 2 February 2021 and has since shifted and shaped the direction of global discussions on nature, people, and the economy.
* **The IDB shared experience from the UK BCF at a British Embassy Adaptation Event in Costa Rica on 25 March 2021.** The session titled “Investing in Nature makes economic sense” focused on the fact that financial solutions are real and the momentum towards environmental and ethical investment is growing. The IDB presented on case studies from the UK BCF to show the benefits and successes of financing models to support adaptation projects and increase private finance and natural capital funds in such projects.
* **The IDB held a leading role in the Multilateral Development Bank (MDB) Joint Statement on Nature, People and Planet for COP26.** IDB participation in the Dasgupta Review helped build internal support to lead the MDB work to draft and approve the [MDB Joint Statement on Nature, People and Planet](https://ukcop26.org/mdb-joint-statement/) for COP26. The statement aims to reflect the signatories’ commitment to mainstream nature into their policies, analysis, assessments, advice, investments, and operations to support benefitting countries to achieve the Sustainable Development Goals (SDGs), Paris aligned climate goals and the Convention on Biological Diversity (CBD) goals. It also aims to promote sustainability and support the private sector to invest in solutions which tackle the challenges of sustainable development, climate change and nature loss.
* **The IDB selected and trained the National Audubon Society (NAS) as the executing agency for the project in Panama.** The IDB’s Natural Capital Lab (NCL) convened a number of training sessions to ensure compliance with IDB policies and procedures. The NAS works closely with local agency Sociedad Audubon de Panamá to deliver the project in Panama. The project in Panama undertook several fundamental research studies on the health of mangrove ecosystems in the Bay of Parita, held several trainings, and disseminated research and value cases to influence behaviour in its first year of operation.
* **The projects in Panama and Jamaica received their first instalments.** IDB made the first disbursements for projects in Jamaica and Panama on 9 October 2020 and 24 November 2020 respectively, enabling some activities to take place on the ground although others are delayed due to the impacts of the Covid-19 pandemic.
* **The project in Colombia has progressed to implementation on 26 May 2021**, following approval by the IDB Board and relevant non-objection letters from target country officials. Agreements have been signed with the executing agencies, Conservation International and Puerta del Oro and both entities began working to achieve conditions for first disbursement.
* **The IDB unblocked challenges facing the Regional MRV project in June 2021,** enabling the project to progress to the next stage of the IDB’s internal approval processes, subject to receiving funds from Defra.
* **The IDB submitted one project proposal for Defra’s consideration.** The *Blue Carbon Restoration in Bigi Pan MUMA (Multiple Use Management Area)* project, expected to operate in Suriname, was submitted for Defra’s review on 2 November 2020. Defra and the IDB have been working together to prepare the proposal for official submission for approval. Further drafts in response to clarifications needed on the content of the project were submitted on 3 February 2021 and 24 March 2021.

The programme has also faced a number of challenges which have impacted progress and resulted in delays to project delivery:

**Barriers to a timely approval of the Regional MRV project.** Changes in the IDB’s internal processes now require all benefitting country governments to formally provide approval of projects via non-objection letters before the IDB can provide eligibility. Delays were expected as the IDB worked to revise the approval pathway to meet these new requirements. All non-objection letters were received in June 2021, resolving this issue (see Section 3.2.1 for more detail).

**Barriers to finalising the programme-level logical framework and Theory of Change.** The UK BCF is the third[[2]](#footnote-3) HMG-funded programme delivered by the IDB to experience severe delays and face delivery challenges, suggesting there may be wider underlying capacity and resourcing issues within the IDB that need to be addressed along with improved ways of working between the IDB and HMG.

The IDB has noted two key barriers:

1. Project-level results have proved difficult to integrate into Defra’s ICF programme-level logical framework and Theory of Change. In line with Defra’s ICF requirements, the programme-level results framework provided in the Business Case is high-level and indicative and should be further developed and approved within the first 6 months of signing the Administrative Agreement to ensure projects are designed and aligned to ICF outcomes and indicators. While this was submitted by the IDB, it was not approved, and further work was required. To avoid further delays to implementation, UK BCF projects continued to be designed and approved without the required final programme-level logical framework and Theory of Change. The results matrices agreed between the IDB and executing agencies therefore do not align with ICF outcomes and indictors which has led to significant challenges in further developing the programme level logical framework. This has not previously been communicated clearly to Defra. The IDB and Defra are working together to overcome this challenge and design a logical framework that both parties can approve.

In addition, last year’s Annual Review recommended that the IDB hold a teach-in on the IDB’s internal processes including for approvals and M&E. This workshop took place in November 2020 but did not include the IDB’s M&E processes. It is possible that the issues above may have been anticipated or communicated to Defra earlier and clearer if a teach-in on these M&E processes had taken place.

1. Some delays have been a result of changes to Defra’s policy team and Programme Lead for the UK BCF which has slowed progress during handover. Despite administrative changes, all guidance and advice provided by Defra has been sustained and in line with ICF MEL requirements. IDB and Defra M&E experts have also met a number of times to incorporate changes. Defra recognises that limited capacity amongst Defra’s M&E experts has also proved challenging, making it difficult to provide the IDB with additional support needed to complete these final products. While some progress has been made to date, Defra has not yet seen guidance and advice sufficiently incorporated into products. The logical framework and Theory of Change continue to be misaligned, and Defra cannot confidently approve products that do not meet ICF requirements and standards which are designed to ensure the robust monitoring and evaluation of programmes. To mitigate misalignment, the IDB has sought lessons learned from other internal teams who also deliver ICF programmes in partnership with Defra.

**Impacts of COVID-19.** To adhere to the national health guidance within target countries, many key activities were not able to take place due to restricted travel and social gatherings. Delays have been exacerbated further by the lack of digital capacity of benefitting countries which means that the use of virtual platforms has been limited. Activities have therefore been delayed in the most part and are expected to take place later in the year. Defra recommends that the IDB monitors the impacts of the COVID-19 pandemic on individual projects, taking into account the context of each country of operation. The IDB should also conduct an assessment of how these delays to the delivery of implementing projects has impacted expected targets to date.

### Action against Previous Year (2020/21) Recommendations

Recommendations for the previous year were focused on four key areas:

1. Improved processes and products for project proposals. In November 2020, the IDB provided Defra with an outline of the IDB’s approval and governance processes for project proposals. The workshop highlighted a misalignment between Defra’s expectations and the IDB’s internal processes. Ideally, projects under the UK BCF should begin implementation within 9 months of receiving Defra’s approval. However, the workshop indicated that the IDB’s processes and procedures can take much longer. It can take up to 6 months following Defra’s approval of the project proposal to develop the fully formed Technical Consultation Document (TCD), receive IDB eligibility (i.e. secure non-objection letters from target countries) and approval from the IDB Board, and a further 15 months for projects to begin implementation.

Project proposals submitted to Defra for approval must include an indicative timeline and work plan toward approval showing when key activities are expected to be delivered and information on how projects align with relevant country/countries’ national strategies. To approve, Defra must be confident that a project aligns with the overarching goal of the UK BCF and addresses key drivers and barriers within its target geography/geographies, while balancing this with the understanding that proposals are not yet fully formed when reviewed by Defra. One project proposal has been submitted to Defra for review in 2020/21 and Defra and the IDB continue to work together to prepare the proposal for official submission for approval. At the time of this Annual Review, some clarity continues to be missing, for example on land rights, assumptions, barriers, and links to the wider programme aim. Defra accepts that some information will not be known at this stage, and this should be clearly outlined in the project proposal along with an explanation on how any ‘unknowns’ can be managed. Further work is required for Defra to be confident that it will receive approval. The most recent version of the proposal was submitted to Defra on 24 March 2021.

Project milestones must also be provided within 3 months of agreeing the annual operating plan with executing agencies, as well as the expected results, timelines, and fully formed TCD which is developed in collaboration with the executing agencies after receiving IDB eligibility. The IDB has provided these “approval packages” for three of the four eligible projects (Panama, Jamaica, and Colombia) to date. The TCD package for the project in Colombia was provided in Spanish and a translated version will be required as soon as possible.

1. Improved communication between the IDB and Defra. In the first quarter of 2021, IDB and Defra worked together to design a Programme Management Manual (PMM). This is a jointly owned document which was finalised in June 2021. The aim of the PMM is to align expectations and agree on critical programme management processes and milestones including project approval and implementation timelines; content of the Advisory Board and supplementary quarterly meetings (also known as bi-annual Checkpoints); deadlines for the submission of key monitoring and evaluation (M&E) tools[[3]](#footnote-4); and other programme management requirements such as the joint risk register and Project Completion Review. The PMM should be reviewed on a regular basis and updated as required to ensure the document remains relevant as projects are approved and progress through implementation and execution; and responds to any risks and issues that may occur (see Annex A for more information).

The IDB have responded to a variety of requests quickly. However, there have been a number of instances where delays and updates have not been shared with Defra in a timely manner. For example, Defra was not made aware of the extent of delays caused by the impacts of the COVID-19 pandemic. At times, communication has also been unclear and/or lacked required information (see Section 3.3.1 for more detail). In addition, quarterly meetings to discuss progress, risks and issues have been recommended but not implemented. These Advisory Boards and Checkpoints have been postponed due to little progress made on vital products and project implementation. Instead, open items have been discussed at regular meetings which have taken place on an ad hoc basis, and at times, up to weekly. Defra is keen to establish these progress updates particularly as projects are entering implementation and these are a key tool for monitoring delivery and financial progress and risk.

1. Improved monitoring, evaluation and learning products and processes. To date, guidance and advice provided by Defra on MEL requirements for ICF programmes has not been sufficiently addressed and/or incorporated into key M&E products. Defra has therefore been unable to approve the programme level logical framework and Theory of Change. Continued quality issues and delays in finalising these products resulted in the programme being put on hold temporarily in June 2021 while Defra escalated issues internally.

Defra and the IDB agreed to pause last year’s recommendation to finalise the Evaluation Plan within 6 months of the 2019/20 Annual Review. This was mutually agreed to allow Defra and the IDB to focus on developing and finalising the programme-level logical framework and Theory of Change. As such, the Evaluation Plan is not accounted for in this year’s assessment of the programme. Defra recommends that this item should be re-opened, and the Evaluation Plan finalised to include further detail on methodologies, baselines, data collection, work plans, and costs within 6 months of being re-opened.

1. Improved internal engagement and ways of working within Defra. Defra’s policy team has changed over the last year and handovers have been critical to minimising disruption to the operation of the UK BCF. Handovers have ensured overlap between current and new Programme Leads to allow the current Programme Lead to bring new policy teams up to date on key action points and introduce the IDB team and new Programme Lead. This aims for a smooth transition between policy teams while recognising that the UK BCF is a complex programme in terms of delivery and processes.

The 2019/20 Annual Review recommended Defra to agree with other government departments to establish a cross government Working Group by November 2020. This aimed to enable HMG to identify common issues and address these jointly where appropriate, ensuring a more cohesive and streamlined approach to concerns and resolutions. While informal conversations between policy teams have taken place over the last year to better understand ways of working with the IDB and issues experienced across policy teams, no formal Working Group has been established. This Working Group should be established before the next Annual Review to ensure a systematic way of capturing and sharing lessons learned across policy teams working with the IDB and ensure continuity across advice provided by HMG to the IDB. Further improvements to internal coordination within HMG will enable policy teams to fully recognise the context of the UK BCF within the strategic HMG-IDB portfolio.

The 2019/20 Annual Review also recommended greater communication between the Defra policy team and the UK Executive Director to the IDB to support the management of programme performance. The new policy team initiated this engagement in June 2021 and Defra recommends that this relationship is strengthened over the next year.

### Recommendations for the Year Ahead (2021/22)

Recommendations for the year ahead focus on improving programme performance and the key products and processes required to achieve this. Many of the recommendations from last year remain relevant. An overview of recommendations is provided below while a full inventory of detailed recommendations is provided in Annex A.

Section 7.2 of the Administrative Agreement for the UK BCF, signed by Defra and the IDB, stipulates that:

*‘Should the Fund have an overall score of B or below in the Donor Annual Review […] for two consecutive years and/or should there be, in the Donor’s opinion, significant delays in delivering against milestones set out in the Project Document, Defra will consult with the IDB as to how to rectify the situation. As part of these consultations, Defra may send a written notice to the IDB requesting that the IDB provide to Defra a plan of action to remedy the delay in delivery against milestones (a “Remedial Action Plan”) for its approval. The Remedial Action Plan shall set out the implementing measures the IDB proposes to mitigate any delays or improve performance.’*

As such, a key recommendation for the year ahead is for the IDB and Defra to agree and implement an initial light-touch Action Plan identifying key priority tasks and associated timeframes to put the programme back on track. This should be reviewed on a regular basis and, if Defra considers it appropriate, be followed by a detailed Remedial Plan outlining a detailed work plan and information on what actions will be taken to ensure delivery (i.e. *how* this will be delivered as well as *what* will be delivered). This will ensure the delivery of key products which are essential to meet ICF requirements and standards and improve the overall performance of the programme. In addition, the IDB Technical Team should work closely with their internal MEL expert to deliver and finalise key M&E products imminently.

Further recommendations focus on programme and project management, monitoring and evaluation, and communication (see Table 1 below).

Table 1: *Overview of Recommendations for the Year Ahead*

|  |  |  |
| --- | --- | --- |
| Programme and Project Management | Monitoring and Evaluation | Communication |
| 1. All recommendations listed below should be placed into a ‘recommendations tracker’ which will be reviewed and updated on a regular basis. | 9. IDB programme team hires a dedicated MEL expert for the UK BCF to deliver essential M&E products which are a requirement of ICF programmes. | 19. IDB and Defra continue to improve communication, ensuring this is clear and timely. |
| 2. Defra takes appropriate formal action to improve programme performance. | 10. The programme-level logical framework (with baselines and milestones) and Theory of Change should be finalised in line with ICF requirements and approved by June 2022 | 20. IDB and Defra continue to improve communication, ensuring this is clear and timely |
| 3. IDB and Defra develop an Action Plan to deliver key products which are essential to meet ICF requirements and standards. | 11. The Evaluation Plan should be finalised in line with ICF requirements and approved within 6 months of Defra’s approval of the programme-level logical framework and Theory of Change. | 21. IDB present a detailed progress update once every quarter |
| 4. Defra and IDB review and update the Programme Management Manual (PMM) within 3 months of completion of this Annual Review and approval by Defra. | 12. IDB completes a full review of the programme risk register and meets with Defra to discuss within 3 months of approval of this Annual Review. | 22. Defra revitalises efforts to establish a X-HMG IDB Working Group and engage with the UK Executive Director at the IDB, the HMG-IDB focal point.  |
| 5. IDB continues to improve project proposals to ensure they meet Defra and ICF requirements and standards. | 13. IDB completes a full review of the impacts of the COVID-19 pandemic on the UK BCF and its associated projects within 3 months of approval of this Annual Review and continues to report on the impacts quarterly (in line with Recommendation 21) | 23. IDB establishes a X-IDB HMG Working Group with colleagues delivering other ICF funded programmes |
| 6. IDB provides a detailed execution plan within 3 months of project approval. | 14. All future Annual Reviews will report against the programme-level logical framework and report on the period January through December. | 24. IDB and Defra continue to ensure embassies are sighted on relevant project proposals and TCDs. |
| 7. Project activities continue take place virtually where possible to minimise delays to project implementation as the COVID-19 pandemic continues. | 15. Milestones for implementing projects will be incorporated into the programme-level logical framework within 3 months of entering implementation. | 25. IDB provides all TCDs and other key programme documents in English. |
| 8. IDB formally submits three high quality project proposals (Suriname, IDB Lab Mangroves Challenge, and Honduras) for Defra’s approval by December 2022. | 16. The IDB BLU Annual Report submitted to Defra in June each year should be improved to include sufficient information to inform the ICF UK BCF Annual Review. |   |
|  | 17. IDB give a teach-in to Defra on the IDB’s internal MEL systems and processes. |   |
|   | 18. IDB continues to embed any lessons learned from the UK BCF more broadly into IDB planning in the benefitting countries and within national government systems |  |

Further information on these recommendations is provided in Annex A and a template for a ‘recommendations tracker’ (see Recommendation 1) is provided in Appendix 1.

### Lessons Learned

The lessons learned in 2020/21 focus on three key areas:

1. **Overcoming legal and bureaucratic obstacles.** Intellectual property concerns between executing agencies and academic institutions are complex, and long legal negotiations can delay project implementation. In some cases, valuation models for mangroves or ecosystems are held by academic institutions which seek to publish studies based on the underlying data collected by projects managed by the executing agencies. Negotiating agreements which allow such use is challenging. To avoid the involvement of nonessential parties in negotiations, it is important to ensure that only necessary intellectual property is held by the IDB. Simpler mechanisms for contractual relationships for this type of research are also needed.

International organisations in the conservation sector often hold important technical expertise but work through confederations of local chapters, partners, or locally chartered organisations. These partnerships require additional legal arrangements which must work in conjunction with the project delivery contracts held by the IDB. This can result in complex contractual processes which require ex-ante negotiation of execution arrangements. It is therefore vital to ensure the executing agencies are hired and trained in good time to engage them in negotiations and avoid delays.

1. **Responding to the COVID-19 pandemic.** Adaptive management is vital to the continuation of project implementation during a global crisis. However, delays are inevitable as staff and communities adapt to new ways of working and living in line with national guidelines. Risk mitigation has been strictly implemented and has considered vaccinations and public health protective measures. While some events have been delivered by the executing agencies though virtual platforms, some activities cannot be conducted virtually. For example, field visits to inform the Environmental Impact Assessment in Jamaica have not taken place due to travel restrictions. In addition, the digital capacity of benefitting countries has informed the extent to which virtual platforms can be used as an alternative delivery mechanism. It is likely that digital capacity and the use of virtual platforms will need to be expanded and strengthened to mitigate further delays if the COVID-19 pandemic continues.
2. **Improving internal HMG coordination.** HMG holds regular country and region focused meetings for ICF policy teams across Defra, BEIS and FCDO. These ensure policy teams are up to date on relevant country and region contexts and significant developments in ICF programmes operating within the same geographies to identify synergies and aid collaboration across HMG. For the UK BCF, relevant meetings include X-HMG Caribbean and X-HMG Colombia. However, more tailored discussions with HMG are required to ensure a cohesive working relationship with the IDB which addresses and resolves issues occurring across ICF programmes delivered by the IDB. A Working Group will offer opportunities to share lessons learned and best practice across Defra and HMG for working with MDBs such as the IDB and ensure continuity across advice provided by HMG policy teams to the IDB. In addition, further internal communication and coordination within HMG can deliver a greater quality of service to the IDB, including advice and guidance on the requirements for delivering ICF programmes and how this can be delivered in the context of IDB processes, policies, and procedures. As highlighted in Section 1.1.3, this Working Group should be established before the next Annual Review.

# **Introduction and Context**

## Outlines and Rationale for Intervention

The UK BCF aims to produce a transformational change in the conservation of mangrove forests and ecosystems in target countries in Latin America and the Caribbean by developing and embedding operational blue carbon markets. To achieve this, the programme mobilises strategic public and private sector investment in the blue carbon sector. It also funds interventions in sectors such as sustainable aquaculture, coastal zone management and eco-tourism which target the main drivers of mangrove destruction and degradation and act as barriers to mangrove conservation. These interventions seek to encourage the sustainable management of mangrove forests and accelerate sustainable development in key mangrove countries in Latin America and the Caribbean. The programme also focuses on developing and implementing incentive-based instruments through the IDB Group, including technical cooperation grants, loans, high-risk investment grants, and equity.

Five projects which are directly funded by the UK BCF have been approved by Defra.

* **Valuing, Protecting and Enhancing Coastal Natural Capital in Panama (Panama Project)** aims to develop the evidence base and promote understanding of the value of the region’s mangrove forests amongst key stakeholders to drive policy change, including the incorporation of blue carbon into Panama’s Nationally Determined Contributions (NDCs). This project is in the execution phase.
* **Blue Carbon Restoration in Southern Clarendon, Jamaica (Jamaica Project)** aims to restore mangrove forests and provide training for local communities on mangrove restoration. It also aims to 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. This project is in the execution phase.
* **Adding Value to Mangroves Conservation in Coastal-city Systems in Colombia (Colombia Project)** aims to agree conservation agreements with and between local communities and stakeholders to end the key drivers of mangrove loss, including logging and agricultural expansion, and promote mangrove restoration. It also aims to support the development of sustainable economic alternatives such as ecotourism and develop a voluntary financial scheme for local tourists who are willing to pay for mangrove conservation. This project is in the implementation phase.
* **Regional Blue Carbon Monitoring, Reporting and Verification Mechanism (MRV Project)** aims to improve the monitoring, reporting and verification processes for blue carbon across all target countries in Latin America and the Caribbean. To date, these processes are labour intensive. This project aims to trial alternative approaches such as satellite and field measuring techniques to improve the data set and help value ecosystem services and encourage countries to include blue carbon data in their NDCs. This project is ready to enter mobilisation subject to the disbursement of funds from Defra. The encashment is currently on hold as performance concerns are escalated.
* The **Dasgupta Review** project provides supporting evidence to the Dasgupta Review by providing research on i) the links between nature (including mangrove forests) and biodiversity; and ii) extreme situations such as regime shifts within ecosystems. This project is in the closure phase.

## Overview of Expected Results

The UK BCF seeks to protect and restore mangrove forests in key sites across Latin America and the Caribbean. Investment in the UK BCF is planned to be £12.95 million over a period of 8 years. A final programme-level Results Framework (including logical Framework and Theory of Change) has not yet been agreed, however, the Business Case identifies that overall, the programme expects to achieve the following indicative results:

* **2,912,000 tonnes** of greenhouse gas emissions sequestered or avoided;
* **5,570 hectares** of mangrove forest restored or protected; and
* **£48 million** of ecosystem services restored or protected.

The programme also aims to deliver significant livelihoods benefits for programme beneficiaries. An estimation of how many people the programme would benefit was due in November 2019, but this has not yet been delivered. Further work is needed to quantify this, and this was also noted in last year’s Annual Review.

Projects approved to date will help deliver these results and key targets for existing projects are outlined in Annex B.

# **Performance and Conclusions**

## Programme Management Tool Summary

This section briefly summarises the output / performance of some of the programme management tools over the past year:

1. **Log frame summary.** As previously indicated, a programme-level logical framework and Theory of Change are not yet finalised and therefore cannot be reported against. Instead, Defra have used the Administrative Agreement, recommendations from last year’s Annual Review and commitments made over the course of the programme to develop the output indicators below. Defra is confident that these outputs have been designed to accurately reflect the overall performance of the UK BCF in 2020/21.
2. **Value for money summary.** A value for money assessment cannot be conducted at this time as a programme-level logical framework and related milestones and expected targets have not been finalised (see Section 4 for more detail). The impact of the COVID-19 pandemic on the capacity to deliver projects has also not been fully assessed (see Section 3.3).
3. **Risk summary.** The UK BCF has an increased major risk rating with delayed and poor-quality M&E and programme management products posing the most prominent risks (see Section 5 for more detail).

## Impact Assessment

The 2018 Business Case identifies the overall impact aim of the UK BCF as:

Produce a transformational change in the conservation of mangroves by developing and embedding operational blue carbon markets across Latin America that provide local communities with a sustainable income and assist in moving low-income countries towards low-emission, climate-resilient development.

Performance against the impact of the UK BCF cannot be assessed without a robust programme-level results framework. It is expected that a Theory of Change and programme-level logical framework with robust indicators, baselines and targets aligned with ICF KPIs will be finalised in time for the next Annual Review.

## Annual Outcome Assessment

Performance against the expected outcome of the UK BCF cannot be assessed without a programme-level logical framework and Theory of Change. It is expected that the programme-level logical framework will be finalised in time for the next Annual Review.

## Overall Output Score and Description

The UK BCF has received an overall performance score of **B** in 2020/21. This reflects the significant delays to project delivery and insufficient progress against the 2019/20 Annual Review recommendations for this year. This Annual Review focuses on programme management processes and assesses the performance of the UK BCF between July 2020 and June 2021 using three outputs i) the efficacy and effectiveness of programme processes in the design phase ii) performance of projects in the implementation phase and iii) effectiveness of communication between the IDB and Defra.

The next Annual Review is expected to be output focused and will cover the period January to December 2021 to align with the IDB’s reporting period and capture progress against the programme logical framework that Defra expects to be finalised and agreed following this Annual Review. The change in reporting period from July to June to January to December will result in a second assessment of reporting months January to June 2021 (see Figure 1). As the next Annual Review and all subsequent Annual Reviews should be output focused rather than process focused, duplication will be avoided as much as possible, although some duplication will be unavoidable due to the need to provide a narrative context.

Figure 1: *Change in Reporting Period for Defra’s UK BCF Annual Review*

Reporting period for this Annual Review (2020/21)

New reporting period for next Annual Review (2021)

Table 2: *Output Indicator Performance*

*The indicators below are scored A++ to C based on a scale of substantially exceeded expectation > moderately exceeded expectation > met expectation > moderately did not meet expectation > substantially did not meet expectation.*

|  |  |  |
| --- | --- | --- |
| Output Number & Description | Impact Weighting (%) | Score |
| 1. Efficacy and effectiveness of programme processes in the design phase | 33.3 | B |
| 2. Performance of projects in the implementation phase | 33.3 | B |
| 3. Effectiveness of communication between the IDB and Defra | 33.3 | B |

# Detailed Output Scoring

This section will go into detail on the progress toward the programme output indicators designed for this process Annual Review, reflecting on key milestones and challenges over Year 3.

## Process Output: Efficacy and Effectiveness of Programme Processes in the Design Phase

The process output and associated indicators measure the efficacy and effectiveness of programme processes in the design phase, based on commitments made in the administrative agreement and over the course of the programme to date, including recommendations made in last year’s Annual Review. This output takes into account programme-level processes and progress on projects which have been in the design phase in Year 3.

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| Output 1: The efficacy and effectiveness of programme processes in the design phase.  |
| Output number per LF:  | n/a  | **Output score:**  |  B |
| Risk:  | Severe | **Impact weighting (%):**  |  33.3 |
| Risk revised since last AR:  | n/a  | **Impact weighting (%) revised since last AR:**  |  Yes |

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| --- | --- | --- |
| Indicator  | 2021 Milestone  | Progress  |
| 1.1 IDB to produce an indicative results framework, including programme-level logical framework and Theory of Change  | 1 indicative results framework provided by the IDB meets ICF requirements and accepted by Defra. | Partially achieved. The IDB has produced a number of indicative logical frameworks. However, these have not been to the required standard for ICF programmes as important detail and clarity has been lacking. Key feedback from Defra has also not yet been sufficiently incorporated or reflected in further iterations (see below and Section 3.1.1 for more detail) | **B** |
| 1.2 Results framework is finalised, including programme-level logical framework (with baselines) and Theory of Change  | 1 results framework with baselines provided by the IDB and accepted by Defra. | Not achieved. A final results framework including programme-level logical framework (with baselines) and Theory of Change has not been provided by the end of June 2021. | **C** |
| 1.3 Evaluation plan is finalised within 6 months of the 2019/20 Annual Review  | 1 Evaluation Plan provided by the IDB and approved by Defra. | Not applicable. Defra and the IDB have agreed that the Evaluation Plan cannot be completed until the results framework has been finalised. This indicator cannot be reported against as the key results framework has not been finalised. | **n/a** |
| 1.4 Project proposals improved to outline how new projects align with relevant country/ countries’ national strategies and the aim of the UK BCF programme.  | 1 proposal (Suriname) provided by the IDB and approved by Defra. | Partially achieved. One draft project proposal has been provided and the IDB and Defra have been working to develop the final version which would be formally submitted to Defra for approval. The proposal is not yet sufficiently improved to meet the requirements to be approved by Defra (see Section 3.1.1 for more detail). The IDB submitted the most recent iteration on 24 March 2021 in response to feedback from Defra.  | **B** |
| 1.5 IDB and Defra to produce and finalise a Programme Management Manual  | 1 Programme Management Manual is produced and finalised | Achieved. In the first quarter of 2021, IDB and Defra worked together to design a Programme Management Manual which aims to align expectations and outline timelines for project approvals and implementation, content of Advisory Board and Checkpoints which provide quarterly updates, deadlines for the submission of monitoring tools and other programme management requirements. The Programme Management Manual was finalised in June 2021. | **A** |
| 1.6 IDB to provide a teach-in on processes and timelines  | 1 teach-in provided by the IDB to Defra  | Achieved. The IDB convened a workshop in November 2020 to outline IDB’s approval and governance processes and timelines. The workshop helped to align expectations regarding the timelines for IDB’s internal processes and therefore the approval of project proposals. | **A** |
| 1.7 IDB to provide audited financial statement no later than 30 June of every second year  | 1 audited financial statement provided no later than 30 June 2021 | Achieved. Received 7 June 2021. The IDB provided the audited and unaudited financial statements in the same report. | **A** |
| 1.8 IDB to provide unaudited statement no later than 30 April every year  | 1 unaudited financial statement provided no later than 30 April 2021 | Partially achieved. Delayed and received 7 June 2021. The IDB provided the audited and unaudited financial statements in the same report. | **B** |
| 1.9 IDB to submit an annual report no later than 30 June every year  | 1 annual report submitted no later than 30 June 2021. | Achieved. Received 28 June 2021. | **A** |
| 1.10 IDB approves project design within agreed timelines, ensuring timely programme implementation  | 1 project enters implementation: - Colombia (April 2021) | Partially achieved. Some delays have occurred during the IDB’s internal approval process. The Colombia project was approved on 25 May 2021 with a delay of 1 month.  | **B** |

### Key Points

The IDB is an important strategic partner, and the role MDBs play in supporting HMG’s priorities cannot be understated. For example, the IDB provided vital research and evidence for the Dasgupta Review which aims to result in a paradigm shift relating to the way we interact with and value nature. The IDB also holds a key role in the delivery of the MDB Joint Statement on Nature, People and Planet for COP26 which is expected to draw significant support and financial commitments from vital players in the conservation and finance sectors. However, significant challenges have occurred and need to be addressed at the programme-level.

In 2020/21, the UK BCF continues to have no approved final logical framework and Theory of Change despite the requirement for all ICF programmes to finalise these vital M&E products within 6 months of signing the Administrative Agreement. The IDB has produced a number of indicative logical frameworks, but these have not yet met the requirements needed for ICF programmes. For example, it is not always clear what is being measured by the proposed indicators and the value that they add to the monitoring of the programme. Important detail is also lacking, including sources, assumptions, baselines and milestones.

Some delay was caused by a restructure in Defra in April-May 2021 and changes to Defra’s Programme Lead for the UK BCF towards the end of this review period. However, Defra continued to provide substantial feedback, guidance and advice during this period, in line with ICF MEL requirements. IDB and Defra M&E experts have also met a number of times to incorporate changes. Defra recognises that limited capacity amongst Defra’s M&E experts has also proved challenging, making it difficult to provide the IDB with additional support needed to complete these final products.

While some progress has been made to date, key feedback from Defra has also not yet been sufficiently incorporated or reflected in further iterations. The logical framework and Theory of Change continue to be misaligned and important detail is still missing. In addition, clear expectations outlined in the previous Annual Review have not been met. This includes the attribution of weighting, and baselines and milestones for implementing projects to the final programme-level logical framework by 31 November 2020. It has been challenging to identify the root of the issues, particularly any issues the IDB may be facing internally especially in relation to delivering robust MEL products and proposals. For example, Defra is concerned that M&E is not sufficiently resourced within the IDB. Defra cannot approve products that do not meet ICF requirements and standards which are designed to ensure the robust monitoring and evaluation of programmes.

In addition, project proposals submitted for Defra’s approval continue to not meet expectations or sufficiently incorporate Defra’s feedback. The IDB submitted one project proposal in 2020/21 which has had a number of iterations. Feedback provided by Defra throughout the year highlighted a lack of key information and clarity within the proposal, for example on land rights, assumptions, barriers, and linkages to the wider programme aim. Defra accepts that some information will not be known at the proposal submission stage, and this should be clearly outlined in the project proposals along with an explanation on how any ‘unknowns’ will be managed. The most recent version of the proposal was submitted to Defra on 24 March 2021 and subsequently reviewed by Defra. However, given broader concerns regarding programme performance, this review was paused in June 2021 when Defra placed the programme on hold to escalate concerns. Prior to the pause, Defra’s focus was to finalise a Programme Management Manual (see below) and provide additional support to the IDB to further develop the programme-level logical framework and Theory of Change in an effort to get the programme on track and avoid escalation. Defra and the IDB will continue to work together to prepare the proposal for official submission for approval once these priority products have been developed and finalised.

Defra and the IDB worked together to develop a Programme Management Manual (PMM) in the first quarter of 2021. The aim of the PMM is to align expectations and agree on critical programme management processes and milestones including project approval and implementation timelines; content of the Advisory Board and supplementary quarterly meetings (also known as bi-annual Checkpoints); deadlines for the submission of key monitoring and evaluation (M&E) tools[[4]](#footnote-5); and other programme management requirements such as the joint risk register and Project Completion Review. The PMM was finalised in June 2021. This is a working document and should be reviewed as the UK BCF progresses.

The UK BCF is the third HMG-funded programme[[5]](#footnote-6) delivered by the IDB to experience severe delays and continue to provide products that do not meet ICF/ODA standards, suggesting there may be wider underlying issues within the IDB that need to be addressed, including improved ways of working between the IDB and HMG. Defra is concerned that these performance issues pose a serious risk to the delivery and monitoring of the programme. Following consultations with Defra and BEIS policy teams also managing ICF programmes delivered by the IDB, the UK BCF was put on hold temporarily in June 2021 while Defra escalated performance concerns internally to identify potential solutions that could be discussed with the IDB.

## Implementation Output: Performance of Projects in the Implementation Phase

The implementation output and associated indicators measure the performance of UK BCF projects, based on commitments made in the administrative agreement and over the course of the programme to date. This output takes into account projects which have been in the implementation phase in Year 3.

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| Output 2: The performance of projects in the implementation phase  |
| Output number per LF:  | n/a  | **Output score:**  |  B |
| Risk:  | Major | **Impact weighting (%):**  |  33.3 |
| Risk revised since last AR:  | n/a  | **Impact weighting (%) revised since last AR:**  |  Yes |

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| --- | --- | --- |
| Indicator  | 2021 Milestone  | Progress  |
| 2.1 Panama project enters execution in September / October 2020  | 1 project to enter execution within 15 months of IDB approval | Achieved. The Panama project entered execution on 9 October 2020 when IDB made the first disbursement to the executing agency, enabling activities to begin. | **A** |
| 2.2 Colombia project enters implementation in March 2021  | 1 project to enter implementation within 180 days of IDB approval  | Partially met. The Colombia project entered implementation on 25 May 2021, 7 months after receiving IDB board approval. The final technical consultation document was provided to Defra in Spanish. | **B** |
| 2.3 Explore and develop alternative knowledge products to disseminate findings from the Dasgupta Review project.  | Alternative knowledge products are identified and developed. | Achieved. The IDB have delivered a number of knowledge dissemination products ranging from blogs to papers to webinars (see Section 3.2.1). | **A** |
| 2.4 Baselines, milestones and targets for all approved projects to be added to the logical framework within 3 months of IDB Board approval. | Baselines, milestones and targets for 3 approved projects (Jamaica, Panama and Colombia) are added to the logical framework. | Not applicable. This indicator cannot be reported against as no final logical framework has been agreed. | **n/a** |

### Key Points

A number of commitments have been delivered well and in good time in the year 2020/21. However, the programme has also experienced a number of delays.

#### Progress: Panama Project

The project in Panama received Defra and IDB approval on 18 January 2020 and 27 May 2020 respectively, and subsequently entered implementation in October 2020. The project has progressed well in 2020/21. In 2020, IDB hired and trained the National Audubon Society (NAS) as the executing agency for the project in Panama. The NAS works closely with local agency Sociedad Audubon de Panamá (SAP) to implement the project. The IDB’s Natural Capital Lab (NCL) convened a number of training sessions in all IDB reporting processes, including financial, procurement, and auditing, to ensure the executing agency remained in compliance with IDB policies and procedures.

During the negotiation process with the executing agency, concerns regarding intellectual property rights arose, signalling the need for further involvement of the legal department in finalising the contract. The operation also required close coordination amongst the NAS, SAP, IDB headquarters, and IDB’s in-country office in Panama. The negotiation process took approximately six months.

The project in Panama is now in execution and the following activities are underway:

* Deliver robust science to establish Blue Carbon Baselines for Panama’s mangroves. This includes the development and analysis of GIS mapping of mangrove and land use cover in the Bay of Parita and Bay of Panama. The Blue Carbon assessment is expected to be completed by December 2021.
* Maintenance of the Eddy Flux Tower. Representatives from the Ministry of Health, Panama Audubon, and Universidad Tecnológica de Panamá visited the Eddy Flux Monitoring Tower to assess repairs. Once repaired, the tower will conduct research for the Panama project.
* Research studies on the mangrove ecosystems in the Bay of Parita were undertaken in 2020/21 and are expected to be published in Q4 2021.

#### Progress: Jamaica Project

The project in Jamaica received IDB eligibility in January 2020 and entered implementation in August 2020. The project has experienced some delays in the period 2020/2021 due to the impacts of the COVID-19 pandemic. Restrictions implemented by the Government of Jamaica throughout 2020 and 2021 have included extensive curfews and lockdowns. This has restricted the movement of people across the country, slowing the implementation process. Global supply chains have also been disrupted, causing some activities to be delayed until December 2021. The following planned activities in particular have been affected:

* The Environmental Impact Assessment (EIA) required for restoration activities as part of the due diligence under the environmental regulations for Jamaica has not taken place and is delayed to 2021.
* The design of the project’s action plan, project implementation, and related training workshops for community members to help with the restoration of mangrove forests have not taken place and is delayed to 2021.
* The development of the training programme has not taken place and is delayed to 2021.
* The design and implementation of the communication strategy for the project has not taken place and is delayed to 2021.

The executing agency has considered the use of virtual training, but this has not yet been decided. Digital connectivity in Jamaica is limited and many stakeholders do not have the digital capacity to engage in virtual activities. Jamaica is working to expand its digital capacity to respond to the challenges of virtual working pushed by the impacts of the Covid-19 pandemic and subsequent restrictions.

Despite these setbacks, the IDB made its first disbursement to the executing agency, SODECO, on 9 October 2020, enabling some activities on the ground to take place and progressing the project to the execution phase. The following activities have since taken place:

* procurement processes commenced in January 2021 and expressions of interest have been received from consultancy firms.
* Sensitization programme began with the production of a [video on mangrove restoration](https://www.sustainableislandsplatform.org/) in February 2021. The video was completed in March 2021.
* Creation of the [webpage](https://uwisodeco.com/) for the project commenced in April 2021.

#### Progress: Colombia Project

The project in Colombia entered implementation on 25 May 2021, after receiving IDB Board approval. This comes 7 months after receiving IDB eligibility on 23 November 2020, and 14 months after Defra approved the proposal in April 2020. The IDB is arranging agreements with the executing agencies and the project is expected to enter execution in the first quarter of 2022.

#### Progress: Regional MRV Project

The Regional MRV project has experienced significant delays due to unexpected legal challenges posed by the IDB Board. The IDB cannot approve a project until all benefitting country governments (in this case, Panama; Jamaica; Colombia; Suriname; Honduras; and more) have provided formal permission for the project to operate in-country. However, country signatories cannot grant the Regional MRV project permission to operate in-country until an IDB-funded mangroves project is in implementation in the same country – in other words, there must be an operating project to monitor. At the moment, this would include Panama, Jamaica, and Colombia only. The dependency of the Regional MRV project on already implementing mangroves projects has resulted in a “gridlock” whereby progress cannot be made until a solution is found.

Defra approved the project in January 2020 and originally expected the project to receive IDB Board approval by July 2020, within 6 months of receiving Defra approval. To allow for the issues to be resolved, Defra and the IDB agreed to extend the implementation phase and push back the expected launch date to December 2020, giving an additional 6 months for the project to receive IDB approval. Negotiations proved more challenging than initially thought and the issues were resolved in June 2021.

#### Progress: Dasgupta Project

This project aimed to create and disseminate five knowledge products on the economic value of biodiversity and its conservation and sustainable use in productive sectors. However, this mission was cancelled by mutual agreement in 2019-20 due to the impacts of the COVID-19 pandemic. Alternative ways to disseminate findings have been developed and implemented throughout 2020/21:

* Key findings have been presented to inform the development of the IDB’s country strategy with Colombia, where the Colombia modelling from the Dasgupta Review was used;
* Four blogs have been published by the IDB to disseminate key findings from the Dasgupta Review;[[6]](#footnote-7)
* One high-level plenary on Natural Capital took place on Day 3 of the IDB’s One Region, One Commitment campaign (28-30 June 2021). This focused on the Dasgupta Review and included a discussion on the Report’s key themes;
* One webinar titled “how can nature support a green and inclusive economy?” took place on 14 June 2020.
* Several papers relating to modelling have been published on the IDB’s [OPEN IEEM](https://openieem.iadb.org/#/library) site.
* Key findings have helped inform a number of bilateral meetings where papers have been shared with stakeholders.

## Communication Output: Effectiveness of Communication Between the IDB and Defra

The communication output and associated indicators measure the effectiveness of communication between delivery partner and donor to support programme processes and implementation, based on commitments made in the administrative agreement and over the course of the programme to date, including recommendations made in last year’s Annual Review.

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| Output 3: The performance of communication between the IDB and Defra  |
| Output number per LF:  | n/a  | **Output score:**  | B |
| Risk:  | Major | **Impact weighting (%):**  | 33.3 |
| Risk revised since last AR:  | n/a  | **Impact weighting (%) revised since last AR:**  | Yes  |

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| --- | --- | --- |
| Indicator  | 2021 Milestone  | Progress  |
| 3.1 Advisory Board meetings to take place every 6 months, supplemented by bi-annual Checkpoints to update on progress quarterly and discuss issues.   | 1 Advisory Board meeting and 1 Checkpoint take place in 2020/21. | Partially met. Advisory Board meetings were postponed by mutual agreement between Defra and the IDB. This is due to the lack of progress made on the programme during the last year. Supplementary Checkpoints have also not taken place. However, regular meetings to discuss issues and challenges have taken place. | **A** |
| 3.2 Embassies are sighted on relevant project proposals and fully formed TCDs.  | Embassies sighted on all project proposals formally submitted in 2020/21 and fully formed TCDs approved by the IDB Board in 2020/21. | Met. No proposals were formally submitted to Defra for approval in 2020/21. One TCD was approved by the IDB Board and provided to Defra following IDB approval in 2020/21 - the Colombia embassy was sighted. | **A** |
| 3.3 IDB and Defra agree on work plans for the coming year and IDB provide execution plans for projects in implementation. | Execution plans for 3 projects provided within 3 months of IDB approval to identify and assess activities taking place on the ground.  | Partially met. High level IDB process work plans for the Panama, Jamaica, and Colombia projects were included in the proposals approved by Defra. Further execution plans (also known as procurement plans) which capture expected activities on the ground for implementing projects were provided in the TCD approvals package for the Panama, Jamaica and Colombia projects. However, these are not clear or sufficiently detailed to assess activities taking place on the ground. In addition, the execution plan for the Colombia project was provided in Spanish and therefore does not meet reporting and transparency requirements. | **B** |
| 3.4 IDB to communicate early on updates and new issues, and respond to ad hoc requests from Defra  | Updates as required | Partially achieved. The IDB have responded to a variety of requests quickly. However, there have been a number of instances where delays and updates have not been shared with Defra as early, or in as much detail, as expected (see below for more information).  | **B** |
| 3.5 IDB to provide updates when significant new risks emerge, or when status of risks increases significantly  | Updates as required | Partially achieved. The IDB have provided updates when necessary. However, there have been a number of instances where the IDB have not clearly communicated, or have downplayed, risks to programme delivery (see below for more information). | **B** |

### Key Points

Communication has fallen short of expectations throughout 2020/21 with insufficient communication of critical risks as the most significant issue. Greater clarity on expectations regarding communication would be beneficial and Defra recommends including these in the PMM which should be revised shortly after this Annual Review. This should include a clear formal process for reporting risks, challenges, and issues; templates and outlines for indicative work plans and further detailed execution plans including content and timeframes; and a clear formal process for regular progress updates.

In line with ICF requirements, risks should be reviewed quarterly and be a standing agenda at the bi-annual Advisory Board and bi-annual Checkpoint meetings. However, any new risks or significant changes to the status of risks should be reported to Defra as soon as possible. The Administrative Agreement states:

*The IDB and Defra, and other stakeholder representatives, if agreed by the Parties (the “Advisory Board”) will meet at least once every 6 (six) months to review the progress of the Fund and to discuss issues of mutual interest … In the event there are matters that require attention prior to the next scheduled Advisory Board, either Party may request a special ad-hoc meeting.*

This includes important agenda items such as risk. By implementing best practice with regards to risk monitoring and reporting, risk can be mitigated or resolved as soon as possible to reduce potential negative impacts on the delivery of the UK BCF and the expected impact of the programme. Defra can provide support to mitigate or resolve risks such as working with the IDB to develop solutions, engaging relevant embassies, and seeking advice from FCDO where appropriate.

However, Defra has not been informed in a sufficiently timely manner of significant changes to the status of risks. For example, Defra was not made aware of the extent of delays caused by the impacts of the COVID-19 pandemic. The IDB initially communicated that the programme would not be impacted as planned activities were in the early stages of implementation and were primarily focused on desk-based studies. It is evident in this Annual Review that the risk of delays due to the COVID-19 pandemic increased significantly as projects progressed through implementation and activities were delayed, although this was not communicated to Defra at the time.

Delays are also not always clearly explained and, at times, do not come with a robust justification, explanation of expected impacts, or updated work plans to identify how delays will be rectified and further delays mitigated. This information is also crucial to ensuring that delays and changes to expected impacts are accurately reflected in M&E tools such as the logical framework. To ensure confidence going forward, the IDB should notify Defra of any delays at the soonest possible moment and ensure the supporting information identified above is provided. In addition, bi-annual Checkpoints should be introduced to supplement bi-annual Advisory Boards and provide a quarterly progress update to help ensure delays can be addressed quickly and appropriately. An increase in communication with IDB country offices is also needed to ensure Defra is updated on new issues, and in good time.

The IDB formally presented on progress in June 2021, outlining achievements, 6-month forward look, and risks of approved projects; status, expected approval, and risks of pipeline projects; status of pre-pipeline projects; finance update; and actions taken against last year’s recommendations. This has been an improvement on previous communication and offered Defra’s new policy team a welcomed introduction to the programme. However, this was high level, and more detail is required in the future. The presentation lacked a detailed work plan beyond Defra’s expected approval dates for pipeline projects, as well as important information relating to risks, challenges, and next steps for the programme. This means that Defra cannot confidently confirm if project activities are in line with project delivery plans and the extent of delays is uncertain. Due to struggles with time management during the presentation, the slide pack provided was not fully presented on. Performance concerns needed to be addressed and so the programme was put on hold prior to further discussions taking place.

High level indicative work plans for all implementing projects have been provided in project proposals up to execution (also known as the disbursement of funds to the executing agency). Defra expects further detailed execution plans (also known as procurement plans), which capture expected activities on the ground for implementing projects, to be developed as projects progress through implementation and be provided to Defra within 3 months of IDB approval. These are provided as part of the TCD package for implementing projects and have been provided for the Panama, Jamaica, and Colombia projects. However, they are not clear or sufficiently detailed to assess activities taking place on the ground. In addition, the execution plan for the Colombia project was provided in Spanish and therefore does not meet reporting and transparency requirements. Defra should be informed of any updates or changes to these plans, which may occur due to unforeseen delays or further progress than expected as projects progress through execution. Defra recommends that expectations for the execution plans and reporting on progress against these plans should be included in the revised Programme Management Manual to ensure that these are clear and accessible.

In addition, the IDB is expected to submit a written statement indicating expected instalments based on the project pipeline in December and March of each year. This was agreed in 2021 and Defra received the first written statement on 30 March 2021.

# Value for Money & Financial Performance

## Key Cost Drivers and Performance

Administrative costs are capped at 5% at the programme level. Project-level administrative costs, however, are considered on a case-by-case basis in line with FCDO guidance. They take account of the local needs of the project executor, the type of executing agency, and the local cost structure within operating countries. For example, some countries have higher costs for labour or services, or require different levels of foreign or domestic travel.

Defra and the IDB continue to work to ensure administrative costs at the project level offer value for money. As reported in the previous Annual Review, administrative fees are set at 10% for the Panama Project; 13.3% for the Jamaica Project; 10% for the Colombia Project; and 9.7% for the Regional MRV Project. The disparity in administrative costs between the Panama and Jamaica projects and other projects reflects the generally higher local cost structure in the Caribbean compared to other countries. There are no admin fees for the Dasgupta Review Project.

## Value for Money Performance

A full value for money assessment cannot be conducted at this time as the logical framework and related milestones and expected targets are not yet finalised. It is expected that the results framework will be finalised in time for the next Annual Review and a full value for money assessment will be carried out, including an updated benefit-cost ratio and net present value.

### Economy

Economy relates to buying inputs of the appropriate quality at the right price. Project-level costs are 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. All projects utilize the incentive-based instruments of the IDB Group such as technical cooperation grants, loans, high-risk investment grants and equity. To maximise value for money, these instruments are tailored to the individual intervention.

### Efficiency

Efficiency relates to how well inputs are converted into outputs, i.e. ‘spending well.’ Of the five projects approved by Defra, four have entered implementation (Panama; Jamaica; Dasgupta; and Colombia) with the Regional MRV Project continuing to experience delays in receiving IDB eligibility.

In addition, the IDB has not yet finalised a detailed monitoring framework with clear timeframes and milestones. All ICF programmes require a logical framework and Theory of Change to be developed and finalised within the first 6 months of a programme. While a number of updated versions of the indicative logical framework and Theory of Change have been provided to Defra, these have not yet met the required standards for a final ICF programme level results framework. Significant delays to finalising the monitoring framework have meant that Defra is unable to assess the effectiveness of the programme (see Section 4.2.3 for more detail). It also indicates a lack of efficiency and suggests that the IDB may not be sufficiently resourcing M&E within the UK BCF team or adequately leveraging M&E expertise within the IDB Group. The lack of monitoring framework continues to be a significant risk.

### Effectiveness

This relates to whether the outputs produced by the intervention are having the intended effect, i.e. ‘spending wisely’. Defra is not able to confidently assess the effectiveness of the UK BCF at this time due to the lack of programme-level logical framework and Theory of Change. In addition, reporting against the first set of project-specific milestones for implementing projects are not due until the end of 2021 (Panama) and 2022 (Colombia), as laid out in the individual results matrix for the projects. While the first project-specific milestones for the Jamaica Project were due in December 2020, there is no programme-level logical framework for these to feed into. Therefore, Defra cannot assess how well the projects and overall programme are meeting goals and key objectives, or the effectiveness of different pathways from outputs to outcomes.

To provide confidence going forward, the IDB must provide a robust programme-level monitoring framework that will allow the programme to be accurately assessed alongside detailed work plans. Progress against implementing projects will be captured in the next Annual Review which will report against the approved programme-level logical framework. Supplementary quarterly meetings (also known as Checkpoints), as mentioned above and in last year’s Annual Review, to discuss progress and risks will also provide the confidence required to assess the effectiveness of the programme and its projects.

### Equity

Equity refers to how fairly the benefits are distributed and to what extent marginalised groups will be met, i.e. ‘spending fairly’. A combination of delays to progress on the ground and the lack of monitoring framework means that Defra cannot be confident that the programme is delivering equity. While some project-level impacts are disaggregated by gender in their design, others will depend on conditions in the IDB’s disbursement to executing agencies as activities begin. To provide confidence going forward, the IDB must provide a robust monitoring framework that will allow the programme to be accurately assessed. Equity should also be considered thoroughly in the Evaluation Plan and project design phase wherever possible.

## Value for Money Assessment: Does the UK BCF Continue to

## Represent Value for Money?

Defra cannot conclude if the UK BCF continues to represent good value for money as a formal assessment has not been conducted since the original Business Case.

The original Business Case appraised two funding options: £12.75m to establish a blue carbon programme with the IDB; and £12.75m to establish a similar sustainable mangroves programme. Defra chose to invest in the IDB’s blue carbon programme as this had the highest BCR and NPV and offered a lower risk investment. For this option, the NPV was calculated at £198.9m over 20 years and the BCR was calculated at 1:10.8.

A number of changes and delays to the programme have taken place since the Business Case, including an internal escalation of issues. These figures may no longer accurately reflect the value for money of the programme and a full Value for Money assessment should be carried out for the next Annual Review.

## Quality of Financial Management

Defra are satisfied with the overall quality of financial management deployed by the IDB. All operations that are fully or partially financed by the IDB are subject to financial management arrangements and requirements agreed between the IDB and executing agency. These requirements generally include financial planning and cash flow needs, financial records and reports, effective internal controls, external audits, and comprehensive supervision by the IDB. The IDB considers that all requirements should be specifically met by all parties.

As the number of projects entering implementation increases and projects progress through the execution phase, financial updates should be included in bi-annual Advisory Boards and supplementary bi-annual Checkpoints, also mentioned above and in last year’s Annual Review, to provide the confidence required to assess the quality of financial management and address any risks that may occur throughout the year. The IDB requires all EAs to submit a formal progress report[[7]](#footnote-8) every six months, in July and December of each year.

The majority of annual reports have been submitted on time. The IDB’s financial year runs from January to December and a project-specific audit is budgeted for the end of the programme, as required. The Administrative Agreement stipulates that the IDB will audit financial statements and submit audited financial reports to Defra no later than June 30 of every second year of the programme, and upon termination of the agreement. Unaudited financial statements are submitted to Defra on an annual basis, no later than April 30 each year.

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| Title: UK BCF |
| Date of last narrative financial report: | 7 June 2021 |
| Date of last audited annual statement: | 7 June 2021 |

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| Date of last Annual Report: | 28 June 2021 |

# Risk and Risk Management

## Overall Risk Rating

The UK BCF has increased from a moderate/major risk rating identified in last year’s Annual Review to a **major** risk rating at the end of the 2020/21 period. This is primarily due to the continued poor quality of M&E products which is delaying progress on other vital programme management requirements, deferring the accurate assessment of the programme to deliver its expected outcomes, and resulting in a third process Annual Review. As a result of the increased risk rating and concerns surrounding the performance of the programme, Defra placed the programme on hold in June 2021 while concerns were escalated internally, and solutions identified.

In addition, the IDB initially communicated at the September 2020 Advisory Board that the programme would not be affected by the impacts of the COVID-19 pandemic. Instead, despite the difficulties posed, the IDB has stepped up its responsibilities, increasing its lending to address the health emergency. The IDB has subsequently highlighted that planned activities were in the early stages of implementation and were primarily focused on procurement and/or desk-based or virtual studies. The risk posed by the COVID-19 pandemic increased significantly as projects progressed through implementation and execution and activities were due to begin on the ground. However, this change in status of the risk was not made clear to Defra until the 2020 IDB Annual Report was submitted in June 2021 despite risk being a standing agenda as per best practice. This includes at bi-annual Advisory Boards, bi-annual Checkpoints, and all ad-hoc meetings.

While this reflects significant process and communication issues, the IDB and executing agencies have shown initiative in their joint response to the challenges caused by the COVID-19 pandemic. For example, the IDB worked with executing agencies to move some trainings or activities online, delay some fieldwork to months when on-site work was possible, or postponed some activities, moving future disbursements to future years. Mitigation measures such as these should be reported in real time to Defra as part of programme and risk management best practice.

## Overview of Programme Risk

Project-specific risks are flagged by the IDB in project proposals and fully formed TCDs. Risk registers are maintained by both Defra and the IDB and monitored regularly. As projects are developed and approved, risk registers are updated and the IDB has agreed to update Defra whenever a significant change to the status of a risk occurs, also identified in last year’s Annual Review. As the number of projects entering implementation increases and projects progress through the execution phase, risk updates should be included in bi-annual Advisory Boards and supplementary bi-annual Checkpoints, also mentioned above and in last year’s Annual Review, to provide the confidence required to respond to any risks that may occur in a timely and appropriate manner.

The key risks and associated mitigation measures are listed in the table below. More detailed project specific risks are detailed in Annex C.

***Probability****(or likelihood) is based on a scale of very unlikely > unlikely > possible > likely > almost certain.*

***Impact****is based on the scale of insignificant > minor > moderate > major > severe.*

***Risk Rating****is based on the Red Amber Green (RAG) system.*

| Risk | Probability | Impact | Risk Rating | Mitigation |
| --- | --- | --- | --- | --- |
| Impacts of Covid-19 delay or prevent activities from being delivered. This may cause the programme to miss targets, underspend, and/or be unable to deliver expected results over the lifetime of the programme. | Likely | Major | Major | Monitor the Covid-19 situation and response. Defra and the IDB discuss potential risks, mitigation, and contingency options. |
| Delays within the IDB’s processes prevent or slow the approval of projects. This may cause the programme to miss targets, underspend, and/or be unable to deliver expected results over the lifetime of the programme. | Possible | Major | Major | Defra and IDB ensure regular communication during project design and monitor timelines closely. Defra and IDB discuss risk regularly, particularly if risk increases. |
| Delays to implementation of approved projects may cause the programme to miss targets, underspend, and/or be unable to deliver expected results over the lifetime of the programme. | Possible | Major | Major | Defra and IDB ensure regular communication during project implementation and monitor timelines closely. Defra and IDB discuss risk regularly, particularly if risk increases. |
| IDB is unable to effectively manage the programme due to internal or external factors and/or insufficient or complex internal systems. This may lead to delays and slow progress which would result in failure to meet expected targets | Possible | Major | Major | Quarterly meetings (bi-annual Advisory Board and bi-annual checkpoint) take place with ‘risk’ as a standing agenda. The format of these meetings should be reviewed as the programme progresses and more projects enter implementation. |
| Programme continues to underperform, leading to delays and slow progress which do not meet expectations for programme management, delivery and impact | Likely | Major | Severe | Pause programme development and escalate performance risk; address underperformance through official channels. IDB and Defra to agree an initial Action Plan to get the programme on track. |
| Lack of M&E means that outcomes cannot be effectively measured, and the project cannot report effectively against KPIs and establish value for money. | Likely | Major | Severe | IDB draw on additional MEL expertise to accelerate development or robust M&E products. Defra continues to provide guidance and feedback to ensure products and indicator methodologies align with changing ICF requirements.  |
| Political instability in target countries affects the implementation of projects and ability for the IDB to secure non-objection letters required to approve projects. This may cause the programme to miss targets, underspend, and/or be unable to deliver expected results over the lifetime of the programme. | Possible | Major | Major | IDB and Defra to monitor the political stability of target countries and discuss if risk increases. Engage with FCDO and Post as required. |

## Issues for Consideration

As detailed throughout this Annual Review, the UK BCF has faced three key issues throughout 2020/21 i) delays to project approvals and implementation ii) communication, particularly in relation to risk and project execution plans and iii) continued delays to finalising vital M&E products.

## Safeguarding Concerns

Defra has not been notified of any safeguarding concerns in 2020/21. All safeguarding concerns should to be reported to Defra at the soonest possible moment and Defra should remain informed of any developments relating to safeguarding concerns.

# Commercial Consideration

## Delivery against the Planned Timeframe

The UK BCF has experienced challenges throughout 2020-2021 relating to keeping pace against expected timeframes detailed in project workplans. The impact of these delays on meeting the expected targets of the programme are currently unknown as there is not yet a programme-level logical framework, and therefore no milestones to assess these delays against. Delays to delivery are primarily across three focal areas:

1. **Delays to finalising vital M&E products.** The IDB has not sufficiently incorporated feedback into versions of the logical framework and Theory of Change, or sufficiently acted upon advice provided by Defra.Changes in Defra’s policy team has caused some further delays. Efforts to manage the programme have been focused on finalising the programme-level results framework rather than the day-to-day management of the programme.
2. **Delays to communicating updates and issues.** The IDB has not always communicated updates, issues, and changes to risks as early or in as much detail as Defra would expect, making it difficult for Defra to provide support when needed.
3. **Delays carrying out activities due to the COVID-19 pandemic.** Travel and meeting restrictions imposed worldwide prevented some activities from taking place, slowing progress. The IDB will closely monitor the impacts of the COVID-19 pandemic on the programme and inform Defra of any further delays or change in risk status.

Despite delays, one project received IDB approval and entered implementation, and two projects received their first financial instalments from the IDB and entered execution.

## Performance of Partnership(s)

### Defra / IDB

Defra and the IDB continue to maintain regular contact to ensure a good working relationship. Regular meetings to discuss open items and coordinate next steps took place between November 2020 and June 2021. Defra and the IDB have also been working together in 2021 to design a Programme Management Manual to align expectations and agree on: project approval and implementation timelines; content of the Advisory Board and check-point meetings; deadlines for the submission of M&E products; and other programme management requirements.

### IDB / Additional Partners

Project proposals and TCDs include information on executing agencies and details why they have been chosen to deliver the relevant project(s). The IDB holds the relationships with all executing agencies and Defra are content that this arrangement is effective.

The IDB’s relationships with clients and executing agencies relating to the UK BCF are managed in the context of the IDB’s usual IDB-EA reporting relationship. This standardises working relationships across the IDB and ensures consistency, however, it has caused challenges when additional progress updates are required by Defra for ICF programmes. The IDB-EA reporting relationship does not allow for significant additional reporting in terms of frequency or information required requested above the general IDB requirements. The IDB and Defra are working to agree a solution which meets the reporting requirements of the executing agencies, the IDB, and Defra.

The day-to-day management of the executing agencies’ performance, contracts, and activities is generally undertaken in the country the executing agency is registered. This is often the same country as the project in operation. Additional technical or thematic conversations may be held periodically with technical teams based in IDB’s headquarters.

# Monitoring and Evaluation

## Evidence and Evaluation

The programme-level logical framework is a vital tool for providing evidence that accurately captures the progress of the UK BCF towards its expected impact. An iterative logical framework and Theory of Change were provided at the time of the 2016 Business Case. All ICF programmes require a further developed logical framework which includes robust indicators, baselines and milestones was expected within 6 months of signing the Administrative Agreement, but this has not yet been finalised. While a number of iterations of the indicative logical framework and Theory of Change have been provided to Defra, further work is required to meet ICF requirements.

Independent evaluations are also crucial for delivering robust M&E and ensuring ICF programmes deliver the best possible outcome. All ICF programmes require a robust Evaluation Plan within one year of signing the Administrative Agreement. This requirement was not met by the IDB and as such, last year’s Annual Review recommended the Evaluation Plan should be finalised within 6 months of the 2019/20 Annual Review. Defra and the IDB subsequently agreed to pause this recommendation to prioritise the development of the programme-level logical framework and Theory of Change. This item should be re-opened, and the Evaluation Plan finalised to include further detail on methodologies, baselines, data collection, work plans, and costs as soon as possible. Defra and IDB agreed that a Mid-term Evaluation would not be required due to the relatively short length of the programme and therefore the Evaluation Plan will outline the plan for a Final Evaluation only.

## Disaggregation of Data

Data will be disaggregated wherever possible across the programme as projects enter the implementation phase. As mentioned above, Defra recommends integrating the disaggregation of data into the project design phase and the upcoming iteration of the Evaluation Plan to ensure equity.

## Monitoring Progress throughout the Review Period

The IDB implemented a new reporting and monitoring system in 2015 and Defra are content that this is effective. This system covers non-reimbursable operations which fall under two main instrument categories: Technical Cooperation (TC) and Non-reimbursable Investment Operations (IGR) up to US$3 million, regardless of their classification, degree of complexity, amount, or method of execution. The UK BCF is considered a TC operation and is thus subject to the following monitoring requirements:

The results matrixis the main instrument to monitor progress. It identifies and assesses the impact of a specific project at the outcome and output levels. Indicators, baselines, targets, and means of verification are identified during the design phase of the operation. The Results Matrix is included in the TCD provided to Defra.

The IDB requires all EAs to submit a formal progress report every six months, in July and December of each year.These feed in to the IDB’s BLU Annual Report which is submitted to Defra by 30 June each year. Executing agencies are expected to submit updates to the IDB Team Leader. This includes physical progress, financial progress, status update, and lessons learned. It provides an opportunity for delivery teams to explain main factors (findings) affecting the preparation, execution / supervision and evaluation of the operation, and propose actionable proposals (recommendations) to improve results and performance.

1. Projects approved by Defra are Panama, Jamaica, Colombia, Regional Blue Carbon MRV, and the Dasgupta component. [↑](#footnote-ref-2)
2. The Sustainable Infrastructure Project-Latin America (SIP-LA) funded by BEIS and Rural Sustentavel programme funded by Defra have experienced similar challenges. [↑](#footnote-ref-3)
3. Key M&E tools are required for all ICF programmes and include programme-level logical framework and Theory of Change; Annual Reviews, Evaluation Plan, Key Performance Indicators; Project Completion Reviews. [↑](#footnote-ref-4)
4. Key M&E tools are required for all ICF programmes and include programme-level logical framework and Theory of Change; Annual Reviews, Evaluation Plan, Key Performance Indicators; Project Completion Reviews. [↑](#footnote-ref-5)
5. The Sustainable Infrastructure Project-Latin America (SIP-LA) funded by BEIS and Rural Sustentavel programme funded by Defra have experienced similar challenges. [↑](#footnote-ref-6)
6. Four blogs include: [“Why is the Dasgupta Review on the Economics of Biodiversity a big deal?”](https://blogs.iadb.org/sostenibilidad/en/why-is-the-dasgupta-review-on-the-economics-of-biodiversity-a-big-deal/) (8 December 2020); [“Can investing in nature save us from ourselves”](https://blogs.iadb.org/sostenibilidad/en/can-investing-in-nature-save-us-from-ourselves/) (11 February 2021); [“Investing in nature to reverse the biodiversity crisis”](https://blogs.iadb.org/sostenibilidad/en/investing-in-nature-to-reverse-the-biodiversity-crisis/) (26 February 2021); and [“The post-covid recovery must be an investment in nature”](https://blogs.iadb.org/sostenibilidad/en/the-post-covid-recovery-must-be-an-investment-in-nature/) (21 April 2021); [↑](#footnote-ref-7)
7. These reports include a project overview; management of contractual clauses; output progress; change management; financial commitments; fiduciary management; risk monitoring; issues log; and cross cutting issues. [↑](#footnote-ref-8)