



Department  
for Environment  
Food & Rural Affairs

# Illegal Wildlife Trade Challenge Fund

Business Case (2021/22 – 2024/25)

Department of Environment, Food and Rural Affairs

## COVER SHEET

<b>PROGRAMME SUMMARY</b>	The IWTCF is a competitive grant scheme, established in 2014. It is managed by Defra and funded by Defra with contribution from FCDO. Its objective is to tackle the IWT and, in doing so, to contribute to poverty reduction. This business case is being produced to authorise spend for financial years 2021/22-2024/25, including to start Round 7 projects, and to launch Rounds 8 and 9.
<b>COUNTRY / REGION</b>	Global; Official Development Assistance (ODA) eligible countries
<b>PROGRAMME VALUE</b>	Up to £24 million. FCDO are providing an additional £2.9m of IWTCF funding from 2021/22 to 2024/25, approved through a separate DFID business case in 2018
<b>START DATE</b>	April 2021
<b>END DATE</b>	March 2025
<b>SRO</b>	
<b>OVERALL RISK RATING</b>	Minor
<b>Version</b>	0.6

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## 1. STRATEGIC CASE

At the 2019 UNGA Summit, the Prime Minister and Minister of State for the International Environment announced a £220m UK International Biodiversity Fund and called for urgent action to halt the loss of biodiversity:

*Our planet's rich biodiversity is under threat. As we destroy the world's forests, we drive ever more species to extinction, we erode nature's ability to cope with climate change and we undermine the livelihoods of millions of people. The UK recognises that we are at a tipping point and that action now is both urgent and essential.*

*Our contribution through UK aid reflects that and will help turn the tide on the environmental crisis we face.*

In recognition of the threat that the IWT poses to global species and ecosystems while fuelling corruption and insecurity, the fund includes up to £30m for work to directly tackle and prevent the illegal trade in wildlife. This business case sets out how this spending commitment will be met by Defra through the extension of the IWTCF.

### 1.1 GLOBAL CONTEXT

**The IWT is a widespread and lucrative criminal activity causing major environmental and social harm globally.** The IWT is defined as the unlawful trade, smuggling, poaching, capture in live animals and plants, or parts and products derived from them that does not conform with either national or international laws and regulations governing its trade, for example the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The IWT has been estimated to be worth up to [£17 billion a year](#)<sup>1</sup>. Nearly 6,000 different species of fauna and flora are impacted, with almost every country in the world playing a role in the illicit trade<sup>2</sup>. It threatens species, ecosystems, livelihoods, security, national economies and public health.

**The UK is a long-standing global leader in efforts to eradicate the IWT and is a respected convener and advocate on the issue.** Where the UK leads, others follow, meaning UK aid spent on tackling IWT keeps the profile of the issue high and stimulates further investment. The springboard for this was the UK's support for the ground-breaking IWT conference series, which in London 2018 secured ambitious commitments from 65 governments across the globe to take urgent, coordinated action and has been hailed as a turning point in international efforts to tackle IWT. The UK is therefore well placed to lead the way in funding action to maintain momentum and international cooperation.

### 1.2 IWT AND SUSTAINABLE DEVELOPMENT

**UK support delivers valuable and impactful help to poorer communities which are vulnerable to the IWT.** Many regions from which illegal wildlife products are sourced are economically underdeveloped, with a large population, in particular the rural poor, especially dependent on the stable nature of the environment to support subsistence and livelihoods. The IWT alienates and

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<sup>1</sup> Nellemann, C. et al. (2016) The Rise of Environmental Crime: A Growing Threat to Natural Resources, Peace, Development and Security, A UNEP-INTERPOL Rapid Response assessment. Whilst there are many uncertainties, various estimates place the 2016 global value of illegal wildlife trade between \$7bn and \$23bn.

<sup>2</sup> UNODC (2020) World Wildlife Crime Report: Trafficking in protected species. Nearly 6000 different species of fauna and flora were seized between 1999 and 2018, as recorded by The World WISE Database. Suspected traffickers of some 150 citizenships have been identified.

marginalises already disadvantaged communities and threatens global security and prosperity in the following ways:

### **Destroying biodiversity and ecosystems**

- The [IPBES Global Assessment](#) shows one million animal and plant species (out of eight million recorded) are now threatened with extinction, including over 900 species of timber and several *keystone species* such as elephants and rhinos. Over-exploitation of wildlife is the second main cause of this decline and IWT is one of its direct drivers.
- Arresting and reversing the decline in biodiversity is critical for achieving Sustainable Development Goals, both in terms of well-known types of biodiversity (fish stocks, forests, agriculture) to the loss of less well-known types of biodiversity. Illegally traded species, such as elephants, rhinos and big cats, can act as key stone species, playing an integral role in maintaining ecosystem biodiversity, for example elephants feeding on tree sprouts and shrubs help to keep the plains open and able to support the wildlife that inhabit them.
- Biodiversity loss is escalating the likelihood that dangerous tipping points will be reached, bringing about ecosystem instability and abrupt changes; resulting in potential impacts to wellbeing of the population (e.g. economic activity and unemployment, food and water insecurity, health, conflict) at the community and national level. Tipping points will have the greatest impact on low-income countries, with their greater reliance on biodiversity and limited capability to adapt, undoing past development gains and risking future prospects<sup>3</sup>.

### **Threatening sustainable livelihoods and subsistence**

- It is estimated that in 2014 approximately 15% of the world's population, often the poorest, depends on wildlife for survival,<sup>4</sup> either as a source of food, fuel, traditional medicine, or education and income, including tourism based on viewing or hunting wildlife, harvesting of and trade in non-timber forest products and payments for ecosystem services (PES).
- Through a loss of species and the heightened security risk, the IWT acts as a barrier to the development of a local ecotourism industry,<sup>56</sup> and can reduce tourism revenues.<sup>78</sup> Tourism is a powerful vehicle for economic growth and job creation and has a catalytic effect across the economy generating demand for transport, telecommunications and financial services. In 2018, wildlife tourism directly contributed \$120 billion to economies. Adding in the financial benefits throughout the supply chain (multiplier effects), the total contribution of this niche provided \$343.6 billion or 3.9% of global Travel & Tourism GDP<sup>[OBJ]</sup>. Furthermore, according to a United Nations World Tourism Organization survey of tour operators<sup>9</sup>, wildlife watching represents 80% of the total annual sales of trips to Africa.

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<sup>3</sup> World Bank Group (2021) Virtual Technical Briefing – Wednesday, March 24, 2021 Biodiversity, Forests and Landscapes

<sup>4</sup> Brashares, J., et al. (2014) Wildlife decline and social conflict, Vol. 345, Issue 6195, pp. 376-378.

<sup>5</sup> Duffy, R. and F.A.V. St. John (2013) Poverty, Poaching and Trafficking: What are the links? Evidence on Demand Report, DFID UK 24 pp.

<sup>6</sup> Lawson, K. and Vines, A. (2014) Global Impacts of the Illegal Wildlife Trade: The costs of crime, insecurity and institutional erosion, Chatham House, London.

<sup>7</sup> Naidoo, R., Fisher, B., Manica, A. and Balmford, A. (2016), 'Estimating economic losses to tourism in Africa from the illegal killing of elephants', Nature Communications.

<sup>8</sup> Smith, L. O. and Porsch, L. (2015), The Costs of Illegal Wildlife Trade: Elephant and Rhino, EFFACE Quantitative Analysis, Berlin: Ecologic Institute.

<sup>9</sup> World Tourism Organization (2014), Towards Measuring the Economic Value of Wildlife Watching Tourism in Africa – Briefing Paper, UNWTO, Madrid

## Denying revenue to governments and fuelling corruption

- Wildlife crime deprives developing countries of income and diverts national budgets away from social or development programmes, increasing insecurity, threatening vulnerable populations and damaging community cohesion.
- Governments in source countries forego an estimated \$7-12 billion each year in potential fiscal revenues that aren't collected due to illegal logging, fishing, and, in some instances, illegal wildlife trade<sup>1011</sup>. For IWT specifically, it is estimated that African governments forego between \$0.64-4.26 million in tax revenues from ecotourism, and governments globally lose out on up to \$320m in revenues from the commercial wildlife trade<sup>12</sup>.
- IWT criminals engage in corruption to create a veneer of legitimacy for their activities, incentivising people to drop out of the formal economy and enter the illegal underground economy. This corruption manifests itself in various ways, ranging from officials receiving bribes and colluding with criminals, to abuse of office and embezzlement of resources allocated to wildlife management and protection. Bribes paid to officials can make up a significant part of the overall costs of wildlife trafficking; for example, customs officers may receive 4-10 per cent of the final wholesale value of ivory<sup>13</sup>.

## Undermining public health

- Activities such as the IWT, that bring wildlife, livestock, and humans into close contact, significantly increases the risk of zoonotic disease outbreak. 60% of infectious diseases are caused by bacteria, viruses, fungi or parasites that spread from animals to humans with up to 72% of these originating from wildlife<sup>14</sup>.

## 1.3 BARRIERS TO CHANGE

**The IWT is a complex, fast changing and varied problem, requiring a range of interventions across the supply chain that are responsive and relevant to local contexts.** The IWT, like many conservation issues, is linked to wider ecological and social issues. IWT trends and their impact on species can change rapidly, dependent on market forces related to supply and consumer demand. Furthermore, the scale and nature of the IWT varies greatly by region and country as a result of different legislation and different markets' characteristics. Solutions, therefore, are likely to involve diverse combinations of interventions along the supply chain and will vary between species geographical areas and other contexts.

**A significant limiting factor in tackling IWT is often gaps in fundamental capacity.** Human and technical capacity, poor infrastructure, limited collaboration, and a lack of suitable equipment can all hinder efforts to tackle IWT across the supply chain. Addressing these fundamentals as a priority is supported by leading research institutions on IWT which consider solving these to provide a likely high return on investment<sup>15</sup>. However, the impact of the pandemic has resulted in a mixed set of conditions. The collapse in tourism have allowed for the expansion of poaching syndicates into areas where there are normally too many wildlife-viewing tourists for them to operate undetected.

<sup>10</sup> Nellemann, C. et al. (2016) The Rise of Environmental Crime: A Growing Threat to Natural Resources, Peace, Development and Security, A UNEP-INTERPOL Rapid Response assessment.

<sup>11</sup> World Bank. 2019. Illegal Logging, Fishing, and Wildlife Trade : The Costs and How to Combat it. World Bank, Washington, DC. © World Bank.

<sup>12</sup> Naidoo, R., Fisher, B., Manica, A. and Balmford, A. (2016), 'Estimating economic losses to tourism in Africa from the illegal killing of elephants', Nature Communications.

<sup>13</sup> UNODC (2020) World Wildlife Crime Report: Trafficking in protected species.

<sup>14</sup> Kuiken, T. et al. (2005) Pathogen surveillance in animals. Science 309, 1680-1681.

<sup>15</sup> [https://www.illegalwildlifetrade.net/wp-content/uploads/sites/5/2018/09/Evidence-to-Action\\_IWT18\\_Briefing-Note.pdf](https://www.illegalwildlifetrade.net/wp-content/uploads/sites/5/2018/09/Evidence-to-Action_IWT18_Briefing-Note.pdf)

Similarly, loss of income or livelihoods from may cause rural families themselves to increase their illegal harvest of wild species<sup>16</sup>. There is a need to respond to the emerging picture and adapt to new circumstance and new opportunities. In addition, there is a need to build capacity in specialist areas e.g. to undertake specialist investigations (e.g. financial investigations) and use specialist techniques (e.g. crime scene forensics). To create sustained change, we need to unlock the capacity of key international organisations and private sector to tackle IWT.

**Tackling the IWT requires innovative approaches that can be scaled to drive system-wide change.**

Traditional approaches to tackling the IWT that focus on supply side and anti-poaching alone have so far largely failed to address the threat to endangered species, and other key areas have lacked funding and attention. In addition, global efforts to tackle the IWT have not been in keeping with the serious impact and scale of the criminal activity and there is significant potential to learn from and apply new tools and techniques from the response to other similar criminal activities. New and innovative approaches can then be replicated, including at a larger scale, to help drive system wide change in efforts to tackle the IWT.

**Key to overcoming challenges is to harness political will and build effective partnerships.** Most IWT supply chains often stretch over national borders and across continents and international cooperation is essential to ensuring a coordinated response to the IWT. Multi-sectoral partnerships, including local communities, the private sector (whose infrastructure and processes are used to facilitate illegal trade, such as the transport, technology and financial sectors), NGOs, academia and government, are needed to share knowledge and experience and develop effective and sustainable solutions to the IWT. Private sector expertise and investment can also play an invaluable role in developing approaches to tackle the trade.

**There is a need to develop the evidence base for successful IWT interventions and support best practice.** Knowledge on wildlife crime remains fragmented, lacking common standards for successful interventions which hinders the global response to design, implementation and monitoring of strategies to combat it.

## 1.4 STRATEGIC APPROACH

**To maximise impact, the UK takes a strategic approach to tackling the IWT agreed by global leaders at the IWT Conference Series.** This approach is based on four pillars of action:

1. Eradicating the market for illegal wildlife trade
2. Ensuring effective legal frameworks and deterrents
3. Strengthening law enforcement
4. Providing sustainable livelihoods and development.

**The IWTCF delivers positive, tangible outcomes in tackling the IWT and underpins UK commitments on the issue.** The fund was launched in 2014 and has helped the UK deliver its IWT Conference Series commitments by supporting projects around the world that tackle the IWT across the four pillars. It has had significant reach: committing over £26m to 85 projects; working with local communities in 54 countries across Africa, Asia, Latin America and Europe and; protecting a broad range of endangered species, including pangolins, jaguar and orchids; addressing some of the most pressing IWT issues (see Figure 1).

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<sup>16</sup> Text derived from GEF 8 Strategic Positioning and Programme Directions.



Figure 1. Examples of IWTCF project successes from Rounds 1 and 2.

- **Developing law enforcement capability in Malawi to combat wildlife crime (IWT009)**  
Working with Malawian judiciary to develop guidelines for wildlife crime sentencing, resulting in penalties increasing from an average fine of \$40 to custodial sentences of three years and average fines of \$410. The improvement in law enforcement resulted in 100% of ivory and rhino horn cases being investigated by the Wildlife Crime Investigations Unit (WCIU) and a decrease in poaching of elephants from 25 in 2015 to just four in 2017.
- **Following the Money: Disrupting Wildlife-Linked Illicit Financial Flows in Kenya/Tanzania/Uganda (IWT021)**  
Addressing the low-risk financial environment that allows criminal actors to profit from IWT. This project increased capacity to enforce IWT-linked anti-money laundering (AML) legislation in Kenya, Tanzania and Uganda, and to prosecute on this basis. Following assistance by project mentors, an AML charge was pursued in Uganda for the 1.3-ton ivory seizure of 17 February 2017, contributing to the overarching impact of reducing the illegal trade, and alleviating poverty through the more effective investigation and prosecution of financial crime underpinning IWT.
- **Saving Pangolins by Reducing Demand in Vietnam and China (IWT025)**  
Producing billboards in China and Vietnam that featured popular Asian stars to raise awareness of pangolin poaching and which reached an estimated target audience of 760 million people. The project resulted in a marked decrease in the number of people who believe that pangolin scales cure disease and various ailments: with surveys showing a 28.5% decrease in China and a 15.3% decrease in Vietnam.

**The IWTCF is unique in the international funding landscape for its focus on IWT and sustainable development, and its fast, flexible funding to innovative approaches partnership working, and local solutions needed to tackle the IWT.** Other key donors typically provide large scale multilateral or bilateral funding that is able to support sustained action in tackling the IWT (see Figure 2). The IWTCF is one of few programmes that specifically addresses the IWT and sustainable development and, in contrast to others, is well placed to respond to the barriers to change identified. Through its support to small scale, grassroot projects, it is able to provide seed funding to trial innovative approaches and partnerships that respond to emerging issues on the ground and promote local ownership and capacity. It also develops the evidence base for successful IWT interventions, facilitating a pipeline of scalable, proven interventions for investment, thereby driving transformative change in efforts to tackle the IWT. The fund occupies a niche no other existing funding mechanism does and demonstrates the UK's strong leadership on this issue.

**The IWTCF complements other forms of IWT HMG policy and programming, sitting within a wider funding landscape supporting the protection of global biodiversity.** *Bilateral and centrally managed programming*, such as the Biodiverse Landscapes Fund, delivers targeted and sustained engagement and provides a pathway for scaling up effective IWT interventions or funding targeted research and capacity building. *Multilateral funding*, such as the Global Wildlife Programme (which the UK supports via its Global Environment Facility contribution) and the International Consortium on Combating Wildlife Crime, allows the UK to draw on expertise of other partners and to influence larger pots of resource, providing further pathways to scale up interventions to support systemic change. HMG also uses *domestic action* (e.g. UK Ivory Act 2018) as a foundation for our international IWT work, and *international negotiations and agreements* provide further opportunity to leverage global action on key IWT priorities.

Figure 2. Analysis of global IWT donor funding.

There is a gap in global funding for illegal wildlife trade for projects between £100,000 to £2 million and from diverse partners. The majority of funding bodies support \$3m - \$40m programmes with INGO implementing partners. The Government of Germany, US Fish & Wildlife Service (USFWS) and the Wildcat Foundation support projects smaller than this, however, they contrast in approach to the IWTCF, often addressing wider issues than IWT and poverty reduction and do not explicitly support innovation and local solutions.

- **European Commission's** Biodiversity for Life (B4Life) flagship initiative is designed to help the poorest countries protect ecosystems, combat wildlife crime and develop green economies. It supports projects like "Partners Against Wildlife Crime" Project (**10 million EUR** 4 years) to disrupt the illicit supply chains of tiger, Asian elephant, Siamese rose wood and freshwater turtles.
- **Global Wildlife Programme**, funded through the Global Environment Facility and led by the **World Bank**, is the largest IWT funding programme globally (Phase I = \$131m, 2015, Phase II = \$82m in 2019). The GWP supports projects countries in Africa, Asia and Latin America through various country projects (**between \$3 million - \$15 million**) and a broader global project.
- The **Government of Germany** primarily provides direct grants to NGO partners delivering multiyear projects that support their IWT objectives. Their main programme the Partnership against Poaching and Illegal Wildlife Trade in Africa and Asia invested **15.9 million EUR** between 2017 and 2021, with individual grants typically ranging from 100-300K EUR. The next phase will run from 2021 to 2025 with up to **75 million EUR** – details to be confirmed.
  1. The **United States** have multiple ongoing programmes led by USAID. In FY 2018, **USAID** invested more than \$65 million to address wildlife trafficking through activities in more than 35 countries. USAID programmes are led by delivery partners, typically international NGOs and consultancies and tend to be large multiyear projects. Key programmes include: **Wildlife TRAPS \$9m**, 2013-2020; **Wildlife Asia \$23 million**, 2016-2021, **Saving Species \$9.9m**, 2016-2021 and **Biodiversity Conservation \$38m**, 2020-2025. In addition, **USFWS** run several regional and species conservation funds. Proposals can range from **\$50,000 to \$200,000 USD**/per year for each project with the aim to reduce threats to key wildlife and ecosystems and to strengthen local individual and institutional capacity to sustain conservation.
  2. **Wildcat Foundation** is a philanthropic organisation that supports projects that are urgently needed to forestall an immediate threat that could result—or to intervene where the threat has become a reality that is already resulting—in a loss of imperilled wildlife or wild lands. Grants can range from **\$50,000 to \$1 million**, and sometimes more, but they expect the majority of projects to not exceed one year in duration.

## 1.5 PROGRAMME OVERVIEW

The IWTCF has committed to six funding rounds to date. The application process for the most recent round, Round 7, has been completed and 18 projects provisionally identified for funding with seven reserve projects (see Annex B). This business case is required to authorise spend for financial years 2021/22 to 2024/25, which includes committing funding to Round 7 projects, and to launch and commit funding for Rounds 8 and 9.

### 1.5.1 CURRENT IWTCF OVERVIEW

The **overall objective** of the IWTCF is *to tackle the illegal wildlife trade and, in doing so, reduce poverty in developing countries.*

Projects supported must address one or more of the following four **project themes** through which the fund seeks to effect change and which align with the IWT Conference Series four pillars:

1. Strengthening law enforcement

2. Ensuring effective legal frameworks
3. Reducing demand for IWT products
4. Developing sustainable livelihoods to benefit people directly affected by IWT.

The programme runs as a competitive grant scheme and has an annual project call and two stage application process. Applicants are assessed by an independent IWT Advisory Group (IWTAG), who make recommendations to Defra based on the technical proficiency of projects and their alignment with priorities.

There is currently no maximum or minimum project size, however project proposals are expected to cost between £50,000 to £600,000 and should last for between one to three years. Applications are open to different types of organisations, including academic institutions, and private sector and non-government organisations. Applications are encouraged from or in partnership with local organisations to help build local capacity.

### 1.5.2 MAXIMISING IWTCF STRENGTHS

Defra has commissioned an external contractor, Ecorys, to conduct an independent evaluation of the IWTCF to assess its performance and impact to date, from Rounds 1 -6, and develop a new monitoring, evaluation and learning (MEL) framework for the programme. The IWTCF evaluation will be completed by March 2022. In the meantime, an initial assessment of the IWTCF has identified several areas where we can make improvements to maximise the fund's performance, delivering greater impact and value for money (VfM). During the next phase of the programme we will take steps to:

#### **1. Increase the focus of the IWTCF**

The most important feature of the challenge fund is the 'challenge', which must be widely promoted and have clear eligibility criteria if it is to elicit a wide array of applicants from the private sector. The goal is to produce a large pool of intelligent and unconventional solutions to longstanding problems by tapping ingenuity across different sectors.

With a limited budget and broad scope, there is a risk that the programme's funding is spread too thinly and that it will not deliver tangible impact on key issues that can drive systemic change in efforts to tackle the IWT.

Therefore, from Round 8, we will consider increasing the fund's focus by having a clearly articulated set of priorities for each round. Priorities will align with IWT objectives and strategy currently under development, and will be coherent with HMG's wider biodiversity objectives, recognising that the IWTCF is part of a broader set of policy tools that can effect change. Priorities will be developed with stakeholders, including IWTAG, and the Foreign, Commonwealth & Development Office (FCDO) and put to Ministers for agreement ahead of each round. This will attract better proposals by: articulating the challenge more clearly and incentivising organisations with innovative ideas on those priorities to come forward; generating learning and evidence on a particular priority including enabling projects to learn from each other in real time; and increase potential to demonstrate greater impact by focusing resource on a particular challenge.

The programme will retain flexibility to fund projects outside these priorities and across the project themes (e.g. if innovative, urgent, or very high impact) ensuring it also remains responsive to issues on the ground. We will consider earmarking a percentage of funding for projects outside these priorities.

## **2. Increase maximum grant size and support scaling pathways**

The fund has supported innovative projects that can be replicated and scaled up, for example on financial investigations. However, there are opportunities to further this and maximise sustained impact beyond initial project scope through a 'funding ladder' (see Figure 3 for types of scaling approaches). This includes both allowing the IWTCF to support larger projects (up to £1.5 million depending on priorities for each round) to respond to a global gap in funding (see Figure 2) and identifying wider scaling pathways for successful IWTCF projects. We will consider providing continued funding to successful IWTCF projects via direct grants and will support scaling opportunities with large global funds supported by the UK, for example the Global Wildlife Programme.

## **3. Improve evidence, best practice and outreach**

The ways in which the IWTCF learns, responds to and disseminates evidence needs to be robust and systematic.

- **Internally:** understanding early indicators of success is key to strengthening the guidance and selection criteria to raise the quality and impact of supported projects, and aligned action by others, as well as helping projects to learn and improve whilst in progress.
- **Externally:** as public finance, the IWTCF values transparency and must ensure evaluations, evidence and generated materials are accessible and available. Capitalising on new tools to maximise impact, and support VfM, the IWTCF website will make evidence and materials available, accessible and engaging including for example: IWTCF Newsletter, Community of Practice (webinars and tools to support programme delivery, and technical quality of projects) for IWTCF Projects, Themed Reports (commissioned analysis of evidence from the IWTCF and beyond), Virtual Visits and Case Studies (raising awareness and understanding of the Initiative), and Networking events.

## **4. Support high-quality applications from diverse organisations**

The IWTCF has an established network of applicants and has had high levels of demand since its launch; applications have increased from 115 (Round 1, 2014) to 180 (Round 7, 2020) with on average 12% of projects funded each year. The majority of successful applicants, however, have been from a limited pool of international NGOs, restricting the diversity project proposals and their ability to provide local solutions to the IWT. To help secure high-quality applications from a wider range of organisations, including local organisations, we will work with Defra communications, FCDO and the Fund Manager to develop a new communications plan that enhances our current approach. This will be presented at a future IWT Programme Board.

Figure 3. Types of scaling approaches.

The IWTCF will seek to deliver system change through testing and scaling approaches to tackling illegal wildlife trade. Scaling approaches can mean:

- *Landscape scaling*: take a tested approach and apply it at the landscape/seascape level.
- *Replication scaling*: take a tested approach and apply it in another geography.
- *Systems change scaling*: provide evidence which supports system changes (e.g. legislation) that has impacts beyond its original scale.
- *Regional capacitation*: geographic clusters of projects, combining to build capacity and momentum.

## 1.6 STRATEGIC FIT

The IWTCF business case comes at an important time: as the UK hosts both the G7 and UNFCCC COP26, whilst the CBD COP15 develops post-2020 global biodiversity framework, during a time when awareness of the risk from zoonotic diseases and their link to biodiversity and the illegal wildlife trade has unfortunately achieved a global profile, and when countries are urged to “build back better” by factoring in environmental sustainability to their economic recovery plans. The publication of *The Economics of Biodiversity: Dasgupta Review* helps raise the profile and inform the choices that can both enhance biodiversity and deliver sustainable economic growth.

Strategically, the IWTCF aims to deliver on the priorities of the **Integrated Review** and new **Strategic Framework for ODA** by working to end the market for illegal wildlife trade products and addressing biodiversity loss in developing countries.

This IWTCF will contribute to and/or align with the UK’s strategic priorities:

- **The 25 Year Environment Plan** commitments including to reduce IWT and provide targeted financial help to developing nations,
- **Defra’s International Strategy** objective to push for greater global ambition to conserve endangered species and progress towards eliminating the illegal exploitation of wild species, and
- **The Serious and Organised Crime Strategy 2018** by strengthening IWT law enforcement networks.

The IWTCF will contribute to and/or align with the UK’s international obligations and commitments and under a number of international policy processes:

- **IWT Conference Series** commitments including in the London Declaration (2014), Kasane Statement (2015), Hanoi Statement (2016) and London Conference (2018),
- **Leaders’ Pledge for Nature** by tackling IWT throughout the supply chain and key to supporting commitments,
- **G7 commitments to tackle Illicit Threats to Nature**, within the Nature Compact, the Climate and Environment, Interior and Finance Ministers Communique.
- **Convention on Biological Diversity (CBD)** and work underway developing a new **Post 2020 Global Biodiversity Framework**,
- **United Nations General Assembly** including Resolution 73/343 on Tackling illicit trafficking in wildlife,

- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)**, and
- **2030 Agenda for Sustainable Development** and **Sustainable Development Goals** including a breadth of goals from the biosphere, society, economy and partnership goals.

The IWTCF will be compliant with the relevant legislation and guidance in Managing Public Money, with further details provided in Sections 5.1, 5.2 and Annex H. This includes the International Development (Gender Equality) Act 2014 and further detail is provided on how the programme will support gender equality under Section 5.6.1.

## 1.7 RESULTS

A draft outline of the IWTCF's expected results is provided below, including its impact, outcomes and examples of potential indicators. A more detailed account of potential indicators and the assumptions behind the expected results is provided in the draft logframe in Annex D. A draft Theory of Change produced by Ecorys is provided in Figure 4 which will be further refined along with the IWTCF evaluation underway.

The new IWTCF MEL Framework will include a suite of key performance indicators (KPIs) and other indicators to assess performance against its expected results. Due to the criminal nature of the area this programme works in which is essentially data poor, we will further develop the draft logframe and example indicators provided here with the improved evidence-base from the IWTCF evaluation. Due to the programme's challenge fund model, KPI targets will be set after each application round, aggregating targets from each successful project. To help further demonstrate the types of results we can expect the programme to deliver, we have included examples from recent Round 7 projects in Annex D. An initial account of the programme's MEL processes, which will inform the development of the new framework, is also provided in Section 6.7.

### 1.7.1 IMPACT

The intended impact of the IWTCF is to *provide innovative and scalable solutions to reduce pressure on wildlife from illegal trade and, in doing so, reduce poverty in developing countries.*

Indicators at the impact level may include metrics and proxies for the number of animals illegally killed and/or collected, poverty reduction and the transformative impact of the fund.

### 1.7.2 OUTCOMES

The IWTCF seeks to achieve its impact by accelerating the shift towards a high-risk low-reward environment for those taking part in the illegal wildlife trade, therefore reducing the incentives. The pathways towards this system change is set out in IWTCF's four project themes which form its four outcomes areas below. The IWTCF will maintain its flexibility to provide funding across the four outcome areas. Ahead of each funding round specific priorities will also be identified and agreed with Ministers, and may include key issues, species and geographies.

#### **1. Key actors in developing countries/regions have adopted and implemented innovative and effective measures to strengthen law enforcement.**

- This outcome will test and scale approaches that strengthen law enforcement efforts (see text box: scaling approaches). For example this could deliver new or replicated technologies that aid species identification and detection of criminal activity e.g. financial investigations,

market flows, wiretapping and new criminological thinking to deliver reductions in crime. This may also respond to emerging local needs to build capacity in key regions.

- Indicators for this outcome may include:
  - Number of beneficiaries receiving capacity-building on compliance and enforcement.
  - Number of technologies, regulations and standards adopted or amended.
  - Detection rate of evidence of IWT crime.

## **2. Key developing countries/regions have the political will and resource to adopt and implement effective legal frameworks.**

- This outcome area will respond to emerging local needs to support effective legal frameworks in key regions. Under this outcome we will build and sustain new partnerships and evidence to deliver against new frontiers where legislation may not be well developed or appropriate e.g. online trade.
- Indicators for this outcome may include:
  - Number of reforms passed that address policy and legal gaps and issues.
  - Number of beneficiaries receiving capacity-building on effective legal frameworks.
  - Probability of IWT prosecution and conviction.

## **3. Effective demand reduction interventions are developed and capabilities within governments and key institutions strengthened to reduce consumer demand for IWT products.**

- This outcome is to test demand-side solutions, informed by evidence. This will deliver changes in research and innovation capabilities, partnerships, and networks to deliver demand reduction interventions locally, as well as within the international NGO community.
- Indicators for this outcome may include:
  - Number of countries reporting policy procedures/frameworks strengthened to support demand reduction strategies.
  - Number of demand reduction strategies implemented.
  - Number of projects demonstrating change in target audience's desired behaviour.

## **4. Improved strategies at local and national levels to support sustainable livelihoods that benefit people directly affected by IWT.**

- This outcome seeks to incentivise communities to protect and value wildlife in-situ, decrease incentives to tacitly or actively support poaching, reduce communities' reliance on income from the illegal wildlife trade, and empower communities. This could be by working with communities but also with government and non-state actors.
- Possible indicators for this outcome include:
  - Number of community members that take up sustainable livelihood options.
  - Community voices represented in national, regional and international policy dialogues on IWT.
  - Number of countries reporting policy procedures/frameworks strengthened to support sustainable livelihoods.

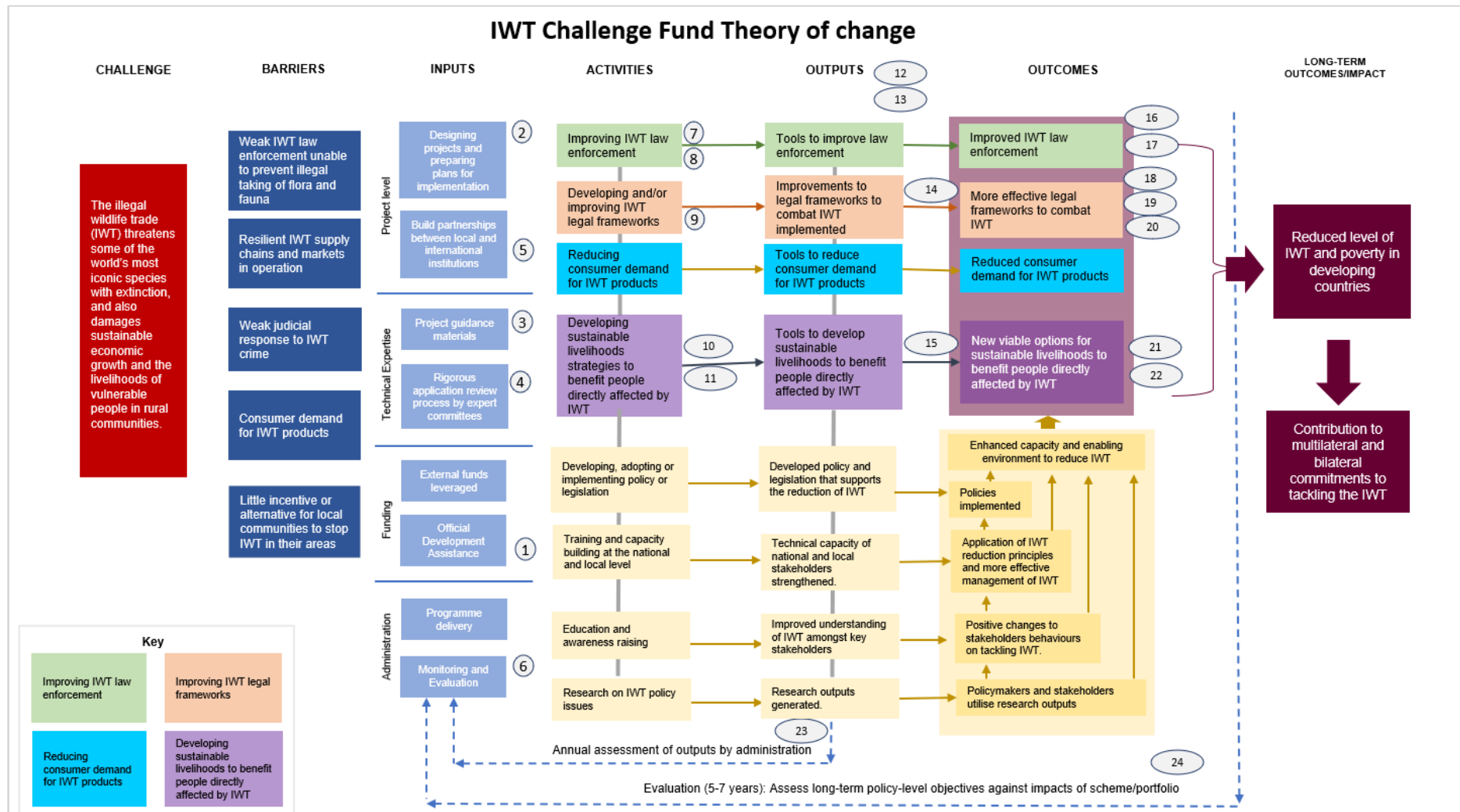


Figure 4. Draft IWTCF Theory of Change



## 2. APPRAISAL CASE

### 2.1 APPRAISAL SUMMARY

The Appraisal Case explains the economic rationale behind the intervention, assess the relative costs and benefits and highlight the preferred option on VfM grounds.

Due to the nature of the initiative – the IWTCF delivers a range of outputs, many of which are difficult to monetise<sup>17</sup>, through a range of projects and in different contexts – we have not sought to undertake a full quantitative cost-benefit analysis of the options. Instead, we have used a mix of quantitative and qualitative information to assess the relative costs and benefits of the different options.

#### 2.1.1 ECONOMIC RATIONALE

As set out in the strategic case, the IWT is a widespread and lucrative criminal activity causing major environmental and social harm globally. Government intervention can help to reduce the significant negative effects of the illegal wildlife trade, which exists as a result of the market and governance failures described below.

- **Externalities.** Those involved in the IWT impose costs on others who are not involved in the transaction. For example, a poacher that disturbs or depletes an ecosystem to obtain illegal products can cause increased risks from zoonotic disease, due to the lack of health and safety standards for illegally traded products. New animal to human diseases can have huge global consequences, as we have seen with Covid-19. The IWT can also threaten the livelihoods of local people, particularly those that rely on hunting and agriculture for subsistence. People that are not involved in the IWT may also place ‘non-use values’ on illicitly traded flora and fauna, and may value just knowing that these species are protected for future generations (bequest motives). Those involved in the trade do not take these wider values into account.
- **Public goods.** Biodiversity, like the wider environment which it makes up, is considered a global public good. According to the OECD, global ecosystem services are worth an estimated \$125-140 trillion per year, i.e., more than one and a half times the size of global GDP. Often due to a failure to enforce rights of resources, many ecosystem services are available to all (non-excludable). This means there can be insufficient economic incentives to conserve and sustainably use biodiversity. Using public money to protect and regulate them can help solve this market failure.
- **Governance failures.** IWT supply chains stretch across borders and continents, and it is therefore a complex problem to tackle. Many of the benefits of reducing the trade are global in nature. Lack of coherence or coordination in governance, as well as misaligned political economy incentives, can result in inability or unwillingness of international governments to act effectively. Furthermore, many key countries involved in the trade are developing countries with less developed political institutions (legal systems etc.), which can make tackling the trade difficult.
- **Information.** The link between reducing IWT, stabilising the environment and protecting the services nature provides is not always well known or understood. This can mean that those that engage in the IWT are unaware of the costs and damages they are causing. It can also lead

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<sup>17</sup> Many of the benefits of the IWTCF and ICCWC are intangible/qualitative such as improving legal structures, education, and capacity building. Even those that are measurable are difficult to monetise due to the high information requirements. For example, it is difficult to place a monetary value on the number of prosecutions projects achieve – to do so would require knowledge on the (theoretical) reduction in IWT that results from said prosecutions, and the total economic value (TEV) of that reduction in trade.

governments to undervalue the benefits from combatting IWT. Governments can correct this lack of information through monitoring, data collection, promoting research and knowledge dissemination.

- **Inequalities.** Importantly, the costs of these market failures tend to be concentrated in developing countries. The IWT can cause the loss of biodiversity and ecosystem degradation, which impacts the global poor disproportionately.<sup>18</sup> It was estimated that in 2014 around 15% of the world’s population, often the poorest, depends on wildlife for survival.<sup>19</sup>

Some drivers of the IWT in developing countries need to be addressed through interventions aimed at managing the demands for IWT products, including from within developed countries themselves. But some need to tackle the supply side issues - lack of local capacity, knowledge and technical awareness, local governance arrangements, and lack of resources. Donor interventions can help to address these challenges.

## 2.2 LONGLIST OPTION APPRAISAL

A longlist of options that meet strategic objectives was developed by Defra’s IWT Policy Team and Analysts with input from FCDO, and includes:

1. Extend the IWTCF for Round 7, 8 and 9,
2. Scale up direct grants programme,
3. Increase funding to wider Defra biodiversity programme:
  - a. Darwin Initiative, or
  - b. Biodiverse Landscape Fund
4. Increase funding to Multilateral Donor Programme:
  - a. Global Environment Facility, or
  - b. International Consortium on Combating Wildlife Crime.

These longlisted options were then appraised against the critical success factors (CSFs) in Table 1 to identify which options should be shortlisted for appraisal. If an option failed to meet a CSF it was not shortlisted. A summary of the longlist option appraisal is provided in Table 2 and is detailed below for each option.

Under each option it is assumed that existing funding commitments to legacy projects from previous IWTCF rounds will be met, costing approximately £4.8m from 2021/22 to 2023/24. Defra’s remaining IWTCF funding of up to £19.2m is considered available to fund wider initiatives under each option<sup>20</sup>. A full account of financial resources is provided in the Financial Case.

Table 1. Critical Success Factors.

Key Critical Success Factors	Description
1) Strategic fit	How well the option: <ul style="list-style-type: none"> <li>• Addresses IWT and poverty reduction in developing countries.</li> <li>• Supports delivery against IWT Conference Series commitments.</li> <li>• Supports innovation, partnership working, local solutions and builds the evidence base for successful IWT interventions.</li> </ul>
2) Supplier capacity and capability	How well the option:

<sup>18</sup> Roe, D., et al. (2019) Biodiversity loss is a development issue A rapid review of evidence, IIED.

<sup>19</sup> Brashares, J., et al. (2014) Wildlife decline and social conflict, Vol. 345, Issue 6195, pp. 376-378.

<sup>20</sup> The shortlisted option *Extend the IWTCF for Round 7, 8 and 9* includes an additional £2.9m of FCDO IWTCF funding approved through a separate DFID business case in 2018 and which will contribute towards Round 7, 8 and 9 projects costs.

	<ul style="list-style-type: none"> <li>matches the ability of potential suppliers to deliver the required services.</li> </ul>
3) Potential achievability	<p>How well the option:</p> <ul style="list-style-type: none"> <li>is likely to be delivered given an organisation’s ability to respond to the changes required</li> <li>matches the level of available skills required for successful delivery</li> </ul>

Table 2. Summary of longlist option appraisal against each CSFs (Green = Meets CSF, Amber = Partially meets CSF so is less attractive, Red = Fails to meet CSF) and shortlisting decision.

Options	CSF 1	CSF 2	CSF 3	Shortlisted
Extend the IWTCF for Round 7, 8 and 9	Green	Green	Green	✓
Scale up direct grants programme	Red	Green	Green	
Increase funding to Darwin Initiative or Biodiverse Landscape Fund	Red	Green	Green	
Increase funding to Multilateral Donor Programme	Increase funding to GEF	Red	Green	
	Increase funding to ICCWC	Amber	Green	✓

## BUSINESS AS USUAL

Under this option, Defra would commit no new funding to the IWTCF but would see through its existing funding commitments to ongoing legacy projects from previous IWTCF rounds at a total cost of roughly £4.8m from 2021/22 to 2023/24. This option involves potential reputational risks to Defra and HMG as a result of not funding future IWTCF rounds and the public commitments made to reduce IWT and provide financial support to developing nations. **This is the baseline option against which shortlisted options will be compared.**

## EXTEND THE IWTCF FOR ROUND 7, 8 AND 9

Under this option, the UK would spend up to an additional £22.1m on the extension of the IWTCF, which includes committing funding to Round 7 projects, and launching, and committing funding for Rounds 8 – 9. The IWTCF is an established UK-led programme with governance systems and processes in place to support delivery from 2021/22. **This option meets the CSFs and is the preferred way forward. The option is carried forward to the shortlist appraisal.**

## SCALE UP DIRECT GRANTS PROGRAMME

Under this option Defra would commit no new funding to the IWTCF and would spend up to £19.2m through direct grants. Historically Defra’s IWT programme budget has been spent through the IWTCF and a smaller amount through direct grants to projects individually. In contrast to the IWTCF, direct grants have tended to be awarded without competition to organisations that have the necessary knowledge and expertise to deliver a specific intervention. Direct grants have also been developed in a more centralised manner with Defra identifying specific funding needs. Occasionally organisations have also approached Defra with project proposals individually on an *ad hoc* basis. Projects funded via direct grants have included:

- Counter Illegal Wildlife Trade Taskforce Ministry of Defence Ranger Training – deployments to train protect area rangers in Gabon, Malawi and Zambia to reduce the number of poaching incidents at source by providing training to park rangers in proven interception and tracking tactics,
- WILDLABS Tech Hub – Social enterprise that brought together key technology companies and conservation organisations to identify innovative technological solution to the IWT in ODA-eligible countries,
- UNODC World Wildlife Crime Reports – Status reports on global IWT trends and issues, and
- TigerBase – Supporting DNA registration of captive tigers in Vietnam and Southeast Asia to ensure legal compliance and prevent trafficking.

Spending in this way allows for projects to be developed that address a range of issues and IWT Conference commitments. However, direct grants are less effective at stimulating market wide innovation, sourcing a wide range of new potential solutions. While direct grants do not meet the CFSs alone they can provide complementary funding to grant schemes and can be a valuable funding tool to support Defra’s IWT programming, including by providing scaling pathways for successful IWTCF interventions as proposed in Section 2.4.2. **This option is discounted as it fails to meet CSF 1.**

#### INCREASE FUNDING TO DARWIN INITIATIVE OR BIODIVERSE LANDSCAPE FUND

Under this option Defra would commit no new funding to the IWTCF and would spend up to £19.2m through existing Defra biodiversity programmes, including the Darwin Initiative and Biodiverse Landscape Fund (BLF). Spending through these programmes would allow for management costs to be shared helping support VfM. Both programmes however address wider issues and would not support a more refined strategic focus on the IWT. For example, the Darwin Initiative focuses on integrating biodiversity considerations into poverty reduction initiatives and would be less effective at supporting wider IWT Conference commitments, including those related to law enforcement, legal frameworks and demand reduction. The BLF’s geographical focus areas have been identified using biodiversity, climate change and poverty reduction criteria broadly and do not necessarily correspond with priority areas for the IWT. Furthermore, as the BLF seeks to deliver landscape scale change over sustained periods its projects will be relatively large in size and cost and therefore less suited to supporting innovative and potentially riskier interventions. There remain however synergies between the IWTCF and Defra’s wider biodiversity programmes, and therefore opportunities to promote VfM and impact across the programmes. This includes sharing management arrangements between the IWTCF and Darwin Initiative as outlined in the Commercial Case here, and both the Darwin Initiative and BLF providing potential scaling pathways for successful IWT interventions. **This option is discounted as it fails to meet CSF 1.**

#### INCREASE FUNDING TO GLOBAL ENVIRONMENT FACILITY

Under this option Defra would commit no new funding to the IWTCF and would spend up to £19.2m through the Global Environment Facility (GEF). The GEF is an established multilateral donor programme, launched in 1992, which the UK is a donor member of. It works with a set of 18 accredited agencies (predominantly the multilateral development banks and UN agencies as well as NGOs) to develop and implement programmes and projects. The GEF’s funds are available to developing countries and countries with economies in transition to meet the objectives of the international environmental conventions and agreements. The GEF’s Global Wildlife Programme (GWP) is the largest IWT donor programme globally and its objectives align with IWT Conference Series commitments. Funding for the current phase (Phase II) of the GWP was agreed in 2019 with projects now in their implementation phase. A new programme with similar objectives to the GWP, the Wildlife Conservation for Development Integrated Program, is being considered for the next GEF

replenishment, GEF 8, from 2022-2026. The GEF's governance model however means that funding would not be guaranteed to address IWT objectives. Donor funding is pooled across its programmes which also cover a range of wider issues, including renewable energy, chemicals and waste. The UK would not be able to ring fence any of its contribution for IWT related programmes, and programme funding would be dependent on negotiations with other members<sup>21</sup>. In addition, GEF characteristically funds relatively large projects (e.g. GWP projects cost \$3m - \$15m) which are less suited to supporting innovation but can provide scaling pathways for successful IWT interventions. **This option is discounted as it fails to meet CSF 1.**

## INCREASE FUNDING TO INTERNATIONAL CONSORTIUM ON COMBATING WILDLIFE CRIME

Under this option Defra would commit no new funding to the IWTCF and would spend up to £19.2m through the multilateral donor programme International Consortium on Combating Wildlife Crime (ICWC). ICWC is an established multilateral donor programme having launched in 2010 and specifically addresses IWT objectives. ICWC is led by a consortium five inter-governmental organisations with extensive experience providing technical assistance and supporting capacity building on law enforcement and the IWT: the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Secretariat, the International Criminal Police Organisation (INTERPOL), the United Nations Office on Drugs and Crime (UNODC), the World Bank and the World Customs Organisation (WCO). The UK has provided up to £4m to support ICWC's current [Strategic Programme 2016-2020](#) along with other key donors including the European Union, USA, Germany and France. A Strategic Vision 2030, as a continuation of the Consortium's work beyond 2020 is currently under development, and which the UK is engaged in and is able to provide future funding to. **This option partially meets the CSFs and is viable. The option is carried forward to the shortlist appraisal.**

### 2.3 SHORTLIST OPTION APPRAISAL

Below we assess the costs and benefits of the shortlisted options to determine their relative VfM, making reasonable assumptions and using a mix of quantitative (where possible) and qualitative assessment. The costs and benefits of options are assessed relative to the baseline of 'business as usual'. The appraisal applies quantitative and qualitative sensitivity analysis to test the robustness of the recommendations. A summary is provided in table 3.

#### 2.3.1 BENEFITS, COSTS, AND RISKS

##### BUSINESS AS USUAL

###### **Costs:**

No new funding would be provided to the IWTCF but £4.53m of (previously committed) funding would be used to complete existing IWTCF legacy projects between 2021/22 and 2023/24. In addition to this, administration and evaluation costs will total approximately 6% (5% administration, 1% independent evaluation) or £272k, bringing the total spend to £4.8m.

The most recent round of IWTCF projects for which final reports are available (Round 2)<sup>22</sup> were awarded £4.5m of UK IWTCF grant funding and received £3.14m of co-financing from other donors for project lifetimes. Scaling the co-funding to the level of UK funding for IWTCF legacy programmes we could assume that approximately £3.16m of co-financing would be provided for the final two

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<sup>21</sup> At the last replenishment of GEF, GEF7, roughly 2% (\$82m) of funds went towards the GWP

<sup>22</sup> This sample includes 15 projects completed between 2015 and 2018, see Annex F.

years of IWTCF legacy programmes. We treat this co-financing, which contributes to project benefits, as a social cost.<sup>23</sup>

### **Benefits:**

The set of projects in the sample from Round 2 of the IWTCF achieved a range of quantified benefits, including but not limited to (see Annex F for the full set of quantified and non-quantified outcomes from 15 projects):

- 2628 individuals trained (law enforcement, policy officials etc.) from 10 projects and £3m in IWTCF grants.
- 527 arrests and 187 prosecutions from 7 projects and £2.2m in IWTCF grants.
- An increase in monthly incomes for 30 households, an almost doubling of IWT investigations, 720 wildlife crime reports submitted, and a dedicated Wildlife Crime Investigation Unit created in Malawi (Project XXIWT022).
- As a result of strengthened communications between 10 protected areas through the use of Geosuite information analysis software, all areas recorded a significant reduction (> 25%) in poaching of Elephant and/or Rhino, and 3 of the protected areas recorded a greater than 25% increase in poaching incidents disrupted or poachers arrested (project XXIWT024).
- Public service announcements and billboards throughout China and Vietnam, exposing over 760 million people to messages designed to raise awareness of the poaching crisis and debunk the purported medicinal value, led to decrease in the amount of people across 6 cities who believe pangolin scales have medicinal value, falling from 70% in 2015 to 50% in 2017 (project XXIWT025).
- An over fivefold increase in the rate of arrests and prosecutions, two legislative reviews, an increase in media coverage and social media interactions relating to wildlife crime (417 articles in 2017 vs a baseline of 16 in 2015), and ultimately enhanced law enforcement capacity and cooperation between Myanmar and China (project XXIWT023).

The benefits above, and detailed more fully in Annex F, were generated through lifetime project grants of £4.5m. For simplicity, **we assume that under business as usual the types and volume of quantifiable benefits set out in Annex F will be delivered from remaining IWTCF legacy projects to a scale of 4.53/4.5 (i.e., 101%).**

Current legacy projects operate across Africa, Asia, Central and South America, and the Middle East. Projects and include: Reducing demand for wildlife products among Chinese nationals in Laos (XXIWT071), strengthening anti-poaching techniques and countering wildlife trafficking in Uganda (XXIWT073), and enabling and promoting communities to tackle IWT in Southern Myanmar (XXIWT081).

There are also expected benefits in terms of additional finance leveraged. In the same recent round of IWTCF projects (Round 2), an additional £2.72m was leveraged from other sources for post-project activities. Assuming a broadly constant ratio of IWTCF grant to funding leveraged, we can

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<sup>23</sup> COVID-19 may have affected funding availability in the NGO/Charity sector. The depression in global economic activity could lead to a reduction in co-financing (and post-project finance leveraged as described in the benefits below). Conversely, due to the zoonotic nature of COVID-19, this could heighten interest in the IWT and lead to an increase in co-financing available.

assume that IWTCF legacy projects will therefore leverage approximately £2.73m of additional finance for IWT activities post-project.<sup>2425</sup>

There are likely additional benefits not being captured in the above analysis. Firstly, many of the project benefits occur sometime after project completion so will not have been captured in the final reports that are available. Secondly, due to the nature of the IWTCF which supports innovation, partnership working, local solutions and builds the evidence base successful IWT interventions, there are a range of less tangible benefits which can support results beyond project lifetime, including improved knowledge and capability. For example, project XXIWT020 generated new insights on the importance of communities receiving sufficient benefits from wildlife and the role of alternative non-wildlife-based livelihood strategies in reducing poaching pressure on elephants. This led to other conservation partners adopting the project's methodologies/approach and funds being leveraged to further expand this work in Kenya. Under business as usual, these wider benefits can be expected to be generated from remaining IWTCF legacy projects in line with the overall scale of funding.

### OPTION 1: EXTEND THE IWTCF FOR ROUND 7, 8 AND 9

#### **Costs:**

The UK would spend an up to additional £22.1m<sup>26</sup> on the IWTCF over 3 years relative to business-as-usual. Administration and evaluation costs are approximately 6% (5% administration, 1% independent evaluation). **This represents an additional £1.3m of administration and evaluation costs over business as usual over 3 years, with the remaining £20.7m being used to fund the projects themselves.**

Based on the co-financing received for the sample of Round 2 projects and taking a constant ratio of IWTCF grant to co-financing, we could expect approximately £14.5m of additional co-financing, relative to the baseline, over 3 years (from £20.7m of additional project grants). This is taken as additional social cost.

#### **Benefits:**

Additional funding for IWTCF projects could be expected to deliver similar benefits to current IWTCF projects but at a greater scale in terms of increased numbers of projects funded. This option would therefore achieve, additional to the baseline, **similar kinds of project outcomes as in the Round 2 project sample (quantitative examples outlined under BAU above and described more fully in Annex F) but multiplied by a factor of approximately 4<sup>27</sup>** given the total amount of funding to be allocated for projects in country, and allowing for 10% optimism bias.<sup>28</sup>

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<sup>24</sup> Note that this data does not give an indication of the additionality of the resources raised. It cannot be said conclusively that this funding would not have been raised for IWT projects without the IWTCF.

<sup>25</sup> Post-project financed leveraged is treated as an additional benefit (rather than a social cost) as this financing does not contribute to the project outcomes described in Annex F (these benefits were recorded in the final reports).

<sup>26</sup> This figure is in addition to business as usual, and thus excludes the £4.8m required for IWTCF legacy projects. It does, however, include the FCDO contribution of £2.9m as detailed in the financial case as this represents an additional (social) cost to government. Defra's contribution under this option is therefore c.£19.2m.

<sup>27</sup> Under this option there will be £20.7m available to fund projects. The benefits achieved by our sample projects (round 22, annex F) were generated from £4.5m in grants.  $20.7/4.5=4.6$  (4.2 allowing for 10% OB).

<sup>28</sup> The Green Book does not provide generic optimism bias adjustments for benefits in the same way as it does for cost data but does provide examples of adjustments applied in comparable cost-benefit analysis for local partnerships. Based on this our assumption for optimism bias on benefits is 10%. See

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300214/cost\\_benefit\\_analysis\\_guidance\\_for\\_local\\_partnerships.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/300214/cost_benefit_analysis_guidance_for_local_partnerships.pdf)



Annex B outlines the projects that will be funded in the first round of future IWTCF projects (round 7) and gives a more specific indication of the types of outcomes that will be achieved under this option. Of the 18 projects, seven are in Asia, one is in Central Asia, three in Latin America and seven are in Africa. Projects include: protecting tigers in Nepal by increasing community stewardship (IWTR7S2\1039); enhancing IWT legislation and enforcement in Indonesia where orangutans and elephants remain vulnerable (IWTR7S2\1019); and reopening closed IWT cases, as recommended by the Financial Action Taskforce, to develop financial intelligence on the illegal trade of iconic flora and fauna across Africa (IWTR7S2\1023).

In terms of quantitative outcomes, we expect Round 7 (representing c.30% of total grant spending under this option) to achieve (see Annex D):

- **Between 600-1000 beneficiaries of law enforcement training.**
- **Between 80-130 criminal cases initiated, investigated, monitored, or analysed.**
- **Between 1.5m-2m individuals (general public/community members/students etc.) with improved education/awareness around IWT.**
- **Between 4000-7000 individuals provided with, involved in, or targeted for alternative livelihoods.**

In practice, we could expect the benefits to be greater under this option than these estimates would indicate through the proposed improvements to the extended programme to support greater impact and VfM. First, streamlining guidance and increasing the focus of the IWTCF's priorities will help articulate the challenge clearly, attract higher quality proposals and supporting greater impact against key areas. Second, by supporting scaling pathways for successful projects, the fund has the potential to maximise impact beyond initial project scope and support system wide change in efforts to tackle the IWT globally. Third, by improving evidence, best practice, and outreach, the fund can help identify successful IWT interventions and then tailor guidance and selection criteria based on these findings to raise the quality and sustainability of projects. Furthermore, by making project evidence and analysis publicly available through a new website, the fund has the potential to improve global knowledge and the effectiveness of other non- IWTCF activities globally.

There are likely to be benefits in terms of additional finance leveraged. In the same recent round of IWTCF projects (Round 2), an additional £2.72m was leveraged from other sources for post-project activities from the total UK IWTCF grant value of £4.5m plus £3.14m of co-financing. Assuming a broadly constant ratio of IWTCF grants to funding leveraged, this option could lead to **approximately £12.5m in additional funding leveraged** for biodiversity and poverty activities post-project<sup>29</sup>.

As in the 'business as usual' baseline, there are likely to be additional benefits not being captured, including outcomes achieved post-project completion and improved knowledge and capability. These could be expected to be realised according to the scale of additional project funding. In addition to these benefits, there will also likely be intangible reputational benefits for the UK in funding IWTCF, an initiative with high UK visibility, at this scale.

## **OPTION 2: INCREASE FUNDING TO INTERNATIONAL CONSORTIUM ON COMBATING WILDLIFE CRIME**

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<sup>29</sup> Again, it is difficult to be conclusive that the funding would not be raised for IWT projects without the IWTCF.



The costs and benefits associated with IWTCF legacy projects would be realised as under the baseline 'business-as-usual' scenario.

### **Costs:**

The UK would contribute up to an additional £19.2m<sup>30</sup> to ICCWC relative to business-as-usual. Administration costs are approximately 13% of UK grants.<sup>31</sup> Assuming this remains approximately the same, **this represents an additional £2.5m of administration costs over business as usual over 3 years, with the remaining £16.7m being used to fund the workstreams and projects themselves.**

ICCWC receives co-financing from a number of other donors: the European Union (€13.5m), USA (\$960m), Germany (€400k), France (€235k), and Principality of Monaco (€200k). There is no evidence to suggest that an increase in the UK's contribution will lead to a similar increase in contributions from other donors. Based on this assumption, we assume that co-financing will remain at approximately £13.3m for any future ICCWC programming. We treat this co-financing, which contributes to program benefits, as a social cost.

### **Benefits:**

The full set of ICCWC workstreams and projects continue to achieve a range of both quantitative and qualitative benefits, including but not limited to (see Annex G for the full set of outputs/outcomes):

- Through operation Thunderball (2019) 1828 seizures were made. Through operation Thunder (2020) 2,082 seizures of wildlife and forestry products were made, and 699 offenders apprehended – including over 1.3 tonnes of ivory and over 1 tonne of pangolin scales (representing approximately 1,700 killed pangolins) (Workstream 1.2.1).
- 13 training courses delivered across 10 countries on specialised investigative techniques (internet investigation, undercover techniques) (Workstream 3.2.1).
- UNODC conducted a flagship regional threat assessment of illegal wildlife trade in West and Central Africa. The report also contributed to the approval of a number of targeted recommendations that countries are encouraged to implement and directed Parties and other stakeholders to provide financial and technical assistance to Parties in the region (Workstream 5.1.1).
- Comprehensive assessment of the national preventive and criminal justice response to wildlife crime provided to the Brazilian Ministry of Environment (Workstream 2.1.1).
- National Risk Assessment (NRA) tool implemented in over 100 countries to better combat money laundering and environmental crimes (Workstream 3.2.1).
- Environmental guide produced for frontline customs officers internationally, to provide on-the-spot guidance on environmentally sensitive matters including CITES protected species, waste and other environmental matters under the Green Customs Initiative (GCI). (Workstream 5.3.3).
- As a result of the implementation of the ICCWC Wildlife and Forest Crime Analytic Toolkit, the UNODC procured Semantica Intelligence Software for Tanzania; a national team was assembled in Mozambique to deliver training on wildlife and forest crime; and mentorships were provided across four Uganda Wildlife Authority (UWA) conservation areas.

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<sup>30</sup> This figure is lower than under option 1 as the FCDO contribution of £2.9m is earmarked for the IWTCF and therefore would not be available for ICCWC should we proceed with this option.

<sup>31</sup> The UK contributed £515k to workstream '6.2.1. ICCWC Programme Coordination' out of £3.9m total grants.

Many of the program's activities have been delayed due to Covid-19 and are therefore still ongoing. Because of this, the outputs outlined in Annex G may understate the outcomes that will be achieved as a result of past UK contributions.

The benefits above, and detailed more fully in Annex G, were generated through lifetime project grants of £3.4m. Additional funding for ICCWC projects could be expected to deliver similar benefits to current ICCWC projects but at a greater scale in terms of increased numbers of projects and workstreams funded. **This option would therefore achieve similar kinds of project outcomes as in Annex G but multiplied by a factor of approximately 4** given the total amount of funding available for projects and workstreams and allowing for diminishing returns of between 5-15%<sup>32</sup> and 10% optimism bias.

As under BAU and option 1, there are likely to be additional benefits not being captured, including outcomes achieved post-project completion as a result improved knowledge and capability, strengthened legal frameworks, and international cooperation. These could be expected to be realised according to the scale of additional project funding.

These benefits can be expected to be delivered over a substantially longer time-period than under option 1. Based on past programming, we expect that this level of funding would continue to contribute to program benefits for up to 10 years. In addition, as demonstrated above and in Annex G, the benefits of ICCWC are primarily in enabling effective legal frameworks and practices at the international and national level. Other than its work as part of operation Thunder/Thunderball, ICCWC does relatively little local community engagement and does not address the wider IWT Conference Series pillars, including demand reduction and sustainable alternative livelihoods.

Under a multilateral instrument, programming and policy decisions inevitably represent a compromise between the views of the many different stakeholders, which limits the UK's ability to direct specific projects, activities, thematic or geographic areas. However, should the UK choose to contribute the funds under this option, the UK would become the largest donor (assuming other donors do not increase contributions in line with the UK) and therefore could have a stronger influence over programming decisions.

#### 2.4.1 SUMMARY OF BENEFITS, COSTS, AND RISKS

Table 3. A summary of assumptions, costs and benefits for each of the options relative to 'business as usual'.

	Assumptions	Costs	Benefits
<b>BAU</b>	<ul style="list-style-type: none"> <li>- Admin costs increase to c.5% as a result of retender. Evaluation costs are approx. 1%.</li> <li>- Project grant to co-finance ratio same as existing fund.</li> <li>- Project outcomes similar to sample.</li> </ul>	<ul style="list-style-type: none"> <li>- £4.53m of legacy project grants over 2 years.</li> <li>- £272k administration and evaluation costs.</li> <li>- £3.04m of co-financing for projects (social cost).</li> </ul>	<ul style="list-style-type: none"> <li>- 101% outcomes from sample of projects (Round 2) given in Annex F.</li> <li>- Around £2.73m post-project finance for biodiversity activities leveraged.</li> <li>- Non-quantified benefits: post-project outcomes, knowledge and capability.</li> </ul>

<sup>32</sup> There is no strong basis for selecting the rate of diminishing returns and so a range is taken.

<p><b>Option 1</b></p>	<ul style="list-style-type: none"> <li>- Admin costs increase to c.5% as a result of retender. Evaluation costs are approx. 1%.</li> <li>- Project grant to co-finance ratio same as existing fund.</li> <li>- Project outcomes similar to sample.</li> <li>- Changes to the fund will have a positive effect on outcomes.</li> <li>- No diminishing returns to scale.<sup>33</sup></li> <li>- -10% optimism bias (benefits scaling)</li> </ul>	<ul style="list-style-type: none"> <li>- Additional £20.7m project grants over 3 years.</li> <li>- Additional £1.3m administration and evaluation costs.</li> <li>- Additional £14.5m of co-financing for projects (social cost).</li> </ul>	<ul style="list-style-type: none"> <li>- Additional benefits of kinds outlined in sample projects (IWTCF Round 2, Annex F), multiplied by approx. 4, but with an improvement in benefits and sustainability from: streamlining guidance and increasing the focus of fund (e.g., on demand reduction), Supporting scaling pathways, and improving evidence and outreach.</li> <li>- Additional £12.5m post-project finance for IWT activities leveraged.</li> <li>- Non-quantified benefits: post-project outcomes, knowledge and capability.</li> <li>- Additional UK visibility and influence.</li> </ul>
<p><b>Option 2</b></p>	<ul style="list-style-type: none"> <li>- Project/workstream outcomes similar to sample.</li> <li>- Administration remains the same as existing programming.</li> <li>- Increase in UK contribution will not lead to an increase in contributions from other donors.</li> <li>- Diminishing returns of 5-15%.</li> <li>- -10% optimism bias (benefits scaling)</li> </ul>	<ul style="list-style-type: none"> <li>- Additional £16.7m workstream/project grants over up to 10 years.</li> <li>- Additional £2.5m administration costs.</li> <li>- c.£13.3m program co-financing (social cost).</li> </ul>	<ul style="list-style-type: none"> <li>- Additional benefits of kinds outlined in Annex G, multiplied by approx. 4. These benefits would be delivered over an approx. 10-year horizon and would largely focus on national/international law enforcement capacity.</li> <li>- Additional UK visibility and influence on the program (the UK would become the biggest donor).</li> </ul>

## 2.5 JUSTIFICATION OF THE PREFERRED OPTION

From the analysis above, **our recommended option on VfM grounds is Option 1, Extend the IWTCF for Round 7, 8 and 9.**

Option 1 would likely result in strong benefits delivery, scaling up the demonstrated success of the IWTCF with increased UK international visibility, and continuing to deliver concrete outcomes

<sup>33</sup> Demand for IWTCF funding has been consistently strong and increasing. Throughout the fund's lifetime, it has only funded 12% of total applications per round on average (each round received c.100 eligible applications on average, and funded 12 projects), although not all of these were marked technically strong by the IWTAG. However, there is considerable scope to increase the scale of the fund without reducing project quality and future benefits delivery (future rounds will see a c.40% increase in funding – an average of £6.4m vs £4.5m on average for past rounds.) Of the 16 projects reviewed by an independent evaluator, 61% met or moderately exceeded their expectations, comparable to other funds (66% for the Darwin Initiative) and in line with the nature of the fund (a challenge/innovative fund). Furthermore, should there be any unexpected diminishing returns, we expect these to be offset by the improvements being made to the funds operation and funds ability to manage finance across whole IWT Programme.

including arrests and prosecutions, training of officials, seizures, and targeted media educational campaigns among many other less tangible co-benefits. Albeit having slightly higher social costs, this option delivers high post-project financed leveraged to further increase benefits delivery in posterity and has relatively low administration costs in comparison to option 2 - leaving more funding available for the activities themselves. We expect an improvement in the scale and sustainability of results under this option as a result of streamlining guidance and increasing the focus of the fund, supporting scaling pathways, and improving evidence, best practice and outreach. The programme is strong strategic fit; its objectives directly address the IWT and poverty reduction in developing countries and are aligned with commitments from the IWT Conference Series. Furthermore, challenge funds have been widely used by governments and donors to finance international development programmes where competition can drive the quality of projects. They are commonly used to stimulate innovation and responses to a problem that need to be tailored to a specific context by tapping into local knowledge and capacity.

Option 2 would also likely result in comparable benefits delivery in terms of scale, but due to their largely qualitative nature it is not possible to directly compare outcomes with the previous option (for example in BCR terms). Even so, the benefits of this option deliver only partial strategic fit. While ICCWC's objectives address the IWT, they do not as directly address poverty reduction in developing countries. As demonstrated by the benefits described the focus of ICCWC's work is building long-term law enforcement capacity among national agencies and the programme does not address wider commitments from the IWT Conference Series related to demand reduction and sustainable alternative livelihoods, nor does it to a great extent engage at the community level and build local level capability. This option has relatively high administrations costs as a proportion of the UK's contribution (and relative to option 1) and does not systematically leverage additional finance for post-project activities. Without any form of restructure to the program it would likely experience some diminishing returns as a result of a near doubling of the size of the fund under this option. While the programme is able to support partnership working through its delivery partners' global networks and provide access to external expertise to inform our internal strategic funding objectives, the multilateral nature of the programme means that UK influence and leadership is diluted amongst other donors.

Whilst it is difficult to compare the benefits of each of the options due to their difference in focus and partly qualitative nature, option 1 delivers benefits more quickly (c.5 years vs. c.10 years), has lower administration costs, lower social costs (co-financing), delivers high post-project funding leveraged, and offers better strategic fit by addressing all the key objectives (including, crucially, poverty and livelihoods). Even under the assumption that both options would deliver the same exact scale (or value) of project benefits, option 1 would be preferred based upon these advantages.

### *Sensitivity analysis*

Given the challenges in quantifying the cost-benefit analysis it is difficult to carry out a purely quantitative sensitivity analysis and test the robustness of recommendations to changes in assumptions. However, we consider that the recommendation is robust to any likely variation in key assumptions, as even changing the values in extremis (e.g. setting diminishing returns to zero) would be unlikely to affect the recommendation.

There is no strong basis for accounting for possible variation in the performance (scale of benefits achieved) of the different instruments. ICWCC and IWTCF both have established track records of delivering results. Clearly variations in relative performance across the options would alter the comparison but there would need to be a significant tilt in favour of ICWCC relative to the IWTCF to overcome the wider advantages of the IWTCF.

Another assumption is the expected 5-15% diminishing returns to scale for option 2. If diminishing returns were to be less for this option (even 0%), we would expect the scale of benefits to be increased, improving its VfM relative to option 1. However, this would not impact on the additional drawbacks described above (admin costs, objectives alignment, timeframe), and we expect that option 1 would still be the preferred course of action under this scenario.

Another key assumption is that co-financing under option 2 will not increase with increased UK contribution. Whilst increased contributions from other donors would increase the benefits, it would also increase the social costs of achieving them. In the absence of evidence on the VfM of this spend (that is, whether this spend would have a positive BCR), it is difficult to determine if increased co-financing would lead to a net positive effect to the extent needed to make option 2 our preferred option.

The final area of uncertainty concerns the rate of post-project finance that the options can deliver. Here we have some reliable information for the IWTCF but none for ICWCC. Again, there would need to be substantial relative shift in favour of ICWCC to render this option preferable to the option of extending the IWTCF (option 1).

#### *The four 'Es' of value for money for the preferred option*

Taking FCDO's framework of the '**four Es**' in assessing VfM, Option 1 is seen to represent strong VfM:

- **Economy** will be achieved through competitive procurement of an implementing agency and through the competitive mechanism of the challenge fund selecting projects that demonstrate economy in sourcing inputs.
- **Efficiency and Effectiveness** will also be delivered through the well-established challenge fund mechanisms and technical advisory review board, helping to select projects that can demonstrate strong delivery of outputs and outcomes. The flexible management across IWT Programme will help projects with demonstrated potential to achieve strong outputs and outcomes are scaled up. The knowledge sharing, and evidence and enhanced capability components will strengthen the overall efficiency and effectiveness of Darwin Initiative and wider biodiversity projects.
- **Equity** will be delivered through projects contributing to reducing inequality, including gender inequality, with appropriate monitoring and indicators being established. Through its open and transparent funding mechanisms, the IWTCF will also provide equal opportunities to a range of implementing partners to obtain funding for good quality projects.

## 3. COMMERCIAL CASE

The Appraisal Case provides a high-level justification for the proposed interventions; the following Commercial and Financial Cases set out the delivery model, procurement and financing options

### 3.1 ADMINISTRATION OPTIONS CONSIDERED

The IWTCF and Darwin Plus evolved from the Darwin Initiative. As a result, they share delivery models, quality assurance, due diligence, and are likely to continue to do so. A new administration contract will secure a single Fund Manager capable of delivering vfm and high delivery standards to the three funds, delivering efficiency gains and enabling efficient co-learning.

An appraisal of the administration options for the IWTCF, inclusive of the related Darwin Initiative and Darwin Plus programmes, was conducted in 2020 by Defra analysts in partnership with Government Internal Audit Agency (GIAA) and Defra Commercial (Annex A).

This assessment, summarised here, considered the following administration options:

- a) *Tender the contract, formulated as currently, to deliver the restructured Funds:* benefit from technical expertise available in the market, whilst Defra maintains control of the project payments. Reservations exist over the capacity for the efficient processing of an increased volume and complexity (foreign currency) of payments to projects. **Discounted.**
- b) *Tender the contract, expanding its scope to include the making of payments to grant recipients:* benefit from technical expertise available in the market, and benefit from external expertise to efficiently manage and process c.40% higher volume of international payments without burdening Defra's financial management systems, resulting in vfm. **Preferred Administration Option.**
- c) *Bring all grant administration functions and services in-house to Defra;* a short-term challenge, related to the lack of available technical expertise available, and capacity to administer an increased volume and complexity (foreign currency) of payments. Could be mitigated with resource investment and long-term certainty. **Discounted.**

### 3.2 FUND MANAGER CONTRACT

The new Fund Manager Contract, reflecting the above preferred administration option, legal and commercial advice, is expected to include the following services:

1. To manage the administration of the grant application and award processes for the schemes for the lifetime of the contract, ensuring good use of public money, including:
  - compliance with Government Functional Standard: Grants,
  - delivering administrative functions to set up schemes, including supporting materials and webinars,
  - an effective communications plan to promote the grant schemes and secure high-quality applications from a wide range of organisations,
  - managing the grant scheme website's and social media channels,
  - delivering administrative functions to deliver and manage the operation of funding rounds,
  - conduct or facilitate project assessments and due diligence checks on proposals,
  - delivering administrative functions for new projects and on-going liaison and coordination,
  - making grant payments, i.e. transferring project funds to delivery partners, and
  - overseeing the financial reporting and audits for the projects, and for the schemes.
2. To provide support to the Expert Committee and Advisory Groups, including the IWT Advisory Group (IWTAG), Darwin Expert Committee (DEC) and Darwin Plus Advisory Group (DPAG), including:
  - Holding contracts with and manage payments to members,
  - Supporting administration and sifting for recruitment of new members,
  - To provide effective management and monitoring and evaluation of all projects,
  - support projects refine and develop robust approaches to MEL,

- collating and quality assuring annual results framework data,
  - quality assuring and scoring project reports (annual and final), synthesising these for Defra and DEC, and
  - providing risk management guidance, including safeguarding, escalating issues to Defra.
3. To manage and deliver improved evidence, best practice and outreach, to be developed but potentially include:
    - help identify early indicators of success to strengthen the assessment of proposals to raise the quality and impact of projects,
    - capturing lessons learnt, and best practices for dissemination and to inform adaptive management of projects and selection of future projects,
    - commission the themed reports, to synthesise evidence, to strengthen the quality of interventions,
    - facilitate virtual visits and develop case studies,
    - to plan, organise and facilitate workshops as required, both in the UK and overseas, and
    - develop, refine and manage the new portal and project database.
  4. To liaise with a separate independent M&E contractor on evaluation of the funds, which will involve sharing of documentation, reports and knowledge of the project portfolio.
  5. To provide ad hoc technical advice or briefing on issues arising from new or proposed developments to the grant schemes or specific one-off tasks.

These functions ensure that projects and project applicants are professionally supported, and allows the Defra Secretariat to focus on strategic and policy priorities for IWTCF and other programmes.

We will award the Fund Manager contract for a total of seven years, three years followed by four one-year extensions (3+1+1+1+1). Seven years is the timespan of grants awarded under the Darwin Initiative extension, the longest of the three programmes the Fund Manager contract will cover<sup>34</sup>. By year three of the Fund Manager contract we will have to decide whether to extend the IWTCF and Darwin Initiative for further funding rounds or enter a winding down phase, managing active projects until they close. The one-year extensions will provide flexibility to either procure and switch to a new Fund Manager with responsibility for further funding rounds (if agreed) and terminate the previous contract easily as necessary.

### 3.3 DUE DILIGENCE ON DELIVERY PARTNERS

The Fund Manager will undertake compulsory due diligence on Lead Delivery Partners, who will in turn undertake this responsibility on additional delivery partners. These pre-agreement checks will identify potential risks:

- **Delivery:** Risks associated with achieving the outcome of the project, including approach to risk management, and maintain VfM.
- **Safeguarding:** organisations must have robust safeguarding policies, including whistleblowing, risk management, governance and accountability, and a code of conduct.
- **Operational:** if the organisation capacity and capability to manage the project, including governance, ability to comply with key legislation, and deliver quality assured results.

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<sup>34</sup> IWTCF Round 7, 8 and 9 projects are expected to complete after 5 years.

- **Fiduciary:** the organisation's financial position and stability and ability to effectively and efficiently manage the proposed level of funding.
- **Reputational:** risks associated with actions that impact the reputation of the Initiative or HMG

Contextual risk will be assessed on advice from FCDO in-country offices, including socio-political context or unrest, military activity, or natural disasters. Additional due diligence checks and audits will be undertaken during the implementation to provide on-going risk management (see Financial and Management Cases).

If the due diligence process exposes a risk beyond stated risk appetite or a significant concern, the grant offer can be withdrawn or terminated, should remedial actions not prove possible.

### 3.4 PROCUREMENT STRATEGY

The procurement strategy for the new Fund Manager contract is currently under development and is due to go to the Senior Category Delivery Board for approval on 13<sup>th</sup> July 2021. We intend to go to market for the new Fund Manager contract end of September/early October 2021 to start the new contract by 1<sup>st</sup> January 2022.

The current administration contract, with NIRAS LTS International, is due to complete on 30th June 2021 and raising a STA was considered. However, following discussions with Commercial and Legal we have been advised to extend the current contract to end 31st March 2022 in compliance with Public Contracts Regulation 72. A Change Control Notice (CCN) will be raised and we will continue to operate under the current terms with the same service until a new contract is in place from 1st January 2022. The contract extension will end 31st March 2022 and will provide a 3-month transition period in the event that a new supplier is successful following evaluation, in bidding for the new contract. If the current supplier is successful, then we will terminate the contract extension and start their new contract from 1st January 2022

The following routes to market were considered to secure a new Fund Manager:

- **Direct award to a Fund Manager.** This route would only be permitted if could be demonstrated that a sole supplier is capable of fulfilling the requirements. To make a direct award would not meet HMG commitments to fair and open competition; would not be justifiable on the grounds of need or expediency, and would be highly likely to meet with legal challenge from suppliers. **Discounted.**
- **Use of a framework from FCDO: International Multi-Disciplinary Programme (IMDP).** Suppliers have proven track records of delivering complex programmes and have been assessed for competency in administrative and financial management, risk management, performance oversight and knowledge of conservation and sustainable development. However, this Framework was not established for the procurement of a Fund Manager. This route was the preferred procurement option; however, it has since been established that it is not designed for the level of the spend this programme requires. **Discounted.**
- **Use of Crown Commercial Services (CCS) Dynamic Purchasing System (DPS) RM6172 Grant Services.** This new DPS has only been in place for a short time and few suppliers are registered to date, who have the International experience required to successfully deliver the contract, which may result in limited or no competition to award a contract. In addition, there is a maximum contract term restriction of 4 years on the DPS. For this reason, the DPS is now **discounted** as a viable route to market.



- Procure via open market.** To conduct an open procurement process that is compliant under the Public Contract Regulations 2015, is viable, with potential to ensure a contract is awarded to meet our expectations. An open procurement may be more resource intensive. However, to mitigate the risk of receiving bids from suppliers who do not meet all our requirements, a strong set of technical questions will be asked with minimum scores required for each question and will also include a pass/fail section. To ensure a fair, equal, and transparent competition and that we reach the suppliers with appropriate skills, we will issue a prior information notice (PIN) via Find A tender service. **As frameworks are discounted, the open process is the only identified remaining viable route to market.**

### 3.4.1 FINANCIAL MANAGEMENT RISK

The Fund Manager will be managing substantial sums of public money, and will thus need to demonstrate the capacity and capability to deliver this in line with HMGs low appetite for fiduciary risk. Also, as the contractor will be holding public funds to act as payment administrator, it introduces a credit risk into the process whereby public funds are at risk of being misused or lost before they are disbursed.

The Fund Manager contract will clearly set out the ownership of such risks, expected performance standards, and place appropriate protective contractual measures to manage and review the risk to ensure that remains within our tolerances and appetite. These will be guided by colleagues in both Defra Group Accountability and Governance team, and Government Internal Audit Agency.

### 3.5 PROCUREMENT RISK

Table 4. Key risks considered and discussed with Commercial for this procurement exercise.

Risk Description	Impact	Impact	Probability <sup>35</sup>	Gross Risk	Mitigation	Residual Risk
Tendering process does not complete in time to have a new contractor in place on contract expiry	Critical gap in fund administration. Delivery interruption is a reputational risk Delayed/ceased payments risks project failure.	Severe	Possible	Severe	Use a CNN to provide time to conduct the ITT, reduces the likelihood of the risk. Given the limited nature of the STA, with the ITT process operating in parallel, risk of legal challenge is assessed to be low. Justification for the STA is being prepared to enable assessment of the likelihood of a claim being successful.	Minor
Outsourcing payment process leads to risks of fraud and error	Reputational risks to Defra, threat to project delivery, financial loss	Major	Unlikely	Major	Carry out full DD on contractor, require mapping of delivery chains for each project, scope payment process and F&E mitigations with GIAA.	Minor

<sup>35</sup> Likelihood: Almost certain (>80%), Likely (>50%<80%), Possible (>20%<50%), Unlikely (>5%<20%), Rare (<5%)

TUPE <sup>36</sup> legislation applies to internal staff currently making payments	Loss of staff members currently involved in making payments	Moderate	Unlikely	Moderate	We have consulted with an employment lawyer, who considers the risk to be low	Minor
All bids from do not represent VFM	VFM not achieved impacting outcomes	Major	Rare	Moderate	The utilisation of a framework or open competition will strengthen the quality and vfm of bids.	Minor

### 3.6 MANAGEMENT OF THE FUND MANAGER CONTRACT

We will develop the new Fund Manager contract from Defra’s standard model, working with legal to ensure it is appropriate for the specific contract requirements. Defra will manage the Fund Manager contract using performance-based metrics and KPIs specified in the contract to ensure the supplier’s high performance. KPIS will include requirements around reporting on output/milestone delivery; supply delivery chain management; risk management, spend and financial performance. A dispute resolution process will be set up to enable effectively manage any dispute arising. All contracts will contain mechanisms to clawback misused funds.

The Defra Secretariat will manage and regularly review the Fund Manager contract through at least:

- Quarterly Contract Meetings, to provide progress reports and basic data on applications, reports, claims, website traffic flagging up any potential risks/problems and reporting on agreed KPIs.
- Fortnightly working-level delivery team meetings, to build and maintain relationships, and provide timely input and monitor delivery.

Regular reporting requirements will be stipulated in the contract, but will include:

- an update on project expenditure for each scheme at least two weeks in advance of the annual sift meetings for new projects, so that we can understand the available budget for new projects,
- an annual report to Defra by the end of April, or later by mutual agreement, each year providing a detailed report of the previous application round including:
  - Breakdown of applications and list of successful projects in line with Government Grant Information System (GGIS) requirements
  - A review of closed projects and a summary of their outcomes and impacts, factoring in the findings of the separate M&E contractor
  - Project portfolio breakdown, including an overview of projects by location, target species, theme (and any other agreed upon relevant criteria)
  - Communications overview (website, newsletters, Twitter)
  - Financial reporting (including Change Request data where projects request changes to logframes or payment profiles due to unforeseen circumstances)
  - Workshops held

#### 3.6.1 FUND MANAGER CONTRACT COSTS

<sup>36</sup> Transfer of Undertakings Regulations (TUPE)

The current Fund Manager contract has a value of £560k per year, representing about 3.5% of the total grants administered.

The rescoped Fund Manager contract, with additional activities and responsibilities for the expanded funds will go to competitive tender and is anticipated to cost up to approximately 5% of the total funds allocated each year.

The contractor will be required to submit monthly invoices, clearly setting out delivered activities, disaggregated by workstream, and presented against each fund: Darwin Initiative, IWTCF and Darwin Plus.

### **3.7 PROGRAMME LEVEL MONITORING AND EVALUATION CONTRACT**

Ecorys holds a joint programme level monitoring and evaluation contract for the IWTCF, Darwin Initiative and Darwin Plus. The contract was issued in Sept 2020 (via FCDO Global Evaluation Framework), will complete in March 2022, and is managed by the Defra ODA Programming Lead Analyst.

Ecorys will provide evidence to support programme management and prioritisation, enabling us to maximise the impact of the IWTCF spend and prioritise expenditure against UK policy priorities. The cost (£276,905 over 18 months) will be met by the IWTCF and Darwin ODA budgets.

#### **3.7.1 PROCURING THE SECOND INDEPENDENT EVALUATOR**

In order to test and understand the impact of the IWTCF as set out in this Business Case, a second independent evaluation is planned, to be influenced by the current Ecorys evaluation and procurement options to be assessed.

## **4. FINANCIAL CASE**

The Financial case establishes that the preferred delivery option, identified in the Strategic and Economic Case, is affordable and that the principles of sound financial management of public funds are followed.

IWTCF awards grants that are RDEL in nature and described in Section 2.4.1. IWTCF grants are payable in quarterly instalments in arrears or proportioned for the year. For example, if a project starts on 1 July, they can claim 1/3 of the total for Q2, Q3 and the balance in Q4.

### **4.1 POWERS TO SPEND ODA**

Spending will be under the International Development Act 2002, which provides a power for the Secretary of State to “provide any person or body with development assistance if he is satisfied that the provision of the assistance is likely to contribute to a reduction in poverty”. With respect to the British Overseas Territories, the Act includes a provision to provide assistance where the reduction in poverty is not met.

The programme will adhere to the rules for spending Official Development Assistance (ODA), as it will be provided by an official agency (Defra) and only be used in ODA-eligible countries. Funding will be provided to the delivery partners in the form of a grant. It is not a loan programme, nor does it provide any other complex type of finance to recipient countries.

## 4.2 ACCOUNTING OFFICER TESTS

The accounting office tests (Annex H) have been considered throughout the development of this business case:

- **Affordability** (and financial sustainability): the intervention is *affordable*.
- **Regularity**: The intervention is *regular* as it is compliant with the relevant legislation and guidance in *Managing Public Money*.
- **Propriety**: The intervention is *proper* as it meets the standards in *Managing Public Money* and accords with the generally understood principles of public life.
- **Value for money**: the intervention is assessed as providing *VfM*.
- **Feasibility**: the intervention is *feasible* and *deliverable*.

## 4.3 FINANCIAL RESOURCES & BUDGETS

**We are seeking approval to spend up to £24m of ODA spending for 2021/22 to 2024/25 through this business case.** This includes existing funding commitments to legacy IWTCF projects from previous rounds, approximately £4.8m from 2021/22 to 2023/24, and new funding commitments to Round 7, 8 and 9 projects, up to £19.2m from 2021/22 to 2024/25.

In addition to this, FCDO are providing £2.9m of IWTCF funding from 2021/22 to 2023/24, approved through a separate DFID business case in 2018 and which will contribute towards Round 7, 8 and 9 projects costs.

£6m of Defra IWTCF funding and £600k of FCDO's IWTCF contribution was secured for 2021/22 in the 2020 Spending Review. Future funding will be requested via Spending Reviews and, should it not be secured, funding rounds and commitments will be halted.

As this is a Tier 2 programme (between £5m and £100m whole life RDEL cost) with projects operating up to 3 years, spending commitments will run across Spending Review periods therefore HMT approval will be sought for spending.

## 4.4 CONTRACTED COSTS

Comparable FCDO and Defra programmes to the IWTCF, including ICF, FGMC, and BRACED amongst others, have been benchmarked to indicate likely costs for this programme. Based on this, consultation with evaluation experts and other internal assessments, costs for IWTCF are estimated at:

**Fund Manager contract:** typically range from 5-10% of programme funding, depending on its size, level of risk and responsibilities undertaken. Building on experience to date with the current Fund Manager, we estimate this cost to be around 5%.

**Independent Evaluator contract:** ~3% of total programme funds, dependent on its size, level of risk, innovation and extent of new monitoring data required. We anticipate allocating ~1% to programme-level evaluation, building on the current evaluation work being conducted.

Defra will manage the Fund Manager and Independent Evaluator contracts, so will pay these suppliers directly according to the terms of the contracts. Payments will be made in arrears following satisfactory meeting of milestones, KPIs and other measures as stipulated in the contractual

agreements; this is expected to be monthly for the Fund manager and on the production deliverables for the Evaluator.

Included in the programme's administration costs are IWT Advisory Group costs of approximately £10k a year. We do not anticipate the need to expand the members as the more focused fund will attract fewer high-quality applications as well as larger projects.

#### 4.5 SPENDING PROFILE

Spending has been profiled over an indicative multiyear timeframe (Table **Error! Reference source not found.**5). This includes the delivery of existing commitments to legacy project from previous IWTCF funding rounds, and ensures funding levels are maintained across Round 7, 8 and 9. Spend each year will be contingent upon future Spending Reviews, with provisions in agreements to curtail activities if considered necessary.

It will take until 2023/24 to establish a full portfolio of operational projects, following the launch of Round 7, 8 and 9 projects. Defra funding of up to £24m approved in this business case will be fully spent by the end of 2024/25 and FCDO funding of £2.9m by 2023/24. The business case will need to be extended or succeeded by a new business case to approve the ongoing costs of Round 9 projects in 2025/26 and to launch further IWTCF funding rounds from 2024/25 onwards.

Table 5: Indicative Multiyear Budget Profile (£).

	2021/22	2022/23	2023/24	2024/25	2021/22 to 2024/25 Subtotal	2025/26	2021/22 to 2025/26 Total
IWTCF Legacy (Round 3-6)	£3,130,334.00	£1,146,778.00	£254,831.00	£0.00	£4,531,943.00	£0.00	£4,531,943.00
IWTCF Round 7	£2,898,579.78	£2,828,275.65	£1,687,360.62	£0.00	£7,414,216.05	£0.00	£7,414,216.05
IWTCF Round 8	£0.00	£2,900,000.00	£2,900,000.00	£1,700,000.00	£7,500,000.00	£0.00	£7,500,000.00
IWTCF Round 9	£0.00	£0.00	£2,900,000.00	£2,900,000.00	£5,800,000.00	£1,700,000.00	£7,500,000.00
<b>Total IWTCF Grant Spend</b>	£6,028,913.78	£6,875,053.65	£7,742,191.62	£4,600,000.00	£25,246,159.05	£1,700,000.00	£26,946,159.05
Fund Manager	£300,000.00	£345,000.00	£390,000.00	£230,000.00	£1,265,000.00	£85,000.00	£1,350,000.00
IWTAG T&S	£10,000.00	£10,000.00	£10,000.00	£0.00	£30,000.00	£0.00	£30,000.00
<b>Total IWTCF Administration</b>	£310,000.00	£355,000.00	£400,000.00	£230,000.00	£1,295,000.00	£85,000.00	£1,380,000.00
IWTCF Monitoring & Evaluation	£60,000.00	£70,000.00	£80,000.00	£50,000.00	£260,000.00	£20,000.00	£280,000.00
<b>Total IWTCF Spend</b>	£6,398,913.78	£7,300,053.65	£8,222,191.62	£4,880,000.00	£26,801,159.05	£1,805,000.00	£28,606,159.05

## 4.6 PROJECT FUNDING

On instruction from Defra and in line with agreed governance and safeguards, the Fund Manager will administer the transfer of the funds to the projects.

In line with HMT's guide on Managing Public Money, we will ensure that Defra is not paying in advance of need. Some grantees, particularly smaller organisations with limited capital, will need funding prior to commencing an activity; clearance for this approach will be agreed with Defra prior to any payments. The Grant Funding Agreement will include mechanisms to mitigate the associated risk, including the ability to clawback any misused or unspent funds.

Defra will transfer funds quarterly to the Fund Manager for disbursement to the grantees, on the demonstration of need including, but not limited to, grant claim forms, details of previous and anticipated payments to grantees, payments by fund, and any prepayments or accruals.

The Fund Manager will hold these funds on account, in a dedicated bank account, for the sole purpose of making payments to grantees; any interest accrued will be retained within the account and owned by Defra.

Defra Commercial advise that requiring a Fund Manager to pay grantees in advance of receiving funds, would limit competitive procurement of the Fund Manager as few have the capability or capacity to do so.

HMT approval will be required for the Fund Manager to hold ~£2m, and Commercial lawyers, Finance Business Partners, Managing Public Money and GIAA have been consulted on risk mitigation.

When authorised to make the payments to the grantees, the Fund Manager will:

- provide assurance that all money has been paid to the grantee by way of a bank statement.
- disburse payments to projects only on receipt of validated grant claim forms, which will include required expenditure assurance.
- ensure that project implementers are aware that they bear the foreign exchange risk, as foreign payments are made at the pre-agreed sterling amount.
- not pay projects in breach of funding agreements.
- retain all project and payment records for a minimum of five years after termination of each project.

Defra and the Government Internal Audit Agency (GIAA) need full access to grant documents and financial records, and shall have the right of access to complete audits at the Fund Manager's premises if necessary.

### 4.6.1 REPORTING, MONITORING AND ACCOUNTING FOR FUNDS

The Fund Manager will submit quarterly and annual financial reports, in line with existing HMG programmes and the expectations of Defra Finance, with reports disaggregating data by scheme, project and category of spend, with regular external audits of the Fund Manager conducted.

The Fund Manager will provide projections of spend for the financial year broken down by quarter and major budget category lines, with month by month financial forecasts, accurate to within 2% variation, advising Defra in a timely manner of any unexpected, or significant, changes in forecasts.

### 4.6.2 TRANSPARENCY

Defra requires all its partners to meet the [International Aid Transparency Initiative \(IATI\) standard<sup>37</sup>](#) which aims to ensure that organisations publish information to ‘improve the coordination, accountability and effectiveness to maximise their impact on the world's poorest and most vulnerable people’. This includes the publication of project and programme annual reports and logframes.

#### 4.6.3 GRANT AGREEMENTS

The terms of the grant agreement between the Department and the Grantee are set out in the Grant Offer Letter, together with the Grant Acceptance Form and the terms and conditions of Grant, describes the each partner’s responsibilities including fiduciary, safeguarding, compliance, monitoring and reporting.

#### 4.7 DEFRA RESOURCE LEVELS

Managing the expanded IWTCF, will require resource allocation from Defra (see **Error! Reference s** **ource not found.**7) set out in Section 0. These posts are factored into the Defra resourcing plan; minor additional legal, finance and ODA Hub input will be required. These are funded by a separate budget to the IWTCF, but within the ODA portfolio.

Table 6. Defra Resource Levels

Grade	Annual Cost	Allocation	Cost
Grade 7 (SRO)	£75,216	0.6	£45,130
HEO	£46,415	1.5	£69,623
EO	£39,277	0.5	£19,639
Grade 7 Analyst	£75,216	0.2	£15,043
SEO Analyst	£56,826	0.1	£5,683
<b>Total</b>			<b>£155,118</b>

With respect to the above Defra resourcing, HMT has agreed that the associated should not exceed 5% of the programme budget, and therefore consider these allocations affordable and appropriate.

#### 4.8 BUDGET CLASSIFICATION

In reviewing the Consolidated Budget Guidance 2020-21 (CBG) and details of past and current IWTCF projects; the budget category and any accounting implications for the typical types of projects supported under the IWTCF have been considered.

##### 4.8.1 BUDGET CLASSIFICATION - ESA10

Under the CBG, ESA10 confirms expenditure should be considered against accounting standards IAS 38: Intangibles and IAS 16: Property Plant and Equipment (PPE).

A requirement of all IWTCF funding is that outputs are open access, therefore, there is no ability to sell the intangible asset and there is also no reliable measure of probable future economic benefit as there is no recordable method of tracking who has utilised the evidence findings.

As it is not the intention through these grants to create an asset, neither IAS 38 or IAS 16 would be applicable to this expenditure and would not be budgeted as CDEL nor would it be depreciated in Defra’s accounts.

<sup>37</sup> <https://iatistandard.org/en/about/iati-standard/>



The second aspect to consider within ESA10 is whether the expenditure meets the definition of research and development, for projects which do should be treated as CDEL and expensed with no depreciation against budgets, those that do not are scored as RDEL.

#### **4.8.3 BUDGET CLASSIFICATION - CAPITAL VERSUS RESOURCE**

CBG sets out the distinction whether expenditure scores as capital (CDEL) or resource (RDEL). CDEL is where the recipient uses payments to buy fixed assets or inventory; repay debt or acquire long term financial assets, with other payments be treated as RDEL. Having reviewed a sample of projects, they do not align with this definition of CDEL, and will therefore be treated as RDEL.

Under Treasury guidance we are permitted to change budgets from RDEL to CDEL within the financial year. We therefore believe, as the classification of budgets as CDEL are likely to be minimal and difficult to estimate, that we proceed with requesting an RDEL budget, with any CDEL classification being processed in year and covered in a separate grant agreement. We will move to reduce the likelihood of this need to change RDEL to CDEL through more accurate projections ahead of spending review processes.

#### **4.9 MONITORING, REPORTING AND ACCOUNTING FOR EXPENDITURE**

ODA budgets will need to be tracked and report on both the financial and calendar years.

#### **4.10 FINANCIAL RISK**

Defra has a zero-tolerance approach to corruption and will pursue aggressive recovery approaches. In accepting the Terms and Conditions of the grant agreement, all organisations will be required to adopt a zero-tolerance approach to fraud, bribery and corruption, including but not limited to the Bribery Act; to act immediately if it is suspected, to cooperate fully with HMG and other authorities to bring perpetrators to account, and to pursue aggressive loss recovery approaches.

All agencies must have systems in place to detect and combat fraud. The Fund Manager will hold responsibility for conducting due diligence on lead delivery partners prior to award of grant, and for monitoring and identifying any risks associated with fraud and corruption throughout the programme and must comply with HMG's policies to deliver a zero-tolerance approach.

All grant agreements will contain provision for withdrawing funding, clawing back misused funds, and break clauses to check progress and pause spend where required.

Recipients of awards need to be capable of demonstrating compliance with this Grant Funding Agreement in their spending. If the maximum sum is £100,000 or more, we will require independent end of project audits to confirm expenditure was consistent with agreed objectives and standards; with final claims being reimbursed on the acceptance of the audit's findings.

If an issue is identified the Fund Manager will report this; if required, Defra may instruct the Fund Manager to send written notice requesting the delivery partner:

- Provide specific information as may be maintained by the delivery partner in the course of its regular operations regarding the use of the Contribution,
- Implement appropriate measures to ensure the Contribution is used in accordance with the purposes stated in the grant agreement.

If this process cannot be implemented within 30 days (or any other period agreed) of the last request for information of the delivery partner (which will be deemed as the final period of such consultations), the Fund Manager (with approval from Defra) may terminate the grant agreement. One month's notice will be provided. Any remaining balance of funds, uncommitted for the purpose of the Project prior to the receipt of such notice, shall be returned to Defra within 60 days of the date of the notice. Upon completion or closure of the Project, the delivery partner shall return any uncommitted funds to Defra within 30 days.

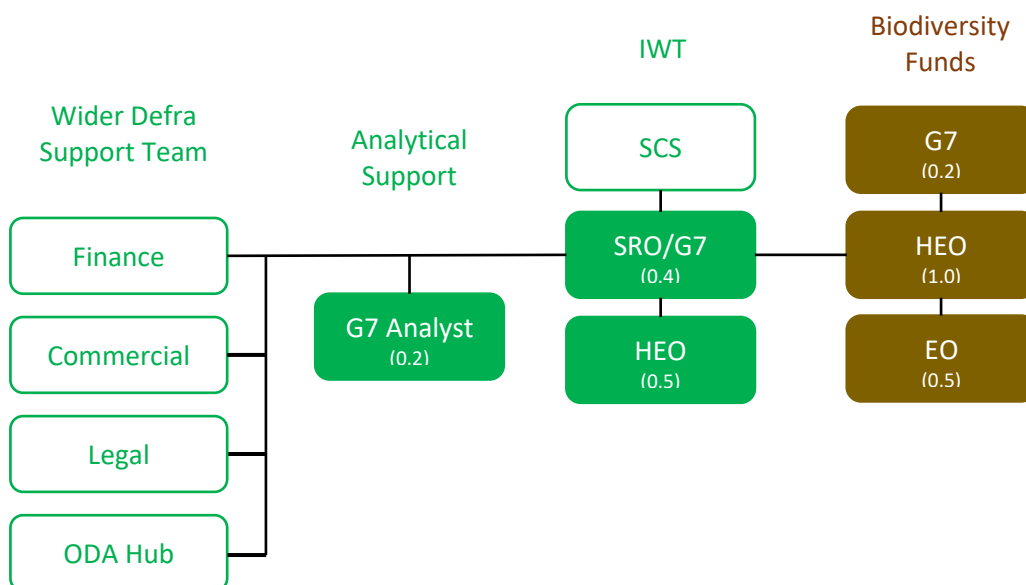
## 5. MANAGEMENT CASE

The IWTCF is an established challenge fund and has been running since 2014 with a track record of delivering positive, tangible outcomes in tackling the IWT. An expanded IWTCF therefore represents a ready-to-go, UK branded and deliverable method of contributing to UK commitments on the issue.

### 5.1 DEFRA RESOURCING REQUIREMENTS

The Defra team required to oversee the programme over its life would include: 0.6 x Grade 7, 1.5x Higher Executive Officer, 0.5x Executive Officer, 0.2x Analyst (see section 5.7 for further details on Defra staffing costs). These IWTCF posts are factored into the Defra resourcing plan. Minor additional senior policy, legal, commercial, finance and ODA Hub input will also be required. These are existing posts with the exception of the Biodiversity Funds HEO resource; recruitment measures are currently underway and funding allocated for this post.

Figure 5. Defra IWTCF resourcing structure



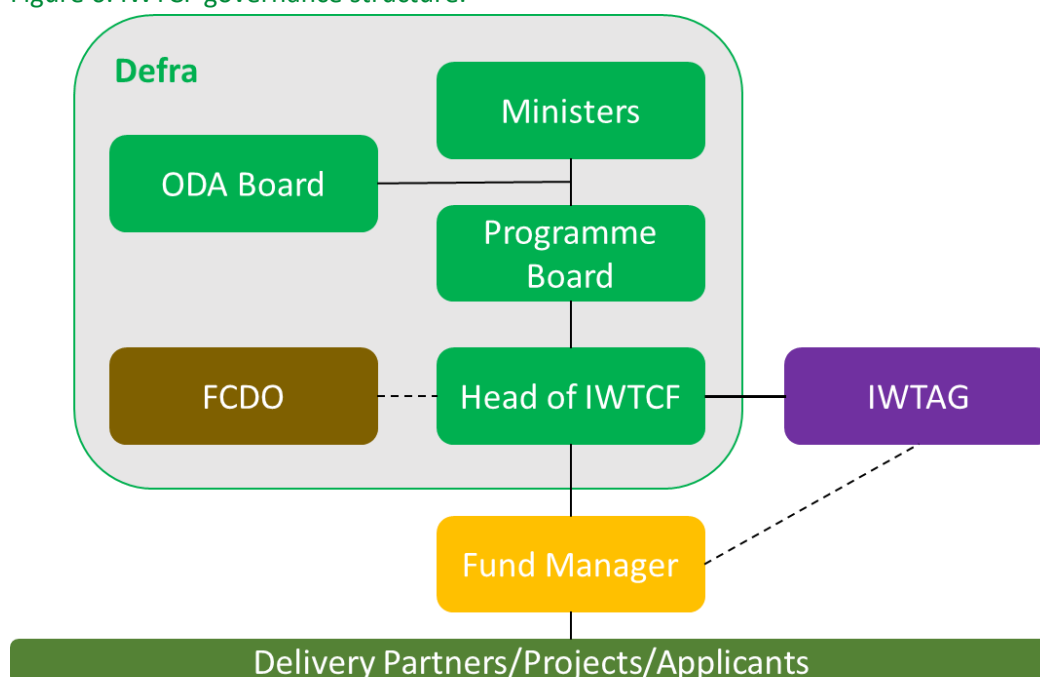
The IWT Grade 7 will be SRO and responsible for programme-level strategy and delivery including risk management, budget forecasting, M&E and adherence to ODA best practices. The Biodiversity Funds G7 will lead on administration of the fund, including contract management. The IWT and Biodiversity Funds HEOs will lead on the delivery of the grant schemes, policy input and project-level liaison and M&E. the EO will support the IWTAG and provide administration support.

For efficiency, the Biodiversity Challenge Funds team will manage the contract with the Fund Manager and retain line management of an HEO working on IWTCF strategy, and the EO working on activities across the IWTCF, Darwin Initiative, and Darwin Plus with costs proportionally met by the funds.

## 5.2 GOVERNANCE

The IWTCF uses established and proven governance structures which are able to support the extension of the programme. The IWTCF will be managed by a Defra-based secretariat, with support from an outsourced Fund Manager, and overseen by a Programme Board and the Defra ODA Board.

Figure 6. IWTCF governance structure.



**Delivery Partners:** Projects will be delivered by a wide range of respected and diverse UK and other organisations, including private sector, universities, research institutes and NGOs<sup>38</sup>, responsible for the design, delivery and compliance with the terms and conditions set out in the grant agreements, including but not limited to fiduciary, legal, reporting, safeguarding aspects and project stakeholder management. They will liaise with the Fund Manager.

**Fund Manager:** Responsible for the administration of the application process, due diligence on potential delivery partners, IWTAG support, on-going project liaison and day-to-day coordination and project-level monitoring and evaluation. As detailed in the Commercial Case, we will retender the Fund Manager contract in 2021 to manage the IWTCF, to also include managing the payments to grantees. The Fund Manager will report to the Head of the IWTCF on routine and escalated issues.

**IWT Advisory Group (IWTAG):** The independent and external IWT Advisory Group (IWTAG) reviews applications to make robust recommendations to Defra on which are likely to achieve the desired impact. The IWTAG includes academics, practitioners and NGO representatives with knowledge and

<sup>38</sup> Full list of at <https://iwt.challengefund.org.uk/project-search/>

experience across the key focal areas of the funds and is currently chaired by John E. Scanlon AO, former Secretary-General of CITES. The operations of IWTAG will be supported by the Fund Manager but will report to the Head of the IWTCF.

**FCDO:** The FCDO is a IWTCF funding partner that develops and agrees the programme’s strategic approach and priorities with Defra. Defra and FCDO have an MoU that requires regular reviews of programme results and decision making. FCDO provide sustainable development and programming expertise and advise on the political context in country where necessary when projects are reviewed. FCDO Posts raise awareness of the programme and support engagement and applications with local organisations in priority countries, visiting projects where capacity allows FCDO Posts also advise on security issues including advising on Overseas Security and Justice Assistance (OSJA) Assessments where required.

*Defra*

**Head of the IWTCF:** The Head will lead the day-to-day delivery of the Initiative: oversee procurement exercises, manage the contracts with the Fund Manager and Independent Evaluator, deliver oversight of programme, financial and risk management, including safeguarding. The Head will report to the Senior Responsible Officer (SRO).

**SRO:** The SRO is ultimately accountable all aspects of programme-level governance and for the programme meeting its objectives, delivering the outcome and realising the benefits. The SRO will be responsible for informing the Programme Board, ODA Board and the Minister on any routine or escalated programme issues as appropriate. The SRO and Head of the IWTCF will ensure policy coherence between the IWTCF and HMG’s wider biodiversity work.

**IWTCF Programme Board:** The Board will meet at least twice a year to retain oversight of the delivery of the Initiative, approving annual workplans including the timing and scale of funding rounds, reviewing the recommendations made by the IWTAG and awarding funding, monitoring the performance and impact through annual reports and evaluation work conducted. It will consist of the IWTCF SRO, Head of the IWTCF, FCDO representative, ODA Deputy Director, Senior Advisor to the Minister, The Chair of IWTCF, and at least 2 independent members.

**ODA Board:** The ODA Board will provide accountability and assurance for Defra’s ODA budget and to provide strategic direction for Defra’s ODA spend. The DG-Chaired Board meets quarterly and consists of Defra Directors responsible for ODA spend, plus Finance, Commercial and the Chief Scientist’s Office. FCDO is also represented. The IWTCF SRO will ensure the ODA Board is kept apprised any significant risk or developments.

**Ministers:** The Minister of State for the Environment will be regularly updated on all developments and will take key strategic decisions. Ministerial decision will be sought should financial or reputational risks arise.

Table 7. High-level overview of roles and responsibilities of Defra, IWT Advisory Group (IWTAG), the Fund Manager and the Delivery Partners (grant recipients).

Key Area	Defra	FCDO	IWTAG	Fund Manager	Delivery Partners
Grantee Selection	Develops and approves guidance.	Advises on political context in	Assesses applications and recommends to	Administers the grant application and	Develops grant applications.

	Oversees the IWTAG. IWTCF Programme Board awards funding.	country where necessary.	Defra proposals based on merit for funding. Reviews project level M&E plans and logframes.	selection process. Assesses applicants M&E strategy. Provides performance indicators to benchmark applicants. Undertakes financial evaluation and due diligence.	
<b>Project level monitoring and reporting</b>	Reviews annual synthesis report.	Receives annual synthesis report.	Receives annual synthesis report.	Day-to-day focal point for projects. Reviews, assesses and scores project reports, before their publication. Synthesises a single project-level report of the portfolio. Conducts midterm reviews on a sample.	Reports against the agreed project-level M&E framework and in line with guidance. Quality assured results and project performance annually.
<b>Programme level monitoring and reporting</b>	Leads strategic direction. Accountable for programme risks. Develops and approves M&E and reporting framework. Reviews logframe and results report.	Assures strategic direction. Inputs and reviews logframe and results report. Inputs and reviews annual review.	Advises Defra on the strategic direction of the fund. Reviews programme level M&E strategy. Receives the Annual Review.	Compiles and quality assures data from delivery partners. Updates the logframe and results framework. Owns risks as agreed with Defra; manages project risks, including	Delivers activities to the agreed standard. Accountable for management of project risks. Timely and efficiently escalates risks and issues. Reports progress to Fund Manager.

	<p>Manages Fund Manager contract.</p> <p>Reviews Fund Manager Annual Report.</p> <p>Conducts Annual Review to assess performance.</p>			<p>fiduciary and safeguarding issues.</p> <p>Reports quarterly on its activities, with an annual report produced.</p>	
<b>Payments and finance</b>	<p>Reviews and scrutinises deliverables from contractors, and authorises payments.</p> <p>Approves the release of funds to delivery partners.</p> <p>Manages the delivery and reporting of the ODA budget.</p>	<p>Annual budget transfer to Defra of FCDO contribution.</p>	<p>None</p>	<p>Reports on deliverables and finance to Defra.</p> <p>Administers project financial change requests and payments to delivery partners.</p> <p>Conducts spot check audits on projects.</p>	<p>Submits financial reports in line with agreements to ensure efficiency of projects payments.</p> <p>Complies with spot checks, audits, and the T&amp;Cs of the agreement.</p>

### 5.3 DELIVERY PLAN FOR 2021/22

The successful projects selected under the current IWTCF funding round, Round 7, will begin in July 2021. Applications for the next IWTCF round, Round 8, will be opened in September 2021. Round 8 will follow the same two-stage application process as previous rounds, which experience has shown supports the quality of applications, and successful Round 8 projects will start by July 2021. For Round 9 and any further IWTCF rounds, where possible, the two-stage application process will be timed so projects start in April each year. This will support the alignment of reporting to the financial year and the programme level annual review cycle.

### 5.4 GEOGRAPHIES

Geographies eligible for the IWTCF need to be listed on OECD DAC list<sup>39</sup>, as the finance is ODA, which includes Least Developed, Low Income and Middle-Income Countries. In assessing applications, IWTAG will take in to consideration the DAC list status to ensure that the limited funds can be allocated according to the overall objective of the IWTCF: to tackle the illegal wildlife trade and, in doing so, contribute to poverty reduction in developing countries. Upper Middle-Income countries would therefore need to present a strong case in meeting the poverty reduction objective in order

<sup>39</sup> Organisation for Economic Co-operation and Development - Development Assistance Committee List: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2020-flows.pdf>

to secure support. The current list of eligible countries is included in **Error! Reference source not found.C**, and this will be kept under review and take into consideration HMG strategic developments. Ahead of each funding round specific geographies may be identified to increase focus of the IWTCF.

## 5.5 PORTFOLIO AND PROJECT MANAGEMENT

Design and delivery follows HMG rules on business case development, Defra's internal quality assurance and approvals processes, and draws on best practice from ODA spend across government. Defra's approach to delivering ODA follows FCDO Programme Operating Framework (PrOF) guidance and a Defra-specific ODA operating manual. This includes procurement rules and approvals processes, transparency and reporting requirements, safeguarding rules and ODA eligibility guidance. It also outlines a standardised approach to managing an ODA project in Defra, incorporating established Project Portfolio Management approaches.

The Fund Manager is responsible for due diligence checks on recipients of grants; including reviewing the independently audited financial statements for the two most recent financial years to ensure that the applicant appears to have adequate financial capacity to manage an award, and is expected to continue operating on a 'going concern' basis, assessing procedures for reducing the risk of fraud and error along the project delivery chain, and spot audits on live projects.

The Fund Manager and IWTAG review delivery partners' safeguarding policies, and ensure that it meets the UK Safeguarding Strategy, OECD and UK Aid Standards including clear investigation and whistleblowing procedures.

### 5.5.1 TRANSPARENCY

Transparency allows HMG to demonstrate to the global community what we are doing to address biodiversity loss and poverty. Defra is committed to ensuring that all ODA spend meets the transparency commitment, as set out in the Aid Strategy, of achieving a rating of 'Good' or 'Very Good' in the Aid Transparency Index by 2020.

Defra registers details of ODA programmes such as business cases, annual reviews, descriptions of the activity, commitments and actual expenditure, location, delivery partners, procurement, due diligence and evaluation details on the IATI registry and FCDO's DevTracker. The department also participates in cross-government transparency learning days, including regular technical discussions, both with other departments and external open data experts.

All successful applications and delivery partner reports are made available via the IWTCF website.

## 5.6 COMPLIANCE AND SAFEGUARDING

### 5.6.2 COMPLIANCE WITH THE INTERNATIONAL DEVELOPMENT (GENDER EQUALITY) ACT 2014

This programme will be fully compliant with the IDA (Gender Equality) Act 2014, furthermore implementation of its activities is expected to generate net benefits for women and children.

Halting and reversing biodiversity loss and degradation is linked to livelihoods. Growing evidence indicates that the declining availability and quality of natural resources and ecosystem services is

leading to increasing levels of poverty and vulnerability, with women, children and other vulnerable groups being disproportionately affected<sup>40</sup>.

Evidence from the Ecosystem Services for Poverty Alleviation ([www.espa.ac.uk](http://www.espa.ac.uk)) programme also shows how that women and men use natural resources differently.

To shape and inform actions to address biodiversity and sustainable development, it is particularly key to understand gender-differentiated biodiversity practices, gendered knowledge acquisition and usage, as well as gender inequalities in control over resources.

All applicants must consider whether and how their project will contribute to reducing gender inequality and at a minimum ensure proposals will not increase inequality and are encouraged to design interventions that proactively contribute to increased equality in communities where they will operate. Applicants are encouraged to provide indicators disaggregated by sex where possible.

The likelihood that projects will contribute to reducing inequality between persons of different gender, will be scored in the assessing proposals, and subsequently monitored during project delivery and reported at the project and programme level.

The IWTCF will also monitor and report on the diversity within its own governance structures, and applicants to the schemes, responding to imbalances where possible.

### 5.6.3 SAFEGUARDING

As the IWTCF directly addresses criminal activity and can fund projects in fragile and conflict affected areas or work with vulnerable people, safeguarding risks may be present. During the assessment of proposals, safeguarding considerations are reviewed to provide assurance that they are in place for all delivery partners and research subjects, with effective prevention and reporting systems in place. Safeguarding advice will be sought from in-country UK missions, including the need to conduct an Overseas Security and Justice Assistance (OSJA) Assessment.

Particular attention will be devoted to ensuring the safety of researchers and local participants in activities, especially in areas where criminal groups (e.g. armed poachers, illegal loggers, miners or smugglers) may be operating. Where Safeguarding issues are noted or realised, they will be escalated to the Fund Manager and Defra.

## 5.7 MONITORING, EVALUATION AND LEARNING

A new MEL Framework is being developed by external contractor, Ecorys, as part of the IWTCF evaluation currently underway and will be finalised by March 2022. The new MEL Framework will be critical to supporting good project management, assessing performance against expected results (see Section 2.7), demonstrating VfM, programme transparency, and identifying evidence to correct or confirm the approach. An initial account of the programme's MEL processes, which will inform the development of the new framework, is also provided below.

### 5.7.1 KEY PERFORMANCE INDICATORS AND OTHER INDICATORS

Key performance indicators (KPIs) and other indicators will be selected or developed to provide metrics to assess performance and success towards the impact, outcomes and outputs developed

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<sup>40</sup> Schreckenberg, K. Mace, G. and Poudyal, M. (eds.): *Ecosystem Services and Poverty Alleviation: Trade-offs and Governance*. Routledge, London, (2018).



from the Theory of Change (ToC), and presented in logframes, at both the programme and project level.

Projects will be expected to report annually against a minimum number of IWTCF KPIs, contributing data to the programme-level logframe to monitor performance and inform decisions. They will also be encouraged to select additional IWTCF indicators with established methodologies for inclusion in project-level logframes with the capability to be compiled at the programme level.

Where possible, indicators will be based upon accepted or adapted methodologies to consistently capture results across the portfolio; some with the capability to contribute to results collection beyond the IWTCF, e.g. HMG Nature Strategy, or relevant MEAs. The methodologies must be proportionate to the value of the metric and balanced with the capability and capacity of the projects.

The indicators will be selected or developed during 2021, reflecting on the recommendations of the IWTCF evaluation underway by Ecorys and wider efforts within Defra and HMG, including Biodiversity Landscape Fund, Blue Planet Fund, International Climate Fund (ICF) and the Darwin Initiative. For illustrative purposes a list of potential indicators is given in the draft logframe in Annex D.

The potential for a transformational impact indicator, influenced by the ICF's transformational change KPI 15, to assess the likelihood of wider systemic changes occurring as a result of IWTCF projects, will be developed.

### 5.7.2 PROJECT LEVEL MONITORING AND EVALUATION

As part of the existing terms and conditions, all projects are required to provide a logframe and complete annual and final reports to review progress against outcomes; these are published on the IWTCF website.

The objectives of project-level M&E strategy is to ensure VfM and effective project delivery; enabling the sharing of lessons learning from across the programme and applying these to existing and future projects; whilst promoting transparency of ODA spend.

The following mechanisms help provide M&E assurances:

- a) The Fund Manager conducts in-year monitoring of projects to identify potential issues that may threaten the project, in compliance with the FCDO ODA Smart Rules on programme delivery
- b) Projects produce annual reports, which are subjected to and scored by an independent, desk-based assessment from M&E and IWT specialists. This provides an opportunity to check for any issues and risks threatening outcomes, to update or improve their logframes, and to reflect on exit strategy to maximise long-term impact.
- c) Projects produce final reports to highlight outcomes, which achievements are likely to endure, whether policies in target countries have been successfully influenced, and outline any updates to the project exit strategy. The final report is independently reviewed and assessed according to whether they have met, exceeded, or not met expected outcomes.
- d) The Fund Manager also conducts Mid-Term Reviews and Monitoring Visits to a sample of projects.

### 5.7.3 PROGRAMME LEVEL MONITORING AND EVALUATION

M&E frameworks are already implemented at the project level and we intend to substantially enhance the M&E at the programme level over the next phase of the IWTCF.

Ecorys, an independent expert contractor, was procured in 2020 to work with Defra and support the development of the IWTCF MEL framework to assess performance against expected results (as set out in Section 2.5).

The IWTCF will adopt FCDO PrOF guidance in its approach to programme MEL. To support this and the transparency of ODA spend, we will publish the following deliverables:

- Programme level logframe
- Annual Review (AR) conducted to assess performance,
- Independent Evaluation, with a Project Closure Report (PCR) at the end of the Initiative.

In addition to the work being conducted by Ecorys, we plan to conduct an Independent Evaluation of the extension of the IWTCF at a point that would support the decision whether to develop a new business case for further rounds of the IWTCF, and if so, its scope and scale.

#### 5.7.4 IWTCF LEARNING

How the IWTCF learns and responds to new evidence needs to become more robust and systematic.

Understanding early which projects are delivering on their outcomes is essential to strengthening the quality of future grant awards. Data on the early performance evidence by project type, delivery partner and geography will be communicated in a way that is useful for IWTAG in guiding their funding and strategic recommendations to Defra.

The Fund Manager assess and scores all annual and final project reports before synthesising the findings into a single report, focusing on impact, results and ways of working.

The new M&E Framework, under development, will strengthen the ability of the programme to identify impactful activities, models and projects that can demonstrate or indicate that transformational change, or scaling, is likely.

As public finance, it is also important that evidence and materials (guides, papers, management plans) generated by the Initiative are accessible and available to inform and shape the actions of others in line with the strategic aims of the IWTCF. This will be achieved through improved delivery of communication and outreach plan.

Lessons learnt, and best practices identified will inform the:

- delivery of active projects, through update programme delivery guidance,
- targeting and guidance of funding rounds,
- work of IWTAG in identifying which projects have the potential to be scaled up to support to support transformative change, and,
- wider effort beyond the IWTCF on tackling the IWT.

#### 5.8 RISK MANAGEMENT

The overall risk of the programme is assessed as **Minor** (Table 9) and is within our risk appetite (Table 8). The IWTCF is an established fund and risks arising from the Covid-19 pandemic have been managed successfully to date through existing processes.

Using FCDO PrOF, we will work with IWTAG, the Fund Manager and Delivery Partners to develop and maintain an effective risk framework.

##### 5.8.1 RISK APPETITE

Residual risk at the IWTCF programme level will be managed to within Defra’s ODA Risk Appetite: the amount of risk to which the Defra is prepared to accept, tolerate or be exposed to at any point in time.

Table 8. Defra ODA Risk Appetite.

Risk Type	Risk Appetite	
	Portfolio	Programme
<b>Contextual</b> - e.g. in-country Socio-political events or unrest, military activity or natural disasters.	Moderate	Major
<b>Delivery</b> - Risks associated with achieving the aims and objectives of the project.	Moderate	Major
<b>Safeguarding</b> - Risk of ‘doing harm’ which includes social exclusion, sexual exploitation abuse and harassment.	Minor	Minor
<b>Operational</b> - HMG’s capacity and capability to manage the programme.	Minor	Minor
<b>Fiduciary</b> - Risk that funds not used for intended purposes or not properly accounted for.	Minor	Minor
<b>Reputational</b> - Interventions or delivery partners’ actions risk reputational harm to HMG.	Minor	Minor

### 5.8.2 RISK ASSESSMENT AND MANAGEMENT PROCESS

#### *Project level*

At the project application and assessment stage, projects will assess risk by carrying out scenario analysis to map the probability of different outcomes, and to provide a delivery chain map. Potential implementers will present a risk assessment under each of the above categories. The IWTAG will then review these assessments against the programme’s risk appetite and coordinate with Defra where concerns are raised.

Once projects are operating, delivery partners will regularly monitor risks to inform and manage their own delivery, and will carry out at annual reviews to monitor risks to report to Defra.

#### *Programme level*

Information drawn from the delivery partners’ risk assessments will support the programme level risk register, to be reviewed every six months, assign risks to owners, and develop mitigating actions and agreed escalation processes.

Operating through a challenge fund approach will help reduce many of the programme-level risks by spreading the risk between multiple delivery partners with established track records and processes.

Building on lessons learnt since 2014, in addition to drawing upon FCDO best practices, means that the IWTCF has tried and tested approaches to managing risk with in-built processes to refine or incorporate new mechanisms in response to risk.

### 5.8.3 MANAGING RISKS OF FRAUD AND CORRUPTION

HMG has a low appetite for fiduciary risk, this will be managed to within this appetite by:

- a) monitoring of payments being made to grantees, and conducting spot audits.
- b) requiring the Fund Manager to provide its annual audit.

- c) requiring the Fund Manager to carry out at least annually, risk-based spot audits on projects to provide assurance at the 80% level of confidence that <5% of projects (or <5% of payment value) during the period under review are in error, and funds are spent to the terms and conditions.
- d) Fund Manager will conduct desk-based audits on all projects at completion, including a risk and quality assurance assessment of whether the report is ready for publication.
- e) Fund Manager will flag any instances of incorrect project claims, or projects not complying with the terms and conditions to Defra within 24 hours of becoming aware or has reasonable grounds for believing that there might be a problem.
- f) Fund Manager will maintain a current counter fraud policy or strategy, in line with Defra's approach including whistle blower capabilities, and support delivery partners to manage and respond to risks.
- g) All grantees (>£100,000) provide an end of project independent audit, to confirm that provided funds were spent on a basis consistent with project objectives.

Table 9. IWTCF Risk Framework.

Risk Type	Indicative High-Level Risks	Impact	Probability <sup>41</sup>	Gross Risk Cat.	Mitigation	Net Residual Risk Cat.
<b>Contextual</b> E.g. in-country Socio-political events or unrest, military activity or natural disasters.	Risk of projects operating in politically volatile and economically unstable contexts or experiencing unexpected or unforeseen events including natural disasters (force majeure) which could affect accessibility.	Moderate	Likely	Major	Ongoing engagement and analysis to monitor likelihood of risk occurring. Security assessments conducted for each project will inform decisions and project risk frameworks. Severe risk will be escalated.	Minor
<b>Delivery</b> Risks associated with achieving the aims and objectives of the project.	Risk of working in challenging environments, implementing a broad portfolio of often novel activities. Risk of Covid-19 impacting forecasting/ future delivery of activities or the capacity of delivery partners to maintain plans. Projects are not sustainable restricting long-term impact of the IWTCF and effectiveness	Major	Likely	Severe	Fund Manager will set out clear forecasts and financial risks to Defra, including all financial reporting and monitoring requirements. Clear guidance on change requests and quarterly payment processes will support adaptive delivery. To date, these processes and flexible budgeting management have ensured spending commitments have stayed on track been sufficient to mitigate the impact of Covid-19. Delivery partners will need to demonstrate experience of successfully working in such environments. Delivery partners will be required to report on measures to ensure the sustainability of interventions. Emphasis on innovation and local solutions will support impact beyond project time frame. Scaling pathways will be identified.	Minor

<sup>41</sup> Likelihood: Almost certain (>80%), Likely (>50%<80%), Possible (>20%<50%), Unlikely (>5%<20%), Rare (<5%).

<p><b>Safeguarding</b></p> <p>Risk of 'doing harm' which includes social exclusion, sexual exploitation abuse and harassment.</p>	<p>Risk of programme or partner staff doing harm or not reporting incidences of sexual exploitation, abuse, harassment or bullying.</p>	<p>Severe</p>	<p>Possible</p>	<p>Major</p>	<p>Maintain, through the Fund Manager, close oversight and due diligence of activities across portfolio, and require all delivery partners to have a safeguarding policy in place including systems to enable reporting and support whistle-blowers.</p>	<p>Minor</p>
<p><b>Operational</b></p> <p>HMG's capacity and capability to manage the programme.</p>	<p>Risk of Covid-19 impacting HMG's capacity IWTCF is not funded in future Spending Reviews, meaning funding is not available for multi-year projects.</p> <p>Risk of established projects being difficult to stop quickly.</p>	<p>Moderate</p>	<p>Possible</p>	<p>Major</p>	<p>Strong governance with clear ToRs, comprehensive documentation of processes, manage vacancy rate.</p> <p>We will ensure the effectiveness, impact, and alignment with UK Gov priorities of the IWTCF in order demonstrate its value and contribution in future spending reviews.</p> <p>Closely monitor quarterly reports to inform whether to stop projects/challenge funding. Include provisions in grant agreements to dictate process by which funding can be withdrawn.</p>	<p>Minor</p>
<p><b>Fiduciary</b></p> <p>Risk that funds not used for intended purposes or not properly accounted for.</p>	<p>Risk of a project's funds being misappropriated for non-programme usage.</p> <p>Risk of poor financial management</p>	<p>Major</p>	<p>Possible</p>	<p>Major</p>	<p>Fiduciary risks will be mitigated by the employment of a Fund Manager to manage and mitigate risk associated with the delivery partners, including through enhanced due diligence, spot checks, reporting frameworks, audits and checks conducted prior to grant instalments being transferred.</p> <p>Disbursement practices enable close monitoring and the ability to halt expenditure, reducing the potential for misuse of funds.</p>	<p>Minor</p>
<p><b>Reputational</b></p> <p>Interventions or delivery partners' actions risk reputational harm to HMG.</p>	<p>Risk of investing HMG funding in poor quality projects/implementers</p> <p>Risk of interventions going wrong/causing harm, or delivery partners acting in a way that causes reputational harm to HMG</p>	<p>Major</p>	<p>Possible</p>	<p>Major</p>	<p>Delivery Partners competitively selected against rigorous technical and financial criteria with independent assessment will help ensures projects meet delivery, quality and strategic objectives.</p> <p>Reporting frameworks, due diligence and spot check conducted by the Fund Manager.</p>	<p>Minor</p>