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| **Title:  International Climate Finance (ICF) Research and Development Programme Annual Review**  |
| **Programme Value:** £9m  | **Review date:** April 2020 to July 2021   |
| **Programme Code:** [ICF-PO011 R&D]   | **Start date:** Apr 2020  | **End date:** Mar 2025  |

Summary of Programme Performance

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| --- | --- | --- | --- | --- | --- |
| Year  | **AR 1**  | **AR 2**  | **AR 3**  | **AR 4**  | **AR 5**  |
| Overall Output Score  | **B** |   |   |   |   |
| Risk Rating   | **Moderate**  |   |   |   |   |

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| DevTracker Link to Business Case:   | **The Business Case is on DevTracker** [**here**](https://devtracker.fcdo.gov.uk/projects/GB-GOV-7-ICF-P0011-RD/documents)**.**  |
| DevTracker Link to results framework:   |  LogFrames for projects can be found on [DevTracker](https://devtracker.fcdo.gov.uk/projects/GB-GOV-7-ICF-P0011-RD/documents) |

This annual review covers the period April 2020 to July 2021 (the extended period due to the fact thatalthough some programme elements commenced in April the majority of the programme commenced in July 2020).  Subsequent annual reviews will run August to July of each year. This annual review reflects on the overall performance and progress of the ICF R&D programme in 2020/21 and part of 2021/22 and identifies the challenges experienced and lessons learned throughout this period, and recommendations for the year ahead. The key message of this annual review is that **the project workstreams initiated within this 16-month period are, overall, meeting expectations** despite the challenging year of the COVID-19 pandemic.

**A. SUMMARY AND OVERVIEW**

**Programme Description**

The ICF R&D programme business case sets out the delivery of **3 main components of the programme** and several associated **projects** which are summarised below:

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| **Component**  | **Project** |
| Component 1: Evidence to inform policy and design of international climate finance: Evidence for policy and programming | * Project 1a: Measuring the impact of aid on nature & identifying ‘best buys’
* Project 1b: Scoping and intervention analysis for future ICF programming
 |
| Component 2: Evidence to strengthen operational delivery of NbS (Nature Based Solutions) policies and programmes: Driving innovation in forest protection and enforcement monitoring | * Project 2a: Tackling illegal logging and deforestation
* Project 2b: Strengthening monitoring, reporting and verification
 |
| Component 3: Build the long-term evidence base | * Project 3: Establish a Global Centre of Excellence (GCOE) on NbS
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The ICF funded R&D programme aims to deliver an **integrated package of projects to strengthen global knowledge and understanding of the interrelationship between the climate and biodiversity challenges in a development context**. Its aim is to inform the design, implementation and effectiveness of global policy and programming. It recognises that the scaling, and effectiveness of natural solutions to the triple challenge of climate change, poverty and biodiversity loss (hereafter referred to as ‘natural solutions’) requires an investment in the primary evidence base needed to inform effective decisions, and drive innovation in the future. The proposed package of work is designed to deliver this comprehensive approach of **meeting both short and longer-term evidence needs**, including to deliver a United Nations Framework Convention on Climate Change (UNFCCC) and Convention on Biological Diversity (CBD) legacy, focusing on ensuring strategic, policy-relevant results and a **global network of knowledge exchange and learning.**

Overall, the delivery of the ICF R&D programme was affected by two key issues: (i) the COVID-19 pandemic and the associated travel restrictions and consequent delays in the delivery of materials and equipment, sickness absence and social distancing measures; and (ii) the cross-Government review of aid spending. These both contributed to delays in project timelines with consequences for the 2020/21 budget. For example, COVID-19-related delays in the transit and servicing of the ‘DART’ machine[[1]](#footnote-2) used in the isotope analysis of timber samples by Royal Botanic Gardens (RBG) Kew under ‘Project 2a. Tackling Illegal Logging’ meant that spend could not be made as planned. There were also delays to the commissioning of research projects under ‘Project 1(b). Scoping and intervention analysis for future ICF programming’ as our strategic priorities re-focused following the review of aid spending.

**Summary supporting narrative for the overall score in this review**

Defra has been able to mitigate the longer-term effects of this to some extent – for example, we have been able to reprofile some elements of project spend allowing for the DART machine to be purchased early in the 2021/22 financial year which has ensured that activities fundamental to the longer-term success of the project can still take place. So, although these external risks have had some effect on the indicator targets for the projects, overall impact has still been achieved against the log frame outputs and the programme level Theory of Change (ToC). There have however been significant delays to delivery – not as a result of failure, but rather circumstances beyond control. The programme showed great resilience and responded positively.

Despite various individual projects that were initiated scoring an ‘A’, not all projects commenced as planned. As a result, **the ICF R&D programme scored an average of ‘B’** for this Annual Review (“Outputs moderately did not meet expectation”) despite the challenges faced being outside the programme’s control.

**Major lessons and recommendations for the year ahead**

Major lessons and recommendations for the year ahead focus on primary risks which may impact the continued, effective implementation of the programme.

Lessons Learnt:

1. Responding to the COVID-19 pandemic. Like many programmes, the COVID-19 pandemic has had a major impact on activities and resulted in delays to equipment, materials and associated sickness absence resulted in delays to milestones. Despite this, the smaller-scale nature of the projects meant that each was individually able to flex and adapt to best ensure output delivery, but the programme will need to take account of possible increased delivery risks related to COVID-19 impact and response.
2. Building in more time to test ideas and learn from experience. The design process for the GCoE has benefitted from taking the time to talk to the market and understand the research gaps that need to be addressed. But this has resulted in consequential project delays; additional time for this process should be built into from the start where we are developing new ideas;
3. Managing small-scale research projects. The flexibility and responsiveness achieved through delivering small research projects needs to be balanced against the resource requirement and complexity inherent in managing multiple projects each with separate routes to market, delivery and financial requirements. Finding a way to bring projects together around shared approaches to delivery could help reduce administrative burden and improve performance.

Recommendations:

1. The programme should establish a more senior-level programme management board to take oversight of our portfolio of projects including the expansion of the GCoE.
2. Define project objectives more clearly in the early project design stages, agree clear indicators at the outset of each piece of work, and disseminate learning more widely to avoid duplication of work.
3. A thorough Defra group Commercial analysis to be conducted when doing direct award due diligence to ensure suppliers’ capability in delivering services and eligibility for funding.
4. Improve scoping and early market research when designing projects to facilitate faster project initiation.
5. Create a financial tracker that accurately tracks budget, forecast and actual for each project, underspend and real-time tracking against business case allocation.

## B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES



Figure 1: Programme Level Theory of Change (ToC)

The ToC posits that by tackling some of the key evidence gaps and learning around the application of nature-based solutions, for which there is a lesser body of evidence than in some other areas of international climate finance, we can unlock the potential to deliver more effective policy and programmes with stronger outcomes for people, nature and climate. The activities set out in the ToC are divided into 3 main component areas with subsequent sub-projects within them where relevant. These are P1: Laying the groundwork for ICF 3.0 (between 2021/22 – 2025/26), building the global evidence base to inform future design of UK ODA programming on nature; P2: Establish a global centre of expertise on Nature-based Solutions (NbS) to address critical evidence gaps in the application of nature-based solutions; and P3: Driving innovation in forest protection and enforcement monitoring to unlock better quality data on nature to support policy and programme implementation.

The programme level ToC as set out in Figure 1 was developed on the basis of a number of assumptions. These assumptions will be revised with the delivery partners for each component and used to shape the logframe. The logframe and ToC will be revised and updated annually to reflect any changes to the programme and to test whether assumptions or pathways to impact are still valid:

1. Data is available for systematic reviews.
2. Where data is not currently available, methodology exists to collect reliable primary data.
3. Decision-makers in low- and middle-income countries, including international partners, will be willing and able to use evidence to guide decision-making.
4. Countries will maintain and continue to use the data/valuations in their national planning after the programme has finished.
5. The evidence products produced are replicable and applicable to specific geographies and policies.
6. Momentum for NbS continues beyond 2020.

**Describe where the programme is on/off-track**

* Project 1a: ‘Measuring the impact of aid on nature and identifying “best-buys’’: on-track. The Joint Nature Conservation Committee (JNCC) is preparing an interactive ‘Nature-based Solutions (NbS) Triple Win Toolkit’ to provide guidance on how best to enhance biodiversity, address climate change and tackle poverty through NbS. The final product and launch event is planned for early September 2021. This provides an exhaustive review of NbS in Development Assistance Committee (DAC) countries with ‘best-buy’ options analysis. A final phase of activity will involve building connections to in-country partners and practitioners, with a case study lead selected as a speaker for the UK Pavilion at COP26.
* Project 1b: ‘Scoping and intervention analysis for future ICF programming’: on-track. Through this component two projects have been commissioned: (i) Vivid has undertaken a ‘Scoping Study for Nature-based Solutions Accelerator’ which has provided evidence on the strategic opportunity for Defra to provide catalytic finance for NbS. The management for this project was then transferred to the FCDO following the review of aid spending in late 2020; and (ii) a scoping project to look at the strategic opportunities for engaging on nature in Brazil with work due to be contracted in the autumn; this work was subject to delay due to the review of aid spending.
* Project 2a: Tackling illegal logging and deforestation: off-track due to delays. The Royal Botanic Gardens, Kew, as delivery partner, are analysing and cataloguing timber samples from DAC list countries to facilitate the creation of a timber reference library to allow for future enforcement activities related to timber imports to deter illegal logging and support more sustainable commodity supply chains. 325 timber samples have been received for analysis during this period and the Direct Analysis in Real Time (Time of Flight) Mass Spectrometry has been procured although delays in shipping meant later delivery than expected. Future potential for work on soy, cocoa and maize is being explored for Q3/4 2021/22.
* Project 2b: Strengthening monitoring, reporting and verification: off-track. Following initial conversations to explore potential routes to market, project options are now being reviewed in light of the ODA review and no procurement has yet been undertaken.
* Project 3: Establish a Global Centre of Excellence (GCoE) on NbS: off-track. The proposed GCoE concept was tested through early market engagement with stakeholders and reviewing comparable programmes and gaps in existing research and development. This elicited a clear demand for a multi-disciplinary research and development programme that would deliver more empirical evidence as well as testing of existing research, more emphasis on issues such as monitoring and knowledge transfer, and a stronger focus on international collaboration and engagement with local communities.

**Justify whether the programme should continue based on its own merits**

Projects that have been initiated under the ICF R&D programme are proceeding strongly and there is confidence, given the priority being afforded to international nature and climate issues, that areas of work that have been paused due to the ODA review can be constructively developed to address need. Following market engagement there are plans to further develop the GCoE concept in light of the market feedback. The recommendation is that the programme remains viable, with potential to deliver transformative outcomes over the longer-term, and should therefore continue.

## C. DETAILED OUTPUT SCORING

**Outputs, activities and supporting narrative for the AR score**

The annual review was developed through data gathering as set out in the logical frameworks (log frames), alongside interviews and engagement with the delivery partners, Defra project teams and Defra ICF R&D Programme staff. Although the projects that commenced were all awarded an ‘A’, the overall programme delivery as part of this AR has been awarded a ‘B’ due to various delays in other projects commencing as planned. These were out of the control of the programme (Covid, ODA Review) but significant enough to affect the overall score of this AR.

Impact and outcomes:

Log Frame Impact indicator assessment is only possible for Component 2, project 2a (Kew) as indicators for Component 1, project 1a were not agreed with JNCC. This is because the Log Frame focuses on outcome and output indicators therefore impact indicators were not covered. A Log Frame for the Scoping study (Vivid Project) under project 1b was not deemed necessary for the purposes of a short scoping output. For project 2a (Kew) all impact indicators are on target. For outcomes, projects 1a and 2a had either met the target or were on target within this AR period.

Outputs:

Outputs across the projects remained consistent with the agreed outputs within each logframe where output indicators were agreed. There were no planned changes. All projects recorded a score of ‘target met’ or ‘on target’ for the output performance. Further detail on the specific outputs for each project can be seen in the relevant logframe.

Table 3: Programme ToC Output Performance:

The table below shows the projects that commenced during this AR cycle. Where projects were delayed no score has been given, and so despite the ‘live’ projects all receiving ‘A’, the overall score for this AR has been adjusted down to ‘B’ to allow for the projects that did not commence – and as such affected the delivery of the programme as set out in the business case.

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| --- | --- |
| Output Number & Description | Score |
| 1. Continuous peer reviewed evidence products on NbS are produced which include detailed research into specific NbS interventions in specific geographies. (Component 3 – Building the Long-Term Evidence Base through a GCoE)
 | B |
| 1. An extensive timber reference library is established; real-time satellite data provides innovative data on carbon sequestration by restoration activity; an online platform to allow verification of tree planting activities; a report summarising the analysis of what works, in what circumstances and how for forest restoration, carbon sequestration and biodiversity gains. (Component 2 – Evidence to strengthen operational delivery of NbS through policy and programmes)
 | A |
| 1. Development of options for the UK to implement a commitment to ‘nature-proof’ the UK’s ODA portfolio and a document of scoped options for investment (Component 1b - Scoping and intervention analysis for future ICF programming)
 | A |
| 1. Exhaustive and quality assured case studies of NbS and ‘best buys’ for programming are produced and robust and applicable biodiversity indicators are produced (Component 1a - Measuring the impact of aid on nature & identifying ‘best buys’)
 | A |
|  | **Average: A** |

Programme Output 1 (Building the Long-Term Evidence Base through a GCoE):

The proposal for the GCoE has been developed and tested through scoping work, early market engagement, sharing experience with colleagues across HMG, and reviewing comparable programmes. This has provided considerable additional information to help shape a proposal that better delivers critical research needs in relation to the conservation and sustainable use of biodiversity and a proposition that is commercially viable for the market to deliver. Among the key learning from this process has been a clear sense that the GCoE should be multi-disciplinary in focus to address a number of interlinked challenges, that there was a need for more empirical evidence as well as testing of existing research, more emphasis on issues such as monitoring and knowledge transfer, a stronger focus on international collaboration and engagement with local communities, and the breadth of research opportunity. Realising this vision will entail further project design work and potentially bids for additional funding.

Programme Output 2 (Evidence to strengthen operational delivery of NbS):

* Project 2a: Tackling illegal logging and deforestation: Kew are making good progress against the LogFrame output indicators despite delays due to Covid-19 and the DART machine delays. All signs at this stage are that all output indicators are on target despite slower than estimated start. This will continue to be monitored including via the interim project delivery report due in October.
* Project 2b: Strengthening monitoring, reporting and verification: The Strengthening Monitoring, Reporting and Verification (SMRV) project with Ecosia failed to initiate due to issues with awarding Ecosia a direct award. Specifically, this was because they were unable to provide evidence as to why they were the only supplier capable of delivering the outcomes/outputs and thus failed the conditions for a direct award. As a result, there was no spend against the SMRV component of the business case in the first year. The funds earmarked for this component will be used for other relevant projects in relation to International Climate Finance such as the IIF Biodiversity project and the 30x30 protected areas scoping study which will be evaluated in the next annual review (due October 2022).

Programme Output 3 (Evidence to inform policy and design of international climate finance):

Project 1b: Scoping and intervention analysis for future ICF programming. This project has been delivered to date and specification; the sole indicator was the timely delivery of the scoping report to specification.

Programme Output 4 (Evidence to inform policy and design of international climate finance ):

Project 1a: Measuring the impact of aid on nature & identifying ‘best buys’. This project is now completed and has successfully delivered the agreed work packages (Work Package 1 - Biodiversity Indicators and Work Package 2 – Principles of NbS. Policy makers now have access to the Triple Win Toolkit to address the question ‘Can NbS effectively and efficiently contribute to simultaneously achieving HMG’s biodiversity, climate and poverty alleviation policies?’ and analysis of ‘what works’. Plans for outreach activities are underway.

**D: RISK**

The risk matrix below provides a summary of the risk for each project within the ICF R&D Programme AR cycle:

|  |  |
| --- | --- |
| **Project**  | **Risk rating**  |
| Project 1a: Measuring the impact of aid on nature & identifying ‘best buys’ | **LOW**  |
|  |
| Project 1b: Scoping and intervention analysis for future ICF programming | **MODERATE** |  |
| Project 2a: Tackling illegal logging and deforestation | **MODERATE** |  |
|  |
| Project 2b: Strengthening monitoring, reporting and verification | **MEDIUM/HIGH** |  |
| Project 3: Establish a Global Centre of Excellence (GCOE) on NbS | **HIGH** |  |

The ICF R&D programme has had a varied risk rating across its projects in the first year which will be explored in more detail below. The average risk of the programme is **moderate** which considers a range of project-level risks from minor to major. The major risk rating comes from the fact that project 3 (GCOE -which accounts for nearly 50% of the total programme) has not commenced as planned; although we are confident of its future trajectory this represents a risk to achieving the overall objectives of the programme.

The moderate risk for project 2a should reduce in Q4 of 21/22 as the analysis of timber samples gathers pace at Kew following the delayed delivery and installation of the DART machine due to COVID-19 related shipping issues (installation is expected to be complete in mid-November).

The programme presents a few very minor risks which are being managed appropriately. The nature of the programme is research and development; therefore, risks are of an academic or programme development nature rather than presenting any severe risks to life, infrastructure or investment.

As new projects start additional risks will be tracked through a programme risk register. Overall, the programme has successfully navigated a difficult period of uncertainty and change and has demonstrated a good level of robustness and resilience.

Future risk management:

With regards to risk management and recommendations and lessons learnt for future years, the programme must:

* Continue to keep project level risk registers active in real time for all live projects
* Create a programme risk register which sets out ICF R&D project risks
* Provide better risk analysis with regards to closing risks on register(s) as well as providing better mitigation options than the first year

Safeguarding:

The ICF R&D programme has not experienced any safeguarding concerns in Year 1 at project sites funded by Defra’s ICF.

**E: PROGRAMME MANAGEMENT:** **DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE**

Delivery/Commercial:

The R&D programme has experienced a range of challenges throughout the review period relating to keeping pace against expected timeframes detailed in the programme ToC and business plan. These are manifest in two key ways:

1. **Delays in carrying out activities due to the COVID-19 pandemic and associated cross-HMG review of aid spending.** Travel and meeting restrictions prevented some activities from taking place while some national and international markets shut down, preventing progress. Particularly effects were felt in relation to staff and supplier sickness, challenges with recruitment and delays to equipment delivery and engineer setup of machinery. While some programme elements are now gathering pace following these delays, others are being re-shaped following the associated cross-HMG review of aid spending.
2. **Testing, learning and refining.** Our proposal for the GCoE has benefitted from a significant period of market engagement and testing of our proposed approach to project delivery. We under-estimated the time required for this, but doing so will help increase the project’s effectiveness in meeting output/outcome targets including long-term transformational change.

Reporting and monitoring:

Projects that commenced during this AR period reported at least quarterly into the Programme Manager and monitoring of logframe adherence was also done through regular project meetings with suppliers. A more rigorous approach is planned for subsequent years as more projects go live and therefore the need for analysis across different workstreams becomes necessary.

Financial:

The project delays described above contributed to an overall underspend of £358,123. As the programme matures we are planning to invest additional resource in programme-level financial management to bring together existing project-level activity and provide a stronger overview of the financial position of the programme. This will be particularly important should additional funds be sourced for the GCoE. A more senior level programme management board will be considered. To date, however, all project reports have been submitted on time with financial updates provided as part of existing Steering Group meetings. Regular finance meetings are also held where partners must provide regular financial reports as part of their contractual requirements.

Value for money:

It is too early in the programme to have meaningful evidence or analysis of VfM. Delays due to the COVID-19 pandemic and cross-HMG review of aid spending have limited the expected outputs and value for money from Year 1; as a result the programme is not as far advanced as anticipated with Components 3 (GCoE) and 2b: SMRV. However, further work is underway to re-design/scope these elements of the programme and the projects are still on track to perform across the five-year programme. Although the content of some of the components has changed since the original business case, and progress on some projects (e.g. the GCoE and SMRV) has been delayed, a number of projects are now delivering while the multi-component concept and focus on policy-relevant knowledge generation remains. The GCoE still intends to deliver the desired outputs and outcomes against the ToC and the SMRV budget has been reallocated to other projects which meet the business case and ToC requirements in subsequent years (which will be reviewed in the next annual review). We therefore believe there remains a strong case for the good value for money of the programme and its ability to deliver long-term transformational change. We will be reviewing value for money in detail later this year as we amend the business case and review the GCoE concept.

Economy:

**Economy refers to buying inputs of the appropriate quality at the right price.** Delivery partners were chosen due to their ability to deliver the best product at the best price. Defra’s commercial processes were adhered to when selecting suppliers to ensure good use of ODA funds and a project was halted when there was insufficient evidence that the delivery partner was best placed to deliver.

Efficiency:

**Efficiency relates to how well inputs are converted into outputs i.e. ‘spending well’.** For projects that commenced during this AR period, outputs were delivered to high standards providing R&D evidence for use across policy and programmes.

Effectiveness:

**Effectiveness relates to whether the outputs produced by the intervention are having the intended effect i.e. ‘spending wisely’.** With regards to KPI 15 we are unable to carry out an assessment at this stage as it is too early in the programme to complete a meaningful analysis. It is also too early to assess the effectiveness of the programme due to time lags between outputs being generated and outcomes being achieved. As projects develop, we will have more evidence to support our analysis in subsequent annual reviews.

Equity:

**Equity refers to how fairly the benefits are distributed i.e. ‘spending fairly’:** Theprojects that did initiate within this reporting period had a gender split with an overall outcome being that more women have worked across the projects than men have. Positives on the JNCC project are that there were 3 G7 women are in post. For the rest of the projects the split is either even or in favour of women.

**Annex A: How the ICF R&D Programme Contributes to KPI 15: Transformational Change**

Transformational change is of critical importance to ICF’s strategy. The [2020 HM Government Support for Policy Change report](https://iati.fcdo.gov.uk/iati_documents/56814448.pdf), conducted in collaboration with Climate Change Compass, recommends that ICF programmes should seek to motivate, generate evidence, and build capacity to deliver political change. Strategic interventions enable ICF to provide integrated support to developing countries to commit to more ambitious and effective national and subnational climate change policies and practices (including regional and local).

Specific outputs and outcomes will be determined jointly between Defra and the delivery partner in the log frame development process. Progress on the outcomes and the overall transformational change will be monitored and evaluated throughout the programme through the ICF’s results collection and annual review process, which will show whether the programme is on track and achieving the outcomes and impacts that are expected in the theory of change. This will be used to continually assess VfM throughout the programme lifecycle. Data collected during monitoring and evaluation will be crucial to ensure VfM given that a quantitative assessment at this stage is not possible, along with the robust governance structures. Currently there are steering groups for projects but the aim is to develop a full governance board structure for the ICF R&D programme.

The programme is expected to contribute to transformational change within 5 years by providing the evidential foundation required to influence decision makers in developing countries, the private sector and donors (including the UK). As such the programme is focused on meeting Key Performance Indicator (KPI) 15: the extent to which the ICF intervention is likely to have a transformational impact[[2]](#footnote-3).

To assess the programme against KPI 15, progress at the output and outcome levels will be assessed. While the Component specific outputs and outcomes will be developed further with the chosen delivery partner, the table below highlights expected outputs, outcomes and impact this programme of work is expected to achieve. The table builds on the Theory of Change (ToC) and will be developed further into both a programme log frame and project log frame along with the selected delivery partners.

Overall, the programme will drive transformational shifts through the effective incorporation of the outputs outlined above to strengthen the evidence base for NbS to tackle climate change, biodiversity loss and poverty reduction propels and catalyses the prioritisation of nature and biodiversity in effective policy making, private sector investment and scalable, effective programming. The uptake of this research will translate evidence into knowledge and action.

1. Direct Analysis in Real Time – Time Of Flight Mass Spectrometer (DART – TOFMS) [↑](#footnote-ref-2)
2. [↑](#footnote-ref-3)