

Biodiverse Landscapes Fund: Andes Amazon Landscape Level Business Case

**Title: BIODIVERSE LANDSCAPES FUND: ANDES AMAZON LANDSCAPE**

**Project Purpose:**

To meet the triple challenge of addressing poverty, biodiversity loss and climate change, the UK government has assigned £100m in Official Development Assistance (ODA) to the Biodiverse Landscapes Fund (BLF), a seven-year programme which will work across six (five transnational and one single-country) landscapes in Africa, Asia and Latin America to support sustainable economic development, protect and conserve ecosystems and tackle climate change in these biodiversity hotspots. The **Andes Amazon landscape** in Latin America has been identified as one of these hotspots.

The Andes Amazon landscape, spanning the border region of Ecuador and Peru, is an area of global importance due to its high biodiversity and diverse ecosystems. However, several interlinking factors are contributing to biodiversity loss in the Andes Amazon landscape, threatening the livelihoods of people in local communities and further contributing to climate change.

This is a landscape-level full business case for the BLF programme in the Andes Amazon. Since the Outline Business Case, a competitive grant competition has been run to select the ‘Lead Delivery Partner’ (LDP) to deliver BLF’s activities in the landscape. Following the evaluation of applications, the preferred applicant is a consortium led by Practical Action.

The desired outputs of the BLF programme in the Andes Amazon are:

- 1) A **shift away from habitat conversion** by prioritising standing forest and applying sustainable landscape management mechanisms that avoid forest loss, promote social well-being and biodiversity conservation, ensuring the long-term viability of the entire supply chain as well as the livelihoods of communities.
- 2) Increased **access to rights and resources** for Indigenous Peoples and Local Communities, and for women.
- 3) A **reduction in environmental damage** from irresponsible extractive activities, by promoting restoration while strengthening state regulation.
- 4) A shift to the **sustainable management of wildlife resources** and local agrobiodiversity, through participatory governance, prioritising standing forest, agroforestry systems and bioeconomy.

These will all contribute to achieving the BLF’s overarching outcomes, which are:

<b>Outcome 1</b>	<b>PEOPLE</b>	To develop economic opportunities through investment in nature in support of climate adaptation and resilience and poverty reduction.
<b>Outcome 2</b>	<b>NATURE</b>	To slow, halt or reverse biodiversity loss in six globally significant regions for biodiversity
<b>Outcome 3</b>	<b>CLIMATE</b>	To reduce greenhouse gas emissions and safeguard natural carbon sinks

<b>Project Value:</b> £17,175,354 (ODA), including administrative costs. Min. 65% of which is ICF	<b>Country/Region:</b> Ecuador and Peru Andes Amazon. <ul style="list-style-type: none"> <li>• Ecuador: Morona Santiago; Zamora Chinchipe.</li> <li>• Peru: San Ignacio; Bagua; Condorcanqui; Jaen and Datem from the Marañon.</li> </ul>
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<b>Project code</b>	<b>Start Date:</b> FY2024	<b>End Date:</b> FY2029
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## Biodiverse Landscapes Fund: Andes Amazon Landscape Level Business Case

## STRATEGIC CASE

### 1. Landscape context

#### Global context and need for UK intervention.

Totalling 114,820 km<sup>2</sup>, 70% of the Andes Amazon landscape lies in north-eastern Peru (covering five provinces) and 30% in south-eastern Ecuador (two provinces). It constitutes the transition of the Andes to the Amazon biome, characterised by high biodiversity and high endemism, as well as cultural diversity from different Indigenous and ethnic groups and nationalities. The area is largely characterised by the mountainous foothills of the Andes and plains. The landscape produces plentiful water, partly due to the condensation zone with high rainfall on the east slope of the Andean Mountain ridge, which is important for the whole Amazon water basin<sup>1</sup>.

The key threats to biodiversity conservation, livelihoods and climate change identified through Defra's Political, Economic and Technical Analysis (PETA) were: habitat conversion through expansion of livestock pastures and agriculture, mainly by smallholder farmers; illegal extractive activities, informal mining by local households to complement income from agriculture; increasing occurrences of illegal mining by small criminal groups, as well as subsistence species extraction (fishing, hunting and illegal timber extraction) in indigenous territories in Peru (mainly in Condorcanqui and Datem del Marañon provinces). These factors lead to deforestation and biodiversity loss, as well as water pollution (mercury from mining), which affect livelihood opportunities and public health, boosting carbon emissions. The economic contraction triggered by the COVID-19 pandemic also led to a significant increase in deforestation and illegal logging.

#### State of Nature and Climate

The Andes Amazon Landscape consists primarily of mountains and plains, with large flood zones submerged for several months a year. This sustains the wetlands, plants and trees specific to this type of ecosystem.

To the west, there is a high natural diversity, with varied geography and climate, and emblematic and threatened species. The montane forests of north-western Peru are highly diverse and host an abundance of endemic epiphytes and lianas. This flora community plays a fundamental role in the capture of horizontal rainfall and provides a great diversity of microhabitats for diverse species of amphibians and reptiles. They are globally important reservoirs of biodiversity and have a critical role in water regulation and maintenance of water quality.

To the east are ecosystems more typical of the lower Amazon, such as the palm swamp developed on almost permanently flooded land, with a layer of peat up to one metre thick; dense palm groves; alluvial flooded forest that are periodically affected by normal floods; non-flooded terrace forest with generally flat or slightly undulating topography up to 20 metres high; low hill forest, with relative heights of 20 to 80 metres; and high hill forest, with relative heights of 80 to 300 metres and steep slopes.

The two provinces in Ecuador have the following ecological breakdown:

- In Morona Santiago province<sup>2</sup>, 72% of the area is native forest and 19.7% is pasture. Around 4,225 km<sup>2</sup> is protected under distinct categories of the national system of protected areas, and 3,916 km<sup>2</sup> is protected forest including the Kutuku which is the biggest protected forest, covering 3,420 km<sup>2</sup> (87% of the total protected forest).



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### People and demographics

Although 70% of the area of the BLF Andes Amazon landscape lies in Peru, around 70% of the population lives on the Ecuadorean side of the border. The Amazon basin provides enormous resources to the economy of Ecuador.

In most of the landscape, 60% of households show high levels of financial poverty. Poverty is higher in rural than in urban areas, in part due to poor infrastructure and low crop and livestock productivity. Widespread poverty incentivises communities to engage in unsustainable livelihoods that extract resources from the natural environment in a damaging way, thus causing a vicious circle between poverty, deforestation, and land degradation.

**Indigenous Peoples and Local Communities:** Despite being a significant minority of the overall population, the rights of the Peruvian Amazonian Indigenous peoples to their lands were officially recognized in 1974 through the ‘Law of Native Communities and Agricultural Promotion of the Jungle and Ceja de Selva Regions’, modified shortly afterwards with the ‘Law of Native Communities and Agrarian Development of the Jungle and Ceja de Selva’. Currently indigenous organisations are proposing ways to improve the legislation focusing on indigenous people and their territory.<sup>1</sup>

There has also been a significant development in the protection of “Peoples in isolation”<sup>2</sup>, through the ‘Law for the Protection of Indigenous or Native Peoples in Isolation and in Initial Contact’ and the legal creation of territorial reserves for this population. In addition, the Law on Prior Consultation of Indigenous or Native Peoples in Peru recognises and guarantees Indigenous Peoples free, prior and informed consultation on plans and programmes for prospecting, exploitation and commercialization of non-renewable resources found on their lands and that may affect them environmentally or culturally, and to participate in the benefits of these projects and receive compensation for the social, cultural and environmental damages they may cause.

In Ecuador, isolated indigenous groups are recognised in the Constitution which establishes that the territories of peoples in voluntary isolation are of irreducible and intangible ancestral possession, and any type of extractive activity is prohibited.

**Women and girls:** Women across the Andes and Amazon region face social, economic and political barriers which limit their ability to exercise their full rights:

- **Social Barriers:**

- According to UN Women, violence against women is widespread in Peru, occurring across income levels, education levels, and age groups. Violence can be a barrier preventing women and girls from fully participating in the social and economic life of their communities. Estimates of lost productivity range as high as 3.7 percent of GDP<sup>4</sup>. In Ecuador, according to a national survey on gender violence (Encuesta Nacional de Violencia de Género), between 2014 and 2017 six out of every 10 women suffered some type of violence, with Indigenous women and women of African descent being the most affected.<sup>5</sup>
- In Ecuador, 26% of women report having experienced some type of sexual violence and 14.5% have suffered sexual violence from their partner,<sup>6</sup> whilst in the Amazon basin of Peru, recent figures

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<sup>1</sup> For example, the Autonomous Territorial Government of the Wampís Nation in the northeastern part of the Peruvian Amazon, near the border with Ecuador, seeks to strengthen and consolidate the system of care, conservation and use of territories. Their aim is to establish an alternative plan for socio-economic development that guarantees the existence and continuity of nature, the rights of the Wampís nation and its culture.

<sup>2</sup> In general, indigenous peoples or groups of indigenous peoples who do not maintain or have never had regular contacts with other peoples, although in most of the cases they have sporadic contact with members of other cultures.

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gathered as part of a World Bank project show that 79% of women between the ages of 18 and 29 report experiencing sexual violence at some point in their life.<sup>7</sup>

- Women in the Ecuadorian Amazon have reduced access to health services; the rate of teenage mothers is 70% compared to 44.7% nationally and maternal mortality is three points higher than nationally.<sup>8</sup> In Peru, By the age of 19, almost 1 in 5 young women in Peru have already had a child<sup>9</sup>
- Indigenous women, especially from the Andes and Amazon regions, have linked gender violence to the struggle for land rights and environmental justice<sup>10</sup> as secure land rights can increase a woman's economic independence and her bargaining power, and therefore reduce her vulnerability to gender-based violence – particularly in low-income, agriculture-based economies.

- **Economic Barriers:**

- Amazonian women are more likely than men to undertake precarious and informal work. Only 13% of women are fully employed and their primary economic activities are often agriculture-based. They tend to be self-employed and dedicate a weekly average of 78 hours to paid, unpaid and subsistence work, compared to 60 hours for men.<sup>11</sup>
- Much lower affiliation of women to the mandatory social security (IESS) and the benefits that provides, including insurance for health, pensions, social security and work risks.
- The use and control of resources is limited by the roles culturally assigned to women.
- Among women in the Ecuadorian Amazon, illiteracy rates are higher than men<sup>12</sup>. In Peru, almost 20% of the Indigenous Amazonian population is illiterate, with Indigenous women (28%) being more than twice as likely to be illiterate as men (12%).

Although progress has been slow the 'voice' of women is, however, growing in the Amazon, and women are increasingly present in political and representation spaces. Many of them are leading the defence of their territories, the environment and the rights of the communities they represent<sup>13</sup>.

## 2. Strategic fit

### Why is the UK – and Defra specifically - best placed to deliver a solution(s)?

There is strong UK political commitment to this agenda, following our UNFCCC COP26 Presidency and international leadership at the UN Convention on Biological Diversity COP15 in 2022, which helped secure the Kunming-Montreal Global Biodiversity Framework to halt and reverse biodiversity loss by 2030 and commitment to mobilise billions of pounds of additional financing for biodiversity. The UK is stepping up its financial support through our £11.6 billion commitment on international climate finance from 2021-26, including £3 billion for nature.

The UK has a strong track record of effective international programming, and Defra leads on HMG policy on biodiversity. Defra uses ODA funds to pursue integrated programming that actively pursues multiple gains for people, nature and climate. There is a value in identifying areas for cooperation with governments and other stakeholders in the Andes Amazon countries, which the UK is well placed to do and can leverage its global network of diplomatic posts to navigate challenging political economies, build core relationships on the ground, and shape delivery. The UK has strong and deepening diplomatic ties with both Ecuador and Peru.

The BLF will build on other Defra and UK funding in the region, which will also have direct learning and read across for BLF global interventions. Defra's Eco Business Fund is active in Ecuador and the Land Degradation Neutrality Fund is active in Peru. The UK has also invested in the region through Defra's Illegal Wildlife Trade Challenge Fund, including co-launching the first Americas Regional Conference on the Illegal Trade in Wildlife in Lima in 2019, as well as through

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the Darwin Initiative which has run a variety of projects in both the Amazon and Andes. With UK HMG support, Peru is raising the level of its ambition on climate and wider environmental goals.

### Wider HMG strategic fit

BLF activities in the Andes Amazon landscape will contribute to the wider UK strategic priorities, including:

- The 25 Year Environment Plan's commitments to use resources from nature more sustainably and efficiently, protect international forests, promote sustainable agriculture, mitigating and adapting to climate change and enhancing biosecurity through reducing the illegal wildlife trade.
- The undertaking to spend £3bn of our £11.6bn ICF commitment, 2021-2026, on nature.
- The Forests and Climate Leaders' Partnership launched at the UNFCCC COP27, which will meet twice yearly to track commitments on the landmark Forests and Land Use declaration made at COP26, which aims to halt and reverse forest loss by 2030.
- Defra's International Strategy to reset the global relationship with nature and to enhance human, animal and environmental health globally.

BLF activities in the landscape will also align with and contribute to the UK's international commitments and its responsibilities:

- The Convention of Biological Diversity (CBD) Kunming-Montreal global biodiversity framework, which sets out strategic goals for 2021-2030, including the "30by30" commitment to protect 30% globally of land and sea by 2030.
- Sustainable Development Goals 15 (Life on Land), 12 (Responsible Consumption and Production) and 13 (Climate Action), as well as the development-focussed SDGs, including 1 (No poverty), 2 (No Hunger) and 10 (Reduced Inequalities).
- The Glasgow Leaders' Declaration on Forests and Land Use, of which the UK is a signatory.
- The Global Forest Finance Pledge, to which the UK has committed £1.5bn of ICF spend, 2021-25.
- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

The BLF will advance the UK's strategic priority of **supporting developing countries to meet their international biodiversity, climate and nature commitments**. Countries in this landscape are well aligned with HMG international commitments, with Peru being a signatory to the Leaders' Pledge for Nature, and both Ecuador and Peru being members of the 30by30 High Ambition Coalition. Not only will this help facilitate BLF objectives in the landscape, but BLF interventions can reinforce this momentum. The BLF will also be well positioned to support Ecuador and Peru's Nationally Determined Contributions (NDCs), in which both countries have a strong focus on forest conservation.

We have worked closely with FCDO Posts in the development stages of the BLF, including consulting with Posts on the priority issues and potential interventions presented in this strategic case to ensure these fit with wider HMG and host government priorities in the landscape. This includes delivering against ambitious global goals and underpinning sustainable growth and protection of biodiversity in the FCDO Peru Country Plan. It also includes responding to the FCDO Ecuador Country Plan's goal to develop Ecuador as a regional climate change and conservation champion, acting as a model for others in forestry protection and re-building its economy in a green, sustainable, and resilient manner. We will continue to work closely with Posts throughout the lifetime of the BLF, and we have hired a Defra funded landscape coordinator to support this who is based in Ecuador, with frequent travel to Peru. This will ensure that BLF funded projects are effectively built into and supportive of our wider engagement strategy in the landscape.

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### 3. Issues, outcomes and impacts

#### Challenging operating context

**COVID-19 increase in deforestation and illegal logging:** The COVID-19 pandemic led to complex economic, social and political challenges in Ecuador and Peru. In both countries, deep recessions and a fall in employment drove internal migration from cities to countryside, which exacerbated deforestation and illegal extractive activities, such as mining and logging. . These risks will be managed throughout the lifetime of the programme by working closely with delivery partners who have extensive experience of working across the region, and the BLF Fund Manager to ensure there is appropriate risk management and safeguarding policies and practices in place. The Management Case provides a comprehensive breakdown of the risks in the Andes Amazon landscape and the mitigations we have put in place, which will be continually reviewed throughout the lifetime of the programme.

**Increase in extractives:** There is a high reliance on illegal extractive activities as a source of income and growth in both Ecuador and Peru. For example, in the provinces of Morona Santiago and Zamora Chinchipe in Ecuador, illegal mining concessions are increasing and threatening local communities.. This represents a serious environmental risk if these concessions are not managed effectively and responsibly. In Peru, mining accounts for around 10% of GDP is its top export sector. It is the world's second largest producer of copper, silver and zinc, and Latin America's largest producer of gold. Substantial private sector investment has been directed to the sector over the past 20 years.<sup>[Obj14][Obj15]</sup>

**Road development:** An Increasing accessibility by road brings risks to natural resources as well as development benefits. A World Bank study indicates that for every kilometre of road built by the oil industry, between 400 and 2,400 hectares of forest are deforested<sup>16</sup>, allowing easier and more economical extraction of natural resources<sup>17</sup>.

**Growing national demand for timber that does not comply with international legal and sustainability requirements:** Certain international markets have clear legal and sustainability requirements that exporting countries must comply with. In Ecuador, the forestry sector mainly supplies the domestic market which does not require timber with the same level of requirements. Similarly, in Peru almost all the logging industry serves the domestic market for further processing.<sup>18</sup>

**Illegal invasion or logging on Indigenous territories leads to land tenure conflicts:** The lands of titled communities continue to be appropriated by settlers (companies and people), especially in areas of high deforestation near major roads.

**Illegal activities:** In the programme's intervention area, illegality in the forest sector has largely been illegal logging.<sup>19</sup> According to a report by Global Witness, large volumes of timber are extracted without valid licenses or permits, using a variety of "laundering" mechanisms to mask illegality. These include falsifying timber harvest operating plans, evading installed controls or through the misuse of the very regulatory documents designed to ensure sustainable logging.<sup>20</sup> Once the timber is falsely legalised, it becomes part of the reserves of medium and large suppliers and buyers.

#### Priority Issues

Within this wider context and, informed by the PETA, the following three issues have been agreed with UK Posts and host governments as the highest current priority issues for the BLF to focus on across the Andes Amazon landscape:

**Priority Issue 1: Habitat conversion/ land-use change (i.e. from forest to chacra) – Smallholders expanding pastures and crops, leading to deforestation and biodiversity loss.**

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The key economic sectors in the Andes Amazon region are coffee and cocoa agriculture, as well as cattle ranching. Soil management practices are rarely implemented, partly because the techniques are unfamiliar, and partly because these can cost more than traditional methods. This causes low and declining crop productivity, encouraging further deforestation to access productive soils. There is a need to increase efforts to promote economic value in the sustainable use of forests and protect them. The agricultural frontier has expanded throughout the past years due to an increase on livestock and agriculture activities showing the opportunity to improve environmental safeguards.

While Ecuador and Peru have made improvements in land use planning, there remains a challenge regarding accountability of these plans.. This is partly due to the perception that farms are private, and it is the owner who decides on the use of their property. As such, there may be limited public scrutiny of these plans despite efforts to improve their availability.

### **Priority Issue 2: The rise in informal and illegal extractive activities, , resulting in biodiversity loss, deforestation, public health problems and social conflict, particularly in indigenous territories.**

According to the Economic Commission for Latin America (ECLAC) (2020),<sup>21</sup> the region's economies are returning to a reliance on exports of primary products, rather than the export of manufactured products, which has a high environmental cost as it relies on extraction of natural resources. The environmental authorities and the extractive ministries (mining, oil) in both Ecuador and Peru face challenges in establishing effective and appropriate control over mining activities. The lack of personnel and resources means that oversight tends to be reactive, with officials intervening when there are serious concerns, such as complaints of environmental contamination or in response to incidences of violence.

Illegal mining is more prevalent than legal and informal mining. It can appear anywhere, does not comply with environmental rules or legislation, and has non-legal financial capital associated with its development. It uses highly polluting practices for the extraction of minerals and generates conflicts with communities. Studies show that in the Morona Santiago and Zamora Chinchipe there are 19 areas of illegal mining, while in Peru it is estimated at 24.<sup>22</sup>

### **Priority Issue 3: Unsustainable extraction of species – flora and fauna – leading to biodiversity loss and declining quality of life for indigenous and local populations.**

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), it is estimated that the legal international wildlife trade has increased by 500% since 2005 (and 2,000% since 1980). Illegal trade, on the other hand, is estimated to have a total value of between USD 7 and 23 billion a year, equivalent to 25% of the legal trade.<sup>23</sup> Although there are no reliable statistics, indigenous communities report that the availability of fish or species for hunting has decreased compared to five or 10 years ago.<sup>24</sup> Compounding this is the reduction of fish and aquatic life due to pollution of rivers.<sup>25</sup>

Illegal selective logging brings lower benefits to indigenous communities who sell their timber to illegal traffickers – as it is illegal timber, the sale price is lower than it would be through legal channels. This illegal trade can operate as the environmental authorities don't have the economic nor the human resources to apply regular controls. As explained above, there are also ways to "legalise" non-legal timber, by using the same legal permits multiple times. It is estimated that once these forested areas are cleared, they will be converted for agricultural use by the communities, causing a permanent land use change.<sup>26</sup>



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### Impact

### Outputs

Based on the priority issues outlined above, Defra developed a set of outputs through consultation with landscape host country governments. These outputs were included in the Specification of Requirements for the Andes Amazon grant competition and have been subsequently adopted by Practical Action in their successful bid:

- 1) A shift away from habitat conversion by prioritising standing forest and applying sustainable landscape management mechanisms that avoid forest loss, promote social well-being and biodiversity conservation, ensuring the long-term viability of the entire supply chain and the livelihoods of communities.
- 2) Increased access to rights and resources for Indigenous Peoples and Local Communities, and women in particular.
- 3) A reduction in environmental damage from extractive industries by promoting restoration while strengthening state regulation.
- 4) A shift to the sustainable management of wildlife resources and local agrobiodiversity, through participatory governance, prioritising standing forest, agroforestry systems and bioeconomy.

### Key Performance Indicators (KPIs)

Applicants to the grant competition were required to propose a logical framework (logframe) that set out realistic targets and KPIs to measure progress against the above impact statement, outcomes, and outputs. Please see Annex K for Practical Action's proposed logframe.

Headline target outcomes from Practical Action's logframe include:

- 207,847 individuals with improved land or nature resource management rights.
- 11,653 individuals with improved incomes or other direct benefits.
- 170 threatened target species persisting in focal areas.
- 50% reduction in deforestation rate, resulting in 60,000 Ha of deforestation avoided.
- 100,000 Ha of land that have received sustainable land management practices.

During the initial phase of funding, Practical Action will work with the BLF Independent Evaluator and Fund Manager to further develop their logframe, including setting baselines and interim milestone targets to measure progress against. Suggested outcome-level indicators were developed by Defra ahead of the grant competition, and these capture, where possible, results relating to the core goals and objectives of major international frameworks such as the UNFCCC and CBD. In addition, because a minimum 65% of BLF funding is from International Climate Finance (ICF), several ICF indicators are used, ensuring the BLF can directly feed into this reporting framework.<sup>27</sup> Where possible, these outcome indicators also align with other Defra programmes such as, Darwin Initiative and IWT Challenge Fund to allow comparison and therefore lesson sharing between different Defra programmes.

Delivery partners will be required to collect data against output and outcome indicators, which will then be collated and stored on a dedicated e-platform and quality assured by the Fund Manager. Baselines will be established by the end of the first year of programming with assistance from the Independent Evaluator and the Fund Manager. This will feed into a learning cycle process every four months to assess progress and inform adaptive programming decisions. There will be an in-depth learning event each year to allow for reflection and learning within each landscape, as well as across the BLF portfolio. The Independent Evaluator will work collaboratively with delivery partners to conduct

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Developmental Evaluation throughout the programme and help them to understand what is/isn't working, as well as producing full evaluations of the programme for Defra at both the mid-point and end of the funding. This information will be synthesised and evaluated in annual reviews on the BLF conducted by the Defra team, which will make recommendations on programme decisions that responds to the evidence. This comprehensive set of MEL activities will produce a significant amount of quality evidence, data and learning, which will be valuable not only for learning within the Andes Amazon landscape, but across the other BLF landscapes and more widely for Defra and HMG. Please see the Benefits Realisation Plan for further detail on the BLF approach to MEL, and the Economic Case for analysis of these target results.

### How will BLF funded interventions in the Andes Amazon landscape address the programme level barriers?

Several barriers to effective landscape approaches were identified in the BLF portfolio level business case, which delivery partners were required to address as part of their grant applications.

In line with this, delivery partners were required to:

- address trade-offs between environment and development objectives;
- address priority issues in an integrated manner across disciplinary boundaries;
- demonstrate their understanding of the landscape and that they have consulted with a wide range of stakeholders, including involving local organisations directly in consortiums - recognising the invaluable contribution contextual knowledge and awareness, experience, and trusted relationships they can provide;
- propose interventions that clearly address the lack of land and natural resource tenure and use rights identified as a key driver of biodiversity loss;
- demonstrate a clear understanding of the systemic and underlying causes of biodiversity loss in the landscape;
- propose interventions that nurture viable alternative livelihoods;
- include a plan for long-term sustainability in their applications for funding;
- demonstrate effective monitoring, evaluation, and learning throughout their proposals.

The Andes Amazon programme proposed by Practical Action will address these barriers through a consortium of local organisations in collaboration with indigenous people and local communities, to ensure activities respond to the priority issues identified above. Practical Action's bid sets out six components to tackle the outputs listed above, focusing on protected areas, strengthening Indigenous Rights and Gender Equity, improving institutional frameworks and increasing the quality and productivity in agricultural value chains.

As part of their application, delivery partners were also required to produce gender strategies which will establish how they will ensure gender-sensitive programming and a clear focus on the needs of and impacts on women and girls. Practical Action will also be provided with a Gender Equity and Social Inclusion Self-Assessment Tool, and related training, to reflect on whether their programme is delivering on its commitments to women and indigenous peoples and local communities. Delivery partners were also required to design and implement projects in a participatory and collaborative manner, including the views of marginalised groups, and monitoring progress through indicators disaggregated by gender, ethnicity, and disability, using 'do-no-harm' principles. Defra has also recently undergone an audit to identify areas where its ODA programmes could be strengthened on gender equality and social inclusion (GESI). Specific recommendations for the BLF include developing a portfolio-level GESI strategy to ensure consistency and coherence, as well as bespoke GESI action plans for each landscape. We intend to further strengthen these aspects of the programme and keep this under review to ensure best practice is being followed. Further information on specific

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activities can be found in the appraisal case, and a comprehensive breakdown of risks and mitigations in place is provided in the management case.

It is recognised that while the BLF can make an important contribution to tackling the priority issues outlined in this strategic case, the need outstrips the funding available. It is therefore important to consider other supporting factors in achieving the desired outcomes. For example, developing stronger relationships with the relevant host governments, generating evidence to support learning and effective programming in the region, and leveraging additional sources of funding.

### Delivery model

As outlined in the BLF portfolio-level business case, the proposed delivery model is a bilateral fund working with a consortium of delivery partners in each landscape via a Global Fund Manager.

The detailed analysis of options in the programme portfolio-level appraisal case provides further information on how investing in landscape-level interventions via a new bilateral fund will be the most effective way to meet the proposed outcomes. The overview of delivery mechanism options in the programme portfolio-level commercial case provides further information on how working with a consortium of delivery partners via a Fund Manager provides the most effective option for delivery, and early market engagement has confirmed that there is both interest and capacity in the market for this approach.

Key barriers to effective programme delivery for the Practical Action Andes Amazon programme include the region's deteriorating ecosystems, which include habitat loss, degradation, fragmentation, and the increasing mining activities, which is having devastating impacts across the landscape. These have particularly adverse effects on women and IPLCs, causing social and economic inequalities. The consortium delivery model proposed by Practical Action tries to mitigate these risks by connecting isolated areas into a transnational corridor, prioritising IPLCs' concerns and working with national, regional and local government authorities to protect the landscape and ensure sustainability, whilst promoting the rights of women and indigenous people.

ODA funding will be allocated under Section 1 of the International Development Act 2002, and expenditure will be in accordance with this legislation and all ODA requirements. £87.9m is available for the BLF's interventions globally. Of this, £10.2m has been allocated to the (already operational) Madagascar landscape, and £1.2m has been set aside for the Supplementary Activities Fund (see section 8 of the Management Case). The remaining £75.6m has been apportioned equally across the remaining five transboundary landscapes, **meaning up to £15.3m per landscape**. £12.3m in each landscape will be awarded in the current round of grant competitions. Applicants have been required to provide detailed plans for how they would use the additional £3m funding. This additional funding will be allocated at a later stage by the Defra programme team based on the evidence provided by grant applicants and our assessments of need and deliverability in each landscape. If the additional £3m funding per landscape is not awarded to the successful applicant in any of the landscapes, this will instead be added to the Supplementary Activities Fund and allocated across the landscapes based on need throughout the lifetime of the programme. Allocations will be monitored and reassessed throughout the lifespan of the programme as activity is implemented, results produced, and lessons learned.

**Biodiverse Landscapes Fund: Andes Amazon Landscape Level Business Case****Theory of change**

As part of the preferred application, Practical Action provided the below Theory of Change (also attached as Annex I – Theory of Change Overview) to demonstrate how their proposed programme can achieve the BLF’s outcomes and impact desired. Annex J – Theory of Change Narrative – sets out, constraints to be addressed and the underlying assumptions of the Theory of Change.

## ECONOMIC CASE

### 1) Introduction and Economic Rationale for Intervention

The Condor Kutuku territory, which spans south-eastern Ecuador and north-eastern Peru, is extraordinarily complex, both ecologically and demographically. Characterised by high biodiversity and home to over 920,000 people, it covers an area of 114,820 km<sup>2</sup>. This landscape has unsustainable levels of environmental degradation and poverty is highly prevalent. The demand for natural resources is high and the access to and use of these resources is poorly managed. This has resulted in rapid deforestation, even in protected areas (PAs), as well as the degradation of wider areas, negatively impacting the biodiversity of flora and fauna and shrinking the size of this critical carbon sink. The indigenous population faces many threats to their livelihoods and way of life from legal and illegal activities that degrade their environment and encroach on their lands.

The economic rationale for the proposed interventions is that by supporting the sustainable and equitable management of critical natural assets in the Andes Amazon, Defra is investing in assets that provide the foundation for long-term sustainable development and poverty reduction in the region. Such investments benefit local communities dependent on nature directly and deliver wider global benefits through avoided greenhouse gas (GHG) emissions and biodiversity loss. Tropical forests are an important element of the wealth of the region, and by tackling the key drivers of deforestation and biodiversity loss – incentives and policies that favour agriculture, cattle ranching and revenue-generating sectors like mining – the BLF will contribute to new models of development that invest in natural capital and share its benefits more equitably.

Due to market failures, alongside governance and institutional challenges, forests and biodiversity are under increasing pressure from unsustainable natural resource extraction and over-harvesting of wildlife. The key drivers are:

- A lack of value attached to the social and environmental benefits that forests and their ecosystems provide due to their public good nature creating **missing markets** for environmental goods and services. This disincentivises their protection and conservation. The conversion of forests to other land uses is largely driven by the lack of tangible financial returns to standing forests compared to the high financial returns to economic development activities such as forestry and mining.
- Overharvesting of wildlife and over-use of ecosystem services leading to degradation, due to the **open access** nature of natural resources, high levels of poverty and weak incentives to sustainably manage wildlife and its habitat. Even where rules and regulations exist, authorities are still facing challenges enforcing them creating a system of perceived open access which attracts harmful economic interests and increasing competition for forest land.
- Market failures are exacerbated by **poorly implemented land use and access rights** for forest land, and insecurity with regard to access and management of natural resources. The importance of addressing land tenure rights in solving the climate crisis was discussed at length at COP27<sup>28</sup>.

Public sector intervention, such as government investment, can help to address these market failures and optimise social welfare by addressing externalities, preventing real or perceived open access, incentivising resource dependent stakeholders to protect ecosystems and correcting information failures.

## 2) Appraisal

### Appraisal design and options overview

At the Outline Business Case (OBC) stage, Political Technical Economic Analysis (PETA) was carried out to identify priority issues that the BLF should aim to address in the Andes Amazon landscape. These were:

1. Habitat Conversion: Smallholders expanding pastures and crops leads to deforestation and biodiversity loss.
2. Extractive Industries: Extractive industries (oil/mining), including informal and illegal mining, cause biodiversity loss, deforestation, public health problems and social conflict.
3. Unsustainable extraction of species: Unsustainable extraction of biological resources leads to loss of biodiversity and livelihoods for Indigenous and local people.

Based on this, the OBC set out a shortlist of three options for intervention, with each “do-something” option presenting a hypothetical scenario of what the bids could look like:

1. BAU – do nothing.
2. Address the priority issues through a multi-pronged conservation approach - **preferred option**.
3. Address key issues through only one intervention strategy.

The preferred option was identified as working through a consortium of delivery partners in the landscape to engage in multi-pronged conservation measures to address the priority issues identified. This was assessed to be the option most aligned to the desired BLF outcomes and overall impact, with multiple intervention approaches permitting longer-term sustainable change. Therefore, the third option was discounted. Following OBC approval, an open grant competition was held to seek bids that would deliver this preferred option.

As set out in the Strategic Case above, applicants were asked to put forward proposals that would achieve the following outputs in the Andes Amazon landscape. These were based on the PETA priority issues above, as well as further engagement with stakeholders and host governments:

1. A shift away from habitat conversion and instead towards prioritising standing forest and applying sustainable landscape management mechanisms that avoid forest loss. This would promote social well-being, biodiversity conservation and ensure the long-term viability of the entire supply chain as well as the livelihoods of communities.
2. A reduction in environmental damage from extractive industries by promoting restoration while strengthening state regulation.
3. A shift to the sustainable management of wildlife resources through participatory governance, prioritizing standing forest and bioeconomy as well as promoting land formalisation.
4. Increased access to rights and resources for Indigenous peoples and local communities, and women in particular.

An extensive evaluation process was undertaken, with bids evaluated by expert panels looking at a range of criteria; please see the Grant Award Report (Annex M) for details on this process. The application from **Practical Action** was assessed as the best programme to meet these outputs, align with the wider BLF objectives and provide the best value for money. This Full Business Case (FBC) builds on the OBC and develops an appraisal of this selected bid as the preferred option compared to the BAU option. **The third option is not taken forward here as it was rejected at OBC stage due to the reasons mentioned above and is now obsolete as the grant competition has taken place.**

As such, only the do-nothing and the single preferred option of selecting the Practical Action bid are now taken forward for appraisal:

1. BAU – do nothing
2. Progress with the Practical Action Andes Amazon proposal – **preferred option**

### ***Option 1: Do nothing/BAU***

Under option 1, Defra would not grant the allocated money through the BLF.

The main benefit would be a cost saving to Defra, allowing money to be spent on other priorities.

However, there would be costs to not progressing with the Andes Amazon programme, which are set out below. It has not been possible to accurately monetise these due to a wide range of interlinked uncertainties; for example, around the scale of pressures and change in the landscape, as well as other possible sources of funding working towards similar aims that may arise in the future. These costs are therefore described qualitatively.

Under a ‘do nothing’ scenario, it is likely that the Andes Amazon’s environment will continue to degrade, its biodiversity will deplete, and its poverty rates will remain high. Increasing population growth, unemployment and in-migration will likely speed the pace of subsistence demands on natural resource and biodiversity loss due to deforestation driven by unsustainable agricultural and ranching practices, species extraction and pollution from mining. Moreover, poor and uncertain land rights, tenure over natural resources and management of protected areas, as well as unsustainable agriculture practices will all also contribute towards this issue. It is estimated that the current average deforestation rate across Peru is 0.1% and Ecuador is 0.79% per year<sup>29</sup>, of which much still occurs in PAs. For example, Practical Action estimate that Ecuador has seen around 287,000 ha deforested in PAs within the last two decades. Degraded integrity of the mountains and plains of the Andes Amazon landscape, an area of global importance for their exceptional water regulation and quality properties, will further exacerbate the region’s already endemic poverty and inequality of opportunity for local, and especially Indigenous, people. Therefore, Indigenous communities may remain excluded with limited opportunities to diversify livelihoods as well as a continued dependence on aquatic and wildlife resources for food security.

Considering the wider funding context, it is not feasible to estimate precisely what will happen in the Andes Amazon landscape until 2029, due to a wide range of uncertainties in the scale of pressures and trends, as well as possible actions from other actors that may deliver benefits. There has – and may continue to be – substantial international funding for conservation projects in the Andes Amazon landscape. For example, Practical Action’s projects in Peru, “Café Correcto” and “Proyecto Bosques del Chinchipe”, which both support developing sustainable livelihoods, as well projects undertaken by its consortium partners, including Nature and Culture International which has several projects focusing on the protection of watersheds and biodiversity. Broader international donors include USAID, GIZ and the Global Environment Facility, who have made significant investments to address drivers of deforestation and biodiversity loss in the landscape. For example, the GIZ programme “Building resilience in the wetlands of Datem del Marañon Province” which aimed to improve the resilience capacities of indigenous communities in the region; and the GEF’s “PROAmazonía”, which aims to promote forest conservation and sustainable production in Ecuador. While it is reasonable to assume that other programming would therefore continue in the Andes Amazon landscape, and even that Practical Action may find alternative sources of finance to undertake some of this work in the future, this is not certain. Moreover, the overall needs in the Andes Amazon vastly outstrip current available funding.

The BLF will complement projects undertaken by other organisations by taking a transboundary landscape approach across the two countries and by providing continuity of funding until 2029. The consortium has been careful to avoid duplication and create a programme which complements existing programming, including their own. For example, the evidence on the promotion of the bioeconomy generated by the GIZ project mentioned above was used to shape the

BLF's focus on establish supporting indigenous communities in bio-business initiatives and sustainable low-carbon productive diversification. Moreover, the learning generated from the GEF programme cited above was embedded into Practical Action's BLF proposal. In addition, the BLF integrates objectives targeting people, nature and climate, rather than focusing on one of these at the expense of the others.

Finally, if the UK opted not to continue with this investment, it might impact relations with the two host governments, Ecuador and Peru, who have already indicated their support, and been extensively engaged. Defra has signed Memoranda of Understanding with both host governments<sup>3</sup> and several visits have been conducted by officials in the landscapes, expressing our intended support for the programme. This generates a significant reputational risk. Most critically, however, not investing would mean we would not meet the landscape level outputs identified above, nor contribute to the significant international commitments and HMG strategies relating to biodiversity, climate, and people.

**This option is therefore discounted.**

### ***Option 2: Progress with Practical Action's Andes Amazon proposal***

Following the open grant competition and expert evaluation, this option would see Practical Action awarded the funding and Defra progressing with the proposed programme for the Andes Amazon landscape until 2029.

Practical Action and its consortium propose a programme which puts people at the centre of landscape management. The programme will operate across three distinctive zones in the Andes Amazon landscape in Peru and Ecuador:

- **Zone 1:** A semi-tropical ecosystem characterised by a varied biodiversity typical of the high jungle, narrow valleys, strong agricultural activity and complex geology.
- **Zone 2:** A lowland rainforest ecosystem of terraces and low hills, which is highly biodiverse and home to many Indigenous peoples, whose livelihoods and ways of life are threatened by illegal activity.
- **Zone 3:** A lowland rainforest ecosystem characterised by the presence of wetlands, containing a 5-million-hectare area with an abundance of "Aguajales" (palm swamp) which makes it the most important carbon sink in the Peruvian Amazon.

The programme will work through a consortium of Non-Governmental Organisations (NGOs) with considerable in-country experience, led by Practical Action, who will be responsible for the overall delivery of the programme. The consortium also includes World Wildlife Fund (WWF), Terra Nuova, Nature and Culture International (NCI), COSPE, AIDSESP, and GRADE. Collectively, these organisations have strong knowledge and experience in the landscape implementing and managing initiatives linked to biodiversity conservation, protected areas, indigenous rights and/or livelihoods over several years. They benefit from regional and sectoral experience and have established strong relationships with IPLCs.

The proposed programme has 6 components which aim to achieve its outputs and overall aim of reducing poverty and creating sustainable economic opportunities for communities living in and dependent on environmentally critical landscapes.



**Table 1:** Component details

Component	Description
<b>Component 1 – Sustainable protected areas: strengthening capacities of territorial actors for the management and conservation of ecosystems, biodiversity and endangered species.</b>	<p>This will improve the participatory governance of natural resources within the landscape and increase the area under protection, by transforming the currently fragmented areas into cohesive, effectively managed “natural corridors”. This will help create the enabling conditions for the legal protection from legal and illegal extractive activities.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Carrying out studies in key sites and implementing community monitoring protocols for endangered species. Supporting the implementation of official species conservation plans.</li> <li>2- Establishing systems to monitor the integrity and loss of ecosystems.</li> <li>3- Supporting the official recognition of the Andean Transboundary Connectivity Corridor (CCAT) in Peru and Ecuador.</li> <li>4- Evaluating the creation of 3 Indigenous and Community Conserved Areas (ICCAs).</li> </ol>
<b>Component 2 – strengthening indigenous rights and gender equity</b>	<p>This will empower Indigenous people to access their rights, protect the landscape and participate in decision making through the development of institutional, technical and advocacy capacities. The representation and empowerment of women leadership in indigenous organisations will also be targeted.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Institutional strengthening of the Autonomous Territorial Governments and their "Life Plans" (local development plans with their own collection of worldviews).</li> <li>2- Providing legal advice to indigenous organisations to defend their rights, resolve demands and favour inclusive processes.</li> <li>3- Implementing a programme to empower indigenous women through local indigenous organisations.</li> </ol>
<b>Component 3 – Coordination and improvement of institutional frameworks and instruments for landscape protection and conflict management</b>	<p>This component aims to halt the deforestation and biodiversity loss caused by illegal gold mining, legal mining concessions, timber trafficking and hydrocarbon exploitation. It will provide Indigenous people with the tools to improve threat and conflict management.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Developing an alert system to monitor and generate incident information, therefore helping to reduce illegal activities in indigenous territories.</li> <li>2- Creation of cross-border socio-environmental strategies to address joint threats and dissemination of socio-environmental educational materials for professional development.</li> <li>3- Promoting the consideration of indigenous agendas in sub-national development plans to help reduce socio-environment conflict.</li> </ol>

<p><b>Component 4 –increasing the quality and productivity of agricultural value chains, practices and processes with a focus on food safety, adaptation to climate change and the protection of forest and landscape</b></p>	<p>This component will seek to develop sustainable economic activities which prioritise standing forest and promote a bioeconomy. It will generate incentives and facilitate IPLCs as guardians of biodiversity.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Introducing agroecological, circular, diversified and resilient farming models via activities such as specialised training, ongoing technical assistance and the establishment of farming field schools.</li> <li>2- Introducing green technologies based on traditional knowledge and complemented - where suitable - by modern innovations.</li> <li>3- Establishment, implementation and operation of four key infrastructures for the ecological transformation and sustainability of the three value chains, including a bi-national organic fertiliser production plant.</li> </ol>
<p><b>Component 5 –support to indigenous communities in bio-business initiatives and sustainable low-carbon productive diversification</b></p>	<p>This component is linked to component 4 and will promote the consolidation and strengthening of bio-businesses to create greater value chains that are compatible with standing forests, creating high-value products and participatory, replicable and scalable management models.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Technical assistance to support the production, collection, bulking and transformation of local biodiversity products and production processes.</li> <li>2- Support for the implementation and/or expansion of regional regulation, plans and programmes for the promotion of biotrade.</li> <li>3- Access to incentives and credits for small and medium initiatives related to bio-business.</li> </ol>
<p><b>Component 6 – Climate finance programme to reduce deforestation in the Condor-Kutuku landscape</b></p>	<p>This component will develop mechanisms to leverage a further £10m public and private climate funding (e.g. Payments for Ecosystem Services (PES) and carbon markets) to help increase landscape value, particularly where there are costly restoration actions occurring.</p> <p>Activities will include:</p> <ol style="list-style-type: none"> <li>1- Strengthening capacities by training local specialists and technicians from indigenous organisations, producers' organisations, and local governments - who can develop, implement and sustain climate initiatives such as PES.</li> <li>2- Supporting the development of flagship initiatives with Indigenous people, REDD+ Indigenous Amazon (RIA).</li> <li>3- Establishing enabling conditions with the national environmental authorities in coordination with indigenous organisations, producer organisations, and local authorities to increase investment in climate, forest conservation and natural resource sustainable management.</li> </ol>

The flexible and adaptive nature of the programme means that Practical Action, as the Lead Delivery Partner (LDP), will test these approaches, scaling up and replicating those that prove successful, to increase the programme's overall effectiveness, and conversely stopping those activities that do not work. We have made a further £3m of 'secondary

funding' available for the Andes Amazon landscape, which Practical Action has bid for to scale up components and reach a greater number of key actors and beneficiaries across the landscape. This will focus on components 3-6, but such activities will also complement and help further scale the results of components 1 and 2. We will take a decision on this once the programme is operational, based on programme-generated evidence of needs and effectiveness.

Potential additional activities include:

- Component 3: Strengthening the linkages of the warning systems with the different levels of the State and with CSO organisations. This will target technical and normative interoperability of Indigenous Early Warning and Action Systems (SAAT) with state systems to provide and channel information that catalyses concrete safeguarding actions. The aim is to implement coordinated and effective response actions against the negative impacts of illegal extractive activities.
- Component 4: Strengthening the productive and technical capacity of the fertiliser plant established under the main funding; building the capacity within the Landscape to produce biological controllers of new pests to enable sustainable response to changing conditions and cycles and extending the proposed organic certification work to access the European market.
- Component 5: Construction of an Amazonian young fish raising centre in the community of Morona-Santiago (Peña) and Biochar production using organic waste from agricultural value chains.
- Component 6: Establish a mechanism to articulate impact investments in the landscape that responds to the needs of the territorial stakeholder, local communities, and the private sector to focus investments in the landscape on local needs and opportunities.

## Methodology and Assumptions

Given the inherent difficulty of quantifying and subsequently monetising biodiversity-related benefits, risks to delivery identified by the PETA analysis and the uncertainty surrounding the inputs to this appraisal, assumptions have been applied to estimates of costs and benefits. These assumptions are consistent with those used in the OBC and relate to **additionality, leakage, and optimism bias**. **Sensitivity analysis has been deployed throughout.**

The net present value and benefit to cost ratio are estimated below using the following assumptions:

**Table 2:** *Details of appraisal assumptions*

Appraisal assumption	
Additionality	50% <sup>4</sup>
Leakage	75% <sup>5</sup>
Optimism Bias	50% <sup>6</sup>

<sup>4</sup> Conservative parameters consistent with OBC assumptions.

<sup>5</sup> Conservative parameters consistent with OBC assumptions.

<sup>6</sup> 50% optimism bias was assumed at OBC stage and although we now have improved clarity of the interventions and expected outputs, remaining uncertainties have meant large assumptions have still been made to facilitate monetisation. For this reason, it has been decided that 0.5 will also be used at FBC stage to provide a conservative estimate.

## Analysis and Results

Detailed analysis has been carried out to assess the costs and benefits of option 2 compared to the BAU option 1. The monetised elements and BCR should be treated as partial, excluding the non-monetised benefits described below, and as an indicative tool only. The quantified and unquantified elements should be considered with equal weight alongside the numerical analysis.

### Summary of Results:

**Table 3:** Summary of central scenario results excluding secondary funding, discounted, 2021/2022 prices.

Discounted central scenario	
<b>Total Costs</b>	£13.0m
<i>Ecosystem services</i>	£13.1m
<i>Additional income generated</i>	£2.6m
<b>Total benefits</b>	£15.7m
<b>Net present value (NPV)</b>	<b>£2.7m</b>
<b>Benefit cost ratio (BCR)</b>	1.2

Overall, the central scenario, which excludes the cost of the secondary funding, suggests that **the preferred option of funding Practical Action's proposed programme would have a NPV of £2.7m and a BCR of 1.2**. In other words, based on this relatively high-level analysis, it is estimated that the benefits will be at least 1.2 times higher than the costs, providing good value for money according to Green Book guidance.

As set out above, during implementation we will assess whether to allocate the £3m secondary funding which is available to expand on the proposed programme components. If the full £3m is not allocated to the Amazon Andes landscape, it will go into the BLF's Supplementary Activities Fund to be spent across all BLF landscapes based on need across the lifetime of the programme. However, assuming the full £3m is spent on the Andes Amazon landscape, and that this is split evenly over the 7 years of programme work, this adds an extra £2.3m to the total cost line (deflated and discounted). The monetised benefits in this appraisal case are based solely on the primary funding bid but are expected to *increase* as the secondary funding is deployed. The table below shows the NPV and BCR with the full secondary funding included in the cost line. This demonstrates that even in a scenario where no additional monetised benefits are captured, the proposal continues to offer good value for money with a BCR of 1.0.

**Table 4:** Summary of central scenario results including Secondary Funding, discounted, 2021/22 prices

Discounted central scenario with Secondary Funding	
<b>Total Costs</b>	£15.3m
<i>Ecosystem services</i>	£13.1m
<i>Additional income generated</i>	£2.6m
<b>Total benefits</b>	£15.7m
<b>Net present value (NPV)</b>	<b>£0.4m</b>
<b>Benefit cost ratio (BCR)</b>	1.0

However, these results only consider two benefits and therefore should be considered alongside the reinforcing quantitative and qualitative benefits below to capture the full value for money implications of option 2. Further, due to the assumptions necessary to monetise these benefits, the results from the sensitivity analysis (Table 6) are equally

as important to consider as a range around the central scenario. These results suggest **a low scenario BCR of 0.7 and a high scenario BCR of 1.3**, taking the secondary funding into account to be conservative, which indicates that alongside the several non-monetised benefits and additional benefits from the secondary funding, this programme has **good value for money potential**.

## Costs

From the total BLF budget of £100m, **Defra will provide £12.3m** to Practical Action in the Andes Amazon Landscape as primary funding and may provide up to £3m further in secondary funding. Alongside this, Practical Action will **leverage a further £4.1m** in additional funding for the programme. This brings the total societal cost of option 2 to £19.4m. As the benefits analysis includes all activities funded by the total programme budget, the additional leveraged funding is considered as a wider societal cost and included in the BCR calculation. Figures in Table 5 displaying the cost breakdown are undiscounted and nominal, in line with Practical Action's budget template. This budget will be allocated based on the delivery partner's proposal, and scrutiny of the budget template formed a key part of the bid evaluation, although this is subject to change throughout the inception period and programme lifetime. Further detail can be found in the Financial Case.

**Table 5:** Cost breakdown. Undiscounted, nominal and inclusive of secondary funding

Cost category	Option 2 cost, undiscounted (£m)
<b>Programme delivery</b>	£13.9m
<b>Monitoring, evaluation &amp; learning activities</b>	£1.3m
<b>Administration</b>	£1.1m
<b>Secondary funding</b>	£3.0m
<b>Total funding</b>	£19.4m
<i>Of which...</i>	
<i>Defra funding</i>	£15.3m
<i>Leveraged funding</i>	£4.1m

No optimism bias has been applied to the costs as the current cost to Defra is fixed to the funding amount identified above. When deflated and discounted over the 7-year project period using a discount rate of 3.5% in line with HMT Greenbook, the total costs are £15.3m.

## Benefits<sup>7</sup>

The overarching impact of this programme is to reduce poverty and create sustainable economic opportunities for communities through the delivery of lasting landscape protection, sustainable management and restoration, safeguarding biodiversity, and maintaining and improving ecosystem quality. The programme will contribute to this impact by taking an integrated focus on people, nature and climate, recognising that benefitting one at the expense of the others is inherently unsustainable. The six components are expected to realise several benefits which feed into

<sup>7</sup> Please see Benefits Realisation Plan for further information on how we expect these identified benefits to be realised.

one or more of the three targeted outcomes (people, nature and climate). The benefits relate to the full budget, inclusive of both the Defra primary funding and the leveraged funding but exclusive of the secondary funding. The benefits set out here are additional, in comparison to the BAU baseline. All quantification and benefits outlined below were calculated by Practical Action and extracted directly from their bid, acknowledging the risks around this we have conducted sensitivities and applied significant adjustments within the cost benefit analysis.

### *Monetised benefits*

Ecosystem services:

The Practical Action programme aims to **reduce deforestation rates by 50%** in the landscape. This target is informed by the experience of the consortium partners already working in the landscape and will be further explored and refined during the inception period. Based on projections of the average rates of deforestation over recent years<sup>8</sup>, a reduction of 50% is estimated to equate to around **60,000 hectares** of forest over the lifetime of the programme.

**Table 6:** Estimates used by Practical Action to reach deforestation target.

Province	Projected Deforestation (2024 to 2029) 6 years	Deforestation avoided (2023 to 2028)	Ecuador	Perú
Morona Santiago	47,400	24,467	24,467	
Zamora Chinchipe	27,900	14,402	14,402	
Condorcanqui	13,138	6,782		6,782
Bagua	6,000	3,097		3,097
San Ignacio	4,226	2,182		2,182
Jaén	2,100	1,084		1,084
Datem del Marañón	15,473	7,987		7,987
<b>Total</b>	<b>116,237</b>	<b>60,000</b>	<b>38,868.73</b>	<b>21,131.27</b>

Although Practical Action intends to monitor the greenhouse gas emissions saved by this reduction in deforestation, a reliable estimate is not available at this time. Therefore, for the purpose of this analysis we have used an estimate of the per hectare value of the ecosystem services provided by the standing forest, which does include an estimate of the value of carbon storage. The per hectare value of ecosystem services used is £1,329, based on the average global value per hectare for open tropical forest (EVSO 2020) converted to 2021 GBP. This value is consistent with the Outline Business Case analysis and is used as specific valuations do not exist for all the target areas within the Andes/Amazon landscape. Given that this is an indicative figure only and a further baseline assessment will need to be carried out during project inception to assess forest cover and carbon sequestration potential and finalise targets, a 25% range above and below was conducted as a sensitivity to account for the potential that the true benefit could be above or

<sup>8</sup> Comparison of programme records on deforestation progress and estimates made by the relevant authorities (National Forest and Wildlife Service in Peru and the National Forest Control System in Ecuador).

below this estimate. Based on these assumptions and discounted using a 3.5% discount rate, the **central scenario is valued at £13.1m over the appraisal period**. This links to a key International Climate Finance (ICF) indicator (KPI 8) of deforestation avoided as a result of the intervention.

Income:

Another key benefit is the additional income generated through the activities associated with components 4 and 5. Through a combination of agroecology practices on family farms (8,861 farmers) and economic diversification into non-timber forest products (2,792 farmers), Practical Action has estimated that a total of **11,653 farmers will benefit from improved income** out of a total target population of 207,847. To reach this estimate, Practical Action have only included the farmers themselves as beneficiaries. Practical Action target a minimum 10% increase in income for each of these beneficiaries, which has been used in this analysis. As the estimate has been provided by Practical Action, we have treated it with caution using the adjustments detailed in the methodology section and conducted significant sensitivities. Although no baseline was provided by Practical Action, the PETA report commissioned by Defra completed similar indicative calculations in which they used a conservative estimate of Ecuador's minimum wage as a proxy for the average monthly income of rural workers. This is £363.12/month. We have used this estimate to monetise the income benefits over the 7-year programme, but due to the absence of robust income estimates, a large sensitivity of 50% above and below the central estimate has been conducted. Also, rather than assuming that all 11,653 people benefit from increased income in year 1, we have assumed a cumulative increasing profile across the 7 years of the project, with 1/7 of the people starting to receive an uplift in year one, rising to the full amount by year 7. Benefits are also deflated to FY 21/22 prices, and discounted using a 10% discount rate, as per the guidance for foreign benefits. **This gives monetised benefits of £2.6m in the central scenario.**

### *Quantified benefits*

The above result is a partial BCR, as it does not include those benefits which cannot be assigned a monetary value (either due to absence of a method or absence of information in the bid). However, there are other benefits that are quantifiable even though they are not readily monetisable<sup>9</sup>. As throughout, it is crucial to flag the inextricable interlinking of the three outcomes and therefore how a single component/benefit can easily contribute to more than one outcome.

- 1- In addition to the monetised benefits to local people identified above through increase in income, Practical Action has indicated that the programme will **work directly with 347,002 people**. Moreover, driven through the work across all components, **207,847 people** will experience improved land or natural resource management rights.
- 2- The area/connectivity of new or existing protected areas that are established or recovered, and therefore under improved management for biodiversity and natural resources, is expected to be **4.8 million hectares**. Component 1 activities will substantially contribute towards this. Further, it is estimated at **100,000 ha will have received sustainable land management practices** (ICF KPI 17) by the end of the programme.
- 3- Largely driven by the activities under component 1, which will be significantly bolstered by activities under component 6, Practical Action aim to support the shift away from habitat conversion by prioritising standing forests and promoting sustainable landscape management. Practical Action will target the following benefits:

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<sup>9</sup> All quantified figures have been extracted from the targets identified in Practical Action's bid.

- a. The establishment or strengthening of **6 monitoring systems** which aid biodiversity protection and ecosystem integrity control that comply with specialised technical protocols.
  - b. **432,733 hectares** will be under new officially established effective ecosystem conservation measures.
- 4- Through the activities under component 2, the programme aims to support the increased access to rights and resources for Indigenous peoples and local communities, with a particular focus on women. In achieving this, the following is targeted:
- a. **42 legal cases** that were presented for the protection or territories resources and indigenous rights against illegal activity will receive specialised advice.
  - b. **160 landscape authorities and stakeholders** will benefit from an improved understanding of the relationship between indigenous justice, social and cultural rights and landscape protection.
  - c. A **50% increase** in the percentage of women on boards of directors within productive or social organisations within the landscape is targeted.
- 5- To reduce environmental damage from extractive industries, **40 public officials** across the two countries will be supported to start applying and implementing methodologies and strategies for the control and monitoring of territories. Moreover, **9 sub-national strategic territorial planning instruments** that include indigenous proposals and priorities for land use regulation, biodiversity and natural resources will be developed. Overall, **an 80% reduction in the rates of illegal logging** is targeted in the prioritised areas. Component 3 will directly contribute towards this.
- 6- The programme activities under component 4 will support a shift towards agroecology practices in coffee, cocoa and banana value chains that promote biodiversity conservation and improved farmer livelihoods. **8,861 farmers will benefit from an average productivity increase** of 10% of their coffee, bananas and cocoa through the agroecology practices implemented on family farms. This will facilitate the income increases of farmers monetised above. **17,967 ha of farms will also be registered as organic** or in transition to be recovered from degradation on official systems.
- 7- Finally, the programme will facilitate a shift towards the sustainable management of wildlife resources and local agrobiodiversity. **80% of the target farmers** will gain knowledge of and in turn apply bio-business principles to achieve productive diversification. **12 certified Amazonian biodiversity products** will be commercialised in the national, regional or international market by the end of the programme. These benefits are largely driven by component 5 activities and again contribute towards the 10% increase in farmer incomes monetised above.

### *Unquantified benefits*

There are several other benefits from the proposed programme which cannot be monetised nor quantified at this stage, either because further baselining needs to be carried out to set quantitative targets, or because they will be qualitatively reported on throughout. However, they are equally as important to consider since they further strengthen the value for money of the programme.

### IPLCs and Gender Rights:

- 1- The gender inequality women and girls face, particularly in the rural areas of the landscape, is a significant challenge. They are severely affected by low representation and participation in decision-making spaces, devaluation of their knowledge, and gender-based violence. However, they possess valuable knowledge needed for developing landscape management systems and strengthening livelihoods that address climate change issues. This programme looks to address these widening gender gaps by:
  - a. Promoting women's leadership and recognising and valuing their management skills.



- b. Ensuring women's involvement and strengthening their capacities for surveillance and monitoring of forests and species. The programme will value and use their knowledge in governance strategies, and in indigenous communities' monitoring and warning systems for protected areas.
  - c. Raising awareness of women's rights and women's empowerment for community management. This will be achieved through training for women, and awareness-raising for men and local authorities about the importance of women's roles and community leadership - working in collaboration with AIDSEEP's "Women's Programme".
  - d. Strengthening women's associations and committees and prioritising sustainable and climate-adaptive economic activities that utilise women's ancestral knowledge.
- 2- At all stages, including during the programme design, and across all components, the consortium has and will consult IPLCs and strive to respect and empower the rights of Indigenous peoples within the three operating zones. The consortium's existing presence and ongoing work in the landscape will facilitate these collaborative relationships. Through these relationships, a strategy was co-created starting with the indigenous perspective and demands to guide the design of the programme. To ensure this level of integration throughout, AIDSEEP, the most representative voice of the Indigenous peoples of the Peruvian Amazon, has been appointed as a consortium member and will lead component 2 which focuses on strengthening indigenous rights as well as gender equality. They will also take supporting roles in additional components to represent indigenous voices with help from its territorial members. In Ecuador they will work with similar organisations, which may include Pueblo Shuar Arutam (PSHA) and Federación Interprovincial de Centros Shuar (FICSH), with the respective coordination with the Confederación de Nacionalidades Indígenas de la Amazonía Ecuatoriana (CONFENIAE), which is the national organisation of indigenous communities.

#### Conservation of species:

As an international biodiversity hotspot, the Andes Amazon region is an important source of genetic variation. The loss of this biodiversity would reduce the productivity of the ecosystems and their services on which so many depend, both locally and globally.

Given the BLF's key outcome of nature (slowing, halting or reversing biodiversity loss), the proposed programme sets a target of **the presence of globally threatened target species remaining at 170 species** from the start of the programme. Further, they target either the abundance or rates of occurrence of **4 key populations**: the spectacled bear, Andean tapir, an amphibian guild and a migratory bird guild. All output-focused components will contribute to the realisation of this benefit by their contributions to the protection of nature. This can be directly, through generating change to ecosystem integrity and increasing protected areas (component 1) and avoiding degradation (components 2/3). or indirectly through changing incentives for activities which lead to the harming of nature (components 4/5). Endemic and endangered species are therefore considered to be direct beneficiaries.

#### ***Secondary funding benefits***

The landscape hosts a plethora of complexities, meaning that whilst Practical Action have designed a programme appropriate to support this, secondary funding would allow for the complementation and scaling up of the components. This would generate additional results, benefits and added value. This would allow successful activities to be replicated and scaled-up, therefore reaching more beneficiaries and having a greater impact on both wellbeing and conservation. Their bid for this secondary funding has been carefully evaluated as part of the BLF delivery partner competition and a summary and examples of how this funding would be used has been provided above.

This would enable many of the benefits described above to be increased, such as increased incomes and job creation, further benefits to agricultural producers, reductions in illegal economic activities and better enabling conditions for producer associations and bio businesses. Even though the exact scale of additional benefits is undefined at this point,

they will largely be an expansion on those set out in detail above, rather than different in type. As demonstrated in the analysis results, even if no additional monetisable benefits were generated, the programme would still have good value for money potential with the full additional secondary funding cost included.

### Conclusion

Overall, given the good central BCR of 1.2, which is further strengthened by both the numerous quantitative and qualitative benefits, **we conclude that the 'do-something' option of funding Practical Action's proposed programme is the preferred option over the BAU.**

## Sensitivity Analysis

**Table 7: Sensitivity Analysis Results including Secondary Funding**

	Sensitivity Assumptions	Low Scenario	Central Scenario	High Scenario
<b>£m</b>				
<b>Total Costs</b>		£15.3m	£15.3m	£15.3m
<i>Ecosystem services</i>	+/-25%	£9.8m	£13.1m	£16.3m
<i>Additional income generated</i>	+/-50%	£1.3m	£2.6m	£3.9m
<b>Total benefits</b>		£11.1m	£15.7m	£20.3m
<b>Net Present Value (NPV)</b>		<b>-£4.2m</b>	<b>£0.4m</b>	<b>£5.0m</b>
<b>BCR</b>		0.7	<b>1.0</b>	1.3

Sensitivity analysis establishes a range for the benefits and in turn the NPV and BCR. For the additional income gains, a **range of 50% above and below the central scenario** of per person income increases of £408. This gave a range of £1.3-3.9m. For ecosystem services, a sensitivity was run to present a **range of 25% above and below the central scenario**. This resulted in a range of £9.8-16.3m for this benefit.

Following this, the NPV range is -£4.2m-£5.0m and the BCR is 0.7-1.3. This includes the full secondary funding cost in order to provide a conservative estimate. Although under the lower scenario, the NPV turns negative, this is a conservative estimate on several fronts<sup>10</sup>. It is also important to reiterate that this excludes the numerous other benefits discussed in the quantitative and qualitative section above which further re-enforces our belief that this programme will offer good value for money.

<sup>10</sup> We have included the secondary funding in the costs without including its benefits which cannot be estimated at this stage; the income increase of 10% is a minimum target for Practical Action and the baseline income assumed is a conservative one based on minimum wage in Ecuador; it only monetises two of the numerous benefits targeted; alongside the sensitivity itself we have included large optimism bias, additionally and leakage adjustments to help counter uncertainty and finally we have not appraised expected benefits past the end of the project (i.e. the appraisal period is set at 7 years) due to uncertainties and to be conservative.

## Risk Assessment

Throughout our analysis we have encountered evidence and information gaps, mainly stemming from the lack of clarity on specific targets and necessary parameters. We have made assumptions which could lead to over or underestimates. To account for this, we have resorted to less monetisation and employed sensitivity analysis, optimism bias, additionality, and leakage adjustments.

The table below details some of the potential risks in both our analysis and to realising the benefits presented within the appraisal section.

**Table 8: Risk Assessment**

Risk	Impact
<b>Inflation and exchange rate fluctuations</b>	<p>There is a risk that this could lead to losses, partial delivery failure and therefore prevention of full benefit realisation.</p> <p><i>Mitigation: Real prices have been used in the value for money analysis to account for inflation and VfM remains high. We will continue to monitor these fluctuations and strive for efficiencies across the programme to maximise benefits from spend. The BCR remains strong in the low scenario of the sensitivities, which suggests that even where full expected benefits are not realised, for example due to exchange rate fluctuations, good VfM remains.</i></p>
<b>Ecosystem services</b>	<p>The assumed reduction in deforestation is based on the figures provided by Practical Action in its bid.</p> <p><i>Mitigation: To address the risk that the actual benefit falls above or below the provided estimate of 60,000 Ha deforestation avoided, a sensitivity of 25% above and below the central estimate has been conducted.</i></p>
<b>Income gains assumptions</b>	<p>The income gains assumptions are based on the high-level estimates from the PETA reports commissioned by Defra in 2021. This was largely based on past projects and average incomes in the landscape.</p> <p><i>Mitigation: To account for the risk the necessary assumptions pose, a large sensitivity of 50% above and below the central scenario has been conducted.</i></p>
<b>Quantification</b>	<p>The figures used for quantification and monetisation have been directly extracted from Practical Action's bid, rather than our own estimates. This creates a risk of inflated benefits.</p> <p><i>Mitigation: The competition bid has gone through an extensive evaluation process from experts, and Defra analysts have interrogated these figures and asked for back-workings where appropriate. Very conservative sensitivity analysis has also been applied to this appraisal. During the inception period of the programme, Practical Action will work</i></p>

	<p><i>with the Independent Evaluator to further interrogate and agree the methodologies for targets and baselines. This will also be kept under regular review via learning cycles every four months, and the Independent Evaluator will update Value for Money assessments on an annual basis.</i></p>
<p><b>Political, economic, and cultural factors</b></p>	<p>Interventions may encounter political, economic, or cultural difficulties which could delay or even prevent benefits from interventions being realised.</p> <p><i>Mitigation: The LDP's (Practical Action) and other consortium members' experience and deep understanding of the landscape and its political nuances decreases this risk. Partner governments will guide delivery through membership of the landscape Steering Committee. Defra will work closely with FCDO posts in and across the landscape and have employed a full time locally-based landscape coordinator. The low scenario sensitivity indicates how VfM may change if lower benefits are realised, for example due to challenging operating environments, which suggests VfM should be maintained when considering the adjustments and non-monetised benefits.</i></p>
<p><b>Leveraged Funding</b></p>	<p>There is a risk that Practical Action may not secure the full leveraged funding targeted in their bid. Whilst Defra will not incur a financial cost from this, and is not liable to fill this budget gap, this shortfall may lead to certain activities not happening and full expected benefits not being realised.</p> <p><i>Mitigation: There will be a formal checkpoint mid-way through the programme where at least 25% of the total value of the additional funding proposed is expected to be secured. If not, the FM will work with the LDP to prepare an updated plan of how the LDP will secure the outstanding amount. Further, on top of the already conservative central scenario, we have conducted a 25% sensitivity with the BCR only dropping a little below to 1.0 in the low scenario. The leveraged funding represents roughly 20% of the full costs so, assuming a linear relationship between costs and benefits, even where full leveraged funding is not realised, the programme should still offer good VfM, especially when considering the qualitative benefits.</i></p>

## Value for Money Appraisal

Value for money will be considered throughout the life cycle of the programme, with rigorous contracting processes, regular formal assessment through annual reviews, and both landscape and programme level monitoring and evaluation. The information against the "4 Es" below is based on Practical Action's bid which provided details on how they will ensure value for money.

### *Economy*

Practical Action is an FCDO Supply Partner with Level 1 Code of Conduct Compliance awarded based on verification of their policies and procedures, including those on governing procurement. The programme will adhere to Practical Action and Defra's policies and ensure flow-down to Consortium partners whose systems were assessed during the Practical Action's due diligence processes. The programme's administration costs, which are strictly overheads, are 7% according to Practical Action's calculations, which they have based on the FCDO-approved non-project attributable costs (NPAC) methodology.

Procurement routes and delegation of authority, in proportion with the procurement value, ensure efficient procurement at the right quantity, quality and price. All goods, services and works procurement above £50,000 are subject to national tender and above £100,000 to international tender. Specifications are developed by a technical expert and advertised. Bids are assessed by a procurement committee independent of the procuring party. Approvals are reviewed and signed off by two people in accordance with the delegation of authority threshold levels. Goods and services delivered are inspected before payments are approved. They have Preferred Suppliers Lists for smaller purchases. Practical Action's expenses policy includes staff salaries, travel, communications, workshops, and staff care, with cost limits defined locally. Salaries are benchmarked to ensure they attract and retain suitably qualified staff at appropriate rates (Peru salaries were benchmarked in 2020).

### *Efficiency*

The consortium partners were selected for their expertise and presence in the landscape and participated fully in designing and costing the programme to ensure that the activities are appropriate to deliver the outputs and outcomes. Practical Action consulted with communities and worked with partners to design and plan the programme to ensure plans and budgets are relevant to the context and rooted in local experience.

Coordinated, programme-wide implementation plans will be developed at annual review meetings with all partners who will write detailed monthly implementation plans for each component. They will monitor monthly expenditure against workplans, budgets and deliverables and the Programme Management Team will review against outputs. They will use an adaptive management approach to respond to learning and changes in context. Any projects where burn rates or outputs are running behind are reviewed more often to diagnose and address issues promptly. Further, using their existing offices, facilities and staff will reduce the time and cost of setting up in new locations.

The programme cost per direct beneficiary is £50 and £23 per indirect beneficiary mainly due to the high number of people reached through improved land management (207,847). Secondary funding activities will focus on achieving scale, influencing systems change and leveraging additional funding, to increase systems beneficiaries and further reduce the overall cost per beneficiary.

### *Effectiveness*

Practical Action uses a systems approach to map stakeholders, their linkages and analyse the context to ensure that the ToC is rooted in the reality of the operating context. This underpins their ability to design interventions that will deliver the outcomes effectively. They start focused and 'small' to build a deep understanding of what works at a local level and what can be improved, before investing in scale up.

The consortium partners' presence in the landscape gives us a deep understanding of the issues faced in working in this difficult and, in places, inaccessible environment. The delivery partners already have trusted community partnerships. In addition, they consulted widely in designing this programme, with indigenous and migrant community leaders, local government officials, the Binational Development Plan for the Peru-Ecuador Border Region,

cooperatives, and private sector actors to ensure that the actions are supported by local communities, take in account the pressures within and between different communities, and validate their assumptions. The partners have a track record of effectiveness, having successfully carried out work in the landscape with a variety of aims from establishing and strengthening management of conservation areas and biological corridors to improving livelihoods of Indigenous and local communities. This strong and respected presence and extensive experience, both in Ecuador and Peru, is a good foundation for effective delivery.

### ***Equity***

Marginalisation and vulnerability are at the root of many of the issues faced in the Andes Amazon Landscape, with poverty driving survival strategies that are detrimental to the environment and local communities and cultures. Targeting highly vulnerable indigenous communities in both countries, the programme will support marginalised communities to develop sustainable livelihoods and safeguard their biodiverse landscape. Practical Action's beneficiary selection approaches are inclusive and designed to overcome natural biases and reduced visibility of some of the most vulnerable community members. The programme has a strong focus on promoting and supporting the fulfilment of women's rights, including partnering with women's programmes of Indigenous People's Organisations. Gender will be mainstreamed across all components, supported by a dedicated Gender Officer, providing training and mentoring to all partners and staff.

## COMMERCIAL CASE

### 1) Commercial Approach

This section describes Defra's approach for the appointment and management of:

- Contractors: entities in receipt of commercial contracts to support the delivery of aid intervention in the Andes Amazon landscape.
- Delivery Partners: recipients of UK ODA funding to deliver aid interventions in the Andes Amazon landscape.

Sections 2 and 3 below respectively set out the activity of the Contractors (Fund Manager and Independent Evaluator) and Delivery Partners (grant recipient).

The use of Contractors to support aid intervention, in the manner proposed within this business case, is a novel concept for Defra. As described in sections 4.1 engagement with FCDO, who have experience in the use of Contractors to support aid intervention, and engagement with the market has featured heavily in the design of the programme and procurements. Our engagement has been designed to ensure the programme and commercial approach will ultimately deliver Value for Money (VfM).

### 2) Commercial Contractor Requirements

In October 2021, Defra launched two commercial exercises to appoint two contractors to support the delivery of the Biodiverse Landscapes Fund (BLF) programme:

- Appointment of a Fund Manager was conducted via an open procedure. The Fund Manager is responsible for:
  - Administration of the BLF.
  - Conducting the grant competitions, with Defra oversight, to select a Lead Delivery Partner for the Andes Amazon landscape.
  - Management of the Lead Delivery Partner, both performance and payment, to ensure Defra's objectives are met.
  - Undertake monitoring and learning activities.
  - Delivering Supplementary Activities and Secondary Funding to secure and deliver any additional activities or interventions that may be required over the course of the programme.
  - Advising Defra on the progress, success or challenges faced across the landscape and by the Lead Delivery Partner to aid the BLF's adaptative programming model.
  - Working with the Defra-appointed Independent Evaluator to monitor evaluate and learn from the BLF.

Following this exercise, PricewaterhouseCoopers LLP (PwC) was appointed as the Fund Manager in January 2022 and a resultant contract entered into on 5 April 2022 for an initial period of nine years, with an option for extension by a period or periods of 36-months.

- Appointment of an Independent Evaluator was carried out via FCDO's Global Evaluation Framework Agreement. The Independent Evaluator is responsible for carrying out evaluation activity across the BLF programme. In addition, the Independent Evaluator will propose 'adaptive programming' recommendations,

i.e. how the interventions could best be amended / extended / reduced / cut in light of their performance and evolving circumstances across the landscape.

Following this exercise, Oxford Policy Management Ltd (OPM) was appointed as the Independent Evaluator in May 2022 for an initial period of nine years with an option for extension by a period or periods totalling 36 months.

### Pre-Market Engagement

As outlined in section 1 Defra engaged with the market to assess cost and deliverability of the proposed requirements. Defra engaged with potential Fund Manager and Independent Evaluator contractors separately due to the discrete nature of the requirements. Aligning to the planned routes to market, Defra has:

- called for open market engagement for the Fund Manager, [Provision of a Fund Manager for the Biodiverse Landscapes Fund - Find a Tender \(find-tender.service.gov.uk\)](#); and engaged with suppliers under the established Global Evaluation Framework Agreement for the Independent Evaluator.

The result of market engagement:

- informed Defra's VfM assessment (as outlined in section 4 below);
- confirmed and refined Defra's specification.
- confirmed that the market is capable of meeting Defra's proposed specification.
- confirmed a sufficient level of competition and interest from the market:
  - i. ~10-20 bids were expected for the Fund Manager opportunity.
  - ii. 4 out of 12 framework suppliers confirming an interest in tendering for the Independent Evaluator opportunity.

### 3) Delivery Partners Requirement

Defra sought to appoint a single Lead Delivery Partner for the Andes Amazon landscape, via a competitive grant procedure, who will in turn manage a consortium of downstream Delivery Partners to deliver the aid intervention. This approach has been agreed (as set out in the BLF Programme Business Case, approved by the ODA Board on 4<sup>th</sup> March 2021, the Investment Committee on 19th March 2021, and the Chief Secretary of the Treasury on 2<sup>nd</sup> June 2021) in recognition of the range and complexity of interventions required.

A consortium model with a single Lead Delivery Partner for the Andes Amazon landscape follows established practice and creates:

- A single point of contact for management of the intervention.
- Clear and effective leadership of the consortium.

Following the competitive grant procedure for the Andes Amazon landscape, the preferred Lead Delivery Partner is Practical Action. See Annex M – Grant Award Report for further details.

Practical Action completed a due diligence process as the preferred Lead Delivery Partner. Defra and Practical Action signed a Grant Agreement in December 2023.



#### 4) Funded Activities

A Political, Economy & Technical Analysis (PETA) was conducted by a specialist contractor, DAI Global UK, to:

- Analyse the underlying political, economic & technical factors in play in each landscape. This described what barriers need to be overcome to achieve success; &
- Recommend interventions to achieve the BLF policy objectives. i.e. what actions should be taken to achieve the results described above.

The PETA analysis supported the identification of key issues in the Andes Amazon landscape, directing the focusing of interventions by the Lead Delivery Partner and its consortium.

#### 5) Ensuring Value for Money Through Procurement

The portfolio level business case sets out in further detail how the chosen approach delivers VfM. As described in the Appraisal case, VfM is being assessed using the established 4 E's model – Economy, Efficiency, Effectiveness and Equity. Economy relates to the degree to which inputs are being purchased in the right quantity and at the right price. For the purpose of this business case key drivers of VfM linked to commercial activity have been described below.<sup>30</sup>

##### VfM: Commercial Contractors

As described in the programme level business case, the level of staff recruitment needed to deliver the BLF programme fully inhouse was assessed not to represent VfM. Defra has worked closely with FCDO colleagues in developing the procurement strategy and conducted market engagement to assess the market's view of cost and deliverables.

**Table 9:** Expected and Actual Fees for Contractors Expressed as a % of the Programme Budget

Contractor	FCDO Assessment	Market Assessment (average)	Actual Fees
Fund Manager	5-10%	10%	5%
Independent Evaluator	~3%	5%	4.5%

Both the Fund Manager and Independent Evaluator contracts were competitively tendered. Further, the actual fees have fallen close to or below both the FCDO assessment and the market average. This helps to demonstrate the resultant Contractors fees represent VfM.

##### VfM: Delivery Partner

The preferred Lead Delivery Partner for the Andes Amazon landscape, Practical Action, has been appointed via an open competition and in line with established HMG policies and procedures for the conduct of grant competition. Defra has not been prescriptive in how the consortium is structured, e.g. use of sub-contracting or creation of a legal entity, to promote the greatest level of competition and innovation. This model is intended to drive the greatest possible VfM.

Practical Action have proposed administration costs of around 7%, which falls below the FCDO benchmark of around 13%. As set out in the Economic Case, prior to contract signature Defra will analyse Practical Action's project budgets

to ensure that all line items are justified and reasonable. Further assurance on the robustness of Practical Action's financial systems and controls was provided by a detailed delivery partner review (due diligence) that was conducted on Practical Action by the Fund Manager on Defra's behalf.

## 6) Governance & Financial Management

### Management of the BLF

This section describes the role and relationship between Defra, the Fund Manager (PwC), the Lead Delivery Partner (Practical Action) and the Independent Evaluator (OPM).

#### *Role of Defra*

Defra will monitor Fund Manager performance in delivering against key performance indicators over the life of BLF adopting an approval role with regards to:

- Invitation to Apply packs for the delivery partner competition.
- Award reports following the delivery partner competitions.
- Management of risk.
- Adaptive programming changes.

Defra's contract management activity is described below.

#### *Role of the Fund Manager*

The role of the Fund Manager is described in 5 parts:

- Delivery Partner Grant Competition.
- Due Diligence.
- Grant Agreement.
- Grant Management & Reporting.
- Defra's Contract Management of the Fund Manager.

**Delivery Partner Grant Competitions:** As outlined in section 2, the FM was responsible for the conduct of the grant competition, via their own e-procurement system, to appoint a Lead Delivery Partner for the Andes Amazon landscape.

The Fund Manager, by virtue of their contract, was required to adhere to the Government Grant Standards and make use of Defra's standard Invitation to Apply documents and model form Grant Agreements. Defra group Commercial and the policy area signed off on the Invitation to Apply pack and Grant Award Report to ensure the grant competition was administered in a broadly comparable manner to a Defra run grant competition.

The competitive grant exercise commenced in August 2022 and after thorough evaluation the decision was made in February 2023 to progress with Practical Action's proposal as the Lead Delivery Partner, with resultant grant agreement signed following the completion of satisfactory due diligence on Practical Action in December 2023.

**Due Diligence:** Defra commissioned PwC to carry out a Delivery Partner Review (DPR) on Practical Action in line with Defra's due diligence requirements. Practical Action conducted a due diligence on each member of its consortium.

**Grant Agreements:** As described in section 5.1, following the grant competition, the Fund Manager signed a grant agreement with Practical Action. The grant agreement was based on a Defra’s model form grant agreement. This has been modified by Defra’s commercial legal specialist to reflect that the grant agreement is between the Fund Manager on Defra’s behalf.

**Grant Management & Reporting:** The Fund Manager will manage the grant agreement with Practical Action on behalf of Defra.

The Fund Manager ensures Practical Action complies with all terms and conditions of the grant agreement. The Fund Manager ensures projects are delivering continuous VfM, in line with Defra’s policy objectives. The Fund Manager will take appropriate action from the development of an improvement plan to recommending to Defra the suspension or termination of the grant agreement. The processes by which the Fund Manager recommends actions to Defra is detailed in the Management Case.

The below table describes what reports will be made to Defra by the Fund Manager to facilitate management of the grant.

**Table 10: Reporting Details**

Frequency	Title	Details
Monthly	Risk report	<ul style="list-style-type: none"> <li>One report per Landscape.</li> <li>Report captures key risks and risk trends.</li> <li>Any risks that are materialising into issues must be captured in this report.</li> <li>The risk reports will be discussed at the Authority’s Programme Board</li> </ul>
Quarterly	Risk Report	<ul style="list-style-type: none"> <li>One report per Landscape.</li> <li>Report that captures key risks and risk trends.</li> <li>Any risks that are materialising into issues must be captured in this report.</li> </ul>
	Lead Delivery Partner Claims	<ul style="list-style-type: none"> <li>One invoice per Landscape.</li> <li>Invoice must include a breakdown of costs per output and a final amount to pay.</li> </ul>
	Monitoring Report	<ul style="list-style-type: none"> <li>One report per Landscape.</li> <li>Summary of the main results achieved across the project.</li> </ul>
Annually	Annual Report	<ul style="list-style-type: none"> <li>One report per Landscape.</li> <li>Report will be structured in two sections – monitoring section and adaptive programming section.</li> <li>Monitoring section: similar structure to quarterly reports but covering activities and results over the whole year. Report will provide a KPI assessment of the Landscape.</li> <li>Adaptive programming section: will include collative recommendations from the Landscape for adaptive programming and the Fund Manager and Independent Evaluator’s own recommendations for adaptive programming.</li> </ul>

### Defra's Contract Management of the Fund Manager:

This contract has provisions in place to manage performance. The Fund Manager's contract is managed with a suite of Key Performance Indicators (KPIs) tied to a Service Credit Regime. A Service Credit Regime is a contract management tool to motivate suppliers. A Service Credit is a deduction from the fee payable to a supplier if they miss a KPI. Now that grant competitions have been delivered, the Defra contract manager meets with the Fund Manager to review performance on a quarterly basis.

A dispute resolution clause is also contained within the contract sets out that Parties shall attempt in good faith to negotiate a settlement to any dispute between them arising out of or in connection with the Contract. If the dispute cannot be resolved through those means, a procedure for mediation is set out in the contract. A termination for convenience clause has been drafted to facilitate exit due to uncertainty around future years budget, which will be subject to future Spending Reviews. In the event that future funding for the BLF is withdrawn during an SR, Defra will be able to exit this contract.

Contract management meetings take place on a quarterly basis. Meetings are used to discuss contract KPIs, and should performance not meet the required standards a remedial action plan will be developed. Any issues identified will be escalated to the BLF team leader and, if appropriate, brought to the monthly programme board.

Should Defra terminate the FM contract, the fallback position would be to retender the FM contract or bring the role in-house.

### *Role of the Independent Evaluator*

The Independent Evaluator delivers, with the support of sub-contractors, the products described in the following table. All products will be developed at a BLF portfolio level and at the Andes Amazon landscape level.

**Table 11:** Product delivered by the Independent Evaluator.

Product	Timing	Description
Inception & Baseline Report	Prior to, and during the Delivery Partner inception phase	Evidence and stakeholder mapping, setting the monitoring and evaluation approach for the BLF, develop indicators to assess programme and landscape level progress, support Lead Delivery Partners to conduct baselining.
Mid Term	June 2025	Assess programme progress and make recommendations for adaptive programming changes to the Authority, quality assure data from the Lead Delivery Partners, provide evidence and answer the BLF evaluation questions.
Final	June 2029 (or 6 months after project completion)	Examine programme results against core BLF evaluation questions, Theory of Change and Logframes, present key aggregated learning points of the programme.

### Defra's Contract Management of the Independent Evaluator

The Independent Evaluator was appointed through a framework agreement and performance is monitored through a set of contractual KPIs.

Due to uncertainty around the budget in outer years covered by future Spending Reviews, a termination for convenience clause has been drafted to facilitate exit. In the event that future funding for the BLF is cut Defra will be able to exit this contract.

The Defra BLF MEL lead manages the Independent Evaluator contract. Contract management meetings take place on a quarterly basis. Meetings are used to discuss contract KPIs and should performance not meet the required standards a remedial action plan will be developed. Any issues identified will be escalated to the BLF team leader and, if appropriate, brought to the monthly programme board. The Defra contract manager is an existing member of the policy areas staff who has completed Defra's standard contact management training and will be aiming to complete practitioner or expert level in line with DgC and Cabinet Office advice for a contract of this value, duration and complexity.

Should Defra terminate the Independent Evaluator contract, the fallback position would be to retender the Independent Evaluator contract.

### Relationship between Defra, the Fund Manager & Independent Evaluator

There is a close working relationship between Defra, the Fund Manager and IndEv. In order to facilitate an effective working relationship a Memorandum of Agreement (MoA) is in place between Defra, the Fund Manager and the IE.

The Memorandum of Agreement was formed a part of the invitation to tender to appoint the Fund Manager and Independent Evaluator to ensure responsibility and activity is clearly communicated and subsequently managed over the life of the BLF.

The Management Case further sets out the scope of the envisaged close working relationship.

### 7) Commercial Risks

Risk	Probability	Impact	RAG	Mitigation
Lead Delivery Partner does not spend monies appropriately	Low	High	Green	Payment in arrears, thorough due diligence process to ensure Practical Action has necessary systems in place and robust grant management.
Fraud	Medium	High	Green	Accept and monitor. Defra programme team have developed detailed fraud risk assessments per landscape, which have been transferred to the FM to monitor and manage now the FM contract is in place.

Funding pulled at SR	Low	High	Green	Defra has drafted a termination for convenience clause to facilitate exit.
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## FINANCIAL CASE

The Financial case establishes that the preferred option is affordable, is the best use of Defra's ODA funds, and that the principles of sound financial management if public funds are followed.

### 1. Expected programme costs

The full cost of the BLF will be £100m, with spend from FY2021/22 to FY 2029/30. The first £2m of the total BLF spend was confirmed for FY2021/22 (Year 1) via SR20 and an additional £38.99m was confirmed for FY2022/23 – 2024/25 via SR21. We aim to secure funding for the remaining £59.01m programme costs through subsequent Spending Reviews.

Should we not secure the remaining £59.01m of funding for programme costs through subsequent Spending Reviews then our options are:

- Scale down interventions across all BLF landscapes based on assessments of impact and VfM. This carries a reputational risk as the BLF has been announced as a £100m fund and the impact of the fund would be reduced.
- Explore consolidating programming to a smaller set of landscapes. This carries a significant reputational risk as the BLF landscapes have now been announced and relationships are being forged with partner governments in 18 countries.
- Consider extending the total length of the programme beyond seven years in order that we can meet the £100m commitment.

The ICF element will contribute to the £3bn of ICF funding that the UK has committed to spending on nature (see Annex A for BLF programme level finances).

We have not committed to equal funding across landscapes. The BLF is a flexible and adaptive programme and total amounts allocated to each landscape will be determined by Defra on the basis of factors such as need and programme performance, as set out in section 3 of the Strategic Case.

### 2. Expected project costs.

The full cost of the Andes Amazon landscape will be up to £17.2m to be disbursed from FY2021/22 to FY 2029/30. Spend will start from a low base in FY2021/22, peaking in 2024/25 (year 4) and 2025/26 (year 5) as activities and interventions are embedded across the landscape. We will aim to spend at least 50% of our programme investment by the end of year 4 (2024/2025); spend reduce from FY2025/26.

Table 12 sets out an indicative payment schedule for the Andes Amazon landscape. These amounts will be reassessed and amended over the course of the programme, as delivery gets under way. Annex L – Programme Summary provides an overview of what the investment will purchase. Also see the Economic Case for detail.

### 3. Contracted costs per Landscape

*Table 12: Indicative schedule for the Andes Amazon landscape*

## OFFICIAL-SENSITIVE Biodiverse Landscapes Fund: Andes Amazon Landscape Level Business Case

Programme investment (£)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9*	Total
	(21/22)	(22/23)	(23/24)	(24/25)	(25/26)	(26/27)	(27/28)	(28/29)	(29/30)	
Andes Amazon	-	-	600,506	3,548,842	3,236,856	2,610,454	2,157,047	1,672,661	1,473,634	15,300,000* **
<b>Defra Management &amp; Overheads</b>										
In-country staff**	19,000	33,000	34,650	35,343	36,050	36,771	37,506	38,256	39,022	309,598
Fund Manager	-	194,783	76,851	78,388	79,956	81,623	83,186	84,850	108,616	788,253
Independent Evaluator	-	102,848	79,121	69,945	147,055	76,775	80,432	80,798	112,334	749,308
Travel	-	11,555	3,000	3,000	6,000	3,000	3,000	3,000	6,000	38,555
<b>TOTAL</b>	<b>19,000</b>	<b>342,186</b>	<b>794,128</b>	<b>3,735,518</b>	<b>3,505,917</b>	<b>2,808,623</b>	<b>2,361,171</b>	<b>1,879,565</b>	<b>1,739,606</b>	<b>17,185,714</b>

\*Year 9 costs cover wrap up and evaluation activities.

\*\* Defra's in-country staff costs may rise, should it be decided that additional, or further project-based, support be needed over the course of the programme. This would be funded from that landscape's programme funds.

\*\*\* Please note that these costs exclude the additional funding to be secured by Practical Action as this is not funding provided by Defra. Totals may also change slightly with ICS costs.

The £3m of secondary funding has not yet been allocated but has been projected from FY2024/25 following the same spend curve as the primary funding bid submitted by Practical Action.

#### Practical Action proposed budget breakdown.

Practical Action have provided a revised projected breakdown of their proposed programme budget. This is provided in Table 13 to illustrate the likely split between programme delivery, MEL and administration costs. These costs will be reprofiled throughout the programme and at this stage simply provide Practical Action's first indication of spend across the major workstreams. This budget is composed of Defra's £12.3m core funding and the £4.1m additional funding leveraged by Practical Action. It does not include the £3m of secondary funding because that has not been allocated at this stage. Please note that there is a minor miscalculation in the projected budget provided by Practical Action, which is why it appears that £18,000 is unaccounted for in the Programme Delivery line. Defra and the Fund Manager are aware of this and will work with Practical Action to review the budget prior to grant award to ensure that all cost lines are correctly categorised.

**Table 13: Practical Action Projected Budget**

Programme investment	Year 2	Year 3 Q1	Year 3 Q2	Year 3 Q3	Year 3 Q4	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total



(£)	Jan - Mar 2023	Apr - Jun 2023	Jul - Sept 2023	Oct - Dec 2023	Jan 2024 - Mar 2024	Apr 2024 - Mar 2025	Apr 2025 - Mar 2026	Apr 2026 - Mar 2027	Apr 2027 - Mar 2028	Apr 2028 - Mar 2029	Apr 2029 - Oct 2029	
Programme delivery	£0	£0	£0	£182,831	£483,518	£4,034,186	£3,133,693	£2,288,736	£1,628,916	£1,164,756	£974,549	£13,891,185
MEL	£0	£0	£0	£22,962	£48,247	£178,708	£181,778	£190,138	£192,233	£204,440	£313,897	£1,332,403
Administratio n costs	£0	£0	£0	£17,316	£36,351	£296,010	£248,430	£194,516	£157,425	£126,521	£113,741	£1,190,310

Table 14 provides a summary of the total projected management and overhead costs. This includes spending on in-country staff, supporting bodies (the Fund Manager and Independent Evaluator), and Defra staff travel, as well as the “administration costs” projected by Practical Action. To note that the latter will be further assessed during contract negotiations between Defra and Practical Action, supported by the Fund Manager.

**Table 14: Total Andes Amazon Management Costs**

Programme Admin Cost (£)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total
	(21/22)	(22/23)	(23/24)	(24/25)	(25/26)	(26/27)	(27/28)	(28/29)	(29/30)	
In-country staff	19,000	33,000	34,650	35,343	36,050	36,771	37,506	38,256	39,022	<b>309,598</b>
Fund Manager		194,783	76,851	78,388	79,956	81,623	83,186	84,850	108,616	<b>788,253</b>
Independent Evaluator		102,848	79,121	69,945	147,055	76,775	80,432	80,798	112,334	<b>749,308</b>
Travel		11,555	3,000	3,000	6,000	3,000	3,000	3,000	6,000	<b>38,555</b>
Practical Action’s Administration Costs			53,667	296,010	248,430	194,516	157,425	126,521	113,741	<b>1,190,310</b>
<b>Total</b>	<b>19,000</b>	<b>342,186</b>	<b>247,289</b>	<b>482,686</b>	<b>517,490</b>	<b>392,685</b>	<b>361,549</b>	<b>333,426</b>	<b>379,713</b>	<b>3,076,024</b>

#### 4. Summary of Roles

**Fund Manager:** Responsible for the administration of the BLF programme, conducting the grant competitions, management of the Lead Delivery Partner (performance and payment), undertaking monitoring and learning

activities, delivering Supplementary Activities and advising Defra on the progress, success and challenges faced across each landscape.

**Independent Evaluator:** Responsible for carrying out evaluation activity across the BLF programme and will propose 'adaptive programming' recommendations, i.e. how the interventions could best be amended.

Due to uncertainty around future Spending Reviews, a termination for convenience clause has been drafted into our Fund Manager and Independent Evaluator contracts to facilitate a possible exit. In the event funding for the BLF is withdrawn during a Spending Review, Defra will be able to exit these contracts.

**Lead Delivery Partner:** Practical Action are the Lead Delivery Partner for the Andes Amazon landscape consortium. They will be the recipient of the grant funding for the delivery of direct programming activities and will deliver strategic oversight and management of the consortium's activities, including financial management.

## 5. Staffing Costs

BLF staffing costs cover Defra's core BLF policy and programme team. These costs will be met from Defra's ODA staffing budget (FLD) and were included in our Spending Review bid. Further detail can be found in the BLF programme level Business Case (Annex B). One member of the core team will act as the Andes Amazon Programme Manager ensuring cohesion between Defra and FCDO Posts.

There is one locally-engaged BLF Landscape Manager delivering regional coordination implementation of the BLF in the Andes Amazon landscape at a total cost of £33,000 per annum, which will be funded from the overall £100m programme budget. Future years have been forecast based on a 2% year on year increase in costs, except for a 5% increase in FY23/24. The possibility of increasing in-country resource will be explored if the need arises.

## 6. Capital and Revenue Requirements

Defra Finance has considered the appropriate accounting treatment for the Fund. Consolidated Budget Guidance (CBG) states the following for the spend to count as Capital (CDEL) expenditure.

Capital grants are unrequited transfer payments, which the recipient must use to either:

- buy capital assets (land, buildings, machinery etc.)
- buy stocks.
- repay debt (but not to pay early repayment debt interest premia).
- acquire long-term financial assets, or financial assets used to generate a long-term return.

The BLF programme has been determined as Resource expenditure (RDEL) as the nature of the work to be undertaken does not meet the CBG definition of Capital expenditure. Following the Andes Amazon landscape grant competition, we can confirm that the funding will be RDEL. The grant will be used for a range of activities that deliver biodiversity conservation, climate change mitigation and adaptation benefits and poverty reduction outcomes.

## 7. Accounting Officer Tests

The primary accounting officer tests have been considered throughout the development of this business case with significant input from the Andes Amazon PETA report:

**Affordability:** this proposal will only be delivered subject to the agreed availability of budgets.

**Regularity:** the programme funds will be managed in accordance with HMT's Managing Public Money guidance and ODA guidance.

**Propriety:** ODA funding will be allocated under Section 1 of the International Development Act 2002 and expenditure will be in accordance with this legislation and all ODA requirements.

**Value for money:** the preferred option of selecting and funding the preferred Lead Delivery Partner has been carefully appraised against the alternative BAU option, drawing on insights from the Andes Amazon PETA report. This demonstrates very good VfM potential. See the Appraisal Case for further details.

**Feasibility:** the need for the Fund has been outlined fully in the strategic case based on information from the Andes Amazon PETA report and the preferred application, which also explains the importance of ensuring the sustainability of this fund and how this will be achieved.

## 8. Impact on income and expenditure account

Grant cash expenditure will be in line with ODA best practice. The requirements associated with payments have been made clear in the grant competition process, and due diligence will be undertaken to ensure implementing partners meet the necessary financial stability requirements.

Final payment schedules will be agreed between the lead delivery partner and Defra as part of the grant award process. The amounts and times may be subject to the development of the project and costs incurred by delivery partners. First payments will be made in the third quarter of the year of launch. This would not constitute payment in advance of need as it is likely that delivery partners will require some funds to commence their projects. Subsequent payments will be made in arrears, on evidence of goods or services having been delivered and targets being met. Payment schedules will be monitored throughout the lifespan of the programme and revised if necessary.

## 9. Payments

Defra will transfer funds to the Fund Manager for disbursement to the lead delivery partner(s) in the Andes Amazon in the form of grant payments, which will in turn be responsible for its onward disbursement to consortium members. Schedules for these transfers will be agreed with the Fund Manager as part of the grant award process. The Fund Manager will disburse funds in arrears and dependent on delivery partners successfully meeting milestones, KPIs, or other measures as stipulated in the contractual agreements. The lead delivery partner will disburse funds onwards in the same manner.

The Fund Manager must aim to disburse at least 80% of grant funding to the lead delivery partner by the end of Quarter 3 (15<sup>th</sup> December) in line with ODA cash spend targets. Progress will be assessed against this target on a quarterly basis and the Fund Manager will raise any concerns that this target may not be met at the earliest possibility.

## 10. Avoiding payment in advance of need

In line with HMT's guide on Managing Public Money, this programme will ensure that Defra is not paying in advance of need. Some delivery partners, particularly smaller organisations with limited capital, will need funding prior to commencing an activity; clearance for this will be agreed prior to any payments. Accountable grants will be put in

place to facilitate this where appropriate, whilst mitigating the increased risk. All contracts will contain mechanisms to clawback any misused funds, which will be cleared by Defra's Governance Team.

## 11. Reporting, Monitoring and Accounting for Funds

The Fund Manager will submit quarterly financial statements and detailed annual financial reports, including risk assessments as mandated in its KPIs. The Fund Manager must advise HMG in advance of any unexpected, or significant, changes in forecasts. Quarterly reports will be disaggregated by sub-grant awarded. This is in line with existing HMG programmes and meets the expectations of Defra Finance. Reports will disaggregate financial data by project and category of spend and align with projects' delivery plans. They will indicate realistic projections of spend for the current financial year broken down by quarter on all major budget category lines.

Defra will hold the Fund Manager accountable for poor performance or failure to deliver against their own KPIs or within each of the Landscapes. It is the Fund Manager's responsibility to manage lead delivery partners and to take mitigating action, if necessary, to drive high quality performance.

## 12. Transparency

Defra requires all its partners to meet the [International Aid Transparency Initiative \(IATI\) standard](#) 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 information on the organisation, funds, and planned activities. This project will generate significant outputs including log frames, annual reviews, project proposals and technical reports which will be of interest to other countries and stakeholders. All outputs should be published on IATI and be free to users whenever possible.

## 13. Avoiding Fraud and Corruption

In line with ODA guidance, Defra has a zero-tolerance approach to corruption and will pursue aggressive recovery approaches. A complete fraud risk assessment has been carried out to evaluate this risk. All organisations will be required to adopt a zero-tolerance approach to fraud and corruption; 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. Due diligence was conducted on the lead delivery partner Practical Action prior to award of grant, and the Fund Manager will hold responsibility 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. Defra has worked closely with its Fraud and Risks team to identify all fraud risks when compiling the tender packs.

## 14. Currency Risks

Defra will issue payments to the Fund Manager and Independent Evaluator in Pounds Sterling (GBP) aligning with the value of the award which is also in GBP. The Fund Manager will disburse funds to the delivery partners in GBP, which may convert these payments into local currencies if required. This approach will minimise the risk to Defra of currency fluctuations and eliminate the administrative burden of payments in many local currencies.

## 15. Provision for Defra to Withdraw Funding

All grant agreements will contain provision for Defra to instruct the Fund Manager to withdraw funding, and break clauses to check progress and pause spend where required. If an issue is identified, the Fund Manager will submit a report and Defra may agree to consult with the delivery partner concerned. If required, Defra may instruct the Fund Manager to send written notice requesting the delivery partner to:

- i. Provide specific information as may be maintained by the delivery partner in the course of its regular operations regarding the use of the Contribution.
- ii. 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), or the delivery partner, 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 remaining uncommitted balance of the funds to HMG within 30 days.

Should funding be withdrawn from the Andes Amazon landscape we will initially look to reallocate funding through an alternative delivery partner within the Andes Amazon landscape in the first instance. Funding will be reallocated within the same financial year. New activities may be procured through the Supplementary Activities Fund, or by varying a consortium's existing grant agreement. For more information about the Supplementary Activities Fund, please see section 7 of the Management Case. Should it not be possible to reallocate funding within the Andes Amazon landscape we may look to reallocate the funding to another BLF landscape in line with Business Case guidelines.

**Table 15:** Provision for the return of any uncommitted funds to Defra

Scenario	Timing and reporting trigger (if relevant)
Occurrence of any illegal or corrupt practice	To be reported immediately to Defra and the Fund Manager and noted in Annual Reviews (by Defra), Quarterly updates (from the delivery partner)
“Extraordinary circumstances that seriously jeopardise the implementation, operation or purpose of the programme”.  This is primarily designed to cover instances of force majeure. We assess this may also provide some cover in extreme cases of under-delivery.	Immediately at the time if/when this happens and discussed in Annual and quarterly Delivery Plan reporting, Annual Reviews, independent evaluations at mid-term
“If [name of delivery partner] does not fulfil its commitments according to the cooperation contract”	Immediately at the time if/when this happens assessed in Annual and quarterly Delivery Plan reporting, Annual Reviews, independent evaluations at mid-term

**16. Provision for Future Funding**

The programme has the scope to adapt to changes in political context and other opportunities and risks, such as through the additional £3m in secondary funding and the supplementary activities fund. We retain the flexibility to increase the scale or duration of work in the Andes Amazon landscape, subject to standard approval processes and future Spending Review allocations.

## MANAGEMENT CASE

### 1) Management and Governance Arrangements

Defra has a track record of managing ODA programmes in accordance with FCDO's guidance. This section sets out the roles and responsibilities of Defra and the delivery partner(s). It also sets out the monitoring and evaluation approach for the Andes Amazon landscape.

### 2) Internal Governance

#### Defra

**SRO:** The BLF SRO, the Team Leader for International Biodiversity Funds, is responsible for ensuring delivery against the project logframe and KPIs, supported by the BLF programme team and in-country staff member.

**BLF Programme Board:** The programme board, including the BLF SRO, will meet once a month to receive and discuss updates on progress, risks, opportunities and finances across all landscapes, including Andes Amazon. As a decision-making body it will consider recommendations on the handling of any risks, issues or poor performance that arise during the lifetime of the programme, and either decide on actions to be taken or escalate issues to the ODA Board or Ministers. Each quarter, Deputy Directors will attend, and the Board may be extended to allow for discussion of quarterly reports from the Fund Manager (FM). One of the quarterly Boards each year will act as the learning programme board. The programme board comprises the following permanent members: Deputy Directors (quarterly); the SRO; the Programme Delivery Lead; Evidence, Analyst and Scientific Advice colleagues; Programme Managers; PMO Lead and Secretariat; In-Country Staff; Finance, Commercial and ODA Hub representatives; Fund Manager and Independent Evaluator (quarterly) representatives. Additional members may be invited if specific agenda items require additional input.

**ODA board:** The role of Defra's ODA board is to provide accountability and assurance for Defra's ODA budget and to provide strategic direction for Defra's ODA spend. The BLF SRO will provide progress updates and escalate any risks or issues relating to the programme to an ODA board representative every month through the BLF programme board. Actions and recommendations on risks will be proposed/endorsed by the ODA board for the SRO to carry forward. If ministerial approval is required, then a submission to ministers will follow. [See page 44 of the portfolio level business case for more detail.]

**Investment Committee:** Defra's Investment Committee has delegated authority from the Executive Committee to approve all Defra spend over £10m. This business case will therefore be reviewed and approved by the Investment Committee as part of Defra internal governance processes.

**Ministerial:** The Minister of State for Biosecurity, Marine and Rural Affairs will have oversight of the Fund, will be regularly updated on all major developments, and will take key strategic decisions, including on any significant changes to the programme's financing. Ministerial decision will be sought should financial or reputational risks arise. The Secretary of State will have ultimate oversight.

#### Cross-Whitehall

**ICF Governance:** As at least 65% of BLF funding will be ICF, it will be subject to further oversight from HMG's inter-departmental ICF governance structure.

**Posts:** Heads of Mission (HoMs) have oversight over all ODA spend in their countries, so will be heavily involved with BLF implementation. Heads of Mission/their deputies will also hold the relationship with host governments on the BLF, representing it in country and conveying views or concerns to Defra. Posts will advise on political handling in-country and will manage the Andes Amazon Landscape Coordinator who will report directly to the HoM. The BLF Landscape Coordinators help oversee and coordinate activity across Andes Amazon. Monthly engagement meetings will ensure clear communication between posts and the UK programme team, sequenced in advance of the programme boards to ensure views are fed in. Programme Boards also have a rotating landscape focus to provide deeper analysis and discussion of each landscape at stages throughout each year.

Please see Annex C for a diagram of the internal governance structure.

### 3) Landscape Governance

#### Lead Delivery Partner

As part of the grant application, prospective delivery partners were encouraged to form a consortium, headed up by one lead delivery partner. The lead delivery partner is responsible for the final design and implementation of the project in Andes Amazon and will be the recipient of the Grant Agreement in the landscape. For the Andes Amazon landscape, this is Practical Action. Practical Action will be expected to:

- Contract third party organisations to deliver the work as needed.
- Comply with the financial and M&E requirements set out below.
- Maintain its own risk register and notify Defra of any new risks or updates to existing risks.
- Report any suspicions and/or allegations of fraud, terrorism financing, money laundering, bribery, corruption, or sexual exploitation, harassment, and abuse, immediately to the Fund Manager and Andes Amazon programme manager.
- Carry out any remedial action should the above be reported.

Practical Action will work with a consortium of delivery partners to achieve the outputs and outcomes across the Andes Amazon landscape, bringing together a range of different expertise, local knowledge, and experience. They will deliver strategic oversight of the consortium's activities, including strong financial management. The full roles and responsibilities for the lead delivery partner can be found at Annex D.

#### Fund Manager

The Fund Manager will coordinate activity across the entire BLF. It is responsible for delivering the administration and financial administration of the BLF, including:

- Manage the lead delivery partner, on both performance and payment, to ensure Defra objectives are met.
- Undertake monitoring of the lead delivery partner's projects.
- Administrate the BLF's learning cycles and administrate any actions arising from the learning cycles.
- Advise Defra on the progress, success or challenges faced across the Andes Amazon landscape and by the lead delivery partner to aid the BLF's adaptive programming model.
- Work with the Independent Evaluator to ensure lessons learned in Andes Amazon are transferred across landscapes and implemented rapidly, through fostering an adaptive programming approach.



- Prepare forecasting of expenditure and risks into Defra's governance structure through monthly dashboards and quarterly reports.
- Procure new delivery partners for Supplementary Activities Fund e.g. to provide technical assistance in the form of working with host governments and local authorities on policy or economic analysis and providing support for the design and implementation of new policy.

The FM meets with the Defra contract manager quarterly and will meet with the relevant Defra landscape programme manager at least quarterly. We assessed compliance with the UK Green Finance Strategy throughout our Evaluation of the Fund Manager, and subsequently with Delivery Partners, to ensure that the tenderer complies with this approach in line with ODA requirements during the mobilisation stage of the process to ensure best practice across the programme in line with HMG standards.

The full role and responsibilities for the Fund Manager can be found at Annex E.

### **Independent Evaluator**

The Independent Evaluator will conduct inception reporting, mid-term and final evaluation, as well as providing developmental evidence and learning products to help deliver and adapt the programme in the Andes Amazon Landscape. Specific to Andes Amazon the Independent Evaluator shall provide the following:

- Evaluation of Andes Amazon Programme(s) and Project(s).
- Community and stakeholder engagement, participation and capacity building.
- Assessment of impact across the Andes Amazon landscape.
- Ensuring that the MEL framework aggregates across the landscape and data is used efficiently with external monitoring frameworks; and
- Coherence at a national scale.

The full role and responsibilities for the IE can be found at Annex F.

See Annex G for a comparative breakdown of roles and responsibilities for these partners.

### **4) Communication between partners:**

The chain of reporting and communication between partners is critical to the successful governance of the Fund. Defra will pay particular attention to the lines of communication between each member of the delivery chain and will assess each party on their ability to communicate effectively.

Defra will oversee effective and collaborative working between partners, overseeing that Defra's expectations for how the Partners shall work together is clearly communicated and are included in contract KPIs.

Defra will oversee that Partners share Information, products and resources in a timely manner. This will enable partners to meet their obligations of the Overarching Contracts. These include but are not limited to:

- The transfer of data to allow for project and programme accountability.
- The connection of knowledge and skills.
- Effective communication for the development and betterment of the programme delivery and wider impacts.

## 5) Resourcing and recruitment

### Central programme team

The BLF will be run by a central team of Defra staff in the ODA and International Biodiversity Funds Division, comprising policy/programming and analytical staff. Two SEOs manage the FM and IE contracts. Specialist support, e.g. Commercial, Finance, Legal and ODA management, will be provided by Defra. This team will provide support across all landscapes within which the BLF will operate, including the Andes Amazon. Staffing requirements for the team have been worked up, with reference to the size and structure of teams delivering comparable Defra and FCDO programmes. All roles are in place, and recruitment is underway for the remaining vacancies. Roles and responsibilities within the team will evolve over the life of the programme, for instance as the focus shifts from preparation and development to programme management once implementation commences.

### Landscape coordinator

A member of staff works across all countries in the Andes Amazon landscape as a Landscape Coordinator. This in-country post was recruited in-country and is funded from the programme. The two Andes Amazon Posts agreed that this staff member should be based in Ecuador. The Landscape Coordinator is hosted within the British Embassy in Quito, with a remit to support implementation of the BLF and regional coordination across Ecuador and Peru working closely with, and delivering to, the Defra programme team. They engage with the host governments and relevant stakeholders and support the two Ambassadors in their engagement with their hosts on the BLF. Their responsibilities include programme delivery and support as well as political, economic, strategic, and contextual analysis which is fed back to the programme team at regular intervals. They will also support the FM and IndEv on the in-landscape stakeholder learning events and adaptive programming recommendations.

## 6) Stakeholder engagement

A stakeholder mapping exercise was conducted as part of the PETA, enabling DAI to engage with and seek the views of a variety of stakeholders including national and sub-national government ministries, women's groups and indigenous people, international conservation organisations and experts, academics, and representatives from civil society organisations focused on conservation, natural resource management, and local forestry, all of which has informed the business case.

The programme team engages with FCDO posts up to Head of Mission level, on a monthly basis to ensure alignment of goals and expectations. Their views have been reflected throughout the development of the Fund. The announcement of the landscapes in which the Fund will operate was also discussed with post and then tested with each government, to ensure we had their insight and support. We have also signed a Memorandum of Understanding (MOU) between Defra and the governments of each country, which sets out shared objectives and ways of working to ensure alignment and encourage a mutually supportive approach. Continued support of the host governments of each country is a key factor for the success of the BLF, particularly given the focus on issues such as land tenure and enforcement of regulations. The priority issues and outputs outlined in the Andes Amazon Strategic and Appraisal Cases above were discussed with Posts and host governments. Delivery partners were required to detail their engagement to date with countries hosts in their initial applications, and successful delivery partners will be required to secure a letter of support from host governments.

## 7) Monitoring, Evaluation and Learning

Please refer to the BLF Portfolio level Business Case (Annex B) which sets out the Monitoring, Evaluation and Learning (MEL) Framework, approach and scope, as well as the Benefits Realisation Plan.

### Monitoring

As set out in section 3 of the Strategic Case, the impact and outcomes within the Andes Amazon theory of change and logframe have been aligned with the portfolio level theory of change and logframe so that where relevant, the data can be aggregated at a programme level to allow the Fund to be monitored against its objectives based on a set of programme-level KPIs. Practical Action has submitted a theory of change and logframe for the Andes Amazon as part of the project bid. These will be further refined during the inception stage working closely with the FM and IndEv. The Fund Manager shall be responsible for compiling and representing progress from the lead delivery partners to Defra through the following:

- Annual Reviews based upon progress against the logframes and milestones.
- Progress reports based on key milestones and project performance and governance.
- Learning Cycles which allow for adaptive changes to be made in relation to opportunities and challenges in implementation and allow for wider learning across the programme and other landscapes.

In line with a gender-sensitive programming approach, the logframe submitted as part of project bids includes gender-sensitive baselines and indicators, to be further refined with support from the Fund Manager and Independent Evaluator during the inception stage. Indicators and data sets, where applicable, should be disaggregated by gender (along with other relevant marginalised groups). It is the responsibility of the SRO to ensure that the impact of ODA funding in this landscape on gender equality, social inclusion and safeguarding receives ongoing consideration and is monitored carefully throughout the project cycle. Defra has recently undergone an audit to identify areas where programmes could be strengthened on gender equality and social inclusion (GESI). Specific recommendations for the BLF include developing a portfolio-level GESI strategy to ensure consistency and coherence, as well as bespoke GESI action plans for each landscape. We intend to further strengthen these aspects of the programme and keep this under review to ensure best practice is being followed.

### Evaluation

The Independent Evaluator will be responsible for collecting and reporting evaluative evidence. Refer to Annex F for the IE scope. Defra has set up an evaluation steering group to ensure the evaluation products meet their intended goals and may (where appropriate) include sector experts for specific interventions.

### Benefits Realisation

There is a detailed plan for monitoring, evaluation, and learning (MEL) throughout the lifetime of the BLF, which will be jointly delivered by the Independent Evaluator and Fund Manager team, with oversight from the Defra BLF Evidence Team, and input from the Lead Delivery Partner. Progress against the desired outputs and outcomes will be reviewed quarterly, with more detailed review and learning events annually. Delivery of the benefits outlined in the Economic Case will be tracked throughout the lifetime of the programme, and there will be thorough mid-point and end-point evaluations, undertaken by the BLF Independent Evaluator to review the Andes Amazon programme as a whole, alongside the other BLF landscapes, and including updating the Value for Money assessment. Data will be collected against the log-frame indicators (see Annex K) across the lifetime of the programme and stored on a specifically developed e-platform. There is a strong emphasis on adaptive management and making use of this quantitatively and

qualitative data to better understand what is or isn't working and to adapt the programme accordingly. Please see the appraisal case and Benefits Realisation Plan for a more detailed explanation of this.

The table below sets out methods for monitoring and assessing the benefits:

Method	Description
Progress Reports	<p>The landscape logframe will identify and map out key milestones and progress and the Lead Delivery Partners will be held accountable for progress on these by the FM. The landscape level logframe shall also be used to realise the project(s) benefits through the outputs and outcomes defined. Within this will be a set of KPIs that will be used to ensure the programme is on track and used to assess the rate of return for investment. These KPIs at the landscape level logframe will feed up into the programme level KPIs which are:</p> <ul style="list-style-type: none"> <li>• Number of people / villages with improved land or natural resource management rights.</li> <li>• Number of people or villages with improved incomes or other direct benefits as a consequence of local businesses that are linked to sustainable management of natural resources.</li> <li>• Volume of finance (public or private) leveraged by the programme intervention for improved biodiversity and ecosystem management or local development.</li> <li>• Change in ecosystem integrity, accounting for habitat loss, degradation and fragmentation.</li> <li>• Change in protected area management effectiveness.</li> <li>• Abundance or rates of occurrence of globally threatened species / key populations and / or indicator species.</li> <li>• Change in deforestation rates.</li> <li>• ICF KPI 6: GHG emissions reduced or avoided as a result of intervention or ICF KPI 8: Deforestation avoided.</li> <li>• ICF KPI 17: Hectares of land to receive sustainable land management practices.</li> </ul>
FM Quality Assurance	VfM will be maximised by the FM by regularly quality assuring the Lead Delivery Partner progress reports. This shall include projected spend and financials, which shall be approved by the FM.
Evaluation Reports	<p>It will be the responsibility of the Independent Evaluators to track programme level progress, and investigate the costs and benefits of the intervention and assess whether it is the best use of resources that delivers most value to beneficiaries within the evaluation reports, optimising and maximising the impact of each pound spent against these three objectives:</p> <ul style="list-style-type: none"> <li>• Poverty reduction.</li> <li>• Slowing, halting, or reversing biodiversity loss.</li> <li>• Reducing greenhouse gas emissions.</li> </ul>

Annual Reviews	An ODA requirement which requires Defra to assess progress against the Landscape level Business case, performance expectations and recommendations.
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## 8) Adaptive Management and Learning Cycles

Quarterly (for the FM and Lead Delivery Partners) and annual learning cycles (for the IE, FM, Lead Delivery Partners and in-country staff) will allow for adaptive management and continual learning. Evidence and data from multiple sources will contribute to informed adaptive programme decisions as indicated in Annex H. Evidence and data should include a specific focus on gender to ensure that adaptive programming decisions are meeting the requirement of projects which consider the needs of, and benefit, women and girls at least equally to men and boys. Where appropriate, specific strategies should be developed to target gender and other key equity issues. Please also refer to page 48 of the Portfolio Level Business Case (at Annex B) for more information on adaptive management.

### Flexible Grants

If the adaptive management approach indicates an activity that can enhance or build upon the existing scope of a project within the landscape consortium, there is the ability to vary the grant through an unplanned variation. All proposed variations will be approved by the Defra SRO within the terms of GGM standards.

### Supplementary Activities

Supplementary Activities are additional activities which may span the range of interventions, objectives and duration covered by the BLF and will be determined by emerging or newly identified needs and priorities, including in response to the adaptive programming approach, to provide technical assistance, to encourage private finance or at the programme level. As such, they cannot be determined at project inception and will cover a proportion – up to 5% - of the total grant funding allocation in each landscape, each financial year. As part of the annual Learning Programme Board, the Fund Manager may make recommendations for supplementary activities in any given landscape, or BLF-wide activities. Alternatively, Defra may identify, through other means, supplementary activities. The Fund Manager will propose the Supplementary Activities delivery mechanism, which Defra will approve. When needed, the Fund Manager will procure new partners through the Supplementary Activities Fund.

## 9) Work Plan

All Defra ICF projects require a work plan/delivery plan which sets out the proposed approach and timeline for managing the project and breaks down activities and outputs, which are clearly cross referenced to payment mechanisms and governance/quality assurance mechanisms, to ensure effective delivery on time and within budget. An indicative work plan has been provided as part of the grant application process and this will be finalised in the first month of the project starting and updated periodically to reflect any changes to the project.

The BLF's Programme Management Office function also maintains a detailed work plan and programme tracker to ensure progress is made to the correct timeframes throughout the design and implementation of the BLF programme. The workplan tracks each stage of development including the procurement exercises, timelines for which have been developed with input from Defra Group Commercial, whilst the programme tracker logs any risks or issues which may prevent work progressing to time.

## 10) What are the key risks to the programme?

Risks will be reviewed through project reporting requirements. The Fund Manager will own and maintain a risk register that details the key risks for the Andes Amazon to ensure that risk is effectively monitored, managed and does not exceed the risk appetite set out in this Management Case, in which case they will escalate risks and issues to the SRO and ODA board through the dedicated slot at the monthly BLF programme board, or via correspondence if the matter requires urgent attention. The Fund Manager must also provide a summary of key risks for each landscape and at the portfolio level, on a monthly basis, in advance of each Programme Board meeting.

Outside of the BLF programme board, the Fund Manager and core BLF team will meet quarterly to review the risk register in full to ensure the listed risks are accurate and reflect current issues taking place in the Andes Amazon landscape. Any key updates taken from these meetings will be reflected into the BLF's team landscape-level risk register, which will allow landscape coordinators to relay these to colleagues in country and at Post to ensure all parties are kept up to date with the risk picture. We will also rely on the expertise and experience of landscape coordinators to inform any changes to the key risks, should they arise.

It may be necessary for the Fund to withdraw, amend or suspend funding where the risks exceed those set out. They will also work with in-country staff and the Andes Amazon programme manager who will support the risk management and identification process. The SRO has overall responsibility for all the risks identified in the risk register.

The overall risk rating for this landscape is **Major**. Some of the specific risks associated with successfully managing delivery in the Andes Amazon are outlined in the table below.

**Likelihood** is based on a scale of: Very unlikely > Unlikely > Possible > Likely > Certain;

**Impact** is based on the scale of Insignificant > Minor > Moderate > Major > Severe; and the overall level is based on the Red Amber Green (RAG) system

Risk description	Likelihood	Impact	RAG	Comments/Mitigating Actions	Resid. RAG
Regional/ Political instability affects delivery of the project and/or introduces inefficiencies	Likely	Moderate	Maj	<p>In December 2022 Peru's president was impeached, leading to widespread protests (some violent, resulting in injury and death) and political instability. The new government has been in place for almost a year, without changes in the main ministerial portfolios. The British Embassy Lima has built a strong relationship with the new government. The next elections are scheduled in 2026.</p> <p>In Ecuador, following the impeachment of their President in May 2023, a new government was inaugurated in December 2023, until mid-2025. The British Embassy in Quito has strong and effective relationships with senior officials who</p>	Mod

				<p>remain in place and are committed to biodiversity.</p> <p>For both countries, effective engagement with the governments and key stakeholders will be key to ensure their continued support for the BLF. We will therefore work closely with Practical Action, FCDO posts and the BLF in-country Landscape Coordinator to do this.</p>	
<p><b>Corruption resulting in a misuse of funds.</b></p> <p>Both countries suffer from high levels of corruption with Peru ranked 94 and Ecuador ranked 92 out of 180 by Transparency International in 2020</p>	Possible	Major	Sev	<p>The Fund Manager and Practical Action have demonstrated in their bids that they have robust procedures and systems in place for dealing with fraud within their own organisation and with third parties. They will alert Defra to any concerns they have over the misuse of funds. In the event of fraud being detected, the project may be suspended pending investigation, and Defra will have the right to terminate the agreement funds should corruption or fraud be identified. An internal Fraud Risk Assessment was also undertaken to identify and map out mitigations for potential fraud-related risks, should they occur. The disbursement schedule set out in the grant agreement will ensure that payment in advance of need is reduced, thereby reducing in the amount of funds that could be misused. Finally, a due diligence assessment was carried out on Practical Action to ensure their fraud and risk controls are adequate and to identify any improvements needed.</p>	Maj
<p><b>Lack of support from the authorities/regional authorities' .</b></p>	Possible	Major	Maj	<p>Defra has agreed a Memorandum of Understanding with the governments of both Ecuador and Peru formalising the shared commitment to the BLF and will consult them regularly as the programme progresses.</p>	Mod
<p><b>Selected delivery partner does not adhere to agreed reporting requirements set out in grant agreement which results in Defra not being to assess performance against the deliverables.</b></p>	Unlikely	Moderate	Mod	<p>Applicants provided an indicative delivery plan, Theory of Change and log frame (which sets out indicators and milestones) as part of their applications. Applications were evaluated by independent experts and project plans will be finalised with Practical Action in the first six months once the grant has been awarded.</p> <p>The disbursement schedule, set out in the grant agreement, will ensure that payments are given subject to satisfactory progress.</p>	Minor

Payments susceptible to currency fluctuations meaning, in the event of adverse currency movement, reduced potential for project fulfilment and less VFM.	Possible	Moderate	Mod	Defra will issue grant payments in Pound Sterling (GBP) to the Fund Manager who in turn will disburse funds to the Delivery Partner. They will then convert the amounts into the local currency and carry the risk. Defra will track the movement in exchange rate and adjust the timing of payments to avoid liquidity risk, if necessary. However, it should be noted that perfect matching may not be possible.	Minor
Safeguarding risks including increased unrest creates a threat to staff safety or of programme staff 'doing harm'	Possible	Major	Maj	<p>Maintain, through the Fund Manager and Defra's landscape coordinator, close oversight of activities across landscapes to monitor this risk carefully. We will also review if our in-country staffing, including by the delivery partners, is sufficient to manage this and other major risks for the Andes Amazon landscape.</p> <p>A safety and security plan will be developed by the Fund Manager and delivery partners. Respect for human rights and do-no-harm has also been considered carefully during bid evaluation. Systems will be established to enable reporting of any concerns and to support whistle-blowers. The risk of exclusion has been managed by project proposal evaluation criteria giving preference to interventions that are intended to have positive impacts on marginalised groups. This will need to be monitored carefully during implementation.</p>	Minor
Risk of an economic shock in the Andes Amazon countries increasing poverty levels and therefore increasing incentives for people to destroy natural resources	Possible	Major	Maj	Regularly seek economic and policy advice through liaison with Post and FCDO to identify problems early, with appropriate adaptations made to correct issues.	Mod
Risk that due to capacity constraints, one or more countries in the landscape struggle to engage properly with and make best use of donor funding being directed toward them, including from the BLF, affecting deliverability and overall sustainability of	Possible	Major	Maj	Both Peru and Ecuador have shown their interest in being part of the BLF and in providing the necessary institutional support for the project to be implemented. The BLF Landscape Coordinator makes frequent visits to Peru to maintain and strengthen the relationships with key stakeholders.	Mod



the programme and partnerships.					
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- <sup>4</sup> <https://www.worldbank.org/en/results/2021/04/13/combating-gender-based-violence-in-peru-increasing-awareness-and-resources-to-prevent-violence-against-women>
- <sup>5</sup> <https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=15589&context=notisur>
- <sup>6</sup> (National Institute of Statistics and Censuses of Ecuador, 2011; Camacho, 2014).- [https://www.researchgate.net/publication/351139231\\_SEXUAL\\_VIOLENCE\\_AGAINST\\_WOMEN\\_IN\\_ECUADOR\\_A\\_N\\_OVERVIEW\\_FROM\\_THE\\_RURAL\\_AND\\_INDIGENOUS\\_AREAS\\_OF\\_IMBABURA](https://www.researchgate.net/publication/351139231_SEXUAL_VIOLENCE_AGAINST_WOMEN_IN_ECUADOR_A_N_OVERVIEW_FROM_THE_RURAL_AND_INDIGENOUS_AREAS_OF_IMBABURA)
- <sup>7</sup> <https://www.ucl.ac.uk/global-health/research/a-z/gap-project>
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- <sup>9</sup> [Teenage pregnancy in Peru: why it's so high and what can be done? | www.younglives.org.uk](https://www.younglives.org.uk/teenage-pregnancy-in-peru-why-it-is-so-high-and-what-can-be-done/)
- <sup>10</sup> Ending Sexual and Gender-Based Violence in Perú - Global Fund for Women
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- <sup>12</sup> Barrionuevo M.A. 2019. SITUACIÓN DE LAS MUJERES AMAZÓNICAS Y SALVAGUARDAS SOCIALES Y AMBIENTALES PARA REDD+. En Diagnóstico de la situación de las mujeres amazónicas. Coordinado por: Ministerio del Ambiente, a través de la Subsecretaría de Cambio Climático. Ministerio de Agricultura y Ganadería, a través del proyecto Agenda de Transformación Productiva Amazónica.
- <sup>13</sup> Interview data.
- <sup>14</sup> <https://www.trade.gov/country-commercial-guides/peru-mining-equipment-and-machinery>
- <sup>15</sup> The national Institute of Statistics and Informatics of Peru- Peru's mining industry expands 12% in September - report | Kitco News
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- <sup>19</sup> [Peru's forest inspection agency OSINFOR regains its independence. But what next? | Global Witness](https://www.globalwitness.org/en/news/peru-forest-inspection-agency-osinfor-regains-its-independence-but-what-next/)
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<sup>29</sup> PETA Report

<sup>30</sup> ICAI's approach to effectiveness and value for money: <https://beamexchange.org/resources/633/>