

Title: BIODIVERSE LANDSCAPES FUND: LOWER MEKONG 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 **Lower Mekong landscape** in the Indo-Pacific has been identified as one of these hotspots.

The Lower Mekong landscape is an area of global importance due to its biodiversity that spans parts of Laos, Cambodia and Vietnam. However, several interlinking factors are contributing to biodiversity loss in the Lower Mekong, 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 Lower Mekong. Since the Outline Business Case, a competitive grant competition has been run for funding the Lower Mekong landscape. Following the evaluation of applications, the preferred applicant - or 'Lead Delivery Partner' - is a consortium led by Fauna and Flora (F&F).

The desired outputs of the BLF programme in the Lower Mekong are:

- 1) Development of **sustainable livelihood models**, including (where appropriate) improved land rights and tenure over natural resources, resulting in a reduction in the demand for, and trade of, illegal wildlife and timber products.
- 2) A shift to **sustainable agriculture**, linked to forest and wildlife protection, to provide new opportunities for access to national, regional and/or international markets.
- 3) More **sustainable approaches taken to infrastructure and development projects**, resulting in reduced environmental damage.
- 4) Implementation of **robust ecotourism policies and regulations**, models and approaches resulting in increased benefits flowing directly through to communities.
- 5) Improved **protected area management** that recognises the rights of local communities and supports local livelihood development.

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

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

Project Value: Up to £17 million (ODA), (including administrative costs) **Country/Region:** Lower Mekong

Project code **Start Date:** FY2021/22 **End Date:** FY2029/30

Overall risk rating for landscape: Major

STRATEGIC CASE

1) Landscape context

Global context and need for UK intervention.

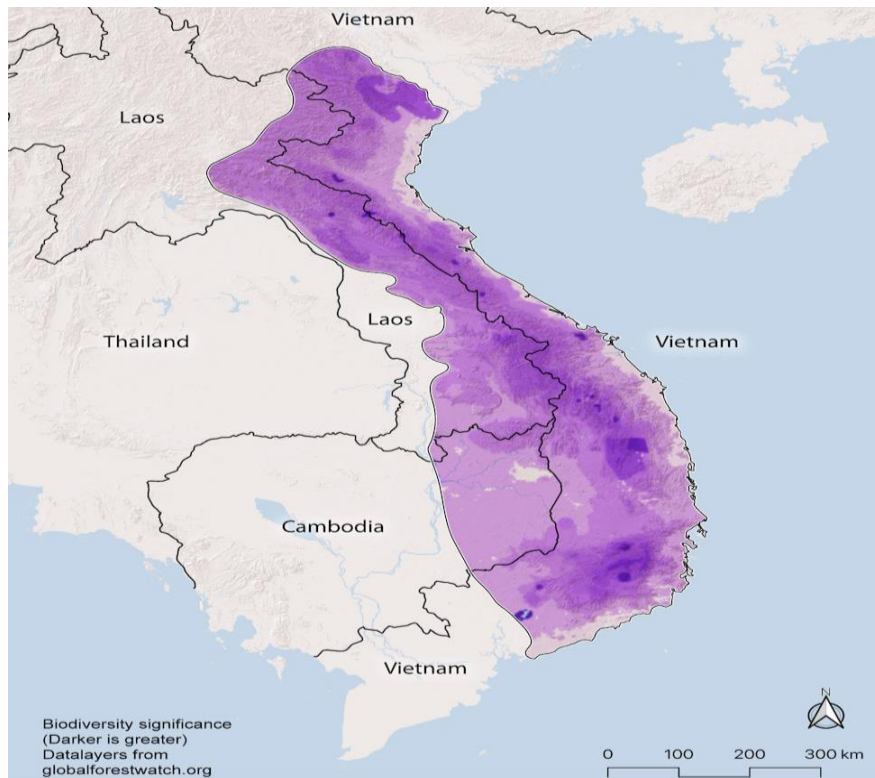
The Lower Mekong landscape includes the Annamites mountain range, spanning Vietnam, Cambodia, and Lao PDR (Laos). It is part of the Greater Mekong Subregion, which is one of the world's top ten biodiversity hotspots and top five threatened hotspots (with only 5% of natural habitat remaining¹). It includes one of the largest continuous natural forest areas in continental Asia, consisting of the Southern Annamites montane forests and the Northern Annamites moist forests.

Human activities in the Lower Mekong landscape are causing unprecedented and accelerating global loss of biodiversity. A critical driver of biodiversity loss in the landscape is the imbalance between the potential to drive rapid economic growth through building large-scale infrastructure projects, developing energy resources and commercialising agriculture, and the need to protect and share natural resources and conserve biodiversity. This frequently results in the region's natural assets - principally its rich biodiversity – being forfeited for economic gains.

The COVID-19 pandemic also exacerbated the pressure on the region's biodiversity. Economies in the Lower Mekong were badly affected by disruptions to global supply chains, job losses and temporary restrictions for international and domestic travel. Data suggests that the combined impacts of lost livelihoods from tourism (domestically) and the return of migrants intensified the exploitation of forest resources as the only avenue available for immediate income. Data is still being collected on the growth in illegal wildlife trade and forest encroachment as a result of lost livelihoods.

State of Nature and Climate

The Lower Mekong landscape is part of the Greater Mekong Subregion (GMS) and sits within the broader Indo-Burma region. The GMS spans mountains over 6,000 meters in elevation, such as Hkakaborazi in Myanmar, Southeast Asia's highest mountain, down to a coastline along the Bay of Bengal, Andaman Sea, Gulf of Thailand and South China Sea. It includes several complete mountain ranges, such as the Annamite Mountains, and includes parts of several others.



Map 1: Biodiversity significance across Lower Mekong landscape (purple shaded area)

The Lower Mekong landscape is the last sanctuary for many endemic species including the Javan rhino and Asian elephant. Five new species of large mammal have been identified in the last 10 years including the critically endangered Saola (a forest dwelling bovine) and the endangered Striped Annamites Rabbit. The area suffers from a high risk of flooding, which is exacerbated by climate change. There are opportunities for climate resilience co-benefits through conservation of indigenous forests, which will contribute to reduced levels of CO₂ emissions and protect biodiversity by preserving the habitats of endemic plant and animal species.

A conservative estimate of total plant diversity in the region suggests ~13,500 vascular plant species (plants with specialised tissue for distributing water and other resources throughout the plant) of which about 7,000 (52%) are endemic². There are an estimated 74 endemic bird species³. Of the 430 mammal species in the Lower Mekong landscape, 71 are documented as endemic⁴. Other vertebrate groups show much higher levels of endemism, with 189 of the 519 non-marine reptile species and 139 of the 323 amphibian species being endemic to the hotspot. The landscape also has diverse freshwater fish fauna, with 1,262 documented species, accounting for about 10% of the world total, including 566 endemic species.⁵

Ecosystems across South-East Asia are threatened by an array of drivers, each of which increases the probability of extinction of species in a variety of priority hotspots. Deforestation rates in South-East Asia are some of the highest globally; it has the highest rate of mining in the tropics, the greatest number of hydropower dams under construction, and a consumption of species for traditional medicines that is a threat to biodiversity globally.

Critical threats to the Lower Mekong landscape include commercial agriculture, logging, hunting for the illegal wildlife trade, exploitation of forest products and infrastructure development. Many of the protected areas in the region lack adequate management and effective protection.

People and demographics

The Lower Mekong landscape is home to an estimated 96 million people⁶, with significant disparities in wealth and wellbeing. Settlements in the Lower Mekong landscape range from the relatively prosperous Hanoi and Ho Chi Minh City to isolated subsistence farming communities in Lao PDR and Cambodia. The rural poor still account for the majority of Cambodian, Laotian, and Vietnamese citizens. A 2007 study of global hotspots⁷ ranked the Indo-Burma subregion third for the total area affected by poor socioeconomic conditions.

Cambodia and Lao PDR remain among some of the least developed countries in the world, outside sub-Saharan Africa, and have high levels of extreme poverty, with average incomes of \$300 pp/year. Conversely, Vietnam has changed rapidly since the 1980s, when it was one of the world's poorest countries, to a middle-income country with a market-orientated economy. Poverty in Vietnam has fallen to around 6%, although significant income inequality remains. Growing urban areas, home to an expanding middle class, have reaped many of the benefits of economic development, while more remote rural communities are at risk of being left behind.

Health outcomes for the region are mixed, with average life expectancy ranging from 75 years in Vietnam to around 66 in Cambodia and Lao PDR. In all three countries the risk of infectious diseases is high.⁸

Marginalised groups: The Lower Mekong has many ethnic minority groups, each with its unique culture, language, and heritage. Indigenous and local communities have often faced common challenges that include:

- Poor education
- Poor access to healthcare
- Declining livelihoods as a result of commercial agricultural and industrial development

Infrastructure development and the extension of market economies into remote areas is eroding these minority cultures and putting pressure on forests. The conservation of indigenous cultures not only has important cultural benefits but could offer a pathway to enhanced biodiversity conservation. For example, some indigenous and local communities follow animist belief systems with close links to the forest. Traditional practices exist that form complex resource management systems⁹ and many groups have beliefs that protect culturally important forest and river sites, contributing to the maintenance of biodiversity values.

Gender: Women are under-represented politically across the region. There are distinct gender disparities in poverty and livelihood indicators, particularly in rural areas where around 80% of each country's population still lives. In rural communities, women typically carry the burden of working on household farms, while men undertake wage labour (for example in plantations or construction). In rural communities, such as in Cambodia, women are often responsible for collecting firewood and water and cooking, whereas activities such as logging, hunting and collection of certain non-timber

forest products (e.g., tree resins) are carried out by men. Where community-based natural resource management groups exist, these patterns of male dominance tend to be repeated.

Gender imbalances are also reflected in wider civil society, government and politics. Women are underrepresented in the higher echelons of civil society organisations (CSO) and within Ministries. Senior management and field staff in national and international conservation non-governmental organisations (NGO) are mostly male, with most female staff undertaking administrative and support roles. Whilst there are several successful female researchers and conservation practitioners in the region, they remain the exception. The lack of female representation in positions of power may contribute to policies and legislation which does not adequately consider women,¹⁰ excluding women from the decision-making processes.

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, including in the Lower Mekong region, and Defra leads on HMG policy on nature. Defra uses ODA funds to pursue integrated programming that actively pursues multiple gains for people, nature and climate. There is also a need for the UK and strategic partners to identify areas for cooperation with governments and other stakeholders in Lower Mekong 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 at the ground, and shape delivery. The BLF will learn from what has worked from other HMG funding in the region. For example, Defra's Darwin Initiative and Illegal Wildlife Trade (IWT) Challenge Fund have funded over 90 projects in Vietnam, Laos and Cambodia, and the Foreign Commonwealth and Development Office (FCDO) funds programmes such as the Forest Governance, Markets and Climate programme (FGMC) which is addressing forest crime and illegal deforestation in the wider Mekong region.

Wider HMG strategic fit

BLF activities in the Lower Mekong landscape will contribute to 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 White Paper on International Development (November 2023) and the commitment to spend £3bn of our £11.6bn ICF commitment between 2021/22 and 2025/26, ensuring a

balance between adaptation and mitigation and including at least £3 billion to protect and restore 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.
- The UK's commitment as set out in the 2030 Strategic Framework for International Climate and Nature Action to drive global ambition to protect and restore land and sea; and to harness the role of nature in tackling climate change and work with others to make nature more resilient to climate change.

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

- The Convention on Biological Diversity (CBD) Kunming-Montreal Global Biodiversity Framework, which sets out strategic targets and 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 also advance the UK's strategic priority of **supporting developing countries to meet their international biodiversity, climate and nature commitments**. Cambodia, Laos and Vietnam are all signatories to international treaties and conventions to safeguard natural and managed ecosystems, and to protect wild animals and plants, including the Ramsar Convention, the Biodiversity Convention, and REDD+. In addition, they are part of the UN 2030 Agenda for Sustainable Development, which includes Sustainable Development Goals directly related to biodiversity (SDGs15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss).

HMG supports action on biodiversity and climate in Vietnam, Cambodia and Laos HMG aims to support ambitious action in Cambodia to tackle the threats of climate change and reduce its carbon emissions. In Vietnam, HMG is committed to supporting the country's energy transition by reducing its reliance on coal. Vietnam recently agreed a Just Energy Transition Partnership (JETP) with an International Partners Group which includes the UK, France, Germany, and the United States of America, which aims to mobilise an initial \$15.5 billion of public and private finance over the next 3 to 5 years towards its green transition. In Laos, HMG is helping the country become a source of nature-based solutions as the South-East Asian countries emerge from COVID-19. All three countries have included reductions in deforestation/increased reforestation programmes in their Nationally Determined Contributions (NDCs). The BLF will support these countries to make progress on their commitments, which in turn will align with the UK's commitment to provide climate finance, both for mitigation and adaptation, under the 2015 Paris Agreement in particular the support for nature-based solutions, and assistance to countries to implement their NDCs.

3) Issues, outcomes and impacts

Priority issues

Largely informed by an analysis commissioned by Defra the following three issues have been agreed with Posts and host governments as constituting the highest priority issues for the Lower Mekong landscape:

Priority Issue 1: Large-scale infrastructure and development projects which severely threaten wildlife, ecosystems and livelihoods.

Over the past three decades, the economy of the Lower Mekong landscape has expanded significantly, with the annual GDP increases of countries ranging from 5% - 9.5% (pre-pandemic). As populations and economies recover from COVID-19, growth is expected to resume, and the region's rich natural assets will again be placed under increasing and often competing demands. Development activities and economic gains in the region have led to significant environmental challenges. Cumulative impacts of new transportation and economic corridors present real challenges to protected hydro area corridors. The already strained forests, wildlife, and water resources of the region are at risk of further decline if these development patterns continue.

The exploitation of natural resources for development not only leads to environmental challenges, but also impacts under resourced and marginalised forest-reliant communities. When infrastructure projects encroach on protected areas, communities experience a loss of traditional livelihoods, which puts pressure on them to supplement their income from poaching and other activities.

Priority Issue 2: Competing interests which prevent effective policymaking and policy implementation capable of protecting biodiversity.

Across the region, competing interests at the international, regional, national, and local level complicate and at times frustrate efforts to protect biodiversity.

Regional: It can be challenging at a regional level to align and coordinate states' different interests in support of broader regional priorities such as environmental protection. Another important driver of biodiversity loss in the region is unsustainable large-scale infrastructure projects.

National and Local: At national and local levels, competing political and economic interests between ministries and between provincial and national governments can lead to ineffective environmental policy, regulations, governance and enforcement. Local exploitation of natural resources results in increased pressure on rural and forest communities, whose loss of traditional livelihoods, lack of secure land tenure or land use rights, leads them to rely on the forest wildlife resources to consume or trade.

Priority Issue 3: Illegal poaching and deforestation, which deplete wildlife stocks and degrade biodiverse and protected areas.

There is considerable misinformation about the protective benefits of certain animal products, which has fuelled the illegal wildlife trade. Purchasing these products is often a primary driver for tourists to visit the region. Despite considerable international investment in campaigns to change perceptions about consumption of wildlife products, there has been little measurable progress.

A common method of accessing products for the illegal wildlife trade is through snare poaching, with millions of snares set in Vietnam, Laos and Cambodia. Snares kill wildlife indiscriminately, leading to a vast reduction in mammal and bird numbers. This is largely driven by demand for rare meats and wildlife parts and products in urbanising areas. As well as wildlife loss, this practice is bringing people into closer contact with species that may result in a greater likelihood of transmission of zoonotic diseases. At present there is a lack of regional cooperation and coordination to tackle the problem, in addition to weak enforcement at national and sub-national administrative levels.

COVID-19 has also stimulated growth of the illegal wildlife trade. International travel bans have contributed to the decline in tourism, which is a source of income for many migrants in the region. This, combined with the closure of factories and other sectors due to COVID-19, has put pressure on livelihoods and encouraged many migrants to return to the forest to generate incomes, further contributing to the pressure on natural resources. Forest products are increasingly important as an income source rather than for subsistence use.

Outputs

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

- 1) Development of sustainable livelihood models, including (where appropriate) improved land rights and tenure over natural resources, resulting in a reduction in the demand for, and trade of, illegal wildlife and timber products.
- 2) A shift to sustainable agriculture, linked to forest and wildlife protection, to provide new opportunities for access to national, regional and/or international markets.
- 3) More sustainable approaches taken to infrastructure and development projects, resulting in reduced environmental damage.
- 4) Implementation of robust ecotourism policies and regulations, models and approaches resulting in increased benefits flowing directly through to communities.
- 5) Improved protected area management that recognises the rights of local communities and supports local livelihood development.

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 M for F&F's proposed logframe.

Headline target outcome results from F&F's logframe include:

- 30 villages/ 21,000 people with improved land or natural resource management rights
- 24,500 people with improved incomes or other direct benefits
- 20% match and additional finance leveraged from multiple sources.
- Abundance of key species same or increased from the start of the project.
- Ecosystem integrity maintained and/or improved in 50 of sites, and corridors being supported.
- Over 700,000 Ha improved Protected Area management effectiveness and/or gazettement.

- 30% reduction in deforestation rates outside protected areas/OECMs
- 2-3MT CO₂e reduced or avoided
- 77,000 Ha with improved sustainable land management practices

During the initial phase of funding, F&F 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. F&F will also work with host governments to refine the programme's activities and proposed results to make sure it fully aligns with their country's priorities. 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 80% of BLF funding is from International Climate Finance (ICF)**, several ICF indicators are used, ensuring the BLF can directly feed into this reporting framework.¹¹ Where possible, these outcome indicators also align with other Defra programmes such as the 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. 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 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 Lower Mekong 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 Lower Mekong landscape address the portfolio 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; and
- demonstrate effective monitoring, evaluation, and learning throughout their proposals.

The Lower Mekong programme will work through a consortium of locally grounded actors, in collaboration with indigenous peoples and local communities, to ensure activities respond to the priority issues identified. F&F's bid sets out five components that tackle each of the outputs listed above, plus a sixth component that focuses on inclusive monitoring, evaluation, learning, and programme management of the BLF grant award. Sustainability and supporting viable livelihoods are considered throughout, and the programme uses insight from local partners to identify the potential impacts of activities (both positive and negative) in advance of implementation. This approach allows the potential negative trade-offs between nature, climate, and people to be captured, avoided, or mitigated, with pathways that are likely to generate benefits in multiple areas being prioritised and pursued.

As part of their applications, delivery partners were also required to produce gender strategies which establish how they will ensure gender-sensitive programming and a clear focus on the needs of and impacts on women and girls. F&F will also be provided with a Gender Equity and Social Inclusion Self-Assessment Tool, and related training, to demonstrate 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, disability etc. using do-no-harm principles. F&F's proposal sets out clear activities to help tackle gender inequalities and puts collaboration with IPLCs at the heart of the programme. Further information on specific activities can be found in the appraisal 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 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 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 F&F Lower Mekong programme include four operating languages and at least 10 additional local languages among programme beneficiaries; large geographic area, requiring on-the-ground presence for technical oversight; different legal systems and government structures in each country; complex political economies; and financial management complexities due to differing currencies and exchange rates.

The consortium delivery model proposed by F&F addresses these barriers by taking an integrated approach to programme management, ensuring that work in each component of the programme is not in silo but interconnected across the entire geography. Effort across the consortium will be coordinated to ensure value for money, with the organisational development of consortium partners being supported through accompaniment, training, and mentoring.

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 of the programme funds will fund the BLF's interventions globally. This has been proportionally distributed across the six landscapes and has considered the Supplementary Activities Fund (see section 8 of the Management Case) and the potential to use additional funding to complement their core strategy. The latter will be allocated at a later stage.

Theory of Change

As part of their grant application, F&F provided the below Theory of Change (also attached as Annex I – Theory of Change Diagram) to demonstrate how their proposed programme can achieve the BLF outcomes and impact desired, along with the constraints that will be addressed to achieve the desired outcomes and impact, and the underlying assumptions of the Theory of Change. For further information, see Annex J – Theory of Change Narrative.

Biodiverse Landscapes Fund: Lower Mekong Landscape Level Business Case

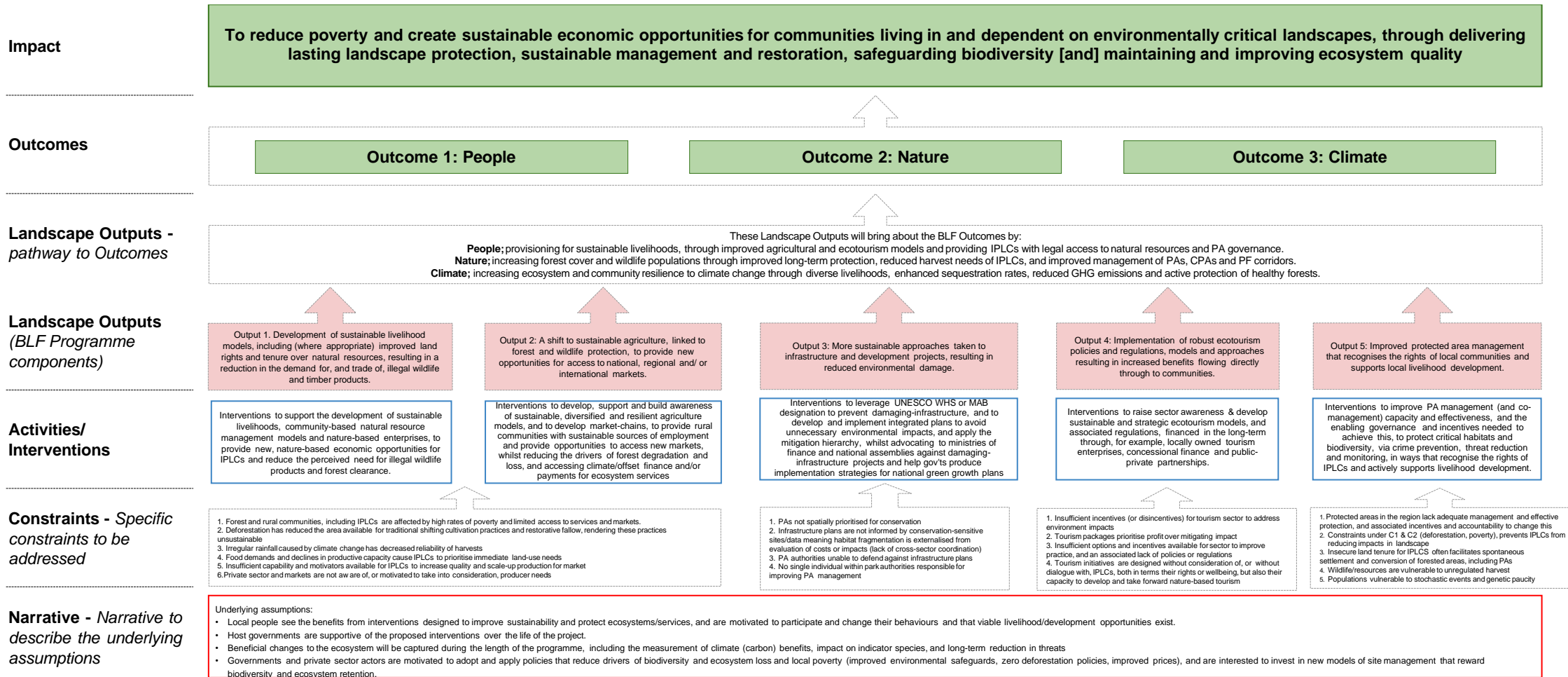


Figure 4: F&F Lower Mekong Theory of Change

ECONOMIC CASE

1) Introduction and Economic Rationale for Intervention

While rapid economic growth has brought prosperity to many of the 120 million people of Cambodia, Laos, and Vietnam, it has been largely fuelled by the unsustainable use of natural resources. This has caused widespread environmental degradation, significant greenhouse gas (GHG) emissions and contributed to the local extinction of critically endangered species, with 55 Globally Threatened vertebrate species recorded in the Project Area (including 9 Critically Endangered and 25 Endangered species). This diminishes the ecosystem services relied on by millions of people at landscape level, particularly rural communities, as well as citizens globally. However, to date, large scale international programmes have largely pursued either biodiversity or development gains, paying little attention to the trade-offs that this can unwittingly cause. There is therefore an urgent need for more integrated programming that actively pursues multiple gains for people, nature and climate.

The economic rationale for the proposed interventions is that by supporting the sustainable and equitable management of critical natural assets in the Lower Mekong, we are 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 – unsustainable large scale infrastructure development, unsustainable practices, illegal poaching, and the lack of alternative livelihoods – 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 infrastructure development, 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 **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 failure to treat it as an asset in its own right and the lack of tangible financial returns to standing forests compared to the financial returns to economic development activities.
- A prevalence of **negative externalities** associated with economic development. Infrastructure and industrial development have significant environmental and social costs that are not captured or considered during the investment decision-making process. As a result, the balance between manufactured capital and natural capital is heavily skewed to favour manufactured capital. The significant costs associated with converting natural capital (such as pollution and loss of biodiversity) are borne by both local communities and future generations. In other words, infrastructure and industrial development are overprovided and overused given the true cost when also considering the costs of these negative externalities.
- 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, lack of enforcement by authorities creates a system of perceived open access which attracts harmful economic interests and increasing competition for forest land.
- **Information failure**, a key element of the illegal wildlife trade. This is largely driven by demand for rare meats and wildlife products in urbanised areas based on the belief that wildlife products bolster health and prestige. Despite international investment in campaigns to alter

perceptions surrounding the consumption of wildlife products, there has been little measurable progress.

- 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 COP27¹².

Public sector intervention, such as government investment, can help to address these market failures and optimise social welfare by internalising 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, an analysis was carried out to identify priority issues that the BLF should aim to address in the Lower Mekong landscape. These were:

- Large scale infrastructure projects which severely threaten wildlife, ecosystems, and livelihoods
- Competing interests which prevent effective policymaking and policy implementation capable of protecting biodiversity.
- Illegal poaching and deforestation, which deplete wildlife stocks and degrade biodiverse and protected areas.

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 key issues through a focus on conservation measures.
3. Conservation measures plus work to address systemic drivers – **preferred option**.

The preferred option was identified as working through a consortium of delivery partners in the landscape to engage in conservation measures to address the priority issues identified, as well as undertaking work to address the systemic drivers behind those issues as this best aligned with the desired BLF outcomes and overall impact. 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 Lower Mekong landscape. These were based on the analysis priority issues above, as well as further engagement with stakeholders and host governments:

1. Development of sustainable livelihood models, including (where appropriate) improved land rights and tenure over natural resources, resulting in a reduction in the demand for, and trade of, illegal wildlife and timber products.
2. A shift to sustainable agriculture, linked to forest and wildlife protection, to provide new opportunities for access to national, regional and/ or international markets.
3. More sustainable approaches taken to infrastructure and development projects, resulting in reduced environmental damage.

4. Implementation of robust ecotourism policies and regulations, models and approaches resulting in increased benefits flowing directly through to communities.
5. Improved protected area management that recognises the rights of local communities and supports local livelihood development.

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 K) for details on this process. The application from **Fauna and Flora (F&F)** 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 second option is not taken forward here as it was rejected at OBC stage 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 F&F bid are now taken forward for appraisal:

1. BAU – do nothing.
2. Progress with the F&F Lower Mekong 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 Lower Mekong programme, which are set out below. It has not been possible to accurately monetise these costs 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 Lower Mekong's environment will continue to degrade, its biodiversity will deplete, and its poverty rates will remain high. Unsustainable infrastructure development and natural resource exploitation are likely to continue to drive deforestation. Further, poor and uncertain land rights, tenure over natural resources and protected area management, as well as unsustainable agriculture practices will all also contribute towards this issue. If the current average deforestation rate across the landscape of 1.29%¹³ per year continues, we estimate ~93,000 ha of forest could be lost within the proposed intervention area by 2030. Around 65% of employment is based on forestry and food production¹⁴ and the lack of economic diversification and limited employment opportunities will contribute to increased illegal logging and illegal wildlife trade. The impact of the COVID-19 crisis on the economy and local livelihoods has caused a further half a million households to be newly identified as poor, making these illegal economic activities more attractive. The global demand for illegal wildlife trade products, now valued at around £17bn per annum, will continue to present an attractive source of income for rural communities facing increased economic pressures.

Considering the wider funding context, it is not feasible to estimate precisely what will happen in the Lower Mekong 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 Lower Mekong landscape. For example, USAID’s Biodiversity Conservation Activity and Sustainable Forest Management projects are delivering \$74 million to the landscape in Vietnam, while World Bank’s Lao Livelihoods and Landscapes project is spending \$57 million in Laos. These projects are due to end in 2025. While it is reasonable to assume that other programming would continue in the Lower Mekong landscape, and even that F&F may find alternative sources of finance to undertake some of this work in the future, this is not certain. Moreover, it is clear that the overall needs in the Lower Mekong vastly outstrip current available funding.

The BLF will complement projects undertaken by other organisations by taking a transboundary landscape approach across the three countries and by providing continuity of funding until 2029. We have been careful to avoid duplication, and the World Bank has assisted F&F in choosing sites in Lao PDR. F&F will also focus on areas of the Lower Mekong that have been historically hard to reach and underfunded. In addition, the BLF integrates objectives targeting people, nature and climate, rather than focusing on one of these at the expense of the others. The BLF also provides an opportunity to align with and amplify other HMG programmes in the region, including past and current Defra investments in the Darwin Initiative and Illegal Wildlife Trade Challenge Fund programmes, some of which partnered F&F, as well as the FCDO’s FGMC programme which is addressing forest crime and illegal deforestation.

Finally, if the UK opted not to continue with this investment it might harm diplomatic relations with the three host governments, Cambodia, Laos and Vietnam, who have already indicated their support and been extensively engaged. Defra has agreed Memoranda of Understanding (MoU) with all three host governments 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 F&F Lower Mekong proposal

Following the open grant competition and expert evaluation, this option would see F&F awarded the funding and Defra progressing with the proposed programme for the Lower Mekong landscape until 2029.

F&F proposes to work in an area of the landscape covering 1,029,009ha, focusing on three large forest complexes of the Annamite mountains in Cambodia, Laos and Vietnam.

Table 1: Area of land covered by the interventions and estimated carbon sum

	No.	Site	Country	Area (ha)	Carbon sum (t)
Northern Complex	1	Pu Mat NP (PMNP)	Vietnam	94,500	26,365,500
	2	Yod Nam Mo - Phou Samsoum (YNMPS) NPA	Lao	98,873	27,585,567
	3	Corridor Zone (Anh Son PF) between YNMPS and PMNP	Lao and Vietnam	42,945	11,981,655
Central Complex	4	Hin Nam No NP	Lao	94,121	26,824,485
	5	Phou Louang - Phou Khao Nok NPtFA	Lao	40,512	11,302,848
Tri-border (south-eastern)	6	Virachey NP	Cambodia	334,068	94,836,273
	7	Chu Mom Ray NP	Vietnam	52,647	14,925,660
	8	Ngoc Linh (Kon Tum) NR	Vietnam	50,729	25,006,997
	9	Kon Tum Corridor MAB	Vietnam	25,000	7,650,000
	10	Nam Khong PF	Lao	195,614	55,163,148
				1,029,009	301,642,133

The programme will work through a consortium of International Non-Governmental Organisations (INGOs) with considerable in-country experience, led by F&F, who will be responsible for the overall delivery of the programme. The consortium also includes SNV Netherlands Development Organisation, International Union for the Conservation of Nature and Natural Resources (IUCN) and Re:wild. Local partner organisations will be engaged in delivering interventions in areas where they have deep experience and networks. The consortium will also work in close collaboration with indigenous people and local communities (IPLCs) to ensure activities respond to locally identified and prioritised needs.

The proposed programme encompasses six components to achieve its overall aim of reducing poverty and creating sustainable economic opportunities for communities living in and dependent on environmentally critical landscapes. Five of these components are focused directly on addressing the five landscape-level outputs that have been identified by Defra, and the sixth enables delivery of the others through monitoring, evaluation, learning and programme management.

Table 2: Component details

Component	Description
Component 1 – Livelihoods Models, Tenure and Illegal Trade	<p>This component will support the development of sustainable livelihoods, community-based natural resource management models and nature-based enterprises. It will provide new and/or improved economic opportunities for IPLCs, reducing their perceived need for illegal wildlife products and forest clearance.</p> <p>Examples of the activities which will contribute towards the benefits this component will realise include:</p> <ol style="list-style-type: none"> 1- Awareness campaigns on the benefits of sustainable resource management and disbenefits of illegal trade of timber and wildlife. 2- Training bodies to support sustainable resource management and facilitating the development of livelihood models. 3- Facilitating improved land tenure and resource rights for IPLCs.

<p>Component 2 – Agriculture and Markets</p>	<p>This will augment component 1 by developing sustainable agriculture models and market-chain links to provide rural communities with access to new markets and a sustainable source of employment.</p> <p>Examples of the activities which will contribute towards the benefits this component will realise include:</p> <ol style="list-style-type: none"> 1- Support indigenous farmers on sustainable intensification of production practices, transitions to agroforestry and improved access to better planting stock. 2- Develop inclusive business models to generate economic incentives for communities involved in conservation actions. 3- Facilitate sustainable investment and de-risk small and medium-sized enterprises' access to finance.
<p>Component 3 – Infrastructure and Development</p>	<p>This component aims to protect the landscape from externally driven development by leveraging existing international conservation status and to implement integrated plans for avoiding such developments in the future.</p> <p>Examples of the activities which will contribute towards the benefits this component will realise include:</p> <ol style="list-style-type: none"> 1- Work with stakeholders to capitalise on UNESCO World Heritage Sites and Biosphere Reserve status as an effective tool of preventing damaging infrastructure development. 2- Support provinces with integrated planning which aligns with the planning laws aimed at reducing environmental impacts. 3- Engaging with ministries of finance to improve guidelines and therefore decisions around infrastructure projects.
<p>Component 4 – Ecotourism</p>	<p>This component will seek to attract and enable sustainable finance flows from ecotourism, positioning the environment and indigenous cultures as assets rather than consumables, and ensuring both benefit from resulting income. Underpinning all this work is the protection of the biodiversity that provides critical ecosystem services.</p> <p>Examples of the activities which will contribute towards the benefits this component will realise include:</p> <ol style="list-style-type: none"> 1- Develop replicable models of profitable and sustainable nature-based ecotourism within protected areas (PA) through private sector engagement and enterprise development. 2- Develop and promote state-managed PA ecotourism options and co-design and implement primate and bird watching sites. 3- Build an enabling environment for sustainable, nature-based ecotourism through activities such as advocating for tourism businesses, preparing guidelines and organising training.
<p>Component 5 – Protected Area Management</p>	<p>This will focus on protected area management (with an emphasis on collaborative management) and capacity to protect critical habitats and</p>

	<p>biodiversity in a way that recognises the rights of IPLCs and the need for alternative livelihoods.</p> <p>Examples of the activities which will contribute towards the benefits this component will realise include:</p> <ol style="list-style-type: none"> 1- Participatory establishment of at least one new PA or Other Effective Area-Based Conservation Management (OECM). 2- Develop PA management incentives and multi-stakeholder PA governance structures to enable more effective and collaborative PA management. 3- Identification and development of high potential sustainable financing mechanisms to resource and incentivise enhanced PA management.
<p>Component 6 – Monitoring Evaluation and Learning (MEL) and Programme Management</p>	<p>This component will bring all pilots and interventions together to generate learning and inform policy and future replication across the Lower Mekong landscape, leveraging sustainable financing in the process.</p> <p>Examples of the activities within this component include:</p> <ol style="list-style-type: none"> 1- MEL co-design workshops, ongoing data collection, analysis and reporting by both local partners and consortium members on logframe indicators. 2- Undertaking a safeguarding assessment and training with partners, co-designing a safeguard information system, with ongoing data collection on safeguards to input. 3- Fundraising strategies, prospecting, pipeline development and public fundraising campaigns to obtain matched funding.

The flexible and adaptive nature of the programme means that F&F, 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 ‘secondary funding’ available for the Lower Mekong landscape, which F&F has bid for in order to scale up these components and reach a greater number of key actors and beneficiaries across the landscape. We will take a decision on this once the programme is operational, based on programme-generated evidence of needs and effectiveness. F&F proposes to use this funding to fill certain gaps and expand on interventions in the central proposal. This includes:

- 1- Using MEL and socio-economic data generated by the BLF project to identify and prioritise sites and communities where additional funding in livelihood improvements would be the most beneficial.
- 2- Developing investable models and/or market-based offset opportunities in the landscape and dedicating the resources to explore potential funding avenues, for example biodiversity offsets from companies operating in the landscape.
- 3- Investing in ventures and enterprises to de-risk them and improve their chances of success and growth. This would be prioritised and allocated to the models, pilots and enterprises that F&F and partners agree would benefit most.

- 4- Replication and scaling up of successful pilots and models which are funded by the initial funding. Once sites are selected, at least three additional venture/enterprises would be set up with study tours, training, investment and oversight/technical support provided.
- 5- Achieving a significant increase in protected land and the long-term sustainability of these sites by establishing at least one new PA and at least two CPA or community-managed forests in the landscape.

Methodology and Assumptions

Given the inherent difficulty of quantifying and subsequently monetising biodiversity-related benefits and the uncertainty surrounding the inputs to this appraisal, high additionality, leakage, and optimism bias assumptions are used to be conservative, and sensitivity analysis has been deployed throughout. The net present value and benefit to cost ratio are estimated below using the following assumptions:

Table 3: Details of appraisal assumptions

Appraisal assumption	
Prices	FY 2021/22, GBP prices
Additionality	0.5 ¹
Leakage	0.75 ²
Optimism Bias	0.5 ³
Discount rate	3.5% in line with HMT Greenbook and 10% for foreign benefits
Appraisal period	20 years
Active Programme Period	7 years

Analysis and Results

Detailed analysis has been carried out to appraise option 2 compared to the BAU option 1. The monetised elements and BCR should be treated as partial 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 4: Summary of the central scenario results, discounted, 2021/2022 prices.

Discounted central scenario	
Total Costs	£11.9m
GHGe Reduction	£75.9m
Additional income generated	£0.3m
Total benefits	£76.3m
Net present value (NPV)	£64.4m
Benefit cost ratio (BCR)	6.4

¹ Conservative parameters consistent with OBC assumptions.

² Conservative parameters consistent with OBC assumptions.

³ 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.

Overall, the central scenario suggests that **the preferred option of funding F&F’s proposed programme would have a NPV of £64.4m and a BCR of 6.4**. In other words, based on this relatively high-level analysis, it is estimated that the benefits will be at least 6.4 times higher than the costs, providing very good value for money.

As set out above, during implementation we will assess whether to allocate secondary funding which is available to expand on the proposed programme components. Assuming that secondary funding is spent on the Lower Mekong landscape, and that this is split evenly over the 7 years of programme work, this will add 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 added. 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 5.4.

Table 5: Summary of the central scenario results including Secondary Funding, discounted.

Discounted central scenario with Secondary Funding	
Total Costs	£14.2m
<i>GHGe Reduction</i>	£75.9m
<i>Additional income generated</i>	£0.3m
Total benefits	£76.3m
Net present value (NPV)	£62.0m
Benefit cost ratio (BCR)	5.4

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 4.0 and a high scenario BCR of 6.7** when the full secondary funding allocation is taken into account, which indicates that this programme has **very good value for money potential**.

Costs

From the total BLF budget of £100m, **Defra will provide up to £12.3m** to the F&F in the Lower Mekong Landscape as primary funding and may provide further secondary. Alongside this, F&F could **leverage a further £2.6m** in additional funding for the programme. This brings the total societal cost of option 2 to £17.9m. As the benefits analysis includes all activities funded by the total programme budget, the additional leveraged funding is considered as a wider societal cost. 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. Further detail can be found in the Financial Case.

The cost to Defra in option 1 (BAU) would be zero as no funding would be provided.

Table 6: Cost breakdown

Cost category	Option 1 cost (£m)	Option 2 cost, undiscounted (£m)
Programme delivery		£11.5m
Monitoring, evaluation & learning activities		£0.48m
Administration		£2.9m
Total funding	£0m	£17.9m
<i>Of which...</i>		
<i>Defra funding</i>		<i>£15.3m</i>
<i>Leveraged funding</i>		<i>£2.6m</i>

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 £11.9m.

Benefits⁴

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 five output-focused components are expected to realise several benefits which feed into 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 20% leveraged funding. The benefits set out here are additional, in comparison to the BAU baseline.

The secondary funding would expand and scale up the existing components. Decisions on the secondary funding will be taken based on evidence generated by the project once it is operational. As secondary funding is intended to expand and build out from the primary activity, based on what works and on additional needs, the benefits are expected to build on those set out below. All quantification and benefits outlined below were calculated by F&F and extracted directly from their bid.

Monetised benefits

GHG emissions reduction:

The Lower Mekong landscape holds huge stores of carbon, estimated to be **300mt of carbon within the total area of intervention⁵**, providing a significant climate change mitigation. All five output-focused components contribute towards the safeguarding of these carbon stores, and by extension reducing GHG emissions, as they create alternatives and change the incentives away from deforestation and unsustainable land management. Component 5, in particular, will directly protect forested land. Overall, the programme aims to reduce **deforestation rates by 30% outside protected areas and**

⁴ Please see Benefits Realisation Plan for further information on how we expect these identified benefits to be realised.

⁵ Estimate provided by FFI, see Table 1.

OECMs. This corresponds to an indicative **reduction in GHG emissions of 2-3mt CO₂e⁶**. Given that this is an indicative figure only and further baseline assessment will need to be carried out during project inception to assess forest cover and carbon sequestration potential and finalise targets, we have taken the mid-point of 2.5mt CO₂e as a central estimate, with a 25% range above and below as a sensitivity to account for the potential that the true benefit could fall outside this range. Further, as a profile has not been provided, we have assumed an equal split of reductions per year of the 20-year appraisal period. Using the BEIS carbon values¹⁵, deflated to FY 21/22 prices and discounted using a 3.5% discount rate as per Green Book guidance for carbon prices, the **central scenario is valued at £75.9m over the appraisal period**. This links to a key International Climate Finance (ICF) indicator (KPI 8) of hectares of deforestation avoided.

Income:

Another key benefit is the additional income generated through the activities associated with components 1, 2 and 4. Through a combination of improved land-tenure, natural resource management, market access and ecotourism development, it is anticipated that **24,500⁷ IPLCs will benefit from improved income**. It is estimated that 21,000 Indigenous Peoples and local communities (from 300 villages in total) will benefit from improved land tenure or natural resource management rights through training and improved incomes as a result of Component 1 and 2. A further 3,500 people will benefit from income increases through ecotourism developments in Component 4. To reach this estimate, F&F have assumed all household members are beneficiaries of the income increase, but to be conservative in our monetisation we have only included the beneficiaries receiving the training in the calculation, whilst acknowledging that this would subsequently indirectly benefit other family members. This equates to a total of **4,900 income beneficiaries**. We have not received an indication of the magnitude of these income increases, but the analysis commissioned by Defra gave indications of potential income gains that could be realised from improved livelihoods such as through small businesses (**£680/person over the programme period**) and ecotourism (**£2000/person over the programme period**). We have used these estimates 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 4,900 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 £0.3m in the central scenario.**

⁶ Estimated by IUCN using the FAO EXACT tool ([EX-ACT | Economic and Policy Analysis of Climate Change | Food and Agriculture Organization of the United Nations \(fao.org\)](#)) based on the one million hectares project area and reasonable assumptions surrounding climate conditions and degradation levels.

⁷ From component 1 and 2, 21,000 people are estimated to benefit (Assuming an overall 80% success rate; 4750 people are trained under component 1 and 1500 under component 2; it's estimated that some are trained in both, so the total net adults trained 5250; average number of people in family equals 5). From component 4, 3,500 (HNN 500 people (100 trained, 5 people per family) PNKB 2500 people (500 people trained/employed, 5 per family) PM 250 people (50 trained/employed, 5 per family) Virachey 250).

Quantified benefits

The above result is a partial BCR, as it does not include the benefits to which it has not been possible to assign 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 monetisable⁸. 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 benefits to local peoples identified above, policy and decision makers, local businesses (and their staff), private companies and Protected Area (PA) management teams will also benefit directly from the programme:
 - a. **500 policy makers and decision makers** (government and non-governmental) will have increased understanding of biodiversity and its relevance to other policies (such as infrastructure development) through training received in component 3.
 - b. **15 governance arrangements, laws, policies and/or regulations** are expected to be changed through component 3 to improve biodiversity and/or sustainable use of natural resources during infrastructure and development projects. **A further 6 relating to and facilitating ecotourism** are targeted to be changed through component 4.
 - c. Through the activities in components 1, 2 and 4, **40 local ecotourism and agriculture-based businesses** will be established or strengthened. These businesses, and by extension their employees and households, will benefit from an improved policy environment, value chains, more equitable market relationships (at regional, national and international levels), increased quality of ecotourism sites and infrastructure and finally increased cooperation including via Ecotourism Working Group(s).
 - d. Through component 2 it is also expected that **12 private companies** will have improved policies and/or practices that will be designed to reduce drivers of biodiversity loss, ecosystem loss and climate change.
 - e. **PA Managers and staff in 10 priority sites in the Annamites** will also benefit from increased capacity for patrolling, snare removal, MEL and management. They will also experience increased management competencies and new sources of sustainable financing.
- 2- Looking beyond the direct boundaries of the programme, the Annamite mountains provide considerable **ecosystem services to a significant portion of the 96 million people living in the wider Mekong Basin**. They are heavily dependent on the forested landscape for access to clean water, food and flood protection. As all the output-focused components contribute towards protecting these ecosystem services, such as through improved policies, more effective protected areas and disincentivising illegal economic activities harmful to ecosystems, these citizens are indirect beneficiaries of the programme. The actual monetary value of the ecosystem services which are conserved through the programme is not possible to calculate due to the absence of the necessary parameters, but this is expected to be substantial and would significantly reinforce the value for money.
- 3- Through component 5, which aims to improve protected area management whilst recognising the rights of local communities, it is expected that over **700,000 hectares of land of ecological process importance will experience measurable change**, for example through improved PA management effectiveness and/or gazettement. They will have improved management of biodiversity and natural resources by governments, private sector and/or local communities.

⁸ All quantified figures have been extracted from the targets identified in FFI's bid.

- 4- **77,000 hectares will receive improved sustainable land management practices** as a result of the BLF. This links directly to the ICF KPI 17. This will be achieved through a combination of components and assumes an 80% success rate. Component 1 aims to improve livelihood models, land and natural resource tenure and illegal trade levels in 30 villages, each with around 3000 hectares. A further 2500 households, each owning 2 hectares, will also see improvements through component 2 which aims progress sustainable agriculture practices and improve markets opportunities. These activities will in turn improve sustainable land management.
- 5- Following the identification of the priority problem of problematic large-scale infrastructure projects, component 3 sets out to directly target this issue through interventions such as engaging with policy makers and supporting planning discussions. One expected benefit of these activities is that **5 spatial land-use or development plans will incorporate biodiversity and ecosystem priorities**, reducing environmental damage.

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 programme will draw on gender-transformative expertise within the consortium to:
 - a. Support change to attitudes, behaviours and norms at intra-household level, for example through household dialogues encouraging the recognition of women's roles in income generation and decision-making.
 - b. Address gender inequality at community level, such as through community events.
 - c. Promote and capacitate women's leadership in enterprises, such as through cooperative development and relevant training in core business skills.
 - d. Improve systemic gender equality by capacity building, training of agricultural extension staff and mainstreaming gender equality policies.
- 2- At all stages and across all components, the consortium will respect the autonomy of IPLCs, and work to create an enabling environment in which they can exercise their rights and be provided with legal access to natural resources and PA governance. The participatory nature of these approaches, applied in contexts where IPLCs are in the majority, will lead to innovative programming which enables them to take a leading role in their own development, whilst also respecting their autonomy and building on their traditional knowledge and systems.

Conservation of species:

As an international biodiversity hotspot, the Lower Mekong region is an important source of genetic variation, holding the potential for future staple crops which are more resilient to climate change compared to those on which much of the world's population currently depend. Additionally, many species in the Lower Mekong are range-restricted, including many endemic species, placing them at severe risk of extinction. These include, but are not limited to, the northern white/northern yellow-cheeked gibbons, large-antlered muntjac, Asiatic black bear, sun bear and Owston's civet. The loss of this biodiversity would reduce the productivity of the ecosystems and their services on which so many depend.

Given the BLF’s key outcome of nature (slowing, halting or reversing biodiversity loss), the proposed programme sets a target of **key species being kept at the same or increasing in presence and abundance** from the start of the programme. All output-focused components are, arguably, instrumental in realising this benefit by contributing towards protecting nature, either directly through improving land management, protected areas and infrastructure development sustainability, or indirectly through changing incentives for activities which lead to the harming of nature. Endemic and endangered species are therefore considered as direct beneficiaries.

Specifically, the activities in component 5, which targets improvements in protected area management, aim to **maintain or improve integrity in 50% of the sites** and corridors being supported and achieve a **75% reduction in snare density and 85% wildlife crimes** by project end per km-squared surveyed during patrols.

Secondary funding benefits

The Greater Annamites, within the Lower Mekong landscape, is a large area covering over 23 million hectares, including over 60 protected areas, and home to over 65 million people. F&F’s primary application is designed to support three critically important areas within this landscape. However, given the size of the landscape and complexity of issues detailed above, F&F have also provided a proposal on how they would use additional funding through the secondary allocation to build on and expand the programme components, which have been carefully evaluated as part of the BLF delivery partner competition. 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.

This would enable many of the benefits described above to be increased, such as increased incomes and job creation, further effectiveness of PA management, creation of new PA sites, reductions in illegal economic activities and additional decreases in GHG emissions. 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 a strong BCR with the full additional secondary funding cost included.

Conclusion

Overall, given the high central BCR of 5.4, which is further strengthened by both the numerous quantitative and qualitative benefits, **we conclude that the ‘do-something’ option of funding F&F’s proposed programme is the preferred option over the BAU.**

Sensitivity Analysis

Table 7: Sensitivity Analysis Results including Secondary Funding

	Low Scenario	Central Scenario	High Scenario
<i>£m</i>			
Total Costs	£14.2m	£14.2m	£14.2m
GHGe Reduction	£57.0m	£75.9m	£94.9m

Additional income generated	£0.2m	£0.3m	£0.5m
Total benefits	£57.1m	£76.3m	£95.4m
Net Present Value (NPV)	£42.9m	£62.0m	£81.2m
BCR	4.0	5.4	6.7

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 £680 for small grants for livelihood and £2000 for ecotourism has been conducted. This gave a range of £0.2m-0.5m. For GHG emissions reductions, a sensitivity was run to present a **range of 25% above and below the central scenario** of a 2.5mt reduction. This resulted in a range of £57.0m-£94.9m for this benefit.

Following this, the NPV range is £42.9m-81.2m and the BCR is 4.0-6.7. This includes the full secondary funding cost in order to provide a conservative estimate. Even under the lower scenario, the NPV remains positive and the BCR still suggests benefits could be around 4 times the costs. It is important to reiterate that this excludes the numerous other benefits discussed in the quantitative and qualitative section above.

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 needed to make assumptions to fill evidence gaps, 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
Inflation and exchange rate fluctuations	<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: Inflation has been considered in the budget and real prices have been used in the value for money analysis to account for inflation and VfM remains high.</i></p>
Income gains assumptions	<p>The income gains assumptions are based on the high-level estimates from an analysis 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>
GHG emissions reductions	<p>The assumed reduction in GHG emissions is based on the indicative range provided by F&F in its bid.</p> <p><i>Mitigation: To address the risk that the actual benefit falls outside this range of 2-3mt CO₂e, a sensitivity of 25% above and below the midpoint of 2.5m has been conducted.</i></p>
Individual countries' political, economic and cultural factors	<p>Interventions may encounter difficulties in delivering outputs due to poor enforcement of policies, conflict/opposition or other contextual factors. This could delay or even prevent benefits from interventions being realised.</p> <p><i>Mitigation: The LDP's (F&F) and other consortium members' experience and deep understanding of the landscape and its political nuances decreases this risk. Partner governments will participate in the Advisory Committee, Technical Board and landscape Steering Committee which will oversee delivery. Defra will work closely with FCDO posts in across the landscape and have employed a locally-based landscape coordinator.</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 F&F's bid which provided details on how they will ensure value for money. During the inception period F&F will develop a VfM matrix, with SMART (measurable) performance indicators, which will be updated throughout the life of the programme.

Economy

The consultants, goods and equipment used by the consortium will be subject to competitive recruitment and procurement processes and scrutiny, all of which will comply with F&F's own policies or with the donor regulations; whichever is more rigorous. Purchases will be made close to target areas to avoid cost and emissions associated with transportation. Salaries are benchmarked against national standards, and re-benchmarking will take place to adjust for inflation. Inflation has also been included within the budget at 7% p.a. to mitigate risk of devaluation preventing programme progress.

F&F has proposed administration costs at around 18% (14% being strictly overheads which excludes certain staff, office and equipment costs), complying with annual audits by Crowe UK, a leading charity auditing company, and which has been approved by Defra on more than 30 previous and current awards. Consortium members have similarly applied their own verifiable overhead rates. These

administration costs were flagged in the grant award report as being at the higher end of the market (Annex K). This will need to be discussed and assessed further during contract negotiations between Defra and F&F, supported by the Fund Manager. Prior to contract signature, Defra will analyse F&F's project budgets to ensure that all line items are justified and reasonable, and with the aim of finding costs savings and efficiencies to bring their overheads down to a reasonable level. Further assurance on the robustness of F&F's financial systems and controls was provided by a detailed Delivery Partner Review (due diligence) conducted on F&F by KPMG on Defra's behalf. This will confirm whether F&F has strong budget management procedures to ensure funds are well managed; that their procurement systems ensure competitive prices for equipment and services bought; and that they have HR policies that ensure hiring of qualified project staff and consultants at appropriate rates that are benchmarked to local markets.

Efficiency

The consortium will take advantage of economies of scale in procurement, where possible, aided by the Programme Lead and Programme support team who will maintain an overview of all programmatic forecast spending. The programme builds on existing staff structures, expertise, relationships and presence within the landscape and internationally. Consortium members have well-established offices within the Lower Mekong landscape and are all firmly established as leading delivery actors at the sites prioritised for piloting and up-scale in this programme. A new office will be opened for the programme to facilitate efficient working.

Consortium members will leverage our on-going programmes and relationships with governments and businesses, maximising our ability to attract additional funding and co-investments by those entities, while also providing opportunities for replication and economies of scale. Government partners in Laos, Cambodia and Vietnam have expressed their support for this application; we anticipate this support will enable efficient delivery of the programme throughout.

Effectiveness

The programme will use adaptive management principles throughout, to ensure that learning is applied to all programme activities, and that both activities and outputs are adapted to achieve outcomes. This will happen through several mechanisms. SMART⁹ patrols will use real-time data to inform future patrol locations that enable deterrence of emerging threats. Annual cross-programme evaluations will draw out learning to inform the following year's planning. The components take a thematic approach; this is intentional, to promote sharing of learning and expertise across the Lower Mekong landscape and prevent the emergence of site-based silos of learning. As such, this approach will not only benefit the specific programme sites but also create regional learning for wider scale-up through leveraged funding.

The Lower Mekong landscape poses some operational challenges to delivery, related to localised flooding during the rainy season, remote locations, challenging terrain, and socio-political challenges such as restrictions on movement during epidemics and pandemics as seen during the COVID-19 pandemic, and during election periods. All Consortium members, as on-the-ground delivery-focused organisations, are highly experienced in managing these challenges and programme activities and

⁹ Spatial Monitoring and Reporting Tool – this relates to the process of modernising patrol activities using science and technology.

workplans have been designed to account for them. The programme outcomes themselves focus on effectiveness and are explicitly focused on sustaining permanent change. All components have an integrated sustainable financing strategy, rather than this being developed as a stand-alone intervention, which risks being unresponsive to site-specific needs.

Specifically, the programme will deliver sustained income and job increases through alternative livelihoods, thereby decreasing pressure on natural resources and creating sustainable and transformative change over the long run. It will help to achieve carbon emissions targets that contribute to climate change mitigation and increase the capacity of communities to manage protected areas after the programme closes.

To further increase the initiatives' long-term VfM, the programme will promote the exchange of experiences and lessons gained from this approach, as implemented in the Tri-border (South-east) Complex and will seek additional funding so that it can be replicated in the Central and Northern Complexes.

Equity

All activities are gender-focused and inclusive of vulnerable and marginalised communities. The programme will target indigenous and ethnic minority communities living in and adjacent to protected areas in the target landscape. It will work towards the empowerment of women and IPLCs, particularly in their access to, and control of, land and natural resources and economic bargaining power in value chains.

The programme will lead to several commercial livelihood options which will benefit most households in the targeted communities, especially poorer households with few economic and human resources. The developed models will have economic, social, and ecological benefits that, once seen and experienced by households, should be increasingly adopted. It should instigate crowding-in and replication, ensuring a larger benefit/impact, safeguarding the sustainability of the intervention and the equitable distribution of results.

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 Lower Mekong landscape; and
- Delivery Partners: recipients of UK ODA funding to deliver aid interventions in the Lower Mekong landscape.

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

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 Lower Mekong 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 adaptive 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 an existing framework agreement (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:

- 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 results 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; and
- confirmed a sufficient level of competition and interest from the market:
 - ~10-20 bids were expected for the Fund Manager opportunity; and
 - 4 out of 12 framework suppliers confirmed an interest in tendering for the Independent Evaluator opportunity.

3) Delivery Partners Requirement

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

A consortium model with a single LDP for the Lower Mekong landscape follows established practice and creates:

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

Following the competitive grant procedure for the Lower Mekong landscape, the preferred LDP is Fauna & Flora International (F&F). See Annex K – Grant Award Report for further details.

KPMG completed due diligence on behalf of Defra, concluding that the findings were satisfactory. KPMG's recommendations from the DPR have been received and accepted by the LDP.

4) Funded Activities

An analysis 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 analysis supported the identification of key issues in the Lower Mekong landscape, directing the focusing of interventions by the LDP 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.¹⁶ For the purpose of this business case, key drivers of VfM linked to commercial activity have been described below.

VfM: Commercial Contractors

The appointment of commercial Contractors was assessed to be necessary due to a lack of inhouse capability and capacity to deliver an aid intervention this size.

As described in the portfolio 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.

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 LDP for the Lower Mekong landscape has been selected 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.

F&F have proposed administration costs of around 18% across the core consortium partners (F&F, SNV, IUCN, and Re:Wild). This was flagged in the grant award report as being at the higher end of the market (Annex K), and therefore will be discussed and assessed further during contract negotiations to ensure good VfM. Prior to contract signature, Defra will analyse F&F's project budgets to ensure that all line items are justified and reasonable, and with the aim of finding costs savings and efficiencies. Further

assurance on the robustness of F&F's financial systems and controls was also provided by a detailed delivery partner review (due diligence) being conducted on F&F by KPMG on Defra's behalf.

6) Governance & Financial Management

Management of the BLF

This section describes the role and relationship between Defra, the Fund Manager and the Independent Evaluator.

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; and
- 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 five parts:

- Delivery Partner Grant Competition;
- Due Diligence;
- Grant Agreement;
- Grant Management & Reporting; and
- 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 LDP for the Lower Mekong 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 July 2022 and after thorough evaluation the decision was made in November to progress with F&F's proposal as the LDP, with resultant grant agreements to signed following the completion of satisfactory due diligence on F&F.

Due Diligence: Defra commissioned KPMG to carry out a Delivery Partner Review (DPR) on F&F in line with Defra’s due diligence requirements, via an existing joint contract between Defra, BEIS and FCDO and KPMG.

F&F will conduct due diligence on each member of its consortium.

Grant Agreements: As described in section 5.1, following the grant competition, the Fund Manager will sign a grant agreement with F&F. The grant agreement will be based on Defra’s model form grant agreement. Defra’s model form agreement has been modified by Defra’s commercial legal specialist and the Fund Manager to reflect that the grant agreement will be signed by the Fund Manager on Defra’s behalf.

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

The Fund Manager will ensure F&F complies with all terms and conditions of the grant agreement. The Fund Manager will ensure 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"> One report per Landscape. Report captures key risks and risk trends. Any risks that are materialising into issues must be captured in this report along with any potential mitigations. The risk reports will be discussed at the Authority’s Programme Board
Quarterly	Risk Report	<ul style="list-style-type: none"> One report per Landscape. Report that captures key risks and risk trends. Any risks that are materialising into issues must be captured in this report.
	Lead Delivery Partner (F&F) Claims	<ul style="list-style-type: none"> One invoice per Landscape. Invoice must include a breakdown of costs per output and a final amount to pay.
	Monitoring Report	<ul style="list-style-type: none"> One report per Landscape. Summary of the main results achieved across the project.

<p>Annually</p>	<p>Annual Report</p>	<ul style="list-style-type: none"> • One report per Landscape. • Report will be structured in two sections – monitoring section and adaptive programming section. • 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. • 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.
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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 a Spending Review, 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 Lower Mekong landscape level.

Table 11: Products delivered by the Independent Evaluator.

Product	Timing	Description
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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 LDPs 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 LDPs, 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. If future funding for the BLF were cut, Defra would be able to exit this contract.

A Defra official (Senior Executive Officer) 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 IE. In order to facilitate an effective working relationship Defra has drafted a Memorandum of Agreement (MoA) that will be 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. This MoA is expected to be signed by the Fund Manager and Independent Evaluator in January 2023.

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 grant funding appropriately	Low	High	Green	Payment in arrears, thorough due diligence process to ensure the F&F 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 Fund Manager to monitor and manage now the FM contract is in place. <u>In the case of any fiduciary risks taking place, the FM will need to escalate these to Defra immediately using the appropriate channels; this is in addition to the regular monitoring and reporting the FM is expected to do.</u>
Funding unavailable or reduced under future Spending Reviews	Low	High	Green	Defra has drafted a termination for convenience clause to facilitate exit.

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 of 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 just under £39m was confirmed for FY2022/23 – 2024/25 via SR21. We aim to secure funding for the remaining programme costs through subsequent Spending Reviews.

Should we not secure the remaining 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 BLF will be entirely ODA funded, with at least 80% of the total cost classified as ICF over the course of the Spending Review. 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 Lower Mekong landscape will be up to £17,156,187, to be disbursed from FY2021/22 to FY 2029/30. Spend will not be incurred evenly across this period but will start from a low base in FY2021/22, with subsequent years from programme commencement in March 2023 seeing a steady increase as activities and interventions are embedded across the landscape. For FY2021/22 the only spend for the Lower Mekong landscape was in-country staffing costs, with the remaining costs consisting of programme overheads (analysis evaluation costs).

Table 12 sets out an indicative payment schedule for the Lower Mekong 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 of Defra spend in the Lower Mekong landscape.

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)	
Lower Mekong		425,000	2,900,000	2,600,000	2,475,000	2,075,000	1,875,000	1,550,000	1,400,000	15,300,000***
Defra Management & Overheads										
In-country staff**	17,000	31,000	31,620	32,252	32,897	33,555	34,227	34,911	35,609	283,071
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	3,000	35,555
TOTAL	17,000	762,186	3,090,592	2,783,585	2,740,908	2,269,953	2,075,845	1,756,559	1,659,559	17,156,187

*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 F&F as this is not funding provided by Defra.

The £3m of secondary funding has not yet been allocated but has been projected from FY2023/24 following the same spend curve as the primary funding bid submitted by F&F.

F&F proposed budget breakdown

F&F provided a projected breakdown of their proposed programme budget at the time of their bid. 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 F&F's first indication of spend across the major workstreams. This budget is composed of Defra's £12.3m core funding and the £2.6m additional funding leveraged by F&F. It does not include the secondary funding because that has not been allocated at this stage.

Table 13: F&F 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	£352,258	£467,288	£497,072	£598,338	£684,044	£1,990,936	£1,885,683	£1,556,140	£1,381,929	£1,100,343	£1,002,350	£11,516,382
MEL	£11,206	£11,206	£11,206	£11,206	£23,984	£68,807	£68,807	£68,807	£68,807	£68,807	£68,807	£481,651
Administration costs	£60,660	£86,396	£90,923	£106,613	£224,952	£466,761	£451,178	£398,709	£370,156	£324,671	£278,058	£2,859,105
Total	£424,124	£564,890	£599,201	£716,157	£932,980	£2,526,505	£2,405,669	£2,023,656	£1,820,893	£1,493,821	£1,349,243	£14,857,138

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 F&F. To note that the latter will be further assessed during contract negotiations between Defra and F&F, supported by the Fund Manager.

Table 14: Total Lower Mekong 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	17,000	31,000	31,620	32,252	32,897	33,555	34,227	34,911	35,609	283,071
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	3,000	35,555
F&F Administration Costs		60,666	508,884	466,761	451,178	398,709	370,156	324,671	278,058	2,859,105
Total	17,000	397,852	699,476	650,346	717,086	593,662	571,001	531,230	537,617	4,715,292

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, successes 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 included in 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: F&F are the Lead Delivery Partner for the Lower Mekong 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 details are in the BLF portfolio level Business Case (Annex B). One member of the core team will act as Lower Mekong Programme Manager ensuring cohesion between Defra and FCDO Posts.

There is one locally-engaged HEO/C4 grade BLF Landscape Coordinator delivering regional coordination implementation of the BLF in the Lower Mekong landscape. The possibility of increasing in-country resource or adjusting the staffing model 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) or
- 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 Lower Mekong 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:

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. 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 which also explains the importance of ensuring the sustainability of this fund and how this will be achieved. The investment has been assessed to ensure that it can be realistically implemented and delivered within the proposed timeframe.

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 was 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 fourth 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.

To note that this aligns with the first row “Lower Mekong” in Table 12 (contracted costs) above.

Table 15: Indicative payment profile for Lower Mekong landscape.

FY	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	29/30	Total investment
Q1		£800,000	£700,000	£700,000	£600,000	£550,000	£450,000	£700,000	

Q2		£800,000	£700,000	£700,000	£600,000	£550,000	£450,000	£700,000	in landscape (7 years)
Q3		£800,000	£700,000	£700,000	£600,000	£550,000	£450,000		
Q4	£425,000	£500,000	£500,000	£375,000	£275,000	£225,000	£200,000		
Total	£425,000	£2.9m	£2.6m	£2.475m	£2.075m	£1.875m	£1.55m	£1.4m	

9) Payments

Defra will transfer funds to the Fund Manager for disbursement to F&F 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 (15th 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 which 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 fraud and will pursue targeted recovery approaches where necessary, aiming to achieve full recovery. 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 F&F 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 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, who 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 a delivery partner in the Lower Mekong landscape we will initially look to reallocate funding through an alternative delivery partner within the Lower Mekong 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 8 of the Management Case. Should it not be possible to reallocate funding within the Lower Mekong landscape we may look to reallocate the funding to another BLF landscape in line with Business Case guidelines.

Table 16: Provision for the return of any uncommitted funds to Defra

Scenario	Timing and reporting trigger (if relevant)
Occurrence of any illegal or corrupt practice	Immediately at the time if/when this happens or if identified as part of Annual Reviews (by Defra), Quarterly updates (from the delivery partner)
<p>“Extraordinary circumstances that seriously jeopardise the implementation, operation or purpose of the programme”</p> <p>This is primarily designed to cover instances of force majeure. We assess this may also provide some cover in extreme cases of under-delivery.</p>	At the time if/when this happens or if identified as part of 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”	At the time if/when this happens or if identified as part of 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 secondary funding and the supplementary activities fund. We retain the flexibility to increase the scale or duration of work in the Lower Mekong 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 Lower Mekong landscape.

2) Internal Governance

Defra

Senior Responsible Owner (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 the Lower Mekong. 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 Responsible Owner; 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.

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 for Natural Environment and Land Use 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 a minimum of 80% 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 advise on political handling in-country and manage the Lower Mekong in-country staff member who reports directly to the HoM. The BLF in-country staff member helps oversee and coordinate activity across the Lower Mekong. Monthly engagement meetings 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 D 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 the Lower Mekong and will be the recipient of the Grant Agreement in the landscape. For the Lower Mekong landscape, this is F&F. F&F 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 Lower Mekong programme manager.
- Carry out any remedial action should the above be reported.

F&F will work with a consortium of delivery partners to achieve the outputs and outcomes across the Lower Mekong 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 E.

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 Lower Mekong landscape and by the lead delivery partner to aid the BLF's adaptative programming model.
- Work with the Independent Evaluator to ensure lessons learned in the Lower Mekong 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 F.

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 Lower Mekong Landscape. Specific to the Lower Mekong the Independent Evaluator shall provide the following:

- Evaluation of Lower Mekong Programme(s) and Project(s);
- Community and stakeholder engagement, participation and capacity building;
- Assessment of impact across the Lower Mekong 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 G.

See Annex H 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 officials (SEO grade) 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 Lower Mekong. Staffing requirements for the team have been agreed, with reference to the size and structure of teams delivering comparable Defra and FCDO programmes. 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 implementation and adaptive programme management.

Landscape coordinator

A member of staff works across all countries in the Lower Mekong landscape as a Landscape Coordinator. This regional post was recruited in-country and is funded from the programme. The three Lower Mekong Posts agreed that this staff member should be based in Cambodia. The Landscape Coordinator is a member of the British Embassy, Phnom Penh, with a remit to support implementation of the BLF and regional coordination across Laos, Cambodia and Vietnam working closely with, and delivering to, the Defra programme team. They engage with the host governments and relevant stakeholders and support the three Ambassadors/ High Commissioners 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 IE on the in-landscape stakeholder learning events and adaptive programming recommendations. The potential need for more in-country resource will continue to be monitored and explored if the need arises.

6) Stakeholder considerations

A stakeholder mapping exercise was conducted as part of an analysis commissioned by Defra, enabling DAI to engage with and seek the views of a variety of stakeholders. These included national and sub-national government ministries, 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 monthly 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 discussed with each host government, to ensure we had their approval. Defra has also agreed MOUs with each partner country, which set out shared objectives and ways of working to ensure alignment and encourage a mutually supportive approach. Continued support of the host governments will be critical to 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 Lower Mekong 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

The BLF Portfolio level Business Case (Annex B) 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 Lower Mekong 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. F&F has submitted a theory of change and logframe for the Lower Mekong as part of the project bid. These will be further refined during the inception stage, working closely with the FM and IE. 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 receives ongoing consideration and is monitored carefully throughout the project cycle.

Evaluation

The Independent Evaluator will be responsible for collecting and reporting evaluative evidence. Refer to Annex G 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 through the lifetime of the programme. There will be thorough mid-point and end-point evaluations, undertaken by the BLF Independent Evaluator, to review the Lower Mekong programme, alongside the other BLF landscapes, and to update the Value for Money assessment. Data will be collected against the log-frame indicators (see Annex M) 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 understand better what is or is not working, and to adapt the programme accordingly. The appraisal case and Benefits Realisation Plan have detailed explanations 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"> • Number of people / villages with improved land or natural resource management rights • 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. • Volume of finance (public or private) leveraged by the programme intervention for improved biodiversity and ecosystem management or local development. • Change in ecosystem integrity, accounting for habitat loss, degradation and fragmentation. • Change in protected area management effectiveness. • Abundance or rates of occurrence of globally threatened species / key populations and / or indicator species. • Change in deforestation rates.

	<ul style="list-style-type: none"> • ICF KPI 6: GHG emissions reduced or avoided as a result of intervention or ICF KPI 8: Deforestation avoided. • ICF KPI 17: Hectares of land to receive sustainable land management practices
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"> • Poverty reduction • Slowing, halting, or reversing biodiversity loss • Reducing greenhouse gas emissions
Annual Reviews	An ODA requirement which requires Defra to assess progress against the Landscape level Business case, performance expectations and recommendations.

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 C. 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 leverage private finance or at the programme level. As such, they cannot be determined at project inception and will cover a proportion 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 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 Lower Mekong 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, monthly, 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 Lower Mekong landscape. Updates and decisions from these meetings will be reflected in the BLF's team landscape-level risk register, which will allow landscape coordinators to communicate effectively with colleagues in country and at Post, ensuring all parties understand 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 Lower Mekong 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 Lower Mekong 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 prevents delivery (or delays parts of the project, or introduces inefficiencies)	Possible	Moderate Major	Maj	The current political climate is stable. As part of the procurement process, grant applicants were required to demonstrate they have a management contract/agreement in order to mitigate this risk. F&F, UK posts and the landscape coordinator to monitor risks.	Mod
Corruption by partners or stakeholders in the landscape, resulting in a misuse of funds. All three countries suffer from high perceived levels of corruption, with Vietnam ranked 104, Cambodia ranked 160, and Laos ranked 134 out of 180 by Transparency International in the 2020 corruption perceptions index ¹⁷	Possible	Major	Sev	The Fund Manager and F&F have demonstrated that they have procedures in place for dealing with fraud within their own organisation and with third parties. They will need to agree to 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.	Mod
Lack of support from the authorities/regional authorities' results in delays to delivery.	Unlikely	Major	Maj	We have developed MOUs between Defra and the relevant Ministries within the Lower Mekong landscape to formalise the shared commitment to achieving the goals of the BLF. F&F will also need support from governments to work across the landscape. Diplomatic and advocacy work with the government, regional authorities, HMG and Defra ministers will also build and foster constructive working relationships.	Mod
Selected delivery partner does not adhere to agreed reporting requirements set out in grant agreement which	Unlikely	Moderate	Mod	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	Minor

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results in Defra not being to assess performance against the deliverables.				<p>be finalised by F&F in the first 6 months once the grant has been awarded.</p> <p>The disbursement schedule, set out in the grant agreement, will ensure that payments are only made subject to demonstration of satisfactory progress through agreed reporting requirements.</p>	
Due to the Fund Manager administering the grant competition on Defra’s behalf, there is a risk we will not have oversight of the process.	Rare	Major	Mod	<p>Defra has maintained a close working relationship with the Fund Manager; this has helped to ensure all Grant Competition documents were signed off with DgC oversight, and that the evaluation process was also owned by Defra (also with oversight and advice from DgC). We will continue to maintain this way of working with the remaining landscapes also undergoing the LDP Grant Competition.</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	<p>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.</p>	Minor
Safeguarding risks of staff ‘doing harm’.	Possible	Major	Maj	<p>Maintain, through the Fund Manager, close oversight and due diligence of activities across landscapes. Safety and security plan developed by FM and DPs. Respect for human rights and ‘do-no-harm’ have been considered during evaluation. Systems established to enable reporting and support whistle-blowers. Risk of exclusion managed by project proposal evaluation criteria giving preference to interventions with positive impacts on marginalized groups.</p>	Mod
Risk of an economic shock in the Lower Mekong countries increasing poverty levels and therefore increasing incentives for people to destroy natural resources.	Possible	Major	Maj	<p>Seek regular economic and policy advice through liaison with Post and FCDO, and other stakeholders, to identify problems early. Use this information and evidence to inform options for the programme and our engagement with partner governments and key stakeholders, including the possibility of making adaptations to the BLF when and where appropriate.</p>	Mod

<p>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 the programme and partnerships.</p>	<p>Possible</p>	<p>Major</p>	<p>Maj</p>	<p>Improve in country coordination with other current/prospective donors and wider stakeholders to ensure coherence and complementarity of ODA funding and to monitor this risk. This should make sure that programmes do not ‘compete’ and that engagement with government and other stakeholders is streamlined as far as possible (exercising principles of good donorship). Raise and monitor this risk with partner governments and delivery partners through our development partnerships, including at the strategic steering committee meetings. Use the BLF to identify where there are capacity constraints in partner governments and seek solutions.</p>	<p>Mod</p>
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⁵ Ibid.

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¹⁷ <https://www.transparency.org/en/cpi/2020>