

## International Climate Finance: Annual Review - Summary Sheet

<b>Title: BioCarbon Fund – Initiative for Sustainable Forest Landscapes (ISFL)</b>		
<b>Programme Value:</b>	<b>£65m Defra Investment £50m BEIS Investment</b>	<b>Review Date: 28/11/2019</b>
<b>Start Date:</b> September 2018	<b>End Date:</b> October 2019	

### Summary of programme performance

Year	2014-5	2015-6	2016-7	2017-8	2018-9
Programme Score	B	B	A	B	B
Risk Rating	Moderate	Major	Major	Major	Major

### Summary of progress and lessons learnt since last review

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a pioneering pilot programme designed to incentivise and enable countries to develop and implement land-use plans and policies which reduce deforestation and carbon emissions across large jurisdictions. These areas may include forests, agricultural regions, and other types of mixed land-uses. ISFL is a pilot mechanism delivered by the World Bank, currently operating in five countries – Colombia, Ethiopia, Indonesia, Mexico, and Zambia. In this Annual Review, BEIS and DEFRA review ISFL against milestones in the logical framework (logframe) and objectives in the business case to assess how the overall programme is performing and make corresponding recommendations to improve delivery.

Through 2018/2019 ISFL continued to support the development of country programmes to reduce emissions from land-use (see summary of country progress below). ISFL is on track to meet output level targets in many areas and has exceeded some targets. For example, significant progress has been made on private sector engagement – this is crucial to the success of ISFL programmes which operate across large productive landscapes. Each country, except Mexico, has a comprehensive draft private sector strategy, generated through multi-stakeholder dialogues and strengthening relationships with key partners such as Partnership for Forests<sup>1</sup>. BEIS also supported a productive workshop in London to enhance the private sector Theory of Change. This year also saw the completion of the first independent mid-term evaluation (MTE) for ISFL, which made pertinent recommendations and concluded that:

*The ISFL program is highly relevant and has been adopted by national and jurisdictional agencies in program countries. The program seeks to operationalize a complex concept across subnational landscapes in five highly diverse countries and has set ambitious targets and timelines to achieve the emission reduction targets. The conceptual and managerial complexity of the initiative has led to technical and administrative challenges in its foundational years that have resulted in delayed*

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<sup>1</sup> Partnership for Forests is another UK-funded Programme.

*implementation. These challenges have collectively led to a decreased likelihood that the program is on track to meet its objectives in the planned timeframe<sup>2</sup>.*

As noted in the MTE, progress through the last year has been impacted by a range of internal and external issues (from considering technical implications of the Paris Rulebook in decision-making, to changes in security and political contexts) and there are several important targets which remain unmet. Our assessment of programme performance in 2018 was particularly influenced by the results of three key output indicators due for delivery that year which were missed: the signature of the first Emission Reduction Payment Agreement (ERPA), the amount of grant funding disbursed, and delays to the launch of ISFL-Colombia. While there has been progress on several fronts and efforts made to mitigate risks, we assess that not enough has changed to merit a jump from B to A. Progress towards ERPAs continues to be slow as countries grapple with the complexities involved in developing comprehensive Emission Reduction Programme Documents (ERPD). Grant disbursement has picked up but is not yet close to meeting targets. ISFL-Colombia has launched, but we are seeing delays to implementation in ISFL-Mexico with administration changes. Further delays at output level put at risk the achievement of the longer-term programme outcomes. **Overall, we assess that the Programme Performance Score is a B: moderately did not meet expectation, because there remain concerns around progress towards achievement of outcomes.**

The UK maintains that this fund represents an innovative approach which has high potential to support transformational change in land-use. Jurisdictional REDD+ programmes have in general been slower to establish and disburse than initially anticipated. The ISFL brings additional complexity by aiming for comprehensive landscape carbon accounting combined with public-private partnerships; the MTE recognises that “the ISFL programme encountered a set of unique challenges, particularly relating to the jurisdictional and landscape approaches. Both are concepts under development, as such, they lack tools to apply to every situation”. Stakeholders from four of five ISFL countries “were nearly unanimous in stating that ISFL’s goals are highly ambitious because of the technical complexity of the landscape approach.”<sup>3</sup>

The programme relies on a series of assumptions around the political, economic and institutional context (detailed in the Monitoring, Evaluation and Learning Framework). Given the multi-sector nature and large geographical scope of the country interventions, these assumptions may be harder to predict and manage than other types of programme. The MTE notes that challenges experienced by country programmes were “often underestimated”<sup>4</sup>. The influence of evolving rules and expectations associated with the UNFCCC has impacted upon the global and country context in ways that could not have been predicted in the business case; a specific example is country decisions around how to use their Emission Reductions from the forest and land-use sector in light of the negotiations of Article 6 of the Paris Agreement (including concepts such as corresponding adjustments) and evolving carbon market opportunities. The MTE identifies as overarching challenges “addressing political economy and power dynamics related to trade-offs between economic development and environmental conservation”, and “balancing competing interests between jurisdictions”<sup>5</sup>. The UK acknowledges that such challenges are difficult to address through the scope of a single programme intervention and may cause unanticipated delays. Changing political administrations (as in Mexico) and inability to operate due to conflict (as in Ethiopia) are further examples of core assumptions that underpin progress towards outcomes not always holding.

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<sup>2</sup> DAI, April 2019. BioCarbon Fund Initiative for Sustainable Forest Landscapes: First Program Evaluation Final Report. Available on programme website: <https://www.biocarbonfund-isfl.org/ISFL%20Documents>

<sup>3</sup> Ibid p55

<sup>4</sup> Ibid p34

<sup>5</sup> Ibid p22

Partners are committed to testing approaches to learn lessons through the pilot programme which can be widely shared to enhance and scale-up payment-for-results mechanisms for the agricultural, forests and land-use sectors. Contributors must work together to enable effective decision-making and the World Bank will need to ensure that the requisite structures, procedures and resources are in place to implement agreed plans and continue to ramp-up delivery through 2019/2020 so ISFL can deliver to its potential.

**Summary of country progress:**

- Colombia’s Orinoquía Sustainable Integrated Landscape Program was officially launched by President Duque in May 2019. The programme has scaled up public and private sector partnerships, laying the groundwork for significant emission reductions (ER) in key agricultural sectors.
- Ethiopia’s Oromia Forested Landscape Program made substantial progress on developing its ERPD, but technical review has been delayed. The security situation in Oromia has also adversely affected implementation. However, the hope is that Financial Year 2020 (FY20) will see further advances in program implementation, with the goal of engaging in results-based finance for emissions reductions (ERs) in FY21.
- Indonesia’s Jambi Sustainable Landscape Management Program moved forward through the project preparation stage. However, delays in the selection of areas for implementation has had a knock-on delay to the completion of the Programme Appraisal Document (PAD), and delays in decision-making by Contributors on the structure for BioCF Tranche 3 has contributed to pushing back signature of the Letter of Intent. This has meant that the preparation stage was not completed by the agreed date. The aim is to start programme implementation by the beginning of 2020.
- Mexico’s Strengthening Entrepreneurship in Productive Forest Landscapes Program is benefiting from the country’s work over the past year to scale up technical capacity for measurement, reporting, and verification (MRV). However, capacity constraints in CONAFOR have meant that the sister FCPF programme has been prioritised over the ISFL with implementation paused until the FCPF is operational.
- Zambia’s Integrated Forest Landscape Program expects to have an advanced draft of the ERPD in January 2020. The programme has conducted innovative field school trainings that trained nearly 11,000 farmers in climate-smart agriculture. Progress has been made on land and resource rights regulations in Zambia’s Eastern Province and the program is also supporting enforcement activities in the Lukusuzi and Luambe National Parks.

**Progress against recommendations from last year’s Annual Review**

Recommendation	Progress
<p><b>Bank and Contributors</b> to focus on implementation in 2018-2019:</p> <p>a. <b>Bank</b> to develop and implement plans to accelerate BioCF<i>plus</i> government-executed grant disbursement, including by considering how technical assistance and additional support could be offered more continually between missions to achieve disbursement and programme implementation, discussing with Contributors at the Annual Meeting in</p>	<p><b>Recommendation partially met.</b> The Bank has reassured in writing that sufficient in-country resource is available to accompany Programme Implementation Units (PIUs) between missions. Given that this issue was</p>

<p>October and formalising an approach by the start of 2019.</p> <p>b. <b>Contributors</b> to work with the <b>Bank</b> to develop a system of in-country collaboration by start 2019 which ensures that as much support as possible can be provided for ISFL objectives through diplomatic and bilateral programming, as well as through aligning other related projects.</p>	<p>also highlighted in the MTE<sup>6</sup> , it will continue to be monitored.</p> <p>The Bank and Contributors have linked up on some bilateral programming. For example, the US has supported the partnership with the SilvaCarbon programme to help with monitoring reporting and verification (MRV) needs. In-country collaboration has strengthened in some countries, but not consistently across all in the pipeline. The Bank has sought to further strengthen this by implementing post-mission meetings with Contributors and in-country partners to share real-time updates on the programmes as they emerge. These efforts should become more consistent and applied across the portfolio.</p>
<p><b>Bank</b> to ensure at least one Contributor mission to each jurisdiction a year, with two months of notice provided in advance of travel dates.</p>	<p><b>Recommendation revised and not now applicable.</b> In July, the Bank produced a revised note on Contributor mission planning. The Bank will arrange one bespoke mission (to one of the five jurisdictions) per annum. The Fund Management Team (FMT) has also agreed to a flexible approach where contributors can arrange to meet local Bank staff (e.g. Task Team Leaders) during other country visits or, where possible, join parts of existing Bank implementation support missions. The UK welcomes this approach. Contributors joined missions to Indonesia in February and Ethiopia in July. Defra joined the Indonesia mission which strengthened understanding of the scale of the challenge in Jambi, illustrated good progress and the cross-Government of Indonesia collaboration, but also highlighted the need to push more to see biodiversity co-benefits.</p>
<p><b>Bank and Contributors</b>, via the Oversight Committee, to ensure a high-quality mid-term evaluation by January 2019. This is an extension of last year’s recommendation which covered developing terms of reference and procuring the evaluation team. The evaluation team is procured, has delivered its inception report and now the evaluation needs to be delivered to the agreed ToRs</p>	<p><b>Recommendation met.</b> An independent mid-term evaluation was carried. UK considers this evaluation to be valuable, highlighting important findings and recommendations for the programme.</p>

<sup>6</sup> “While many professional staff and consultants are involved in country program development and implementation, few World Bank and government staff can dedicate enough time to responding to day-to-day implementation requirements” DAI 2019, p53

<p>with no further slippage in timeline for completion.</p>	
<p><b>Bank</b> to update the logframe, by start of July 2019, to reflect the addition of Mexico in the ISFL pipeline, ensure accurate titles for documents (i.e., changing the indicator on Methodological Approach to ISFL ER Program Requirements), and any necessary changes resulting from the evaluation, in consultation with Contributors.</p>	<p><b>Recommendation met.</b> The Monitoring, Evaluation &amp; Learning (MEL) framework and the logframe were updated in June 2019. Mexico is included and titles have been updated.</p>
<p>Upon completion of the evaluation (Q1 2019), <b>Bank and Contributors</b> to streamline and improve efficiency on decisions for the fund. Bank to develop specific recommendations with Contributors about the types of documents/ issues that are presented for feedback and approval with the aim of reaching key fund decision points more quickly.</p>	<p><b>Recommendation partially met.</b> The FMT has continued to provide monthly portfolio risk reports. These reflect an effort by the Bank to unblock implementation and respond to Contributor requests for more frequent communication around delivery risk.</p> <p>In 2018/2019 the Bank has facilitated decision-making particularly well in some cases. The UK reflects that the best example of streamlined and efficient decision making in the fund has been led by Carbon Accounting experts on the process of decision-making around buffers &amp; reversals, and livestock baselines. Discussion notes and guided presentations are very helpful in taking fund contributors to the point of making decisions. This approach should be adopted more consistently for significant decisions, especially those on which contributors may have limited precedent and/or have different positions.</p> <p>In the coming year, Contributors should strengthen their approach to decision-making in order to ensure decisions are taken in a timely manner. This should include more proactive planning around process &amp; timelines for making difficult decisions, and improved communication around risks which should allow for pragmatic compromises.</p>
<p><b>Bank</b> to facilitate that preparatory stage of Indonesia programme is completed by September 2019.</p>	<p><b>Recommendation not met.</b> This is of particular relevance for Defra, as it linked to funding milestones. There has been good progress in Jambi, however, selection of areas for implementation delayed completion of the Programme Appraisal Document (PAD), and outstanding clarification by Contributors on the structure</p>

	for BioCF Tranche 3, delayed signature of the letter of intent.
<b>Defra</b> to make suggestions in a note (by June 2019) on developing a biodiversity strategy for the ISFL.	<b>Recommendation not met.</b> Defra has an initial draft note which will be shared with contributors and FMT by end of February 2020.
<b>Bank and Contributors</b> to reach and document a clear and shared (between Contributors and the Bank) strategy for private sector engagement at the October Annual Meeting and weeks following, including a gap analysis and strategy for each specific ISFL jurisdiction by end of June 2019. a. <b>Bank</b> to revisit targets and increase ambition for private sector engagement in the logframe according to this vision by end of June 2019.	<b>Recommendation not met.</b> BEIS led a private sector engagement workshop 25 and 26 March 2019, attended by FMT, Contributors and 'critical friends', to draft a theory of change on how the objectives of the ISFL could be delivered by working with and through the private sector. Targets in logframe now need to be updated according to agreed strategies.  World Bank produced private sector engagement strategies for each jurisdiction in July 2019 and further proposals in September 2019. These are not yet agreed and finalised, and logframe targets are not yet updated.
As a continuation of last year's recommendation about taking on key lessons learned from the Forest Carbon Partnership Facility ERPA negotiations – <b>Bank</b> to share a note, by 2019 mid-year meeting, outlining the roles of responsibilities of Contributors, the Bank, and Country Partners during ERPA negotiations.	<b>Recommendation partially met.</b> The Bank produced an ER Program assessment process note in May 2019. ISFL also developed a guidance note for governments preparing benefit sharing plans (BSPs) and an analysis of benefit-sharing best practices across 13 large-scale case studies. A note clarifying the ERPA negotiation process has been delayed by outstanding decision among contributors on the structure of Tranche 3.
<b>Bank and Contributors</b> to review external communications strategy in Q1 2019 to align proactive messaging to key audiences and influencers in partner countries and domestically within the UK.	<b>Recommendation met.</b> All Contributors approved the ISFL Communications Strategy and Annual Work Plan at the mid-year meeting in May 19.

### Summary of recommendations for the upcoming year

1. **Defra** to make suggestions in a note on developing a biodiversity strategy for the ISFL, by end of February 2020 (carried forward from 2018 Annual Review)
2. **Bank** to develop indicators and a timeline for each private sector intervention proposed under the new strategies by end of Q1 2020.
3. **Bank** to share a resourcing plan for the new private sector engagement strategies and proposals, detailing resource at country level for delivery by end of Q1 2020.
4. Using these inputs, **Bank and Contributors** to update ISFL logframe to reflect new private sector engagement strategies, and finalise private sector engagement Theory of Change document initiated in the March 2019 workshop by the Mid-Year Meeting (MYM) 2020 (carried forward from 2018 Annual Review).

5. **Contributors** to share specific recommendations from MTE which they think merit further consideration and **Bank** to re-visit workplan to deliver MTE recommendations, both for discussion at dedicated session at the 2020 Mid-Year Meeting.
6. **Bank** to present emerging lessons from experiences with programme delays and the MTE, along with a set of options for managing portfolio delivery risk, including potential alternative routes for grant disbursement, for consideration by Contributors at the 2020 Annual Meeting.
7. **Bank** to facilitate that Letter of Intent signature for the Jambi ER Programme is completed within one month of the BioCF T3 structure being clarified by Contributors, and that the PAD is completed by January 2020.
8. **Contributors** to increase frequency of coordination discussions between Mid-Year and Annual Meetings, for example through bi-monthly phone calls, to streamline governance and decision-making processes by the time of the next Annual Review.

## A: INTRODUCTION AND CONTEXT

Link to Business Case:	<a href="#">Link to business case</a>
Link to Log frame:	<a href="#">See MEL Framework (June 2019)</a>
Link to World Bank Annual Report for 2019:	<a href="#">2019 BioCF-ISFL Annual Report</a>

### Outline of the programme

The BioCarbon Fund – Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral fund, managed by the World Bank with 5 participating donor countries: UK (BEIS and Defra), Germany, Norway, Switzerland, and the US. Established in 2013, the ISFL aims to incentivise a transformation of entire landscapes onto a more sustainable, low-carbon development path. It will test comprehensive carbon accounting methodologies to pay for emission reductions from a range of landscape features including forests, wetlands and agriculture. It also has a strong private sector focus, actively engaging major commodity producers, aggregators, traders and buyers to create public-private partnerships. There are five programmes in jurisdictions in Colombia, Ethiopia, Indonesia, Mexico and Zambia.

The ISFL has two complementary financing mechanisms: BioCF *plus*-ISFL (BioCF *plus*) which provides upfront grant funding and technical assistance and BioCF Tranche 3 (T3) which will provide results-based payments for emissions reductions. Total commitments to the ISFL at the end of the World Bank’s 2018 fiscal year were \$355m: \$133m in BioCF *plus*; \$222m in T3.

Originally BEIS and Defra were only invested in the results-based payment fund (T3). However, at the end of 2017 BEIS moved £9.7m, and Defra £13.9m from T3 to BioCF *plus* to meet up-front financing needs for new emissions reductions programmes in Mexico and Indonesia, as well as to support increased private sector engagement work in the programme, and to assure that our funds generate benefits as soon as possible.

## B: PERFORMANCE AND CONCLUSIONS

### Annual outcome assessment

ISFL’s ultimate success will be measured against its outcomes, so a long-term perspective is needed as the programme will run up to 2030. Although ISFL has not yet entered full implementation phase, there have been some indications of progress towards the outcomes identified in the Theory of Change and Logframe through 2018/2019.

***OUTCOME 1: Improve land management and use, including forest cover.***

Results relating to this outcome are mainly dependent upon (a) signing of ERPAs and (b) programmes delivering on their ERPAs. For example, first results providing concrete evidence of reforms in forest and land use policy, legislations or other regulations as a result of ISFL support are expected in 2021 with the delivery of some finalised ERPDs and signed ERPAs. And while results for reduction in deforestation and land area reforested are currently off track for 2019 targets (due to aforementioned delays), there is good evidence of progress in the right direction:

- Results from Ethiopia's programme have kept pace with planned targets in 2019 on Outcome 1 with:
  - 11,491 land users who have adopted sustainable land management practices (19% women) as a result of ISFL support. Target was 14,081 land users.
  - 38,636 ha land brought under sustainable management plans, hitting target of 38,977ha
  - The programme has exceeded targets for land users receiving training for improved land management and agricultural productivity.
- The agreement and publication of the [ISFL ER Program Requirements and additional associated guidelines](#) including on [buffers and reversal were agreed in 2017](#). These provide a clear description of the ISFL's carbon accounting methodology and allow participating countries to develop their emissions reduction programmes.
- Project Appraisal Documents (PADs) completed and implementation grant agreements signed in four countries, Colombia, Ethiopia, Mexico & Zambia, show that the resources to support improved land management and governance are available to participating countries.
- A range of excellent support has been provided from programme design workshops, technical reports, to knowledge dissemination events.

UK assess that the ISFL will only achieve this outcome if:

- Progress on grant disbursements and Emissions Reduction Programme Documents (ERPD) steps up and processes are equipped to adapt to new and/ or growing external challenges;
- Countries remain engaged and motivated to implement programming on the ground, supported by upfront preparatory funding to build capacity.

### ***OUTCOME 2: Deliver benefits to land users***

These benefits start to roll out as payments for verified emissions reductions are disbursed to support improved services, improved infrastructure, training and capacity building, and increased agricultural productivity. While the ISFL remains well positioned to achieve this outcome, the pace of progress towards achieving it is at risk due to delays in grant disbursement and ERPD development. A priority of the coming year should be to facilitate improved grant disbursement. Through 2018/19:

- No country was able to submit an ERPD. Ethiopia developed an advanced draft. It will be important to finalise the assessment of ERPDs over the next year in order to start delivery of Emissions Reductions.
- Upfront grants have been disbursed (\$10.25m out of an expected \$30.5 by 2020), supporting the establishment of program implementation and management units, preparation of ER programs (including developments of GHG inventories, reference levels, benefit sharing arrangements, etc.), scoping and planning for on-the-ground investments, and land use planning.
- The Project Appraisal Documents (PADs) completed for Colombia, Ethiopia, Mexico & Zambia are comprehensive, and detail a range of interventions supported by

implementation grants which will deliver benefits to land users. Indonesia is in the final stages of this process.

UK assess that the ISFL will only achieve this outcome if:

- Grant disbursement steps up and programmes proceed with implementation.
- Benefit-sharing plans (which outline how and with whom Emissions Reductions Payments will be shared) are designed in conjunction with ERPDs. Benefit-sharing plans must be finalized when ERPAs become effective.

***OUTCOME 3: Leverage partnerships with and between the public and private sectors to advance the ISFL vision and approach.***

The ISFL's objective is to partner with other public and private sector actors and organizations to help 'forest-proof' the sourcing of commodities and redirect market forces towards more sustainable land management practices. Some positive progress has been made through 2018/19:

- \$87.05m total public financed leveraged to date.
  - Public financial leveraging has come in the form of co-finance commitments from the Global Environment Facility: \$8.05m in Zambia, and \$5.9m in Colombia. In addition, co-finance from the International Development Association (IDA) is secured in the form of a \$17m loan to Zambia and a \$56m loan from the International Bank for Reconstruction and Development (IBRD) to Mexico to support the ISFL programs. These agreements were signed last year. We note the benefits of GEF co-financing below.
- In addition to the existing \$3m loan from the IFC to Ethiopia for investment services in the coffee sector.

UK assess that the ISFL will only achieve this outcome if:

- The output level interventions are made more ambitious and are delivered at pace. The large scale of ISFL jurisdictions (some greater than the size of the UK) mean private sector finance is crucial to meaningful and transformative impacts. The Bank has presented strengthened strategies for crowding in more finance to each jurisdiction and partnering with the private sector on key commodities and platforms. These are in the final stages of being agreed and will be implemented next year. Until these are agreed and rolled out, and indicators are updated, the UK assesses that progress towards this outcome moderately does not meet expectations.

***ADDITIONAL OUTCOME-LEVEL ISSUE: Biodiversity conservation***

This is a priority area for the UK. Biodiversity co-benefits were an important element of Defra's business case to invest in the ISFL. Last year's annual review included a recommendation for Defra to write a note on suggestions for developing a biodiversity strategy for the ISFL; this will be circulated by end of February 2020 for consideration of Bank and Contributors. Defra has been able to raise biodiversity considerations particularly when reviewing private sector engagement proposals and the Indonesia PAD. There is potential to do more to effectively link private sector engagement initiatives more directly with biodiversity benefits. While this is not chiefly a biodiversity project, and there is no budget available for direct monitoring of biological indicators, there are opportunities to enhance monitoring of this co-benefit.

There were two recommendations made in the MTE section *Accounting for Economic and Environmental Benefits* which we support:

- Ensure that biodiversity has targets and is monitored and reported upon through MEL.

- In country programs without an associated GEF program, Country Programmes should explore targeting biodiversity conservation as well as deforestation targets.

### Recommendations:

- **Defra** to complete the recommendation included in last year’s annual review: *to make suggestions in a note on developing a biodiversity strategy for the ISFL, by end of February 2020.*

### Annual Output Score

Selected Output indicators under Outcomes 1 and 2 will start reporting at later stages of implementation and therefore we have not included them in the scoring for this annual review.

The impact weightings indicate the ideal weightings for the programme. Weightings used for annual reviews may in practice vary if the indicators are not considered to be adequate measures of progress. For example under Output 3, the logframe indicators are pending revision and the output scores were not considered to adequately reflect the progress required for a 25% impact weighting.

**B** – Outputs moderately did not meet expectation.

### Key actions

- Implement the recommendations outlined in the summary sheet.

### Has the logframe been updated since the last review?

Yes. Colombia, Ethiopia, Mexico and Zambia have developed results frameworks as of July 2019 and have been aggregated in this updated version of the Logframe. This is reflected in the column, “countries currently reporting on indicator” with “C, E, M, or Z”

Targets for Zambia and Mexico for Tier 1, outcomes 1 and 2, and outputs 1 and 2 are discounted on account of formal co-financing arrangements with other World Bank facilities. 24.17 percent of total results are anticipated for the Zambia programme and 15.15 percent of total results are anticipated for the Mexico programme. Both Mexico and Zambia have corresponding WB IDA/IBRD funding and so to ensure more accurate accounting the results have been discounted to take this into account.

<b>C: DETAILED OUTPUT SCORING</b>			
<b>Output Title</b>	Leverage partnerships with and between public and private sectors to advance the ISFL vision and approach		
Output number per LF	3	<b>Output Score</b>	<b>A</b>
Risk rating (Minor, Moderate, Major, Severe)	Major	Impact weighting (%):	25%
<b>Indicators</b>	<b>Milestones</b>	<b>Progress</b>	
3.1 Number of partnerships established with for-profit private sector organizations due to ISFL support	3 by 2019 4 by 2021	Met: three partnerships to date with Nespresso Coffee in Ethiopia, Alqueria Dairy in Colombia, and a partnership with Hacienda San Jose in Colombia.	

3.2 Number of partnerships established with not-for-profit organizations/ initiatives (public or private) due to ISFL support	3 by 2019 4 by 2021	Met: three engagements, including TechnoServe (coffee) and Solidaridad (livestock) in Ethiopia.
3.3 Number of engagements (formal workshops or joint initiatives) established with for-profit private sector organizations due to ISFL support	4 by 2019 8 by 2021	Exceeded: total number of engagements is six. By country, these are: <ul style="list-style-type: none"> <li>- Colombia: Expogestion, Hacienda San Jose, Bacao Andean Cocoa</li> <li>- Ethiopia: Pilot program for forest-based businesses</li> <li>- Zambia: Cargill, pilots on community ecotourism and game management area revenue sharing business models</li> </ul>
3.4 Number of engagements established with not-for-profit organizations/ initiatives (public or private) due to ISFL support	2 by 2019 4 by 2021	Exceeded: six to date, by country these are: <ul style="list-style-type: none"> <li>- Ethiopia: Farm Africa, SOS sahel, EWNR (Ethiopia Wetlands and Natural Resources association), JICA</li> <li>- Colombia: TNC/TFA 2020 on green growth partnerships (private sector dialogues)</li> <li>- Zambia: COMPACI cotton platform</li> </ul>

### Key Points

The Fund Management Team have developed comprehensive private sector engagement strategies through 2018/2019, including a new Theory of Change for this area of work. At the 2019 Annual Meeting Contributors asked for additional information to turn these into full investment plans before being approved and implemented.

BEIS hosted a workshop in March 2019 to bring together programmes across the UK's climate finance portfolio to share lessons and collaborate around overlapping geographies. This has resulted in several proposed partnerships between the ISFL and Partnerships for Forests (P4F) programmes. One participant highlighted the modest level of ISFL funding relative to the amounts of money invested in the land-use sector across pipeline jurisdictions. As noted in the MTE, crowding in complimentary initiatives and funding – whether grant funded incubator initiatives, sustainable supply chains, contact with relevant impact investment funds, or other green finance or policy support – to shift the dial toward sustainable land use remains crucial.

Once the final proposals are approved and a new Theory of Change is finalised, Bank and Contributors will update the logframe to include stronger indicators to demonstrate progress and activity in this area. Until then, though targets are mostly on track in this area, the UK will not be able to ensure that this aspect of the programme is going to meet outcome level objectives until there are more ambitious targets. This remains an area of priority focus for the UK's support to the ISFL, given its importance to overall programme impact.

### Recommendations:

- **Bank** to develop concrete indicators and a timeline for each private sector intervention proposed under the new strategies by end of Q1 2020.
- **Bank** to share a resourcing plan for the new private sector engagement strategies and proposals, detailing resource at country level for delivery by end of Q1 2020.
- Using these inputs, **Bank and Contributors** to update ISFL logframe to reflect new private sector engagement strategies, and finalise private sector engagement Theory of Change document initiated in the March 2019 workshop by the Mid-Year Meeting (MYM) 2020.

Output Title	Cross-cutting outputs for general ISFL design/implementation			
Output number per LF	CC	Output Score		A
Risk rating	Minor	Impact weighting (%)		25%
Indicator(s)	Milestones	Progress		
Number of funded technical studies completed	<i>21 by 2018</i> <i>23 by 2020</i>	On track: 20 studies completed. - Colombia: 4 - Ethiopia: 9 - Zambia: 7 A diagnostic study for Jambi (with the IFC) was completed.		
Number of countries that develop a grievance redress mechanism	<i>3 by 2018</i> <i>3 by 2020</i>	Met: three completed. Ethiopia, Colombia and Zambia have both developed Feedback and Grievance Redress Mechanisms (FGRM). Mexico has its own FGRM; its application to the ISFL programme is to be determined.		
Number of workshops held to prepare an ISFL program	<i>16 by 2018</i> <i>20 by 2020</i>	Exceeded: 45 have been completed to date:		
Number of project concept notes (early stage project design documents) approved for ISFL programs	<i>3 by 2018</i> <i>4 by 2020</i>	Exceeded: five completed, one note for each of Colombia, Ethiopia, Indonesia, Mexico and Zambia.		
Number of Project Appraisal Documents (PADS) approved for ISFL programs	<i>3 by 2018</i> <i>4 by 2020</i>	On track: there are now four PADs (Colombia, Ethiopia, Mexico & Zambia). Indonesia is working on its PAD which should be completed by January 2020.		
Number of project manuals or other administrative documents completed	<i>1 by 2018</i> <i>4 by 2020</i>	On track: three completed. - Colombia: 2 - Ethiopia: 1		

### Key Points

The successful completion of most of the indicators and targets outlined above indicates that the upfront BioCF*plus* phase of the programme is well underway. The MTE includes some structural conclusions and recommendations to enhance progress, for example in the sections on *T3 Funding and Benefit Sharing Mechanism* which are worthy of further consideration and action through 2019/2020.

## Recommendations:

- **Contributors** to share specific recommendations from MTE which they think merit further consideration and **Bank** to re-visit workplan to deliver MTE recommendations, both for discussion at dedicated session at the 2020 Mid-Year Meeting.
- **Bank** to facilitate that Letter of Intent signature for the Jambi ER Programme is completed within one month of the BioCF T3 structure being clarified by Contributors, and that the PAD is completed by January 2020.

<b>Output Title</b>	High quality tools and approaches are in place to ensure that ISFL goals and objectives are achieved in a timely manner		
Output number per LF	Tier 3	<b>Output Score</b>	B
Risk rating:	Severe	Impact weighting (%):	50%
<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>	
Volume of grants committed under ISFL to create an enabling environment for emission reductions	\$39.5m by 2018 \$71m by 2020.	Exceeded: \$57.5m committed to date - Colombia: \$20m - Ethiopia: \$18m - Mexico: \$10m - Zambia: \$8m - Indonesia: \$1.5m	
Volume of grants disbursed to ISFL programs <sup>7</sup>	\$19.25m by 2018 \$30.5m by 2020	Not met: \$10.25m disbursed.  Grant disbursement has been slower than anticipated in Ethiopia, Colombia, and Zambia. In the case of Ethiopia, the program has sought to prioritise preparations of the ER program while the government works through delays setting up an implementation unit. In addition, unrest in Oromia has meant limited access for some consultants and staff, which has impacted disbursements. In the cases of Colombia and Zambia, grant signatures occurred later in the fiscal year than originally anticipated, providing a shorter timeline for those programs to meet end of FY disbursement targets. In Zambia, procurement challenges have also delayed disbursement.	
Number of emission reductions purchase agreements signed	1 by 2018 3 by 2020	Not met: Ethiopia was expected to be the first jurisdiction to sign an ERPA. Advanced draft of ERPD is being strengthened through World Bank review before being shared with Contributors for feedback and subsequent validation by an independent third-party.	

<sup>7</sup> Targets for this indicator are based on best estimates of disbursement schedules to ISFL program countries. It is anticipated that grant disbursements in Colombia, Ethiopia, and Zambia will conclude by 2023.

Number of ISFL target countries that are officially included in the ISFL pipeline	<i>4 by 2018 5 by 2020</i>	Met: five countries are in the pipeline: Ethiopia, Zambia, Indonesia, Mexico and Colombia.
Number of countries with ISFL programs under implementation	<i>3 by 2018 5 by 2020</i>	Met: Colombia joins Ethiopia and Zambia under implementation. Mexico is seeing delays to implementation due to administration changes and a strategic choice of the Government to focus on finalising the agreement with FCPF Carbon Fund first. Indonesia is in the final stages of preparing the programme for implementation.
Number of ISFL programs that develop a Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF)	<i>1 by 2018 3 by 2020</i>	Met: SESA and ESMF have been developed for Ethiopia, Colombia, Mexico and Zambia. This is outstanding for Indonesia.
Number of documents made public in order to share ISFL approaches and lessons learned	<i>15 by 2018 20 by 2020</i>	Met: At least 20 documents have been published to date, including: <ul style="list-style-type: none"> <li>- 3 Annual Reports</li> <li>- 2 methodology workshop summaries</li> <li>- Presentations on ISFL ER Program Requirements (counted as 1)</li> <li>- 1 Methodological Approach draft</li> <li>- 1 ISFL ER Program Requirements</li> <li>- 1 MEL Framework</li> <li>- 1 Stakeholder Engagement Approach</li> <li>- 1 Private Sector Engagement Approach</li> <li>- 1 Vision document</li> <li>- 1 Lessons Learned from Private Sector Engagement document</li> <li>- 1 Buffer Requirements</li> <li>- 1 ER Title Transfer</li> </ul>
Number of ISFL knowledge dissemination events carried out	<i>2 by 2018 5 by 2020</i>	Exceeded: 19 events to date have included: <ul style="list-style-type: none"> <li>- 2 CSO briefings</li> <li>- Public webinars on ISFL ER Program Requirements (counted as 1)</li> <li>- AgriFin event</li> <li>- COP23 events</li> <li>- Global Landscape Forum Landscape Talk</li> <li>- Webinar on 1/24 with WWF;</li> <li>- Facebook Live event on 3/29/18</li> <li>- Innovate4Climate</li> </ul>

		- IETA Private Sector workshop, held in collaboration with the FCPF.
An ISFL Carbon Accounting Methodological Approach is finalised	<i>By December 2017</i>	Complete: Program requirements were agreed by all and made public.
An ISFL Private Sector Engagement Approach is developed and updated, as necessary	<i>By December 2017</i>	Met: though as noted in the Output section above focussed on private sector engagement, Contributors seek further development of a strong private sector engagement approach.

### Key Points

The slippage on two key output indicators in Tier 3 (grant disbursement and ERPA signature) are particularly relevant for assessing the initiative's progress. These are fundamental to the success of the programme: if grants are not disbursed, activities to generate emissions reductions are not in place, and business as usual continues. Country programmes continue to struggle with a range of implementation and grant disbursement challenges, from administration and political changes to procurement issues with the Programme Implementation Units. The Bank and Contributors should consider incentive mechanisms and support systems which will aid partner governments to unlock flows of grant funding.

If ERPAs are not signed results-based payments will not flow. The first re-baselining of the logframe has already been undertaken and the first ERPA target has now been missed a second time. This reflects the complexity of predicting timelines for untested REDD+ programming, but also suggests challenges to come in meeting programme outcomes.

There has been a clear improvement in linkages between the ISFL and other contributor programs. There have also been useful synergistic support from other agencies in contributor governments, for example the SilvaCarbon support to MRV provided by the US.

### Recommendations

- **Bank** to present emerging lessons from experiences with programme delays and the MTE, along with a set of options for managing portfolio delivery risk, including potential alternative routes for grant disbursement, for consideration by Contributors at the 2020 Annual Meeting.
- **Contributors** to increase frequency of coordination discussions between Mid-Year and Annual Meetings, for example through bi-monthly phone calls, to streamline governance and decision-making processes by the time of the next Annual Review.

## D: VALUE FOR MONEY & FINANCIAL PERFORMANCE

### Key cost drivers and performance

As there is yet to be any BioCF T3 disbursements and the UK's BioCF*plus* grant funding to Mexico, Indonesia and Zambia is yet to be disbursed, the key input cost drivers of the ISFL programme are:

- 1) administrative fees and charges related to the management of the programme and,
- 2) supervision and implementation charges for programme management expenses incurred during the implementation of the country-windows.

These costs are funded out of the contributions and reduce the amount of money available to buy carbon credits in T3 and support implementation activities in BioCF*plus*. The current fee structure is in line with the expectations included in BEIS' Business Case (page 79).

This BioCF*plus* portion of our funds is projected to face administration costs of 5.3% (£1.25 m). Once the UK's BioCF*plus* funds start being disbursed, analysis of implementation costs will also be included in this section. The BioCF T3 administrative costs, including initiative level expenses, are up to 6.75%.

As noted in last year's Annual Review, in 2017 £23.6m (£9.7m BEIS, £13.9m Defra) of UK funds were transferred from T3 to BioCF*plus* to provide upfront finance. The transfer was one of the suite of measures to reduce the risk of underspend of UK funds allocated to the results-based tranche (T3), and to satisfy identified funding needs in BioCF*plus*.

### Fees and charges

On the administrative side the current fee structure for T3 contributions outlined by the World Bank includes the following:

- The World Bank applies a one-off 2% central unit fee to contributions to T3 to cover central Bank and corporate expenses (legal and resource management support, for example). On the £40.3m BEIS investments this equates to £810k in total; on Defra's £51.1m investment it equates to £1.0m. This 2% fee is taken from each call of funds.
- In addition, there is a fee for 'business development' or the initial set up cost of each window that is 0.75% of each contribution to T3. This was drawn down in March 2014 and on Defra's additional contribution in April 2016.
- The Trustee is entitled to apply up to a maximum of 4% of window property<sup>8</sup> as a charge to cover verifications and initiative level expenses, which includes: fund administration, communication and knowledge management, strategy and procedures for private sector engagement, evaluations, methodology development, and any other activities that the Bank deems appropriate for the purpose of benefitting the Initiative as a whole (including Section 3.6(c) of the PA). This equates to up to £1.7m on the UK's investment<sup>9</sup>. These charges are approved based on annual budget forecasts and charged based on actual expenses. It was indicated in last year's Annual Review that these admin costs are expected to decrease over time. The World Bank estimates expenses in this category will be significantly lower than the 4% cap, potentially around 2.57% for BEIS<sup>10</sup>, and 2.67% for Defra.
- For contributions to the BioCF*plus* funds are subject to the Bank's updated cost recovery policy, which charges a central unit fee of 5% on grants below \$50m. The Bank estimates that £5.1m of the BEIS contribution and £6.0m of the Defra contribution will be disbursed as grants.

A projected cost breakdown for the contribution portfolio as a whole is detailed below:

#### Projected Structure of Contribution Spending for BioCF-ISFL

Cost Category	BEIS (£m)	% of BEIS Contribution	Defra (£m)	% of Defra Contribution
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<sup>8</sup> The available T3 Window Property is the T3 Contribution less the central unit fee (2%) and the business development fee (0.75%). The 4% cap on 'window property' excludes supervision costs which also fall within the window property category.

<sup>9</sup> BEIS's investment of £50m less the 2.75% fees.

<sup>10</sup> This based on the ISFL Cost Sharing Scenarios and Implications discussion Paper, March 2015.

<i>BioCFplus-ISFL Grants</i>	£5.1	10.2%	£6.0	12.2%
<i>Private Sector Engagement</i>	£3.0	6.0%	£6.1	12.3%
<i>ERs</i>	£35.8	71.6%	£45.2	69.5%
<i>ISFL Initiative Activities</i>	£1.9	3.8%	£2.3	3.5%
<i>Supervision costs and fees</i>	£4.2	8.4%	£4.7	7.2%

A buffer for exchange rate fluctuations is used as a budget tool to plan for investments over the lifetime of the ISFL. This buffer is not 'set aside' or charged to contributions. Instead, the Bank uses this information to plan for investments in country programmes to ensure that Contributors are not overcommitted based on outstanding contributions. This buffer is adjusted as cash is received by the World Bank, making planning straightforward. Once all cash is received by the World Bank, the buffer is no longer necessary.

### **VfM performance compared to the original VfM proposition in the business case**

#### ***Economy***

Overall projected supervision costs and fees for the program are presented as communicated in the October 2017 proposal document for transferral of funds to the BioCFplus. These costs include a) the Bank central unit fee on contributions; b) business development fees; c) window property fees; and d) further supervision and administration costs.

Overall costs <sup>11</sup>are projected at £4.2m for the BEIS contribution of £50m or 8.4%; and £4.7m for the Defra contribution of £65m, or 7.2%. This is against an expected baseline of 6.75% (as set out on page 79 of the BEIS business case). The primary driver for this increase over and above expected costs is the Bank's updated cost recovery policy of 5% on grant funding provided through the BioCFplus facility (£5.1m of BEIS contribution; £6.0m of Defra contribution).

The first MTE found that the administrative and program costs are standard, and low in comparison to other REDD+ initiatives, but that the program also has a slow pace of spending in implementation and grant disbursements<sup>12</sup>.

#### ***Efficiency (i.e. How well do we or our agents convert inputs into outputs?)***

It was originally assumed in the modelling that set-up time would take 2 years, and the results-based disbursements (ER purchases) would begin in 2016 lasting for 8 years. The UK has found that it is not uncommon for targets established in the initial phases of multilateral land-use programmes to be considered overly ambitious further down the line. This is a result of the complexity of such programmes, and the large number of assumptions and circumstances that can affect delivery; it is also a function of the difficulty of identifying the data required to set such targets accurately early on due to the innovative nature of the programmes. It is important that reflection and learning is undertaken in relation to these experiences, and influence future programme design (as well as revisions of targets in existing programmes). It

<sup>11</sup> All projected costs assume a \$/£ exchange rate of 1.32: Costs of \$6.7m on BEIS's \$66m and \$7.9m on Defra's \$85m.

<sup>12</sup> [ISFL First Program Evaluation](#) ; Finding 23

is now expected that the programme will run until 2030, with the first disbursements being made in 2021, following the signature of the first ERPA in Q3 2020. The delays are the result of slower than expected implementation rather than pipeline reduction, and as such, this should not affect the value for money for the programme significantly other than delaying the benefits.

Grant disbursements increased significantly compared to the previous year, however they were below budget (\$7m disbursed in FY19<sup>13</sup> compared to the \$12m FY19 budget), primarily due to the pause in project activities in Mexico following the new Administration and a slower than anticipated rate of implementation of forestry activities in Ethiopia. Private sector grants were below budget (\$1m disbursed in FY19 compared to the \$2m FY19 budget) due to delays in the Nespresso program (Ethiopia) caused by the unrest in the project area; and the cancellation of the Alqueria diary program in Colombia following a change in business strategy by the firm<sup>14</sup>.

The first MTE notes that there is a lack of quantifiable detail regarding capacity gaps in counterpart countries and that “available funding from the BioCF*plus* grants for ISFL country programs has no direct relationship with the actual amount of resources required for addressing identified gaps in country capacity”<sup>15</sup>. Consequently, it is not currently clear whether the current amount of funding allocated to BioCF*plus* grants is sufficient to fill the identified capacity gaps. The World Bank team aims to mitigate this through running comprehensive needs assessments at the country level when developing grant programmes, and these should be updated on an interim basis throughout disbursement to ensure programmes remain on track for delivery.

Similarly, the evaluation notes “how BioCF T3 funding will be used is still unclear and capacity needs have yet to be defined”<sup>16</sup>. As a result, the evaluation concludes that it is “unclear if the ISFL funding structure will enable the program to meet its objectives and goals and if the ISFL theory of change holds”<sup>17</sup>. Plans to define the use of T3 funds will emerge when ERPDs are agreed between the Bank, Contributors and programme countries, which will take place over the next two years. A recent study commissioned by the ISFL on learning lessons from existing benefit sharing models is due to report soon and will provide principles to guide the equitable allocation of T3 Funding.

### **Effectiveness**

As the program is yet to deliver results due to the delays outlined above, actual results do not meet the expected results for this point in the program. The first MTE concluded that the programme is not on track to meet its outcomes and objectives within the planned timeframe<sup>18</sup>. However, despite changes to timelines, this is not expected to affect the actual lifetime results of the program, as the delays have not yet caused any reduction to be applied to the pipeline.

The cost of reducing a tonne of carbon is used as a measure of cost effectiveness; compared to last year this has increased from £9.5 to £9.6 at the UK attributed fund-level. The increase is primarily driven by a small (19% to 18%) fall in BEIS’ attribution rate, following a \$3m Swiss investment into the T3 fund. This cost of reducing a tonne of carbon is within the value-for-money range for ICF programmes, and is lower than the original business case estimation (£11.4), indicating that the BioCarbon Fund remains a sound investment.

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<sup>13</sup> Financial Year 2019 (FY19): July 1, 2018 through June 30, 2019

<sup>14</sup> FY20 Annual Budget & Workplan and FY19 Financial Report, p.4.

<sup>15</sup> [ISFL First Program Evaluation](#) ; Finding 18

<sup>16</sup> [ISFL First Program Evaluation](#) ; Finding 25

<sup>17</sup> [ISFL First Program Evaluation](#) ; conclusion xix.

<sup>18</sup> [ISFL First Program Evaluation](#) ; conclusion x.

## **Equity**

All ISFL programs must develop a Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF), in line with World Bank project operational procedures, to better understand the baseline social situation in each jurisdiction and more strategically engage with and seek to benefit vulnerable populations. While preparing for ERPAs through the ERPDs, each program must also develop a Benefit Sharing Plan/ Mechanism (BSP/BSM) to equitably distribute benefits from ER programs, as well as a FGMR to ensure grievances are taken seriously and addressed appropriately.

The first MTE concluded that the ISFL has mainstreamed gender dimensions and social inclusion in its programming and management practices through the application of social safeguards at the country level. The ISFL also includes gender-related indicators in its monitoring, evaluation, and learning framework<sup>19</sup>. However, the evaluation found that whilst gender was well-incorporated in the design of the program, including a gender-specific strategy or gender specialist to oversee the program could aid in robust gender outcomes in implementation.

### **Assessment of whether the programme continues to represent value for money**

As the ISFL remains in the early stages of implementation, it is too early to judge whether it will return the expected results. However there is no evidence that the economic arguments in favour of delivering the ISFL in cooperation with the World Bank have changed significantly since the approval of the Business Case, nor has there been any significant change to the design of the programme which will prevent the programme from delivering value for money.

The programme's efficiency in terms of ERPA signatures and T3 funding disbursements have slipped further, as the first ERPA is now expected to be signed in Q3 2020. Similarly grant disbursements were below the budgeted amount, but there has been a significant uptick in disbursements rates since last year. Delays to the UK BEIS's BioCF*plus* grant funding can be explained by factors beyond the control of the programme (Administration changes in Mexico). The first programme evaluation found that it is currently "unclear if the ISFL funding structure will enable the program to meet its objectives and goals and if ISFL theory of change holds"<sup>20</sup>. However, we expect that this will become clearer following the submission of final ERPDs and ERPA signatures from country programmes.

The expected BEIS attributed cost per tonne has changed since the previous Annual Review, increasing from £9.5 to £9.6. This is within the value-for-money range for ICF programmes, and is lower than the original business case estimation (£11.4). Any future changes to ER usage should be adopted into the economic model, as this will impact the UK's attributed cost per tonne of carbon (ICF appraisal guidance states that benefits deriving from offset credits cannot be quantified). The UK considers that transformational change is a key part of the wider value for money. As well as the quantitative metrics, qualitative measures of impact (such as transformational change KPI 15 - see Section H) are important measures of value.

### **Quality of financial management**

The World Bank is a trusted partner for financial management. A long-term financial plan was provided by the BioCF-ISFL team as part of the 2019 Annual Report and an update provided during the Annual Meeting. The ISFL reports budgets for the following financial year at each

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<sup>19</sup> The [2019 ISFL Annual Report](#) (pg. 53) provides a summary of the initiative-level indicators in the logframe which are used to track the impact of the programme on women's empowerment. Further information regarding gender, data collection and safeguards is also provided.

<sup>20</sup> [ISFL First Program Evaluation](#) ; conclusion xix.

Annual Meeting. The actual spend against the forecast is monitored and updated regularly by the World Bank and reported at each Annual Meeting.

A payment schedule is forecast in the long-term financial plan, indicating the drawdown of funds from the UK contribution. In the BioCF Instrument, it states that the single audit will be provided for financial reporting each year. The Bank and Contributors have agreed that a narrative for budget information will be provided annually.

**E: RISK**

**Overall risk rating: Major**

Innovative, multi-sector, REDD+ programmes, such as those in the BioCF-ISFL, are inherently complex and risky. We will continue to closely monitor the level of risk and the World Bank’s approach to risk mitigation as detailed in the above table.

Risk	Mitigations proposed	Residual RAG
<p>Slow start up and development of ISFL country programmes leads to significant delays to outcomes. Reasons include:</p> <ul style="list-style-type: none"> <li>• Administration changes</li> <li>• Security issues in jurisdictions</li> <li>• Administrative processes e.g. procurement</li> <li>• WB Delivery modalities</li> <li>• Contributors don't reach consensus due to divergent policy positions</li> </ul>	<ul style="list-style-type: none"> <li>- Bank and Contributors considering ways to strengthen ownership and incentives for the programme with key delivery stakeholders.</li> <li>- Bank's new Portfolio Reports for tracking operational delivery, allowing for greater oversight and management of this risks.</li> <li>- Bank to carry out a lessons learned exercise on programme delays and why they are happening across various fronts</li> <li>- Contributors to increase frequency of coordination discussions in order to help build consensus on policy positions.</li> </ul>	<b>Major</b>
<p>Indonesia programme preparation stage further delayed compromising the feasibility of delivering the programme in accordance with expectations set out in the Business Case.</p>	<ul style="list-style-type: none"> <li>- Contributors to increase frequency of coordination discussions in order to help build consensus on policy positions.</li> <li>- FMT facilitates PAD completion and internal review.</li> </ul>	<b>Major</b>
<p>Difficulty securing private sector involvement in the programme to leverage the investment.</p>	<ul style="list-style-type: none"> <li>- Comprehensive strategies for crowding in private capital are under development</li> <li>- Bank and Contributors have worked together to ensure all Contributor leads and contacts are available to the ISFL.</li> <li>- leveraging wider private sector strategies of ISFL Contributors and their partners in country</li> </ul>	<b>Major</b>

Under-delivery of Emissions Reductions by host countries results in underspend of ISFL funds.	-There is an overprogramming strategy active in the fund -The Bank and Contributors are considering T3 structure and ERPA phase negotiations to ensure they do not increase the risk of underspend. - The ERPD assessment process was agreed and aims to ensure ER programs are technically robust and able to deliver.	<b>Moderate</b>
Risk that accounting methodology too stringent, meaning that an insufficient number of pipeline countries develop full ERPs.	- Bank and Contributors are developing a pragmatic but credible approach to livestock emission baselines. - The ISFL is supporting forest nations to develop robust technical proposals and Monitoring, Reporting, and Verification systems.	<b>Moderate</b>
Programmes fail to create changes that are sustainable in the long term.	Bank and Contributors will scrutinise ERPDs to ensure robust financial plans are in place and an integrated approach to leveraging public and private finance, before final approval of programmes for funding. The ISFL is working with committed host countries that are prepared to contribute resources to the programme.	<b>Moderate</b>

## F: COMMERCIAL CONSIDERATIONS

### Delivery against planned timeframe

At the time of the ISFL's inception, it was anticipated that there would be a two-year set up period, with ERPA's signed in 2016 and the ISFL T3 programmes delivering results thereafter. The milestone of the first ERPA in 2016 was missed and has been missed again this year. Milestones for upfront grant disbursement are also not on track, although the disbursement rate has increased significantly during the period compared to the previous period. The launch of BioCF-Colombia was delayed until May 2019, and programme preparation in Indonesia has moved forward but is still delayed at this time.

Monthly portfolio reports have provided a useful indication of progress on milestones. This is particularly relevant in the case of Indonesia where Defra funding to the BioCF *plus* is conditional on several key milestones being met.

Also highlighted in the portfolio reports is the timing of achievements and progress-to-date. There are large variations in the time taken between country proposal submission and programmes becoming active.

### Performance of partnership

The World Bank is a trusted delivery partner for the UK. The working relationship between the Bank and Defra and BEIS ISFL project leads is effective and there has been a greater effort this year to join up Contributor and World Bank resources in-country to crowd in efforts to ISFL jurisdictions. BEIS hosted a workshop in March 2019 to connect private sector programming funded through Contributors with the Bank's Fund Management Team. This has resulted in useful synergies between Partnerships for Forests and BioCF-ISFL in Colombia and Indonesia. There has also been greater effort from both Contributors and Fund Management

Team to include UK officials at Post in programme missions and meetings, which is proving to be an effective way of working.

## G: MONITORING & EVALUATION

### **Evidence and Evaluation**

The monitoring and evaluation system is now fully established and integrated. The project is reporting actual results against all the project specific indicators allowing a quantitative assessment as well as a qualitative one to be made.

The MEL Framework was updated this year. The following changes were made:

- Structure: Table of Contents, Acronym list, Section and Page numbers added.
- Results Framework:
  - Explanatory notes to provide more clarity.
  - New numbering to the indicators to allow for easier reference and cross-checking across documents.
  - Indicators have been updated to take into account all of the approved Results Frameworks for 4 of the 5 projects. Indonesia's proposed indicators to be used are included, but baselines and targets are not yet available at this time.
  - Update to definitions in Annex 1.
  - Removal of the indicators not picked up by any of the 5 projects along with information to that effect and placed in an annex (Annex 2).
- ISFL Evaluation and Learning Approach: We have updated the evaluation and learning plan to reflect the recent evaluation and approved thematic learning modules.
- ER Program Requirements: Section added to provide clarity on the impact of the requirements on ERPDs and how monitoring and evaluation needs to be integrated. This primarily related to non-carbon benefits and how they will be measured etc.

The ISFL MTE was completed this year and can be found [here](#). The evaluation was completed to a high standard and the UK led as Contributor representative on the oversight committee, alongside independent experts and country programme representatives from the ISFL programme areas.

### **Monitoring progress throughout the review period**

BEIS officials travelled to Orinoquia in March 2019 to join a regional private sector dialogue hosted by the BioCF-ISFL and Tropical Forest Alliance 2020. This allowed for engagement with regional actors participating in the BioCF-ISFL and confirmed that while there is awareness and engagement with the programme, many are unsure how implementation will proceed over the next year. Private sector actors are eager to engage and BEIS visited the Kahai nut processing facility, an innovative enterprise which is now in the pipeline for investment through the private sector facility of the BioCF-ISFL programme.

A Defra official travelled to Indonesia to join a World Bank mission in Jakarta and Jambi. The mission included meetings in Jakarta with the World Bank, Ministry of Environment and Forests (MoEF), Ministry of National Development Planning (Bappenas), Ministry of Finance (MoF), Development Planning Agency of Jambi Province (Bappeda) and Forestry Agency of Jambi (Dishut). Field visits in Jambi included other key stakeholders such as private sector organisations, NGOs and local communities; and a closing meeting with the Governor of Jambi. The visit highlighted good progress in the programme, strong engagement across sectors in Jambi and close collaboration between different stakeholders. However, this is a complicated landscape and Defra should encourage that there are biodiversity co-benefits in the emission reduction programme. The risk of delays was noted.

The World Bank's Aide Memoires from other missions during the review period have also been used to monitor progress, as have the latest technical implementation reports from country task teams and country portfolio reports from the fund management team. UK Embassies and in-country DfID teams in Bogota, Mexico City and Jakarta have maintained proactive roles in monitoring progress over the past year for country-specific programmes.

### **Changes to the Logframe for upcoming year**

The BioCF-ISFL Fund Management Team is responsible for maintaining the Logframe and will consider re-baselining targets if and when it receives the following inputs:

- New or adjusted BioCF-ISFL programme results frameworks (typically at the development of a PAD, midterm review of the program, or at the time of programme restructuring, if any);
- ISFL Evaluations
- Extraordinary events occurring in the BioCF-ISFL programme areas that significantly alter the logframe targets.

There may be cause to update the logframe in the upcoming year due to the incoming programme results framework from Indonesia.

## **H: TRANSFORMATIONAL CHANGE**

Overall, the ISFL scored a weighted mean score of 2 – some evidence of transformation likely in our assessment of KPI 15, ICF's transformational change indicator.

The following criteria have been used to assess KPI 15:

### **1. Fostering local political will and ownership**

*Justification of score: 2 – some evidence of transformation likely*

Early evidence from the project appraisal documents (PADs) and programme workshops demonstrate a strong focus on leveraging political will and generating local ownership. PADs show plans now being implemented to set up complex cross-government working arrangements which engage several Ministries and local government actors in each country. There have been some challenges getting these working arrangements up and running, but they are now in progress in Ethiopia, Zambia, Indonesia and Colombia. The programme has run more workshops than anticipated in response to interest from local stakeholders. The programmes were designed closely with national and regional government actors to reflect their respective climate strategies. However, sustained political ownership will be evidenced further down the line as new administrations are engaged on the programme.

### **2. Capacity [Drivers]**

*Justification of score: 2 – some evidence of transformation likely*

The progress in Ethiopia to train farmers and land-owners on sustainable land use and agricultural activities is promising for the overall global programme, as it provides evidence of strong engagement in the ISFL country which is furthest into implementation. The programme also shows evidence of supporting cross-sectoral private sector and small holder platforms (six have been supported to date). There is evidence that countries are facing challenges to disbursing their upfront capacity-building grants to planned timeframes, mainly due to delays operationalising country-level task teams and working arrangements. We are looking at more ways to unlock some of this capacity building funding and have asked the Bank team to increase their staffing support in-country to reflect this.

### **3. Leverage/Incentives [Mechanism]**

*Justification of score: 2 – some evidence of transformation likely*

There is significant evidence of transformation based on public financed already leveraged through the Mexico programme, which secured co-financing from the Mexican government of \$56m dollars for forest and land-use activities. There is also Global Environment Fund finance leveraged to work alongside the ISFL in Colombia and Zambia to build up co-benefits around biodiversity and conservation. These build stronger incentives for local and government actors to engage in the programme. We would like to see more evidence of transformation on the private sector leverage side, with only two partnerships to date and very little finance leveraged, there is not a strong narrative for the ISFL yet about how the private sector is likely to help deliver emissions reductions in the partner jurisdictions. However, we have held a private sector Theory of Change Workshop to strengthen our approach and learning in this area, and develop better targets for the programme to measure its progress.

#### **4. Sustainability [Enablers]**

*Justification of score: 1 – too early to tell.*

Sustainability is dependent on agreeing ERPAs, since these are required to enable the full implementation of programmes and to govern how payments for are channelled to beneficiaries. However, there are some signs that the overall policy and private sector environment are becoming increasingly enabling of programming like the ISFL, which will support long-term sustainability of improved land-use. The Colombian domestic carbon market is a good example of this.