Title: **The BioCarbon Fund Initiative for Sustainable Forest Landscapes**		
Programme Value £ (full life): £65m Defra Investment, £50m BEIS Investment		**Review dates:** July 1 2019 – June 30 2020
Programme Code: GB-GOV-7-ICF-P0004-ISFL & GB-GOV-13-ICF-0016-BioCF	**Programme start date:** December 2013	**Programme end date:** December 2030

Summary of Programme Performance

Year	14/15	15/16	16/17	17/18	18/19	19/20		
Overall Output Score	B	B	A	B	B	B		
Risk Rating	Moderate	Major	Major	Major	Major	Major		

Link to Business Case:	BEIS Business case
Link to results framework:	MEL Framework
Link to previous Annual Review (if appropriate)	2019 Annual Review

A. SUMMARY AND OVERVIEW

Description of programme

UK International Climate Finance (ICF) helps to address drivers of global climate change, contributing to a joint global commitment to mobilise $100bn per year in climate finance to emerging economies and developing countries from public and private sources from 2020-2025. As part of the ICF forests & land-use portfolio, the UK supports innovative approaches to delivering mitigation results at scale, including through capacity building, commodity trade-related measures, and performance-based payments in line with the UNFCCC's REDD+ mechanism. UK investment in the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is part of this broader picture.

The BioCarbon Fund – Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral fund operating in five sub-national jurisdictions[1] in Colombia, Ethiopia, Indonesia, Mexico and Zambia. Established in 2013, the programme aims to incentivise a transformation at this large "jurisdictional" scale to a more sustainable, low-carbon development path. Operating at this scale enables an integrated approach to results-based payments for emissions reductions through a land-scape wide programme governed by a single political jurisdiction which can offer replicable, scalable, transformative change. The programme tests 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, seeking to actively engage major commodity producers, aggregators, traders and buyers to create public-private partnerships to underpin sustainable landscape management. The ISFL is managed by the World Bank with 5 participating donor countries: UK c41% (BEIS c18% and Defra c23%), Germany c12%, Norway c32%, Switzerland c3%, and the US c12%. The UK's contribution is made via the ICF.

ISFL **impact** is to contribute to low carbon development by delivering benefits to communities and reducing greenhouse gas emissions in programme areas, and support the achievement of global goals, including Sustainable Development Goals (SDGs) and the Paris Agreement. **Outcomes** to enable this relate to improving land management, delivering benefits to land users and leveraging public and private sector partnerships. Capacity building, stakeholder management, policy reforms,

[1] In the ISFL Glossary of Terms, a jurisdictional approach is defines as: The planning and implementation of policies and measures at the scale of a full country, or one or more politically-defined areas that are no more than one administrative level below the national level, e.g. a state or province. Note that while policy measures, monitoring, and safeguards shall apply to the full jurisdiction, specific on the ground activities may cover only portions of the jurisdiction.

land management planning and developing partnerships all contribute to building an **enabling environment** for outcomes. This is backed by high quality **tools and approaches**, such as technical studies, monitoring, reporting and verification of Emissions Reductions (ERs), results-based payments and grants and governance and due diligence.

The ISFL has two complementary financing mechanisms: BioCF*plus*-ISFL (BioCF*plus*) which provides upfront grant funding and technical assistance to strengthen enabling environments for Emission Reduction Programmes, and BioCF Tranche 3 (T3) which will provide results-based payments for emission reductions. Total commitments by all donors to the ISFL at the end of the World Bank's 2019 fiscal year were US$355m: US$133m in BioCF*plus*; US$222m in T3. The majority (£91.4m) of the UK's (Defra and BEIS) commitments is invested in BioCF T3; the remaining £23.6m is invested in BioCFplus, and will support readiness in Mexico and Indonesia, and private sector engagement work in Indonesia, Mexico and Zambia.

The early years of the ISFL were particularly dedicated to setting up country programmes and strengthening the enabling environment, developing the technical methodologies and defining processes to be able to pay for landscape emissions reductions. Currently all jurisdictions have signed grant agreements (preparation and/or implementation) and are working on the design of their Emission Reduction Programmes.

Summary of progress and supporting narrative for the overall score in this review

The ISFL continues to move ahead on most fronts, which is notable given the breadth of its vision and complexity of programme design, as well as a particularly challenging implementation context in FY20 with COVID-19. Progress in FY20 is most clearly demonstrated in the grant-funded readiness and piloting work under BioCFplus, and the work preparing strategies for private sector partnerships in the jurisdictions. Programmes are gradually acquiring readiness for the results-based payment phase (BioCFT3), but the commencement of this phase is still some way off: the first Emission Reduction Purchase Agreement (ERPA), for Ethiopia, is expected in July 2021.

Highlights of FY20 include:

- Ethiopia's submission of the advanced draft of its Emission Reduction Programme Document (ERPD), The Oromia Forested Landscape Programme, represents a milestone in terms of readiness for the results-based payment phase. The ERPD sets out a comprehensive framework for the achievement of results-based payments, in line with a set of guidance intended to ensure integrity of outcomes in terms of climate, social and environmental considerations.
- Key decisions made and/or progressed relating to methodological design, fund structure and pricing, supported by thorough and detailed analysis from the World Bank e.g.: work relating to the approach for measuring emission reductions in livestock systems in jurisdictions where the livestock sector is expanding.
- Private sector strategies, which aim to crowd in private sector funding through maximising existing platforms, have been developed for four jurisdictions, and by the close of FY19-20, approved for two with a third expected shortly after. These strategies should enable a significant uptick in delivery of the important private sector component of the ISFL vision.
- Completion of the much-delayed Indonesia programme preparation stage, completing the project appraisal document (PAD) and signing a letter of intent with the Government of Indonesia, allowing the ISFL to commence working with Indonesia.
- Hosting various workshops, technical studies and events, including an online webinar on benefit sharing at scale, which introduced the publication of the joint FCPF-ISFL benefit sharing virtual platform, providing a comprehensive set of tools, resources and case studies for the design and implementation of benefit sharing arrangements for emission reductions programs, as well as other results-based land use initiatives.

In assessing ISFL, we recognise that progress is deeply informed by a series of assumptions around the political, economic and institutional context. These assumptions may be harder to gauge and manage for ISFL than other types of programme. Examples include the evolving rules and expectations associated with the UNFCCC (including NDC ambition and Article 6, both of which influence country positions vis-à-vis their Emission Reductions), and the multi-scale drivers of deforestation and land-use change across jurisdictions that are the size of small countries. The complexity of – and lack of precedent for - jurisdictional-scale landscape accounting was observed in the 2019 Annual Review and remains relevant in this case.

However, during FY20, delays remain common, and in relation to several core activities, persistent. While delays compared to original expectations are cumulative – and we recognise it would be very difficult for the programme to now 'catch up' - there is mixed evidence in terms of whether pace has increased in this reporting period. Key sources of challenge and delay include:

- Delays in the development of ERPDs in all jurisdictions, with implications for the timeframe for ERPAs. These are both crucial milestones for unlocking T3 funding.
- Slow-down in grant disbursement in FY19-20 compared to the previous period.
- Difficulties in communication and decision-making relating to the development of private sector proposals, most notably in Zambia where the proposal was eventually withdrawn from consideration.

Delays are caused and exacerbated by specific circumstances and the overall complexity involved in designing and progressing jurisdictional-scale results-based payment programmes. The innovative and cross-sectoral nature of these large-scale jurisdictional land-use programmes requires a significant amount of time and capacity building across multiple government departments to build the necessary foundations for work to progress. However, it is worth noting that once activities do start, it is likely that there will be an uptick in progress as the programme develops and there is lesson learning applied across the portfolio. Further analysis of complexity and challenges is provided in the remainder of this review.

COVID-19 has clearly had an impact upon programme delivery including on the key output indicator of grant disbursement, and overall Emission Reduction (ER) programme timeline. Unsurprisingly, impacts have been felt most in those activities that require (or are significantly more difficult to deliver without) stakeholder consultation or other types of meeting and travel. Restrictions imposed for public health reasons have required adaptation, where possible, or delays where not. World Bank delivery teams have demonstrated flexibility and creativity in working within these constraints. For example, the Ethiopia programme relies upon the strong social bonds that characterise everyday life in order to implement afforestation/reforestation and participatory forest management practices, utilising for example community consultations and working through community groups. In the context of public health restrictions, the team have started to conduct house-to-house consultations instead of larger groups; organised shift patterns for nursery employees; and support strict integration and enforcement of social distancing in a range of activities including forest and land demarcation, planning, mapping etc. At the programme and initiative level, virtual channels have been employed as an alternative means of communicating. We note the efforts of the Fund Management Team (FMT) in enabling a smooth transition of fund governance to a virtual setting, including an effective Interim Fund Meeting, where contributors were able to convene and receive updates on programme progress.

We have scored this Annual Review a 'B'. In common with the two previous Annual Reviews, which also scored Bs, a key concern lies around the pace and consistency of the programme's progress towards its intended outcomes. Both previous Annual Reviews highlighted the importance, in our view, of certain output indicators in illustrating this progress: grant disbursement and ERPA signature. We believe there has been consistent progress on the former between FY19 and FY20 reporting periods, allowing for the impacts of COVID-19. There is a good amount of supporting evidence in the output sections below that speaks to progress in BioCFplus. However, the pace of ER programme development does not appear to have reliably picked up. There are multiple causes of delays from varying aspects of, and parties to, the programme, several of which appear to be beyond the control of the delivery partner (e.g.: COVID-19, changes in administration), and should be considered part of the course of a fundamentally complex programme. Nevertheless, without denying important signs of progress, this Annual Review focuses on whether that progress is adequate in light of established outcome-level expectations. We do not consider that the evidence merits a jump to an A-score. In our recommendations for next year, we propose more effort is given to creating opportunities to reflect on risks and delays affecting the programme, for example during Annual Meetings. This reflection would provide more nuance on what is driving these risks, what influences the persistence and/or reoccurrence of certain type of risk and delay, and thus more capability to assess through our Annual Reviews how risks/delays meaningfully influence performance.

A significant influence upon this decision is the substantial limitations of the current monitoring framework used for this Annual Review, in terms of the depth and relevance of the assessment that it enables. The current set of indicators do not focus attention in the right places, or enable recognition of the right things (including positive progress). For example, indicators focused on activities (e.g.:

studies published) do not meaningfully speak to progress to ER programmes; similar indicators focused on engagements and partnerships do not speak to progress in catalysing private sector financing in jurisdictions. Thus, we feel that as a result our ability to meaningfully assess the programme is limited. In absence of a quality logframe, representing a missed expectation in itself, we consider a B score appropriate. A key objective for the next review period is to strengthen the logframe used for our monitoring and evaluation to better reflect programme performance, including genuine progress[2].

Summary of progress in implementing previous recommendations and supporting narrative for the overall score in this review

Recommendation	Progress
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)	**Complete**: note completed (delayed) and shared with WB and Contributors. WB organised a meeting with Contributors to discuss views in September 2020. Next step is at the December 2020 annual meeting to discuss an amendment to MEL Framework and a brief biodiversity strategy.
2. **Bank** to develop indicators and a timeline for each private sector intervention proposed under the new strategies by end of Q1 2020.	**Partially complete**: Private sector strategies were developed and approved for three countries: Indonesia, Colombia, Ethiopia. These included indicators, timelines and resourcing plans. A strategy for Zambia was developed but subsequently withdrawn (discussed further below). Progress in Mexico was delayed due to the overall postponement of the programme, however, desk-based work commenced during the period.
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.	**Partially complete:** See above.
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).	**Not complete (delayed):** products from recommendations 2 & 3 are needed. Expect to be able to complete by end of 2020.
5. Contributors to share specific recommendations from Mid-Term Evaluation (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.	**Not complete (delayed)**: Contributors had not completed this review, so a discussion at the 2020 Mid-Year Meeting was not possible. UK has drafted a note revisiting the MTE reflecting on progress over the last year. This is to be shared with fellow contributors shortly then with the Fund Management Team (FMT). We plan the session to be held at 2020 annual meeting.
6. **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 Project Appraisal Document (PAD) is completed by January 2020.	**Complete:** PAD was completed in December 2019 and the Letter of Intent was signed in February 2020.
7. **Bank** to present emerging lessons from experiences with programme delays and the Mid-Term Evaluation (MTE), along with a set of	**On track:** the 2020 Annual Meeting is 8 & 9th December

[2] This echoes an observation and recommendation from the previous Annual Review: we have progressed in revising the logframe in the period but were unable to finalise without sufficient progress on the private sector strategies (as below), and thus considered it more efficient to roll-over finalisation into the next reporting period.

options for managing portfolio delivery risk, including potential alternative routes for grant disbursement, for consideration by Contributors at the 2020 Annual Meeting.	
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.	**Partially complete:** contributors have arranged discussions on private sector engagement and ER use. Calls have been arranged by need rather than periodically. However, efficiency of governance and decision-making processes could be streamlined further.

Major lessons and recommendations for the year ahead

1. **World Bank and Contributors** to put in place sufficient periodic sessions to discuss, reflect and understand the reasons for implementation delays, derive lessons learnt and suggest improvements, starting in Jan/Feb 2021. As a result of this, agree revised milestone delivery plan, maintaining ambition while reflecting the complexity and political challenges of the operating environments.

2. **UK, with World Bank support,** to review approach to monitoring progress for Annual Reviews, to ensure comprehensiveness and relevance. **UK** to complete drafting the logframe for Annual Review purposes by end of 2020, that will be closely linked to and built upon the overall programme logframe and include the relevant ICF Key Performance Indicators (KPIs). **World Bank** to finalise private sector Theory of Change and relevant Logframe indicators and targets by the end of FY21. This should include reflection on performance so far, including considering key lessons learned and shifts from original objectives.

3. **World Bank** to initiate six-monthly check-ins on Zambia private sector engagement, with ongoing efforts to identify potential opportunities including dialogue with other funders e.g.: FCDO.

4. **World Bank** to update **contributors** and Embassy colleagues on all country private sector strategies development on at least a quarterly basis – Annual Meeting, Mid-year Meeting and both ISR Meetings.

5. **FMT and Contributors** to discuss MTE recommendations further at the 2020 Annual Meeting, with Contributors highlighting priority recommendations.

6. **World Bank** to mitigate against the risk that the Indonesia advanced draft ERPD is delayed further. If timing is delayed beyond December 2020, to advise UK Defra with specific but brief updates every two months of progress (this is due to this being an already delayed (from March 2020) milestone on which Defra's funding was conditional)

7. **World Bank** to clarify how the activities ongoing under workstreams - the Sustainable Agriculture Banking Programme (SABP) and Integrated Land-Use Frameworks – align with, and are captured within, the programme's results framework (Theory of Change and log-frame).

8. **World Bank** and **Contributors** ensure that partially complete Annual Review 2019 recommendations 5,7 & 8 are completed by end-March 2021; and recommendations 2,3 & 4 are completed by end of FY21 (as noted in Annual Review 2020 recommendation 2 above).

9. **World Bank** Practice Manager and **Defra** and **BEIS** Senior Management Teams to meet at least twice a year to develop a specific plan of action for the coming year, in order to address the above recommendations 1-8 and encourage progression from a 'B' score.

B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

The ISFL Theory of Change (ToC) is presented in the Monitoring, Evaluation and Learning (MEL) Framework[3]. It is intended to be updated continuously throughout the lifetime of the programme to improve its effectiveness in measuring results.

- ISFL **impact** is to contribute to low carbon development by delivering benefits to communities and reducing greenhouse gas emissions in programme areas, and support the achievement of global goals, including Sustainable Development Goals (SDGs) and the Paris Agreement.
- **Outcomes** to enable this relate to improving land management, delivering benefits to land users and leveraging public and private sector partnerships.
- Capacity building, stakeholder management, policy reforms, land management planning and developing partnerships all contribute to building an **enabling environment** for outcomes.
- This is backed by high quality **tools and approaches**, such as technical studies, monitoring, reporting and verification of Emissions Reductions (ERs), results-based payments and grants and governance and due diligence.

The majority of UK funding is invested in BioCF T3, and thus a significant share of anticipated benefits relies upon operational ER programmes. Because ER programmes are still to be completed, several key ICF indicators are not yet specified and/or being actively reported against[4].

While there is little new evidence to reaffirm or negate the logic of the ToC, the last year has demonstrated the significance of contextual assumptions in underpinning progress, and highlighted risks that are both familiar and new.

The ISFL runs to 2030, and while its payment-by-results (PbR) phase has been substantially delayed, there are tangible interim steps being achieved which illustrate progress towards it becoming operational; the first advanced draft ERPD in Ethiopia is one example. Thus, while the programme is provisionally on-track to meet outcomes, continued delays could impact outcome-level achievements. As above, certain outcome targets are not yet set (and in general, there are no outcome targets set for FY20). We reflect below on the three outcomes in the ISFL results framework, but it is important to note that there will not be full reporting against outcome indicators until emission reduction programmes are in place and generating emission reductions.

A key consideration for linking activities and outputs to longer-term outcomes is around scalability, leverage and replication. ISFL funds can at best catalyse larger changes, as opposed to securing these changes on their own. We are only now starting to see some of the groundwork laid for this catalytic work, including private sector strategies, ERPA structures, and accounting frameworks. Efforts to consolidate lessons learned in establishing benefit-sharing approaches, and to translate these into practical tools for countries via published materials and an online portal, is an early example of how replicability might be enhanced. Monitoring and evaluating the extent to which these activities go beyond direct delivery will be key to assessing prospects for longer-term change.

The programme was over-optimistic about timelines for implementation at the project design stage. While recognising the relevance of the ISFL, the programme's first independent Programme Evaluation[5] noted that conceptual and managerial complexity caused challenges and delayed implementation, and as a result there is a decreased likelihood that the programme will meet objectives in the planned timeframe. There has been no change to this; indeed, additional complexities around livestock emissions and different donor positions on the structure of BioCFTranche3 have further illustrated the inherent complexity of working across multiple actors and sectors. Delays and/or uncertainties relating to contributor decisions can have an impact on the overall progress and contribute to difficulties in portfolio advancement.

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

The outcome is, to a large part, dependent upon jurisdictions completing robust and comprehensive ERPDs and Benefit-Sharing Plans, and then implementing the activities and processes described in

[3] Each country program also has its own ToC and results framework.
[4] Eg: KPI 6: Change in Greenhouse Gas (GHG) emissions as a result of ICF support (tCO2e); KPI 8: Number of hectares where deforestation and degradation have been avoided through ICF support (Hectares)
[5] April 2019. ISFL First Programme Evaluation. DAI. Available at: https://www.biocarbonfund-isfl.org/knowledge-center

both (and in accordance with their Emission Reduction Purchase Agreements (ERPAs)) through to 2030. Existing targets for this outcome will be finalised upon the completion of all ERPDs.

Ethiopia developed an advanced draft of the ERPD, in December 2019, which is currently being independently verified. Work has continued on ERPDs in Colombia, Indonesia and Zambia with advanced drafts scheduled for February 2021, December 2020 and November 2020 respectively (according to the Bank's July 2020 portfolio report). During FY20 we saw a complete pause in development of the Mexico programme (whose participation in the pipeline was a highlight of our FY17/18 annual review) because of reprioritisation and capacity constraints in the implementing agency, CONAFOR. Work now appears to be re-starting but, as a result, projections for ERPD completion are as yet unclear.

There are also some promising results at the output level emerging, where targets are significantly exceeded, for example around area under sustainable management plans, and number of people receiving training for certain activities. However, it is too early to say, and we lack evidence, as to whether they contribute to outcome achievement.

However, while there is evidence of progress, interim milestones in the development of ER Programs are consistently being missed (including pre-COVID), and there has been substantial further slippage to ERPA signature. Portfolio reports show significant delays over time for all programmes since programme inception, and particularly over the past couple of years (see example for draft ERPD submissions and ERPA signatures below).

Projections for ERPD advanced draft submission according to July portfolio reports

Portfolio report	Colombia	Ethiopia	Indonesia	Mexico	Zambia
July 2018	Dec 18	May 18	Nov 19	Sep 19	Oct 19
July 2019	Jan 20	3/5/19	Dec 19	July 20	Oct 19
July 2020	Feb 21	Done: Dec 19	Dec 20	July 21	Nov 20

Projections for ERPA signature according to July portfolio reports

Portfolio report	Colombia	Ethiopia	Indonesia	Mexico	Zambia
July 2018	Sep 19	Feb 19	Jan 21	May 20	Dec 20
July 2019	July 20	Sep 20	Nov 20	May 21	Dec 20
July 2020	Aug 22	July 21	Dec 21	Dec 22	Oct 21

Ensuring adequate opportunity to reflect upon lessons learned and consider adjustments in order to avoid or mitigate further delays, is crucial. It is not clear to us whether delivery partner teams are misjudging their projections for these interim milestones or exceptional factors are the norm. The consistency of delays, and lack of predictability, are significant problems for the programme's future replicability and relevance. This situation highlights the continuing importance of last year's annual review recommendation requiring the World Bank to present emerging lessons learned relating to programme delays and options for managing associated risks. We would like to ensure that we build in space to continuously reflect and learn from ISFL progress. It is crucial to us to consider past delays and reasons for these, in order to encourage and ensure future timely and effective progression. This should be a combined discussion with the WB, contributors and country teams, as we are appreciative of milestone delays being influenced by all parties and would like to consider how such delays might be impacting host country engagement. It is therefore necessary to reflect and encourage feedback on possible causes for these delays and consider how to improve on this feedback.

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

- Speed and volume of grant disbursals accelerates, with no detriment to quality of design and delivery;
- ERPDs and ERPAs are delivered in a timely fashion, and forecasts for progress improve so that implications and contingencies can be considered;
- Countries remain engaged and motivated to implement programming on the ground, supported by upfront preparatory funding to build capacity.

Recommendation:

- **(1) [Rolled over from FY18-19 A/R and adapted]: World Bank and Contributors** to put in place sufficient periodic sessions to discuss, reflect and understand the reasons for implementation delays, derive lessons learnt and suggest improvements, starting in Jan/Feb 2021. As a result of this agree revised milestone delivery plan, maintaining ambition while reflecting the complexity and political challenges of the operating environments.

OUTCOME 2: Deliver benefits to land users

Similar to Outcome 1, benefits are in a large part reliant on payments for verified emissions reductions. Thus, progress towards this outcome is put at risk by delays in the readiness and programme development phases and delays in grant disbursement and ERPD development. Cumulative disbursement of grants supporting readiness activities for the jurisdictional programmes continues to grow but still a long way from target levels (discussed further in output sections).

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

- As with outcome 1, and in addition, benefit-sharing plans are designed in an inclusive, effective and timely manner.

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

This remains a priority focus for the UK's support to the ISFL, given its importance to overall programme impact and vision, and our business cases. As indicated in Section C, the UK will not be able to ensure that this aspect of the programme is going to meet outcome level objectives until there are indicators that adequately reflect the progression of the programme with more ambitious milestones and targets.

Core grant programmes for all countries include private sector activities with the goal of leveraging further investment. In addition to this, there are interesting pilots in private sector proposals and strategies, which firm focus to evidence new models that can be expanded across the jurisdiction. For example, the first loss facility to support smallholder oil palm replanting in Jambi, which does, however, have a small scale(as is funding) relative to jurisdiction size. It will be important to assess whether these pilot activities within strategies achieve leverage and catalyse wider change in the jurisdictions, as well as demonstrating innovation at the scale implemented. The extent to which private sector strategies are complemented by convening, outreach and links to wider public policy change would seem to be important in influencing their relation to longer-term change.

Cumulative finance leveraged from other sources is as reported last year: $87.05m total not-for-profit finance and $3m for-profit finance. No new not-for-profit funding has been secured. In the case of for-profit funding, though private sector strategies have been under development during the FY20, they are not yet operational, and have not yet leveraged funds from other sources.

We asses that the ISFL will only achieve this outcome if:

- ISFL endeavours to look beyond the specific activities set out in the strategies, to consider opportunities for synergies, leverage and scale. This could include building and sustaining partnerships with other initiatives pursuing similar objectives, and/or convening.
- Private sector engagement proposals are developed for the remaining countries (Mexico and Zambia).

ADDITIONAL OUTCOME-LEVEL ISSUE: Biodiversity conservation

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 has been circulated for consideration by WB and Contributors and next steps agreed. In particular, these next steps include FMT developing a high level strategy, working up a high level indicator in the MEL Framework and endeavouring to incorporate WB knowledge and analysis from fellow Global Practice, Environment and Natural Resources colleagues. Defra appreciates the work of FMT in this area, the support of fellow

Contributors to do this and address the two recommendations made in the MTE relevant to biodiversity.[6]

Has the logframe been updated since the last review?

The ISFL logframe and MEL Framework have had no major updates since the last review. However, we have updated a few milestones and targets within Output 2 to align with the WB Monitoring, Evaluation and Learning Framework (MELF) milestones and targets. These were updated in the MELF a few years ago, to better reflect actual country progress. For example, a Project Concept Note (PCN) and Project Appraisal Document (PAD) exist for both grant and ERPD for Mexico, Colombia, Zambia and Indonesia, while Ethiopia have combined their grant and EPRD PCN and PAD. The maximum potential number of PCN and PAD is therefore 9 – which we have reflected within this logframe as a more accurate representation and ambition for progress.

We are drafting a new logframe for Annual Review purposes, as has precedent in other UK ICF-funded programmes (e.g.: The Forest Carbon Partnership Facility), and anticipate this will be in place for the next Annual Review. This is closely linked to, and builds upon, the overall programme logframe, but (a) focuses on a limited number of the most significant indicators (for example grant disbursement, ERPDs completed); (b) includes additional indicators that the UK considers useful for a comprehensive assessment of progress; (c) includes the relevant ICF Key Performance Indicators (KPIs): and (d) better reflects performance of the private sector component of the ISFL. This will allow more efficient review of the programme as well as enabling a more effective assessment of progress in a given annual period.

Recommendation:

- **(2) UK, with World Bank support,** to review approach to monitoring progress for Annual Reviews, to ensure comprehensiveness and relevance. **UK** to complete drafting the logframe for Annual Review purposes by end of 2020, that will be closely linked to and built upon the overall programme logframe and include the relevant ICF Key Performance Indicators (KPIs). **World Bank** to finalise private sector Theory of Change and relevant Logframe indicators and targets by the end of FY21. This should include reflection on performance so far, including considering key lessons learned and shifts from original objectives.

What action is planned in the year ahead?

The priority areas for FY20/21 for each program are listed below:

- Colombia's Orinoquía Sustainable Integrated Landscape Program will advance program activities, clarify the country's position regarding the Letter of Intent and ER program, strengthen procurement capacity and project coordination unit leadership, achieve higher synergies among government programs and policies in the region, continue ERPA preparation, and implement a mid-term review.
- Ethiopia's Oromia Forested Landscape Program will implement participatory forest management and afforestation/reforestation activities in remaining target areas, finalize the external assessment of the ERPD, conduct internal review meetings for its ERPD and benefit sharing plan, conduct an ERPA workshop, and work on a data improvement plan.
- Indonesia's Jambi Sustainable Landscape Management Program will implement pre-investment implementation safeguards, confirm institutional arrangements, streamline grant management, build capacity for provincial MRV, advance the ER program, prepare for ERPA negotiations, and identify synergies between the ISFL program, the Jambi Province Green Growth Plan (GGP), and regional mid-term development plans and government regulations.
- Mexico's Strengthening Entrepreneurship in Productive Forest Landscapes Program will finalize its Theory of Change, reconfirm GHG inventory, strengthen inter-institutional working arrangements, make progress designing an approach to private sector engagement, and aid in CONAFOR's post-COVID response.

[6] 1. Ensure that biodiversity has targets and is monitored and reported upon through MEL. 2. In country programs without an associated GEF program, Country Programmes should explore targeting biodiversity conservation as well as deforestation targets.

- Zambia's Integrated Forest Landscape Program will finalize an advanced draft of its ERPD as well as its benefit sharing plan, complete baselines, establish a fertilizer blending facility, and construct a laboratory for the Zambia Agricultural Research Institute.

On the initiative-level, key priorities include:
- Successfully moving the Indonesia program into implementation;
- Moving forward with the implementation of preparation grant activities in Colombia, Ethiopia, Mexico, and Zambia;
- Drafting ERPDs for Colombia, Indonesia, and Zambia;
- Preparing to sign three ERPAs in FY21 (Ethiopia, Indonesia & Zambia);
- Implementing private sector engagement strategies in Colombia, Indonesia, and Ethiopia after approval; and
- Increasing the inclusion of women and IPs across all ISFL programs

Justify whether the programme should continue, based on its own merits and in the context of the wider portfolio

ISFL is pioneering a new approach to sustainable landscape management at scale, including land-sectors that other REDD+ programmes have not covered before. While challenging and complex, the delays presented do not suggest that progress being made within ISFL countries is superficial or not useful. As we note in Sections A and B the foundations for longer term outcomes are being laid, but the groundwork has taken substantially longer than expected, for reasons both internal and external to the programme.

ISFL aligns well with overall UK ICF policy priorities around sustainable landscape management and land-use systems, establishing long-term partnerships with countries, scaling-up private finance and implementing landscape-level approaches.

The underlying value for money depends to a large extent on the results-based-payments. Defra and BEIS believe that although there have been considerable delays, the progress that continues to be made provides sufficient evidence that the ISFL continues to represent good value for money.

C. DETAILED OUTPUT SCORING [aim for 1 page per output]

Output Title	Leverage partnerships with and between public and private sectors to advance the ISFL vision and approach		
Output number:	N/A	Output Score:	A
Impact weighting (%):	25%	Weighting revised since last AR?	N/A
Risk rating	Moderate	Risk revised since last AR?	Yes, from Major

Indicator(s)	Milestone(s) for this review[7]	Progress
Number of partnerships established with for-profit private sector organisations due to ISFL support	FY19: 3 FY21: 4	In FY20 – 3. On Track. Three partnerships to date with Nespresso Coffee in Ethiopia, Alqueria Dairy in Colombia and Hacienda San Jose in Colombia. No new partnerships have been established in this reporting period; this is justified by the focus on strategy preparation.
Number of partnerships established with not-for-profit organisations / initiatives (public or private) due to ISFL support	FY19: 3 FY21: 4	In FY20 – 9 (2 in Ethiopia, 7 in Colombia). Surpassed. Partnerships in Colombia include Partnerships for Forests and the FCPF Readiness Programme, demonstrating welcome synergies with other BEIS ICF-funded programmes.
Number of engagements (formal workshops or joint initiatives) established with for-profit private sector organisations due to ISFL support	FY19: 4 FY21: 8	In FY20 – 9 (1 in Ethiopia, 6 in Colombia, 2 in Zambia). Surpassed. The 6 engagements with gremios in Colombia seek to identify priorities and collaborative opportunities to shape TA activities.
Number of engagements established with not-for-profit organisations / initiatives (public or private) due to ISFL support	FY19: 2 FY21: 4	In FY20 – 23 (4 in Ethiopia, 18 in Colombia, 1 in Zambia). Surpassed.

A recommendation in last year's Annual Review was to finalise the private sector engagement Theory of Change and update the programme logframe to reflect new private sector engagement strategies. It was noted that "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 has not yet been achieved as explained in the recommendations section, thus this observation remains relevant; while output indicators are on track, in some cases substantially surpassed, the current indicators are inadequate for assessing whether the programme is on track to achieving more substantial change.

While this recommendation has not been achieved, we consider it due to be achieved by FY21. It relies upon the prior completion of private sector engagement strategies for ISFL jurisdictions. Four such strategies have been developed in FY20, inclusive of timelines and resourcing plans, as per recommendations made in FY19 A/R. Two strategies (Colombia and Indonesia) were approved by the close of FY20 (end June 20), with a third (Ethiopia) near to approval; a fourth (Zambia) was withdrawn (discussed below). The fifth strategy, for Mexico, was not initiated during FY19 due to the pause in activities by the Government of Mexico (because of capacity constraints in the implementing agency, CONAFOR). BEIS funds were moved from BioCFT3 to BioCFplus in 2017 and earmarked for Mexico anticipating prompt spend on private sector work (as well as the grant). For this reason, we would like the World Bank to give us and our colleagues in Mexico regular updates to progress.

Overall, there has been a general uptick in pace and delivery of the private sector component of ISFL this year, and a range of new project areas and partnerships have been reviewed and considered by the team. For example, in Colombia especially there has been a significant increase in the number of partnerships established and engagements undertaken since the Colombia project has come online. Additionally, the private sector strategies were developed this FY through consultative processes, inclusive of local private sector stakeholders. In general, they set out activities that appear highly relevant to the context of the jurisdictions (examples below) and the emerging shape of their ER programmes:

- **Indonesia:** smallholder replanting, support for high impact ER activities and ecosystem restoration concessions

[7] There are no targets set under this output for FY20, due to differing timelines for when these outputs were originally set, compared to Output set 2 and 3

- **Colombia:** cocoa agroforestry, cacay and palm production, silvopastoral production systems
- **Ethiopia:** coffee stumping, climate-smart diary production

We have agreed with the World Bank that we can commence the process of reviewing the ToC and logframe indicators on the basis of these three approved strategies. Through this process, we will consider to what extent the private sector component of the programme remains in line with the original private sector vision for the programme, and if there have been changes, ensure those are incorporated within relevant strategic, communications and monitoring approaches, and any learning is captured on why the original vision did not come to pass. For example, the BEIS business case for ISFL anticipated securing of long-term supply agreements for commodities produced in these jurisdictions, and ensuring the long-term financial sustainability of projects. It is not clear that the private sector strategies will achieve this, as instead of a wide private sector development approach, they tend to promote financing of specific activities/institutions. There is, however, potential for these approaches to deliver in other respects such as leveraging the private sector's capabilities and (hopefully) enabling scalability[8].

Zambia's proposal was withdrawn from consideration due to the lack of viable options. The World Bank noted that one of the major challenges was that the enabling environment in Eastern Province makes firm-level private sector engagement quite difficult, especially when donors have their own requirements for approving funding. A weakness with the Zambian strategy was that there was insufficient leverage identified from the investment. They note that research on the private sector was rigorous but even with such rigor it is not always possible to find attractive enough activities to support (in terms of financial returns, impact on communities and ER generation).

The World Bank has agreed to continue considering options for this work, including discussion with Contributors and local partners on a 6-monthly basis (though note that the above challenges will affect the ultimate success). The process that led to this outcome was not optimal: we felt that communication and decision-making could have been more open. We believe that there is more potential to learn from, and explore opportunities with, other private sector development initiatives in the region and take a more creative approach to thinking about private sector development in a region very different to other ISFL jurisdictions. We hope that some of these challenges can be improved upon, through continued discussions on this topic in FY21. In the event that no opportunities are identified in FY21, Defra is developing a contingency for its funding earmarked for this purpose.

UK priorities for this output in FY21 are as follows:

- Review and update the ToC and logframe to reflect updated private sector vision and activities;
- Shape and support the development of the private sector strategy for Mexico, leveraging other UK funding and partnerships as relevant;
- Continue to review opportunities for private sector work in Zambia, through an improved process of communication with the World Bank;
- Monitor and facilitate implementation of private sector strategies in Colombia, Ethiopia and Indonesia, including helping to build links with in-country staff and other ICF programming.

Recommendations:

- **(2) World Bank** to finalise private sector Theory of Change and relevant Logframe indicators and targets by the end of FY21. This should include reflection on performance so far, including considering key lessons learned and shifts from original objectives.
- **(3) World Bank** to initiate six-monthly check-ins on Zambia private sector engagement, with ongoing efforts to identify potential opportunities including dialogue with other funders e.g.: FCDO.
- **(4) World Bank** to update **contributors** and UK Embassy colleagues on all country private sector strategy development on at least a quarterly basis – dedicated sessions at Annual Meetings, Mid-year Meetings, and both ISR Meetings for all countries.

[8] BioCF and FCPF Business Case p38, available on DevTracker

Output Title:	Cross-cutting outputs for general ISFL design/implementation		
Output number:	N/A	Output Score:	A
Impact weighting (%):	25%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	N/A

Indicator(s)	**Milestone(s) for this review**	**Progress**
Number of funded technical studies completed	FY20: 23 FY22: 25	FY20: 38 studies completed – Surpassed (5 in Colombia, 14 in Ethiopia, 9 in Zambia, 10 in Indonesia) Technical studies completed in most countries on institutional and legal frameworks, analysis of financial mechanisms and other low carbon approaches. Additional studies in Indonesia and Ethiopia on designing Monitoring, Reporting and Verification systems, drafting Benefit Sharing Plans, Greenhouse Gas accounting, safeguarding etc.
Number of countries that develop a grievance redress mechanism	FY20: 3 FY22: 5	FY20: 3 completed – Achieved (Ethiopia, Colombia and Zambia have developed Feedback Grievance and Redress Mechanism)
Number of workshops held to prepare an ISFL programme	FY20: 30 FY22: 30	FY20: 57 – Surpassed (8 in Colombia, 11 in Ethiopia, 30 in Indonesia and 8 in Zambia) Additional workshops held this year focused on ERPD preparation in Ethiopia, and several workshops held in Indonesia focused on MRV development, land tenure conflict, GHG inventory, risk management and private sector engagement, among others.
Number of project concept notes (early stage project design documents) approved for ISFL programmes	FY20: 9 FY22: 9	FY20: 5 – Not achieved, due to delays in ER-Programmes. (One note for each Colombia, Ethiopia, Indonesia, Mexico and Zambia)
Number of Project Appraisal Documents (PADS) approved for ISFL programmes	FY20: 9 FY22: 9	FY20: 4 – Not achieved, due to delays in ER-Programmes (Four PADs – Colombia, Ethiopia, Mexico and Zambia)
Number of project manuals or other administrative documents completed	FY20: 5 FY22: 6	FY20: 10 – Surpassed

A significant volume of activities relating to Output 2 suggests a high level of effort in delivering the *BioCFplus* component of the programme. While these indicators demonstrate important aspects of the readiness stage, we consider they could be improved in terms of comprehensiveness and relevance in order to better capture whether and how activities under *BioCFplus* lays the conditions for future ER programmes. We intend to further develop this Output for future Annual Reviews.

Without evaluative evidence, it is difficult to formally assess the extent and nature of the contribution of technical studies and workshops to the programme's theory of change. It is likely that the significant volume of studies and workshops during the period have been helpful as knowledge sharing fora and capacity-building opportunities, that drive forward implementation of grant-funded activities. The target for workshops has been exceeded by almost 100%: Indonesia held far more focus group discussions than planned, and Ethiopia's ERPD development process yielded more workshops during the year as well. This is an important contributor to the ISFL approach – the ISFL Programme is piloting integrated land use planning at a landscape level, and as such there is a broad spectrum of innovative thinking and understanding required for this, especially relating to new data and continued consultations with communities in jurisdictions. For example, understanding the drivers for deforestation and emissions assists in the understanding of where the programme should target its efforts (both regulatory, public investments and private sector). Improving understanding of community dynamics and preferences so that interventions can be well received is critical, and requires workshops combining public, private NGOs and community groups and advocate.

Recommendations:

- **(2) UK** to further develop and strengthen this Output and its indicators to more effectively capture progress on BioCF*Plus*, by next Annual Review.
- **(5) FMT and Contributors** to discuss MTE recommendations further at the 2020 Annual Meeting, with Contributors highlighting priority recommendations.

Output Title	High quality tools and approaches are in place to ensure that ISFL goals and objectives are achieved in a timely manner		
Output number:	3	Output Score:	B
Impact weighting (%):	50%	Weighting revised since last AR?	N/A
Risk rating	Major	Risk revised since last AR?	Yes, from Severe

Indicator(s)	Milestone(s) for this review	Progress
Volume of grants committed under ISFL to create an enabling environment for emissions reductions	FY20: $71m ($71 – End of Programme target)	FY20: $57.5m committed - Not achieved. The outstanding value is attributed to the Indonesia grant not yet being signed. • $18m Ethiopia • $20m Colombia • $9.5m Zambia • $10m Mexico
Volume of grants disbursed to ISFL programmes	FY20: $30.5m FY22: $38.5m	FY20: $16.43m - Not achieved. Disbursement has been impacted by COVID-19. • $8.95m Ethiopia • $2.99m Colombia • $3.12m Zambia • $1.37m Indonesia
Number of emission reductions purchase agreements signed	FY20: 3 FY22: 5	FY20: 0 – Not achieved. Currently, 1 ERPA (Ethiopia) is predicted for signature in FY21, Indonesia and Zambia in FY22 and the Mexico and Colombia in FY23.
Number of ISFL target countries that are officially included in the ISFL pipeline	FY20: 5 (5 – EOP target)	FY20: 5 – Achieved – all.
Number of countries with ISFL programmes under implementation	FY20: 5 (5 – End of Programme target)	FY20: 4 – Not achieved – Indonesia grant not being signed means that Indonesia is not technically 'under implementation'.
Number of ISFL programmes that develop a Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF)	FY20: 3 FY22: 5	FY20: 4 – Surpassed – Colombia, Ethiopia, Mexico, and Indonesia have completed SESA and ESMF. Zambia has completed a SESA, but does not have an ESMF yet.
Number of documents made public in order to share ISFL approaches and lessons learned	FY20: 20 FY22: 25	FY20: 31 – Surpassed
Number of ISFL knowledge dissemination events carried out	FY20: 5 FY22: 6	FY20: 22 – Surpassed
An ISFL Carbon Accounting Methodological Approach is finalised	*By December 2017*	Achieved
An ISFL Private Sector Engagement Approach is developed and updated, as necessary	*By December 2017*	Achieved – as noted in Output 1 section, contributors seek further development of a strong private sector engagement approach

This Output demonstrates progress relating to BioCF T3 preparation, and thus is critical to the disbursement of the majority of UK ICF funding. Progress is mixed, three significant considerations are:

- Grant commitment: no quantitative progress compared to the previous reporting period. In Indonesia, the last country to have a committed grant, progress has been made through the reporting period, however, with COVID-19 impacting the country and both local and national governments largely moving to remote working, there have been some delays to grant signing. Negotiations with the client are commencing and grants signing is due shortly (expected in November 20), at which point the full £71m committed will be fulfilled.
- Grant disbursement: the grant-funded activities are fundamental to laying the ground for ER programmes. Achievement is hampered by the fact that delays are cumulative, thus, year-on-year trends are important in assessing progress. Disbursement has seen a 60% increase since last year, from $10.25m disbursed to $16.43m disbursed. However, the volume disbursed in FY20 ($6.18m) is lower than FY19 ($6.99m), suggesting a slowing down in pace. It appears that COVID-19 is a significant contributing factor to this; as explained in the introductory section, delivery teams have made efforts to progress within COVID-related constraints.
- ERPA signature: this programme milestone indicates that the results-based phase will commence, thus, unlocking the majority of UK ICF funding. This target has consistently been missed, despite having been re-baselined in 2017. As with the grant disbursement, delays are

cumulative, and it is not realistic to expect the programme to now catch-up; a more useful consideration is around whether delays are worsening. A key interim milestone is finalisation of ERPDs (see below), which has seen delays in the reporting period.

The previous Annual Review anticipated that four ERPDs could be submitted in FY20. In fact, only one advanced draft ERPD has been submitted for Ethiopia.

Update on ERPD progress:

- **Colombia**: (advanced draft ERPD submission expected February 2021, ERPA signature expected August 2022). In Colombia, programme delays have related to political changes have now been resolved with new staffing / PIU, who have begun to move things forward.
- **Ethiopia**: (advanced draft ERPD submitted December 2019, ERPA signature expected July 2021) Advanced draft currently being independently reviewed by validation firm SCS, though they will be unlikely to travel to Ethiopia - are identifying local experts to carry out site visits
- **Indonesia**: (advanced draft ERPD submission expected December 2020, ERPA signature expected December 2021) Good progress with development having happened in parallel with grant preparation. The program will become effective shortly and the team has been working on the draft ERPD.
- **Mexico**: (advanced draft ERPD submission expected July 2021, ERPA signature expected December 2022) Despite a temporary halt to activities initiated by the government, activities have now continued with a renewed commitment to obtain an ERPA signature.
- **Zambia**: (advanced draft ERPD submission expected November 2020, ERPA signature expected October 2021) Work is continuing and the ERPD drafting process is underway. There were delays in contracting various consultancies for the ER Program (ERPD design, baseline, and benefit sharing); but the task team is providing support.

ERPDs require significant cross-government engagement, and thus are particularly prone to delays caused by major issues such as security (Ethiopia) and COVID-19 (all). The current assumption is that Ethiopia’s final ERPD, and advanced drafts for Colombia, Zambia and Indonesia, are expected in the first half of FY21 (Ethiopia’s final ERPD in October 2020, and advanced drafts for Zambia in November 2020, Indonesia in December 2020 and Colombia in February 2021). A final ERPD submission is then expected for Indonesia in the second half of FY21 (March 2021), with Zambia, Mexico and Colombia, following towards the start of FY22 (August, November and December 2021 respectively). Advanced draft ERPD completion in Indonesia is a condition for Defra’s funding. Given delays so far plus the continued impacts of COVID-19 upon government capacity and resources, we consider the risks around this timeframe to be major. We intend to further develop this Output in an updated logframe to more effectively capture the progress that is being made on BioCF*Tranche3* and better reflect how jurisdictions are planning and implementing Emissions Reduction Programmes effectively. For example, by including an indicator relating to ERPD development, which comes prior to ERPA signature.

Recommendations:

- **(2) UK BEIS and Defra** to review Output 3 and its indicators for comprehensiveness and relevance, and make adaptations where necessary for the FY21 A/R. Ensure that relevant indicators include disaggregation for gender, and other social-inclusion parameters where possible, collaborating with the World Bank to obtain this information.
- **(6) World Bank** to mitigate against the risk that the Indonesia advanced draft ERPD is delayed further. If timing is delayed beyond December 2020, to advise UK Defra with specific monthly updates of progress (this is due to this being an already delayed (from March 2020) milestone on which Defra’s funding was conditional)

D: PROJECT PERFORMANCE NOT CAPTURED BY OUTPUTS

There has been a lot of good work on communications messages and platforms available over the last year. A new ISFL website has been designed and implemented; the contributor portal allows easy access to key documentation; a series of well-presented blog posts have helped to convey and disseminate the ISFL vision and activities; and the World Bank communications team has provided useful guidance to Contributors on how they might contribute to dissemination and outreach. The publication, portal and webinar on benefit-sharing, developed jointly with FCPF, is a welcome example of how the World Bank is synthesising and sharing its uniquely rich perspective on the practical aspects of designing and implementing results-based payment programmes.

An application to CORSIA, and a paper on ER pricing options, demonstrate welcome efforts by the World Bank to consider the legacy and relevance of the programme beyond the ISLF trust fund per se. Clear efforts to learn from precedent established by the FCPF programme, for example in terms of legal documentation, are also encouraging. We encourage the World Bank to work with Contributors to ensure these discussions continue to enhance the effectiveness and impact of the programme.

There has also been progress on the Sustainable Agricultural Banking Programme[9] and Integrated Land-Use Planning Framework[10], both of which appear to be complementary to the objectives of the ISFL programme, with potential to enhance progress and impact in the jurisdictions (and elsewhere). However, we would feel better able to assess relevance if these activities were better integrated into the programme's ToC and logframe, and it were made clearer how both further the ISFL vision in practice in addition to being a useful conceptual exercise.

Recommendation:

- **(7) World Bank** to clarify how the activities ongoing under workstreams - the Sustainable Agriculture Banking Programme (SABP) and Integrated Land-Use Frameworks – align with, and are captured within, the programme's results framework (Theory of Change and log-frame)

E: RISK

Overall risk rating: Major

Risk description	Mitigation strategy	Residual Risk rating
Conflict/Political - Conflict in countries escalates or changes in political leadership causes criticism/weakening of environmental protection legislation at national/state level and reduced jurisdictional progress on avoiding deforestation (a potential example could be the Omnibus legislation in Indonesia)	Engage with Post and WB task teams in countries for identification and monitoring of conflict and political risks at national and state level to reduce likelihood of these. Encourage an adaptive approach to ERPA negotiations to support better cooperation	**Moderate** Colombia: Monitoring FARC influence in Orinoquia, and impacts of changing regional and local governments. Mexico: Political/policy dynamics resulted in pausing the programme in FY19-20; things appear to be moving now, but early stages. Ethiopia: Political risks reduced by selection of new areas to work in, but not eliminated with some areas in west Oromia still having some security issues which may affect Program activities
Delivery sufficiency and underspend – T3: ER Programmes do not deliver sufficient Emissions Reduction or benefits to communities, results in underspend of ISFL funds. ISFLplus: funds are not committed or disbursed (Defra – Indonesia, Zambia; BEIS – Mexico).	There is an overprogramming strategy active in fund to allow for this (but difficult to assess without information on ER volumes). WB and contributors are also considering T3 structure and pricing, which may increase length and/or risk of attribution in ERPA negotiations. To monitor delivery progress, work with FCDO / Post to identify further options; engage with WB through formal review opportunities (eg: ISR	**Moderate** Initial concerns around Mexico potential withdrawal, but these have been reduced now Mexico has confirmed continuation with programme. No viable private sector proposal in Zambia is identified for Defra funds. BEIS funds in Mexico depend upon PS strategy and readiness progressing.

[9] The agricultural banking programme involved identification of target banks, in-person training, implementation of pilot VC product then further in-person studies.
[10] The study will be a comprehensive synthesis of all key landscape approaches, focusing on the similarities and differences and identifying gaps while highlighting what holistic, fully integrated framework for integrated land use planning could look like.

	reviews), strengthen in-country collaboration, and other ad hoc conversations.	For T3, we do not yet estimates of ER volumes and as yet are not able to assess risk and adequacy of existing mitigation measures eg: over-programming.
Delivery failure/delays - ERPA negotiations fail or are significantly delayed due to – contributors not reaching consensus due to differing policy positions; countries not wishing to agree to ERPA terms, and difficulty in reaching compromise (eg: wariness about transferring title/forward-commitments; price).	Contributors to increase frequency of coordination discussions in order to help build consensus on policy positions. Continue to discuss with the WB at fund meetings – including around ways to assess and where appropriate prepare countries prior to negotiations. Continue to monitor situation in Mexico with UK Embassy and WB.	**Major** We are progressing with conversations with other contributors on ER pricing and potential differentials. Based on experience in other programmes, we consider that price and ER use could be major risks to successful ERPA negotiations.
Implementation delays – slow development of ISFL country programmes leads to significant delays to outcomes, delays in grant disbursement and delays to benefits provided to countries. Reasons include - administration changes; security issues in jurisdictions; administration processes. Links to macro-economic and conflict risks. COVID-19 is also a key risk in terms of partner country capacity and appetite for programme implementation – could lead to implementation delays.	Bank and contributors considering ways to strengthen ownership and incentives for the programme with key delivery stakeholders (engaging post of additional information). WB send monthly Portfolio Reports for tracking operational delivery, allowing for greater oversight and management. These also now provide COVID-19 updates for individual countries	**Major** Risk has been significantly exacerbated by COVID-19, with all countries displaying delays to grant disbursement and ERPD development. Given programme is already off-track in terms of output achievement, this makes delivery risk high.
Sustainability and leakage – programmes fail to create changes that are sustainable in the long term, or support for sustainable forestry and agriculture displaces unsustainable activities into other locations. Overall rates of deforestation remain high and the credibility of investments to reduce deforestation is impaired	Leakage is a risk with all investments in climate change mitigation and reducing deforestation. Reducing leakage is part of a long-term mitigation strategy. ISFL programme – methodology includes integrated accounting, which should be better at managing leakage within a province as it takes a cross-sectoral approach. WB and contributors will scrutinise ERPDs and ERPAs to ensure robust financial plans are in place and an integrated approach to leveraging public and private finance, before final approval of programmes.	**Moderate** We continue to take leakage into account, particularly with ERPD development.
Fiduciary risk – fraud or mispurposed funds mean that UK funds are not used for the intended purpose, resulting in fiduciary and reputation impacts or underperformance on due diligence and management of approaches limits the impact of the programme or carries risk of misuse of funds. Additionally, underperformance from the WB on due diligence and management of approaches limits the impact of the programme or exacerbates risk of misuse of funds.	Implementation through well-established MDB trust fund structures with respected fraud checks and balances: A) The World Bank will independently verify emissions reductions before providing payment for results B) All payments will be registered publicly to avoid overlap. C) Funds channelled according to agreed Benefits-Sharing Plans	**Moderate** We continue to rely on well-established WB fiduciary safeguards, and we also provide scrutiny to WB financial reports and analyse incoming Call of Funds and funding disbursements.
Private Sector Investment – delays or difficulty securing private sector involvement in programme to leverage investment.	Strategies for crowding in private capital have been developed for most countries. WB and contributors have worked together to ensure all contributor leads and contacts are	**Major** Private Sector Strategies have been signed off for 3 countries.

	available and focused on private sector work. Private sector workshop held last year to address private sector theory of change, which we are speaking with FMT on and encouraging this development. We are updating and strengthening our private sector indicators on ISFL logframe.	Private sector indicators will also be strengthened, to provide a more effective way to measure progress. Zambia PS engagement has been temporarily paused, and Mexico has just begun developing strategy Securing private sector investment through these strategies remains uncertain, particularly due to COVID-19.
Reputational - this can arise from other risks, such as the ones listed above. E.g. • Rising deforestation data poses reputation risk to BEIS/UK due to negative criticism of funding programmes in current climate and perception that rising deforestation rates means our programmes are not working • Benefit sharing issues could pose a reputational risk due to negative criticism on adequacy of benefit sharing / mispurposed funds • General negative perception around speed, capacity and performance of REDD+ programmes exacerbates this risk • Reputational risk where jurisdictional programme is perceived to have a negative impact on stakeholders or third parties. E.g. REDD+ project developers • Positive benefits for biodiversity do not accrue	Track and anticipate political uncertainties within countries with Post and other colleagues. Should deforestation rise pose a reputational risk, officials will judge the appropriate response, including drafting defensive lines and engaging with key stakeholders. Seek and encourage opportunities for positive comms messages around ISFL Continue to check in with CORSIA colleagues around recent CORSIA application (as this could exacerbate risk if this was rejected) Regular contact with Post to understand any sensitivities in-country Defra has developed note with suggestions for a biodiversity strategy. To follow up and work on high level indicator for the MEL framework and short ISFL strategy which links in with wider WB work in the area. FMT and fellow contributors supportive.	**Moderate** Negative comms components can exacerbate this risk – e.g. if application to CORSIA was rejected (will monitor this situation)
Monitoring, Reporting and Verification – accounting methodology too stringent, challenging or slow, meaning that an insufficient number of pipeline countries develop full ERPs. This is especially relevant for livestock baseline development. Outcome of this could be that ERPAs fail or are not signed.	WB and contributors are developing a pragmatic, credible approach to livestock emission baselines. Consult with technical experts on these issues. ISFL is supporting forest nations to develop robust technical proposals and MRV systems. WB - openness of Bank for additional resourcing	**Minor** Livestock baseline new Emission Intensity Approach has been reviewed by contributors. We have scrutinised this approach with our technical team.
Resourcing and capacity - lack of capacity, capability of general structure of, and possible tensions between, the WB FMT and country teams, could cause significant delays	WB have been responsive & acknowledged feedback, e.g. providing country specific COVID-19 risk in monthly Portfolio Reports at request of BEIS. Continue to monitor.	**Minor** WB have outlined at the MYM their commitment to improve in-country coordination.

Overview of risk management

The main trends on risk exposure and risk response over the last year have been typically surrounding the speed and capacity of progress on ISFL work, which have mainly been driven by administration challenges, and exacerbated by uncertainties due to COVID, as well as individual country difficulties (e.g. Mexico change in Government). Risk response has focused on monitoring progress through Portfolio Reports, engaging with the WB on a regular basis, and consulting and discussing any issues with Contributors, colleagues in Post and technical experts, as well as comparing risks and management approaches with ICF programmes experiencing similar issues (e.g.: FCPF, TCAF).

Outstanding actions from risk assessment

Outstanding actions from last Annual Review risk management include ensuring scrutiny for ERPD assessments to mitigate against delivery insufficiency or unsustainability of ER-Ps, which we will ensure continues for the remaining ERPDs. One outstanding issue relates to Monitoring, Reporting and Verification and livestock baselines – where the new approach for determining emissions from livestock within ISFL jurisdictions has been recently presented to Contributors for no-objection. While we are technically assured of the approach, there remains some uncertainty around the wider impacts of such an approach, particularly relating to reputational risk and overall ambition of the programme. This is because a situation may arise where we are funding an increase in absolute emissions for livestock emissions. However, the WB has provided substantial assurances on safeguards adopted to ensure the environmental integrity of this approach, and we are assured by the overall ambition of the approach, which is to see an eventual decrease or levelling out in absolute emissions. Additionally, we have recommended the inclusion of an evaluation exercise to be undertaken at the end of each ERPA phase, so that we are able to monitor and assess the impact of the new approach.

F: PROGRAMME MANAGEMENT: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Delivery against planned timeframe

- At ISFL's inception, it was anticipated that there would be a two-year set up period, with ERPAs signed in 2016, and ISFL T3 programmes delivering results thereafter. ERPA milestones have been missed, and milestones for grant investment are also not on track.
- Monthly Portfolio Reports, prepared by the WB, continue to provide a useful indication of progress on milestones, highlighting any particular progress achieved or blockers to progress month-to-month. There is also a qualitative assessment of progress that includes delivery, operational, technical and political risks for each country, and actions being taken on these.

Quality of financial management

- The WB is a trusted partner for financial management. ISFL reports budgets for the following financial year at each Annual Meeting, with an Interim Budget for approval prior to this. Actual spend against forecast is monitored and updated regularly by the WB and reported at each Annual Meeting.
- Annual budgets for ISFL display consistently lower actuals than budgets. We intend to discuss the reasons for this, and potential ways to improve the detail of forecasting information (or the assumptions that inform this), with the WB.

Monitoring and evaluation

- The monitoring and evaluation system is fully established and integrated, and the project is reporting actual results against project specific indicators, allowing a quantitative assessment as well as a qualitative one.
- Due to COVID-19, there have been limited field visits in the second half of the year. We have kept connected with Post colleagues in Colombia, Mexico, Indonesia and Zambia who have been able to attend in-country virtual missions and / or close-out meetings at the end of missions. Defra and BEIS also met with the WB team in Jakarta on two occasions this year during unrelated visits.

Value for money

- ***Economy:*** Overall projected supervision costs and fees for the programme are presented in the October 2017 proposal document for transferal of funds to the BioCF*plus*. These costs include a) the Bank central unit fee on contributions; b) business development fees; c) window property fees; d) further supervision and administration costs. Overall costs[11] 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 was the application of an updated World Bank cost recovery policy of 5% on grant funding provided through the BioCFplus facility (£9.7m of BEIS contribution; £13.9m of Defra contribution). The first MTE, carried out by DAI (Development Alternatives Incorporated), 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.

- ***Efficiency:*** 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, due to the complexity of programmes, assumptions and circumstances. 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 is now expected that the programme will run until 2030, with the first disbursements made in 2022, with the first ERPA signed in FY21. 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.
- ***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 and the below figures are from expected results. The cost of reducing a tonne of carbon is used a measure of cost effectiveness. Compared to last year (£9.6) this has marginally decreased to £9.55 at the UK attributed fund-level. This is due to minor adjustments to the model, including exchange rate fluctuations and a decrease in ICF attribution, which had mixed effects. This is within the value-for-money range of ICF programmes~~,~~ BioCF remains a sound investment.
- ***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 FGRM to ensure grievances are taken seriously and addressed appropriately. ISFL also includes gender-related indicators in its monitoring, evaluation and learning framework.
- ***Assessment of programme's 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. We expect that further clarity on whether the programme will meet its objectives and goals will be gained following the submission of ERPDs and ERPA signatures from country programmes. As we noted in Section B, there are tangible interim steps being achieved which illustrate progress towards these milestones, with the first advanced draft ERPD in Ethiopia one such example.

Date of last narrative financial report	October, 2019[12]
Date of last audited annual statement	October, 2019

[11] 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.
[12] ISFL FY19 Annual Report: https://www.biocarbonfund-isfl.org/sites/isfl/files/2020-03/ISFL%20Annual%20Report%202019_7.pdf