Title: **The BioCarbon Fund Initiative for Sustainable Forest Landscapes**		
Programme Value £ (full life): £65m Defra Investment, £50m BEIS Investment		**Review dates:** July 1 2020–June 30 2021
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	20/21	
Overall Output Score	B	B	A	B	B	B	B	
Risk Rating	Moderate	Major	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)	2019-2020 Annual Review

A. SUMMARY AND OVERVIEW

Over FY21, the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) has advanced in particularly challenging circumstances, however, has overall scored a B over this Annual Review's Reporting Period (July 2020 – June 2021). This is due to both the impacts of COVID-19 and the cumulative delays built up over the programme's lifetime. Disbursing grant funding and signing the Emissions Reduction Payment Agreements (ERPA) remain key and crucial priorities for the programme over the coming years, and necessary output achievements in order to encourage the programme score an A. There is also a need for a comprehensive and detailed understanding of programme progress, including through further evaluative evidence that may provide qualitative nuance to supplement quantitative result reporting. UK BEIS and Defra also consider it vital to effectively take into account the challenging circumstances caused by the COVID-19 and cumulative delays experienced over several years, and thus recommend that the ISFL's LogFrame be adapted to reflect this updated operating context. We do, however, note that despite the challenges posed by COVID-19 impacting health and travel, there has been some positive evidence of progress in FY21, including the independent assessment of Ethiopia's ISFL Emissions Reduction Programme Document (ERPD). Ultimately, we do expect that the programme will, within the programme's lifetime to 2030, deliver on its intended overarching outcomes and benefits on a jurisdictional scale, and we note the innovative and ambitious nature of what the programme is intending to achieve here. This Annual Review provides further detail on challenges and accomplishments of the ISFL this past Financial Year (July 2020 – June 2021), and recommendations for the coming Financial Year (July 2021 – June 2022).

Description of programme

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral fund operating in five sub-national jurisdictions in Colombia, Ethiopia, Indonesia, Mexico and Zambia. Operational since 2013, the programme aims to incentivise a transformation at this large "jurisdictional" scale to a more sustainable, low-carbon development path. The scale of the sub-national jurisdictions can offer replicable, scalable, transformative change through an integrated approach to results-based payments for emissions reductions. The programme tests comprehensive carbon accounting methodologies to pay for emission reductions from a range of landscape features including forests, wetlands, and agriculture. ISFL also engages closely with the private sector in a variety of ways such as collaborating on sustainability projects and best practice with a focus on deforestation and sustainable agriculture, blending finance, and convening stakeholders to work toward complementary goals. The aim of the programme's engagement with the private sector is to provide sustainable livelihood opportunities for communities and mobilise finance for critical investments. ISFL is managed by the World Bank and has five participating donor countries, as follows with their share of the fund: UK c41% (BEIS c18% and Defra c23%), Germany c12%, Norway c32%, Switzerland c3%, and the US c12%.

The UK investment in the ISFL contributes to the UK's objectives for its International Climate Finance and is well-aligned with the UK government's commitment to protect nature globally for climate and people and foster the growth of innovative and sustainable forestry businesses.

The ISFL has two complementary financing mechanisms:

1. BioCFplus-ISFL (BioCF*plus*) which provides upfront grant funding and technical assistance to strengthen enabling environments for Emission Reduction Programmes, and
2. BioCF Tranche 3 (BioCF*T3*) which will provide results-based payments for Emission Reductions (ERs).

Total financial commitments to the ISFL at the end of the World Bank's 2021 fiscal year were US$367m: US$134.72m in BioCFplus; US$232.63m in T3. The majority (£91.4m) of the UK's commitments is invested in BioCFT3 to support ISFL's Emissions Reduction Programmes; the remaining £23.6m is invested in BioCFplus, and will support readiness in Mexico and Indonesia, and private sector engagement work in Indonesia and Mexico.

At the point of writing this, all jurisdictions have signed grant agreements (preparation and/or implementation stage) and are now either working on the design of their Emission Reduction Programmes (Indonesia, Mexico), or have completed required documents for review (Colombia, Zambia) or for implementation (Ethiopia). This builds on work done in early years of the ISFL which was 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.

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

Programme Progress

ISFL continued to move ahead in FY21 by laying the foundations for the development of Emissions Reduction Payment Agreements (ERPAs), advancing technical capacity building in various areas, and progressing in overall programme design. Significant delays and challenges to implementation continued as with previous years and were exacerbated by the COVID-19 pandemic whose impacts will continue to be felt into the next reporting period in all jurisdictions – more details provided in the note below.

In FY21, a key progress milestone was the independent assessment of Ethiopia's ISFL Emission Reductions Programme Document (ERPD). An ERPD is a document which outlines how an Emission Reduction Programme (ERP) will be implemented and how ERs are measured, reported, verified, financed and transferred. The ERPD includes environmental and social safeguards that will support communities impacted by the ERP whilst presenting the drivers of emissions and interventions in each sub-national jurisdiction. As the first ERPD for the programme it has enhance the overall programme design of the ISFL by streamlining the validation process for the ERPD which will facilitate progress toward ERPA signature and results-based payments.

Highlights of FY21 include:

- The Benefit Sharing Plan for Ethiopia's ISFL programme was approved by the Government Partner and integrated into the ERPD. The ERPD was then assessed by a greenhouse gas (GHG) audit firm; this is the final step in the process prior to negotiating an ERPA with the ISFL. ERPA negotiations will soon be commencing.
- Both Colombia and Indonesia submitted one component of their ERPD (covering GHG elements) to the World Bank for assessment. Since FY21, Zambia submitted their advanced draft ERPD in August 2021 and Mexico anticipates that their ERPD will be submitted in October 2021.
- The ISFL ERP Requirements were updated to include a new approach to estimating emission reductions from the livestock sector, following discussions and support from all contributors.

- ISFL and its sister programme the Forest Carbon Partnership Facility (FCPF)[1] worked together to create a centralised emission reductions transaction registry for both programmes, called the Carbon Assets Trading System (CATS). CATS is an online trading system that issues, records, transfers, and tracks carbon units that are financed through results-based climate funds, while preventing double counting and double payments. Its establishment was a prerequisite for issuing carbon credits in both programmes.
- Colombia, Ethiopia, and Indonesia launched new partnerships with local technical agencies who will drive implementation of programmes set to kick off next year.
- Contributors and the World Bank held a collaborative 'Pause & Reflect' session, coming together to collectively reflect on lessons learned and consider forward actions in progressing key recommendations following the Independent Mid-Term Evaluation. These included stock-taking on overall progress on key milestones, delays, and emerging lessons; increasing & improving in-country coordination; reflecting on private sector progress; and considering ISFL governance and stakeholder inclusion. The outcome of this session was an agreed Action Schedule, detailing actions, owners, and timelines. Notably, this includes hosting similar reflection sessions at each Mid-year Meeting and Annual Meeting, to give contributors and World Bank continued opportunities to reflect on progress and consider lessons learned.
- A joint three-day ISFL / FCPF Private Sector Workshop was held entitled Natural Climate Solutions: Unlocking Private Sector Finance for Sustainable Landscape Management in March 2021. The workshop brought together over 900 attendees from a diverse set of participants from FCPF and ISFL REDD+ countries, World Bank Representatives, private sector, NGOs, as well as experts in climate finance and sustainable commodity supply chains. Key messages and next steps were synthesised into a workshop report with key recommendations and points and areas to develop.
- In response to COVID, the World Bank's Fund Management Team (FMT) has managed annual and mid-year Contributor meetings efficiently in a virtual forum. Useful updates on implementation progress and key operational, technical and political risks, including COVID impacts, have been included in the delivery description section of monthly portfolio reports, as per the UK's request.
- All country teams have flexibly used virtual platforms for strong engagement with local\ partners and with programme stakeholders.

There are continued delays impacting key programme milestones and core delivery expectations, including grant disbursement and final ERPD submissions (and therefore ERPA signatures). These milestones are fundamental to the programme's theory of change and, given that the majority of UK funding is invested in BioCFT3, a significant share of anticipated benefits relies upon operational ER programmes. The delays are notwithstanding the progress on the underlying work that forms the foundational basis for these milestones. The extent of delays is clearly illustrated in Table 1 in Part B: for example, between July 2020 and June 2021 projected ERPA signature dates have slipped back three months in the case of Mexico, four months for Colombia and Ethiopia, seven months for Zambia and eight months in the case of Indonesia.

The causes and consequences of slippages are complex, and a proper analysis would require evaluative evidence – which is not available in an up-to-date form. Based on the information available to us, it seems that delays are not attributable to any single factor, including COVID-19 or delivery partner performance. Indeed, in several areas relating to programme implementation, the World Bank has met or occasionally exceeded expectations. Delays appear to reflect the multiplicity of external shocks and confounding factors that affect programmes that operate at such a large geographical scale, and the particular political economy of Agriculture Forests and Other Land-Use (AFOLU) sectors. Clearly a huge amount of time and capacity building is required (and has been ongoing) across multiple government departments to build the necessary foundations for work to progress. Even once built, these foundations can be vulnerable to political, institutions and social changes – such as regime change or COVID-19. We acknowledge that the causes of these delays are complex and these delays have had a significant impact on the programme's anticipated milestones. Therefore, it is vital for the logframe to reflect these delays and include new milestones.

Certainly, COVID-19 has had a clear impact on programme delivery, particularly in instances where activities require (or are significantly more difficult to deliver without) stakeholder consultation and/or other types of meeting and travel. Restrictions imposed for public health reasons have required

[1] The Forest Carbon Partnership Facility (FCPF) is a World Bank operated REDD+ programme ending in 2025, with UK BEIS investment in the FCPF Carbon Fund (£141.5m, c 21% of fund). The Carbon Fund is designed to incentivise ambitious actions to reduce deforestation through payments for verified emission reductions generated by jurisdictional REDD+ programmes.

adaptation, where possible, or delays where this is not possible. World Bank delivery teams have demonstrated flexibility and creativity in working within these constraints. For example, in Mexico, workshops were held to build capacity for remote collaboration and assess the possibility of allowing field-based staff back into the jurisdiction, an important enabling factor to allow the programme to progress in these circumstances. The World Bank helpfully provides an assessment of COVID-19 impacts within each country through monthly portfolio reports, which show, for example, that in Indonesia, impacts have included key team members being unwell, and the Government of Indonesia deciding to revise its budget and priorities in response to the pandemic, resulting in de-prioritising of the ISFL programme. In Zambia, there was a pause in the work programme, a reduction in the team implementing activities on the ground, and a pivot to virtual platforms to advance progress on the development of the key programme documents including the benefit-sharing plan and ERPD.

The World Bank's expectation is that progress will become more sustained, as foundational milestones are passed, and when sufficient progress has been made to enable lesson learning to be applied across the portfolio, particularly on ERPD activities. For example, Ethiopia's recently completed ERPD process and audit should provide an opportunity to learn and adapt the process for other ISFL countries. However, so far, signs that implementation will become on-track are limited, in our view. While there has been a slight reduction in length of delays (milestones slipping year to year by around 4 – 8 months, rather than 10 – 20 months as has been shown by previous years), they are still significant.

The repeated slippages, in successive annual reviews, raise some questions around the validity of original programme design assumptions and concerns around the likelihood of achieving programme outcomes by the planned programme end date. We do expect, and WB are confident, however, that the programme will deliver on intended outcomes over the lifetime of the programme. We note that the World Bank's view is that they strongly anticipate that benefits will be achieved within the programme lifetime.

COVID-19 Note

In the FY21, COVID-19 has had a significant impact on the jurisdictions of the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL). We consider it reasonable to adjust our expectations for programme implementation as a result of the unfortunate circumstances and unforeseen challenges that have resulted from COVID-19 pandemic. BEIS and Defra recognise the unforeseen challenges and acknowledge and appreciate the resilience of delivery teams, particularly those working in areas most severely affected by the pandemic.

COVID-19 has impacted the ISFL programme in the following ways:

- COVID-19 has seriously impacted the health and welfare of programme delivery partners, resulting in them not being physically able to carry out work.
- In all jurisdictions, the prevalence of the virus required the continued use of remote working and social distancing wherever possible affecting the projects in terms of reduced in-person collaboration and requiring additional time to deliver work.
- The inability of the audit firm to visit Ethiopia, due to COVID travel restrictions, delayed the ERPD (Emissions Reduction Programme Document) audit process.
- COVID-19 forced programme partners to re-prioritise their resources, especially given those resources (funding and people) were in parallel constrained by the pandemic. For example:
    - The Government of Indonesia's re-prioritising of budget and activities to deal with the serious nature of the COVID-19 pandemic meant that the DGCC had less capability to progress with the ERPD.
    - In Mexico, the dialogue between CONAFOR and the state governments in the ISFL jurisdiction was impacted by COVID-19 priorities, and overall progress severely impacted by different state restrictions due to the "maximum risk of contagion" notice.
- The indirect impacts of COVID-19 were also relevant – for example, in Zambia's case, the increased exchange rate risk which impacted the delivery as anticipated budgets had to be adjusted to account for increased costs.

Scoring

<u>We have scored this Annual Review a B overall.</u> This reflects the persistent concerns around delays on the programme's progress towards its intended outcome. This will be the third 'B' score in a row, with continued delays to key quantitative output indicators – ERPD/ERPA progress and grant disbursement. For the third year, both of these quantitative indicators experienced consistent milestone slippages or insufficiencies, even taking into account an update to the LogFrame to attempt to better enable the fair recognition of other positive progress. However, we do note that there has been continued progress on building the foundations for achieving these milestones, with many countries having submitted certain sections of ERPD documents to the World Bank, even where contributors have not yet received these nor have they been officially completed (& therefore the milestone has not been reached). We will discuss further how delays are also very intertwined with COVID-19 impacting the health and wellbeing of teams, and the ability to progress certain elements of the programme. While the WB and country teams have adapted, it continues to bear a significant influence on the overall capacity and the timeliness of country programme achievements. While there have been important signs of progress, we do not consider that the evidence for outcome-level targets provided here is adequate to merit the programme increasing its score to an 'A'.

Our recommendations reflect these key milestones and areas for encouraging progressing. We propose further exploration of innovative solutions to unblocking delays and challenges, including strategically using the resources and relationships (including WB and Embassy in-country teams) available to the programme. We also encourage progress on the 'Pause & Reflect' Action Schedule, which outlines some further considerations and proposed actions on progressing delayed milestones, private sector considerations and in-country collaboration. Additionally, we continue to reflect on the importance of collaboration, particularly highlighting UK and WB senior team discussions on the programmes and overall strategy and recommend that these meetings continue into FY22. We would also like to consider how to supplement the existing LogFrame with a potential exploration of collecting in-country feedback to inform our qualitative consideration for ISFL's progress, as well as considering avenues of ensuring the LogFrame adequately reflects the most up-to-date progress of the programme.

ISFL is pioneering a new approach to sustainable landscape management at scale, including land-sectors that other REDD+ programmes have not covered before, which is inevitably challenging and complex. While substantial delays have continued in relation to intermediate deliverables which will lay the groundwork for eventual outcomes, this should not be taken to suggest that we consider the progress being made by ISFL countries is superficial. The next evaluation (scheduled for FY23) will provide a vital opportunity to provide more rigorous evidence on programme progress, and particularly on the extent to which the challenges are likely to prevent the programme from achieving its outcomes. This includes focusing on what overall reach and value can be demonstrated beyond quantitative milestones, for broader impact and comparability considerations.

Summary of progress in implementing previous (FY20) recommendations

Recommendation (FY20)	Progress
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.	**Complete -** There was a collaborative pause and reflect meeting in FY21, with the World Bank Fund Management Team's creating an Action Schedule detailing continued intentions for reflection sessions such at annual meetings, mid-year meetings and at country-specific Implementation Status Report meetings. There was also a lessons learnt session covering communications between the World Bank and Defra regarding the discontinuation of the private sector engagement strategy in Zambia. At the 2021 Mid-Year Meeting, Word Bank presented on an updated milestone delivery plan towards ERPA signatures. However, this has since become further delayed and there is a continued need to revise milestones.
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.	**Partially complete –** UK has completed a re-drafting of UK ICF LogFrame which is used in this Annual Review and considers relevant ICF KPIs. However, continued delays to the World Bank led Mexico Private Sector Theory of Change has caused knock-on delays to the programmatic LogFrame update of including private sector indicators. The UK has used interim private sector indicators for this review. This recommendation will be rolled over to next year.
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.	**No longer applicable** – ISFL are no longer pursuing Zambia private sector strategy.
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.	**Complete –** updates have been provided, and will continue to be provided, at Annual Meetings, Mid-Year Meetings and both ISR Meetings.
5. **FMT and Contributors** to discuss MTE recommendations further at the 2020 Annual Meeting, with Contributors highlighting priority recommendations.	**Complete –** MTE was discussed at the 2020 Annual Meeting, and a subsequent Pause and Reflection session was held following this to discuss contributor 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)	**Complete-** World Bank received the Indonesian ERPD (GHG accounting sections) in mid-June and had subsequently undertaken the FMT completeness check and reverted with suggested areas for improvement. COVID has caused delay to these improvements being actioned by the Government of Indonesia, therefore, the advanced draft ERPD has been delayed further. Ad hoc updates have been provided; monthly portfolio reports gave high level updates and emphasised the risks to the Indonesia ERPD There will be a follow up recommendation related to ERPD progress and countries that may benefit from additional support, including Indonesia.
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	**Complete** – There has been a new report on Integrated Land-Use Initiatives, detailing key thematic foundations underlying integrated land-use planning initiatives and tracking their evolution – this will equip decision makers with information on implementing such initiatives. The

	captured within, the programme's results framework (Theory of Change and log-frame).	Sustainable Agriculture Banking Programme (SABP) will support sustainable land use through piloting training modules in Banks in all five jurisdictions. World Bank has presented on how these product's aims and objectives align with the programme-wide results framework, however, we continue to consider it important to understand, and track, how these are integrated and measured through annual reporting and evaluation. While these products will not be specifically monitored for impacts, we encourage WB to provide detailed updates on progress at each MYM and AM. This has been adapted to a new recommendation for FY22.
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).	**Partially complete -** World Bank and Contributors have discussed Mid-Term Evaluation (recommendation 5), World Bank have presented on lessons learned from Mid-Term Evaluation (recommendation 7) and World Bank and Contributors have increased frequency of coordination meeting (recommendation 8). World Bank and Contributors did not develop indicators for private sector strategies for Mexico (recommendation 2), nor a Financing plan (recommendation 3), nor finalised private sector engagement Theory of Change (recommendation 4) in FY21. These will be rolled over to next year, as are expecting to be complete in FY22.
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.	**Complete -** There were two Senior Management Team meetings providing senior oversight of the programme and follow up to FY19/20 annual review recommendations due to a third B score. While a specific plan of action was not developed, we considered the engagement useful in coordinating on the general overview and strategy of ISFL. We continue to recommend these meetings occur during the coming year.

Major lessons and recommendations for the year ahead

- **Recommendation [1]: World Bank and Contributors** to ensure Pause & Reflect actions and deliverables are progressed in an appropriate and timely manner, as laid out within the agreed Action Schedule, particularly as they pertain to encouraging progress on delays.
- **Recommendation [2]**: **World Bank and Contributors** to have a stocktake meeting to discuss what is feasible in terms of further enhancing the ISFL's approach to Biodiversity and realising Biodiversity Co-Benefits and consider how to implement the FMT list of *Opportunities for Expanding Biodiversity with Increased Investment* in the Biodiversity Action Plan. World Bank to provide periodic updates on the progress of Bio-diversity co-benefits at Annual Meetings and Mid-Year Meetings. We encourage ISFL programmes to be adaptive to the emerging studies and information emphasising the importance of biodiversity.
- **Recommendation [3]: UK BEIS and Defra** to consider whether and how to supplement quantitative LogFrame results, e.g., this could be done through conducting in-country feedback collection to inform qualitative considerations and reflect on country programme progress, influence and perceptions.
- **Recommendation [4]: World Bank Practice Manager and Defra and BEIS Senior Management Teams** to continue to meet throughout the year to address challenges and delays and consider how to collectively unblock these.
- **Recommendation [5]: World Bank and Contributors** continue to assess delays on ERPD progress and grant disbursement and collectively work towards encouraging progress, including proposing creative and specific suggestions for alleviating delays, which may include leveraging donor influence and embassy teams, and considering synergies with, or opportunities to, leverage through other programmes and initiatives, particularly for countries which may benefit from additional support to progress, such as Indonesia.
- **Recommendation [6] [rolled over]: World Bank** to finalise private sector Theory of Change and relevant LogFrame indicators and targets, by the end of 2021. This should include reflection on performance so far, including considering key lessons learned and shifts from original objectives.
- **Recommendation [7]: World Bank and UK BEIS** to work together on finalising Mexico Private Sector Strategy by end of December 2021

- **Recommendation [8]: World Bank** to present progress on the Sustainable Agriculture Banking Programme and Integrated Land-Use Report at each Mid-Year Meeting and Annual Meeting, including their contributions to overall ISFL impacts and outcomes.
- **Recommendation [9]: UK BEIS and Defra** strongly recommend that the **World Bank**, with **Contributor** input, re-baseline the Programme LogFrame so that upcoming milestones and targets adequately reflect the achievements of the programme, taking into consideration the cumulative delays experienced up to this point, and that have been further exacerbated by COVID-19.

B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

Summarise the programme's theory of change, including any changes to outcome and impact indicators from the original business case.

The ISFL Theory of Change (ToC) is presented in the Monitoring, Evaluation and Learning Framework[2], with each country programme also having its own tailored ToC and results framework, with overall results integrated and aligned to the programmatic ToC. The programmatic ToC is intended to be updated continuously throughout the lifetime of the programme to improve its effectiveness in measuring results.

- The main impacts in the ISFL theory of change are:
  - contributing to low carbon development by delivering benefits to communities and reducing greenhouse gas emissions in programme areas,
  - supporting the achievement of global goals, including Sustainable Development Goals (SDGs) and the Paris Agreement.
- ISFL outcomes to enable this relate to:
  - improving land management;
  - delivering benefits to land users; and
  - leveraging public and private sector partnerships.

  ISFL outcomes include building an enabling environment through capacity building; stakeholder management; policy reforms; land management planning; and developing partnerships.

These results are 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 BioCFT3, and thus a significant share of anticipated benefits relies upon operational ER programmes. Because ER programmes are under development, several ICF key performance indicators are not yet specified and/or not being actively reported against[3].

The UK programme LogFrame was updated during this reporting period. The previous Annual Review used various selected indicators from the programme-wide ISFL LogFrame that held relevance at the time of programme inception and earlier phases of the programme, however, it was anticipated that this would be updated to better reflect expectations and as further elaboration of country programme designs were finalised. We therefore felt these indicators resulted in a scoring approach that had become imbalanced and didn't effectively represent the most up-to-date key dimensions that determined overall progress and impact within a reporting period. We have streamlined and targeted the new LogFrame to encourage a fair consideration on overall intended impact, the key outcomes, and specific outputs for the ISFL, aligning with ICF key performance indicators where possible. For outcome level indicators this has meant the creation of one overarching outcome statement which combines the previous three programme wide ISFL results framework outcome statements. This incorporates essential progress indicators around net change in greenhouse gas emissions reduced and area of avoided deforestation, both of which are yet to be reported on, as well as volume of finance mobilised for climate change as a result of ISFL, and considerations on the extent to which ISFL has influenced national approaches to sustainable forest resource management and land-use.

Describe where the programme is on/off track to contribute to the expected outcomes and impact.

The ISFL runs to 2030, and while its payment-by-results phase has been substantially delayed[4], there are tangible interim milestones being achieved; the final ERPD completion in Ethiopia being one example. While there is a continued accumulation of delays, we expect, and the World Bank remains confident, that the programme will deliver on expected outcomes. ERPA signatures are forecast to occur in 2021 / 2022, meaning there is likely to be a full 8 years of emissions reduction reporting until programme sunsets in 2030. As further ERPDs and ERPAs are submitted, WB modelling of expected results continues to improve, and clarity upon the pricing and ER use modality structures of BioCFT3 will become apparent.

[2] https://biocarbonfund-isfl.org/sites/isfl/files/2021-08/ISFL%20MEL%20Framework%20July%202021.pdf

[3] E.g.,: 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)

[4] 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.

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 shifts to the jurisdictional-scale drivers of deforestation and unsustainable land-use as opposed to securing these changes on their own. We continue to see evidence of some of the groundwork laid for this catalytic work, including private sector strategies, ERPA structures, and accounting frameworks. Monitoring and evaluating these activities over time will be key to assessing prospects for longer-term change.

However, continued delays in the last year have demonstrated once again the significance of contextual assumptions in underpinning progress, and over-optimism about timelines for implementation at the project design stage. While recognising the relevance of the ISFL, the programme's 2019 independent 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. This continues to be a cause for concern, but has improved with some advancements in dealing with conceptual complexity, including clarification and establishment of methodologies and implementation of various capacity-building exercises. However, without a more recent evaluation of such progress it is difficult to fully comprehend the extent to which such improvements have had a lasting and influencing impact. Additionally, outcome-level achievements continue to be delayed due to various wider variables influencing progress, such as COVID-19 and political and administrative change, again illustrating the inherent complexity of working across multiple actors and sectors. Therefore, the overall issue of the complexity of jurisdictional AFOLU results-based finance programmes remains prominent in our consideration.

Outcome 1: The BioCF ISFL has improved forest and agriculture land management and land-use, contributed to reduced emissions from forest and agricultural ecosystems (including REDD+) and protected biodiversity through integrated low carbon jurisdictional development pathways, equitable distribution of benefits and mobilisation of investment through partnerships between public and private sectors.

This outcome is, to a large extent, dependent on jurisdictions completing robust and comprehensive ERPDs and Benefit-Sharing Plans (BSPs) and implementing the activities and processes therein.

While there is some notable evidence of progress on country ERPD submission, including the submission to the World Bank of two advanced draft ERPDs for Colombia and Indonesia (GHG elements), interim milestones in the development of ER Programmes are consistently being missed. The submission of advanced draft ERPDs for Colombia and Indonesia were also significantly delayed compared to previous years' forecasts, and contributors are yet to have received full ERPDs from either country. Additionally, there has been substantial further slippage to ERPA signature projections. Monthly portfolio reports show significant delays over time for all programmes since programme inception, and particularly over most recent years. This can be seen in ERPD advanced draft submissions and ERPA signature forecasts over the years:

Table 2: 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	May 19	Dec 19	July 20	Oct 19
July 2020	Feb 21	Done: Dec 19	Dec 20	July 21	Nov 20
June 2021[6]	Done: May 21	Done: Dec 19	June 21	Oct 21	Jul 21

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
June 2021	Dec 22	Nov 21	Aug 22	Mar 23	May 22

The consistency of delays, and continued lack of predictability are significant concerns for the programme's future replicability and relevance. We continue to engage with the World Bank regarding

[5] April 2019. ISFL First Programme Evaluation. DAI. Available at: https://www.biocarbonfund-isfl.org/knowledge-center

[6] World Bank FMT did not provide a July Portfolio Report this year, as they paused these over the summer

the drivers of these delays, and potential ways to alleviate them. This included collaborating on the inception of a 'Pause and Reflect' session in April, in which the World Bank and the UK facilitated a focused discussion with contributors on several priority themes[7], that were identified and agreed upon by all contributors following a discussion on the independent mid-term evaluation. These themes included considering key milestones, delays, and emerging lessons of the ISFL, as well as in-country coordination and private sector and stakeholder engagement. This was an important recommendation from last year's Annual Review and the UK and other contributors welcomed the opportunity to reflect on the delays, structures, decision-making and broader underpinning assumptions of the ISFL. We were appreciative of the World Bank's willingness to engage with contributors, and acknowledge and appreciate the Fund Management Team's creation of an Action Schedule, which included deliverables such as, but not limited to:

- Contributors and World Bank to highlight difficult issues in advance:
- Reflecting on lessons learned from ERPD processes for more advanced countries;
- Conducting more regular discussions on wider impacts;
- Incorporating further reflection and learning opportunities at more regular intervals (i.e., at all ISFL Annual Meetings and Mid-Year Meetings);
- Proposing mechanisms to enhance and improve in-country coordination;
- Finalising private sector Theory of Change and revised logframe and indicators;
- Increased strategic communications and engagement planning.

The UK considers the timely implementation of these actions essential to encourage and ensure future effective progression and learning from this programme that can be applied more broadly. Since the Pause and Reflect session was held in Spring 2021, BEIS has already noted the positive progress that the discussions have enabled. For example, BEIS Embassy teams in Colombia and various other contributor embassy teams have provided feedback on improvements to in-country coordination. We will continue to work with the World Bank to ensure the delivery of the Action Schedule. Where progress is more delayed, such as with the private sector component development, we will continue to work with the World Bank to ensure effective delivery. Private sector progress is explored further down this review.

1. **Recommendation [1]: World Bank and Contributors** to ensure Pause & Reflect actions and deliverables are progressed in an appropriate and timely manner, as laid out within the agreed Action Schedule.

Volume of finance mobilised for climate change purposes as a result of ISFL

Core grant programmes for all countries include private sector activities with the goal of leveraging further investment. In addition to this, there are specific country pilot initiatives in private sector proposals and strategies, which focus on evidencing new models that have the potential to be expanded across the jurisdictions. Such initiatives intend to support scalable activities that demonstrate economic viability of new practices and intend to leverage significant additional private sector investment. Further assessment of these country-specific private sector strategy progress and implementation is required to understand whether this is successfully happening. In FY21, one additional private sector strategy has been approved for Ethiopia. This means that in total three private sector strategies have now been approved, with one (Colombia) under implementation, and another (Indonesia) soon to be implemented. Progress on these private sector proposals will be essential to assess whether ISFL has been able to successfully have a longer lasting impact in mobilising private sector support. The extent to which private sector strategies are complemented by convening, outreach and links to wider public policy will continue to be assessed and are an important factor in their relation to longer-term, transformational change. More detail on this is discussed in Part C.

Cumulative finance leveraged has increased since last year. Total not-for-profit (public and private) finance leveraged was reported $94.78m, up $7.73m compared from last year, including new support of $5.93m in Global Environment Facility (GEF) funding for Colombia. For-profit finance leveraged was up an additional $1m in FY21 and now totals $4m; $1m in Colombia and $3m in Ethiopia. While the World Bank does not set specific yearly milestones or an end of programme target for the indicator of finance leveraged, UK ICF KPI methodology currently calculates an end of programme (2030) target of £466.5m in donor co-financing, and £561.7m in private investment. The pace of mobilisation of additional finance from private and public sources would therefore need to increase significantly year

[7] Themes were selected upon review of the mid-term evaluation and discussions with other contributors and included: (1) progress on key milestones, delays & emerging lessons; (2) in-country coordination; (3) private sector progress; (4) governance and stakeholder inclusion

by year in order to meet the UK's 2031 target. Additionally, it continues to be essential that co-financing is ensured for all ISFL country programmes.

The second independent evaluation for ISFL (scheduled for FY23) is expected to assess certain aspects of the initiative identified by ISFL contributors as needing more in-depth attention to improve performance or topics that are beyond the scope of regular monitoring activities, such as assessing the extent of financial leverage. This will be important opportunity to consider progress made here.

Extent to which ISFL has influenced REDD+ Country Participants' national approaches to sustainable forest resource management and land-use (including among women, women's groups, IPs, CSOs, and local communities).

It is difficult to fully assess this indicator without evaluative evidence, which is not expected until FY23. However, the information available to us suggests that ISFL is influencing national approaches to forest resource management or is undertaking activities which have the potential to do so in future. For example, in FY21, ISFL grant resources in Ethiopia were used to support work undertaken by Oromia's Forest and Wildlife Enterprise (OFWE) to improve broader understanding of planation forest resources and management, which includes work towards policy reforms on improved management of resources. Additionally, in Colombia, Low-Carbon Departmental Agricultural Extension Plans for each of the four Orinoquía departments are currently being developed – these are agricultural policy instruments that promote the adoption of sustainable and low-carbon landscape management. In Mexico, there continues to be work intending to align the programme with the National Development Plan and National Annual Forest Programme. This will be an important indicator to continue to assess the longer-term, transformative impact of ISFL within these forest countries and we will seek to ensure it is assessed through the remaining evaluations.

This indicator is also an important consideration for overall UK ICF KPI 15 impact assessment. In March 2021 UK Results collection, ISFL was considered to present some evidence of transformation likely in terms of capacity, leveraging and incentives, and fostering local political will and ownership for transformational change. For example, Ethiopia's completed advanced draft ERPD shows cross-governmental buy in and involvement of different political actors/ministries and alignment with key national strategies. In terms of aligning ISFL with national climate change policies, the programmes are designed to help countries meet their nationally determined contributions in the land sector, which means they are aligned with a pillar of each country's climate policy objectives. Sustained political ownership will be evidenced further down the line as governmental administrations are engaged on the programme and there is continued development of key programme documents, such as remaining ERPDs and ERPAs, intending to be finalised in 2021 - 2022.

ADDITIONAL OUTCOME-LEVEL ISSUE: Biodiversity conservation

As indicated in last year's Annual Review, Defra circulated a note supported by fellow contributors with suggestions for developing a biodiversity strategy for the ISFL. FMT responded by producing a short ISFL Biodiversity Action Plan with objectives which aim to *demonstrate and reflect the prominence of ongoing project activities that conserve biodiversity, which are currently understated.*

Biodiversity co-benefits are an essential element of Defra's business case to invest in the ISFL. The action plan is a useful first step in raising visibility. We appreciate FMT's efforts, and more visibility of biodiversity in the MEL Framework (there are additional indicators being reported on which use information ISFL is already reporting). It is also good to see biodiversity co-benefits highlighted in the recent ISFL annual report. Once the immediate priority of getting ER Programmes developed is complete, we believe that more can be done to realise biodiversity co-benefits by building on the FMT listed a suite of potential opportunities with more investment, and the further suggestions in Defra's note. We understand that the inclusion of more biodiversity indicators would be challenging for task teams as it would require them to retrofit their results frameworks and adopt new indicators. But we believe that there is scope to add to the biodiversity indicators for future and proposed ER Programmes.

There is an additional imperative to report on biodiversity co-benefits. The recent Independent Commission for Aid Impact (ICAI) review of UK aid for halting deforestation and preventing irreversible biodiversity loss included the recommendation that *All programmes addressing deforestation and biodiversity loss should be monitored and evaluated against common, measurable indicators designed specifically for assessing deforestation and biodiversity impacts.*

- **Recommendation [2]**: **UK** to work with **World Bank** to consider by June 2022 the applicability, cost and how biodiversity indicators over and above the current proxies might be applied to the emerging ER Programmes. **Contributors and World Bank** to meet to consider how to implement the FMT list of *Opportunities for Expanding Biodiversity with Increased Investment* in the Biodiversity Action Plan.

What action is planned in the year ahead?

The priority areas for FY22 for each programme are listed below:

- **Colombia's Orinoquía Sustainable Integrated Landscape Programme** will look to raise the level of commitments and disbursements, streamline operations and build capacity for programme planning and preparation. In the next financial year, several activities will be undertaken around agricultural land-use planning, commercial land pricing, deforestation control and a low-carbon credit pilot. The remaining (non-GHG) section of the ERPD is scheduled for completion in December 2021.
- **Ethiopia's Oromia Forested Landscape Programme** will measure GHG emissions resulting from the livestock sector as part of a broader data improvement effort and design and implement a training curriculum on integrated land-use planning. These efforts will create an enabling environment for government agencies, private sector business, and local communities to allocate land to uses that provide the greatest overall benefits and best promote a transition to sustainable land and natural resource management.
- **Indonesia's Jambi Sustainable Landscape Management Programme** will engage with public and private sector actors to share knowledge and raise awareness of sustainable landscape management practices, while ensuring that complementarities across internal and external programmes are realised within Jambi. The team will work to secure free, prior, and informed consent in 100 villages in the province, submit the final ERPD, assess emissions reductions programme readiness, develop capacity for MRV (Measurement, reporting and verification), and continue to leverage synergies between the ISFL programme and other development plans.
- **Mexico's Strengthening Entrepreneurship in Productive Forest Landscapes Programme** will work towards finalising the private sector engagement strategy, identifying key activities to support integrated land-use management, and preparing the ERPD.
- **Zambia's Integrated Forest Landscape Programme** will continue to prepare for participatory land-use plans, promote agroforestry practice, pursue cashew value chain activities and design farmer-led irrigation schemes and alternative livelihood projects. The programme will set up sustainable livestock pastures and help construct roads, watering holes and new soil lab that will improve soil fertility for local farmers. A centralised, national data infrastructure will be developed to conform to common geodata standards.

At the initiative-level, key priorities for FY22 include:

- **Finalising ERPDs** for remaining countries has to be paramount for the next financial year - Colombia, Indonesia, Mexico, and Zambia.
- Preparing to **sign ERPAs** with Ethiopia and Zambia.
- Continue to **share lessons learned** from pilot programmes and furthering global awareness of integrated land-use planning at the jurisdictional level.
- Beginning, and continuing, to **implement private sector engagement strategies** in Colombia, Indonesia, and Ethiopia; and, finalising Mexico's private sector engagement strategy.
- **Increasing the inclusion and consideration of women and IPLCs** (Indigenous People and local communities) across all ISFL programmes.

Has the logframe been updated since the last review?

Yes - The UK programme LogFrame was updated during this reporting period. The previous Annual Review used various selected indicators from the programme wide ISFL LogFrame that held relevance at the time of programme inception and earlier phases, however, it was anticipated that this would be updated to better reflect expectations and as further elaboration of country programme designs were finalised. We therefore felt these indicators resulted in a scoring approach that became imbalanced over the years and didn't effectively represent the most up-to-date key dimensions that determined overall progress and impact within reporting periods moving forward. We have therefore streamlined and targeted the new LogFrame to encourage a fair consideration on overall intended impact, the key outcomes, and specific outputs for the ISFL, aligning with ICF key performance indicators where possible, while drawing upon and aligning to specific World Bank Programme LogFrame targets and results.

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

At this point, we consider the programme should continue on the grounds discussed below. However, we are increasingly concerned about the programme's ability to achieve its outcomes within the agreed timeframe as key expectations have not been met. We consider special measures are necessary to ensure (a) adequate reflection, including at a senior level, on the challenges being experienced (b) efforts to adapt and innovate to mitigate and reduce those challenges. With this increased focus and additional measures, we do expect the programme to deliver on its expected outcomes, and the World Bank is confident that it will. The role of rigorous evidence, particularly through the programme's next evaluation (due to be published in FY23), is critical for this programme, and its longer-term continuation. Additionally, over the next FY UK BEIS and Defra will consider whether and how to collect our own internal in-country feedback to complement and inform our considerations on the qualitative progress of the ISFL. This may include working with in-country teams to develop questionnaire assessments of ISFL's progress, influence, and perceptions of the programme.

ISFL is pioneering a new approach to sustainable landscape management at scale, including land-sectors that other REDD+ programmes have not covered before, which is inevitably challenging and complex. The delays discussed in this report should not be taken to suggest that we consider the progress being made ISFL countries is superficial - we note throughout this review the foundations for longer term outcomes are being laid. But, the groundwork continues to take substantially longer than expected, for reasons both internal and external to the programme. UK BEIS considers the next evaluation (scheduled for FY23) to be a vital opportunity to provide more rigorous evidence on programme progress, and particularly on the extent to which the challenges are likely to prevent the programme from achieving its outcomes. This includes focusing on what overall reach and value can be demonstrated beyond quantitative milestones, for broader impact and comparability considerations.

Additionally, we consider that the existing LogFrame does not fully take into consideration the cumulative delays, challenges and complexities of the programme. This includes such delays exacerbated by COVID-19, as discussed previously. Therefore, we do not think the existing LogFrame milestone and targets are able to adequately reflect current progress in the ISFL and strongly recommend the World Bank, with contributor input, to consider re-baseling key indicators (such as ERPD completion, ERPA signature and grant disbursement).

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. It sits within a wider portfolio of related programming, in BEIS' case, within the ICF REDD+ programme portfolio, to which its lessons and experiences contribute at the operational and strategic level. ISFL country programmes in Colombia, Mexico and Indonesia, in particular, fit within a wider portfolio of ICF programming and climate partnerships.

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.

Defra and BEIS consider it important to continue collaborating with the World Bank at both senior and working levels to provide continued assurances and justification of ISFL's progress within the wider ICF portfolio. It continues to be a priority for the UK to ensure that World Bank and other contributors are able to find opportunities to connect and work together on moving ISFL forward successfully.

- **Recommendation [3]: UK BEIS and Defra** to consider whether and how to conduct in-country feedback collection to inform qualitative considerations and reflection on programme progress, influence and perceptions.
- **Recommendation [4]: World Bank Practice Manager and Defra and BEIS Senior Management Teams** to continue to meet throughout the year to address challenges and delays and consider how to collectively unblock these.
- **Recommendation [9]: UK BEIS and Defra** strongly recommend that the **World Bank,** with Contributor input, re-baseline the Programme LogFrame so that upcoming milestones and targets adequately reflect the achievements of the programme, taking into consideration the cumulative delays experienced up to this point, and that have been further exacerbated by COVID-19.

C. DETAILED OUTPUT SCORING

Output Title	Jurisdictional- scale Emissions Reduction Programmes for reducing emissions and improving land management are planned and implemented		
Output number:	1	Output Score:	B
Impact weighting (%):	50	Weighting revised since last AR?	N/A
Risk rating	Major	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress (FY21)
1. Total land area (ha) under sustainable landscape management (a) plans and (b) practices as a result of ISFL support, including where relevant: forestry, agriculture, other (CRI, FAP)	FY21: (a) 1,890,359 FY21: (b) 48,707	(a) 9,013,332 - **Progress substantially exceeded expectation** (b) 146,541 - **Progress substantially exceeded expectation** ➢ Colombia: (a) 8,673,900[8]; (b) not reporting ➢ Ethiopia: (a) 105,869 ; (b) not reporting ➢ Indonesia: (a) 0; (b) 0 ➢ Mexico[9]: (a) 233,563 ; (b) 99,625 ➢ Zambia[10]:(a) 0 ; (b) 46,916
2. Amount of disbursement for ER payments ($, cumulative)	To be developed post-ERPA signatures	[will begin reporting on this indicator post-ERPA signature]
3. Number of workshops and funded technical studies completed to prepare an ISFL programme	FY20: 53 (30 workshops and 23 technical studies) FY22: 55 (30 workshops and 25 technical studies)	121 (77 workshops and 44 technical studies) – **Progress substantially exceeded expectation** ➢ Workshops held on: capacity building for remote collaboration; BSP development; implementation of social and environmental safeguards; programme coordination; methodological guidance changes; public-private dialogues ➢ Technical studies on:.socio-economic baselines; technical economic feasibility analyses; policy option diagnostic studies; social inclusion and forest-dependent livelihood studies
4. Number of ERPDs completed (of which number of ERPAs signed)	FY21: 4 (3)	0 (0) – **Progress substantially did not meet expectation** Ethiopia's final ERPD was approved in August 2021, i.e.: at the start of the subsequent reporting period. The others remain under development.
5. Number of ERPDs approved with subsequent phases that include at least 2 non-forest related AFOLU subcategories, and which demonstrate improved data quality over time. (e.g., livestock, soils, cropland, grassland, wetlands etc)	FY21: 65%	0% - **Progress substantially did not meet expectation.** This is dependent upon completed ERPDs, a separate indicator.
6. (a) Number of ERPDs approved which directly reference National Biodiversity Strategies and Action Plans (NBSAPs), related regional and/or sub-national strategies and plans, and which include targets that demonstrate biodiversity co-benefits (b) Number of programmes that are designing or implementing biodiversity-friendly management strategies	FY20: (a) 65% or 85%[12] FY22: (a) 100% FY20: (b) 4[11] FY22: (a) 5	(a) 0% **Progress moderately did not meet expectation**. This is dependent upon completed ERPDs, a separate indicator. (b) 3 - **Progress moderately did not meet expectation**[12]

[8] Colombia is revising this indicator for next FY. - The indicator will have an improved definition, but all other points remain the same. This was done to avoid misunderstanding in what the indicator covers. It is not anticipated that there will be an impact on overall milestones and robustness as elements relevant to these have not changed.
[9] Please note we use a discount rate of 15.15% for Mexico's results to account for co-financing.
[10] Please note we use a discount rate of 24.17% for Zambia's results to account for co-financing.
[11] There are no targets set under this output indicator for FY21, due to differing timelines for when these outputs were originally set.
[12] To note: this indicator has newly been incorporated this FY. Therefore, while we use the standard language of 'meeting expectations', we understand that country programmes originally had limited awareness of the expectation to include biodiversity within plans and strategies. Programmes have therefore been developing without this initial awareness, and this indicator has been included retrospectively.

Since the FY20 Annual Review, we have updated our UK ICF LogFrame to ensure it is more effectively reporting against key indicators determining progress, as explained in Section B Overall, this set of indicators allows for consideration of the progress that ISFL is making towards the development of jurisdictional-scale Programmes for reducing emissions and improving land management. This progress naturally occurs in stages, with activities funded by the BioCF*Plus* component of ISFL representing pre-conditions to successful Emission Reduction Programmes, and, thus, the eventual disbursement of the majority of UK ICF funding. Overall, progress is mixed.

Progress under Output 1 Indicator 1 shows that significant progress has been made within ISFL to support countries, not only in the development but also in the implementation of sustainable land management. This is supported by qualitative information, for example in Colombia, where ISFL is working with local communities and smallholder farmers to implement and establish agroforestry systems that incorporate windbreaks and shade trees in order to drive sustainable development in the region. In Ethiopia, ISFL supported local communities to register 65 cooperatives to oversee 105,000ha of natural forest under the participatory forest management plan, which is nearly 90% of the end of programme target of 120,000 for this ERP. It is also worth noting that both Colombia and Ethiopia do not report on land being brought under sustainable management practices as a result of ISFL, and the actual quantity of this indicator may therefore be more than currently recorded.

In addition to this, ISFL delivered numerous technical studies and workshops, as noted by Output 1 Indicator 3– already surpassing even the FY22 milestone, and the end of programme target. Without evaluative evidence, it is difficult to formally assess the extent and nature of the contribution of such technical studies and workshops to the programme's theory of change, however, it is likely that the workshops and studies have been helpful as knowledge sharing fora, in capacity-building as well as enabling the formation of strategic partnerships within countries to encourage progress on these ER programmes. This is particularly important within the COVID-19 context, and ISFL has adapted to the need to conduct these virtually in some circumstances. For example, in Mexico, workshops were held to build capacity for remote collaboration and assess the possibility of allowing field-based staff back into the jurisdiction, an important enabling factor to allow the programme to progress. Additionally, workshops and studies can bring targeted views and diverse experiences to support and encourage innovative thinking and understanding on specific topics. For example, in Indonesia, 45 workshops have been held over the programme lifetime to prepare the ISFL programme, including over 15 workshops and focus groups conducted to bring together forest management units, national park authorities, local communities, CSOs (Civil Society Organisations) and academics, enabling the creation of an FGRM (Feedback and grievance redress mechanism) that accounted for the diversity of needs and built on existing mechanisms. In Zambia, targeted studies were conducted on key areas of focus to equip communities and government officials with the necessary tools to deliver the programme inclusively, such as understanding on socio-economic baselines and forest-dependent livelihoods.

In terms of progress on Output 1 Indicator 4 and 5, the previous Annual Review anticipated that Ethiopia would submit its final ERPD, and that Indonesia, Colombia and Zambia would have submitted advanced draft ERPDs in FY21. In fact, Ethiopia narrowly missed this timeframe, with final ERPD submission occurring in August 2021; and while Colombia, Indonesia and Zambia were able to submit advanced draft ERPDs to the World Bank, contributors have only seen one section of Colombia's advanced draft ERPDs. Delays are therefore still occurring and accumulate to cause this indicator to substantially not meet expectations. However, projected delays are occurring at relatively reduced scale to previous years, with expected delays in advanced draft ERPD submissions from FY19 to FY20 often reaching between 10 – 20 months of slippages, while recent FY21 forecasts (and achieved submissions) range from 4 – 8 months. This therefore indicates some evidence of the programme catching up on delays but continues to suggest that projected milestones within portfolio reviews are set too optimistically, even where World Bank have previously indicated that these are set conservatively, as has been suggested at previous Annual Meetings. Such continued delays to advanced draft ERPD submissions have also caused overall programme progress on ERPD completions and ERPA signature timelines to shift considerably once again, as noted in Section B.

ISFL introduced independent validation to the validation process, a step intended to streamline the validation process and enable progress toward ERPA signature, MRV, and results-based payments across the ISFL program. Ethiopia's ERPD has been through this validation. It was slower than expected, something the World Bank has attributed to COVID-19. Based on such limited evidence it's not possible to say whether this process is in fact improving quality and efficiency.

The World Bank notes that a back-and-forth relating to the need to bring these key documents to an appropriate standard appears to a major contributor to slippages in timelines. ISFL have introduced a phased ERPD validation approach intending to support speedier progress on the necessary approvals. This means that GHG elements of ERPDs are first provided to contributors, which are generally made available earlier, and then non-GHG elements are provided at a later stage. This is expected to speed up the end-to-end process for the remaining four emission reductions programmes. We are yet to see evidence of this as the only component that has been made available within this review period is the Ethiopia GHG sections.

Update on ERPD (& ERPA) Progress, including country-specific detail on delays:

- **Colombia**: Colombia submitted its advanced draft ERPD to the World Bank in May 2021, with contributors receiving the Greenhouse Gas elements of this in July 2021. The non-Greenhouse Gas elements (safeguards, benefit-sharing, financial management plan etc.) is expected in December 2021. COVID-19 continues to impact adversely on the jurisdiction, reducing in-person collaboration and requiring additional tiThe Review als me to deliver work. Ministerial changes have also slowed capacity to implement activities, and varying inter-institutional political views add complexity with approvals and negotiations, meaning progress on these can be slow.
- **Ethiopia**: Ethiopia was able to complete its final ERPD in August 2021, meaning that it narrowly missed the LogFrame milestone. This in turn has knock on effects to the subsequent milestone around evidence of ERPDs including at least 2 non AFLOU subcategories within subsequent ERPA phases, with evidence of improved data quality over time. It should be noted that had Ethiopia submitted its final ERPD within the reporting time, this indicator would have reported as 100%, as Ethiopia's ERPD shows evidence of including other land-use subcategories, including cropland, grassland and livestock (cattle). In FY20, agreement was reached that accounting for emissions reductions from livestock would be included in the programme as soon as remaining data gaps have been addressed, and a data improvement plan to address such gaps (including a timeline and budget) is being prepared, indicating positive progress for consideration of subsequent phases of the programme. Delays to programme progress in Ethiopia relate mainly to political elections, this specifically has caused a delay the approval of a proclamation to clarify emissions reduction ownership, a key condition of effectiveness for Ethiopia's ERPA.
- **Indonesia**: the advanced draft ERPD completion in Indonesia is the second milestone agreed as a condition for Defra's approval of the Jambi programme, and in this milestone's case a condition of Defra's contribution to BioCF Tranche 3 to purchase ERs in Indonesia. The due date was March 2020 which has been significantly missed. There has been progress on the technical GHG elements of the ERPD, with Indonesia submitting these to the World Bank in June 2021. COVID-19 has had a significant impact on the delivery of the programme work in Indonesia; the team's ability to drive the program forward was somewhat delayed (with a key member hospitalized). Particular delays include a Government of Indonesia deprioritisation of ERPD development in order to focus on COVID response. This means the continued risks to the timeframe of ERPD completion are considered to be major.
- **Mexico**: In FY21 key consultancies for programme preparation began hiring processes, following Governmental suspension of contracting in the last quarter of 2020 as part of their COVID-19 response. In June 2021, an ERPD coordinator was hired to begin collecting inputs and working with CONAFOR's ISFL technical group, WB team and other stakeholders to prepare the preliminary version of the ERPD. COVID-19 and political challenges continue to impact on progress. Most notably, a recent change in government administration caused a delay to the letter of intent signature, which was expected in June 2021 but has now been considerably delayed. A letter of intent is needed before ERPD completion and EPRA signature. Mexico has since (in FY22 – November 2021) been able to submit the GHG accounting elements of the ERPD.
- **Zambia**: Zambia submitted its advanced draft ERPD to the World Bank in August 2021 for completeness checks, however, contributors have not received any sections of this yet. Final ERPD submission is expected in January 2022, and delays here relate to pending resolutions on issues relating to a nested project with the programme area. Further delays on progress mainly relate to COVID-19 and the necessity for remote working, as well as a lack of collective coordination by various authorities impacting ability to achieve key milestones of the ERP.

ERPDs require significant cross-government engagement, and thus are particularly prone to delays caused by major issues such as government changes, security, and COVID-19. While these circumstances are often caused by external variables that are outside of delivery team's control, it is important for the World Bank and contributors to continuously monitor such risks. The World Bank provides much detail in monthly portfolio reports on operational, technical and political risks that may be hindering progress, and has helpfully flagged where there have been sudden situations that have caused prominent delays, for example, the COVID-19 situation worsening in Jambi, and ministerial changes in Mexico. The World Bank also provides detail on slippages at six monthly Implementation Status Report updates, and bi-annual Fund Meetings. In addition to this, ERPD non-carbon elements, such as benefit-sharing, safeguards, activities etc. have been notably more complex within ISFL compared to other REDD+ programming. This is due to the ISFL having additional land-use sub-categories and considerations compiled within ERPDs (beyond purely REDD+), which is a new experience for all ISFL countries. This can create additional complexities and challenges, particularly when operating in these multi-faceted, inter-institutional circumstances.

One new addition to this Output Group is the inclusion of additional biodiversity indicators. Defra produced a note Suggestions for an ISFL Biodiversity Strategy reviewed by other Contributors in July 2020. The World Bank responded with their Biodiversity Action Plan which included additional biodiversity related indicators to add to the MEL Framework. This adds visibility of biodiversity and linkage between climate and biodiversity. We will continue to work with the WB to encourage progress on these indicators, however, are cognisant of the fact that such indicators have been included retrospectively and programmes may therefore have progressed without having these considerations in their initial expectations.

Recommendations for coming year

- **Recommendation [1]: World Bank and Contributors** to ensure Pause & Reflect actions and deliverables are progressed in an appropriate and timely manner, as laid out within the agreed Action Schedule, particularly as they pertain to encouraging progress on delays.
- **Recommendation [5]: World Bank and Contributors** continue to assess delays on ERPD progress and collectively work towards encouraging progress, including proposing creative and specific suggestions for alleviating delays, which may include leveraging donor influence, and considering synergies with, or opportunities to leverage through other programmes and initiatives.
- **Recommendation [2]: Defra** to continue to work with the **World Bank** to support the 'Action Plan to Realize Biodiversity Co-Benefits'.

Output Title:	Jurisdictions have improved capacity and capability to manage land sustainably, deliver benefits equitably to land-users and contribute positively to local socio-economic development and protecting biodiversity		
Output number:	2	Output Score:	B
Impact weighting (%):	25	Weighting revised since last AR?	N/A
Risk rating	Moderate	Risk revised since last AR?	N/A

Indicator(s)	**Milestone(s) for this review**	**Progress (FY21)**
1. Land users who have adopted sustainable land management practices (% women) as a result of ISFL support, including in the following sectors where relevant: forestry, agriculture, other	FY21: 56,839 average 23%)[13] FY26: 90,782 (average 30%)	FY21: 88,228 (22%)[14] - **Progress substantially exceeded expectation on** land-users, however, **moderately not achieved** on % women. ➢ Colombia: Not reporting ➢ Ethiopia: 54,558 (21%) ➢ Indonesia: 0 (0%) ➢ Mexico: 14,772 (no disaggregation) ➢ Zambia: 18,898 (22%)
2. Volume of grants disbursed to ISFL programmes (US$ mill)	FY20: $30.5m FY22: $38.5m[15]	FY21: 24.67m USD **– progress substantially not achieved**, **not on track to achieve FY22 target** ➢ Colombia: 5.49 (36% of the grant) ➢ Ethiopia: 12.01 (60% of the grant) ➢ Indonesia: 1.97 (4% of grant) ➢ Mexico: 0.74 (7.4% of grant) ➢ Zambia: 4.47 (28% of grant)
3. Number of communities or other organisations that have received benefits (assets and/or services) from emission reductions payments	To be developed	[to be developed and reported on post-ERPA signature]

We have updated this Output 2 Indicator set so that it more effectively considers how ISFL jurisdictions have been improving capacity and capability to manage land sustainably, deliver benefit equitably and contribute positively to local socio-economic development and protecting biodiversity. As ERPAs are yet to be signed, progress on the delivery of benefits cannot be determined. Currently, therefore, progress against output 2 replies upon volume of grants disbursed, and land users adopting sustainable land management practices.

In FY21, 88,228 land users were reported to have adopted land management practices as a result of ISFL support. This has surpassed the expectations of this FY, as well as almost achieving the milestone expectation for FY26 of 90,782 – which is a significant achievement. However, it has narrowly missed achieving the expectations for disaggregation by gender, noting that only 22% of these land-users were women (target here is 23%). This is an important consideration relating to the gender and social inclusion priorities of the ISFL, and essential in ensuring these programmes are fair and equitable for all.

Grant-funded activities are fundamental to laying the ground for ER programmes, so volume of grants disbursed year-by-year is an important indication of progress towards completion of Output 1 Indicator 4 on ERPD completed. Progress has not been achieved on Indicator 2 of Output 2, with only $24.67m of grants disbursed in FY21. In LogFrame reporting, delays are cumulative, thus it is also useful to consider year-on-year trends in order to establish whether pace is picking up or not. Disbursement has seen a 50% increase from $16.43m in FY20 to $24.67m FY21 (compared to a 60% increase in FY20 on FY19, noting disbursements in FY19 and previously were very low). The volume disbursed in FY21 ($8.24m) has increased comparative to the volume disbursed in FY20 ($6.18m) – more funding was able to reach countries this year. If disbursement was to continue at this rate, this indicator would not be able to achieve the FY22 milestone of $38.5m. Therefore, and an uptick in pace and volume of disbursement is needed if the FY22 target is to be met. In particular, Indonesia and Mexico grant disbursement is generally very low, with under 10% of grants being disbursed in both countries.

[13] This indicator has been rebaselined to account for the addition of new results frameworks for the jurisdictional programmes. In FY21, Indonesia finalized its results framework, so the LogFrame was rebaselined to include its targets.
[14] No disaggregation was reported by Mexico for this indicator
[15] There are no targets set under this output for FY21, due to differing timelines for when these outputs were originally set.

- **Indonesia**: Indonesia's pre-investment grant agreed was signed in December 2020, with various institutional agreements and coordination plans for project implementation and planning occurring following this. In April, progress was made to lay the groundwork for grant disbursement, with Free, Prior and Informed Consent (FPIC) implemented in 100 priority villages for this pre-investment intervention, and the grant mechanism Standard Operating Procedure for Jambi approved by the Ministry of Finance. However, delays have been prominent due to COVID-19 affects and subsequent reprioritisation of activities. The project management unit in Indonesia is managed the Directorate General for Climate Change (DGCC) their work has been deprioritised which has reduced their capacity and budget. Reporting indicates that the DGCC has been overwhelmed, and had difficulties in attempting to procure consultants to support in the management and delivery of these tasks. Additionally, the World Bank have been unable to provide face-face support with the DGCC. A priority area for Indonesia, and for the UK, is ongoing work to ensure the full implementation of the pre-investment activities and grant management. This remains a key concern for us.
- **Mexico**: The grant disbursement in FY21 of $0.74m is the first disbursement for the Mexico Programme, as a previous pause to this programme prevented prior disbursements. Grant disbursement in Mexico is a key priority for UK BEIS (where we have dedicated funding), so we will continue to assess progress on this year by year.

Ensuring these countries are able to receive funding in the coming year is essential to enabling progress here.

Recommendations for the year ahead

- **Recommendation [5]: World Bank and Contributors** continue to assess delays on ERPD progress and grant disbursement and collectively work towards encouraging progress, including proposing creative and specific suggestions for alleviating delays, which may include leveraging donor influence and embassy teams, and considering synergies with, or opportunities to, leverage through other programmes and initiatives, particularly for countries which may benefit from additional support to progress, such as Indonesia.

Output Title	Replicable and scalable models of public-private or private investment in place that enable sustainable revenue streams for local communities, protection of biodiversity and improved land-use management through sustainable practices		
Output number:	3	Output Score:	A
Impact weighting (%):	25	Weighting revised since last AR?	N/A
Risk rating	Moderate	Risk revised since last AR?	N/A

Indicator(s)[16],[17]	Milestone(s) for this review	Progress (FY21)
1. Number of partnerships and engagements established with for-profit private sector / and not-for-profit organisations due to ISFL support	FY21 For profit: 12 (5 partnerships, 8 engagements) Not-for-profit: 8 (4 partnerships, 4 engagements)	For profit: 25 (14 partnerships, 11 engagements) - **Progress substantially exceeded expectation** Not-for-profit: 43 (17 partnerships, 26 engagements) - **Progress substantially exceeded expectation** ➢ Colombia: 9 partnerships established with private sector); 11 partnerships with not-for-profit); 8 engagements with private sector ➢ Ethiopia: 1 partnership with private sector (Nespresso); 2 partnerships with not-for-profit (TechnoServe and Solidaridad); 4 engagements with not-for-profit (➢ Zambia: 4 partnerships with not-for-profit organisations 2 engagements with not-for-profit organisations
2. Number of private sector strategies approved with clear evidence of contributor involvement	FY21: 5	FY21: 3 – **Progress moderately not achieved** Ethiopia, Indonesia, and Colombia private sector strategies completed. Mexico in development. Zambia private sector strategy cancelled.

During the most recent LogFrame review and update, two interim indicators for the private sector component of the ISFL were included for FY21 only. This is due to the fact that private sector indicators were expected to be developed for the programme-wide LogFrame upon development of the final two country Private Sector Strategies for Mexico and Zambia, which has not happened. The UK continues to recommend the finalisation of this overarching private sector Theory of Change and updating of the programme LogFrame. As this has not been achieved, this Output Group is difficult to effectively assess.

The first indicator within this output set considers the partnerships and engagements that have been established with for-profit and not-for-profit organisations. The ISFL is surpassing expectations in this area, with results well above the projected milestones in all cases. This includes evidence of prominent partnerships and engagements in Colombia, Ethiopia and Zambia with both for-profit private sector companies and not-for-profit organisations. In Colombia, the ISFL is taking an integrated approach to private sector engagement complemented through the implementation of its private sector strategy, targeting high-impact commodities and working closely with local firms to pilot pioneering approaches to transform supply chains. Here, ISFL partners with the International Finance Corporation (IFC), with ICF-led interventions undertaking projects that work with agribusiness, promoting dialogues and leveraging synergies from public-private investments to ensure climate-smart land use and compliance with quality standards within commodity chains, including cocoa, livestock, forestry, rice, palm oil and non-timber forest products. Such advancements are essential to ISFL's integrated landscape approach to low-carbon development and contribute to its transformational nature by working with local actors, small businesses and community cooperatives to embed long-term behaviour change for improving sustainable practices.

The second interim indicator within this output set considers the progress towards completing individual country private sector strategies. In FY21, one additional private sector strategy has been approved for Ethiopia. The focus of Ethiopia's private sector strategy is to establish proof of concepts for the coffee and dairy value chains with a call for Expressions of Interest launched in March 2021, proposal reviews in May and contracts and work commencing in October. With Ethiopia's approved private sector strategy, this means that in total three private sector strategies have now been approved – with Colombia and Indonesia's private sector strategies previously approved in FY20. In Indonesia private

[16] Interim indicators used here as private sector strategies are developed and private sector indicators will be developed and integrated into programme-wide LogFrame
[17] This output set corresponds roughly to Output Number 1 in the FY20 Annual Review

sector strategy activities include smallholder replanting of oil palm (with project design occurring in FY21, implementation expected in Autumn 2021) and a matching grant facility which began implementation in May 2021. In Colombia, the private sector strategy is under implementation, with key achievements relating to International Finance Corporation (IFC) partnership piloting activities to generate evidence of new practices and responsibility agriculture sourcing, climate-smart land use and compliance with quality standards within commodity chains, including cocoa, livestock, forestry, rice, palm oil and non-timber products.

The two remaining private sector strategies that were expected to be complete since last year, but were not, are for Mexico and Zambia:

- **Mexico:** In FY21, ISFL targeted support to Mexico to advance private sector work in parallel with government implementation efforts in private sector engagement. Private sector terms of reference were modified to adapt to COVID-19, with work being carried out to identify entry points and subsequent results. The private sector strategy was not developed in FY21, and therefore this has not met the expected result. At the time of writing this the World Bank and UK BEIS have commenced engagement on Mexico's Private Sector Strategy for approval by contributors and the World Bank Country Management Unit, and we are confident that the private sector strategy will be developed in this financial year (FY22).
- **Zambia**: In the past financial year, the World Bank decided that the Zambia private sector work should not go ahead for ISFL. This has been a challenging process with several potential projects falling through and a subsequent concept note not considered appropriate for Defra funding. Earlier in 2021, a range of ideas were suggested by UK FCDO and a concept presented by the Project Implementation Unit but the World Bank considered that resourcing and capacity pressures as a result of the competing priorities of the ISFL/GEF grant, the IDA (International Development Association) loan and ER Programme, which are running behind, were too great to develop a new proposal. The decision to halt this work has created significant challenges when assessing the outputs. Additionally, Zambia was earmarked for Defra funding when we transferred funds from BioCF T3 and BioCFplus and we were keen to align interests with Defra's other programmes such as the Biodiverse Landscapes Fund. There was a lesson learnt discussion which enabled Defra and the World Bank to discuss the sub-optimal process and identify the need for better communication methods if a similar situation arises.

The respective delays to Mexico's and cancellation to Zambia's private sector strategy has caused knock-on delays to the progress on finalising programme-wide private sector indicators. In last year's Annual Review, it was noted that the World Bank and the UK agreed to commence the process of reviewing the ToC and LogFrame indicators on the basis of the three approved strategies (Colombia, Ethiopia and Indonesia). However, since this point, the World Bank have indicated that they would not be content to commence work on the development of these indicators until the Mexico Private Sector Strategy has been completed, due to completeness in considering the overall results expected for all countries to integrate as one. Subsequent to the FY21 reporting period, the UK has received the draft Mexico Private Sector Strategy, and the programme-wide indicators have also been developed in time for the 2021 Annual Meeting in December 2021.

An additional consideration for private sector progress relates to the workshop hosted by the ISFL and FCPF on public-private engagement in March 2021, which acted as a knowledge exchange community for showcasing climate-smart best practices, practical examples of operationalising climate finance, providing and receiving practical advice on examples, tools, institutions and learning about different policy and regulatory approaches to facilitate private sector engagement. While it is difficult to assess the impact of such a workshop without evaluation, the workshop highlighted several recommendations for participants and organisations going forward through the Workshop Report, including recommendations to support jurisdictional pilot approaches, expand collaboration with climate finance investors and initiatives, and ensure market and finance actors provide guidance for how they can participate in programmes and further business opportunities.

Recommendations for the year ahead

- **Recommendation [6] [rolled over]: World Bank** to finalise private sector Theory of Change and relevant LogFrame indicators and targets by the end of 2021. This should include reflection on performance so far, including considering key lessons learned and shifts from original objectives.
- **Recommendation [7]: World Bank and UK BEIS** to work together on finalising Mexico Private Sector Strategy by end of December 2021

D: PROJECT PERFORMANCE NOT CAPTURED BY OUTPUTS

We have identified five areas where the ISFL programme has made progress which is not recorded by our output indicators:

1. Carbon Assets Trading System (CATS)
2. Revising Livestock Baselines to Incentivize Emission Reductions
3. The Sustainable Agricultural Banking Programme (SABP)
4. The 'Toward a Holistic Approach to Sustainable Development: A Guide to Integrated Land-Use Initiatives' report

CATS is a centralised emission reduction transaction registry supporting the issuance, recording, and transaction of emission reductions units generated under World Bank programmes. Even though the ERPA signature timelines are behind schedule for ISFL, the creation of CATS is a key step in ensuring compliance with the ISFL Emission Reductions Programme Requirements and in order to record ISFL emission reduction transactions. It therefore lays the foundation for progressing elements of output indicators mentioned in Section C.

Over the FY21, ISFL has revised the accounting framework that quantifies emission reductions in the livestock sector and this framework has been approved by contributors. The framework will ensure that reductions in emissions per unit of output (for example, of dairy or meat) can be quantified to determine the overall emission reductions generated. This is vital for progress within ISFL as it will quantify mitigation outcomes resulting from interventions that seek to improve production efficiency in the livestock sector, thereby encouraging programmes to implement GHG mitigation measures in the livestock sector. This is key to progressing ISFL's integrated land-use approach.

ISFL has pioneered the SABP to bridge the financial and knowledge gaps between farmers seeking to adopt sustainable practices and Banks who distrust new, innovative, sustainable agricultural practices. This programme will be introduced to banks operating within all five of its programme jurisdictions through the World Bank's Open Learning Campus (OLC). The SABP could lead to considerable progress for ISFL as it is intending to enable the economic behaviour change necessary for long-term, sustainable, climate-smart growth. The aim of the SABP is to support ISFL in integrating sustainable agriculture along with forestry through REDD+ approaches, climate smart agriculture (CSA), and smarter land-use planning, policies, and practices. This should help to support ISFL with the development of a low-carbon, rural economy in each of its programme areas that will simultaneously result in livelihood opportunities for communities and an overall reduction in land-based emissions. The SABP aims to catalyse the economic behaviour change necessary for long-term, sustainable, climate-smart growth in all five ISFL programme areas. While we understand how this can align, and contribute, to ISFL's key design elements and approach, it is difficult to effectively assess progress on intended programme outcomes without integration into the ISFL Programmatic LogFrame indicators and subsequent monitoring and evaluation of progress.

ISFL has produced a report entitled "Toward a Holistic Approach to Sustainable Development: A Guide to Integrated Land-Use Initiatives," which lays out the key thematic foundations underlying integrated land-use planning initiatives and tracks their rapid evolution over the past decade. It is difficult to assess the impact of such work and report at this point, in relation to the outcomes of the programme, however, and we therefore intend to keep engaged with its progression and will seek to include this consideration in future evaluations.

Recommendations for the year ahead

- **Recommendation [8]: World Bank** to present on progress on the Sustainable Agriculture Banking Programme and Integrated Land-Use Report at each Mid-Year Meeting and Annual Meeting, including their contributions to overall ISFL impacts and outcomes.

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 World Bank 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.	**Major** Ethiopia: Political risks remain with the Tigray conflict taking place, some areas in west Oromia still having some security issues which may impact programme activities. Colombia: Monitoring FARC influence in Orinoquia and impacts of changing regional and local governments. Mexico: Internal political changes continue to cause delays effecting the letter of intent which is vital for progressing the Mexico Emission reduction programme.
Delivery sufficiency and underspend – BioCF*T3*: ER Programmes do not deliver sufficient Emissions Reduction or benefits to communities, results in underspend of ISFL funds. BioCF*Plus*: 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). World Bank 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 World Bank through formal review opportunities (eg: ISR reviews), strengthen in-country collaboration, and other ad hoc conversations. There are concerns that due to COVID-19, that some programmes may be effected by exchange rates changes. The World Bank utilise a 15% buffer against (non-USD) funds not yet received from trust fund donors, as a mitigation against the risk of adverse exchange rate movements.	**Moderate** Concerns around Mexico potential withdrawal 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. 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 World Bank at fund meetings – including around ways to assess and where appropriate prepare countries prior to negotiations. Work with World Bank and Contributors to explore alternatives areas where other contributors can fund other programmes. Continue to monitor situation in Mexico with UK Embassy and World Bank.	**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	Bank and contributors considering ways to strengthen ownership and incentives for the programme with key delivery stakeholders (engaging post of additional information).	**Major** Risk has been significantly exacerbated by COVID-19, with all countries displaying delays to grant

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.	World Bank send monthly Portfolio Reports for tracking operational delivery, allowing for greater oversight and management. These also now provide COVID-19 updates for individual countries.	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. World Bank 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. The CATs registry will mitigate the risk of double counting—when a single GHG emission reduction or removal is used more than once to demonstrate compliance with mitigation targets.
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 World Bank 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	**Minor** We continue to rely on well-established World Bank fiduciary safeguards, and we also provide scrutiny to World Bank 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. World Bank and contributors have worked together to ensure all contributor leads and contacts are available and focused on private sector work. Private sector workshop held previously 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. We will work with colleagues in UK embassies to develop strategies to ensure that ISFL PS engagement is considered a key part of COVID-19 recovery.	**Major** Private Sector Strategies have been signed off for 3 countries. Private sector indicators will also be strengthened, to provide a more effective way to measure progress. Zambia PS engagement has been cancelled. 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	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.	**Moderate** Negative comms components can exacerbate this risk – e.g. if application to CORSIA was rejected (will monitor this situation)

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	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 World Bank work in the area. FMT and fellow contributors supportive.	
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.	World Bank 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. World Bank - openness of Bank for additional resourcing	**Minor** ISFL Emission Reductions Program Requirements now include a new approach to estimate emission reductions from the livestock sector.
Resourcing and capacity - lack of capacity, capability of general structure of, and possible tensions between, the World Bank FMT and country teams, could cause significant delays	World Bank 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** World Bank have outlined at the MYM their commitment to improve in-country coordination. In Mexico, Government entities were also barred from hiring new consultancies and carrying out field work. Despite this an agreement was reached on the Letter of Intent text and a recommitment from the Government of Mexico was obtained. The World Bank's ISFL team works with FCPF to streamline processes to reduce resourcing pressures. The World Bank's Mozambique proposal links to other World Bank programmes elevating other resourcing pressures.

Overview of risk management

Over the FY21, the main trends on risk exposure and risk response have been typically surrounding the delays 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. private sector engagement strategy in Zambia and the political situation in Ethiopia, Colombia and

Mexico). It is important to acknowledge that there have been considerable changes to the ISFL Emission Reductions Program Requirements to mitigate against complex monitoring, reporting and verification processes that could hinder the development of ERPAs. Risk response has focused on monitoring progress through Portfolio Reports, engaging with the World Bank 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

The most significant outstanding action that remains from last Annual Review is ensuring scrutiny of ERPD assessments to mitigate against delivery insufficiency or unsustainability of ERPs, which the UK will work to ensure continues for the remaining ERPDs in Zambia, Colombia, Indonesia and Mexico. Previously, 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. The process of evaluating the impact of ERPD assessments is very much embedded in the ISFL process. The evaluation process enabled contributors to scrutinise the Ethiopia's ISFL emission reductions programme which benefited the programme as it resulted in an update of the ISFL Emission Reduction Program requirements and streamlining the validation process. The risk of delays or difficulty securing private sector involvement in programme to leverage investment remains high due the uncertain of COVID-19 and the fact that the private sector engagement programme was cancelled in Zambia.

F: PROGRAMME MANAGEMENT: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Summarise the performance of partners, Defra and BEIS, notably on commercial and financial issues, and including consideration of VfM measures of economy and efficiency.

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 World Bank, 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 World Bank 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 World Bank 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 World Bank.

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 both quantitative and qualitative assessments. However, it should be noted that some indicators (such as private sector indicators) have yet to be established.
- The next independent evaluation is scheduled to commence in FY23 and is anticipated to appraise the progress of outputs from a wider portfolio base, since more ISFL programmes will be under implementation, as well as suggest ways increased effectiveness and efficiency of the programme. It will also assess certain aspects of the initiative identified by ISFL contributors as needing more in-depth attention to improve performance or topics that are beyond the scope of regular monitoring activities, such as assessing the extent of financial leverage. Subsequent to this, the final (anticipated to commence in 2028) evaluation will examine outputs and outcomes (and possibly impacts), the replicability of the ISFL approach, the initiative's overall sustainability, and other strategic issues such as the potential continuation, expansion, or closing of the initiative.
- Due to COVID-19, there have been limited field visits in the second half of the year. The UK has kept connected with Post colleagues in Colombia, Mexico, Indonesia and Zambia who have been able to attend virtual missions and / or close-out meetings at the end of missions.

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 have not changed since the last review, and 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%[18]. 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 independent evaluation 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.

[18] 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.

- ***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 2023, with the first ERPA signed in FY22. 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 programme is yet to deliver results due to the delays outlined above, actual results do not meet the expected results for this point in the programme and the below figures are from expected results. The cost of reducing a tonne of carbon is used as a measure of cost effectiveness. The expected abatement cost is approximately £9.55/tCO2e at the UK attributed fund-level. Changes to this figure may be anticipated due to forthcoming adjustments to the model, as well as exchange rate fluctuations and changes in ICF attribution. This is within the value-for-money range of ICF programmes and~~,~~ 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 programme 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. The programme narrowly missed the expectations for female land users who have reported to have adopted land management practices because of the ISFL support as only 22% of these land-users were women and the expectation was 23%. This is an important consideration and vital for ensuring that these programmes are fair and equitable for all.
- ***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 deliver 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 ERPA signatures from country programmes. As we noted in Section C, there are tangible steps being achieved which illustrate progress towards these milestones, with advanced draft ERPDs being submitted in this review period.

Date of last narrative financial report	
Date of last audited annual statement	