Title: BIODIVERSE LANDSCAPES FUND

Project Purpose:

The Biodiverse Landscapes Fund (BLF) aims to reduce poverty and create sustainable economic development for communities living in, and dependent upon, environmentally precious landscapes. It will restore landscapes and will deliver their long-lasting protection through sustainable management practices, improving the quality of ecosystems and safeguarding biodiversity. Protecting landscapes and habitats will help to tackle climate change. It will address the drivers of environmental degradation and support local governments, local and park authorities and communities to deliver long-term sustainable management and use of natural resources. The BLF will work with and through a range of actors and partners – NGOs, the private sector, governments, Civil Society Organisations, local communities and academics – to bring expertise, local access and capacity to enable the programme to work at multiple levels to deliver both practical and structural reform outcomes.

The outcomes of the BLF will be the halting or reversing of biodiversity loss; a reduction in greenhouse gas emissions through protection of natural carbon sinks; and the development of economic opportunities that protect and enhance the environment whilst reducing poverty rates and increasing the autonomy of local communities over the management of their land and natural resources. We recommend funding interventions in the following six landscapes:

Region	Countries Covered
Andes/Amazon	Ecuador, Peru
Kavango Zambezi Transfrontier Conservation Area (KAZA)	Angola, Botswana, Namibia, Zambia, Zimbabwe
Lower Mekong	Cambodia, Laos, Vietnam
Western Congo Basin	Cameroon, Gabon, Republic of Congo
Mesoamerica	Belize, El Salvador, Guatemala, Honduras
Madagascar	Madagascar

The BLF will monitor and evaluate performance to inform subsequent activities, replicating successful approaches and learning from what doesn't work. This is a programme-level business case, setting out the proposed structure and management for the full £100m programme. Further business cases will be developed for each landscape confirmed for funding, which will detail what we aim to achieve in that area.

The BLF will deliver against a number of UK biodiversity, climate and development objectives, including the "30x30" commitment to protect 30% of the earth's surface by 2030. It will demonstrate UK commitment to protecting nature and contribute to our commitment to spend £3bn of ICF funding on nature from 2021 to 2026; will underline UK leadership on nature in advance of the UNFCCC CoP26 and the renegotiation of critical international frameworks, such as the Convention on Biological Diversity's post-2020 framework and will generate significant evidence and data sets to inform future programming.

Programme Value: £ 100m (ODA), min. 65% of which is ICF		**Country/Region:** Global
Project code	**Start Date**: FY2021/22	**End Date:** FY2029/30
Overall programme risk rating:	Major	

INTERVENTION SUMMARY

What support will the UK provide?

Defra is seeking approval to provide up to £100m of Official Development Assistance (ODA) funding over the seven years from FY 2021/22 to FY 2028/29, which will be shared across six landscapes in Africa (Kavango-Zambezi Transboundary Area (KAZA) and the Congo River Basin), Asia (upper Mekong Highlands (Greater Annamites)) and Latin America (Northern Andes and Central America) (*see Annex A for further detail of landscapes).* A Fund Manager will be competitively procured, which will administrate and coordinate activity across the landscapes. The Fund Manager will, in turn, procure a consortium of delivery partners to implement interventions to deliver the outcomes specified by HMG. Funds will be disbursed by the Fund Manager to the Lead Delivery Partner in each landscape. This activity will be complemented by programme-funded HMG staff based in key Posts, who will oversee and coordinate activity at the landscape level and support Heads of Mission to lead engagement with host governments. An Independent Evaluator will conduct inception, initial, mid-term, annual and final reviews, creating a wealth of data and learning on what works and what doesn't.

What are the main project activities?

The BLF's activities and interventions will vary by landscape. HMG will stipulate both the *outcomes* and *outputs* to be achieved (*see Theory of Change, p.15 and LogFrame at Annex B*), and seek proposals from consortia in each landscape, via the procurement exercise to be run by the Fund Manager, as to how they may be best achieved. We would anticipate, however, that activities will include:

- Improving the effectiveness and equitable management of existing protected, and other conserved, areas, and creating new protected areas as appropriate.
- Supporting sustainable livelihoods and economic development consistent with, and linked to, maintaining biodiversity and ecosystems.
- Ensuring connectivity across landscapes, e.g. transboundary conservation and corridors, to maintain and restore biodiversity and ecosystem services.
- Improving governance, through improved law enforcement, strengthening land and natural resource rights, improving land-use and development planning.
- Addressing drivers of biodiversity and ecosystem loss such as unsustainable agricultural expansion, extractive industries and infrastructure.
- Working with the private sector to encourage markets for sustainably-produced goods, to be delivered through improved standards, offsetting and compensation mechanisms and improved sourcing.
- Reforming laws, policies and regulations to enhance biodiversity protection or sustainable use.
- Facilitating long-term conservation financing mechanisms.
- Facilitating transboundary activities and joint-working by host governments, harmonisation of policies, and institutional frameworks for intersectoral cooperation.

Why is UK support required?

70% of the world's poor live in rural areas, where they derive 80% of their living requirements from natural resources.[1] The poverty faced by these communities is exacerbated by the degradation of their environment, which is both a driver and a consequence of climate change. This programme will therefore address the "triple challenge" of poverty, catastrophic biodiversity loss and the climate emergency.

UK support is required for these activities as the national and regional governments of the recommended landscapes constituting mainly Least Developed Countries and Lower Middle Income Countries do not have the resources or capacity to address these issues unassisted. For instance, although extensive networks of protected areas exist, they can often lack either active management – 'paper parks' - or an institutional basis. This affects at least 53 defined protected areas in Madagascar.[2 3]

At least 25% of funding for the BLF will come from Defra's International Climate Finance (ICF) allocation, reflecting the interrelationship between climate and biodiversity, though this proportion may increase depending on the specific activities in each landscape. At least 25% of activities funded will deliver on ICF mitigation or adaptation objectives and contribute to the UK commitment to spend at least £3bn of the ICF on nature from 2021 to 2026.

What are the expected results?

The BLF will deliver three outcomes in all six landscapes, which capture its focus on the management and governance of specified areas of land (the landscape), both within and across national borders, the ecosystems and natural resources therein and the people dependent upon them. Underneath them will sit more detailed, granular outcomes tailored to the specific environmental, political and economic circumstances of each landscape. These will be presented in detail in the landscape-level business cases.

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

Below these three outcomes sit a series of six outputs, again applicable across the six landscapes, which illustrate how the outcomes will be achieved. These include improving the management of protected areas and creating new protected areas; improving the management and governance of natural resources and sustainable economic development consistent with the protection of biodiversity.

Activities funded from the ICF portion of the Fund will meet at least one of the following ICF Key Performance Indicators (KPIs). Other activities, whilst not focussed primarily on climate, are also expected to contribute to ICF outcomes as additional benefits.

- KPI 4: Number of people with improved resilience
- KPI 6: Change in Greenhouse Gas (GHG) emissions as a result of ICF support. (tCO_2e)
- KPI 8: Number of hectares of deforestation and degradation avoided through ICF support. (Hectares)
- KPI 10: Value of ecosystem services generated or protected as a result of ICF support (£ value).
- KPI 15: The extent to which the ICF intervention is likely to have a transformational impact.
- KPI 17: Hectares of land subject to sustainable land management practices

STRATEGIC CASE

1. GLOBAL CONTEXT

The planet is facing a dual crisis of rapid climate change and unprecedented biodiversity loss. Global rates of species extinction are up to 1000 times higher than the average over the past several million years and are accelerating. Around 25% of assessed plant and animal species are threatened by human actions, with a million species facing extinction, many within decades; and 1.3m square kilometres of forests were lost between 1990 and 2016, the equivalent of 800 football fields/hour.[4] There has been a 68% decline in global populations of fish, birds, mammals and reptiles from 1970 to 2016.[5] Biodiversity loss means loss of genetic resources, crop varieties, fungi and invertebrates as well as entire ecosystems such as forests and wetlands.

Biodiversity loss is a development issue. Over half of the world's GDP ($44trn of economic value generation) is moderately or highly dependent on nature and its services, and 80% of the needs of the poor derive from biological resources.[6] [7] More than 70% of the world's poor live in rural areas and depend directly on biodiverse ecosystems for their subsistence. More than 3bn people depend on marine and coastal biodiversity, while over 1.6bn people rely on forests and non-timber products for their livelihoods.[8] [9] Habitat degradation and the loss of biodiversity are threatening the livelihoods of more than 1bn people living in dry and sub-humid lands. The impact of environmental degradation and subsequent loss of biodiversity is most severe for people living in poverty, notably the rural poor and indigenous groups. [10]

The biodiversity crisis and climate change are interlinked. One in 20 species will be threatened with extinction by even an increase in global temperatures of just 2°C, caused by anthropogenic climate change alone.[11] The destruction of mangroves, peatlands and tropical forests for agriculture and other uses contributes to 13% of total human CO_2 emissions.[12] Together, natural climate solutions offer at least 30% of the emission reductions needed to achieve the Paris Agreement's global climate goals.[13,14] Natural ecosystems can support efforts to *adapt* to climate change: e.g. natural habitats in watersheds can secure and regulate water supplies and protect communities from flooding and soil erosion,[15] while mangroves, reefs and salt marshes offer protection from storm surges, salt water intrusion and coastal erosion.[16]

Biodiversity and intact ecosystems are not distributed evenly across the planet. Species diversity increases very significantly towards the tropics. Tropical forest ecosystems, which cover less than 10% of earth's surface, contain about 60% of the world's species[17] and ~90% of all primates.[18] Human activity has already significantly altered 75% of the world's land surface,[19] and only 16% of natural ecosystems (forests, wetlands, grasslands, etc.) are estimated to remain largely unaltered which includes bare rock and ice).[20] More intact ecosystems contribute disproportionately to biodiversity conservation, maintenance of ecosystem services, and climate change mitigation efforts.[21] For example, high-biodiversity areas provide over half of the ecosystem services – such as food, clean water, temperature and rainfall moderation - on which the poor depend, and conserving just 25% of those areas would sustain 50% of realised ecosystem goods and services.[22] Intact forests alone sequester 25% of all human-caused greenhouse gas emissions.[23]

Covid-19 has brutally demonstrated both our reliance on the natural world, and how it can harm us if we allow the fine balance between nature and human activity to be broken. The pandemic, borne from a zoonotic disease likely linked to the wildlife trade and ecosystem degradation will have long-lasting economic and social impacts. The economic fallout is likely to push more people further into poverty, reducing their options to increasing the unsustainable exploitation of their environments, thus exacerbating the onward march of biodiversity loss and climate change. We therefore need to ensure that action to protect and restore the world's remaining intact and most biologically-diverse landscapes is at the heart of the global green recovery effort.

The primary cause of global biodiversity loss is human activity. Human activity, both legal and illegal, commercial and subsistence, combines to result in the following direct drivers of biodiversity loss:[24]

1. **Land and sea use change** that include the expansion of agriculture and cities, fragmentation, the intensification of *landscape* management and land degradation.
2. **Overexploitation of natural resources**: the direct exploitation of animals, plants and other organisms, mainly via harvesting, logging, hunting and fishing (for food and the Illegal Wildlife Trade).
3. **Climate change** including sea level rise, increased frequency and intensity of extreme weather events, and the fires, floods and droughts that they can bring and ocean acidification.
4. **Pollution** such as the impact of emissions released into the atmosphere, the contaminants dissolved in/carried by water and the disposal or deposition of solids such as plastics.
5. **Invasive alien species.** This incorporates animals and plants that are introduced accidentally or deliberately into a natural environment where they are not normally found.

Behind these direct drivers are indirect drivers of biodiversity loss and climate change, i.e. the human behaviours that cause the direct drivers. Indirect drivers include consumption and production habits, human population dynamics and weak governance.[25] Biodiversity loss can provide short-term development gains, for instance through clearing habitats for agriculture or the extraction of commercially valuable resources. The challenge we face is to rebalance human activity and needs with those of the natural environment, to ensure its protection and sustainable management so landscapes can recover, be protected, support abundant biodiversity and, in turn, provide livelihood opportunities for future generations.

2. THE NEED FOR LANDSCAPE-LEVEL INTERVENTIONS

Landscape approaches seek to address the multiple drivers of poverty alleviation, climate change and biodiversity loss in a defined area simultaneously, rather than addressing each issue separately. In line with HMG's Nature Campaign for COP26, the BLF will recognise biodiversity loss and climate change as two sides of the same coin. Landscape approaches consider the interactions, dependencies, economic, political and cultural motivations of land usage in the round. They recognise, and work with, the symbiotic relationship between local communities and their natural environments to produce sustainable rural development that recognises the needs of communities within conservation projects. This in turn allows solutions to be created that both address multiple concerns and secure the critical support of local communities.[26]

From the 1980s onwards, place-based efforts have sought to reconcile local conservation and development priorities, including the role of market forces, decentralisation and local participation.[27] At the same time, the increasing pace of environmental destruction and degradation has led to widespread recognition that biodiversity conservation efforts need to consider broader landscapes, including the rights of the people that inhabit them and the drivers of loss, as opposed to a narrow focus on smaller strictly protected areas.
The BLF will work across landscapes of considerable scale – averaging 310,000km^2 – containing both protected and (as yet) unprotected areas: crossing national boundaries yet constituting geographically and environmentally coherent areas. It will learn from the experiences and findings of previous landscape-based approaches, particularly in terms of understanding the multiple stakeholders, including indigenous communities, local/national governments and the private sector; managing ambiguous or contested rights over land and/or natural resources; engaging with and supporting local governance and institutional frameworks and addressing the systemic – or indirect – drivers of biodiversity loss, environmental degradation and poverty.

Development and environmental concerns that may be best addressed at landscape-level include:

Ecosystem conversion and land degradation: Humans have converted, degraded and fragmented the majority of the world's terrestrial, marine and freshwater ecosystems and the habitats, affecting their function, productivity and resilience.[28] The unsustainable use and growth of crop and grazing lands is the worst global driver of land degradation, leading to major loss of biodiversity and ecosystem services such as water purification[29]. Forest loss continues to increase as demand for food and land increases.[30] Since 1990 the world has lost 178m hectares of forests.[31] Peatlands and wetlands, key carbon stores and rich in biodiversity, have declined by over a third since 1970.[32] Without direct action to address this degradation, landscapes that provide vital ecosystem services to developing nations will be lost.

Landscape-level interventions will facilitate strategic assessments of existing land use patterns and their drivers, and enable implementation of solutions that take account of, and mitigate, these drivers rather than ignoring them. For instance, this could be a programme of performance-based incentives to farmers for increased production, linked to respecting gazetted forest boundaries.

Species loss: Over-exploitation of plants and animals by humans, both legal and illicit (including the illegal wildlife trade) is a leading cause of species loss.[33] Many species are threatened with extinction including over 900 species of timber and several keystone species – i.e. those integral to maintaining ecosystem balance - such as elephants and rhinos, the loss of which would have a devastating impact on landscapes by reducing seed dispersal, and not opening forests for grassland or creating water access and habitats for other, smaller animals (often prey) through grazing.

Landscape-level interventions will tackle the direct drivers of species loss, e.g. through action to prevent IWT or to encourage reduced consumption of bushmeat, whilst also focussing on protecting the habitats critical to species' survival, and the economic and/or cultural factors behind local communities' and corporations' reliance on unsustainable exploitation of animal and plant species.

People and poverty: Dependence of local communities on diminishing natural resources threatens to both push people further into poverty, and to drive even greater incursions into the natural world to maintain access to the same level of resources. Continued biodiversity loss and land degradation threatens to undermine progress in economic and human development, including in the areas of health, resilience, and food security.[34] Increased competition for fertile land, exacerbated by climate change, could force millions of people to migrate by 2050,[35] whilst decreasing land productivity risks increased vulnerability to social instability, particularly in dryland areas, where years with extremely low rainfall have been associated with an increase of up to 45% in violent conflict.[36] Further removal of wetlands and forests risks increasing vulnerability to natural disasters and their associated economic impacts through their lost capacity to store excess water during storms, thus increasing flood risks.

Landscape-level interventions will enable focus on sustainable economic development to ensure communities' needs can be met and livelihoods, health and economic opportunities improved whilst landscapes and habitats are preserved and species abundance increase. Prioritising poverty reduction and economic development alongside conservation can ensure that people benefit directly from conservation activities and therefore support them. Projects will put indigenous and local people and their rights at the centre of community-led solutions for long-term sustainable change. Working with local and national authorities and facilitating transborder cooperation will help address some of the systemic issues exacerbating poverty amongst rural communities, such as land rights, perverse subsidies or lack of regulation of private sector activity in the landscape.

Addressing these overarching factors of biodiversity and land degradation at landscape level will have further, knock-on benefits for human development and livelihoods:

Global economic factors: Protection of landscapes and the carbon sinks they represent helps mitigate climate change, absorbs pollution and protects and aids recovery from natural disasters. The protection and restoration of these biomes is critical to securing key global commodities and supply chains, whilst also providing social and economic benefits to local communities. Terrestrial environmental degradation is estimated to cost over 10% of the annual global gross product in loss of biodiversity and ecosystem services.[37] Greater investment in natural assets is therefore required to remain productive and to strengthen resilience to future shocks.[38]

Health: Biodiversity loss as a consequence of habitat loss, human encroachment, and the legal and illegal wildlife trade is bringing humans and livestock into closer contact with undomesticated animals. This close contact increases the risk of the emergence of new zoonotic diseases. 60% of human infectious diseases are zoonotic, 72% of which originate from wildlife.[39] Zoonotic diseases such as Covid-19 are estimated to cause 2.5bn cases of human illness and 2.7m human deaths a year globally.[40] Zoonoses particularly affect poor communities in developing countries, members of which are more vulnerable once infected, and have a lower chance of diagnosis and cure.[41] Indigenous Peoples and Local Communities are particularly vulnerable due to inadequate access to healthcare and greater prevalence of underlying conditions.[42]

Forest degradation is also linked to increased rates of malaria, and increased risk of several major sources of global childhood morbidity and mortality (diarrhoea, fever, respiratory infection),[43] [44] along with Ebola virus outbreaks in several African countries.[45]

Resilience to climate change: Biodiversity is crucial for the longer-term resilience of ecosystem functions and the services that they underpin to climate change.[46] An example of the ability of biodiversity to build resilience are wetlands, which store more carbon than the world's forests combined and are vital for sequestration of "blue carbon". They regulate temperatures and local water flow, thus preventing flooding, whilst ecosystems such as mangroves act as natural barriers against storms, preventing damage and economic loss for poor coastal communities.[47] However, climate change can shift the balance of processes in these ecosystems undermining their efficiency and turning them into carbon emitters.[48]

What are the problems we are trying to address?

Market failures (inefficient distribution of goods and services in the free market[49]): With regard to biodiversity, the fundamental issue is the failure to assign value to intact ecosystems and the services they provide, meaning there is no incentive to preserve them and a strong incentive to destroy them to produce economic valuable commodities such as timber. This failure is compounded by a lack of consideration of the complexity of issues and threats to it, a fundamentally fragmented approach to conservation and lack of political, economic and private sector support for initiatives at scale due to competing and conflicting priorities.

The "tragedy of the commons": This refers to the fact that everyone benefits from "common goods" – such as forests or water systems – but it is very difficult, or impossible to prevent people from exploiting them, which in return reduces their benefit for all. The use, or over-exploitation of forests or wildlife for subsistence, small-scale or commercial purposes affects all those reliant upon that resource. This could directly affect local communities, i.e. through loss of food species, or indirectly affect the global community, i.e. through loss of major carbon sinks. The social and environmental cost of over-consumption of common resources, primarily for commercial purposes, not being considered in economic calculations.

For example, companies clear-cutting large tracks of forests are not required to compensate for damage to biodiversity, water supply, or loss of carbon sinks. Conversely, a community sustainably harvesting mangroves is not paid for the downstream benefits these mangroves provide, e.g. storm protection, carbon capture, or fish nursery grounds, and may even be incentivised to convert the land to more superficially productive use. These external factors, coupled with unequal distributions of power and rights, often result in greater inequality. Government intervention can help shape these markets, through land rights, promoting better pricing of natural resources, setting taxes to discourage damaging behaviour and/or incentives to encourage positive actions, and monitoring.

Lack of effective interventions: Significant, authoritative and sustained interventions, by national or donor governments or multilateral investment funds, are needed to achieve the BLF's objectives and address those market failures identified as drivers of poverty and biodiversity loss. Interventions can include improving governance; protecting interests of marginalised groups; establishing or maintaining protected areas; leveraging additional investment; knowledge sharing and supporting sustainable livelihoods. The world's most biodiverse regions, however, generally lie in developing – and often fragile or conflict-afflicted - countries, whose governments generally do not have the financial means or capacity to deliver such interventions and are often reliant on donor support. For example, although protected area networks are extensive, >75% of protected areas are 'paper parks', with limited resources or management capacity.[50] Governments are important actors in delivering and facilitating interventions, especially where issues do not stop at international borders. The BLF will work with and secure the buy-in of national and local governments to ensure the economic and political sustainability of interventions beyond the programme's funding term. Through the BLF, we will also be able to support host governments to meet their commitments and targets under their Nationally Determined Contributions (NDCs) and National Biodiversity Strategy and Action Plans (NBSAPs), particularly with respect to nature based solutions to climate change.

Political economy of resource management: Governmental and institutional weakness, lack of coordination and/or corruption; political, social and economic concerns and incentives; weak democratic norms; lack of transparency; exclusion of civil society (especially women, indigenous and marginalised groups) from decision-making; private sector activity and prevalence and extranational influences (e.g. foreign-funded infrastructure projects and concessional loans) constrain a state's ability and capacity to address conservation and development issues, with each of these elements affecting the others in a complex web.[51] Corrupt practices undermine proper management of natural resources, facilitate environmental crime and illegal trade, drive resources away from the public good and into private hands, and contribute to biodiversity loss and climate change.[52] To be effective, a detailed and nuanced understanding of the political economies of the countries in each landscape will be required,[53]so that interventions may be designed which work with the grain of the political economy in countering or rebalancing influences detrimental to the BLF's aims.

More transparent, inclusive and decentralised forms of governance, along with secure property rights for local communities, can improve outcomes for livelihoods and biodiversity.[54] This understanding must also include the impact of gender, both in terms of ensuring that women and girls benefit at least as much from projects as men, but also in recognising that women's involvement with decision-making is essential for their long-term sustainability. The planning and implementation of activities traditionally associated with women's roles (including access to water, healthcare, education) are more effective if women are fully involved and their knowledge is recognised. Participatory planning and monitoring can provide a space for women to contribute to decision-making processes and are crucial to improve the effectiveness and accountability of climate compatible development actions.[55]

Funding and gaps in programming: In 2012 it was estimated that US$4bn pa would be needed to reduce the extinction risk for all known threatened species, and an additional US$76bn pa to protect and effectively manage terrestrial sites of global conservation significance.[56] While the global community has met this level of funding, with levels in 2015-2017 estimated at US$78-91bn pa, governments are collectively spending over five times this amount - ~US$500bn pa – on activities which contribute to the further environmental destruction, meaning that the bill for ecosystem conservation and protection is constantly increasing. [57]

As Defra's leading terrestrial biodiversity programme, the BLF will also lead the way in **institutionalising learning in order to generate significant data and evidence** sets to inform both this and future HMG biodiversity programming and be made available to benefit other actors. It will harness technological developments to both gather community level data, e.g. by enabling local people to submit results directly via smartphones, and deploying geospatial technology, such as satellites and earth imaging to monitor developments within a landscape. Use of technology can also help build capacity within the country, by upskilling both communities and encouraging official uptake, as well as driving a culture of openness and accountability as to the Fund's activities and outcomes. Taking this approach will in turn contribute to the UK goal to promote open societies. It would also be consistent with the increased focus on data use and collection in Defra's domestic programming.

What are the barriers to effective landscape approaches?

Academic literature has focussed on analysing landscape approaches and their implementation worldwide since the late 1980s[58], and HMG, through DFID, funded a nine-year global interdisciplinary research programme *Ecosystem Services for Poverty Alleviation* that aimed to give decision-makers and natural resource users the evidence they need to address the challenges of sustainable ecosystem management and poverty reduction (2009-2018).[59,60] A recent global review by the Landscapes for People, Food and Nature group identified 428 examples of landscape approaches being implemented worldwide.[61] These reviews have identified several reasons why it has been difficult to achieve optimal, and multiple, outcomes, and lessons learned for the design of future programmes:[62]

i) **Approaches have failed to acknowledge or address trade-offs between environment and development objectives**, instead promoting unrealistic dual (biodiversity and poverty) or triple (biodiversity, poverty and climate) wins.[63,64,65] This emphasises the importance of identifying and integrating understanding of the local context into the design and theory of change for any landscape-level programme to fully understand likely trade-offs, mitigate them or take fully-informed decisions.

ii) **Difficulty of overcoming disciplinary boundaries,** despite emphasising the importance of integrating biodiversity and development aims. Programme implementation has often been separated into biodiversity and development components, led by different contractors, resulting in siloed thinking and limited linkages.

iii) **Failure to fully understand the stakeholder landscape.** Detailed stakeholder mapping, considering indigenous and local communities, local authorities, government agencies and private sector, followed by negotiation can help to align local socio-cultural and global environmental concerns. Public-private partnerships can help align local development and biodiversity incentives, e.g. through greening supply chains or (eco-)tourism.

iv) **Contested or ambiguous management or use rights.** Clarification of stakeholders' use rights and management responsibilities over land and natural resources is essential to the success of interventions, as is supporting/improving existing laws, policies and regulatory authorities (i.e. Protected Area authorities and forest concessions) regulatory frameworks, or supporting the creation of such frameworks as needed.

v) **Lack of consideration of the systemic and underlying causes of biodiversity** loss, including governance failures, infrastructure developments, spatial planning and commercial drivers.

vi) **Insufficient focus on ensuring viable alternative livelihoods**: Local poverty is often a proximate driver of biodiversity and ecosystem loss and degradation, e.g. through overexploitation of natural resources, hunting, or increasing cultivation. Since the 1980s, efforts have sought to reconcile local conservation and development priorities[66], which is now widely recognised as imperative if solutions are to be sustainable.[67] Alternative livelihoods – the substitution of less environmentally-damaging practices for current approaches – can only be successful if they are of genuine economic benefit to the communities concerned, supported by an understanding of the social-cultural drivers behind their current practices.[68] Conditional incentive programmes, either using payments (e.g. for ecosystem services) or other incentives, have been shown to be effective at changing behaviours of local communities, whilst also delivering poverty reduction outcomes.[69]

vii) **Lack of focus on long-term sustainability of outcome risks losing biodiversity gains.** Sustainable financing should be incorporated early into the design of landscape-level programmes, as development of long-term financing mechanisms, such as increased allocation from government budgets, creation of trust funds or payments for environmental services, can take many years.

viii) **Failure to instigate adaptive management approaches and strong monitoring and evaluation frameworks.** It is essential to ensure suitable baseline data on biodiversity, land use and poverty indicators at the outset of the programme, including taking advantage of improvements in remote-monitoring technology. Where possible, monitoring should consider causal effects of interventions, through impact assessment methodologies.[70] [71]

3. PROGRAMME OVERVIEW

The BLF will operate in six landscapes, which scored highest against detailed, multicriteria analysis of their environmental and political situations. Summaries of these landscapes, their environmental and development needs, plus political considerations are at Annex A. Detail of the multicriteria analysis is at Annex C.

Landscape	Countries Covered
Andes/Amazon - El Condor-Kukutu Conservation Corridor	Ecuador, Peru
Western Congo Basin	Cameroon, Gabon, Republic of Congo
Lower Mekong	Cambodia, Laos, Vietnam
Kavango Zambezi Transfrontier Conservation Area (KAZA)	Angola, Botswana, Namibia, Zambia, Zimbabwe
Madagascar	Madagascar
Mesoamerica	Belize, El Salvador, Guatemala, Honduras

We recommend launching interventions in these six landscapes from FY2021, with activity funded for seven years in each.

Sequence of actions and dependencies.

Further business cases will be drawn up for each of the agreed landscapes, and submitted for official and Ministerial clearance over Summer 2021. These will provide detailed analysis of the conservation threats and development situation in that landscape, and therefore the options and opportunities available to the BLF to provide sustainable, long-term redress. In order to gather this level of detail, we will commission **Political Economy and Technical Analysis** to analyse the factors discussed above, from an external provider, using an FCDO framework agreement. Organisations party to these frameworks have been assessed to have both governance and environmental expertise, and using it will maximise VfM. This political economy and technical analysis will also consider whether the borders proposed for each landscape are right, taking into account environmental concerns/opportunities and contextual risks, with particular reference to the Sangha region of Republic of Congo. The findings of this exercise will inform the outcomes we will seek to achieve in each landscape.

Whilst this analysis is underway, we will commence procurement for a **Fund Manager** with proven skills and expertise in managing international development and environmental programming, including in fragile environments and of working with and administering grants. The Fund Manager will assume risk management and fiduciary oversight responsibilities with regards the activities of the **delivery partner consortia** in each landscape, reducing the administration burden on HMG staff. It will also be responsible for overseeing programme-level **monitoring and learning.** The Fund Manager may also directly deliver technical assistance to host national/local authorities or relevant institutions. Commissioning a Fund Manager to manage all delivery partner contracts, and work closely with the Independent Evaluator, will ensure a streamlined and efficient approach. Previous experience of FCDO programmes, e.g. FGMC or BRACED, of similar scale and complexity demonstrate the benefit of outsourcing administrative oversight.

Defra will retain clear control and oversight of the Fund Manager's, and by extension the delivery partners', activities, including how funds are spent and to whom grants are issued, as well as final approval of delivery partners. HMG will retain ownership of project outputs such as evidence, research or tools developed. UK Posts in country will maintain oversight of programme activities and own the relationships with key stakeholders.

Projects, activities and interventions in each landscape will be implemented by a consortium of **delivery partners.** These consortia are likely to comprise a mix of NGOs, civil society, community and indigenous organisations, academics, the private sector and technical advisers. The Fund Manager will be responsible for procuring these consortia, and ensuring that delivery partners involved have sufficient skills, experience, knowledge and capacity to deliver the outcomes for that landscape as specified in the landscape-level business case. The procurement process will seek proposals from consortia as to how these outcomes can best be achieved, which the Fund Manager will assess for feasibility, and advise which consortia to contract. Whilst delivery partners' activities will be tailored to their landscape, we expect they will include:

- Building support from indigenous groups, small/large farmers, local governments and businesses will condition their support to the project on the social and economic benefit they expect it to provide.
- Convening authorities responsible for natural resources, environment, agriculture, tourism, forestry and economic planning.
- Improving management of existing protected areas, creation of new protected areas and linking of protected areas through green corridors.
- Equitable sharing of costs and benefits of managing and maintaining ecosystems through Payment for Ecosystems Services and conditional transfers.
- Knowledge transfer, capacity building and financial investment to promote and embed sustainable agricultural practices, alternative livelihoods and ecotourism resulting in a reduction of human-wildlife conflict and increased value of biodiversity and ecosystem services to communities.
- Support for Covid-19 recovery strategies and implementation of options to mitigate increased pressure on natural resources as a result of the pandemic.
- Working with host governments to identify nature and biodiversity priorities and develop effective policies to deliver them, which will in turn support countries' delivery against National Action Plans, NDCs and NBSAPs.

Gender

Women have access to fewer resources than men, are more vulnerable to external shocks, and at greater risk of social exclusion than men, as higher household and care responsibilities affords less time to participate in community decision making, or learn adaptation strategies.[72] Women's domestic responsibilities, including caring, food production, fuel and water collection, make them, however, critical agents of change for the BLF as investing in nature will have a real impact on the availability and quality of fuel, water and food production. It is therefore essential that women are brought onboard from the outset, and that they understand how projects and interventions will benefit them directly.

Furthermore, women's influence in traditional communities and links to other disadvantaged groups will make support for interventions particularly binding. 'When people from all affected groups actively engage in decision making processes, rather than just the social or cultural elites, the resulting policies will likely be better accepted, supported and complied with throughout society.'[73] Empowerment of women throughout the BLF, e.g. via improved representation, influence and decision-making ability, will in turn help to ensure the responsible use, protection and restoration of our target landscapes through conservation and sustainable practices focused on human wellbeing.

The BLF will therefore make gender-sensitive programming a key requirement of all delivery partners. Projects will ensure they consider the needs of, and benefit, women and girls at least equally to men and boys. Interventions will invest in livelihoods and health issues, and will ensure women and women's concerns are properly represented on community fora, taking steps to ensure their ability to be heard if needed. Data sets and indicators will be disaggregated by gender, with the aim of reaching, or benefitting, more women than men. The Fund Manager and Lead Delivery Partners will be required to undertake gender analysis of their proposals, and to produce gender strategies which will establish how they will ensure gender-sensitive programming and a clear focus on the needs of and impacts on women and girls.

The Blue Ventures programme in Madagascar demonstrates previous gender-sensitive Defra programming:

Velondriake Locally Managed Marine Area (LMMA) was established in 2006 by Blue Ventures as the first LMMA in Madagascar. Blue Ventures' community health programme began here in 2007, in response to the community's huge unmet need for family planning services. The programme trains community health workers in family planning, maternal and child health, working closely with the Ministry of Public Health. It now serves 47,000 people spread across 100 villages on Madagascar's west coast. Such support has wide-ranging benefits beyond women's health.: there have been impressive advances in gender equality in local marine resource management thanks to the gradual elimination of barriers to community participation. 38% of members of the Velondriake Association General Assembly (GA), the governing body of the LMMA, are now women, up from 13%.

In short, when women are in better health they may have more time, be better able to earn a livelihood, feel more empowered and have capacity for longer-term planning

A separate contract will be let for an **Independent Evaluator** which will establish programme and landscape-level evaluation approaches and questions, test underpinning assumptions, establish a baseline (inception) and conduct initial, interim and final evaluations. We will agree an initial logical framework for results (logframe) based on the Fund's overall ToC and KPIs. These will be refined and formally reviewed annually, alongside the Fund-level monitoring and evaluation plan. The Independent Evaluator will have presence in each landscape to work with the delivery consortia to collect and verify data and results.

In addition to externally contracted delivery partners, the BLF programme funding will also support **directly-employed in-country staff.** These may be locally employed or UK-based, and will be based at UK Posts where they will work to the Head of Mission. Their remit will be to support the Head of Mission in political engagement with host governments, establish and manage relationships and assist the Fund Manager with coordinating and monitoring activity in their landscape, trouble-shoot where needed, and support the HoM to raise the BLF's profile in country.

Madagascar: A business case for a £10.2m/seven-year Terrestrial Forests programme in Madagascar was recently approved for ICF funding; but will not proceed as planned. However, as the programme outcomes are consistent with the BLF – forest and habitat protection, poverty reduction and sustainable livelihoods, GHG reduction - we propose to bring it under the BLF umbrella. Procurement for this programme is already at an advanced stage, and Defra Commercial is supportive of the proposal, noting that we do not propose to increase its value, required interventions or timeframe. Taking this programme on as a BLF intervention will ensure best VfM for the department by building on – and not losing – the extensive policy and procurement resource already committed to it. We are working to finalise arrangements for its incorporation into the BLF with the lead delivery partners, and anticipate that it would be ready to commence activity as early as Summer 2021, thus acting as a forerunner for the other five landscapes. The approved Madagascar Terrestrial Forests business case is at Annex D.

4. STRATEGIC FIT

The BLF will contribute to many of Defra and HMG's own environmental and development aims and objectives, as well as our international commitments. Its launch also comes at a timely moment as the UK prepares to host UNFCCC COP26 in November 2021 under which we will run a campaign to integrate nature into climate action; as new post-2020 global biodiversity targets are negotiated ahead of the Convention on Biological Diversity (CBD) COP15, and as the UK is Chair of the G7 – all happening as the world continues to fight the Covid-19 pandemic and countries are urged to "build back better" by factoring environmental sustainability into their economic recovery plans.

The BLF will align with and contribute to the UK's international commitments and its responsibilities under a number of international policy processes:

- The UK-led "30x30" commitment to protect 30% of the earth's surface by 2030
- To deliver the UK's international climate commitments, contributing at least £25m to the commitment to £11.6bn of ICF, 2021-2016.
- The CBD's post-2020 global biodiversity framework, which will include strategic goals for 2021-2030.
- To provide climate finance, both for mitigation and adaptation, under the 2015 Paris Agreement within the UNFCCC, in particular the support for nature-based solutions, and assistance to countries to implement their Nationally-Determined Contributions (NDCs).
- To address global land degradation under the UN Convention on Combating Desertification.
- Sustainable Development Goals 15 (Life on Land), 12 (Responsible Consumption and Production) and 13 (Climate Action), as well as many of the development-focussed SDGs, including 1 (No poverty), 2 (No Hunger) and 10 (Reduced Inequalities).
- To international forests, including the 2014 New York Declaration on Forests, and commitments to Forest finance under the informal grouping of Germany, Norway and the UK.
- To tackle illegal wildlife trade and support the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

The BLF will also contribute to and/or align with the following UK strategic priorities:

- The commitment to spend £3bn of our £11.6bn ICF commitment, 2021-2026, on nature.
- the National Security Capability Review, as avoiding the worst impacts of climate change is crucial to tackling instability.
- The focus on the role of nature in combating climate change as Chair of the UNFCCC CoP26.
- the 25 Year Environment Plan's commitments to protect international forests, promote sustainable agriculture and support zero deforestation supply chains
- the Green Finance Strategy's domestic and international commitments on climate change, the environment and sustainable development

- HMG's 2015 Aid Strategy's recognition that tackling climate change is vital to sustainable development, and potential for climate change to reverse global development gains and push an additional 100m people into poverty by 2030

In supporting these international and national commitments, implementation of the BLF will:

- Demonstrate action under the UK's call for urgent and greater global action to halt the unprecedented loss of habitats and species and address biodiversity and climate change in tandem to protect the planet for future generations.[74]
- Support the Leaders' Pledge for Nature and the work of the High Ambition Coalition
- Add to the UK's current actions to conserve biodiversity conservation and tackle illegal wildlife trade.
- Support HMG's ODA commitment to promote economic development and welfare of developing countries and to be a global "force for good"
- Draw upon recommendations of The Economics of Biodiversity: Dasgupta Review to inform the choices of interventions that can both enhance biodiversity and deliver sustainable economic growth.
- Help developing countries to meet their international biodiversity, climate and nature commitments.

5. IMPACT, OUTCOMES, ACTIVITIES

Impact:

- To reduce poverty and create sustainable economic development for communities living in, and dependent upon, environmentally-critical landscapes through delivering lasting landscape protection, sustainable management and restoration, safeguarding biodiversity, maintaining and improving ecosystem quality.

Outcomes:

1) **People** To develop economic opportunities through investment in nature in support of climate adaptation and resilience, and poverty reduction.
2) **Nature** To slow, halt or reverse biodiversity loss in six globally-significant regions for biodiversity
3) **Climate** To reduce greenhouse gas emissions and safeguard natural carbon sinks through improved management and governance of land, ecosystems and natural resources, inside protected areas and across broader interconnected landscapes

What would success look like?

Interventions in each landscape will be assessed against the following indicators which are aligned to the programme-level ToC and logframe outcomes:

- Abundance or rates of occurrence of globally threatened species, key populations and/or indicator species[75]
- Changes in ecosystem integrity due to decreased habitat loss, degradation and fragmentation.
- Changes in deforestation rates.
- Greenhouse gas emissions reduced or avoided as a result of the intervention
- Changes in the area of land under sustainable management.
- Number of people / villages with improved land or natural resource management rights
- Number of people or villages with improved incomes or other direct benefits as a consequence of local businesses linked to sustainable management of natural resources

- Volume of finance (public or private) leveraged by the programme intervention for improved biodiversity and ecosystem management or local development

In addition, landscape-specific outcomes will be agreed by the delivery consortia and Fund Manager.

How will success be measured?

The project will report against a set of Key Performance Indicators (KPIs) which align with the programme level outcomes and reflected in the ToC and logframe. Climate outcome related KPIs align with KPIs used for ICF programming and reporting, reflecting that at least 25% of overall funding will qualify as ICF, and contribute to the commitment to spend £3bn of ICF on Nature. Landscape-specific logframes will feed into the programme-level logframe (at Annex B). This indicative programme level logframe contains a set of outcomes and output indicators which will be used to monitor progress against the ToC. The outcomes are split into long and short-term indicators to reflect differing timescales of assessing programming progress. The long-term outcomes align with the programme-level ToC, and are therefore selected as KPIs. Initial baseline, milestone and targets have been estimated for these KPIs. These metrics are necessarily indicative: final KPIs will be developed in the landscape-level logframes, drawing on the political, economic and technical analysis and delivery partners' project proposals. This will allow the baselines, milestones and targets to be fully refined and modelled before commencement. The short-term outcome and output indicators are indicative and will be refined during the inception and mobilisation. Each landscape will only report to the short-term outcome and output indicators that are applicable to their landscape (to be refined within landscape level logframes). The BLF's KPIs align to both CBD and ICF indicators, and will seek to complement the Blue Planet Fund's KPI selection, thus providing wider input across the UK's targets, and delivering VfM by using pre-ratified methodologies.

6. THEORY OF CHANGE

The BLF will deploy strategic investments over seven years in critically important landscapes for biodiversity and intact ecosystems in developing countries worldwide. The landscapes have been selected based upon their biological importance, focusing on the regions of the world that still maintain intact assemblages of biodiversity, including concentrations of globally threatened species, and contain extensive areas of intact ecosystems, major carbon sinks that have been severely degraded elsewhere. All the landscapes are inhabited by poor, marginalised, often minority, communities, who have limited rights to manage the natural resources and land that they depend upon for their livelihoods.

Both biodiversity and ecosystems and local people are also negatively affected by underlying drivers, including weak institutions and governance frameworks; corruption and poor rule of law; a lack of consideration of biodiversity and local development priorities in development plans and policies, and the behaviour of private sector that fails to recognise biodiversity and ecosystem or local development priorities.

The basis of the theory of change (ToC) is that to achieve long-term maintenance and protection of biodiversity and ecosystems, it is necessary to align incentives and institutional frameworks so that biodiversity outcomes also deliver development outcomes for local people, and vice versa that local development outcomes incentivise the protection of biodiversity. Delivering these outcomes is also expected to deliver climate benefits, particularly through the protection of natural carbon sinks and supporting resilient livelihoods.

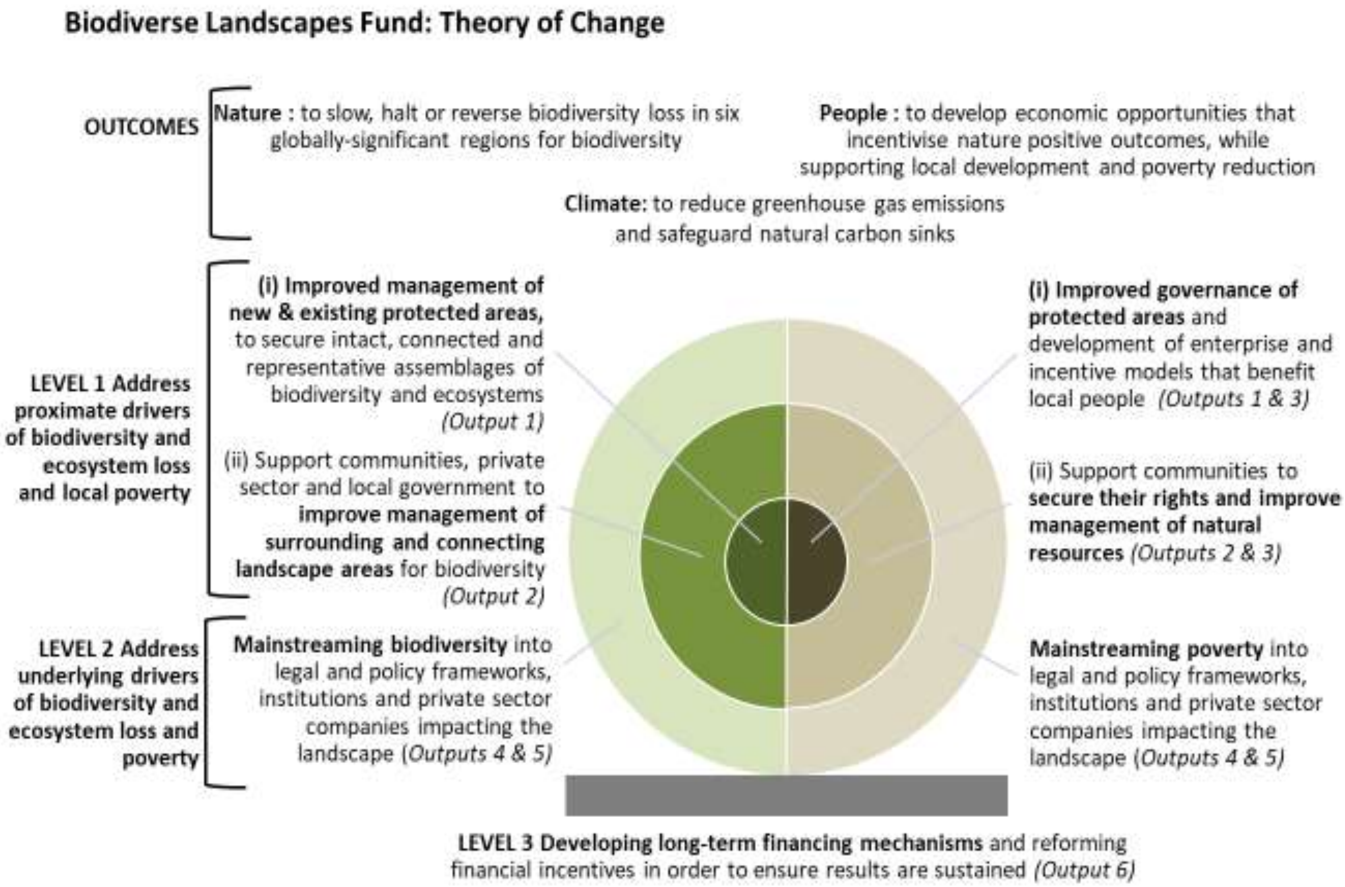
Figure 1 sets out a high-level ToC for the BLF. Interventions operate at three levels to address both the proximate and underlying drivers of biodiversity and ecosystem loss and degradation and local poverty:

LEVEL 1 - Improving landscape management for people and biodiversity: Strengthening management and governance of landscape-level units to address the proximate drivers; focusing on:

a. Core protected areas *(Outputs 1 and 3)*
b. Ecosystems connecting and surrounding the core protected areas, which are under community, government or private sector management *(Outputs 2 and 3)*

LEVEL 2 - Mainstreaming biodiversity, ecosystem and poverty considerations into legal and policy frameworks, institutions and private sector companies operating in or affecting the landscape, to address the systemic underlying drivers. (*Outputs 4 and 5)*

LEVEL 3 - Developing long-term financing mechanisms and reforming financial incentives to ensure results are sustained. *(Output 6)*



LEVEL 1 Improving landscape management for people and biodiversity

The proposed programme will address the proximate drivers of biodiversity and ecosystem loss and degradation, such as hunting and illegal wildlife trade, agricultural encroachment, illegal logging and fishing, and local poverty by:

Improving the management, resourcing and placement of protected areas (Output 1): Protected areas have been the mainstay of place-based efforts to conserve biodiversity and ecosystems for over a century, to limit the effect of direct drivers. However, current protected areas are not representative of important sites for biodiversity or critical ecosystems and three-quarters are inadequately resourced and managed.[76,77,78] Moreover, it is critical that protected area authorities recognise the rights and perspectives of indigenous peoples and local communities and that they benefit from effective management.[79] Increasing the area, effective management and equitable governance of protected areas both for biodiversity and people will be central to achieving the post-2020 Global Biodiversity Framework, and it is estimated that globally these measures would generate revenues of $454bn pa, and deliver ecosystem services worth $170-534bn pa.[80] Within the target landscapes, the BLF will improve the management of existing protected areas to reduce direct threats, and support the gazettement of new protected areas to secure intact, connected and representative assemblages of biodiversity and ecosystems. Alongside improved management, the BLF will improve the governance of protected areas to ensure that the rights and voices of local residents particularly women and marginalised groups are heard in decision-making.

Securing rights for local people (Output 2): Local and indigenous people often live in, and/or use, protected areas. They can play a critical role in maintaining biodiversity and ecosystems, especially if their rights are clear and local development incentives are aligned with sustainable outcomes.[81] The BLF will support indigenous peoples and local communities across the landscape, including in protected areas, to clarify and assert their land rights and their rights to access, use, manage and enforce use of natural resources, as a pre-condition for a dialogue around effective management of those resources. Where necessary, BLF delivery partners will work with local/national authorities to propose changes to laws and regulations to strengthen recognition of the rights of local people. Particular attention will be paid to ensuring that the voices and rights of women and marginalised groups are heard and respected, thus confronting the challenges to equal recognition facing women similar to those faced by indigenous groups. Focus will be placed on the empowerment of women, enabling them to make decisions that benefit their families' long-term capabilities through increased influence on land use, management and agricultural productivity.

Developing models for effective management of natural resources across the landscape (*Output 2*). Even if properly resourced and effectively and equitably managed, protected areas (the focus of Output 1) will be too small and fragmented to adequately support ecosystem services, address the broader drivers of biodiversity loss[82] and may not foster environmental conservation outside of reserves[83]. The BLF will therefore work at greater scales, across broader productive landscapes that includes surrounding and connecting ecosystems that are managed by communities, private sector and governments. Within these landscape units – e.g. community forests or indigenous reserves, forestry or agriculture concessions, state-managed forests and wetlands - there is a need to integrate consideration of biodiversity and sustainable use of ecosystems into management practices. The BLF will therefore support development and implementation of improved management plans, policies or practices to better consider the value of biodiversity and ecosystems in their operations (e.g. certified timber or agriculture, watershed management).

Developing livelihood strategies that support poverty reduction and biodiversity conservation (Output 3): Local poverty is often a proximate driver of biodiversity and ecosystem loss and degradation, e.g. through overexploitation of natural resources, hunting, or increasing cultivation. It is now widely recognised that effective site-based biodiversity conservation needs to account for the needs of local people, if solutions are to be sustainable.[84] The BLF will understand local livelihood strategies and value chains, and design targeted livelihood interventions with local people that support poverty reduction in ways that are economically attractive and consistent with, or linked to, biodiversity conservation goals. Examples might include sustainable land management/farming practices designed to increase productivity and yields in ways that respect land-use boundaries; establishing conservation or value-add enterprises, linked to market opportunities; or ecotourism. Specific consideration will be given to opportunities for women and marginalised groups, who might otherwise be excluded from decision-making or livelihood opportunities. Women in particular will have a critical role to play in the sustainability and long-term efficacy of livelihood strategies within the BLF. One potential model is conditional incentive programmes, either using payments (e.g. for ecosystem services) or other incentives, which have been shown to be effective at changing behaviours of local communities, whilst also delivering poverty reduction outcomes.[85]

B. Mainstreaming biodiversity, ecosystem and poverty considerations into institutional frameworks

The systemic drivers of biodiversity loss and poverty impacting the landscape might include lack of institutional capacity; elite capture of resource rents; lack of markets/opportunities in remote regions; no/limited consideration of biodiversity in development, infrastructure or development plans; weak legal and regulatory frameworks, and policies of and towards the private sector that fail to recognise biodiversity and ecosystem values in decision-making. The BLF will address these by:

Improving governance of land and natural resources across landscapes *(Output 4)*. The BLF delivery partners will understand the laws, policies, regulations and institutional frameworks at the landscape or landscape unit level, and identify opportunities to strengthen these frameworks. Examples might include land-use plans, infrastructure plans, land titling or natural resource governance frameworks, protected area management frameworks, concession allocation and planning, investment and insurance. Following this, the BLF will work with government agencies to build their capacity and support reforms or improved application of these legal, policy and institutional frameworks to address the drivers of biodiversity and ecosystem loss and poverty. Finally, the BLF will explore revenue generation options for government or communities linked to improved management of biodiversity and ecosystems, e.g. tourism fees, payments for environmental services schemes.

Improved practices of private sector to reduce drivers of biodiversity and ecosystem loss, or to provide additional value for biodiversity and ecosystem retention *(Output 5).* The BLF will map value chains, supply chains and investment flows to understand the private sector actors that are influential in the landscape (e.g. major purchasers of agricultural commodities, investors, etc.). Once relevant private sector actors are known, the BLF will identify opportunities to influence their behaviour for example by strengthening environmental, social and governance (ESG) policies and frameworks; building collective agreement over application of environmental standards such as zero-deforestation policies; or establishing public-private partnerships to address the drivers of biodiversity and ecosystem loss, such as roundtables or other collaborations. These measures will reduce the negative impacts of private sector investments in the landscape. However, to encourage retention of biodiversity and ecosystems there is a need to also facilitate or support private sector-led investments that generate a return from intact ecosystems, e.g. conservation concessions, forest carbon projects, or ecotourism operations.

LEVEL 3 Developing long-term financing mechanisms and reforming financial incentives

Finally, the programme will leverage long-term financial resources for sustainable management of biodiversity and ecosystems and for local development *(Output 6).* Successful initiatives are often far too dependent upon donor finance. Consequently, the BLF will build consideration of long-term financing into the programme design, and to begin work on potential opportunities from Year 1, to ensure results are sustained beyond the BLF investments.

Further detail on potential interventions, or outcomes achieved under each Output is at Annex B.

The BLF Defra team, the Fund Manager, FCDO posts and delivery partners will work to:

Overcome traditional boundaries among development, conservation and climate programmes: ensuring that the interdependencies between these fields are understood by delivery partners to maximise the likelihoods of "triple wins".

Secure commitment from host governments: the buy-in and support of national, regional and local host governments to the aims and objectives of the programme, as well as its interventions will be critical to its ability to work effectively in country, and to facilitating transborder cooperation. Government commitment will also be core to the long-term sustainability of interventions and approaches, including the likelihood of ongoing financing. We will engage with host governments prior to commencing activity to formalise this support, and delivery partners will be required to demonstrate the support of national/local authorities.

Involve communities in relevant landscape level indicators: The Political Economic and Technical Analysis will identify potential barriers to community participation, relating to incentives, organisational culture and power relations, and how the fund can overcome them. We will ensure the views of marginalised groups are included in this process. Learning from the community will be a focus of the landscape-level logframes, to understand who benefits from ecosystem services, and how. Community participatory methodologies will be used in the design and implementation stages and to capture progress through indicators disaggregated by gender, ethnicity, disability etc. The Independent Evaluator will engage with wide stakeholder groups, allowing contribution to annual assessments on projects' applicability to the priorities of target groups, recipients and other actors. An example landscape-level indicator would be "*Evidence of effective mechanisms for removing barriers to decision making for target beneficiaries (including women, girls, ethnic and marginalised groups including people with disabilities) within the community*".

Learn in real time: the BLF will monitor and analyse projects and approaches throughout the programme lifetime in order to build on what is shown to be working, and adapt or halt what is not proving successful.

The following **assumptions** have been made:

1. Host governments are supportive of the proposed interventions over the life of the programme.

2. Opportunities to improve livelihoods/reduce poverty consistent with biodiversity conservation goals exist within the landscapes. This assumes that opportunities for market-based mechanisms (PES, carbon, ecotourism, value-added agricultural products, etc.) to generate improved long-term incomes and support

biodiversity conservation efforts exist but remain untapped, and that private sector actors are interested in these opportunities.

3. Local people see the benefits from interventions, are motivated to participate and change their behaviours and that viable livelihood/development opportunities exist.

4. Private sector actors are motivated to adopt and apply policies that reduce drivers of biodiversity and ecosystem loss and local poverty (improved environmental safeguards, zero deforestation policies, improved prices), and are interested to invest in new models of site management that reward biodiversity and ecosystem retention.

Examples of different approaches:

The BLF will deliver both community-led and driver-driven programming to communities, which will also improve biodiversity and climate outcomes.

1) The Zarqa river basin in Jordan delivered land changes and transfer of power to communities with the added benefit of ecosystem services resilience (win-win-win)

A study of the Zarqa river basin in Jordan shows the importance of using devolved land rights for conservation. Programming focused on the transfer of land management rights to communities thus reviving traditional land management practices and reducing land degradation. More sustainable management practices were adopted, permitting natural recovery of rangelands and additional planting of native vegetation. Additionally, the increased vegetation cover gave water security by reducing run-off and improving water filtration. Strengthening land rights and land use planning helps programmes integrate the value of biodiversity into decision making in local communities and governments.

2) Community engagement in Kenya/Tanzania delivered through changes in law and enforcement, and bottom community participation strategies.

In the Greater Kilimanjaro Landscape of Kenya and Tanzania, Illegal Wildlife Trade programmes have shown the importance of a combined bottom-up and top-down approach. Here, the programme combined strategies to combat IWT and poaching through increased law enforcement, incentives for wildlife stewardship and human-wildlife conflict mitigation. Inclusive participation of local communities during the designation, planning and implementation phases led to more equitable governance of natural resources across the landscape, ensuring that activities or schemes introduced were able to match the needs, values, and culture of local communities. These community-based interventions complemented formal law-enforcement efforts by ensuring local people were incentivised (financially and non-financially) to protect wildlife.

APPRAISAL CASE

Please refer to the strategic case for the rationale of the fund and the problem it is trying to address. The appraisal case sets out the design process which establishes principles and parameters for the programme, drawing on lessons learnt. It evaluates investment options in line with FCDO's 4 Es VfM model - economy, efficiency, effectiveness and equity. It will conclude with an appraisal of the preferred delivery mechanism.

In order to design the options for the programme we:

- drew on global literature, data and systematic reviews on the context for transboundary landscape scale interventions focussed on biodiversity, poverty alleviation and climate change;
- assessed information from international colleagues, stakeholders in the development and conservation community as well as previous programme information relating to regions of biological significance;
- engaged Posts to better understand capability of the landscapes.

VfM has been considered throughout the landscape selection process, incorporating strategic, delivery and evidence factors (see Annex C), In addition to the proposed scale of the Fund. As this is a programme-level business case, and the final selection of landscapes has not yet been confirmed, it assesses policy and data at the global scale, rather than presenting a cost-benefit analysis of the options. Instead, qualitative analysis has been undertaken of the evidence supporting likely impacts of different options. Specific, quantitative, analysis will be included in landscape business cases. VfM has been assessed through the landscape selection process, and will be supported through evaluations how the programme's structures and processes are working, in line with the 4 Es VfM model. This will include the following actions:

- Detailed Political and Economic and Technical Analysis to inform approaches in each landscape;
- Appointment of the Fund Manager via a competitive procurement process between suppliers in line with HMT and DFID ODA Value for Money guidance which recognises that competition is normally the best way to achieve VfM[86].
- Conducting full VfM assessments on all project proposals submitted by delivery consortia.
- Economy by additionality and complementarity benefits across existing programmes
- Ensuring optimal economies of scale of interventions across landscapes
- Collection and analysis of data and approaches within and between landscapes to provide long-term learning for HMG and other actors
- Efficient use of funds through the Fund's governance, competitive procurements and evaluation.
- Achieving effectiveness by clear selection and evidence based criteria for landscape selection
- Promoting equitable benefit-sharing mechanisms both at programme and landscape levels.

Value for money indicators

Project specific outputs and outcomes will be finalised once the delivery consortia have been selected and a final VfM assessment conducted before the grant is awarded. Using the 4 Es framework, VfM will be secured through:

- Efficient and effective use of funding to deliver the desired outputs
- Ensuring that delivering the chosen outputs are logical and likely to lead to the project's intended outcome
- Sustainability of the intervention and equitable distribution of any results

Possible value for money indicators could therefore include:

- Reaching the targeted numbers and types of beneficiaries
- Delivering income and job increases through alternative livelihoods
- Achieving avoided carbon emissions targets
- Attracting private investment/long term finance
- Increasing the capacity of communities to manage protected areas after the project closes
- Facilitating transboundary collaboration
- Protecting and restoring key habitats

Assessing project costs/benefits: drawing from Defra's experience

Whilst there are not direct precedents from previous Defra programming from which to derive quantitative data at the programme level, Defra has funded relevant projects which demonstrate the scale of benefits achievable:

- In Bolivia, an adapted model of payments for ecosystem services delivered equitable sharing of costs and benefits in managing ecosystems. A reciprocal 'water sharing' agreement led 4,500 farmers to conserve over 210k hectares of forest, increased water supply to downstream farmers; livelihood benefits to upstream landowners plus $0.5m of in-kind compensation[1]. A £263k Darwin project followed this model and established eight Municipal Water Conservation Funds in Bolivia, legally protecting 490K ha of forest.
- In Ethiopia, a community-based forest restoration project, started with a $200k investment from the Wold Bank led to recovery of 2,728 hectares of native forest, 870k tonnes of carbon sequestration, increased climate resilience, and livelihood benefits from forest products and the sale of carbon credits[1].
- By enhancing law enforcement in Indonesia and Madagascar, Darwin projects with a combined grant value of £444k, have resulted in a 50% reduction in catches of threatened elasmobranch species, an 86% decline in manta ray mortality, a 50% reduction in turtle exploitation and the protection of 1,000 ha of seagrass habitats, whilst supporting marginalised fishing communities into more sustainable livelihoods.

Defra's ICF investment of £10m over seven years in the Cerrado region of Brazil aimed to deliver extensive forest management and improved land registration policies and practices for. Key results included: 861k hectares under sustainable forest management; £48.5m carbon emissions savings; 128k hectares reforested/deforestation avoided; 2,500 people benefitting from the project, and £218.2m worth of ecosystem services preserved.

While a good indication of achievable outcomes, BLF outcomes will vary as landscapes have different geographies – (rain) forests, grasslands, savannahs, mangroves etc - offering different opportunities to deliver benefits. Rainforests are likely to have a higher carbon emission saving potential to dry forests.

Options Overview

This programme-level appraisal case considers the appropriate options for intervention to overcome the barriers and issues set out in the strategic case, assessing these using multi-criteria and cost-benefit analyses. The following options are considered:

Option 1: Business as usual (counterfactual)
Option 2: To invest via an existing bilateral fund
Option 3: To invest via a new bilateral fund (*recommended)*
Option 4: To invest via a multilateral funding mechanism
Option 5: to invest via a Multi-Donor Trust Fund (MDTF)

Scoring: The five options are appraised against six criteria. Scores are informed by evidence from a range of sources, including the Convention on Biological Diversity's High Level Panel and the OECD, plus material from existing Defra and HMG programmes (business cases, evaluations) and evidence, e.g. on governance arrangements and costs, gathered directly from programme leads. Options are rated 1-4 against each criterion (max score of 24), and are also presented as a percentage score for each option.[87] *See Table 1*.

Headline results

- **Option 1**: **Business as usual - 50%** Given the lack of existing programming focussed on the specific objectives of the BLF, the objectives set out in the strategic case would not be met and large-scale biodiversity loss would continue. Current funding is not adequate to meet strategic objectives.
  Option 2: **Invest via an existing bilateral fund - 54%** To deliver the strategic objectives, the aims and governance of these programmes would need to be significantly amended to more broadly achieve biodiversity conservation outcomes and deliver at landscape scale.
- **Option 3**: **Invest through a new fund - 92%** This would be the best option to meet the strategic objectives at a landscape scale, with good VfM.
- **Option 4: Invest via a multilateral funding mechanism - 58%** This option will not deliver all the strategic objectives; provides average VfM and is not focused at delivering at a landscape scale.
- **Option 5: Invest via an existing MDTF - 83%** Although coming close to meeting all the strategic objectives, and providing good VfM, this option is not focused at delivering at a landscape scale, especially in transboundary areas.

As set out in the analysis, Option 3 scores highest overall so is the preferred option.

Option 5 also scores highly, and so may be suitable for future funding through this or other programmes.

	Cost/risks	Benefits	Scores	
Option 1: Business as usual		- The £100m could be invested in other UK ODA priorities and/or Covid-19 recovery - No reputational risk should a bilateral fund fail, or encounter other significant difficulty.	1.Ability to facilitate sustainable land and natural resource use	2
			2. Ability to slow, halt or reverse biodiversity loss	2
			3. Ability to improve biodiversity stewardship	2
			4. Ability to facilitate poverty reduction and transition to sustainable livelihoods	3
			5. Value for money – approach that maximises value against costs	2
			6. Focus on landscape scale and/or transboundary areas of high biological importance	1
			Total Score	12 (50%)
Option 2: Invest via an existing bilateral fund	- Defra investment of £100m, over timeframe TBD - Scale of investment risks swamping existing funds, requiring their wholesale redesign - Focus of Defra's existing funds not fully aligned with BLF's strategic objectives.	- Investment could build on existing structures and reinvigorate well-known UK brands	1. Sustainable land	3
			2. Biodiversity loss	2
			3. Biodiversity stewardship	2
			4. Poverty reduction	2
			5. VfM	2
			6.Transboundary landscapes	2
			Total Score	13 (54%)
Option 3: Invest via a new fund – the proposed Biodiverse Landscapes Fund	- Defra investment of £100m/seven years - Contextual risk establishing a new fund	- HMG has sole control over Fund's strategic objectives and operation. - Can build on HMG and others' existing knowledge and expertise - Fund can be fully aligned with HMG's broader geostrategic priorities	1. Sustainable land	4
			2. Biodiversity loss	4
			3. Biodiversity stewardship	4
			4. Poverty reduction	4
			5. VfM	3
			6.Transboundary landscapes	3
			Total Score	22 (92%)
Option 4: Invest via a multilateral financial mechanism	- Defra investment of £100m, over timeframe TBD - Inability to direct to specific landscapes or activities risking a mismatch between UK and fund objectives.	- Increased UK influence over focus and direction of travel of fund as a larger donor - Outsourcing of management responsibilities represents effective use of HMG resources.	1. Sustainable land	3
			2. Biodiversity loss	2
			3. Biodiversity stewardship	2
			4. Poverty reduction	3

	- Less direct strategic control and learning for adaptive programming.		5. VfM	2
			6.Transboundary landscapes	2
			Total Score	**14 (58%)**
Option 5: Invest via a MDTF	- Defra investment of £100m over seven years - Less control over use of funds than a bilateral programme; would require negotiation with other donors	- UK could either invest in an existing, well-aligned MDTF or commission to develop another vehicle that specifically targets BLF objectives. - A larger pot could have greater impact and influence - Ability to draw on expertise and resources of other partners.	1. Sustainable land	4
			2. Biodiversity loss	3
			3. Biodiversity stewardship	3
			4. Poverty reduction	4
			5. VfM	3
			6.Transboundary landscapes	3
			Total Score	**20 (83%)**

Table 1: Options Appraisal

Detailed analysis of options

Option 1. Business as usual (counterfactual). Do nothing: the cost of UK inaction

This is the baseline option to which all other options will be compared. No additional funding for international biodiversity conservation and sustainable development, above that currently committed.

Current relevant HMG funding sources are the Darwin Initiative, Illegal Wildlife Trade Challenge Fund, some ICF programming funded and the UK's core funding of the Global Environment Facility (GEF). Other HMG projects, such as the Forest Governance, Markets and Climate or Investments in Forests and Sustainable Land Use programmes, protect forest habitats and support sustainable livelihoods, but do not focus on or measure biodiversity outcomes, despite having quite significant biodiversity impacts.

The UK is pressing the MDBs and UN agencies to prioritise the better integration of climate, biodiversity and sustainable development objectives; this will be a core theme for the UK at both COP26 and CBD COP. As host of COP26, the UK will encourage enhanced political commitment on adopting Nature Based Solutions (NBS) in policies and aims to agree ambitious targets and goals at the CBD COP.

Doing nothing would mean no opportunity to achieve the strategic outcomes set out in the strategic case: Although Defra's ODA allocation currently funds biodiversity programming, these interventions lack the landscape-level approach critical in joining together efforts to conserve biodiversity, tackle climate change and deliver sustainable economic development at scale.

The Darwin Initiative supports biodiversity-rich developing countries meet their objectives under the CBD, UNFCCC, UNCCD and CITES. However, it funds significantly smaller projects than would be required to meet the BLF's strategic outcomes, and is not set up to deliver large scale, comprehensive interventions. The IWT CF and Defra's ICF programming address different facets of conservation, focusing on IWT and climate change respectively. Whilst addressing some drivers of biodiversity loss, this is not a core aim of these funds and, like Darwin, they do not operate at landscape scale. UK contributions to the GEF deliver against CBD and UNFCCC objectives and tackle poverty in affected communities. GEF programming has become increasingly integrated and strategic, e.g. through its Impact Funds,[88] an approach championed by the UK. As the financing mechanism for five conventions, the GEF has a broader than the BLF and, as a multilateral fund which operates by consensus, the UK must work with and through others to secure its objectives.

Doing nothing now risks acting too late: the evidence is clear that time is rapidly running out to take meaningful action to halt or reverse biodiversity loss, prevent further land degradation and tackle climate change, or risk undermining much progress in economic and human development.[89] [90] Current levels of international funding for biodiversity is wildly insufficient, with the OECD estimating that global biodiversity finance is estimated at US $78 - 91bn per year but finance required to deliver the current Aichi biodiversity targets is estimated at US $150-440bn per year.[91] [92]

This evidence is largely accepted by the international community, and the UK has been prominent in building this recognition and consensus. Not acting now therefore risks both the problems become more intractable or even insoluble, and/or the strength of international support – heightened by the pandemic – waning, which could impact our ability to gain traction in-country.

Doing nothing is a political risk: the Prime Minister announced the UK's intention to launch a Biodiverse Landscapes Fund at UNGA 2019, as part of a £220m biodiversity package. The UK will host COP26 in November 2021 with the role of nature in tackling climate change as a core theme: the BLF directly contributes to our own efforts under this theme.

Doing nothing costs nothing (financially): not investing would be the least risky option in a narrow financial sense -, particularly given the acute pressure on HMG's ODA budget due to Covid-19, and its reduction to 0.5% GNI in 2021 – but would contribute to wider economic loss if biodiverse landscapes continue to degrade and cease to provide ecosystem services.

Option 1 is not a viable option.

Option 2 – Invest via an existing bilateral fund: lower-risk but low benefit

Additional investment could be channelled through one of the Defra funds identified as having comparable strategic outcomes to the BLF, namely the Darwin Initiative, Illegal Wildlife Trade Challenge Fund or Defra's International Climate Finance portfolio. Whilst these programmes have been successful in achieving their own wildlife protection and climate objectives, they do not focus on biodiversity conservation at a landscape level and, in the case of Darwin and the IWT Challenge Fund, are of a significantly smaller scale, which would be unlikely represent good VfM to scale up without their wholesale redesign. Whilst ICF programmes operate at a similar financial scale to the proposed BLF investment, ICF funding constitutes the UK's commitment to fund actions to tackle climate change, so cannot be redirected to spend on biodiversity as a primary objective.

Option 2 would go some way to achieve the strategic outcomes of the BLF. Investing via an existing fund or programme would reduce set-up costs and build on existing UK brands and ways of working. Although there are no initiatives or funds currently able to address the strategic outcomes of the BLF (see Table 1). Moreover, it would be entirely possible, and, indeed, desirable, to learn from the experiences of these funds whilst establishing a new BLF, without investing in them directly.

The Darwin Initiative and the IWT CF each have their own strategic outcomes which do not fully align with the BLF's aims. If they were to fully deliver the BLF's strategic outcomes, their aims, governance and ways of working would need to be very significantly changed. The proposed £100m investment is also significantly greater than Darwin (£10m pa) or IWT CF (£7.2m pa). Defra's ICF programming, with its focus on the most biodiverse forests, is the most aligned to the BLF, although it is necessarily focussed on climate change mitigation and adaptation, whereas many BLF interventions will have a prime focus on flora and fauna. However, there is sufficient crossover to enable the Madagascar Terrestrial Forests ICF programme to be brought into the BLF, and for at least 25% of total BLF funding to be ICF.
On balance, Option 2 is not a viable option.

Option 3 – Invest via a new bilateral fund: meets all the objectives, but at some risk
Under this option, Defra would establish a new bilateral fund, focussed on biodiversity, climate change and sustainable development – the Biodiverse Landscapes Fund.

Creating a new bilateral fund would allow Defra to ensure its complete alignment with Defra and HMG strategic outcomes, complementarity with existing UK programming and support for the UK's international commitments, as well as orientation with the UK's broader geostrategic priorities.

A new bilateral £100m Biodiverse Landscapes Fund will enable Defra to deliver on all the outcomes set out in the strategic case, whilst innovating and adapting approaches to deliver effective interventions. Whilst meeting all the strategic outcomes, establishing a new fund of this scale involves a greater degree of contextual risk. We recognise, however, that innovation is needed to solve the problems in biodiversity conservation, and this inevitably involves greater operational and delivery risks[93]. The evidence that will emerge from this programme's monitoring, evaluation and learning will not only direct subsequent interventions across the programme, but has the potential to contribute significantly to the international evidence base for landscape-level interventions. Landscape-level interventions of this nature have the potential to improve knowledge of local biodiversity and the needs and interactions of resident communities, as well as facilitating the creation of new institutional processes that make the area more attractive for other conservation organisations, thereby leveraging further funding.

This option allows HMG to maintain sole control of the Fund, including selection of delivery partners, whilst reducing burdens by outsourcing management, due diligence, monitoring and administrative responsibility to a Fund Manager. A new bilateral fund means we can deliver an adaptive programme, with the high-risk appetite, needed to work across borders at landscape scale. Adapting flexibly to early findings and scoping work will allow us to tailor interventions and potentially deliver better VfM. This will be critical to develop innovative, effective and sustainable solutions to respond to our deepening understanding of local contexts (as the programme is designed and implemented), as well as to swiftly address challenges as they arise.
OPTION 3 IS THE PREFERRED OPTION

Option 4: Invest via a multilateral funding mechanism: low risk and safe but less control over the outcomes
This option would see the UK commit its funds to an existing multilateral fund, namely the GEF. This would provide an established and proven route to commit environmental funding, and would increase the UK's influence within the GEF. Whilst the GEF delivers to a significant degree in line with the BLF's strategic outcomes, its funding remit is broader, and all decisions are taken by the consensus of the Council, and at four-

early replenishment negotiations. Although the UK is an influential member of the GEF, we would not be able to fully dictate spend, or earmark contributions for a particular purpose.

The multilateral system is vital to the UK and our global interests. Our multilateral partnerships expand the reach of UK development and mobilise resources and expertise to tackle global challenges. Our strong working relationships with leading multilateral organisations ensure the UK has influence on the international stage.

The GEF is the financing mechanism for five core environmental conventions, and is the primary international fund for biodiversity. Working through 18 accredited agencies (MDBs and UN agencies and some NGOs), the GEF funds developing countries and countries with economies in transition to meet their commitments under five core multilateral environmental agreements, including biodiversity (CBD) and climate change (UNFCCC; UNCCD). The GEF also acts as the financing mechanism for conventions not directly linked to biodiversity, such as mercury (Minamata) and waste (Stockholm). It has increasingly moved to cross-cutting Impact Programs, which bring together multiple GEF work areas – biodiversity, climate change, chemicals and waste – across larger landscapes or as global programmes. As a leading donor member of the GEF, the UK has considerable influence in four-yearly replenishment negotiations to agree the proportion of funding to be allocated to each convention, but cannot earmark its contributions to supporting particular areas.

Whilst the GEF's aims and activities converge to a large degree with those of the BLF, investing funding via this route would not meet all the strategic outcomes, and the UK would not be able to maintain strategic, political and operational control of its investment.
This option is not recommended.

Option 5: Invest via a Multi-Donor Trust Fund (MDTF) – a strong contender, but doesn't quite hit the mark
Investing via a MDTF would allow greater scope to direct its use than a multilateral fund, as they are more open to the needs of donors, whilst providing all management functions.

PROGREEN is a WB MDTF aiming to provide and leverage scaled-up finance for sustainable management and conservation of terrestrial ecosystems, sustainable food production in key landscapes, and adoption of NBS for infrastructure investments that would otherwise drive deforestation.[94] Germany has committed €200m.

Investing via an MDTF offers a range of benefits, including:
- Greater impact by combining our resources with other donors' or the WB, allowing delivery at a larger scale. HMG joining a TF may also encourage other donors to do so.
- Harmonisation and coordination by supporting a common platform for dialogue and coordination
- A larger global footprint to extend our activities into places where we have no bilateral presence, including many of the most fragile states.
- Greater risk management, allowing us to take advantage tested systems for risk, fiduciary and procurement control and strong safeguarding procedures
- Access to MDBs' technical knowledge, networks and influence.

The WB's Umbrella 2.0 MTDF is focused on building sustainable and resilient landscapes. PROGREEN brings together many Trust Funds under a single governance mechanism, results framework and results reporting, enhancing strategic coherence and efficiency. A WB MDTF would allow us to take advantage of the WB's well tested systems for risk, fiduciary and procurement control and strong safeguard procedures which provide strong assurances and provide us access to the WB's and partners technical knowledge, networks and influence. Outsourcing the management responsibility for the investment in this way would represent an efficient use of HMG staff resource, and would increase UK presence and influence within the WB.

Whilst offering greater strategic control of our investment than a multilateral funding mechanism, particularly if there were only a few donor countries, investing via an MDTF would still reduce our autonomy over our investment, including the ability to align landscape selection with broader HMG strategic priorities, thus risking not fully meeting all BLF strategic outcomes. Other risks include the level of consultation with, and influence of, donors; degree of procedural flexibility; lack of detail in reporting, and insufficient time and resource investment in political economy analysis and its implications on funding decisions.
This option is not recommended.

Why £100 million?

As set out in the Strategic Case, the scale of the challenge the BLF aims to address is considerable in both its effects and extent. In order to make a genuine impact on the lives of local communities, to preserve landscapes and biodiversity, tackle climate change at a realistic scale, and have the global, tri-continental reach intended, the BLF needs to be of a considerable order of magnitude. Informal consultation within FCDO and Defra, and with representatives of development and conservation organisations noted the need to take a comprehensive approach so as to avoid becoming trapped in piecemeal interventions which either focus on a single issue, or are too small to secure genuine traction and don't therefore lead to sustainable, long-term change at the landscape level. Funding above ~£20m per landscape over a seven year period was considered to increase the risk to VfM above the Fund's stated risk appetite. £100m – or approx. £20m per landscape - was therefore judged to be an appropriate amount to deliver the outcomes we wish. This amount recognises the multiple demands on the ODA budget. This amount recognises the multiple demands on the ODA budget, the given the seven-year timeframe and the lower risk appetite for higher levels of investment (i.e. more than 20m per landscape).

COMMERCIAL CASE

The Appraisal Case provides a high-level justification for establishing a new bilateral Biodiverse Landscapes Fund, including the associated costs and benefits. The following sections (Commercial and Financial) provide further information on the delivery model, how partners will be procured, and financing options.

Delivery mechanism options considered

The following options for delivery models have been considered and assessed against their ability to meet programme objectives and VfM:

1) direct funding of host governments
2) delivery through a new World Bank Trust Fund, specifically established to deliver the BLF
3) delivery through accountable grants with NGOs/CSOs, managed directly by Defra
4) delivery through a consortium of delivery partners in each landscape, via a global Fund Manager (preferred option)

Delivery solely through a private sector partner was also considered, but rejected as the nature of the BLF means the highly-defined inputs typically required for private sector contracting are not available at this stage. It was considered critical to retain a central role for NGOs/CSOs to engage and secure buy-in from communities and other partners.

1) Delivery through direct bilateral funding of host Governments

Direct, bilateral funding would help HMG to build strong bilateral relations with recipient countries, reduce the risk of the UK being seen as 'bypassing' national governments and could have the potential to maximise alignment between the programme outcomes and those defined in governments' own national plans.

Further risks would include the capacity of governments to deliver; how to ensure the appropriate division of funding between governments, reflecting not just geographical area but proportion of interventions and assessed need.

This option is discounted.

2) Delivery through a World Bank Trust Fund (WB TF) specifically set up for this programme

The appraisal case explored and discounted the possibility for funding via an existing multi-donor trust fund such as PROGREEN. However, the creation of a new fund with the WB falls under the preferred option of establishing a (bilateral) new fund and so is assessed here.

TFs are a good option to carry out activities where we have no bilateral presence and allow us to take advantage of the WB's well-tested systems for risk, fiduciary and procurement control and strong safeguarding procedures. There are two main options for a WB TF; a Bank Executed Trust Fund (BETF) or a Recipient Executed Trust Fund (RETF). A RETF is preferable as it allows for more HMG input, and the possibility of HMG to be the sole donor, thus allowing the UK to direct funding and agree activities. Whilst establishing single-donor TFs is possible, they will likely become less common once the WB's current TF reform proposals are implemented. Alternatively, seeking to establish a new MDTF could enable additional funds to be leveraged and harness additional VfM, although creating a new fund within the WB system where similar funds exist risks duplication and may not be met favourably by the WB.

Pursuing this option would also necessitate HMG to reconcile its requirements of a new TF, e.g. in terms of governance, MEL and oversight, with the WB's established procedures. This would likely result in less control and oversight than HMG would wish. TFs – and in particular RETFs - often carry relatively low management fees, albeit often reflecting a fairly hands-off management approach.

On balance, this option is discounted.

3) Delivery through direct accountable grants to Delivery Partners

This would see Defra undertake direct competitive procurement processes for, and management of grants to, delivery partners for each of the six landscapes. Defra would need to deliver all programme and fiduciary management, monitoring, coordination and operations in-house, which would place a heavy burden on scarce administrative resources.

Establishing direct accountable grants in the landscapes would incur considerable in-house operating costs and resource requirements. An in-house fund management team with oversight across the programme would be needed to coordinate alignment of the Fund's objectives across the target landscapes with different lead delivery partners in each. Furthermore, responsibility for downstream fiduciary management of grant funds and in-depth due diligence assessment would rest with the HMG teams, placing additional demands on resourcing capacity. Defra does not have sufficient staff resource in-house to manage grant agreements with international delivery partners on this scale.

This option is discounted

4) Delivery through a consortium of delivery partners in each landscape, via a global Fund Manager

This option differs from Option 3 in that it places a Fund Manager between Defra and the delivery partners. This means Defra must contract and manage only the Fund Manager, which will in turn competitively procure and manage the delivery partners, thus reducing the administrative burden on Defra. Learning from previous FCDO programmes such as Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) and Forest Governance, Markets and Compliance (FGMC) indicates that a Fund Manager can significantly benefit programme delivery.

This is our preferred option.

The Fund Manager, which will have proven experience and expertise of running complex development programmes in fragile environments, will take on responsibility for all fiduciary and due diligence requirements; will disburse grant funds to delivery partners; provide a consolidated hub for reporting and governance and undertake monitoring of and learning from projects. Defra will procure the Fund Manager. The ToR will focus on outputs and outcomes, thereby allowing the Fund Manager room to innovate in how it runs its service and coordinates across the six landscapes. This option will allow Defra to maintain direct control over all relevant elements of the programme and decision points, by stipulating exactly how and when the Fund Manager is required to consult with the department.

We will ensure that we derive best VfM from the Fund Manager contract by benchmarking costs against comparable programmes such as BRACED and FGMC to ensure that overheads are reasonable. We will also expect the Fund Manger's output through its monitoring and learning responsibilities to contribute to the global public goods via contributions to global conservation learning communities.

Incorporating a Fund Manager will introduce an additional layer of management, and cost, to the programme. However, we consider that this is justified given the scale and complexity of the proposed programme, and the potential returns.

Delivery Partners: We will engage a consortium of delivery partners in each landscape, with one organisation will be appointed as Lead Delivery Partner. A consortium approach will be necessary given the range and complexity of the interventions – it is extremely unlikely that a single organisation could deliver all the specified outcomes – and is desirable as it will enable us to bring together a range of cross-sectoral actors with different skills, perspectives, knowledge and approaches. Lead Delivery Partners will hold responsibility for all spend and risks in their landscape, management of activity throughout the consortium and will sign grant agreements with the Fund Manager on behalf of the consortium. First line management of delivery partners lies with the Lead Delivery Partner. HMG, through the Fund Manager, will retain ultimate oversight.

An initial early market engagement event was held in February 2020, to assess the capacity and interest of relevant organisations to the Fund Manager role and potential delivery partners. This exercise confirmed that there is both interest and capacity in the market. This exercise will need to be revisited in light of Covid-19, and the impact of the pandemic will be taken into account in the ToR for procurements.

Independent Evaluator: Defra will contract an independent evaluator to establish programme and landscape-level evaluation approaches and questions, establish a baseline (inception) and conduct initial, mid-term and final evaluations in-country, working with the delivery consortia. The Independent Evaluator will refine and review the initial logframe for results and the programme KPIs. Separating the evaluation function from the monitoring and learning functions is in line with ICAI's 2019 finding[95] which noted the need for learning to be integrated into aid management processes and absorbed by HMG, rather than accumulating in external suppliers where the whole MEL function has been outsourced.

Structure, Roles and Responsibilities

Figure 2 shows the proposed structure of the Fund and key lines of responsibility. Further detail on the roles and responsibilities of each partner in key processes and activities of the BLF (Delivery Partner procurement, payments, risk management and monitoring and evaluation) is at Annex E.

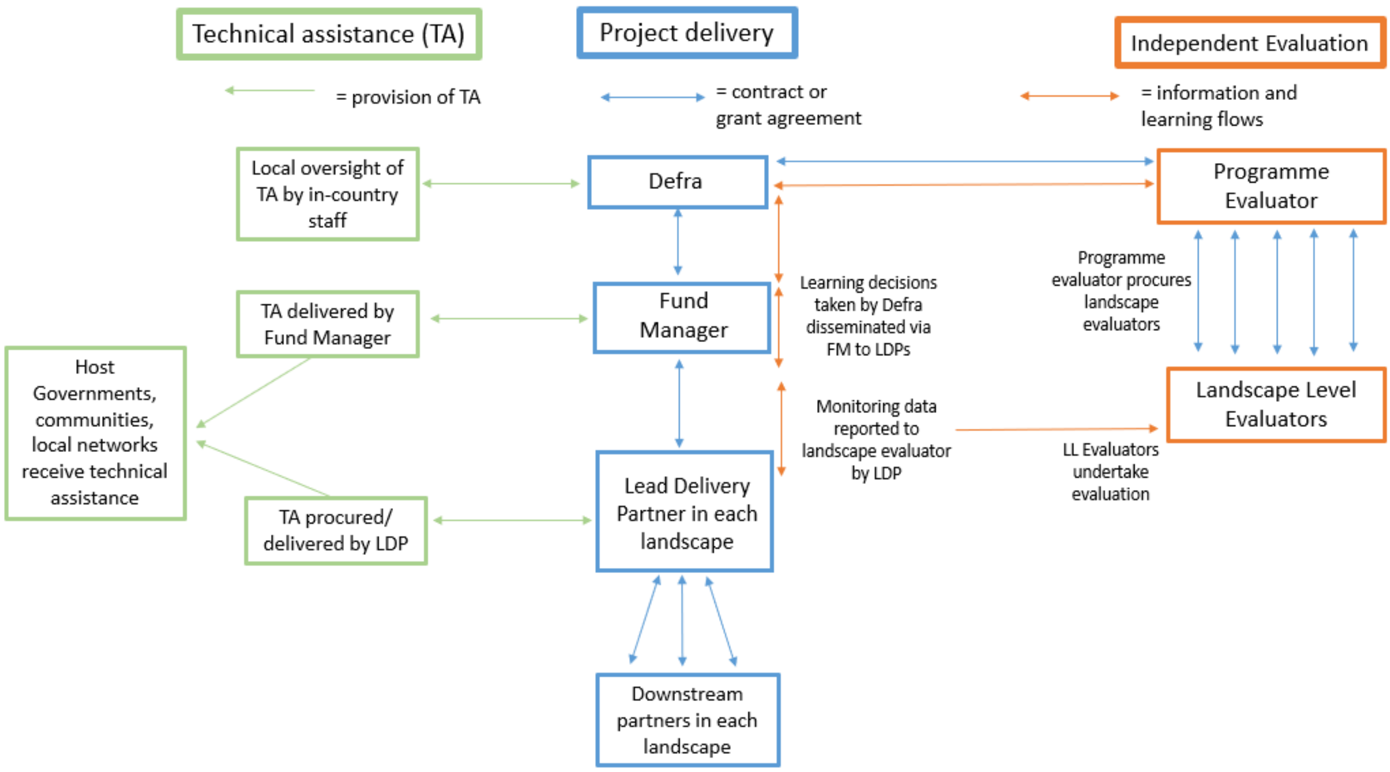


Figure 2: Proposed structure of the Fund, focussing on reporting chains for contracts and grant agreements.

Procurement route and contracting approach

Alternative means of securing the services of a Fund Manager were considered:

1. Procure the Fund Manager through an open procurement
2. Procure the Fund Manager via a framework agreement
3. Make a direct award to an organisation

1. Procurement via open procurement

Defra could procure the Fund Manager via an open competition. Benefits would include the possibility to build in a negotiation period to ensure any successful bid meets all of Defra's expectations and is deliverable by the successful bidder. Defra is experienced in procuring contracts in this way. However, this route takes almost a year to complete and would elicit bids from a large number of unqualified organisations, assessment of which would absorb significant staff time.

This option is discounted.

2. Procurement via a Framework

Defra could procure the Fund Manager via FCDO's International Multi-Disciplinary Programme framework (IMDP)[96] which provides access to a set of pre-assessed suppliers. An IMDP procurement takes approximately 12 weeks, meaning that the Fund Manager should be in place by Summer 2021.

Grants issued to delivery partners, via the Fund Manager, would be classed as 'pass through' funds. Estimates based on similar FCDO programmes that use an external Fund Manager indicate the cost of this contract to be less than 5% of the total value of the fund.

Suppliers on the IMDP Framework have proven track records of delivering complex programmes and have been assessed for competency in administrative and financial management, risk management, performance oversight and knowledge of conservation and sustainable development. Using the framework will free up Defra's programme and commercial resource, allowing staff time to focus on work that cannot be done by external providers.

This is the chosen option for procuring the Fund Manager.

3. Direct award to a Fund Manager

Defra could make a direct award to an organisation for the Fund Manager contract, without competition. This route would only be permitted if could be demonstrated that this is the sole supplier capable of fulfilling the requirements of the contract. As our Early Market Engagement event, and the IMDP Framework show, this is not the case. Moreover, due to the value of the contract and the level of approval it would have to go through, the process would take almost the same time as a competition, thus nullifying any potential benefits. To make a direct award would not meet HMG commitments to fair and open competition; would not be justifiable on the grounds of need or expediency, and would be highly likely to meet with legal challenge from suppliers.
This option is discounted.

Procuring a consortium of delivery partners in each landscape: Once contracted, the Fund Manager will administer the competition for delivery partners in each landscape on behalf of Defra, through their own systems. Organisations may bid either individually or as part of pre-formed consortia, but must be willing to be placed in a consortium with others. The Fund Manager will recommend the most effective groupings of bidders in each landscape. The Fund Manager will be responsible for drafting ToR for these grants, to be approved by Defra. The Fund Manager must ensure all HMG policy and procedure is embedded within delivery partners' ToR. Technical assessment criteria for the grant competition will be developed by Defra. The Fund Manager will be responsible for supplementary financial criteria, or criteria specific to their own processes. HMG will ultimately approve all criteria.

The evaluation and selection process will be designed by Defra and administered by the Fund Manager, which will carry out an initial screening of eligibility of bids. Defra will chair and appoint members to the evaluation panel. Ministers will take decisions on proposals and successful applications, subject to due diligence checks.

Procuring the Independent Evaluator: Defra will procure this supplier and will hold the contract and associated risk, via FCDO's GEFA framework. The Independent Evaluator will be in place approximately three months before commencement of activity to establish baselines and monitoring frameworks.

Contract management

Defra will manage the Fund Manager contract using performance-based metrics and KPIs specified in the contract to ensure the supplier's high performance. An element of performance-based pay will be considered to reinforce this approach. The ToR will stipulate requirements and expectations of the Fund Manager, including reporting on output/milestone delivery; supply delivery chain management; risk management, spend and financial performance. A dispute resolution process will be set up to enable effectively manage any dispute arising. All contracts will contain mechanisms to clawback misused funds.

Due diligence on Delivery Partners

The Fund Manager will undertake compulsory due diligence on Lead Delivery Partners, who will in turn undertake this responsibility on delivery partners. These pre-grant checks will identify potential risks:

- **Governance:** how the delivery partner is administered, its risk management processes and its ability to comply with key legislation, e.g. the Bribery Act 2010. Key policies and procedures are also assessed, including those covering child protection, environmental risk management and conflict of interests.
- **Financial Capacity:** the organisation's financial position and stability and ability to effectively and efficiently manage the proposed level of funding.
- **Operational Capacity**: if the organisation has resources and systems to deliver the required outcomes.
- **VfM and Results**: the organisation's approach to VfM and ability to measure and report results
- **Safeguarding:** organisations should have robust policies on safeguarding, including whistleblowing, risk management, governance and accountability, and their safeguarding code of conduct.

Due diligence will be undertaken by the Fund Manager after applicants have been chosen, but before issuance of award notifications. If this process exposes a risk beyond stated risk appetite, the grant offer will be withdrawn, should remedial actions not prove possible. Additional due diligence checks will be undertaken during the programme implementation period.

The Fund Manager will check grant holders' expenditure claims, including verification of supporting documentation for a random percentage of claims each month. The Fund Manager will also propose a monitoring and verification approach as part of their bid, for example conducting risk-based and randomly selected audit and spot checks of grantees and project sites. All grant holders are required to submit audited accounts annually for review.

We assess the overall risk level of this procurement approach to be low, and readily mitigated. The Early Market Engagement Event (February 2020), and subsequent enquiries, provided confidence that the market for these contracts is both present and keen to respond. Once the Fund Manager is in place, we will work with it and Posts to gauge delivery partner capacity in light of Covid-19. See the Risk Table on p.46.

Compliance with the International Development Act 2002

The legal power to invest is under the International Development Act 2002.

Gender equality statement & compliance with gender sections of 2002 International Development Act

Under the International Development Act (Gender Equality) 2014 Defra's ODA investments are required to contribute to reducing gender inequality. As part of the grant application, delivery partners will be required to demonstrate how their proposed interventions will:

- seek to enhance participation of women in all programme activities;
- be sensitive to the socioeconomic and cultural contexts of its area of operation, recognising the differing needs of women and men and the constraints to participation each may face;
- analyse risks involved in the implementation of gender strategies and steps needed to mitigate them;
- focus on supporting livelihoods opportunities that offer livelihood improvements for women;

The Independent Evaluator will establish gender sensitive baselines and indicators during its inception phase.

It is the responsibility of the SRO to ensure that the impact of this development assistance on gender equality receives ongoing consideration and is monitored carefully throughout the project cycle.

Environmental and Social Safeguards (ESG)

The overall aim of the projects is to reduce poverty and improve the livelihoods of communities by protecting biodiverse landscape, thus it seeks to do no harm. Progress towards delivering those benefits and having a transformational change will be assessed in the log frame and KPIs. Both the Fund Manager and the delivery partners must also be committed to maximising the environmental and social benefits of their work while minimising the risks and adverse impacts to people and natural capital. In practice this means protecting and investing in natural and social resources, responding to the challenges of climate change, promoting sustainable infrastructure solutions and ensuring social inclusion and accountability. The delivery partners must also provide safeguarding assurances to the Fund Manager that they, and any third parties consulted on their behalf, have the appropriate policies and processes in place.

Procurement Policies

This programme will follow the standard Defra grant processes Guidance for Grant Managers 2018. The Fund Manager will be expected to follow these processes when managing grants on behalf of Defra.

Commercial Risks

Commercial risk is deemed to be low, and appropriate mitigating actions will be taken before and during the programme lifetime. Risks in the initial procurement stages include a lack of suitable delivery partner bids, or a lack of suitable delivery partners to make up a consortium. Through our Early Market Engagement event and subsequent inquiries, we are confident that the market can respond to our call for bids. We will continue to work with Post and the Fund Manager when they are in place, to gauge delivery partner suitability in each landscape. Given the Fund Manager will be holding fiduciary, operational and delivery risks on behalf of HMG, we are confident they will mitigate other commercial risks including misuse of advance payments.

UK Subsidy regime

The BLF is out with the scope of the WTO Agreement on Agriculture, as no financial support will be given to agricultural producers in the UK. Likewise, no subsidy will be awarded to businesses in the UK or Crown Dependencies, so it is outside the scope of the WTO Agreement on Subsidies and Countervailing Measures.

FINANCIAL CASE

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

8. Expected Project Costs

The full cost of the BLF will be £100m, from FY2021/22 to FY 2029/30, which the Prime Minister announced in 2019. The first £2m was of this sum confirmed for FY2021/22 (Year 1) via SR20. We will secure funding, for both programme and staffing costs, for years 2-9 through subsequent Spending Reviews. As a Tier 1 programme, HMT approval will be sought for this Business Case. The BLF will be entirely ODA funded, with 65% of the total cost classified as ICF. This ICF element will in turn contribute to the £3bn of ICF funding, 2021-2026, that the Prime Minister has committed to spending on nature. Over this five year period, around £18m of BLF spend will therefore contribute towards this £3bn commitment.

Spend will not be incurred evenly across this period, but will start from a low base in FY2021/22 with preparatory spend to commission PET analysis, recruit in-country staff and let the Fund Manager and Independent Evaluator contracts. Subsequent years will see a steady increase in spend as work commences. Spend will tail off from FY2027/28.

Table 2 sets out an indicative payment schedule for the six landscapes (with Madagascar being set at £10.2m total, as per the existing Madagascar Terrestrial Forests business case). The total amount to be allocated to the other five landscapes will be determined by need, drawing on the results of the PETA analysis. We will not commit to equal funding between these landscapes. Costs shown for the Fund Manager, Independent Evaluator and PETA analysis are upper-end estimates, which will be determined via the procurement process. In-country staff costs will be determined by local pay rates at the Posts to which they are recruited.

Contracted Costs

Comparable FCDO and Defra programmes to the BLF, including ICF, FGMC, BRACED and Darwin, have been benchmarked to indicate likely costs for this programme. Based on this, consultation with evaluation experts and other internal assessments, costs for the BLF are estimated at:

- **Fund Manager contract**: typically range from 5-10% of programme funding, depending on its size, level of risk and responsibilities undertaken. We estimate this cost to be around the mid-point of this range as significant amounts of landscape-level coordination and political engagement will be undertaken by in-country staff.
- **Independent Evaluator contract:** ~3% of total programme funds, dependent on its size, level of risk, innovation and extent of new monitoring data required. We anticipate allocating ~1% to programme-level evaluation and ~2% to landscape-level evaluations contracts.

Staffing costs

BLF staffing costs cover Defra's core BLF team (in-country staff will be funded from programme costs), and will be funded from Defra's ODA staffing budget, to be confirmed through Spending Reviews. The size and composition of this team will reduce over the lifespan of the Fund, as its management requirements vary. Staffing costs are therefore front-loaded, starting at ~£570k (10.5 FTEs) in FY21/22 as the resource-intensive preparatory stages are completed, and dropping to six-eight FTEs over the following two-three years.

Programme Costs

The balance of the Fund, ~£86.85m, will fund the BLF's interventions, and in-country staff. It is proposed that £10.2m of this balance will be allocated to the Madagascar landscape with the remaining £76.65m apportioned across the five landscapes, meaning ~£15.33m per landscape. Spend across the landscapes will not necessarily be equal, but will be allocated according to need and opportunity. An indicative apportionment of funding will be determined via the competition process for delivery partners, although these amounts may be reassessed or amended over the course of the programme, depending on results produced and any unforeseen factors, in line with the adaptive programming approach. In-country staff may be either local-engaged or UK-based officers, dependent on need, local markets, skill sets required and costs.

Capital and revenue requirements

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

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

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

The BLF programme has been determined as Resource expenditure (RDEL) as the nature of the work to be undertaken does not meet the CBG definition of Capital expenditure. The grant will be used for a range of activities that deliver biodiversity conservation and poverty reduction outcomes.

Accounting Officer Tests

The primary accounting office tests have been considered throughout the development of this business case:

Affordability: this proposal will only be delivered subject to the agreed availability of budgets.
Regularity: the programme funds will be managed in accordance with HMT's Managing Public Money guidance and ODA guidance.
Propriety: ODA funding will be allocated under Section 1 of the International Development Act 2002 and expenditure will be in accordance with this legislation and all ODA requirements.
Value for money: the recommended approach has been appraised carefully against alternative options, including doing nothing and alternative funding mechanisms and delivery approaches.
Feasibility: the need for the Fund has been outlined fully in the strategic case, which also explains the importance of ensuring the sustainability of this fund and how this will be achieved.

Impact on income and expenditure account

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

An indicative payment schedule for a single, transboundary landscape is shown in table 3. Final payment schedules will be agreed between delivery partner and Defra as part of the grant award process. The amounts and times may be subject the development of the project and costs incurred by delivery partners.

First payments will be made in the first quarter of the year of launch. This would not constitute payment in advance of need as it is likely that delivery partners will require some funds to commence the project. Subsequent payments will be made in arrears, on evidence of goods or services having been delivered. Payment schedules will be monitored throughout the lifespan of the programme and revised if necessary.

Payments

Defra will own the Fund Manager and Independent Evaluator contracts, so will pay these suppliers directly. Payments will be made in arrears following satisfactory meeting of milestones, KPIs and other measures as stipulated in the contractual agreements.

Defra will transfer funds to the Fund Manager for disbursement to the delivery partners, paid via the Lead Delivery Partner in each landscape. Schedules for these transfers will be agreed with the Fund Manager once the shape of the consortia and interventions is known. The Fund Manager will disburse these funds as grant payments to Lead Delivery Partners in each landscape, to be paid in arrears and dependent on the delivery partners successfully meeting milestones, KPIs, or other measures as stipulated in the contractual agreements. Lead Delivery Partners will be in turn disburse funds to delivery partners.

Avoiding payment in advance of need

In line with HMT's guide on Managing Public Money, we will ensure that Defra is not paying in advance of need. Some delivery partners, particularly smaller organisations with limited capital, will need funding prior to commencing an activity; clearance for which will be agreed prior to any payments. Accountable grants will be put in place to facilitate this where appropriate, whilst mitigating the increased risk. All contracts will contain mechanisms to clawback any misused funds, which will be cleared by Defra's Governance Team.

Reporting, monitoring and accounting for funds

The Fund Manager will submit quarterly financial statements and detailed annual financial reports, including risk assessments. Quarterly reports will be disaggregated by sub-grant awarded. This is in line with existing HMG programmes and meets the expectations of Defra Finance. Reports will disaggregate financial data by project and category of spend, and align with projects' delivery plans. They will indicate realistic projections of spend for the current financial year broken down by quarter on all major budget category lines. As mandated in its KPIs, the Fund Manager will provide monthly financial forecasts, accurate to within 2% variation. It will be required to advise HMG in advance of any unexpected, or significant, changes in forecasts.

Transparency

Defra requires all its partners to meet the [International Aid Transparency Initiative (IATI) standard]() which aims to ensure that organisations publish information to 'improve the coordination, accountability and effectiveness to maximise their impact on the world's poorest and most vulnerable people'. This includes information on the organisation, funds, and planned activities. This project will generate significant outputs including log frames, annual reviews, project proposals and technical reports which will be of interest to other countries and stakeholders. All outputs should be published on IATI and free to users whenever possible. Most agencies now follow this standard.

Avoiding Fraud and Corruption

In line with ODA guidance, Defra has a zero-tolerance approach to corruption and will pursue aggressive recovery approaches. All organisations will be required to adopt a zero-tolerance approach to fraud and corruption; to act immediately if it is suspected, to cooperate fully with HMG and other authorities to bring perpetrators to account, and to pursue aggressive loss recovery approaches. All agencies must have systems in place to detect and combat fraud. The Fund Manager will hold responsibility for conducting due diligence on lead delivery partners prior to award of grant, and for monitoring and identifying any risks associated with fraud and corruption throughout the programme and must comply with HMG's policies to deliver a zero-tolerance approach. Defra will work closely with its Fraud and Risks team to identify all fraud risks when compiling the tender packs.

Currency Risks

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

Provision for Defra to Withdraw Funding

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

i. Provide specific information as may be maintained by the delivery partner in the course of its regular operations regarding the use of the Contribution;

ii. Implement appropriate measures to ensure the Contribution is used in accordance with the purposes stated in the grant agreement.

If this process cannot be implemented within 30 days (or any other period agreed) of the last request for information of the delivery partner (which will be deemed as the final period of such consultations), the Fund Manager (with approval from Defra), or the delivery partner, may terminate the grant agreement. One month's notice will be provided. Any remaining balance of funds, uncommitted for the purpose of the Project prior to the receipt of such notice, shall be returned to Defra within 60 days of the date of the notice. Upon completion or closure of the Project, the delivery partner shall return any remaining uncommitted balance of the funds to HMG within 30 days.

MANAGEMENT CASE

Management and Governance Arrangements

Defra has extensive experience of managing ODA programmes in accordance with FCDO's [SMART Rules.](SMART Rules) This section sets out the roles and responsibilities of Defra, the Fund Manager and Independent Evaluator as well as the programme's monitoring and evaluation approach.

Defra internal governance

SRO: The SRO will take day-to-day responsibility for programme development and oversight, supported by the BLF programme team. Roles within this team will evolve as the programme progresses, e.g. as it moves from development to implementation. See Annex F for FY21/22 team structure.

ODA board: The role of Defra's ODA Board is to provide accountability and assurance for Defra's ODA budget and to provide strategic direction for Defra's ODA spend. The DG-Chaired Board meets quarterly and consists of Defra Directors responsible for ODA spend, plus Finance, Commercial and the Chief Scientist's Office. FCDO is also represented. The ODA Board's remit is to:

- Monitor the strategic direction for ODA spend in Defra
- Monitor the implementation of Defra's ODA strategy and policy priorities
- Clear Business Cases for ODA spend above £5m
- Monitor progress against the results set out in business case
- Monitor and advising on significant risks to implementation
- Recommend remedial actions to the SRO if operational or financial performance is off track
- Ensure ODA rules are met
- Ensure consistency with X-Whitehall ODA rules.

The BLF SRO will ensure the ODA Board is apprised of all developments with the Fund. The Board will consider and approve the five landscape-level business cases in conjunction with Defra's Investment Committee: the Investment Committee has delegated authority from ExCo to approve all Defra spend over £5m.

Ministerial: The Minister of State for the Environment will have oversight of the Fund, will be regularly updated on all developments, and will take key strategic decisions e.g. approving the final choice of delivery partners. Ministerial decision will be sought should financial or reputational risks arise. The Secretary of State will have ultimate oversight.

Cross-Whitehall governance

ICF Governance: 65% of BLF funding will be ICF, it will be subject to further oversight from Defra's ICF Board and the inter-departmental ICF governance structure to ensure that the ICF elements of BLF spend meet the requirements of HMG ICF spending by delivering against at least one ICF KPI.

Posts: Heads of Mission have oversight over all ODA spend in their countries, so will be heavily involved with BLF implementation. Posts will advise on political handling in-country, and in-country staff will be managed through Posts, reporting directly or indirectly to the HoM.

Resourcing and recruitment

The BLF will be run by a central team of Defra staff in the International, Climate, Nature and Development Division, overseen at Deputy Director level. This team comprises policy/programming and analytical staff. Specialist support, e.g. Commercial, Finance, Legal and ODA management, will be provided by Defra. Staffing requirements for this team have been worked up, with reference to the size and structure of teams delivering comparable Defra and FCDO programmes. The majority of roles are in place, and recruitment procedures are underway for the remaining vacancies. Roles and responsibilities within the team will evolve over the life of the programme, for instance as the focus shifts from preparation and development to programme management once implementation commences.

The team will be funded by Defra's ODA staffing allocation, or BAU budget, subject to confirmation at Spending Reviews. Specialist teams are responsible for ensuring they have sufficient capacity to support this and other Defra ODA programmes, and for bidding for this capacity via Spending Reviews.

Heads of Mission will oversee programme delivery at the country level, and lead engagement with host Governments. They will be supported by a member of staff working across all the countries in each landscape. These In-country posts will be funded from programme spend, not departmental admin. These roles will be recruited to ahead of activity commencing in each landscape. Advice will be sought from FCDO and the Fund Manager as to which Post/s within a transboundary region it would be most effective to base staff. These staff may be locally-engaged (i.e. recruited in-country) or UK-based staff deployed to Post for a specified period, dependent on factors including cost (UK-based staff being significantly more expensive), skillsets and programme requirements. Proposals for in-country staff will be presented in detail in the landscape-level business cases.

Monitoring and Evaluation Governance

The Monitoring, Evaluation and Learning components for the Fund are set out below:

- **Monitoring** of the Fund against its outcomes related to people, nature and climate.
- Independent **evaluation** of performance to assess the impact and processes of the Fund.
- Generation of evidence and **learning** to the fund and other HMG programmes.

The monitoring and evaluation of all Defra ODA projects is consistent with the requirements of the UK International Development Act 2015. The Fund Manager will be responsible for ensuring that the project meets Defra's monitoring and reporting requirements.

In line with the SMART rules, it is expected that the Fund Manager will provide:

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

Annual reviews and log frames: Logframes are a key means of holding delivery partners to account and measuring the effectiveness of UK ODA spend. All Defra projects will report progress against a logframe or equivalent indicator framework setting out *its* activities, outputs, outcomes and impacts. An indicative logframe will *be submitted during* the grant application process*, and* finalised with the delivery partner within six months of the start of the project.

Quarterly progress and financial reports submitted by the delivery partner will be used to monitor progress through annual reviews. Although the annual review is expected to be a collaborative effort between the delivery partner and Defra, Defra is responsible for the final scoring, conclusions and publishing of this document. Logframe indicators and milestones will be updated annually to reflect programme performance, changes to programme design and/or feedback on current indicators. Best practice is that log frames should be updated and agreed in the annual review.

Key performance indicators

KPIs will provide a high-level indication of success against the programme outcomes and are related to the ToC and found in the logframe. The KPIs are a set of indicators which will capture, where possible, results relating to the core goals and objectives of the ICF and CBD and align with those of the Blue Planet Fund, Darwin Initiative and the GEF. This will enhance the Fund's VfM and build upon established and ratified methodologies which are a major contribution to the evidence base upon which programme decisions can be made. The sample of the initial set of programme-level KPIs are set out below against the three pillars of the programme objectives:

People

- Number of people / villages with improved land or natural resource management rights
- Number of people or villages with improved incomes or other direct benefits as a consequence of local businesses that are linked to sustainable management of natural resources Volume of finance (public or private) leveraged by the programme intervention for improved biodiversity and ecosystem management or local development

Nature

- Change in ecosystem integrity, accounting for habitat loss, degradation and fragmentation
- Change in protected area management effectiveness

Abundance or rates of occurrence of globally threatened species / key populations and / or indicator species

Climate

- Change in deforestation rates
- ICF KPI 6: GHG emissions reduced or avoided as a result of intervention **or** ICF KPI 8: Deforestation avoided
- ICF KPI 17: Hectares of land to receive sustainable land management practices

The overall impact indicator is the likelihood that the intervention will achieve transformational change (ICF KPI 15). The BLF will therefore seek evidence of the development of self-sustaining practices which have social, economic and environmental benefits, and the continuation of outcomes after the programme.

Landscape-level KPIs will be developed by delivery partners with the support of the Fund Manager and Independent Evaluator to take account of landscape-specific aims and contexts. They will be draw on information received from the PEA and technical analysis for each landscape. This will ensure activities and indicators offer best VfM and align with the complexity that comes with each landscape.

Independent Evaluations

To ensure accurate and objective evaluations, at the Fund level, the Independent Evaluator will be in place before the start of funding to establish the Fund-level evaluation approach and questions, establish a baseline (inception) and conduct an initial, interim and final evaluation. An initial logframe for results, based on the ToC, along with a set of KPIs shall be agreed upon. This approach will be replicated at landscape-level.

The Independent Evaluator will work with Lead Delivery Partners to establish the landscape-level evaluation approach and questions. However, in advance of this, we expect initial monitoring and evaluation plans to be submitted as part of project bids by delivery partners/consortia, including a logframe, monitoring tables and KPIs - these will be approved by HMG programme board and further refined with the landscape independent evaluators and oversight by the global evaluator. The BLF is a complex programme, involving inherently complex systems where pathways between cause and effect are not linear, and multiple actors and influences will affect how change happens. Therefore, the approach will require regular monitoring and more than a static interim and final evaluation.

Evaluation Products and Objectives

Ongoing activity will include quality assurance and challenge on the accuracy of the monitoring data and potential implications towards the logframe and ToC. A final work plan will be agreed during the inception phase, but the following are proposed as key milestones:

Inception report

- Work with Lead Delivery Partners to establish baseline data
- Consider current literature and evidence base to inform potential refinements to programme and landscape level ToCs and their assumptions.
- Set evaluation approach and method and finalise evaluation questions

To be followed by **Mid-Term Evaluations** at Year 3 or 4, and **Final Evaluations** at the end of the projects.

There are three main evaluation objectives:

> **Objective 1:** To assess the impact of the programme through performance against the ToC and logframe.
> **Objective 2:** To assess the success of the programme against its objectives through progress on KPIs.
> **Objective 3:** To assess the success of the process as implemented.

The evaluation products shall be reported directly to HMG and learning applied across the Fund. For more detail see the Monitoring, Evaluation and Learning Framework in Annex H**.**

Learning Strategy

The Fund Manager will co-ordinate and organise learning cycles throughout the programme and support and incentivise learning. This will be broken down into two learning cycles:

- Quarterly, with a focus on delivery (i.e. outputs and activities). This will be a part of the management meeting process
- Annual, with a focus on outcomes (i.e. does the programme theory hold). This will be part of the annual review process which will capture all evaluative, monitoring and political information.

The expected outputs from the learning cycles will enable Defra to produce and build evidence for its nature portfolio and apply key learning points to both inform management decisions in real-time within the Fund's delivery, and also to apply learning to other HMG programmes.[97] The Fund Manager will disseminate Defra's decisions in line with the BLF's adaptive approach, to the Lead Delivery Partners, and identify and strengthen feedback loops and learning to ensure these adapt to changing realities on the ground within each landscape. The Fund Manager will revise Defra's proposed learning strategy proposed within its bid, to be finalised with HMG and the independent evaluators during inception.

In addition, the Fund Manager will facilitate and optimise data sharing and community participation though technological means such as digital platforms where appropriate. We expect the Fund Manager to develop an interface to allow for a wider reach of stakeholders and recipients to learning outputs. For example, this may include a platform for community feedback and engagement, key data input across the landscapes as well as a means for data visualisation and analysis. The Fund Manager will propose how it will facilitate data sharing using best practice and how that will feed into the learning strategy during the bid process. The Fund Manager and Lead Delivery Partners will ensure their consortia have suitable skills to use and input to the proposed technological platform.

Adaptive programming

An adaptive programming approach will be implemented for the BLF to ensure findings and lessons from early interventions and successful approaches are incorporated into subsequent activity. This will facilitate development of innovative solutions. Adaptive programming is well-suited to this programme as it will require a wide range of interventions across disparate landscapes, and will run to a phased timeframe, thereby building in opportunities for taking stock of successes and challenges.

All BLF partners will be required to contribute to this approach through monitoring, evaluating and sharing learning to allow Defra to take decisive action.

- The Fund Manager will provide information, including fiduciary risks and project monitoring data as gathered through quarterly reporting processes and annual reviews.
- The Independent Evaluator will test and propose evidence-based revisions to programme and landscape level ToCs, assumptions and logframes. Evaluations will provide an evidence base for strategic programme decisions, alongside annual reviews, evaluations etc.
- Defra will assess, and take decisions on any adaptations to projects or interventions, either at landscape or programme level. Directions to amend approaches will be delivered to delivery partners by the Fund Manager.

What are the key risks to the programme?

Initial analysis has considered the contextual, delivery, safeguarding, operational, fiduciary and reputational risks in each landscape. Based on our understanding of each area, we have eliminated landscapes that pose risks higher than our Fund's risk appetite score.

Risks will be reviewed through project reporting requirements and programme manager(s) will maintain a watching brief on landscapes to ensure they comply with the risk appetite set out in this Management Case. It may be necessary for the Fund to withdraw/amend or suspend funding where the risks exceed those set out. The risk register summarises the key risks, which will be revised once landscapes are chosen. The project lead is responsible for updating the risk register, ensuring mitigating actions are carried out and escalating risks to the SRO/ODA board. The SRO has overall responsibility for all the risks identified in the risk register.

The overall risk rating for this project is Major. There are some general risks associated with successfully managing programme delivery outlined in Table X below.

Probability (or likelihood) is based on a scale of: Very unlikely > Unlikely > Possible > Likely > Certain; **Impact** is based on the scale of Insignificant > Minor > Moderate > Major > Severe; and the overall level is based on the Red Amber Green (**RAG**) system.

Risk Description	Indicative High-Level Risks	Statement on Risk Appetite		Gross Risk	Mitigation	Net Residual Risk
		Prog-level	Project-level			
1. **Contextual** E.g. in-country Socio-political events or unrest, military activity or natural disasters.	- Risk of funded landscapes experiencing unexpected or unforeseen events including natural disasters (force majeure) which could affect accessibility.	Med	High / Med	M	- Ongoing engagement and analysis to monitor likelihood of risk occurring. Any landscapes where initial analysis shows a risk level exceeding the Fund's risk appetite score discounted.	M
2. **Delivery** Risks associated with achieving the aims and objectives of the project.	- Risk of working transboundary through a new fund, implementing a wide portfolio of often novel activities. - Risk of Covid-19 impacting forecasting/ future delivery of project or the capacity of partner governments and organisations to support delivery.	High	High / Med	H	- Forecasting risks will be mitigated through employment of a Fund Manager responsible for setting out clear forecasts to HMG and meeting all financial reporting and monitoring requirements - Project proposals will be assessed on financial risks and forecasting/profiling.	M /H
3. **Safeguarding** Risk of 'doing harm' which includes social exclusion, sexual exploitation abuse and harassment.	- Risk of programme or partner staff doing harm or not reporting incidences of sexual exploitation, abuse, harassment or bullying.	Low	Low	L	- Maintain, through the Fund Manager, close oversight and due diligence of activities across landscapes. - Establish systems to enable reporting and support whistle-blowers	L
4. **Operational** HMG's capacity and capability to manage the programme.	- Risk of Covid-19 impacting HMG's capacity - Risk of complexity in Fund's management structure - Risk of established projects being difficult to stop quickly	Medium	Low	M/H	- Closely monitor quarterly reports to inform whether to stop projects/challenge funding. - Include provisions in grant agreements to dictate process by which funding can be withdrawn	M
5. **Fiduciary** Risk that funds not used for intended purposes or not properly accounted for.	- Risk of a project's funds being misappropriated for non-programme usage. - Risk of poor financial management	Low	Med	M	- Fiduciary risks will be specifically mitigated by the employment of a fund manager who will manage and mitigate financial risk associated with the delivery partners, including through enhanced due diligence and spot checks.	L/M

6. Reputational Interventions or delivery partners' actions risk reputational harm to HMG.	- Risk of investing HMG funding in poor quality projects/implementers - Risk of interventions going wrong/causing harm, or delivery partners acting in a way that causes reputational harm to HMG	Low	Low	M	- Close oversight of delivery partners and activities by the Fund Manager and in-country staff. - Delivery Partners competitively selected against rigorous technical and financial criteria. HMG ensures projects meet delivery and strategic objectives.	L

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