

Annual Review – Blue Forests (Blue Ventures) Programme Year 2 2018

Summary Sheet

This Summary Sheet captures the headlines on programme performance, agreed actions and learnings over the course of the review period. It should be attached to all subsequent reviews to build a complete picture of actions and learning throughout the life of the programme.

Title: Blue Forests Programme		
Programme Value: £10.1m		Review Date: November 2018
Programme Code: ICF-P0001-BV	Start Date: Jan 2017	End Date: Dec 2023

Summary of Programme Performance

Year	2017	2018	2019	2020	2021	2022	2023
Score	A	A					
Risk Rating	Moderate - Major	Moderate/ Major					

A. Introduction and Context

Outline and Rationale for Intervention

The Blue Forests programme aims to design and introduce a model of sustainable development for mangrove habitats. Hundreds of millions of coastal people in developing countries rely on mangroves for their day to day livelihoods. Mangroves also play a critical role in supporting endangered biodiversity, carbon sequestration and a range of other ecosystem adaptation and resilience services such as storm protection and erosion prevention. However, despite their immense value, mangroves are among the most critically threatened ecosystems in the world. Two key drivers behind this are: lack of property rights and management techniques to enable local people to invest in sustainable, long term use of the fisheries or alternative livelihoods that mangroves can provide; and no market value for the diverse ecosystem services which mangroves provide.

The Blue Forests programme works with local communities, the private sector and government to establish improved livelihoods and explore green business opportunities based on sustainable mangrove forestry and fisheries management. The programme will directly benefit coastal communities through building climate change resilience and adaptation capacity and in ensuring the effective long-term management and conservation of threatened marine biodiversity.

The programme is focused on four key areas: blue carbon sequestration and forestry management, fisheries management and improvement, mangrove livelihood diversification, and community health and women's empowerment.

The programme is being delivered and managed by UK founded NGO *Blue Ventures* whose aim is to develop transformative approaches for catalysing and sustaining locally led marine conservation.

Overview of expected results

Over the full term of the programme, the expected results fall into three categories:

- i. **Poverty & Income Benefits** to fishermen in targeted fisheries and the provision of alternative livelihoods such as apiculture and sustainable sea cucumber and shrimp harvesting. This combination of strategies is predicted to be worth £70 million over 20 years and benefit over 100,000 people.
- ii. **Carbon Savings** through conservation and restoration of mangroves that will reduce the rate of deforestation and increase capacity for carbon sequestration to a total of up to 13.9 MtCO₂e.
- iii. **Ecosystem Services, Diversity and Wildlife Benefits** are wide ranging but some value can be harnessed through future eco-tourism. It is expected that the investment could return ecosystem service benefits worth £22 million over 20 years.

B. Summary of Progress

Summary of Progress

The ICF Blue Forests project, managed by UK Non-Governmental Organisation (NGO) Blue Ventures, aims to reduce deforestation of mangrove habitat, create new sustainable livelihoods, support community health and women's empowerment and increase climate resilience in coastal communities. Planned investment in the programme is £10.1 million over a period of seven years. The total impact aims to be 20 years under the expectation of leveraging additional funding from the private sector for the remaining time.

This annual review assesses the performance of the Blue Forests project over its second year of operation. However, due to issues with the reporting timeline, this review does not cover a full year period from the last review. Instead, the review reports on the performance of the project for the period January 2018 – October 2018. The reporting timetable for annual reviews will be amended from 2019, with the annual review published in April instead of December, to mitigate these issues in future.

The project is currently operating at 3 sites in Madagascar; in Ambanja bay, Velondriake and Mahajamba Bay. The sites at Ambanja bay and Velondriake are fully operational, while operations at Mahajamba Bay are currently being set up. The project will expand into Indonesia in 2019, with a first site chosen in Sembilang National Park in South Sumatra. Blue Ventures are scoping possible locations for a second site in Indonesia.

Blue Forests scored an average of A for this Annual Review, meeting expectations. The majority of portfolio outputs are meeting expectations and the project is on track to meet overall aims. Progress is still limited on the scale of outcomes_in light of this next year (2019) is a critical year for milestone performance. Some key highlights across indicators are:

- At the end of year 2, a total of 6229 ha of mangrove forests are already protected or under sustainable management plans compared to a target of 5700ha, which was achieved at the end of 2017, and a

baseline of 250ha. The proper protection and sustainable management of mangrove forests is integral to reducing deforestation.

- All 11 community management associations at programme site 1 have now had their mangrove management plans ratified by the regional forestry authorities. This gives local communities the right to manage forests, providing livelihood security and facilitating reduced deforestation.
- Community led monitoring or management is now in place in eight different fisheries across three sites in Madagascar utilising diagnostic tools, permanent reserves and temporary closures. Improved management of mangrove fisheries can generate significant economic returns for coastal communities, creating powerful economic incentives for sustainable fisheries management and mangrove conservation.
- Progress has been made on recommendations made in the 2017 annual review, though challenges remain: Budget spend has remained in line with expectations, with underspends on sites due to delays in implementation avoided across sites of operation.
- The use of a buffer period to factor in the potential for unforeseen developments in the expansion phase to Indonesia has been utilised to ensure that the operation of sites is on track, despite challenges in set-up and confirmation of work permits from the Government.
- The number of people involved in income-generating activities (Indicator 3.1) has remained below target, impacting the level of income produced from alternative livelihoods. Further engagement work across sites will be required over the next year to bring 3.1 back on track towards agreed targets.

Progress against Logframe

The programme has encountered challenges this year in terms of keeping pace against time frames laid out in our monitoring agreements and has experienced delays as a result. These are primarily across two focal areas – firstly, in the implementation of new livelihood mechanisms at site 1, where BV have not received approvals to build a new aquaculture hatchery. BV expects these delays to be countered by work in 2019. Secondly, due to the proposed expansion of a shrimp farm bio-protection zone by a private sector partner, [Redacted], delays have occurred at site 3. If these private sector sensitivities are not resolved, Blue Ventures has contingencies in place to begin activities in other areas, in close proximity to the original site. The process of registration which is required to work in Indonesia has made in-country staffing challenging at site 4, but due to comprehensive support from BV's central team, this has had no effect on the progress towards implementation.

The methodology for KPI 10 (impact indicator 5) – ‘the value of ecosystem services generated or protected as a result of ICF support’, has now been developed by Defra economists with a first milestone expected in 2019. This indicator will be reported on for the first time in Y4's Annual Review. This will show the difference in ecosystem services income (shoreline protection; pollution abatement; protection from sedimentation) provided by the protected mangrove habitat, compared to a scenario without project influence.

Further ICF KPIs reported on in the Blue Forests programme are:

- KPI 3 (impact indicator 2): Number of forest dependent people with livelihoods benefits protected or improved as a result of ICF support

- KPI 6 (impact indicator 1): Net Change in Greenhouse Gas Emissions (tCO₂e) – tonnes of GHG emissions reduced or avoided
- KPI 8 (impact indicator 4): Number of hectares where deforestation and degradation have been avoided through ICF support.
- KPI 15 (impact indicator 3): Extent to which ICF intervention is likely to have a transformational impact.

Recommendations for the year ahead

Recommendations focus on two primary areas of risk to continued effective program implementation:

- 1) Risks to implementation at Site 3 in Madagascar, due to the proposed expansion of the bio-protection zone of the [Redacted] shrimp farm. This expansion may stop the development of aquaculture at the site, thus limiting the potential for the development of alternative livelihood activities. As such, the risk will need to be continually monitored throughout 2019, with alternative livelihoods approaches identified and implemented if aquaculture is not considered -feasible in the given context.
- 2) Potentially significant risks – e.g. delays in securing staff, implementing operations - linked to roll-out of activities to additional sites, whether in Indonesia or in the third country of operation, will need to be managed effectively, with any amendments to the assumptions laid out for new sites reflected in updates to the logframe. This is a key opportunity for implementing learning from the initial sites of operation, and should be underpinned by a continuation of the effective working relationship between Blue Ventures and the ICF program team.
- 3) Evaluation plan - (see Section H): The evaluation plan, produced by external consultancy IMC, highlights the need to review the project’s theory of change, logframe and monitoring tools to ensure effective M&E throughout the rest of the project lifecycle. The theory of change will be revised to ensure it is in line with the log-frame, this will be done collaboratively by BV and Defra teams before the 2019 annual review. BV will also make changes to the Integrated Social Survey and Geographic Information System tools -and will share/agree these changes with Defra. Progress on actions will be assessed in the 2019 annual report and mid-term evaluation due to take place in 2021.

Lessons Learnt

The scoping methodology employed for Sites 4, 5 and 6 has proven to be highly effective and will serve as an excellent blue print for similar future initiatives. Also, challenges encountered in Madagascar regarding carbon credit/REDD+ legislation, where sale of credits faced delays and potential cancellation due to a lack of capacity in Government to approve sales, highlights the volatility in the climate change mitigation landscape following the 2015 UNFCCC COP in Paris. While not mitigating all challenges, Blue Ventures’ close working relationship with Madagascar’s national REDD+ office has ensured that the project is aware of ongoing changes in legislation and, where possible, able to adapt their carbon projects accordingly. As the project expands to new countries, open and transparent relationships with the appropriate ministries and governmental technical groups must be developed, learning from experiences in Madagascar.

C. PERFORMANCE AND CONCLUSIONS

The annual review was developed through data gathering from the logframe, along with interviews and engagement with the project operations lead, M&E lead, and staff on the ground. Site visits were also undertaken by the Defra programme lead to assess progress and speak to beneficiaries about the conduct of the program to date.

Annual outcome assessment

The overall outcome of the programme is *“sustainable mangrove forestry and fisheries management activities implemented at six sites where coastal communities are supported by alternative livelihoods and improved access to health care, and therefore models for replication are validated.”* Progress against this outcome is assessed through 5 indicators that focus on mangrove habitat and ecosystem management, conservation modelling, alternative livelihoods and community health. Outcome Indicator 4 does not have targets or expected milestones as the data depends on the number of voluntary family planning users and their free choice of contraceptive methods.

Outcome Indicator 1: *“Hectares of mangrove forest area protected or under sustainable local management”*

- At the end of year 2, a total of 6,229 ha will be protected or under sustainable management plans. This exceeds the Logframe target of 5,700 ha.
 - o Site 1, Madagascar: 5,199 ha are now under management plans ratified by the regional forestry services.
 - o Site 2, Madagascar: There is no change from year 1, with 1,100 ha still secured under Marine Protected Area control.

Outcome Indicator 2: *“Number of sites implicated in Fisheries management including but not limited to Fisheries Improvement Projects (registered or actions plans being implemented)”*

- At the end of year 2, two sites have fisheries management activities. This exceeds the target of 1.
 - o Site 1, Madagascar: The partner communities at Site 1 have put in place 5 permanent reserves within their mangrove conservation areas. Inside these reserves, all types of fishing are banned, as well as mangrove harvesting.
 - o Site 2, Madagascar: The 10 villages within the Tahiry Honko project area are included in the fisheries improvement project (FIP) for *Octopus cyanea* across Velondriake.
 - o Site 4, Indonesia: Sembilang National Park, South Sumatra, was selected as the first implementation site in Indonesia. Abundant potential fisheries management opportunities have been identified at this site. Work in Sembilang is expected to begin in July 2019. The second site in Indonesia will be finalised in early 2019.

Outcome Indicator 3: *“% of people making agreed model profit from alternative activity”*

- The year 2 target for the percentage of people making agreed profit from alternative activity is 6.7%.
 - o Site 1, Madagascar: 70 people are now involved in beekeeping. As the activity is still in the pilot stage and profitability is largely dependent on farmer interest, the agreed model profit for this activity is still in the process of being defined.

- Site 2, Madagascar: 437 people are now involved in alternative livelihood projects (78 sea cucumber farmers, 331 seaweed farmers, and 28 beekeepers), this is currently 10% of the total population of the Tahiry Honko area.
- This is one indicator where we expect to see a lag, given the time needed to set up alternative livelihoods activities, and support them into profitability.

Outcome Indicator 4: “Unintended pregnancies averted”

- Site 1, Madagascar: 75 in 2017 and 110* in 2018
- Site 2, Madagascar: 625 in 2017, 1,160* in 2018
- Note these are rounded and incremental (so some of the unintended pregnancies averted in 2018 are from long-acting methods fitted in 2017).

*These figures are based on the most up to date available data as of end September 2018. Final figures, including those for October 2018, will likely be higher but will be reported after the scope of this annual review.

Outcome Indicator 5: “Number of new pieces of evidence (per year) for individual conservation models (e.g. crab fishery closure model, Plan Vivo model)”

- At the end of Year 2 the outcome indicator has met the target of two pieces of evidence published and further exceeded with six further pieces of evidence drafted. Notably:
 - Plan Vivo model: The project documentation for the Tahiry Honko project has been finalised and approved by Plan Vivo.
 - Octopus Fishery Improvement Project model: the pre-assessment report completed by the CAB will be published by the Marine Stewardship Council (MSC). Once the FIP has been launched, further details of this and the action plan will be published on Fisheryprogress.org.

Overall output score and description

The Blue Forests Annual Review scored an average of A.¹ This is based on quantifiable and readily reportable progress made on the Output indicators in 2018 with further detail provided in Section D.

Output number and description	Milestone summary	Impact weighting	Score
1. Sustainable community owned mangrove forestry management plans in place.	All indicators for this output are in-line with the predicted results in the Logframe.	30	A (0.9)
2. Mangrove fisheries management or improvement projects in place	The project has generally met targets for year 2 – with one indicator slightly exceeding	25	A+ (1)

¹ The scale of possible output scores is: C (1), B (2), A (3), A+ (4) and A++ (5), with **C** representing outputs that substantially did not meet expectations and **A++** representing any outputs that significantly exceeded expectations.

3. Implementation of viable new livelihood mechanisms	Indicators 3.1 is behind forecast due to delays in the start of alternative livelihood activities at Site 3 because of ongoing private sector partner sensitivities in the region. All other indicators are expected to be on target by year end, which is out of scope of this annual review.	25	B (0.5)
4. Increased access to family planning services	The interconnected indicators 4.2 and 4.3 are both slightly behind target but this is due to partner organisation capacity. Indicator 4.1, directly dependent on BV is on schedule.	10	B (0.2)
5. Organisational and financial structures in place to support 20 year project vision	Targets have been met across three of four indicators, with 5.1 delayed by one community structure from a total of three at site 3.	10	A (0.3)

Programme Management Tool Summary

This section briefly summarises the output/performance of some of the programme management tools over the last year:

i) Logframe Summary

There are some areas of the Logframe where future milestones may need to be adjusted to accommodate changes in expected results as activities in Sites 4, 5 and 6 become clearer, or as -activity_time-frames change to circumstances beyond the control of the project. These changes will be decided upon and made before publication of the next annual review.

ii) Value for Money Summary

The programme is continuing to deliver significant value for money in line with the original Blue Forests Business Case. We expect any delays to have been resolved by closure of the project and delays are not projected to impact the overall expected results. On this basis, current delays have a negligible impact on the original benefit cost ratio indicated in the business case. Blue Ventures operates with well-integrated regional operations and utilises on-the-ground expertise to control costs and ensure positive and lasting results. BV's currency mechanisms enable the program to mitigate the risks of ongoing fluctuations in Malagasy inflation and the GBP: MGA exchange rate.

iii) Risk Summary

Overall, the risk category has not changed – it is a Moderate-Major. However, this does not reflect that there has been a reduction in risk overall. Previous risks are still present and relevant, although risks 1 and 5 have changed from amber to green.

D. DETAILED OUTPUT SCORING

OUTPUT 1

Output Title	Sustainable community owned mangrove forestry management plans in place		
Output number per LF	1	Output Score	A
Risk:	Moderate	Impact weighting (%):	30
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
1.1. Number of sites with community-led mangrove management plans	2 (by end 2018)	2 (Sites 1 and 2)
1.2. Number of sites with an estimated carbon baseline scenario	1 (by end 2018)	1 (Site 2)
1.3. Number of carbon credits produced (with a minimum of 50% revenue shared with community)	0 (by end 2018)	0

Key Points

All indicators for this output are in-line with the predicted results in the Logframe.

Progress at Site 1, Madagascar:

Mangrove management plans for all 11 management associations have been ratified by the regional forestry authorities (Indicator 1.1). Significant progress has been made towards indicator 1.2 over the last year, with research undertaken in partnership with Macquarie University, Australia, to define the reforestation baseline scenario. Everything is on track to have a finalised baseline for Site 1 by the end of year 3.

Progress at Site 2, Madagascar:

Site 2 has a functioning community-led mangrove management plan (indicator 1.1). With the project documentation finalised, it is hoped that carbon credits will be produced at Site 2 during year 3. While this doesn't count towards project impact, the experience and lessons learned will be critical for future years as other sites start generating carbon credits.

Progress at Site 3, Madagascar:

With the initial management unit defined, the project is well placed to start working towards management plans and baseline scenarios in year 3.

Issues

It is assumed that carbon credits will be able to be sold in all countries. This assumption still stands, but legislation varies significantly between countries and individual governments' commitments through the Paris Agreement adds a further layer of complication. For instance, in Madagascar, legislation has been brought in

that requires the Government of Madagascar to be signatories on all carbon credit sales. This is not an insurmountable issue, but together these uncertainties and changes in legislation have the potential to result in changes to the Logframe as the project progresses.

Recommendations

No recommendations for Output 1 as all indicators for this output are in-line with the predicted results in the Logframe.

OUTPUT 2

Output Title	Mangrove fisheries improvement projects in place		
Output number per LF	2	Output Score	A+
Risk:	Minor	Impact weighting (%):	25
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
2.1. Number of fisheries being monitored	6 (by end 2018)	8 (3 at Site 1; 2 at Site 2; 3 at Site 3)
2.2. Number of sites trialling/pilot locally relevant fisheries management (e.g. periodic closures, gear restrictions)	2 (by end 2018)	2 (Sites 1 and 2)
2.3. Number of local fisheries management plans developed (e.g. Agreed harvest rules concerning a fishery or wider management contracts)	0 (by end 2018)	1 (Site 1)

Key Points

The project has either met or exceeded target figures for Year 2.

Progress at Site 1, Madagascar:

Three (fish, crab and sea cucumber) fisheries are being monitored at Site 1, and the partner communities have put in place 5 permanent reserves within their mangrove areas (indicator 2.1). Inside these reserves, all types of fishing are banned, as well as mangrove harvesting (indicator 2.2).

A fisheries management plan for the entire Tsimipaika Bay has been drafted and validated by all 36 communities within the Bay (indicator 2.3).

Progress at Site 2, Madagascar:

Two fisheries (fish and octopus) are being monitored at site 2 (indicator 2.1). Local management through temporary octopus closures and permanent reserves for fish is being implemented in site 2 (indicator 2.2).

Progress at Site 3, Madagascar:

A fisheries profile has been completed at site 3 with monitoring planned for fish, crab and shrimp by end of year 2 (indicator 2.1). A fisheries diagnostic has also been started in earnest at Site 4, Indonesia.

Issues

There are no issues to highlight for this output.

Recommendations

There are no recommendations at this stage for Output 2

OUTPUT 3

Output Title	Implementation of viable new livelihood mechanisms		
Output number per LF	3	Output Score	B
Risk:	Severe	Impact weighting (%):	25
Risk revised since last AR?	n.a	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
3.1. Number of people engaged in alternative livelihoods	799 (by end 2018)	506
3.2. Total income generated	\$53,631.90 (by end 2018)	\$25,782.00 (end June 2018)
3.3. Number of new alternative livelihoods developed by site	3 (by end 2018)	3

Key Points

Both indicators 3.1 and 3.2 are behind forecast. 3.1 is due to delays in the start of alternative livelihood activities at Site 3 because of ongoing private sector partner sensitivities in the region and the missed target on 3.2 is due to the late sale of sea cucumbers at site 2 – these are expected to be finalised before the end of 2018.

- The program is currently awaiting final sales figures for the year which are updated quarterly for seaweed, and monthly for sea cucumber sales which are expected to start in November 2018. Beekeepers are not expected to make any sales this year.
- The % of those involved in the project (project beneficiaries) making agreed model profit from alternative activities could be recommended as a second indicator at this outcome level (see Logframe recommendations).
- Between January and June 2018 10.2% of seaweed farmers made the agreed profit of \$40 per month.

Progress at Site 1, Madagascar:

70 people are engaged in beekeeping livelihoods, which will have generated \$500 by the end of year 2. Sea cucumber aquaculture is currently under development although slightly behind schedule and not yet engaging any people.

Progress at Site 2, Madagascar:

331 people are now engaged in seaweed farming at site 2, and this activity had generated \$25,782 by mid-year 2. 78 people are now engaged in the sea cucumber farming project and sales are expected to take place before the end of 2018. Finally, 27 people have been trained and established beekeeping livelihoods but profits are not expected until year 3.

Progress at Site 3, Madagascar:

No progress has been made on alternative livelihood projects at Site 3 in year 2.

Issues

The development of any alternative livelihoods at site 3 (including aquaculture) are currently paused due to the proposed expansion of the bio-protection zone of the [Redacted] shrimp farm. This is an external threat, beyond the control of Blue Ventures, and currently reduces the possibility for development of livelihood projects that include sea cucumber, seaweed or crab fattening in the area. Blue Ventures has contingencies in place to begin alternative livelihood activities if the bio-security zone is expanded.

Recommendations

Aquaculture initiatives are Blue Ventures' most proven alternative livelihood at scale and the logframe was originally written assuming aquaculture of some form would be a viable alternative livelihood at Site 3. Because this is now looking unlikely due to the shrimp farm biosecurity zone, it is recommended that the milestones for these output indicators be reassessed.

OUTPUT 4

Output Title	Increased access to family planning services		
Output number per LF	4	Output Score	B
Risk:	Major	Impact weighting (%)	10
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
4.1. Needs assessments completed at each site	3 (by end 2018)	3 (Needs assessments completed at Sites 1, 2 and 3.)

4.2. Number of villages served by community-based health services	19 (by end 2018)	10 (2 at Site 1. 8 at Site 2)
4.3. Number of outreach missions completed by reproductive health partner	4 (by end 2018)	3 (1 at Site 1. 2 at Site 2)

Key Points

The interconnected indicators 4.2 and 4.3 are both behind target but this is due to lower than expected demand for health services. Indicator 4.1 is directly dependent on BV is on schedule.

Progress at Site 1, Madagascar:

Delivery is dependent on perceived need by project partner (Marie Stopes) for outreach missions. Service continues in Ambanja across two villages, with one outreach mission completed in June 2018 but a second site visit was not undertaken due to partner capacity and limited demand for long-acting reversible contraceptives (LARC).

Progress at Site 2, Madagascar:

Continuation of programming across eight villages in Tahiry Honko.

Progress at Site 3, Madagascar:

Needs assessment completed, awaiting final decision on location of pilot villages to finalise delivery programme for Site 3. A health needs assessment has also been started in earnest at Site 4, Indonesia.

Issues

Long acting reversible contraceptives (LARCs) mobile outreach is conducted where and when there is sufficient demand. This year low demand in Site 1 meant an underperformance on indicators 4.2 and 4.3. However, no changes to future predicted figures are recommended as in year 3 there are at least two mobile outreach sessions already planned at Site 1.

Progress at Site 3 has been slower than predicted due to delays in the selection of pilot villages as a result of ongoing private sector partner sensitivities, as discussed further under output 5.

Recommendations

It would be useful for Blue Ventures, in cooperation with their partner Marie Stopes, to assess the reasons behind low demand for services on some sites – e.g. whether the reason is that standards for community health services are being met in this region, or if awareness or receptiveness of available services is limited at this point. If the latter then the program should look at options to increase awareness/receptiveness and therefore increase demand. BV should also look to assess the efficacy of their current partnership with Marie Stopes, to ensure that it continues to represent value for money going forward.

Assumptions underpinning provision of health services:

- An integrated social survey carried out in 2016 at Site 2 investigated how the provision of family planning and other health services might be advancing conservation in the locally managed marine

area. The findings provide evidence to support certain elements of these assumptions as well as highlighting the limitations of each theory.

- The findings suggest that although the provision of family planning and other health services is valued by communities, it may not have immediate or direct conservation benefits; this is why a holistic approach is needed.
- Ultimately, provision of family planning and other health services can remove a barrier to community engagement but it is unrealistic to expect increased access to health services to automatically lead to increased engagement. There must also be provision of support for non-extractive livelihoods and incentives for natural resource management initiatives that provide economic incentives.
- These results do not undermine the value of the project but instead help refine assumptions as to how the component parts of the project contribute to the overall impact. BV recognises that poor health is a barrier to engagement but by addressing unmet health needs BV do not ensure engagement – instead they create the time, space and energy for individuals to engage.

OUTPUT 5

Output Title	Organisational and financial structures in place to support 20-year project vision		
Output number per LF	5	Output Score	A
Risk:	Moderate	Impact weighting (%):	10
Risk revised since last AR?	n/a	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
5.1. <i>Organisational capacity</i> - Number of relevant community structures (organisational, financial, administrative) in place to support local mangrove and fisheries management	3 (by end 2018)	2 (1 at Site 1; 1 at Site 2)
5.2. <i>Monitoring capacity</i> - Number of sites where community resource monitoring protocol is in place	2 (by end 2018)	2 (Sites 1 and 2)
5.3. <i>Enforcement capacity</i> - Number of sites where a community-led coastal management law enforcement protocol is in place	2 (by end 2018)	2 (Sites 1 and 2)
5.4. <i>Conservation agreements</i> - Number of sites with functioning, transparent community conservation agreements	2 (by end 2018)	2 (Sites 1 and 2)

Key Points

Targets have been met across three of four indicators, with 5.1 delayed by one community structure from a total of three, at Site 3.

Progress at Site 1, Madagascar:

One federation was officialised to coordinate the mangrove and fisheries management activities of the 11 associations (indicator 5.1, 5.2 and 5.4), and forest guards officialised to lead monitoring and enforcement of mangrove regulations (indicator 5.3).

Progress at Site 2, Madagascar:

One management association has been put in place to manage mangrove and marine conservation in the project area (indicator 5.1 and 5.4),. *Comite de suivi et evaluation* (CSE) being trialled for monitoring of infractions and basic ecological monitoring (indicator 5.2). Enforcement committee (KMD) and enforcement procedures in place (indicator 5.3).

Progress at Site 3, Madagascar:

The management unit has been decided and progress will be made towards organisational capacity in year 3. The project has encountered some challenges with the private partner at the site due to ongoing discussions around the extension of an exclusion zone to combat shrimp whitespot.

Issues:

As discussed above, the project has encountered some challenges with the private partner at Site 3, Madagascar. These challenges have led to small delays in the community listening surveys that form the basis for site development. Because of this, progress towards organisational capacity at Site 3 has been hampered this year and these delays will likely have a knock-on effect in future years. The Logframe has been updated accordingly (see Section H).

Recommendations

Further collaboration recommended to find a solution with the private partner at Site 3, Madagascar. Contingency plans should also be drawn up for changes to operations in the event that no solution can be found to the issues currently associated with the existing set-up at Site 3.

E. VALUE FOR MONEY & FINANCIAL PERFORMANCE

Key cost drivers and performance

At this stage in the project, there have been only minor changes in the key cost drivers between submitted and approved business cases and the financial reporting produced for internal project oversight and Steering Committee review.

VfM performance of the program

Economy:

- The original Business Case applied a year-on-year uplift of 5% to annual salaries to reflect inflationary and performance based increases in the Blue Ventures field team. Inflation of 7% has been experienced in Year 2 of the program, which reduced the purchasing power of ICF funds transferred to the local currency in December 2017. However inflation differentials have been offset by an increase in the comparative Malagasy Ariary/GBP exchange rate. Overall the purchasing power of ICF funds in-country has remained broadly constant.
- Blue Ventures do not currently have any staff in Indonesia - so impacts of local inflation will not be recognised until further into the project. To avoid unfavourable exchange movements, the majority of cash reserves are held in hard currency accounts – for the Blue Forests project, accounts are held in GBP. Transfers are made to Blue Ventures' soft currency operating accounts only as local payments are needed.
- Blue Ventures' purchase ordering system requires budget managers to view and approve all expenditure before any spending commitments are made. Malagasy finance staff independently assist budget managers in assessing the reasonableness of budget requests. ICF expenditure is reviewed against budgets on a quarterly and monthly basis, and reforecasts of current year expenditure are conducted each quarter. Blue Ventures mitigates its exposure to increases in purchasing costs by bringing forward higher value purchases and involving senior staff in negotiations for contracts and procurement. Use of local staff on project sites and throughout the BV operation in Madagascar keep staffing costs under control – 78% of staff in Madagascar are national staff.

Efficiency:

- In Year 2 the project has exceeded logframe targets for a total of 4 indicators, and met targets for a further 8 indicators. Delays in implementation at Site 3 in Madagascar, as well as delays in the initiation of aquaculture at Site 1, have led to 4 of the targets not being met. Delays are not expected to affect total results in the long term.
- The efficient use of project inputs has ensured all operating sites in Madagascar were either already established (Sites 1 and 2) or extensively scoped to ensure funds would deliver significant value for money.
- Activities at Site 3 have been delayed at the initially favoured project area. A different area nearby has been identified as suitable for implementation, with activities planned for full implementation there in 2019.

Effectiveness:

- The economic case presented in the business case determined the Benefit Cost Ratio (BCR) to be 12.6 over the full 20 year plan of the project.

- The total discounted project cost over 20 years is £12.2m (including the foregone income of mangrove deforestation for the communities of £2.3m). However, the total discounted benefit is expected to reach £153m, mainly contributed by the fisheries income (£59m, 39%) and the carbon savings (£59m, 38%). Other benefits include ecosystem service benefits of £22m (15%).
- There have been some activity delays, resulting in a project underspend in 2017 and slower than anticipated aquaculture implementation in 2018. These delays are being proactively managed and the impact of any underspend will be kept to a minimum.
- Delays are expected to be resolved by closure of the project and will have a negligible impact on the original benefit cost ratio indicated in the business case.
- All outcomes are meeting or exceeding expectations at this point. This suggests that the project is continuing to deliver effectively.

Equity:

- The program works towards improved gender outcomes, e.g. through the family planning workstream which enables recipients to make their own choices on family size and timing of pregnancies.
- Further discussion of equity considerations for the program will be possible from 2019 onwards as recipient-focused outputs begin to disaggregate statistics by sex across activity sites.

Assessment of whether the programme continues to represent value for money

Considering the progress made against output and outcome objectives over years 1 and 2, and the strong initial value for money case, the programme continues to represent good value for money. Movements in exchange rates and inflation over the past year, as well as controls put in place by Blue Ventures, have prevented the erosion of the purchasing power of UK ICF funds in Madagascar across the calendar year of 2018. However, this situation could change in the coming year, something which will be monitored going forward and against which mitigating actions are already being taken.

Quality of financial management

Blue Ventures has implemented a rigorous approach to financial management to report on ICF restricted funds with unique project codes allocated to each site, as well as project management. Narrative and financial reporting requirements have been adhered to, with an annual financial report being provided by 31 September, as set out in the project grant agreement. Blue Ventures also provide quarterly financial reports, which are presented in advance and discussed at Steering Committee meetings with DEFRA. BV have also provided additional ad hoc information for specific queries about RDEL and CDEL categorisation. Planned Steering Committee meetings are supported with a weekly ICF Team Skype call and a monthly meeting between the Director of Finance and Director of Conservations to discuss project progress and spend against budget.

Blue Ventures has a financial year end of 30th June and income from the DEFRA ICF project will be separately presented in a note to the accounts. The DEFRA project has not been subject to individual audit, but the statutory auditors, HW Fisher, select a sample of contracts, income and expenditure to test which will be undertaken in October 2018.

Date of last narrative financial report	23rd October 2018
Date of last audited annual statement	21st March 2018

F. RISK

Overall risk rating:

This project has maintained a major risk rating but at a slightly reduced level from the last annual review. Defra regularly reviews programme risks through its governance processes and discusses Blue Ventures' risk register with them at each quarterly steering group.

Overview of programme risk

Risk description	Likelihood	Impact	Prevention Plan	Contingency Plan (if risk does occur)	Risk Rating
Blue Ventures are unable to effectively manage the project, due to insufficient internal systems, leading to delays and the project being unable to meet expected results.	Very Unlikely	Moderate	Quarterly steering meetings with Risk as a standing agenda. BV have now established a project risk and issues register.	Support BV in setting up proper internal project management tools such as work plans and risk registers, to effectively manage and mitigate against risks.	Medium
Lack of M&E means that outcomes cannot be effectively measured and the project cannot report effectively against the KPIs.	Unlikely	Moderate	Logframe has been developed and agreed. Indicator methodologies are under development. An evaluation plan had been produced by an external consultant, suggesting measures to further improve M&E.	Support BV in developing M&E tools that will give indications on the performance of the project against KPIs.	High

<p>Delays pose a risk to meeting milestones for future years, resulting in underspends and lower payments made annually in December in line with the Grant Agreement.</p>	<p>Possible</p>	<p>Moderate</p>	<p>Defra and BV to continually monitor performance of the project, to assess the likelihood of delays and the impact this may have on spending and to reallocate funds, if required, to ensure there is no rolling underspend.</p>	<p>BV to reallocate funds to other sites with capacity to absorb funds, to ensure there is no rolling underspend and the objectives continue to be met.</p>	
<p>Lack of support from within communities for the projects mean site activities are not able to begin, or are not as effective as anticipated, leading to significantly reduced performance against expected results across indicators.</p>	<p>Unlikely</p>	<p>Severe</p>	<p>.BV to conduct significant scoping of sites, to ensure communities are open to the aims of the project and are likely to engage. BV have ongoing dialogue and consultations with stakeholders and community groups, to ensure the needs of local people are met.</p>	<p>Support BV in assessing the ability to engage local communities and if this is not possible, to assess the value of continuing the project.</p>	
<p>Projects fail to create interventions that are sustainable in the long term (over the 20 year period where we have expected results), meaning that targets are missed and the value of the project is diminished.</p>	<p>Unlikely</p>	<p>Major</p>	<p>Project designed so that all sites start with Stage 1 (the pilot/scoping stage) to assess most suitable interventions. Sites and/or activities do not progress if likelihood or feasibility not deemed sufficient for long-term. The project is also designed with the permanence of the benefits in mind; The four parallel work streams are designed to drive sustainable changes by addressing the</p>		

			needs of the communities and beneficiaries.	
Unexpected fluctuations in exchange rates - specifically due to EU Exit - may reduce the value of the pound and as such, the ability for the project to be properly funded.	Possible	Moderate	Finances will be drawn down strategically and in small amounts to mitigate for fluctuations in exchange rate. Regular contact will be kept between BV accountants and Defra colleagues, to ensure these measure are working.	Advice on how best to transfer funds will be sought from HMG Treasury if risk does occur.
Indonesian government have changed rules around the registration of new International Foundations, meaning that registration may take significantly longer, potentially delaying the project and posing a risk to the ability of the project to meet expected targets.	Possible	Major	On advice from lawyers, BV are now registering as a local organisation instead. The process requires a board made up of entirely Indonesian employees and this has taken some time to complete, as BV has needed to ask staff and partners to join the board. The requirements for board membership have resulted in some further delays as not all of the proposed board members have the required paperwork (e.g. tax registration).	If registration becomes impossible and poses too much of a delay, BV have developed a shortlist = of other SEA countries to expand to.
Communities at Site 3 are in proximity of UNIMA's proposed new biosecurity zone and may need to be relocated and compensated, risking the development of Site 3 and potentially causing delays to the project.	Possible	Moderate	Defra supported BV in discussions with [Redacted], including a meeting in early July attended by senior BV and	Close communication needed from BV team. BV are choosing intervention zones now for site 3 – first

			[Redacted] staff. Continued discussions are needed before risk is closed.	one is further away from the [Redacted] zone to be conservative. Contingency to have a back-up site for this zone if risk heightens.	
Madagascar's ERPD accepted into FCPF pipeline and all sales of carbon credits will now go through the GoM. Velondriake Association communities (in Plan Vivo site) may either not receive or receive delayed benefits from the sale, leading to indicator targets for alternative livelihoods being missed.	Possible	Moderate	Defra to support BV in ongoing discussions with BNC REDD and have agreed to test this new situation for a year. BV to get the Plan Vivo project document through the second review and clarify how credit sales within the GoM will actually work.	BV are confident that if the arrangement brings delays they can guarantor this with their own funds	

Issues for consideration

- i. The Indonesian government are blocking new carbon offset schemes, posing a challenge to the development of carbon credit schemes at the sites and the subsequent alternative livelihood benefits. There has been no update on this situation over the last year. Governments across the world continue to debate how carbon offsetting sits within contributions arising from the Paris Agreement. Blue Ventures remain confident they can get around this by partnering with NGOs or other delivery partners already on the ground.
- ii. In year 1, a combination of issues relating to sea cucumber aquaculture that could affect the production levels of this alternative livelihood and the income generated from it were raised as an issue. However, over year 2 the aquaculture model has been further refined and tested and grow-out is now occurring very successfully at Site 2. Hatchery unreliability is still an issue at Site 2, but with the upcoming development of a hatchery at Site 1, these issues will hopefully be mitigated at this site and it could form a blueprint for future sites, removing the reliance on externally-run hatcheries.

An additional issue associated with sea cucumber aquaculture has become apparent over year 2. At Site 1, Blue Ventures have not yet been granted the expected permit for construction of the planned

hatchery. The reasons for it being withheld have not been made entirely clear, but the program team are working with the relevant authorities to address this issue, and meanwhile re-evaluating contingency options in the event that the permit application is unsuccessful.

G. COMMERCIAL CONSIDERATIONS

Delivery against planned timeframe

The programme has encountered challenges this year in terms of keeping pace against time frames laid out in the programme Logframe and Delivery Plan and has experienced delays as a result. These are primarily across three focal areas:

- The implementation of new livelihood mechanisms at site 1 - BV expect this to be countered by work in 2019
- Progress on health outputs has been affected by partner organisation capacity issues and a lack of demand at one site. BV are investigating the causes and drawing up a strategy to mitigate or adapt as necessary.
- The initiation of activities at site 3 due to private sector sensitivities in the region has affected timeframes around Output 3.2 – work is ongoing to overcome this delay.

Updates to the logframe have been made ahead of the annual review where necessary in agreement between the project lead and BV. As described above, BV have put a number of measures in place to mitigate the impact of off-track indicators.

Furthermore, in other areas of the program work has exceeded expectations, with the development of fisheries management plans running ahead of schedule.

Performance of partnership(s)

Defra/Blue Ventures:

The relationship between Defra and Blue Ventures has continued to be productive and positive in the second year of this programme. Blue Ventures have been proactive in data collection and reactive to requests for procedural adherence. They are transparent with risks and issues and willing to contribute to documentation to fulfil HMG obligations even when it is not in line with their normal processes.

Blue Ventures/Additional Partners:

- i. *Yayasan Blue Forests* in Indonesia has been productive, as they work with BV to scope potential implementation sites.
- ii. *Cefas* (an executive agency of DEFRA) are providing technical blue carbon support to Blue Ventures, through the ongoing analysis of blue carbon field data and the development of data entry tools.
- iii. *Etc Terra - Rongead* in France have collaborated with Blue Ventures to refine their mangrove deforestation monitoring methods, in line with the protocols used by Madagascar's national REDD+ programme which Etc Terra helped put in place.

- iv. *[Redacted]* are logistically supporting Blue Ventures' operations at Site 3 in Madagascar as they have a vested interest in the health of the marine environment surrounding its commercial area. This partnership has the potential to provide sustainable financing and support for the work beyond the timeframe of the ICF grant.
- v. *Macquarie University* in Australia are supporting Blue Ventures' blue carbon science work, this year focussing on the carbon sequestration potential of mangrove restoration and the ability of mangroves to regenerate naturally following deforestation for charcoal production at Site 1.

Asset monitoring and control

The purchase of new project assets follows the Blue Ventures Procurement policy, a Purchase Request, quotations and delivery details before a unique asset number is assigned. The asset register for equipment in Madagascar is maintained by the Operations Manager, who is responsible for adding new assets and to capture information such as asset value, donor project code, location and the name of staff responsible for the asset.

Tangible fixed assets with a purchase value of over £750 are accounted for at cost less depreciation and coded to the unique project code on the Blue Ventures accounting system, which can then be used to generate an asset report by project for verification or spot checks undertaken by the in-country team or as part of an internal control support visit.

Blue Ventures also has a policy in place for the reporting of lost or stolen equipment and has adequate insurance that a claim could be made against in the event of loss, damage or theft to mitigate the risk to donors.

H. MONITORING & EVALUATION

Evidence and evaluation

Logframe

The Logframe has been updated to the end of September 2018.



ICF BV Logical Framework - Update

Recommendations to adjust:

There are several indicators that may need adjusting as a result of this Annual Review process. ICF program leads and Blue Ventures are collaboratively making these adjustments in the first quarter of 2019 as necessary

Impact level:

- **Impact Indicator 1** – Will be adjusted to reflect the sites selected across Indonesia and in country 3 as they are finalised. The milestones will increase as a result.

- **Impact indicator 3** - Upscale future milestones to reflect inclusion of the octopus closures, as this currently reflects the wider work that Blue Ventures is doing to scale our approach through partners and networks.

Outcome level:

- **Outcome 3:** Possibility of rephrasing indicator to **% of project beneficiaries** making agreed model profit from alternative activity for clarity, and so it measures effectiveness of the project rather than simply the scale of the project which is already captured in the output indicators.

Output level:

- **Output 2:** Milestone already met - recommended to update future figures and milestones to reflect this and make the milestones more stretching.
- **Output 3:** The number of people engaged in alternative livelihood projects at sites 1 and 3 should be adjusted to reflect intentions for development of sea cucumber in site 1 in the coming year and the current pause on development of alternative livelihoods involving aquaculture in site 3.
- **Output 4:** Health update based on number of service delivery points to be established following final site/village selection.

Programme Design Questions

A review of Blue Ventures' programme including its theory of change, Logframe and assumptions was completed by consultants convened by IMC worldwide, as part of the development of an evaluation plan. Recommendations made in the report suggest that a review of the theory of change and Logframe is needed as these have been developed in succession but neither document contains all the information. The aim of this review would be to ensure that all theories and assumptions are included in a single document so that any future monitoring and evaluation conducted (by Blue Ventures or independent evaluators) effectively tests and refines assumptions towards the improvement of the programming. A meeting for determining the next steps in implementing the evaluation plan between DEFRA and Blue Ventures took place on November 21 2018, where it was agreed that a number of recommendations would be actioned. The theory of change will now be brought in line with the log-frame, which will be done collaboratively by BV and Defra teams before the 2019 annual review. BV will also make changes to the ISS and GIS tools taking account of the consultants' recommendations and share/agree these changes with Defra. Progress on actions will be assessed in the 2019 Annual Review and mid-term evaluation due to take place in 2021.

Disaggregation of Data (gender, age etc.)

All data (where possible) will be publicly disaggregated by gender from 2019. Age categories are also used where possible, though age/DOB is not something that is known to people within many communities.

Monitoring progress throughout the review period

Ongoing monitoring

Improvements to Blue Ventures' monitoring and evaluation systems and processes are ongoing. Online and offline reporting tools continue their development and they have hired a new digital manager (July 2018) who is supporting the further development of this tool. Online database solutions continue to be trialled with further developments being made on this by the end of year 2.

Monitoring tools for tracking progress of outputs and outcomes as well as social and ecological impacts are also being continually strengthened, despite already strong M+E procedures, including where possible the wider use of mobile monitoring.

Notable progress has been made in the following areas:

- **Fisheries** data continues to be collected using a basic pen and paper system. Processes for double entry and checking to ensure accuracy of transcription of all fisheries data and centralised data management systems have enabled more effective and efficient turnaround of data back to the field team.
- **Alternative livelihoods** monitoring of individual farmer activities, to ensure they are performing tasks as agreed by the zanga management committee (ZMC), is being recorded and reported back routinely to the committee through dashboards.
- **Health service monitoring** has been piloted at Site 2 using a mobile reporting system. This has been well received and the data is accurate, meaning the mobile reporting system will be rolled out across Site 1 and then Site 3 when activities start there in year 3.

ANNEX A: Tools used as part of assessment for new countries and sites including field visits and workshops

For scoping and assessing new countries and sites, a number of tools have been used. Initially, a mangrove deforestation hotspot analysis of the Asia-Pacific region was completed using peer-reviewed global and regional remote sensing datasets. In parallel to this, a broad SWOT (Strengths, Weaknesses Opportunities, Threats) and multi-criteria ranking analysis (MCRA) was completed for all countries in the Asia-Pacific region where mangroves exist. This MCRA looked at 'big picture' factors that have the potential to highlight areas of social and environmental need that the project's approach could address (e.g. Human Development Index, history of local management, mangrove loss rate, etc.).

Countries and sites singled out by these two analyses as having high potential for model impact were then further investigated through desk-based literature reviews ahead of field scoping.

The field scoping consisted mainly of listening surveys in potential partner villages along with key stakeholder meetings with relevant local NGO and government actors. The listening surveys focused on three broad areas:

- social context, including local aspirations, needs and challenges, as well as potential appetite for locally-led marine management
- economic context, including how people earn money, who holds the power in local economies and any recent changes in conditions
- ecological context, including how marine ecosystems have (or have not) changed over time in the eyes of local people and potential reasons for any change

These social surveys were accompanied by ecological surveys of relevant mangrove ecosystems to establish mangrove health and assess any potential areas for reforestation.

Once the field data was collated and analysed, each country/site went through a second MRCA process. This more advanced MRCA looked at factors critical to project success, including social context, potential partners, programmatic opportunities and operational factors. Countries and sites that rank highly in this analysis can be put forward for potential selection. This process as a whole has led to the selection of Sembilang National Park, South Sumatra, as the first project implementation site in Indonesia (Site 4).